



RANGITIKEI



Corporate Support and Investment

Introducing the Corporate Support & Investment Group of Activities

What is included in this group?

This group of activities comprises the work that keeps us going behind the scenes. It includes our corporate support activity, which provides the many essential day-to-day running items to keep us working. The group also includes our investing activity, which helps us to fund our operations and keep our rates as low as possible.

Why are these activities grouped together?

These activities are grouped together as they are both “back office” functions that keep us working for you.

Areas of change

In the Investment Activity we are establishing a Council-Controlled Trading Organisation (CCTO) in the form of a holding company that will hold our shares in CentrePort. This holding company will have considerable benefits for the managing of our investments. After submissions we have decided to continue investigating the sale of Port of Napier shares but wish to assure the community they will only be sold if it is in the best interests of the community.

Corporate Support & Investment Group of Activities (\$000)

OPERATING AND FUNDING STATEMENT	Annual Plan 2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	20018-19
Corporate Support	5,969	5,407	5,540	5,518	5,556	5,695	5,760	5,776	5,938	6,114	6,249
Investment	1	-	-	-	-	-	-	-	-	-	-
Total Operating Expenditure	5,970	5,407	5,540	5,518	5,556	5,695	5,760	5,776	5,938	6,114	6,249
Government Support Revenue	-	-	-	-	-	-	-	-	-	-	-
Activity Revenue	-2,926	-3,026	-3,121	-3,306	-3,325	-3,322	-3,315	-3,305	-3,295	-3,293	-3,301
Rates Revenue	2,926	3,026	3,121	3,306	3,325	3,322	3,315	3,305	3,295	3,293	3,301
Overhead Reallocation	-5,969	-5,407	-5,540	-5,518	-5,556	-5,695	-5,760	-5,776	-5,938	-6,114	-6,249
Total Operating Revenue	-5,969	-5,407	-5,540	-5,518	-5,556	-5,695	-5,760	-5,776	-5,938	-6,114	-6,249
Operating Surplus	1	-	-	-	-	-	-	-	-	-	-
Capital Expenditure	1,810	1,349	1,440	1,545	1,470	979	865	906	936	841	842
Total to be Funded	1,811	1,349	1,440	1,545	1,470	979	865	906	936	841	842
Funded By:											
Reserve Movement	1,811	1,349	1,440	1,545	1,470	979	865	906	936	841	842
Total Funding Approved	1,811	1,349	1,440	1,545	1,470	979	865	906	936	841	842

Corporate Support Activity

Overview

In order to successfully serve our regional communities and protect our environment, we need teams of skilled and passionate staff who are backed up by efficient and responsive “back-office” services.

Those services are provided under the Corporate Support Activity, which encompasses functions essential to any large and complex organisation, including management, human resources, financial services, information technology and customer services. Another vital role is the provision of administration support for the governance activities of our elected councillors, including the preparation of timetables, agendas and venues for committee and Council meetings, recording of minutes and responding to requests for information and assistance.

Case Study

Our phone lines are seldom idle, and our Customer Services team aims to be a friendly, efficient and responsive “face” for the organisation at all times.

Customer Services Team Leader Margaret Sciascia and her team deal with all calls to Horizons during normal working hours, while an after-hours arrangement with Palmerston North City Council’s Call Centre ensures after-hours and weekend calls are answered promptly and referred immediately to the appropriate Horizons person or logged for appropriate action.

Margaret says we are fortunate to have a team of experienced and dedicated permanent and casual Customer Service staff who make it their business to understand how the organisation works and what the key issues are.

“In a typical week we receive around 1,080 calls, and the phone lines get really busy when there are emergencies like flooding, or when our annual rates notices go out,” she says. “We have computer systems to ensure all calls are recorded and where some action is required, that is logged and followed up.”

“We also are the first point of contact for visitors to Regional House and enjoy helping people seeking assistance or information.”



Customer services officer Pam Gray with Judith Foot, right, a visitor to Regional House in Palmerston North.

