



**Far North  
District Council**



**Te Kaunihera o Tai Tokerau ki te Raki**

# **AGENDA**

## **Assurance, Risk and Finance Committee Meeting**

**Wednesday, 17 June 2020**

**Time: 1.00 pm**

**Location: Virtually via Microsoft Teams**

**Membership:**

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

**ASSURANCE, RISK AND FINANCE COMMITTEE - MEMBERS REGISTER OF INTERESTS**

<b>Name</b>	<b>Responsibility (i.e. Chairperson etc)</b>	<b>Declaration of Interests</b>	<b>Nature of Potential Interest</b>	<b>Member's Proposed Management Plan</b>
<b>Hon John Carter QSO</b>	Board Member of the Local Government Protection Programme	Board Member of the Local Government Protection Program		
	Carter Family Trust			
<b>John Vujcich (Chair)</b>	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
<b>Bruce Robertson (Deputy)</b>	No Form Received			
<b>Deputy Mayor Ann Court</b>	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
	Top Energy Consumer Trust	Trustee	Crossover in regulatory functions, consenting economic development	Declare interest and abstain from voting.

Name	Responsibility (i.e. Chairperson etc)	Declaration of Interests	Nature of Potential Interest	Member's Proposed Management Plan
			and contracts such as street lighting.	
	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 Pattinson	My husband is a builder and may do work for Council staff		Case by case
<b>Ann Court - Partner</b>	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.
<b>Mate Radich</b>	No form received			
<b>Kelly Stratford</b>	KS Bookkeeping and Administration	Business Owner, provides book keeping, administration and development of	None perceived	Step aside from decisions that arise, that may have conflicts

Name	Responsibility (i.e. Chairperson etc)	Declaration of Interests	Nature of Potential Interest	Member's Proposed Management Plan
		environmental management plans		
	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
<b>Kelly Stratford Partner</b>	Chef and Barista	Opuia Store	None perceived	
	Maori title land – Moerewa	Shareholder	None perceived	If there was a conflict of interest, I would step aside from decision making
<b>Moko Tepania</b>	Teacher	Te Kura Kaupapa Māori o Kaikohe.	Potential Council funding that will benefit my place of employment.	Declare a perceived conflict
	Chairperson	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 have a perceived conflict of interest in Te Rūnanga o Whaingaroa Council relations.	Declare a perceived conflict

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



---

**Far North District Council**  
**Assurance, Risk and Finance Committee Meeting**  
**Virtually via Microsoft Teams on:**  
**Wednesday 17 June 2020 at 1.00 pm**

---

**Order Of Business**

<b>1</b>	<b>Karakia Timatanga – opening prayer.....</b>	<b>9</b>
<b>2</b>	<b>Apologies and Declarations of Interest.....</b>	<b>9</b>
<b>3</b>	<b>Deputation.....</b>	<b>9</b>
<b>4</b>	<b>Confirmation of Previous Minutes.....</b>	<b>10</b>
	4.1 Confirmation of Previous Minutes.....	10
<b>5</b>	<b>Reports.....</b>	<b>16</b>
	5.1 NZ Audit Fraud Questionnaire.....	16
<b>6</b>	<b>Information Reports.....</b>	<b>22</b>
	6.1 Internal Audit and Assurance Report.....	22
	6.2 Risk Register Update .....	28
	6.3 Far North Holdings Limited - March 2020 Third Quarter Financial Report .....	36
	6.4 Far North Holdings Limited - Statement of Intent for the period 2020 to 2023 .....	43
	6.5 Council Financial Report for the Period Ending 31 May 2020.....	57
<b>7</b>	<b>Public Excluded.....</b>	<b>85</b>
	7.1 Confirmation of Previous Minutes.....	85
	7.2 Far North Holdings Limited Reappointment of Director.....	85
<b>8</b>	<b>Karakia Whakamutunga – closing prayer .....</b>	<b>85</b>
<b>9</b>	<b>Meeting Close .....</b>	<b>85</b>



**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:** A2895497

**Author:** Casey Gannon, 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 22 May 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. 2020-05-22 Assurance, Risk and Finance Committee Minutes - A2887451  

**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.

<b>Compliance requirement</b>	<b>Staff assessment</b>
State the level of significance (high or low) of the issue or proposal as determined by the <a href="#">Council's Significance and Engagement Policy</a>	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 ELECTRONICALLY, VIA TEAMS  
ON FRIDAY, 22 MAY 2020 AT 9.32 AM**

**PRESENT:** Cr John Vujcich, Member Bruce Robertson, Deputy Mayor Ann Court, Cr Kelly Stratford, Cr Moko Tepania (from 11:02 am), Mike Edmonds (Kaikohe-Hokianga Community Board Chairperson)

**IN ATTENDANCE:** Cr Rachel Smith

**STAFF PRESENT:** Shaun Clarke (Chief Executive Officer), Will Taylor (General Manager Corporate Services), Darrell Sargent (General Manager Strategic Planning and Policy), Andy Finch (General Manager Infrastructure and Asset Management), Dr. Dean Myburgh (General Manager District Services).

**1 KARAKIA TIMATUNGA – OPENING PRAYER**

Councillor Vujcich commenced the meeting with a karakia.

**2 APOLOGIES AND DECLARATIONS OF INTEREST**

Apologies were noted from His Worship the Mayor and Councillor Tepania for lateness.

**3 DEPUTATION**

There were no deputations received for this meeting.

**4 CONFIRMATION OF PREVIOUS MINUTES**

**4.1 CONFIRMATION OF PREVIOUS MINUTES**

Agenda item 4.1 document number A2860745, pages 10 - 14 refers.

**COMMITTEE RESOLUTION 2020/1**

Moved: Cr John Vujcich  
Seconded: Member Bruce Robertson

**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.**

**CARRIED**

**5 INFORMATION REPORTS**

**5.1 INTERNAL AUDIT AND ASSURANCE REPORT - MARCH 2020**

Agenda item 5.1 document number A2856441, pages 15 - 16 refers.

**COMMITTEE RESOLUTION 2020/2**

Moved: Cr Kelly Stratford  
Seconded: Member Bruce Robertson

**That the Assurance, Risk and Finance Committee receive the Internal Audit and Assurance Report - March 2020.**

**CARRIED****5.2 INTERNAL AUDIT AND ASSURANCE REPORT - APRIL 2020**

Agenda item 5.2 document number A2871278, pages 17 - 18 refers.

**COMMITTEE RESOLUTION 2020/3**Moved: Deputy Mayor Ann Court  
Seconded: Cr Kelly Stratford**That the Assurance, Risk and Finance Committee receive the report Internal Audit and Assurance Report - April 2020.****CARRIED****5.3 RISK MANAGEMENT**

Agenda item 5.3 document number A2857046, pages 19 - 28 refers.

**COMMITTEE RESOLUTION 2020/4**Moved: Deputy Mayor Ann Court  
Seconded: Cr John Vujcich**That the Assurance, Risk and Finance Committee receive the Risk Management Report.****CARRIED****5.4 BCA ACCREDITATION UPDATE**

Agenda item 5.4 document number A2855393, page 29 refers.

**COMMITTEE RESOLUTION 2020/5**Moved: Cr Kelly Stratford  
Seconded: Cr John Vujcich**That the Assurance, Risk and Finance Committee receive the BCA Accreditation Update.****CARRIED****5.5 MAY RISK MANAGEMENT**

Agenda item 5.5 document number A2875398, pages 30 - 47 refers.

**COMMITTEE RESOLUTION 2020/6**Moved: Cr Kelly Stratford  
Seconded: Deputy Mayor Ann Court**That the Assurance, Risk and Finance Committee receive the report May Risk Management.****CARRIED**

**5.6 COUNCIL FINANCIAL REPORT FOR THE PERIOD ENDING 30 APRIL 2020**

Agenda item 5.6 document number A2881067, pages 48 - 71 refers.

**COMMITTEE RESOLUTION 2020/7**

Moved: Member Bruce Robertson  
Seconded: Deputy Mayor Ann Court

**That the Assurance, Risk and Finance Committee receive the report Council Financial Report for the Period Ending 30 April 2020.**

**CARRIED**

**5.7 REVENUE RECOVERY REPORT - MARCH 2020**

Agenda item 5.7 document number A2876424, pages 72 - 74 refers.

**COMMITTEE RESOLUTION 2020/8**

Moved: Deputy Mayor Ann Court  
Seconded: Cr Kelly Stratford

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

**CARRIED**

**5.8 FINANCIAL IMPACT ASSESSMENT - COVID-19**

Supplementary Agenda item 1.1 document number A2887172, pages 4 - 6 refers.

At 11:38 am, Deputy Mayor Ann Court left the meeting and returned at 11:43am.

**RECOMMENDATION**

Moved: Member Bruce Robertson  
Seconded: Cr Kelly Stratford

**That the Assurance, Risk and Finance Committee receive the report Financial Impact Assessment - COVID-19.**

**CARRIED**

**5.9 LEVEL OF SERVICE KPI QUARTER 3 PERFORMANCE REPORT**

Agenda item 5.8 document number A2876091, pages 78 - 104 refers.

**COMMITTEE RESOLUTION 2020/9**

Moved: Cr Kelly Stratford  
Seconded: Member Bruce Robertson

**That the Assurance, Risk and Finance Committee receive the report Level of Service KPI Quarter 3 Performance Report.**

**CARRIED**

**6 PUBLIC EXCLUDED****6.1 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:**

<b>General subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Ground(s) under section 48 for the passing of this resolution</b>
<b>6.1 - Confirmation of Previous Minutes</b>	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
<b>6.2 - 2020 Far North District Council Assurance Work Programme</b>	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
<b>6.3 - FNDC Current Legal Action Potential Liability Claims</b>	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

The Assurance, Risk and Finance Committee resolved to exclude the public at 11:49 am.

At the conclusion of the public excluded discussion, the meeting confirmed the report and decision regarding the 2020 Far North District Council Assurance Work Programme can be publicly accessible.

## **7 KARAKIA WHAKAMUTUNGA – CLOSING PRAYER**

## **8 MEETING CLOSE**

The meeting closed at 12:20pm.

The minutes of this meeting were confirmed at the Assurance, Risk and Finance Committee Meeting held on 17 June 2020.

.....  
**CHAIRPERSON**

## 5 REPORTS

### 5.1 NZ AUDIT FRAUD QUESTIONNAIRE

**File Number:** A2889264

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

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

#### PURPOSE OF THE REPORT

To seek approval to provide response to NZ Audit fraud questionnaire.

#### EXECUTIVE SUMMARY

- As a part of their audit programme the FNDC external auditor, Audit NZ, have supplied a series of fraud questionnaires for completion.
- One of these fraud questionnaires is to be completed by our elected members.
- This questionnaire has been populated on your behalf and is presented for your review and approval.

#### RECOMMENDATION

**That the Assurance, Risk and Finance Committee:**

- a) approve the proposed response.**

#### 1) BACKGROUND

This report is required to ensure the Assurance, Risk and Finance Committee is aware of, and approves, the proposed response to NZ Audit.

As an organisation FNDC have a number of controls in place to mitigate fraud risk:

1. FNDC's Audit and Assurance Specialist undertakes internal audits on processes that are commonly known to be susceptible to fraud.
2. The current FNDC Assurance Work Programme includes providing assurance in areas such as:
  - Duplicate payments
  - Supplier Masterfile changes
  - Delegated financial authorisations
  - Conflicts of interest
  - Vehicle fleet management
  - Network logon accounts
  - Accounts payable and accounts receivable
  - Payroll
  - Contract/project assurance, i.e. payments, variations and documentation.

If any fraud, or opportunities for fraud, are identified through these audits, appropriate recommendations are made for improvements.

