

Northland Regional Council

Audit and Finance Committee

AGENDA

FOR MEETING TO BE HELD IN THE COUNCIL CHAMBERS
36 WATER STREET, WHANGAREI, ON WEDNESDAY, 24 SEPTEMBER 2008
COMMENCING AT 10.00 AM

File 110.11

MEMBERSHIP OF THE COMMITTEE

Cr Peter Jensen, Chairman

Cr John Bain – Deputy Chairman

Cr Ian Walker
Cr Craig Brown

Cr Bill Rossiter
Cr Mark Farnsworth (ex officio)

APOLOGIES

DECLARATION OF CONFLICTS OF INTERESTS

OPEN MEETING

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NORTHLAND REGIONAL COUNCIL
AUDIT AND FINANCE COMMITTEE

**Minutes of a Meeting of the Audit and Finance Committee
held in the Council Chambers, 36 Water Street, Whangarei,
on Wednesday, 27 August 2008 at 10.00am**

File 110.11

PRESENT:

Cr Jensen, Chairman
Cr J Bain
Cr Craig Brown
Cr B Rossiter
Cr Ian Walker
Cr M Farnsworth (ex-officio)

Also Present

Cr L Hill
Cr J Carr (arrived at 10.40am)

Enterprise Northland

Ms J Douglas
Mr A Britton
Ms I Durham

IN ATTENDANCE:

Full Meeting

Finance and Information Services Manager
Council Secretary
Strategic Projects and Information Manager
Administration Team Leader

DECLARATION OF CONFLICTS OF INTERESTS:

There were no declarations of conflicts of interest.

NEW BUSINESS

Resolved: That the Committee agrees to consider the following information relating to an existing item on the Agenda.

1. Additional to Item 7, Page 38 – Prospective property purchases. Further updated information supplied relating to the rental return on one of the properties under consideration and a GIS map illustrating location.

Cr Brown : Cr Bain

1. MINUTES OF MEETING HELD 30 JULY 2008**File 100.1**

Resolved: That the minutes of the meeting of the Audit and Finance Committee held on 30 July 2008 be confirmed.

Cr Rossiter : Cr Bain

2. DESTINATION NORTHLAND LIMITED – FOURTH QUARTERLY REPORT FOR 2007/2008**File 160.11**

Report from Projects and Information Manager Linda Stansfield dated 14 August 2008.

Resolved: That the Destination Northland report for the fourth quarter of the 2007/2008 financial year, be received.

Cr Brown : Cr Walker

COMPLIANCE WITH DECISION MAKING PROCESS

The receiving of this report is provided for in the Council's 2006-2016 Long Term Council Community Plan, and as such is in accordance with the Council's decision making process and sections 76-82 of the LGA 2002.

3. ENTERPRISE NORTHLAND – FOURTH QUARTERLY REPORT FOR 2007/2008**File 150.1**

Report from Projects and Information Manager Linda Stansfield dated 14 August 2008.

Resolved: That the Enterprise Northland fourth quarterly report for the 2007/2008 financial year be received.

Cr Farnsworth : Cr Brown

COMPLIANCE WITH DECISION MAKING PROCESS

The receiving of this report is provided for in the Council's 2006-2016 Long Term Council Community Plan, and as such is in accordance with the Council's decision making process and sections 76-82 of the LGA 2002.

Further Resolved: That the Council Chairman communicate with the Chairman of Enterprise Northland to ensure additional issues are included in the agenda for the meeting to be held on Wednesday 3 September 2008.

Cr Farnsworth : Cr Bain

Attendance Note: Cr Farnsworth left the meeting at 10.35am, along with the team from Enterprise Northland.

4. APPROVAL TO TRANSFER BUDGETED CAPITAL EXPENDITURE ON THE AWANUI RIVER MANAGEMENT SCHEME TO OPERATIONAL EXPENDITURE

File: 318.1

Report from Finance and Corporate Services Manager Lisa Aubrey dated 8 August 2008.