Image: Horizons

Corporate Support

Why Corporate Support is important

The Corporate Support Activity is a vital component of the way we work across Horizons' many roles and responsibilities. As a complex organisation, we need sophisticated and responsive management and support systems to enable the Council to perform as an efficient business that provides excellent service and value for money to our ratepayers. The overall activities of Horizons and its staff, and the development and effective implementation of its policies, are the ultimate responsibility of the Chief Executive. Anyone doing business with us – whether they are a property owner seeking information about their rates, someone reporting an environmental problem or a partner organisation like a district council – is entitled to expect to be treated with courtesy and efficiency.

What we've been doing in this area

Part of this activity is to manage and maintain the day-to-day operational assets, such as buildings, motor vehicles, plant and equipment, office furniture and computer equipment. Maintenance and replacement of assets is undertaken on a five- to 10-year programme for which all budgets are included as operational expenses. New and replacement capital expenditure programmes are also on a five- to 10-year programme and are included in the capital expenditure budgets.

All operational assets are depreciated over their useful life as per the Statement of Accounting Policies. Depreciation is fully funded and replacement and new operational assets are funded from the cash effect of this depreciation expense.

Reliable and up-to-date Information Technology and Communications systems are required to ensure Horizons' business processes function smoothly. Our IT staff are constantly assessing ways to improve internal and external communications and information flows.

Our Human Resources team has been proactive in developing innovative approaches to recruiting and retaining staff. This is especially important in an increasingly competitive market for skills and experience in some of our key operations areas such as river engineering, environmental science and land conservation management.

Corporate Support also provides administrative support to staff and councillors to meet all employment and health and safety related legislative and organisational requirements, and for development and implementation of corporate training and development, recruitment and remuneration programmes.

Last year Corporate Services staff worked with their counterparts in district councils around the Region to set up a Shared Services Agreement that provides scope for future improved services and reduced costs for our ratepayers.

Some restructuring of our Corporate Support teams and activities was carried in 2007 and the activity was expanded in 2008 to include the Customer Service function. There have been pleasing results in terms of increased efficiency and customer focus across Corporate Support.

What the challenges are

Like other mid-sized businesses we operate in a dynamic and challenging environment where customer service is paramount and must be supported by efficient and cost-effective back-office processes and systems. Key issues include the recruitment and maintenance of appropriate levels of suitably qualified and experienced staff, and continuing our commitment to cost-effective and efficient service at a time of economic difficulties facing our communities.

How the Corporate Support Activity links your community outcomes and what we're going to do!

Your community outcomes (as selected by you through consultation) Indirectly	How our work is linked to your community outcomes	What we're going to do (How the Corporate Support Activity and community outcomes link to the levels of service)
<p>This activity supports all community outcomes</p> <p>Water Quality Category (page 32) Water Quantity Category (page 36) Flood Protection Category (page 44) Habitat Protection Category (page 48) Coastal Environment Category (page 56) Groundwater Category (page 40) Land Management Category (page 28) Air Quality Category (page 51) Waste Management Category (page 60)</p>	<p>By providing efficient and effective support across all Horizons activities the Corporate Support Activity enables frontline staff to meet the levels of service required for the organisation to deliver on community outcomes across all aspects of its business.</p>	<ul style="list-style-type: none"> • Employment relations - continue to recruit, retain and upskill our staff so Horizons is able to meet the expectations of our communities and stakeholders • Facilities management - maintain a healthy and functional working environment for staff across the organisation, ensuring they are equipped to play their part in delivering on community outcomes • Ensure back-office systems are functional and efficient to enable the organisation to meet the expectations of our communities and stakeholders • Enhance the organisation's development and management capacity • Provide administrative support for Council • Provide strong financial leadership for Horizons' activities

The Corporate Support Activity is linked directly to your community outcomes by setting performance measures in the next table.