3. Third party external audits are also completed. These include:
  - IANZ Building Consent Authority Accreditation Assessment
  - MPI Council Food Act Recognised Agency
  - Three Waters Interim Alliance Agreement Review

- LGOIMA Compliance and Practice Chief Ombudsman Report
4. Implementation of the risk management framework through the organisation.
  5. Review of risk progress against the Organisational Top 12 Risk Dashboard by the Assurance, Risk and Finance Committee put another lens over the controls we have, and the strength of these controls.
  6. A suite of internal policies provides defined business practices and behavioural expectations:
    - Asset Disposal Policy
    - Dealing with Complaints Policy
    - Dress Code Policy
    - Drugs and Alcohol Policy
    - Email Usage Policy
    - Employee Code of Conduct Policy (includes Conflicts of Interest)
    - Equal Employment Opportunities Policy
    - Flexible Ways of Working Policy
    - Fraud, Corruption and Whistle Blower Policy
    - Gifts and Inducements Policy
    - Intranet, Network Usage and Password Security Policy
    - IT Equipment Policy
    - Learning and Development Policy
    - Leave Provisions Policy
    - Mobile Phone and Desk Phone Usage Policy
    - Overtime - Toil Policy
    - Payment of Professional Fees Policy
    - Performance Management Policy
    - Privacy Policy
    - Procurement Policy
    - Recruitment Policy
    - Remuneration and Reward Policy
    - Sensitive Expenditure Policy
    - Software Usage and PC Standards Policy
    - Workplace Harassment, Discrimination and Bullying Prevention Policy
  7. Two Protected Disclosure Officers available to staff, as well as an external whistleblowing hotline provided by EAP Services.
  8. Other procedures and processes that are in place to reduce the risk of fraud include:
    - Dependent on their role potential new staff members are both credit and Ministry of Justice checked within the recruitment process. Some positions are also Police vetted
    - Induction training for all new starters that educates them on our policies
    - Defined processes, controls and regular reporting such as non-PO payment report, duplicate payments, petty cash, staff expenses, training and travel approvals, and delegated financial authorisations
    - Separation of duties which prevents a single person from approving financial transactions
    - Conflicts of Interest processes and management plans.
    - Fraud insurance is in place
    - Completing lessons learned when a fraud event is experienced
    - We are implementing a new asset management system.
  9. In response to the current COVID-19 pandemic situation we have stood up an eight strong cross functional Fraud Task Force. The purpose of this Fraud Task Force is to utilise our systems and processes to mitigate fraud risks as identified by the organisation.

## 2) DISCUSSION AND OPTIONS

- This fraud questionnaire was received from Audit NZ for elected members to complete.
- The fraud questionnaire response has been reviewed and approved by SLT.
- The questionnaire summarises fraud management and events over the last 12 months to end April 2020.

The Assurance, Risk and Finance Committee can:

1. Approve the proposed response
2. Amend the response
3. Decline to make a response

Staff recommend that the proposed response be approved. Staff are happy to take proposed amendments from the committee to have a final response agreed at the meeting.

The benefit in responding is to in comply with the Audit NZ annual 2020 audit requirements.

### Reason for the recommendation

The questionnaire is a fair and accurate reflection of current fraud process, procedures and governance.

## 3) FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION

There are no financial implications.

## ATTACHMENTS

1. **2020 05 Draft Fraud Risk Assessment Questionnaire to TCWG - A2889255**  

**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.

<b>Compliance requirement</b>	<b>Staff assessment</b>
State the level of significance (high or low) of the issue or proposal as determined by the <a href="#">Council's Significance and Engagement Policy</a>	Not applicable.
State the relevant Council policies (external or internal), legislation, and/or community outcomes (as stated in the LTP) that relate to this decision.	Not applicable.
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.	Not applicable.
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.	Not applicable.
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.	Not applicable.
Chief Financial Officer review.	The Chief Financial Officer has reviewed this report.

**Fraud risk assessment – Direct enquiry areas for Council members**

**Fraud enquiries: Those charged with governance**

Specific enquiries	Response
<b>Role in relation to fraud</b>	
<p>What role do those charged with governance] have in monitoring management’s exercise of its fraud prevention responsibilities?</p>	<p>The Assurance, Risk and Finance Committee has this governance role. In this role the committee:</p> <ul style="list-style-type: none"> <li>• ensures the appropriate financial accounting and disclosure requirements are in place</li> <li>• approves independent external financial audit appointment</li> <li>• receives direct reporting by the external financial auditor to the committee with external auditor lead staff excluded discussion with elected members</li> </ul> <p>other third party audits (BCA, Food) are by regulatory agencies with outcomes reported to the Regulatory Compliance Committee. These audit recommendations are entered into the central audit log for monitoring and reporting by the Assurance and Audit Specialist to the Assurance, Risk and Finance Committee</p> <ul style="list-style-type: none"> <li>• reviews and approves internal audit and assurance work programme</li> <li>• receives direct reports from the internal Assurance and Audit Specialist including progress to close out third party and internal audit findings and recommendations</li> <li>• participates in the risk management governance including identification risks on the top organisational risk dashboard</li> <li>• receives direct top organisational risk progress reports</li> </ul>
<p>How does management communicate identified fraud risks? How do they provide assurance that anti-fraud controls are in place and operating?</p>	<p>Management communicates identified fraud risk to the Assurance, Risk and Finance Committee.</p> <p>Assurance that anti-fraud controls are in place is provided, to this committee, through the internal audit and assurance function and the external third party audits.</p>

Specific enquiries	Response
<p>If a fraud risk assessment has been completed, what input did those charged with governance have?</p> <p>Do you consider that the fraud risk assessment was a robust process?</p>	<p>Fraud was assessed as a risk by the Assurance, Risk and Finance Committee in 2018. With the controls, already in place, fraud was not prioritised as a top organisational risk.</p>
<p>How are those charged with governance informed of actual, suspected or alleged frauds?</p>	<p>Sponsored by the General Manager Corporate Services the Transformation &amp; Assurance team report investigated and proven fraud events to the Assurance, Risk and Finance Committee.</p>
<p><b>Actual, suspected, or alleged frauds</b></p>	
<p>Have any frauds been identified or are there any suspected or alleged frauds?</p>	<p>Yes. In the last 12 months one fraud lessons learned report was presented, on the 12 Feb 2020, to the Assurance, Risk and Finance Committee agenda.</p>
<p>For any identified frauds, were these investigated by management and have the results of the investigation been reported to those charged with governance?</p> <p>How did the fraud occur? How was it identified? What happened to fraudster, how much was involved and were any monies or assets recovered?</p>	<p>In December 2019 FNDC was affected by a fraudulent request for a bank account number to be changed. This request originated from one of our contractors, Conhur Ltd (sludge dewatering specialist company). Their IT and email systems had been maliciously hacked by an unknown party.</p> <p>A payment for a legitimate invoice was made to Conhur Ltd for \$100,600.30 using Conhur Ltd's new (fraudulent) bank account details.</p> <p>This event was reported to the Police who subsequently opened their own investigation.</p>

## 6 INFORMATION REPORTS

### 6.1 INTERNAL AUDIT AND ASSURANCE REPORT

**File Number:** A2885033

**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 audits, and any associated recommendations.

#### EXECUTIVE SUMMARY

This report provides an update on internal and external audit recommendations that have recently been completed, are almost complete, are underway, or are on hold. Since the last report on 22 May, five recommendations have been completed.

#### RECOMMENDATION

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

#### BACKGROUND

Five audit recommendations from the LGOIMA Compliance and Practice at FNDC Report have recently been completed by the Legal Services team.

There are plans in place to complete all other outstanding recommendations.

Audit recommendations as at 22 May 2020:

ID	Audit Name	Title	Priority	Status	Description
23	Internal Audit - Information Security	External user access and authentication	Must do	Almost complete	<p>The number of external users with non-expiring passwords should be reviewed to:</p> <ol style="list-style-type: none"> <li>1) Determine if they need access</li> <li>2) Confirm with Pathway that user access cannot be restricted to just the RFS's they are assigned to</li> <li>3) Ensure an IT Asset Acceptance Letter is signed by external users.</li> </ol> <p><b>Progress:</b></p> <ol style="list-style-type: none"> <li>1) Network logon account internal audit has been completed. Findings to be actioned by the IT team.</li> <li>2) User access to Pathway cannot be restricted to just the RFS's they are assigned to.</li> </ol>

					<p>External contractors are provided with limited access of 'enquiry' unless otherwise requested.</p> <p>User Groups have been set up for external users.</p> <p>External contractors are deactivated when contract has terminated, and the maintenance structures are removed.</p> <p>3) An IT Asset Acceptance Letter is signed by all external users.</p>
28	Internal Audit - Information Security	Project Security Risks	Should do	Underway	Information security controls need to be factored into FNDC's project management framework to ensure associated risks are managed.
58	KPMG - Procurement	Spend Monitoring	Should do	Underway	Implement quarterly procurement spend analysis.
59	KPMG - Procurement	Spend Monitoring	Should do	Underway	As part of the spend analysis process, integrate category spend management on a periodic basis.
64	KPMG - Procurement	Record-keeping	Should do	Underway	<p>Centralised system for storing documentation.</p> <p><b>Progress:</b></p> <p>A Contracts Register has been set up in SharePoint.</p>
65	KPMG - Procurement	Record-keeping	Should do	Underway	<p>Establish naming conventions for consistent naming.</p> <p><b>Progress:</b></p> <p>This will be combined with number 64 above.</p>
74	2017 Audit NZ Interim Annual Management Report	Legislative Compliance System	Should do	On hold	<p>Audit NZ recommend a mechanism for monitoring compliance with legislative requirements is put in place as part of the Council's overall risk management strategies.</p> <p><b>Progress:</b></p> <p>Stakeholder interviews have been completed. A range of possible solutions have been investigated. The next step is to procure a legislative compliance system and this will be considered in future budgets.</p>

99	Contract Management Review	Set contract management guidelines	Must do	Underway	<p>Focus is being placed on setting organisation wide contract management guidelines, encompassing the three main contractual areas: physical works, fixed term operational and maintenance, and goods and services. This encompasses the four contract stages: contract planning and development, contract execution, contract management and contract review/close-out.</p> <p><b>Progress:</b></p> <p>Work on developing a Contract Management Policy and Framework is progressing well.</p>
105	2018 Audit NZ Final Annual Management Report	Resource Management Deposits (Bonds)	Must do	Almost complete	<p>When testing the liability balance related to resource management deposits, Audit NZ found some deposits in the listing were received 18 years ago.</p> <p>They recommended resource management deposits be reviewed and an assessment made as to whether they still meet the definition of a liability. If not, they should be released to revenue.</p> <p><b>Progress:</b></p> <p>The Compliance Team have undertaken analysis and site inspections to determine which bonds can be refunded. This work is nearing completion.</p>
111	Three Waters Interim Alliance Agreement Review	Education of Alliance contracts and principles	Should do	Underway	<p>Greater education provided for staff regarding expectations of an Alliance contract and understanding of the Alliance principles.</p> <p><b>Progress:</b></p> <p>Toolbox sessions are held regularly with Far North Waters. FNDC Asset Managers are going to be taken through the contract so they can get a clear understanding of how it works.</p>
115	Three Waters Interim Alliance Agreement Review	Agree on Key Performance Indicators (KPI)	Should do	Underway	<p>Agree on the KPI's through the Alliance Management Team, including finance and contract performance, proactiveness and innovation, and co-developed Health and Safety KPI's.</p>