The Committee Recommends to Council

1. That the report on approval transfer budgeted capital expenditure on the Awanui River Management Scheme to operational expenditure by Finance and Corporate Services Manager, Lisa Aubrey dated 8 August 2008, be received.
2. That the Council approves the transfer of the 2008/09 budgeted Awanui Flood Management works, \$240,000 to operational expenditure.

Cr Walker : Cr Brown

COMPLIANCE WITH DECISION MAKING PROCESS

The activities detailed in this report are provided for in the Council's 2006-2016 LTCCP, and as such are in accordance with the Council's decision-making process and sections 76-82 of the Local Government Act 2002.

BUSINESS WITH THE PUBLIC EXCLUDED

Resolved That pursuant to the Local Government Official Information and Meetings Act 1987, (LGOIMA) the public be excluded from the remainder of the meeting to consider:

5. Minutes of Confidential Meeting held 30 July 2008
6. Review of the Northland Regional Council Community Trust
7. Prospective Property Purchases

The reason for excluding the public in relation to item 5 is as stated in the minutes of that meeting. The reason for excluding the public in relation to item 6 is to maintain the effective conduct of public affairs through the free and frank expression of opinions pursuant to section 7(2)(f)(i) of LGOIMA. The reason for excluding the public in relation to item 7 is to enable the Council to carry out commercial activities pursuant to section 7(2)(h) of LGOIMA.

Cr Brown : Cr Bain

OPEN MEETING

The meeting resumed in open meeting at 11.08am.

CONCLUSION

The meeting closed at 11.09am.

Rates Write-off to 30 June 2008

File 315.1

Report from Finance and IT Manager, Lisa Aubrey dated 8 September 2008

Each of the three territorial authorities in the Northland Region, collect Northland Regional Council rates on our behalf. For ease of administration the Northland Regional Council aligns itself with the Rating Policies set by each District Council.

At the end of each financial year a full reconciliation is prepared with the total monies received and receivable at year end agreed between Council's.

Council normally expects to make minor adjustments or small balance write-offs for immaterial unexplained differences.

Council also receives additional revenue in the form of penalty revenue, where payments have not been made on time. In the 2007/2008 financial year, total rates penalty revenue was \$205K.

At the end of each financial year the Far North runs a statute barred write off process. As a result the Northland Regional Council is required to write off \$110,805 of rates due from the Far North District. The Revenue and Finance Manager from the Far North District Council has advised that the rates are on Maori freehold land so there is little they can do to collect them. General title land rates are not written off.

Recommendation to Council

That the issue of rates write-off as detailed in the report from the Finance and IT Manager dated 9 September 2008 be ratified.

COMPLIANCE WITH DECISION MAKING PROCESS

The activities detailed in this report are provided for in the Council's Long Term Council Community Plan 2006-2016 and as such are in accordance with the Council's decision making process and Sections 76-82 of the Local Government Act 2002.

Northland Regional Council Community Trust – Retrospective Approval for Capital Withdrawal from Trust Fund

File 150.1

Report from Chief Executive Officer, Ken Paterson dated 17 September 2008

In 1996 Council provided the Northland Regional Council Community Trust (NRCCT) with a \$12.1M fund to assist in funding the activities of the Trust.

The NRCCT relies on the investment fund for income, the fund essentially provides the base revenue stream to enable NRCCT to meet operating costs.

Over the past four years the fund has largely performed well, returning an average of nine percent. As a result of the worldwide recession and 'credit crunch', the performance of the fund during the 2007/2008 financial year was less than two percent. (Forecast return was 11.66%)

The cash withdrawn from the fund in the 2007/2008 financial year was \$1,050,000. The budget for the 2007/2008 financial year was made in May 2007 when the fund balance was \$11.9M. The drawdown represented an 8.82% return at that time. It should be noted NRCCT expenditure and cash withdrawals from the fund in 2007/2008 are largely in line with budget.

Prudent management could not have predicted the magnitude of the current downturn and the on-going volatility of world markets. A temporary solution is required to manage this occurrence in the short-term.