Corporate Support – What we will deliver (\$000)

PERFORMANCE MEASURES FOR LEVELS OF SERVICE *The targets (performance measures) listed below (in lower case) are the detailed goals for each level of service over the next three years.	2008-09 Annual Plan	2009-10		2010-11		2011-12		2012-19 Ongoing Targets
		Year 1 Target	Project Group Costs	Year 2 Target	Project Group Costs	Year 3 Target	Project Group Costs	
EMPLOYMENT RELATIONS	395		370		390		408	
Provide administrative support to staff and councillors to meet all employment and health and safety related legislative and organisational requirements								
FACILITIES/ASSET MANAGEMENT	1,328		1,443		1,573		1,462	
Administer and maintain all of Horizons-owned property assets								
INFORMATION SERVICES	1,528		1,555		1,605		1,788	
Provide administrative support of all non-electronic Horizons documents while meeting relevant legislative requirements								
Provide public access to relevant Horizons information								
Manage the Horizons customer service functions								
Provide and maintain all computer systems to meet the operational requirements of Horizons								
ORGANISATIONAL DEVELOPMENT AND MANAGEMENT	895		539		378		148	
Provide administrative support for the development and implementation of all corporate training and development, recruitment and remuneration programmes								
Deliver projects in support of emerging issues within Horizons' corporate function.								
Provide leadership and management of corporate support functions and administrative and advising support of governance function, through the CEO								
COUNCIL SUPPORT (Note 1)	515		24		26		44	
Provide governance and corporate secretarial and administrative support services								
FINANCIAL SERVICES	1,308		1,460		1,408		1,500	
Provide timely, effective reporting and advice to management and Council								
	5,969		5,391		5,380		5,350	

Note 1: Approximately \$214,000 of this cost has been transferred to representation and governance with the remaining \$276,000 transferred across other outputs or saved.

Corporate Support Financial Summary (what this work will cost) (\$000)

OPERATING AND FUNDING STATEMENT	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	20015-16	2016-17	2017-18	2018-19
Total Operating Expenditure	5,969	5,391	5,380	5,350	5,401	5,536	5,637	5,608	5,765	5,944	5,977
Activity Revenue	-	-	-	-	-	-	-	-	-	-	-
Rates Revenue	-	-	-	-	-	-	-	-	-	-	-
Overhead Allocation	-5,969	-5,391	-5,380	-5,350	-5,401	-5,536	-5,637	-5,608	-5,765	-5,944	-5,977
Total Operating Revenue	-5,969	-5,391	-5,380	-5,350	-5,401	-5,536	-5,637	-5,608	-5,765	-5,944	-5,977
Operating Surplus	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditure	1,810	1,349	1,440	1,545	1,470	979	865	906	936	841	842
Total to be Funded	1,810	1,349	1,440	1,545	1,470	979	865	906	936	841	842
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Reserve Movement	1,810	1,349	1,440	1,545	1,470	979	865	906	936	841	842
Total Funding Approved	1,810	1,349	1,440	1,545	1,470	979	865	906	936	841	842

Investment Activity

Overview

Our Investment Activity has two main aspects: Our port equity related investment portfolio, which makes a significant contribution to revenue and thus reduces the funding burden on our ratepayers; and shorter term cash investments managed to safeguard interim surpluses and ensure they are working to enhance our financial position, while available to be drawn on to meet ongoing expenditure as budgeted in our Community Plan and Annual Plans.

Our investment portfolio is managed, with advice from outside experts, to improve the overall balance of risk and return. At the start of the 2008-09 financial year we held 23.08% of the shares in Wellington port company CentrePort Ltd and 8.3% of the shares in Port of Napier Ltd. These shareholdings represent a significant investment asset held on behalf of our regional communities.

During the first year of this Community Plan we will transfer ownership of our CentrePort shares into a Council-Controlled Trading Organisation (CCTO). Council will consider in future years the transfer of other investments (eg. joint venture forestry ventures generated by our SLUI programme) if this proves to be in the best interests of the region.

We maintain constant vigilance to ensure all our investments are managed in the best interests of our regional communities and have been actively reviewing our positions in view of the global and national economic downturn that became apparent early in our 2008-09 financial year.