					<p><b>Progress:</b></p> <p>KPI's will be agreed in early 2020.</p>
123	2019 Audit NZ Final Annual Management Report	Deferral of capital expenditure	Must do	Underway	<p>Audit NZ recommend that the Council give consideration to the impact of deferred capital expenditure on asset condition and any potential impact this may also have on Council's asset valuations and impairment assessments for future reporting cycles.</p> <p><b>Progress:</b></p> <p>Council has commenced Programme Darwin which is aimed at addressing issues with asset management. Delivery of the capital programme being one of these issues. Council is reviewing the capital programme to ensure that it is achievable from inception and is limited to what can reasonably be delivered.</p>
132	LGOIMA Compliance and Practice Report	Develop a LGOIMA training programme tailored to the needs of all staff, including induction training and more detailed training on the application of LGOIMA withholding grounds	Must do	Complete	<p>A LGOIMA Policy has been developed which acts as a training tool. This will be embedded into induction training. Any additional training required will be based on the LGOIMA Policy and will be delivered by the Legal Services team.</p>
136	LGOIMA Compliance and Practice Report	Develop a written policy on official information	Must do	Complete	<p>A LGOIMA Policy has been developed. About to go through SLT approval.</p>
137	LGOIMA Compliance and Practice Report	Develop guidance resources for staff on how to apply LGOIMA to information requests	Must do	Complete	<p>A LGOIMA Policy has been developed which acts as a training tool. This will be embedded into induction training. Any additional training required will be based on the LGOIMA Policy and will be delivered by the Legal Services team. The policy itself is an excellent guidance tool for staff.</p>

138	LGOIMA Compliance and Practice Report	Amend operational guidance on staff intranet to comply with LGOIMA	Must do	Almost complete	The LGOIMA Policy will be placed on the intranet. Legal Services will work with the Communications and IT teams to action this once SLT approval is gained.
139	LGOIMA Compliance and Practice Report	Develop a Proactive Release policy	Must do	Almost complete	The Proactive Release Policy is nearing completion. As a result of the adoption of this policy, Legal Services will commence work on establishing the processes for proactive release of information, as well as how we manage publicly excluded items according to the policy guidelines.
141	LGOIMA Compliance and Practice Report	Ensure that all public and media information requests are handled in accordance with LGOIMA	Must do	Complete	This is embedded in the LGOIMA Policy.
142	LGOIMA Compliance and Practice Report	Ensure that requests from elected members are handled in accordance with LGOIMA	Must do	Complete	This is embedded in the LGOIMA Policy.
151	LGOIMA Compliance and Practice Report	Consider ways to include contact centre, media, elected member and property file requests in LGOIMA statistics	Must do	Underway	We are changing the way we report on LGOIMA to the Chief Executive - this work is currently in development.
152	LGOIMA Compliance and Practice Report	Consider including more information about LGOIMA requests in the report to the Chief Executive	Must do	Underway	We are changing the way we report on LGOIMA to the Chief Executive - this work is currently in development.

Complete: 5  
Almost complete: 4  
Underway: 11  
On hold: 1  
**Total: 21**

**FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION**

This report is for information only.

**ATTACHMENTS**

**Nil**

## 6.2 RISK REGISTER UPDATE

**File Number:** A2889879

**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 two of the top organisational risks.

### RECOMMENDATION

**That the Assurance, Risk and Finance Committee receive the report June 2020 Risk Register Update.**

### 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.

### DISCUSSION AND NEXT STEPS

Two risk progress reports, with treatment plans, are attached. Below is a summary of change to risk status. More detail is available in the risk progress reports.

Both ARF010 Data Governance and ARF005 Delivery of Service (affordability) risks, have been assessed as increasing level of risk.

The rationale for the increased level of risk is due to the impact of the drought and COVID-19 pandemic and national emergency. The negative impact is a result of:

1. Financial stress being experienced now and into the short-medium term future due to the impact of loss of income on businesses; and individuals and households.
2. Certnz have highlighted increased threat from criminals taking advantage of the COVID-19 pandemic to create opportunistic online scams and attacks.

An elected member workshop is to be scheduled to cover the FNDC Risk Management Framework and to refresh the top organisational risk dashboard.

The Transformation and Assurance team continues to work through the organisation to establish and maintain Group Risk Registers.

### FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION

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

**ATTACHMENTS**

1. **2020 05 ARF005 Delivery of Service Risk (affordability) Progress Report - A2889806**  
2. **2020 05 ARF010 Data Governance Risk Progress Report - A2889997**  

## Description of risk and impact

- Economic delivery is the financial ability to deliver Council services, strategies and initiatives to the community at affordable levels.
- Affordability of services is acknowledged as one of FN's key challenges. With a small rating base, diverse socio-economic factors and large distributed infrastructure base and service requirement, this will get worse over time without intervention.
- Data from the Ministry of Social Development shows that 19% of the Far North District receives New Zealand Superannuation. In total, Infometrics calculations show that 31% of the Far North population in March 2020 was either on a main benefit or on New Zealand Superannuation. In 2018, the Far North District had a usual residential population of 65,250, living in 22,761 households or around 2.9 people per household. Business Economic Research Limited (BERL) analysis (Feb 2020) for the Far North provides a snapshot by household type:

- Table 1 Household counts by the eight usual household types, Far North District 2018

Household Type	Household count	As a percentage
• Single Superannuitant, no other income	• 2471	• 10.9%
• Married Superannuitant, no other income	• 2961	• 13.0%
• Single working person (no kids)	• 1504	• 6.6%
• Single adult, 2 children, on benefit	• 409	• 1.8%
• Single adult, 2 children, employed	• 102	• 0.4%
• Couple, 2 children, one employed	• 749	• 3.3%
• Couple, 2 children, both employed	• 1123	• 4.9%
• Remaining households	• 13442	• 59.1%
• <b>Total occupied households</b>	• <b>22761</b>	•
• Two working adults, based in Auckland	• 763	• 3.4%

- 
- Ageing infrastructure and the forecast impacts of climate change and natural hazards present further delivery challenges. We do not fully understand our assets – location, condition, capacity, long-range requirements. Unbudgeted costs emerge frequently as a result of under-estimation and poor understanding of requirements.
- The affordability of delivery relates predominantly to core infrastructure assets, although services such as enforcement cannot be excluded as an area of risk.
- Central government's productivity commission enquiry acknowledges affordability as an issue for many councils, particularly for those without funding sources beyond rates and charges. This has been further impacted by the COVID-19 pandemic. Infometrics forecast a 7.2% decline economic activity in the Far North, for the year to March 2021, with the Far North likely see a 10.1% decline in local employment, costing around 2,500 jobs.

## Current situation (from CEO's memo to Elected Members 24 April 2020)

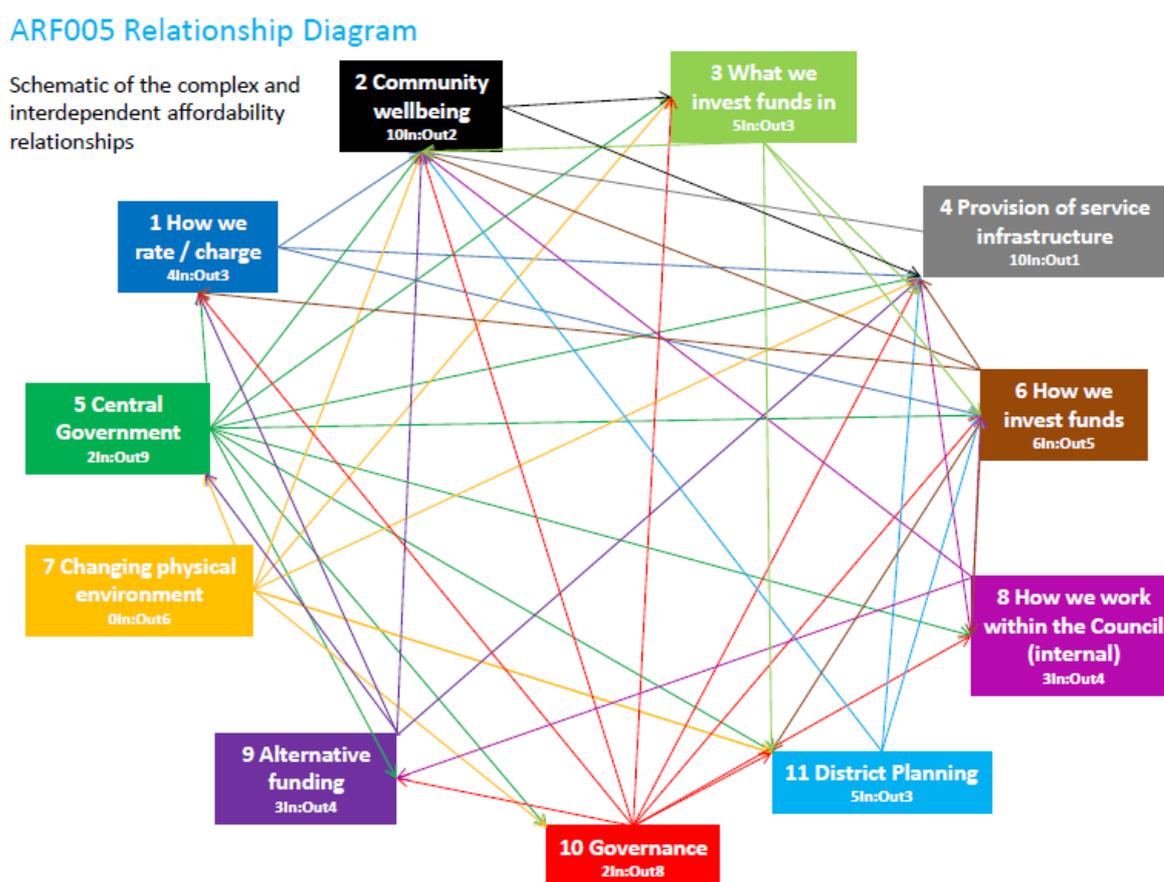
In this financial year (2019/20), the cost to Council for drought-related works is, at 24 April 2020, sitting at approximately \$4.2m with costs associated with COVID-19 costs so far totaling approximately \$88k.

- So far, we have been able to identify savings to offset \$3.7m, many of which were taken from areas of the business that have “slowed” due to drought or stopped all together as a result of the shutdown. At this point it must be noted that maintaining this level of saving in the slowed areas may not be possible indefinitely; it is anticipated that as we move back down the Alert Levels expenditure will start to increase, although it is too soon to estimate how fast normal levels are likely to be reached.
- It is extremely difficult to estimate the quantum of impact on Council’s income streams in the remaining few months of the current financial year as we move back through the COVID-19 Alert Levels. At the time of writing, staff continue to work on resource consents and building consents that were lodged prior to shut down. Expected future lodgment rates are unknown, so the impact on future income from consenting cannot yet be determined. Likewise, the cashflow impact on rates income has not yet emerged. Invoices for the final instalment have just been issued and a clearer picture of the impact is expected to develop in the coming weeks.

**Existing Treatments**

- Elected members have attended one of two risk deep dive workshops to unpack this risk. At this workshop elected member identified ideas, opportunities, issues and risks. Based on natural relationships these were grouped into 11 categories. An analysis of the complex relationship among the 11 themes was completed and captured in a “relationship” diagram. The main purpose of this diagram is to help identify the relationships between the themes, the goal being to support the understanding of the links between ideas or cause-and-effect relationships.