As a consequence of poor fund performance, NRCCT has effectively made capital distributions of \$993,000 from the fund in the 2007/2008 financial year. The capital distributions include unrealised equity losses of \$773,000. NRCCT is now seeking retrospective approval from Council to allow the withdrawal of capital during the 2007/2008 financial year.

Section 6 of the Trust Deed of the Northland Regional Council Community Trust sets out the agreement in relation to the Capital of the trust fund. Section 6 states:

Capital Trusts

- 6.1 *Subject to clause 6.2, at any time the Trustees may pay, or may decide to pay, apply or appropriate as much of the capital of the trust Fund as they think fit for or towards one or more of the purposes of the Trust, including as contemplated by clause 4A. If the Trustee so provide for more than one purpose they need not treat each purpose equally. Any payment, application or appropriation of capital may be made either in addition to or in place of any payment, application or appropriation of income.*
- 6.2 *The trustees shall not take any action under clause 6.1 without prior written consent of the NRC.*

The fund is managed by Goldman Sachs JBWere (NZ) Ltd (GSJBW). As a result of the recent performance of the fund, Council asked NRCCT to provide information on the fund performance and to provide comparative returns over the same period against expected returns from investment against the 90 day bank bill rate. In

addition, Council requested up to date information to be provided on the 12 month forecasted return. This report is attached as Appendix one. The fund has outperformed relevant benchmarks and despite the poor performance in 2007/2008, the fund has outperformed the 90 day bank bill rate returns over the period since 30 June 2004.

Looking ahead, the review of the NRCCT includes recommendations on the funding model for NRCCT. Council will work with NRCCT to implement these recommendations. However, in the short term both NRCCT and Council must work within the parameters of the current funding model and rules of the Trust Deed.

The world recession and current economic uncertainty continue to impact the performance of the Trust fund. To this end, Council will meet with NRCCT over the coming weeks to identify any potential revenue streams and operational savings and will report back to Audit and Finance next month on the findings.

Going forward, NRCCT should provide both quarterly financial reports and quarterly reports on the fund performance to date and the revised twelve month forecast. Advanced approval should be sought from Council should seek to take capital withdrawals from the fund.

Recommendation to Council

1. That Council provides retrospective approval for the Northland Regional Council Community Trust to make a capital withdrawal of \$993,000 from the Trust Fund for the year ending 30 June 2008;
2. That Council receives quarterly fund and financial reports from NRCCT;
3. That in accordance with Clause 6.2 of the Trust Deed of the Northland Regional Council Community Trust, NRCCT seeks approval in advance from Council prior to any further capital withdrawals being made from the fund;
4. That Council meets with NRCCT to identify any potential revenue streams and operational savings for 2008/2009 financial year and reports back to the Audit and Finance committee;

COMPLIANCE WITH DECISION MAKING PROCESS

The activities and recommendations detailed in this report are provided for in the Council's 2006-2016 Long Term Council Community Plan, Schedule 8 Clause 5 of the Local Government Act 2002 and the Trust Deed of the Northland Regional Council Community Trust. As such, the activities and recommendations detailed in this report are in accordance with the Council's decision making process and sections 76-82 of the Local Government Act 2002.

Appendix One

Northland Regional Council Community Trust

4 September 2008

Summary

You have asked us to provide some further clarification regarding the performance of the NRCCT fund for the past year and indeed since we commenced management of the portfolio in December 2004.

In summary, the NRCCT portfolio has strongly outperformed the majority of the benchmarks against which we measure performance. The fund has achieved a Gross IRR of 9.18% over the period, comfortably exceeding the 90 Day Bank Bill Rate. In addition, on a weighted basis, the performance is also strong (Schedule 1).

You have also asked us for our forecast market returns for the next 1 and 2 years. We have made some conservative assumptions regarding forecast total returns for the next 2 years and have included these as Schedule 2. We are proposing to gradually reduce the cash balance over the next 6 months as the RBNZ continues to ease rates (and indeed the RBA will be doing likewise). As per the table, our forecast total return for the next 12 months is 11.68% and a similar result for the following 12 months. This compares to our cash forecast of only 6% for the same period.