**Diagram 1:**



- This diagram shows a count of the arrows in and out for each theme
- Themes with the highest arrow count are key ideas;

- Themes with primarily out-going arrows ((10) Governance, (7) Changing physical environment, and (5) Central Government) are basic causes; and
- Themes with primarily in-coming arrows ((2) Community wellbeing and (4) Provision of service infrastructure) are final effects critical to address for this risk.
- Council has commissioned a report by BERL to inform our understanding of the rates affordability for eight usual household types within the District to determine the percentage of household income spent on rates at different rating levels, for different household types.
- FNDC has a traditional financial model of budgeting for endorsed plans and strategies such as the Long Term Plan, infrastructure and district plans including Council resource and capability to deliver on these plans and core service base.
- These plans and services are funded by mainly rating revenue, complemented by a small return on some assets such as pensioner housing, and Council's CCO, Far North Holdings Limited, who provides a shareholder dividend back to council.
- A revenue and rating review is underway looking at aspects such as Land value vs. Capital value to see if additional revenue can be derived from a more equitable rating system for the district.
- This review is also planned in the near term to look at sources of revenue and investigate new opportunities to grow and improve the funding base and potential.
- Planned enhancements such as; planning quality, business casing, project support, asset condition and management and contract management will all assist with managing costs, however it will take time for the cumulative benefits from these initiatives to flow down to accurate budgeting and forecasting processes.
- FNDC has joined regional alliances such as the Northern Transport Alliance to share costs and opportunities and the regional shared services model is one that will be utilized more frequently.
- Longer term strategy work such as the "Far North 2100" initiative is underway to assist with forecasting future services and costs.
- High level treatment plan:
  1. CouncilMark:
    - 18. Asset Management Improvement
    - 29. Capital Project Life Report Improvement
    - 16. Long Term Asset Funding Improvement
  2. Knowing where new assets will be required and when, including:
    - Location, timing and quantum of potential growth/decline
    - Current capacity of assets and likely future demand
    - The future/agreed strategy for the asset class
    - Where change (unforeseen and/or uncontrollable) may force action.
  3. Accurate and process-driven options assessment, with realistic budgets and timelines (taking the guesswork out of corporate planning (LTP and Annual Plans).
  4. Ensuring that work practices across Council are free of waste, keeping the rates requirement as low as possible.
  5. Building a rating system that is as fair and equitable as possible.
-

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

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

## ARF010 Data Governance Risk

### Risk Status Progress Report May 2020

#### Description of risk and impact

Because of	There is a chance that...	leading to...
Lack of formal data governance	<p>Data quality may be negatively impacted</p> <p>Data may be inappropriately used</p> <p>Data breach may negatively impact Council reputation</p> <p>We are non-compliant with relevant legislation</p>	<p>Slow, ineffective decision making</p> <p>Lack of confidence in data and decisions made on the data</p> <p>Increased organisational risk</p> <p>Mistakes/errors</p> <p>Ineffective and poor processes</p> <p>Inefficient customer service</p> <p>Legal liability and sanction</p> <p>Reputational damage to Council and Councillors</p>

Data is an asset. Good data, used and analysed appropriately, enables faster, transparent, decision making, reducing organizational risk.

Data Governance at FNDC is in its infancy. Currently Data Governance only exists at FNDC because the Information Services Operations Team is forced, by technical constraints (e.g. database technical requirements), to enable or enforce data governance. To realize the full benefits of good Data Governance several treatments are required, such as the implementation of data governance; data security protocols; and Data Management policies and process.

Data governance is the overarching framework that outlines the creation, maintenance, disposal and protection of data. The objectives of data governance are:

- Assure of data security and data quality
- Maximise the benefit generation of information
- Designate accountability for data quality
- Enable evidence-based policy development
- Increase consistency and confidence in decision making
- Consistent reporting
- Enable evidence-based business cases and strategies

**Existing Treatments**

Proposed High level treatment plans:

1. Oversight of Data Governance will be provided by Corporate Services.

The aim of Data Governance is to provide:

- Assurance of data security and data quality
- Maximize the benefit generation of information
- Designate accountability for data quality
- Enable evidence-based policy development
- Increase consistency and confidence in decision making
- Provide consistent reporting
- Enable evidence-based business cases and strategies

2. Several policies have been drafted and the need for a number of additional policies identified e.g. Data Cleansing and Quality Policy

- a. Data Governance Policy designed to manage the creation, transformation, and usage of data and related information owned by or in the care of Far North District Council
- b. A Data Protection Policy has also been drafted. Its purpose is to describe how personal data must be collected, handled, and stored and retrieved, in order to meet the Far North District Council’s data protection standards, comply with the law, and respect individual rights. This policy address data - collection, storage, use, accuracy, retention and protection.

To address governance the following internal policies and procedures are required:

- Policy for Data (Security, Privacy, Ethics, Retention, Sourcing)
- Procedures for monitoring performance
- Procedures for reporting on raw data (meta-data)
- Procedures for ensuring legislative and Audit compliance including Internal data audit
- Procedure for actions in event a data breach

3. FNDC needs to implement the requirements of the internal policy “PC033 Privacy Policy”, adopted August 2019, such as agree designated Privacy Officers.

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

Inherent Risk:	Trend	Residual Risk:	Accountable:	CEO	Date raised:	29/11/18	Report frequency:
	↑		Responsible:	Mgr. Data Insights and Programme Delivery	Date accepted:	30/05/19	Six monthly

**6.3 FAR NORTH HOLDINGS LIMITED - MARCH 2020 THIRD QUARTER FINANCIAL REPORT****File Number: A2895646****Author: Janice Smith, Chief Financial Officer****Authoriser: William J Taylor MBE, General Manager - Corporate Services****PURPOSE OF THE REPORT**

To report the financial position of Far North Holdings Limited as at 31 March 2020.

**EXECUTIVE SUMMARY**

At the Council meeting of 23 April 2020, Council requested that Far North Holdings Limited report on the financial position on a quarterly basis. This report is the third quarter report for the financial year 2019/20.

**RECOMMENDATION**

**That the Assurance, Risk and Finance Committee receive the report Far North Holdings Limited - March 2020 Third Quarter Financial Report.**

**BACKGROUND**

At the Council meeting - 23 April 2020, Council resolved the following:

**RESOLUTION 2020/21**

Moved: Mayor John Carter

Seconded: Cr Dave Collard

**That Council:**

- 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, and**
  - iii) **detail of significant income and expenditure, for example fees & charges and salaries to aid the shareholder understanding of the financial position.**

The March 2020 third quarter financial report is the first report received following that resolution.

**DISCUSSION AND NEXT STEPS**

The report as attached, now includes additional information as requested by Council at the meeting of 23 April 2020.

The COVID-19 Level 4 shutdown occurred 25 March 2020; therefore, the financial position shows limited impact for the quarter. The final accounts at 30 June 2020 will show more detail of the impact associated with the closure of the airport as well as the shortening of the cruise ship season.

Overall, income is down for the third quarter by \$381,458 and this is largely due to a reduction in goods sold.

Expenditure is ahead of budget in several places, the most significant being depreciation with \$322,221. Other areas showing greater than \$50k movement are Employee benefits (+\$95,315), Inventory (+\$68,720) and Finance Expenses (-\$63,156).

Overall the surplus is below budget by \$610,619 which equates to 24% of the budgeted surplus of \$2,451,955.

### **FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION**

There are no financial implications arising from this report, however, it should be noted that a continued decrease in the reported surplus will reduce the dividend payable to Council at the end of the financial year.

### **ATTACHMENTS**

1. **FNHL March 2020 Quarterly Report.final - A2895675** [↓](#) 



# Far North Holdings Limited

## Third Quarter Report 2019/2020



**1 July 2019 to 31 March 2020**



## Far North Holdings Limited

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

### **Third Quarter Report**

#### **For the 9 months ended 31 March 2020**

In accordance with Part 5, Section 66 of the Local Government Act 2002 and Far North Holdings Limited ("FNHL") Statement of Intent for the three years to June 2022 we hereby report on the activities of the company for the 9 months from 1 July 2019 to the 31 March 2020.

FNHL's Statement of Financial Position at 31 March 2020 and Statement of Financial Performance for the 9 months to 31 March 2020 are attached. As resolved at the 23 April 2020 council meeting, the information on the Statement of Financial Performance is now more detailed to show budget and main category spends as per the annual report.

#### **Covid-19 Lockdown and Economic Outlook**

Covid-19 has created great uncertainty for the future economic outlook, of not just the Far North, but the whole of New Zealand. It is fortunate that Far North Holdings are in a secure financial position to be able to offer our tenants rent relief and support them through this event. Although March has seen the end of Cruise Ships for the season, the lockdown has closed our airports, boatyard and painting operations and this with the rent concessions the company has offered its tenants will affect the fourth quarter results but we look to come out the other side of this with full tenancies and optimism for the future.

#### **Significant Variances**

Goods sold is \$870k below budget. This is due to the delay in honey sales. The company now has some contracts in place for the sale of honey and is anticipating better future prosperity for this business unit.

Services are up \$371k. This reflects the successful summer the boatyard, painting operations and the marina have all had.

Direct expenses from investment property is under budget as we have not completed some major repair work that was due to happen in March and April. Now with the Covid-19 lockdown and subsequent knock-on effects, this work has been put on hold until the economy recovers.

Depreciation is \$322k over budget. This is mainly due to the depreciation for the Bay of Islands airport being much higher than originally budgeted for.

### **Project Updates**

The Paihia Wharf project has been finished. All major components of the facility upgrade are now completed and operational. The delivery of this project has provided the public and commercial users with greater water space, more berths and better access.

Opuā – Kellet Street hilltop residential land was sold. Far North Holdings is now working with the community for the installation of the fitness / walking trail on the new reserve to connecting 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. This is due to be installed by October 2020.

The three apartments above Burnsco, overlooking the marina have now been sold. This has been a long process and we congratulate and welcome the new owners into our community.

The Manea Footprints of Kupe project had been progressing on track prior to lockdown. Windows and flashings have been installed and internal framing, ducting and linings fitted. The building is taking shape and it is hoped that work can be started again as soon as the Government announces that it is safe for the country to move into a lower level and construction can recommence.

The Te Hononga project in Kawakawa was progressing well prior to lockdown. The building and interpretive centre are almost complete, with only a small amount of carpentry remaining. The car park is progressing well with retaining walls being constructed. The artists are preparing the tiles and art works offset ready to install when the site can be opened again.

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.

---

Telephone: (09) 402 5659 Email: [enquiries@fnhl.co.nz](mailto:enquiries@fnhl.co.nz)

## FAR NORTH HOLDINGS LIMITED

STATEMENT OF FINANCIAL PERFORMANCE  
For Nine Months Ended 31 March 2020

	Actual 9 months to 31-Mar-20	Budget 9 months to 31-Mar-20	Actual 9 months to 31-Mar-19
Goods sold	2,270,986	3,140,536	2,153,237
Services	6,446,168	6,074,780	6,316,051
Rental income	2,821,158	2,809,470	2,437,929
Recoverables	360,550	284,204	352,047
Commission	23,500	3,500	5,435
Finance income	8,670	-	359
<b>Total Revenue</b>	<b>11,931,032</b>	<b>12,312,490</b>	<b>11,265,058</b>
Employee benefit expenses	2,250,093	2,154,778	1,820,524
Director compensation	146,108	128,772	127,103
Corporate overheads	296,546	337,001	315,995
Donations	6,245	48,894	48,817
Other operating expenses	2,341,562	2,108,323	2,087,821
Direct expenses from investment property	1,495,315	1,854,873	1,587,133
Inventories	1,995,834	1,927,114	2,035,139
Impairment of receivables	8,148	10,000	(22)
Depreciation and amortisation	787,017	464,796	447,087
Finance expenses	762,828	825,984	657,815
<b>Total Expenses</b>	<b>10,089,696</b>	<b>9,860,535</b>	<b>9,127,412</b>
<b>Operating Surplus</b>	<b>1,841,336</b>	<b>2,451,955</b>	<b>2,137,646</b>
Income tax expense	-	-	-
<b>Profit/(loss) for the period</b>	<b>1,841,336</b>	<b>2,451,955</b>	<b>2,137,646</b>