Lastly, we have undertaken a comparison which illustrates the importance of having a long-term balanced approach to the management of the NRCCT fund (Schedule 3). What this table shows is the difference between having the fund simply in cash (we have been generous and used the 90 Day Bank Bill Rate rather than general bank deposit rates) and the effect of having a balanced portfolio utilising not simply income generated but also capital growth.

Australian Equity

We expect capital returns for Australian equities to remain range bound until year end. By early 2009 however, we believe the scene is set for a more sustained upturn. Historically, the equity market usually reacts positively to the prospect of interest rate cuts, indeed it has in the past stabilised when rates are assumed to have peaked.

Inflationary pressure should have eased even if the running rate remains uncomfortably high. The prospect of a lower A\$ would translate into helpful earnings momentum for a large range of export and international focussed companies (the A\$ has weakened hugely in the past 4 weeks).

Dividend income provides support for maintaining a reasonable position, but there are some headwinds to the outlook for the Australian market that cause a greater degree of uncertainty compared to international counterparts in the projected recovery. The key determinant is likely to be the momentum in resource stocks as the earnings support elsewhere is less certain.

While we have a target of 6250 for the ASX 200 by June 2009, we prefer to discount some of that potential outcome in our estimated returns of 11.3%.

New Zealand Bonds

With little in the data to change the economic picture and ongoing concerns over financial stability the RBNZ should remain firmly on an easing track. We expect a 25bp cut in the OCR on 11 September, a deeper 50bp cut is less likely given stabilisation of various leading indicators (house sales, business & consumer confidence).

Nevertheless, the need for monetary policy neutralisation remains critical in our view, with further tightening of conditions for households in the pipeline (effective mortgage rate and more expensive imports) at a time when households can least afford it with a softening labour market and record indebtedness. We expect a total of 200bp in OCR cuts to 6% over the next 12 months

With expectations for a series of cuts through the end of the year, fixed income looks set to continue its rally. The NRCCT asset allocation is heavy NZ bonds, where we continue to favour longer durations for the portfolio. This secures income for the portfolio.

New Zealand Equity

Our return expectations for the next 12 months reflect the interaction of three drivers:

- Valuation Support: NZ equities are closing in on deep value. This alone is an unlikely catalyst for strong absolute returns, however when combined with:
- Monetary Easing: the preconditions of an improved return environment will be achieved; and
- Earnings Risk: remains an issue, particularly in the near term. However, we are becoming more comfortable that analyst earnings expectations are factoring in a tough macro backdrop for FY09.

Against this backdrop our +12m target is for a NZSX50 total return of +14.1% (made up of dividend yield 6.6% and capital growth of 7.5%).

Offshore Equity

Although we believe consensus earnings numbers will be revised down in all regions, we see value for long-term investors (as the NRCCT is) in global equities. Markets have corrected significantly since July 2007 and we expect double-digit total returns in all regions over the next 12 months. However, we do not see the markets going up steadily from here and we believe equities performance will be volatile.

Lower top-line growth and increased costs should keep companies' margins under pressure in the near term. However, we expect 2009 to mark the turning point for global equities - growth will trough in the first half of 2009, on our economists' forecasts and inflationary pressures should start to recede. These factors, together with low equity valuations in most regions, should provide the key ingredients for recovery in markets as we head to the middle of next year. Our 12 month target for global equities is 14%.

Property

The current phase of slowing economic growth and falling interest has traditionally seen the property market perform in line with the broader market. Generally negative news flow on 'property' both locally and globally (rising cap rates, vacancy rates, tenant defaults), negative economic news flow and fragile investor confidence will also add to the headwinds.

That said our coverage universe is trading at significant discounts to valuation (median discount to valuation 30% vs long term average of 4%). Valuations are compelling but we are mindful that valuation is a poor guide to market timing and the broader market is also trading at a significant discount. It is important to note that we think the current large valuation gap will close over time, leading to improved listed property performance in absolute terms, but we do not believe the pace of recovery will exceed that of the broader market (which is also trading at a significant discount to valuation).

Finally as an added bonus the listed property sector is trading at a very attractive yield (8% cash yield as of 21 August 2008, compared to 5 year swap cash yield of 4.7%), meaning that we are getting paid well to sit and wait for these deep valuation gaps to close with time and market sentiment.

Alternative Assets

We are comfortable with our positions in private equity and mezzanine debt due to the longer term nature of the holding and given the forecast for substantial further capital gains.

Cash

In our view monetary policy is too tight and needs to be neutralised. The RBNZ is aware of the weak outlook for the construction sector. Following a prolonged boom, limited spare capacity and high inflation, a sharp slowdown is perhaps necessary. However, a deep and protracted housing bust can be hazardous for economic and financial stability. This will see the RBNZ stay true on a gradual easing path and we expect a 25bp cut in the OCR (from 8%) on 11 September.

Figure 1: We expect further NZD weakness

GSJBW Financial Market Forecasts [†]												
	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09
Interest rates (%pa)												
OCR	7.50	8.00	8.25	8.25	8.25	8.25	7.75	7.25	6.75	6.25	6.00	6.00
90 day bank bill	7.9	8.3	8.8	8.9	8.9	8.7	7.8	7.1	6.5	6.2	6.2	6.2
10 year govt. bond	5.9	6.7	6.2	6.4	6.4	6.4	6.0	5.7	5.5	5.5	5.8	5.7
NZD crosses against												
US	0.71	0.77	0.75	0.77	0.79	0.76	0.69	0.68	0.69	0.65	0.61	0.61
Aust.	0.88	0.91	0.86	0.88	0.87	0.79	0.79	0.79	0.79	0.78	0.76	0.78
Euro	0.53	0.57	0.53	0.53	0.50	0.48	0.46	0.47	0.46	0.45	0.44	0.45
UK	0.36	0.38	0.37	0.39	0.40	0.38	0.37	0.38	0.37	0.36	0.34	0.35
Japan	84.1	94.8	87.2	87.1	78.5	81.0	75.2	74.8	74.5	72.2	69.5	68.3
TWI	69.6	74.8	70.9	71.8	70.1	67.5	63.9	63.8	63.7	61.3	58.9	59.6

Legend: † period end; forecasts in bold.

Source: RBNZ, Goldman Sachs, GSJBW Research estimates

15 August 2008

As seen in the above table both the 90 bank bill rate and 10 year government bond yield are expected to fall dramatically over the next 12-15 months. The effect of this on the NRCCT portfolio is that we will reduce the cash position over the year ahead and move toward an increased equities position once again – as set out in Schedule 2.

Schedule 1

NRCCT Benchmark Performance							
Year Ending June							
	2006 Weight	2007 Weight	2008 Weight	Total			
Australian Equity							
Actual	34.11%	9.9%	14.70%	11.7%	7.78%	9.9%	56.59%
Benchmark (ASX S&P 200)	34.56%		15.41%		0.99%		50.96%
Out/Under-Performance	-0.45%		-0.71%		6.79%		5.63%
New Zealand Bonds							
Actual	6.45%	33.4%	5.33%	28.5%	6.12%	30.2%	17.90%
Benchmark (CSFB Gov. Bond Index)	5.01%		1.80%		8.78%		15.59%
Out/Under-Performance	1.44%		3.53%		-2.66%		2.31%
New Zealand Equity							
Actual	17.53%	14.1%	15.60%	13.4%	-34.03%	9.7%	-0.90%
Benchmark (NZSE Gross)	10.65%		17.43%		-26.60%		1.48%
Out/Under-Performance	6.88%		-1.83%		-7.43%		-2.38%
Offshore Bonds							
Actual	15.96%	7.9%	-3.88%	7.3%	17.36%	1.6%	29.44%
Benchmark (CSFB Gov. Bond Index)	5.01%		1.80%		8.78%		15.59%
Out/Under-Performance	10.95%		-5.68%		8.58%		13.85%
Offshore Equity							
Actual	29.44%	23.5%	-1.49%	21.8%	0.35%	17.7%	28.30%
Benchmark (MSCI World)	29.35%		-4.51%		-11.15%		13.69%
Out/Under-Performance	0.09%		3.02%		11.50%		14.61%
Property							
Actual	17.63%	7.8%	20.76%	7.9%	-12.11%	5.1%	26.28%
Benchmark (NZ Property Index Gross)	19.13%		20.78%		-17.98%		21.93%
Out/Under-Performance	-1.50%		-0.02%		5.87%		4.35%
Weighted Out/Under Performance	2.18%		0.92%		1.62%		4.72%