**FAR NORTH HOLDINGS LIMITED****STATEMENT OF FINANCIAL POSITION****As at 31 March 2020**

	<b>31-Mar-20</b>	<b>30-Jun-19</b>	<b>31-Mar-19</b>
<b>Equity</b>			
Share capital	18,000,000	18,000,000	18,000,000
Reserves	8,172,816	8,064,046	7,140,988
Retained earnings	<u>32,331,420</u>	<u>31,788,789</u>	<u>30,467,341</u>
	<b><u>58,504,236</u></b>	<b><u>57,852,835</u></b>	<b><u>55,608,329</u></b>
<b>Current Assets</b>			
Cash and cash equivalents	65,327	28,717	2,764
Trade receivables & prepayments	1,354,407	1,437,128	1,741,006
Inventories	1,198,464	1,265,694	1,273,350
Other investments	<u>545,365</u>	<u>743,778</u>	<u>201,605</u>
	3,163,564	3,475,317	3,218,725
<b>Non Current Assets</b>			
Intangible assets	200,000	200,000	201,487
Biological assets	2,403,730	2,403,730	-
Property, plant & equipment	27,117,202	27,079,918	27,477,724
Investment properties	<u>82,359,095</u>	<u>79,152,239</u>	<u>77,868,523</u>
	112,080,027	108,835,887	105,547,734
<b>Total Assets</b>	<b>115,243,591</b>	<b>112,311,204</b>	<b>108,766,459</b>
<b>Current Liabilities</b>			
Current Loans	-	4,374,398	-
Payables, accruals and income in advance	<u>5,674,977</u>	<u>7,221,020</u>	<u>6,988,188</u>
	5,674,977	11,595,418	6,988,188
<b>Non Current Liabilities</b>			
Loans	38,978,418	30,552,240	34,150,397
Deferred tax liability	2,639,824	2,639,823	2,491,938
Income in advance	<u>9,446,136</u>	<u>9,670,888</u>	<u>9,527,607</u>
	51,064,378	42,862,951	46,169,942
<b>Total Liabilities</b>	<b>56,739,355</b>	<b>54,458,369</b>	<b>53,158,130</b>
	<b><u>58,504,236</u></b>	<b><u>57,852,835</u></b>	<b><u>55,608,329</u></b>

**6.4 FAR NORTH HOLDINGS LIMITED - STATEMENT OF INTENT FOR THE PERIOD 2020 TO 2023****File Number: A2895790****Author: Janice Smith, Chief Financial Officer****Authoriser: William J Taylor MBE, General Manager - Corporate Services****PURPOSE OF THE REPORT**

The purpose of this report is to receive the Far North Holdings Limited - Statement of Intent for the period 2020 to 2023.

**EXECUTIVE SUMMARY**

The Schedule 8 (3) of the Local Government Act 2002 requires Far North Holdings Limited to deliver a final Statement of Intent to the Shareholder before the commencement of the financial year to which it relates.

**RECOMMENDATION**

**That the Assurance, Risk and Finance Committee receive the report Far North Holdings Limited - Statement of Intent for the period 2020 to 2023.**

**BACKGROUND**

Far North Holdings Limited delivered a draft Statement of Intent to the Shareholder and this was reviewed at the Council meeting of 23 April 2020. At that meeting it was agreed that a further workshop was required to enable the Shareholder to provide feedback to the Board of Far North Holdings Limited on the Statement of Intent.

**DISCUSSION AND NEXT STEPS**

A workshop was held 13 May 2020 where Board members of Far North Holdings Limited were in attendance. To enable new elected members to understand the purpose of Far North Holdings Limited a timeline that identified when and how Far North Holdings Limited came into existence and the changes that had occurred over time was discussed.

It was agreed that the Board of Far North Holdings Limited would review the draft Statement of Intent to ensure that it responded to the issues raised in the resolution from the 23 April Council meeting:

**RESOLUTION 2020/22****Moved: Cr John Vujcich****Seconded: Cr Mate Radich****That Council:**

- a) **review the comments from staff as identified and approve that:**
  - i. **the accounting policies needs to advise that additional disclosures are required to meet the needs of the Shareholders reporting requirements;**
  - ii. **the reference to a Statement of Expectations be removed from the Statement of Intent as the Shareholder has not yet taken any decisions in relation to the new sections of the Local Government Act 2002;**
  - iii. **the Board membership section of the Statement of Intent identifies which members will be retiring when and that all appointments will be in line with Council policy.**

- b) **advise Far North Holdings Limited of any amendments that are suggested by the shareholder, that are not covered in the report; and**
- c) **that all amendments be notified, through the Chief Executive, to the Board of Far North Holdings Limited prior to 30 April 2020.**

**And that Far North Holdings Limited begin quarterly financial and risk reporting to the Assurance, Risk and Finance Committee.'**

It was also noted that the impact that COVID-19 would need to be taken into consideration for the dividend projections for the outer years of the statement.

#### **FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION**

There are no specific financial implications arising from this report.

#### **ATTACHMENTS**

1. **FNHL Statement of Intent 2020 - 2023 FINAL - A2895770** [↓](#) 



---

Statement of Intent  
2020 to 2023

---

## Statement of Intent 2020 to 2023



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

## Statement of Intent 2020 to 2023



## 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

## Statement of Intent 2020 to 2023



## 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).

### Statement of Intent 2020 to 2023



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.

## Statement of Intent 2020 to 2023



## 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 SOI 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
<b>Te Pu o Te Wheke</b>	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
<b>Te Hononga, Kawakawa</b>	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 SOI term.
<b>Manea Opononi</b>	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.

## Statement of Intent 2020 to 2023



Key Project / Initiative	Description	Contribution to Strategic Objectives	Delivery in 2020-23
<b>Bay of Islands Airport</b>	Maximise the investment in the BOI Airport, including reviewing options for freight, the runway and associated airside infrastructure.	Reflecting the investment made by Air NZ in the apron / 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	Ongoing
<b>Ngawha Innovation and Enterprise Park</b>	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.
<b>Te Waiariki Ngawha Springs</b>	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.

## Statement of Intent 2020 to 2023



## Financials

### Operating Profit 3-year Forecast

Due to Covid-19 and the uncertainty of the economic impact, FNHL has been prudent with its forecasting. FNHL is forecasting an operating profit before tax for the 2020/21 year to be \$360k, for the 2021/22 year \$1.9 million and for the 2022/23 year to be \$2.6 million.

### Consolidated Shareholders' Funds and Total Assets

For the period from July 2020, the Company is forecasting minimal growth in total assets and shareholder's funds through the Covid-19 impact and expected economic downturn. Over the 3-year period of the SOI, FNHL does expect the economy to recover to pre Covid-19 levels.

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. Additional disclosures are required to meet the needs of the Shareholders reporting requirements.

## 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	\$180,000
2021/22 financial year	\$950,000
2022/23 financial year	\$1,300,000

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.

## Statement of Intent 2020 to 2023



### 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. Additional disclosures are required to meet the needs of the Shareholders reporting requirements.

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 a Statement of Financial Performance and a Statement of Financial Position. The Statement of Financial Performance will include previous year comparatives and budget. A report will provide an update on projects and explanations of significant variances.

### 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.

### Commercial Value of Shareholder's Investment

The Council's investment in FNHL as at 30 June 2019 was independently valued at \$102,529,000.

### 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.

## Statement of Intent 2020 to 2023



## 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 \$330k, after payment of dividend	Shareholders' funds increase by \$1.437m after payment of dividend	Shareholders' funds increase by \$1.573m, after payment of dividend
Provide a commercial return to FNDC	Dividend return to FNDC	Pay minimum \$180k	Pay minimum \$950k	Pay minimum \$1.3m
Effective Financial Management	FNHL is to make profitable annual returns.	\$360k	\$1.873 million	\$2.585 million
Ratio of consolidated shareholder funds to total assets. Shareholder funds are defined as total equity.	The ratio is to exceed 50%	50%	50%	50%
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 Annual Board Review with appointed Audit NZ representative To remain within Banking covenants Board Audit and Finance committee meetings to be conducted semi-annually	To achieve  To be held  To achieve  To be held	To achieve  To be held  To achieve  To be held	To achieve  To be held  To achieve  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 Kaitiaki 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%

## Statement of Intent 2020 to 2023



## 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, to be renewed)
- Hon Murray McCully CNZM (term ends 28 February 2021)
- Ross Blackman (term ends July 2020)

All new appointments will be in line with Council policy.

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.

## Statement of Intent 2020 to 2023



## 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.

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.

**6.5 COUNCIL FINANCIAL REPORT FOR THE PERIOD ENDING 31 MAY 2020****File Number: A2896330****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 31 May 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 Council Financial Report for the Period Ending 31 May 2020.**

**BACKGROUND**

This reports financial information as at 31 May 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 May 2020 (Pd11) (003) - A2896529** [↓](#) 



Far North District Council

# Council Financial Report

---

for the period ending **31-May-2020**



## Contents

Financial Overview .....	4
Council Financial Performance – Income.....	7
Council Financial Performance – Operational Expenditure.....	8
Council Financial Performance – Capital Expenditure .....	10
Unbudgeted Expenditure .....	12
Budget Movements.....	15
Treasury Report .....	21
Treasury Compliance .....	<b>Error! Bookmark not defined.</b>
Statement of Financial Performance.....	23
Statement of Capital Performance .....	24
Analysis of Operational Income and Expenditure by LTP Group .....	25



## Financial Overview

Key financial metrics from the Statement of Financial Performance for the Far North District Council as at 31-May-2020.

The overall performance of Council has continued with business as usual even though the drought conditions and now COVID-19 has taken precedence and will continue in the coming months in order to bring back recovery to our economy and district.

The organisation is refocusing their priorities in order to accommodate both situations so ongoing income and expenditure will be reviewed.

Overall, we had a Variance to Budget YTD movement from -\$0.4M in April 2020 to -\$2.4M in May 2020 Net Operating Position.

The Year End forecast net operating position of -\$7.6M was due to savings across the organisation to accommodate the drought crisis and COVID-19. However, the remaining balance pertained mainly to Roothing subsidy for both New Works and Renewal.

Year End Net Operating Position	Amount	Comments
Roothing Subsidy	\$5,047k	Roothing capital projects for both new and renewal have been identified as a carry forward and will be completed in the 2020_2021 financial year

The year end forecast position for Capital Expenditure of -\$15.7M is mainly due to the following projects:

Year End Capital Expenditure	Amount	Comments
District Facilities	\$1,028k	Council approved unbudgeted funds for BOI Sports Development Land purchase
Roothing and Footpaths	-\$11,660k	Roothing projects for both new and renewal have been transferred out to the future years
Wastewater	-\$332k	Council approved additional funds of \$1.5m to complete Kerikeri Wastewater Treatment Plant offset by projects transferred to future years
Stormwater	-\$127k	Waipapa roundabout disposal field budget has been cancelled
Water Supply	-\$151k	Renewals at Kaitaia (mains replacement) Russell bore, Kaikohe reservoir, Paihia industrial area fire flow, Kawakawa bore, Rawene/Omanaia WTP
Governance & Strategic Administration	-\$4,278K	Te Pu o te Wheke - Kaikohe Hub of \$3.8m transferred to 2020_2021 financial year. Balance related to

		movement for vehicles and office furniture
<b>Customer Services</b>	-\$208k	Horizon library system

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 31-May-2020

	Actual YTD	Budget YTD	Variance to Budget YTD	% Variance Actual to Budget YTD
Total Income	115.6M	117.5M	1.9M	-2%
Operational Expenditure	113.0M	112.5M	0.5M	0%
<b>Net Operating Position</b>	<b>2.6M</b>	<b>5.0M</b>	<b>2.4M</b>	<b>-48%</b>
<b>Capital Expenditure</b>	<b>43.9M</b>	<b>61.3M</b>	<b>17.4M</b>	<b>-28%</b>