Please note that Cash is not included as we would always earn the benchmark return, similarly the Alternative Asset class is also not included as we do not benchmark it due to the lack of an appropriate measure. The effect of this is that the weighted Out/Under-Performance does not correspond directly to an increase/decrease in portfolio valuation, but rather shows how significant an Out/Under-Performance is to the total combined portfolio (for example, the above table does not capture the substantial capital return from the Hauraki No. 2 fund last year).

Schedule 2

NRCCT Current and Forecast Total Returns				
Asset Class	Current			
	30-Jun-08	Weightings	30-Jun-09	30-Jun-10
New Zealand Equity	\$1,048,609	9.70%	\$1,196,463	\$1,365,164
Cash	\$1,848,979	17.10%	\$1,941,428	\$2,038,499
Australian Equity	\$1,072,701	9.92%	\$1,193,916	\$1,328,829
Offshore Equity	\$1,918,794	17.75%	\$2,187,425	\$2,493,665
New Zealand Bonds	\$3,261,073	30.16%	\$3,538,264	\$3,839,017
Property	\$549,924	5.09%	\$626,913	\$714,681
Offshore Bonds	\$167,734	1.55%	\$176,959	\$186,692
Alternative Investments	\$944,981	8.74%	\$1,086,728	\$1,249,737
Total	\$10,812,795		\$11,948,097	\$13,216,284
Total Return			10.50%	10.61%

Asset Class	Proposed			
	30-Jun-08	Weightings	30-Jun-09	30-Jun-10
New Zealand Equity	\$1,351,599	12.50%	\$1,542,175	\$1,759,622
Cash	\$540,640	5.00%	\$567,672	\$596,055
Australian Equity	\$1,351,599	12.50%	\$1,504,330	\$1,674,319
Offshore Equity	\$2,703,199	25.00%	\$3,081,647	\$3,513,077
New Zealand Bonds	\$3,243,839	30.00%	\$3,519,565	\$3,818,728
Property	\$540,640	5.00%	\$616,329	\$702,615
Offshore Bonds	\$0	0.00%	\$0	\$0
Alternative Investments	\$1,081,280	10.00%	\$1,243,471	\$1,429,992
Total	\$10,812,795		\$12,075,189	\$13,494,409
Total Return			11.68%	11.75%

Below is our 12 month Total Return Forecasts

Asset Class	12 Month Forecast Total Return
Australian Equity	11.30%
New Zealand Bonds	8.50%
New Zealand Equity	14.10%
Offshore Bonds	5.50%
Offshore Equity	14.00%
Property	14.00%
Alternative Assets	15.00%
Cash	5.00%