## Year End

Forecast Position as at 30-June-2020

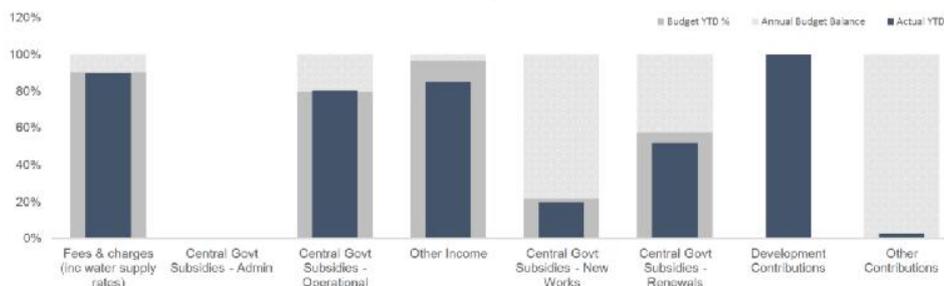
	Annual Forecast	Annual Budget	Forecast Variance to Budget	% Variance Forecast to Budget YTD
Total Income	139.8M	142.9M	3.1M	-2%
Operational Expenditure	132.9M	128.4M	4.5M	4%
<b>Net Operating Position</b>	<b>6.9M</b>	<b>14.5M</b>	<b>7.6M</b>	<b>-52%</b>
<b>Capital Expenditure</b>	<b>74.9M</b>	<b>90.7M</b>	<b>15.7M</b>	<b>-17%</b>

*\*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
34.0M	35.2M	1.2M	-3%	53.3M	50.2M	3.1M	-6%



### Highlights:

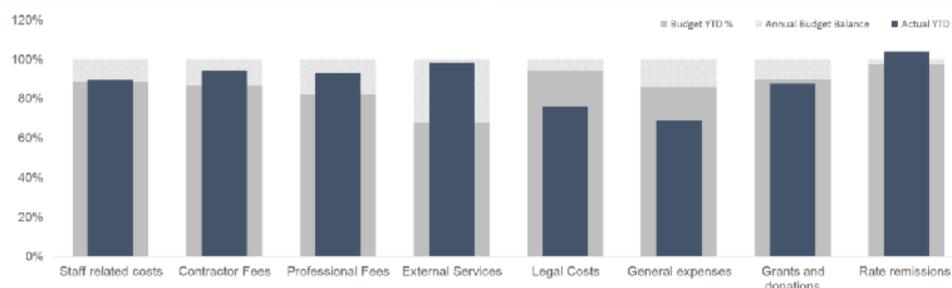
#### Central Govt Subsidies – Renewals

- The Roothing activity overall is behind budget due to dry weather which is not suitable for applying materials. This has impacted expenditure particularly in the south of the district.
- Pavement rehabilitation in both the North and South areas were initially delayed due to the availability of the laboratory test results for design purpose, which further delayed the initial commencement of physical works and then COVID-19 further delayed progress.
- Bridge structures renewal contracts has now been awarded, however, due to the COVID-19 lockdown the programme has missed the construction period and will be delivered next financial year.

## 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
80.3M	77.3M	3.0M	4%	89.9M	94.7M	4.8M	5%



### Highlights:

#### Contractor Fees

- Unbudgeted engagement of contracted consultants to meet demand for resources and building consent works has continued. Costs are not fully recoverable, in the Building Consents group travel and accommodation is not recoverable. In the Resource Consents group not all costs have been recovered due to discount penalties, fee waivers and successful fee objections.
- The water and wastewater alliance agreement with our current contractor Broadspectrum Limited is over budget due to reactive works over the period of the drought. 199 requests for service has been received in April, there was a significant reduction in the number of water leaks attended during April compared with previous periods during the height of summer.
- Desludging of the Kaitaia Wastewater Treatment Plant Pond funding of \$1.5M was approved last financial year, however, the work has been carried out this financial year resulting in an underspend for last year and an overspend this year.

#### Professional Fees

- Unbudgeted removal and clearing of trees are continuing in the Eastern and Western Ward due to public safety.
- 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 being reviewed and will be corrected in due course.

- Consultants and project managers have been engaged for Tourism Infrastructure Funds (TIF) applications for toilets to assist with project planning and scoping and develop forward works programme for the asset managers.
- Stormwater are behind budget, but funds are fully committed to complete the Kawakawa stormwater catchment modelling.
- Customer services are behind budget due to the slowing down of services provided to the public.

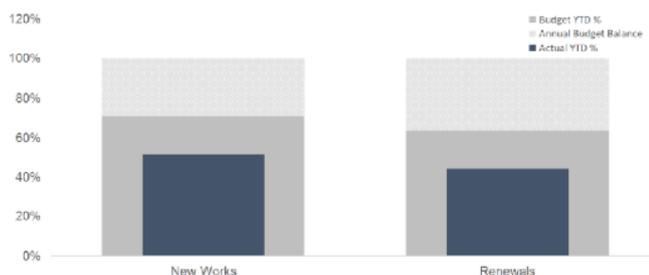
**External Services**

- This is ahead of budget mainly due to the impact of the drought crisis. Unbudgeted costs relating to temporary water supplies have been incurred, however, savings across the organisation have been reforecast to offset this and some expenditure is to be offset by Provincial Growth Funding (PGF).

## 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
43.9M	61.3M	17.4M	-28%	90.7M	74.9M	15.7M	-21%



### Highlights:

#### New Works

- Due to a change in the scope of works for the animal welfare shelter at Bonnets Road in Kaitaia, Council has negotiated with the original tenderer who is happy to carry out the work. Pricing has been received and is under review with Infrastructure and Asset Management (IAM) team.
- The Kawakawa Library/Service Centre will be relocated to Te Hononga and has been further delayed. The move is expected to take place in September 2020.
- Works on the Windsor Landing Carpark and Access has been awarded and will be completed in 2020/21.
- West Coast Rd G01 bridge project has been awarded and will commence in the next financial year.
- Inksters Rd W35 and Kenana Rd E16 culvert replacements design review has highlighted some issues and affected the ability to construct this financial year.
- Otatau Rd N28 contract was awarded prior to COVID-19 lockdown, however, the project cost exceeds budget and will now be delivered next financial year.
- 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. This has now missed the construction period due to the COVID-19 lockdown and will be delivered next year.
- Planned work for the Asset Management System project is in a development phase with Infor Global Solutions (NZ). System configuration was scheduled to be completed in April 2020 but is ongoing and the data migration is due August 2020.
- Kerikeri Wastewater Treatment Plant is continuing, however, there are now further delays due to the current COVID-19 situation and will not be completed until September 2020.

- The Paihia Wastewater Treatment Plant is currently under budget and the remaining funds are fully committed to completing the project but is now delayed due to the COVID-19 shutdown.
- Kaitaia Commerce Street Stormwater Line is under budget, the project is in design phase and work is planned to commence in September 2020.
- Moerewa Stormwater Improvements is under budget, the procurement plan is in progress with work planned to commence in October 2020.
- The Kawakawa Water Treatment Plant required extra funding of \$195K for work to bring the plant up to standard with the new Hazardous Substances Regulations 2017.

### Renewals

- Kaitaia Airport seal works has now commenced but will be completed in 2020/21.
- Taheke Hall structural and internal fit-out works is in detailed design stage, and tenders have been invited and anticipate construction to commence in October 2020 at the request of the Taheke Committee.
- Maritime Facilities work on re-construction to extend the Mangonui jetty including gangway, pontoon and piles, steps are being undertaken by Far North Holdings Limited. Scoping works for renewal works for other maritime facilities at Whangaroa, Totara North, Taipa, Kerikeri is in progress. Opononi, Kohukohu, Omapere, Rawene, Provincial Growth Fund (PGF) applications are in progress.
- Hundertwasser toilet has been delayed due to a structure report required and other works with the main centre. This coincides with the stormwater realignment project.
- The Kawakawa Hundertwasser Memorial Park Stormwater Realignment project is under budget, approval has now been given to order materials.
- Parks and reserves are under budget; scoping works are being finalised for Okaihau and design works has commenced for Moerewa.
- Footpath renewals are under budget due to resourcing issues with the Northern contractor; however, this work will now be delivered by the Southern contractor and will be completed this financial year.
- 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. Vehicles that are on order have been delayed due to import issues arising from the COVID-19 pandemic.

## 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		
		Amount
<b>Unbudgeted Operational</b>		
Water Crisis PGF Lake Omapere	Other Contributions	-800,000
Water Crisis PGF Bonnets Road	Other Contributions	-1,200,000
Water Crisis PGF Lake Omapere	External Services	800,000
Water Crisis PGF Bonnets Road	External Services	1,200,000
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
		<b>935,000</b>
<b>Unbudgeted Capital Works</b>		
		<b>Amount</b>
BOI Sports Development	CAPEX New Works Contract Services	1,840,717
Kerikeri Wastewater Infrastructure	CAPEX New Works Contract Services	1,500,000
Bonnets Road (PGF)	External Services	1,200,000
Lake Omapere (PGF)	External Services	800,000
Digitisation Scanning	External Services	648,688

<b>Waitangi Jetty Toilet Capacity - TIF</b>	<b>External Services</b>	<b>252,000</b>
<b>Karikari and Doubtless Bay Rangers</b>	<b>External Services</b>	<b>185,500</b>
<b>Waitangi/Haruru Falls Bush Walk</b>	<b>CAPEX New Works Contract Services</b>	<b>164,000</b>
<b>Mitimiti Toilet (TIF)</b>	<b>CAPEX New Works Contract Services</b>	<b>153,290</b>
<b>Opononi i-Site Public Toilet (TIF)</b>	<b>CAPEX New Works Contract Services</b>	<b>135,509</b>
<b>Waitangi Boat Ramp Toilets (TIF)</b>	<b>CAPEX New Works Contract Services</b>	<b>133,769</b>
Stormwater Bonnett Road Kaitaia	CAPEX New Works Contract Services	99,168
Structural works Kawakawa WTP	CAPEX Renewal Works Contract	85,734
Boat Ramp Study TIF Funded	External Services	75,000
Freedom Camping Study - TIF Funded	External Services	75,000
Kohukohu Resource Consent	CAPEX New Works Licenses and	62,850
9-11 Old Beach Road Stormwater	CAPEX New Works Contract Services	56,659
Korora Park Toilet	CAPEX New Works Contract Services	49,450
Kaimaumuau Public Toilet	External Services	40,000
Kaitaia New Source (Sweetwater)	CAPEX New Works Contract Services	40,000
Ahipara Toilet	External Services	36,550
Opononi Resource Consent	CAPEX New Works Licenses and	33,000
Stone Store Lighting - TIF Funded	External Services	28,000
Paihia Toilet Enhancement - TIF Funded	CAPEX New Works Contract Services	28,000
Horeke Housing for the Elderly	CAPEX Renewal Works Contract	26,655
Kaikohe Memorial Park Upgrade	CAPEX New Works Contract Services	26,400
24-26 Yarrowborough 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
Taipa Tree Protection - TIF Funded	External Services	16,000
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
CCTV Hokianga i-SITE	CAPEX New Works Contract Services	3,885
CCTV BOI i-SITE	CAPEX New Works Contract Services	3,740
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
Structural works Kawakawa WTP	CAPEX New Works Contract Services	215
Paihia Toilet Enhancement - TIF Funded	Subsidy New Works	-14,000
Waitangi Boat Ramp Toilets (TIF)	Subsidy New Works	-133,769
Opononi i-Site Public Toilet (TIF)	Subsidy New Works	-135,509

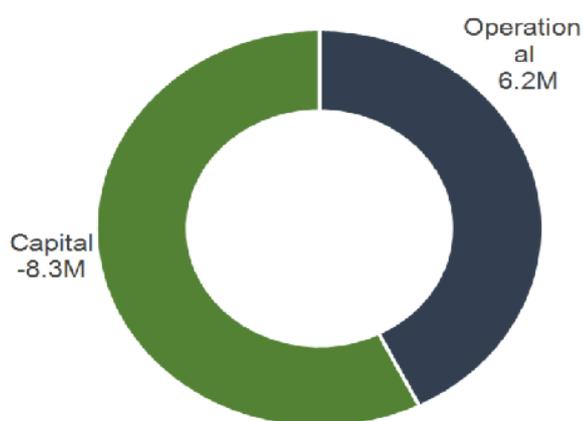
Mitimiti Toilet (TIF)	Subsidy New Works	-153,290
Lake Omapere (PGF)	Grants Operational	-800,000
Bonnets Road (PGF)	Grants Operational	-1,200,000
		<b>5,568,415</b>
<b>Unbudgeted Roothing</b>		<b>Amount</b>
<b>West Coast Rd RP9563</b>	<b>CAPEX Renewal Works Contract</b>	<b>269,500</b>
<b>Diggers Valley Rd RP12722</b>	<b>CAPEX Renewal Works Contract</b>	<b>210,000</b>
<b>Fairburn Rd RP9588</b>	<b>CAPEX Renewal Works Contract</b>	<b>185,500</b>
<b>Wharekawa Rd RP3552</b>	<b>CAPEX Renewal Works Contract</b>	<b>178,000</b>
Waiotehue Road Dropout RP 5400	CAPEX Renewal Works Contract	20,000
Waiotehue Rd RP5251	CAPEX Renewal Works Contract	13,000
		<b>876,000</b>
		<b>7,379,415</b>

<b>Summary</b>	
Operational	935,000
Capital	5,568,415
Roothing	876,000
<b>Balance of Unbudgeted Expenditure</b>	<b>7,379,415</b>

## 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 \$5M Rooding 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 year	-1,000
Legalisation	Expenditure is running at a lower rate than expected	-5,000
Legal Services	Anticipated costs award Supreme Court Case	-33,000
Resource Consents Administration	Opex Reforecast as at 31 Oct 19	-96,189
		<b>547,684</b>
<b>Project Ledger</b>	<b>Comment</b>	<b>Amount</b>
Kaitaia New Source (Sweetwater)	Kaitaia New Water Source Sweetwater Bore	499,000
IT Servers & Storage	Server and Network Renewal Project reforecast from 2020/21	178,708
Tech One	TechOne HRP Renewals budget transfer from 20/21 FY	95,000
Mission Road-Kerikeri	Transfer from holding code to individual project codes and retiming	85,190
Kaikohe Hone Heke Reserve	Kaikohe Hone Heke Reserve Repair retaining Wall	73,123
Horeke Hall	Horeke Hall Wastewater Treatment System septic tank replacement	70,976
North Park Drive to Whangatane Drive-Kaitaia	Transfer from holding code to individual project codes and retiming	68,625
Mobile Toilets (Temporary Facilities)	Covid19 lockdown Capex reforecast to LTP 21/22	67,290
Computer Equipment	Server and Network Renewal Project reforecast from 2020/21	42,533
Kaikohe HQ Building (Roof) Renewals	Roof repairs Kaikohe Service Centre From future year 2020-2021	36,193
Northland college to Saleyards-Kaikohe Footpath	Transfer from holding code to individual project codes and retiming	34,980
Footpaths Western Ward	Transfer from holding code to individual project codes and retiming	27,152
Waianga Place-Opononi Footpath	Transfer from holding code to individual project codes and retiming	26,840
Air conditioning units HQ Chambers	Coding correction to journal 138 Council Chambers Ac system upgrade	25,468
Jaycee Park/Centennial Park	Steam train Centennial Park Repairs, blasting and repainting	21,000
Northern Bin Benches Bollards Signs Tables	Northern Bins Bollards Benches \$20,000 reinstated back to this year	20,000
Western Bin Benches Bollards Signs Tables	Western Bins Bollards Benches \$20,000 reinstated back to this year	20,000
Kaikohe Lions Club	Kaikohe Lions Club Budget Movements renewals from 2034	15,900

Long Beach Road footpath corner to carpark-Russell	Transfer from holding code to individual project codes and retiming	13,810
Mains replacement Rawene	Rawene Cemetery Water Main Approved by Will Taylor	13,415
Taheke Road to Orrs Road eastbound-Footpath Kaikohe	Covid19 lockdown - Footpath project reforecasted to AP 20/21	12,052
Whangaroa Hall Renewals	Whangaroa Hall - Exterior Upgrade to address weather tightness issues	12,000
Te Haumi Seawall	Te Haumi Seawall & Carpark remediation Capex reforecasted to LTP 21/22	10,874
Rangihamama Road to Taheke Road SH12-Footpath Kaikohe	Transfer from holding code to individual project codes and retiming	10,028
9B Hone Heke Road Kerikeri SW Pipeline Upgrade	Tfr of Renewal Budget Approved by: W Taylor	9,664
Opononi/Omapere Stormwater Imps	40 Fairlie Cresc SW Imps Approved by: W Taylor	9,190
Rawene Old Courthouse	Rawene Community Library Renewals	7,202
Russell Robertson St Stormwater Lines	Tfr Future Renewal Budget Russell Robertson Street	5,287
Kaitaia Oxford St Housing for the Elderly	HFTE Oxford St & Puckey Ave mailbox	4,241
Kaitaia Swimming Pools	Kaitaia Swimming Pool Dive Board Retiming	2,369
1506 Inland Road Sewer Connection	1506 Inland Rd Sewer Connection Renewal	2,070
Landfill Russell	Russell Landfill Leachate pump Renewal	1,900
Disability Access Halls Western	Disability Halls Access Western Capex reforecasted to LTP 21/22	559
Commercial Street Car Park Renewals	Covid19 lockdown Capex reforecasted to LTP 21/22	-705
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 Tirohanga Borefield	Covid19 lockdown Capex reforecasted to LTP 21/22	-5,173
Conversion of Off Street Car Parking to Accessible Levels	Covid19 lockdown Capex reforecasted to LTP 21/22	-5,573
Conversion of Off Street Car Parking to Accessible Levels	Covid19 lockdown Capex reforecasted to LTP 21/22	-5,573
Conversion of Off Street Car Parking to Accessible Levels	Covid19 lockdown Capex reforecasted to LTP 21/22	-5,573
Kawakawa WWTP RMU	To be removed - allowed for in 551134	-5,641
Parks & Reserves Western	Re-forecast out to FY21/22 Capex	-6,065
Disabled access Toilets Eastern	Covid19 lockdown Capex reforecasted to LTP 21/22	-6,222
Accessible Carparks Eastern	Reinstate budget from 21/22 FY back into Capex reforecasted to LTP 21/22	-6,625
Accessible Carparks Northern	Reinstate budget from 21/22 FY back into	-6,872
Paihia Mains Fire Flows Puketona Haruru Falls	Covid19 lockdown Capex reforecasted to LTP 21/22	-6,979
Civil Defence Renewals	Covid19 lockdown Capex reforecasted to LTP 21/22	-7,055

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
Russell Bores Control System Upgrade	Covid19 lockdown Capex reforecasted to LTP 21/22	-7,808
Ahipara Parks & Reserves	Funding to be removed saving frm FY18/19	-9,308
Disabled access Toilets Western	Covid19 lockdown Capex reforecasted to LTP 21/22	-10,116
Accessible Carparks Western	Reinstate budget from 21/22 FY back into Capex reforecasted to LTP 21/22	-10,363
Whangaroa Wastewater Scheduled Renewals	Covid19 lockdown Capex reforecasted to LTP 21/22	-10,440
Kaikohe Taraire Hills Reservoir	Covid19 lockdown Capex reforecasted to LTP 21/22	-10,578
Opononi Specified Works	Covid19 lockdown Capex reforecasted to LTP 21/22	-12,736
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
Taheke Road to Orrs Road eastbound-Footpath Kaikohe	Covid19 lockdown - Footpath project reforecasted to AP 20/21	-18,260
Proctor Library HVAC	Budget savings Proctor Library HVAC	-20,627
Districtwide Chlorinator Replacements	Covid19 lockdown Capex reforecasted to LTP 21/22	-22,484
Ahipara Parks & Reserves	Korora Park Carpark Apron replacement	-22,618
Paihia Parks & Reserves	Re-forecast to FY21/22 Capex Reforecast	-24,181
Taupo Bay Toilet	Re-forecast to FY23/24 Capex Reforecast	-25,721
Tsunami Warning System	Covid19 lockdown Capex reforecasted to LTP 21/22	-29,710
Parks & Reserves Eastern	KK Doves Bay; Paihia Lily Pond Carpark	-32,616
Okaihau Supplementary Source	Covid19 lockdown Capex reforecasted to AP 20/21	-33,158
Disability Access Halls Northern	Reinstate budget from 21/22 FY back into Capex reforecasted to LTP 21/22	-33,324
Paihia Specified Works	Paihia Specified Works Capex reforecast to 20/21	-35,259
Kaikohe Taraire Hills Reservoir	Covid19 lockdown Capex reforecasted to LTP 21/22	-35,412
Opononi Specified Works	Covid19 lockdown Capex reforecasted to LTP 21/22	-40,336
Asset Finda Hardware & Software	Covid19 lockdown Capex reforecasted to LTP 21/22	-40,880
Whatuwhiwhi Wastewater Scheduled Renewals	Covid19 lockdown Capex reforecasted to LTP 21/22	-50,098
Ward Wide Town Beautification / Improvements Western	Re-Forecast to FY21/22 Capex Reforecast	-51,100
Kaikohe Streetscape UpGrade	Re-Forecast to FY21/22. Budget to be renamed to Urban Streetscapes	-54,867
Te Haumi Carpark	Covid19 lockdown Capex reforecasted to LTP 21/22	-55,934

Mobile Toilets (Temporary Facilities)	Covid19 lockdown Capex reforecasted to LTP 21/22	-67,290
Rawene Grundy Street Reticulation	Needs to be removed-Project completed Capex Reforecast	-68,985
Disability Access Halls Eastern	Covid19 lockdown Capex reforecasted to LTP 21/22	-71,101
Mains replacement Kaitaia	Covid19 lockdown Capex reforecasted to AP 20/21	-75,858
Kaikohe Reticulation	Covid19 lockdown Capex reforecasted to LTP 21/22	-80,144
Kerikeri Domain Playground	Re-Forecast to FY21/22 Capex Reforecast	-81,249
Kaikohe Reticulation	Covid19 lockdown Capex reforecasted to LTP 21/22	-81,760
Kerikeri PS9	Needs to be moved out to 2020-2021 and is meant to be PS3 Bill to investigate	-81,760
Paihia Watea Industrial Area Fire Flow Upgrade	Covid19 lockdown Capex reforecasted to LTP 21/22	-82,138
Russell Parks & Reserves Renewals	Russell Parks & Reserves Capex reforecast	-84,530
Digitisation Scanning	Digitisation Scanning Opex savings	-86,403
Wastewater Telemetry	Wastewater Telemetry Capex reforecast to 21/22 & 22/23	-90,754
Paihia Watea Industrial Area Fire Flow Upgrade	Covid19 lockdown Capex reforecasted to LTP 21/22	-92,624
Kaikohe Training Yard	Reforecast out to YR1 next LTP FY22/23	-99,988
Kerikeri Squash Relocation	Kerikeri Squash Club relocation moving out to 2020/21	-100,000
Lindvart Park Pavillion	Re-forecast to FY21/22 Capex Reforecast	-100,196
Broadwood Swingbridge	Covid19 lockdown Capex reforecasted to LTP 21/22	-102,200
Kerikeri Backwash Tank	Kerikeri Backwash Tank Approved by T Proctor	-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 T Proctor	-110,008
Hihi WWTP Construction	To be moved out to 2020-2021 Capex	-112,420
Office Equipment	Move uncommitted funds out to year 2020.2021	-116,777
Kawakawa Infiltration & Inflow	Covid19 lockdown Capex reforecasted to LTP 21/22	-125,600
Wastewater Telemetry	Wastewater Telemetry Per Tanya Proctor	-136,130
District Wide Reservoirs Structural Works	Reforecast to FY20/21 Capex Reforecast	-140,754
Treatment Plant Upgrade Kerikeri	Covid19 lockdown Capex reforecasted to LTP 21/22	-141,738
Kaitaia Reduction of Wastewater Overflows Option	Covid19 lockdown Capex reforecasted to LTP 21/22	-143,080
Rawene Housing for the Elderly	Re-forecast to FY21/22 Capex Reforecast	-144,404
Kawakawa Infiltration & Inflow	Covid19 lockdown Capex reforecasted to LTP 21/22	-188,400