Schedule 3

Comparison of Balanced Portfolio vs 90 Day Bank Bill

90 Day Bank Bill Performance

NRCCT Actual Performance

Q4 2004 - Q2 2005		Q4 2004 - Q2 2005	
Opening Balance:	\$ 11,498,271	Opening Balance:	\$ 11,498,271
Income	\$ 425,436	Income	\$ 335,761
Capital Gain	\$ -	Capital Gain	\$ 270,959
After tax Income	\$ 285,042	After tax/fees Income	\$ 180,876
Capital Out	\$ 496,899	Capital Out	\$ 496,899
Ending Balance	\$ 11,286,414	Ending Balance	\$ 11,453,207
Q3 2005 - Q2 2006		Q3 2005 - Q2 2006	
Opening Balance:	\$ 11,286,414	Opening Balance:	\$ 11,453,207
Income	\$ 764,090	Income	\$ 701,938
Capital Gain	\$ -	Capital Gain	\$ 1,420,554
After tax Income	\$ 511,940	After tax/fees Income	\$ 396,954
Capital Out	\$ 950,000	Capital Out	\$ 950,000
Ending Balance	\$ 10,848,355	Ending Balance	\$ 12,320,715
Q3 2006 - Q2 2007		Q3 2006 - Q2 2007	
Opening Balance:	\$ 10,848,355	Opening Balance:	\$ 12,320,715
Income	\$ 846,172	Income	\$ 549,144
Capital Gain	\$ -	Capital Gain	\$ 126,307
After tax Income	\$ 566,935	After tax/fees Income	\$ 304,299
Capital Out	\$ 850,000	Capital Out	\$ 850,000
Ending Balance	\$ 10,565,290	Ending Balance	\$ 11,901,321
Q3 2007 - Q2 2008		Q3 2007 - Q2 2008	
Opening Balance:	\$ 10,565,290	Opening Balance:	\$ 11,901,321
Income	\$ 912,841	Income	\$ 570,276
Capital Gain	\$ -	Capital Gain	-\$ 382,133
After tax Income	\$ 611,603	After tax/fees Income	\$ 343,606
Capital Out	\$ 1,050,000	Capital Out	\$ 1,050,000
Ending Balance	\$ 10,126,893	Ending Balance	\$ 10,812,794

Northland Regional Council Community Trust – Current Approval for Capital Withdrawal from Trust Fund

File 150.1

Report Finance and IT Manager, Lisa Aubrey dated 18 September 2008

In 1996 Council provided the Northland Regional Council Community Trust (NRCCT) with a \$12.1M fund to assist in funding the activities of the Trust.

The NRCCT relies on the investment fund for income, the fund essentially provides the base revenue stream to enable NRCCT to meet operating costs. As a result of the worldwide recession and 'credit crunch' and further recent events the performance of the fund is tracking below expectations.

The balance of the fund is currently \$10.6M. Due to the volatility of market conditions and our exchange rate, this balance is subject to change. As required in section 6.2 of the Trust Deed of the Northland Regional Council Community Trust, the trust is seeking approval to withdraw \$250,000 in the current financial quarter.

Section 6 of the Trust deed of the Northland Regional Council Community Trust sets out the agreement in relation to the Capital of the trust fund, section 6 states:

Capital Trusts

- 6.1 *Subject to clause 6.2, at any time the Trustees may pay, or may decide to pay, apply or appropriate as much of the capital of the trust Fund as they think fit for or towards one or more of the purposes of the Trust, including as contemplated by clause 4A. If the Trustee so provide for more than one purpose they need not treat each purpose equally. Any payment, application or appropriation of capital may be made either in addition to or in place of any payment, application or appropriation of income.*
- 6.2 *The trustees shall not take any action under clause 6.1 without prior written consent of the NRC.*

Recommendation to Council

That in accordance with Clause 6.2 of the Trust Deed of the Northland Regional Council Community Trust, Council provide written consent to the Trust to withdraw \$250,000 from the trust fund in the current quarter.

COMPLIANCE WITH DECISION MAKING PROCESS

The activities and recommendations detailed in this report are provided for in the Council's 2006-2016 Long Term Council Community Plan, Schedule 8 Clause 5 of the Local Government Act 2002 and the Trust Deed of the Northland Regional Council Community Trust. As such, the activities and recommendations detailed in this report are in accordance with the Council's decision making process and sections 76-82 of the Local Government Act 2002.

Business with the Public Excluded

Recommendation

That pursuant to the Local Government Official Information and Meetings Act 1987, (LGOIMA) the public be excluded from the remainder of the meeting to consider:

5. Minutes of Confidential Meeting held 27 August 2008.
6. Broadband Investment Fund
7. Marsden Point Rail Link

The reason for excluding the public in relation to item 5 is as stated in the minutes of that meeting. The reason for excluding the public in relation to item 6 is to enable the Council to conduct a commercial activity pursuant to section 7(2)(h) of LGOIMA. The reason for excluding the public in relation to item 7 is to enable the Council to conduct commercial negotiations pursuant to section 7(2)(i) of LGOIMA.