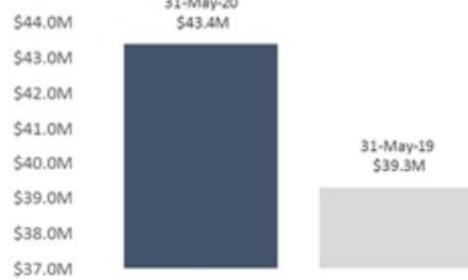
Community Hub Kaikohe	Kaikohe Hub Capex reforecast to 20/21	-200,000
Kaitaia Reduction of Wastewater Overflows Option	Covid19 lockdown Capex reforecast to LTP 21/22	-214,620
Kerikeri Rugby Pavilion	Kerikeri Rugby Pavilion Capex reforecast to 20/21	-306,600
Waipapa Roundabout Disposal Field	SJ - Will not be delivered. Needs to be removed from LTP. Should not be SW proj	-306,600
Kerikeri Parks & Reserves	Covid19 lockdown Capex reforecast to LTP 21/22	-360,615
Hihi WWTP Construction	To be moved out to 2020-2021 Capex	-398,580
Pool Vehicles	Move uncommitted funds out to year	-418,973
Community Hub Kaikohe	Kaikohe Hub Capex reforecast to 20/21	-3,800,000
		<b>-8,313,424</b>
		<b>-2,139,210</b>

<b>Summary</b>	
Operational	547,684
Capital	- 8,313,424
<b>Balance of Budget Movements</b>	<b>- 7,765,740</b>
<b>Summary of Movements</b>	
Unbudgeted Expenditure	7,379,415
Less Budget Movements	- 7,765,740
<b>Net Balance</b>	<b>- 386,325</b>

## Treasury Report

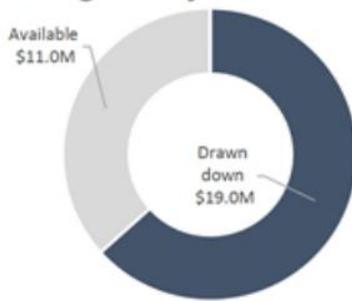
### Cash Position

Compared to same time last year



	31-May-20	31-May-19
ASB General Fund	\$ 18.3M	\$ 14.3M
ASB Special Funds	\$ 5.1M	\$ 5.0M
Investments	\$ 20.0M	\$ 20.0M
<b>Total Cash</b>	<b>\$ 43.4M</b>	<b>\$ 39.3M</b>

### Banking Facility



<b>Banking Facility</b>	<b>\$ 30.0M</b>
Drawn down	\$ 19.0M
Available	\$ 11.0M

### Public Debt

#### Loans by Maturity Date

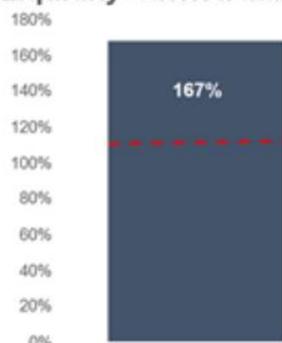


**Net Debt** as a % of Revenue must be less than 175%



Net Debt	\$ 52.1M
Budgeted Total income	\$ 131.1M
Debt Ceiling	\$ 229.5M
Net debt as % total revenue	40%
Policy Maximum	135%

**Liquidity** - Access to funds must be greater than 110%



External Debt	\$ 95.5M
ASB Banking Facility	\$ 30.0M
ASB Banking Facility used	-\$ 19.0M
<b>Total Committed Public Debt</b>	<b>\$ 106.5M</b>
Liquid Investments Cash at Bank	\$ 43.4M
Liquid Investments ASB Overdraft Facility	\$ 10.0M
	<b>\$ 159.9M</b>
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.*

\$95.5M total borrowing, \$49M is Short Term	
\$9M	repayable in July 2020
\$40M	repayable in June 2020

## Statement of Financial Performance

for the period ending May 2020 (Pd11)

	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
<b>Operational Income</b>										
Rates - general (excl water supply rates)	80,449	80,236 -	213	87,530	-	87,530	7,081	92%	87,530	-
Rates - penalties	1,184	2,073	890	2,073	-	2,073	890	57%	2,073	-
Fees & charges (inc water supply rates)	14,566	14,634	78	16,213	-	16,213	1,656	90%	16,104	109
Central Govt Subsidies - Admin	-	-	-	-	-	-	-	0%	-	-
Central Govt Subsidies - Operational	8,029	7,970 -	60	9,881	32	10,012	1,983	80%	9,955	57
Other Income	2,062	2,335	273	2,349	75	2,424	362	85%	4,458	2,035
<b>Capital Income</b>										
Central Govt Subsidies - New Works	1,805	1,971	166	2,380	6,762	9,142	7,337	20%	8,258	883
Central Govt Subsidies - Renewals	7,504	8,307	802	12,817	1,845	14,462	6,957	52%	10,367	4,094
Development Contributions	18	-	18	-	-	-	18	100%	-	-
Other Contributions	26	-	26	-	1,000	1,000	974	3%	1,022	22
<b>Total Operating Income</b>	<b>115,634</b>	<b>117,625</b>	<b>1,891</b>	<b>133,342</b>	<b>9,514</b>	<b>142,856</b>	<b>27,221</b>	<b>81%</b>	<b>139,769</b>	<b>3,087</b>
<b>Operational Expenditure</b>										
Staff related costs	28,446	28,156 -	290	31,777	-	31,777	3,331	90%	30,615	1,162
Contractor Fees	26,208	24,206 -	2,002	27,825	-	27,825	1,817	94%	27,849	24
Professional Fees	5,578	4,923 -	655	5,985	-	5,985	407	93%	5,996	11
External Services	7,049	4,859 -	2,190	7,152	-	7,152	103	99%	13,163	6,012
Legal Costs	507	628	119	666	-	666	159	76%	588	80
General expenses	8,586	10,713	2,127	12,400	55	12,455	3,889	89%	12,417	39
Grants and donations	1,647	1,689	42	1,850	32	1,882	235	88%	1,889	7
Rate remissions	2,297	2,154 -	143	2,208	-	2,208	89	104%	2,208	-
Allocations (direct and indirect)	-	0	0	0	-	0	0	0%	0	-
Interest costs	1,872	2,066	194	2,253	-	2,253	381	83%	2,100	153
<b>Sub total</b>	<b>82,191</b>	<b>79,394 -</b>	<b>2,797</b>	<b>92,116</b>	<b>87</b>	<b>92,202</b>	<b>10,011</b>	<b>89%</b>	<b>96,822</b>	<b>4,620</b>
Depreciation and other asset costs	29,939	33,141	3,201	36,153	-	36,153	6,214	83%	36,038	115
Gain/Loss on Disposal	915	-	915	-	-	-	915	100%	-	-
<b>Total Operational Expenditure</b>	<b>113,046</b>	<b>112,534 -</b>	<b>511</b>	<b>128,269</b>	<b>87</b>	<b>128,356</b>	<b>15,310</b>	<b>88%</b>	<b>132,860</b>	<b>4,504</b>
<b>Net Operating Surplus</b>	<b>2,589</b>	<b>4,991 -</b>	<b>2,402</b>	<b>5,073</b>	<b>9,427</b>	<b>14,500</b>	<b>11,911</b>		<b>6,909</b>	<b>7,591</b>

## Statement of Capital Performance

for the period ending May 2020 (Pd11)

	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	6,905	10,567	3,662	10,309	2,582	12,890	5,986	54%	13,918	1,028
Environmental Management	712	2,616	1,904	2,093	523	2,616	1,904	27%	2,616	-
Roading and Footpaths	15,750	18,557	2,807	27,400	6,500	33,901	18,151	46%	22,240	11,660
Wastewater	12,968	17,403	4,435	9,437	11,287	20,724	7,757	63%	20,392	332
Stormwater	993	2,714	1,721	1,776	1,322	3,098	2,104	32%	2,971	127
Solid Waste Management	151	325	173	594	275	859	717	17%	871	2
Water Supply	3,318	2,176	1,142	3,748	1,783	5,531	2,213	60%	5,380	151
Governance & Strategic Administration	2,666	5,556	2,889	6,677	2,260	8,937	6,271	30%	4,659	4,278
Customer Services	434	1,350	915	1,760	326	2,085	1,651	21%	1,877	208
Strategic Planning & Policy	-	-	-	-	-	-	-	100%	-	-
<b>Total Capital Expenditure</b>	<b>43,897</b>	<b>61,263</b>	<b>17,366</b>	<b>63,793</b>	<b>26,858</b>	<b>90,652</b>	<b>46,754</b>	<b>48%</b>	<b>74,924</b>	<b>15,728</b>

### 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	2,175	1,355 -	819	1,358	1,112	2,470	295	-88%	3,440	971
Environmental Management	5,085	4,957 -	129	5,363	-	5,363	278	-95%	4,851	512
Roading and Footpaths	17,563	18,701	1,138	26,469	2,947	29,415	11,852	-60%	23,430	5,985
Wastewater	118	264	146	288	4,914	5,202	5,084	-2%	5,061	141
Stormwater	69	69 -	0	-	69	69 -	0	-100%	69	-
Solid Waste Management	1,144	1,362	218	1,404	-	1,404	260	-81%	1,242	162
Water Supply	5,613	5,643	30	5,893	466	6,359	747	-88%	8,434	2,074
Governance & Strategic Administration	1,602	2,273	671	2,333	-	2,333	731	-69%	3,038	705
Customer Services	539	531 -	8	557	-	557	18	-97%	520	37
Strategic Planning & Policy	93	62 -	30	75	6	81 -	12	-114%	81	-
<b>Total Operating Income</b>	<b>34,000</b>	<b>35,217</b>	<b>1,216</b>	<b>43,739</b>	<b>9,514</b>	<b>53,253</b>	<b>19,253</b>	<b>64%</b>	<b>50,166</b>	<b>3,087</b>

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	8,149	7,892 -	258	8,599	32	8,631	482	94%	9,514	883
Environmental Management	8,985	8,749 -	237	9,770	-	9,770	785	92%	9,781	11
Roading and Footpaths	17,576	16,850 -	726	21,886	-	21,886	4,310	80%	20,541	1,345
Wastewater	6,768	5,852 -	916	6,258	-	6,258 -	510	108%	6,266	8
Stormwater	1,240	1,657	417	1,725	-	1,725	485	72%	1,598	128
Solid Waste Management	3,599	3,639	39	4,193	-	4,193	594	86%	4,003	190
Water Supply	6,912	4,499 -	2,413	4,836	49	4,885 -	2,027	141%	10,121	5,235
Governance & Strategic Administration	19,055	18,072 -	983	21,065	-	21,065	2,010	90%	22,084	1,020
Customer Services	3,936	4,906	970	5,466	-	5,466	1,530	72%	5,586	120
Strategic Planning & Policy	4,098	5,212	1,114	6,063	6	6,069	1,972	68%	5,227	842
<b>Total Direct Costs</b>	<b>80,319</b>	<b>77,327 -</b>	<b>2,991</b>	<b>89,862</b>	<b>87</b>	<b>89,949</b>	<b>9,630</b>	<b>89%</b>	<b>94,722</b>	<b>4,773</b>



**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:

<b>General subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Ground(s) under section 48 for the passing of this resolution</b>
<b>7.1 - Confirmation of Previous Minutes</b>	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
<b>7.2 - Far North Holdings Limited Reappointment of Director</b>	s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons	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 WHAKAMUTUNGA – CLOSING PRAYER****9 MEETING CLOSE**