Case Study

The primary sector is the life-blood of our Region and we are fortunate to have a stake in Wellington's CentrePort, the shipping hub of the lower North Island.

Chief Executive Michael McCartney says that as well as being involved in a major capital investment programme for its port equipment and infrastructure, CentrePort has significant property development strategies both in the inner city Harbour Quays precinct and on its industrial land at Seaview in Hutt City.

"Our investment in CentrePort is a good fit with our Regional Council role in supporting a viable primary economy and our recognition of the importance of efficient and sustainable transport networks," says Michael.

"All the trends point to big increases in the amount of freight carried by coastal shipping and CentrePort is well placed to play a major role in that."

Michael says CentrePort's overall cargo throughput has increased by 50% in the past 20 years and the company has also been working to structure itself as a viable commercial organisation with a significant level of dividends and other financial contributions for its regional owners, including Horizons.

"While the dividends we receive from CentrePort help ease the burden on ratepayers, we also see our investment in the company as a good fit with our role as a Regional Council."



Image: CentrePort

Investment

Why Investment is important

As a public organisation that exists to serve the interests of our regional communities we have a strong duty of care in all financial matters. Our Investment Activity requires above all that we adopt a prudent approach that is tailored to the Council's short-term activities and longer-term goals. Our ratepayers have over time enjoyed the benefits of significant dividends from our port equity-related investment portfolio, which provide additional income to cover operational expenses and thus help reduce the amounts we need to raise each year through rates.

What we've been doing in this area

We subject our investments to review to ensure they are managed in the best interests of our regional communities. We have looked at the structures other regional councils have in place to maximise efficiencies. We also continue to question what is the best use and form of investment for our ratepayers' funds.

What the challenges are

In managing our investments generally we are not driven by commercial considerations alone. As a public body, we are accountable in terms of the social, economic, environmental and cultural wellbeing of communities, and as the leading environmental manager for the Region. These considerations may lead to our making decisions which would not be made on commercial or financial considerations alone.

Our port-related equity investments are, like almost all global sectors, subject to world economic conditions which have significant and ongoing impacts on imports, exports and general freight cartage. Inter-port competition and the requirement for significant capital investment for both CentrePort and Port of Napier to remain competitive, are also factors causing us to review our investment strategies.

The recent rapid fall in interest rates has reduced both interest income and interest expense for the Council. For the final version of the Community Plan, Council revised both interest

income and expense down. This has resulted in an increase of the General Rate of \$303,000 in 2009-10, \$301,000 in 2010-11 and \$296,000 in 2011-12. The reduction of interest expense has seen scheme rates fall by \$102,000 in 2009-10, \$311,000 in 2010-11 and \$362,000 in 2011-12. The lower than anticipated fall in scheme rates in 2009-10 was caused by some schemes opting to repay principle with the interest savings in that year rather than reducing scheme rates.

Since the release of the Draft Plan, it has come to the attention of Council that the dividend from CentrePort will not be imputed with tax credits. This will result in the net dividend, via the holding company, being available to offset the General Rate falling by \$155,000 in 2009-10, \$319,000 in 2010-11 and \$266,000 in 2011-12. This fall in income will directly increase the General Rate by these amounts.

What we're going to do

During the 2008-09 financial year, we reviewed the way we hold our investments to ensure we have the most efficient structure in place. With that in mind, Council are going to do the following:

Council-Controlled Trading Organisation

Establish a Council-Controlled Trading Organisation (CCTO)

The Council is going to establish a Council-Controlled Trading Organisation for the purpose of holding our shares in CentrePort Ltd. Council will also consider in future years the transfer of other investments into this CCTO (eg. joint venture forestry). The holding company would be 100% owned by Horizons and will be a CCTO as defined by the Local Government Act 2002.

The drivers and advantages for doing this are:

- Horizons would transfer its 23.08% shareholding in CentrePort to the holding company.
- Horizons would continue to own the 23.08% shareholding in the Port through its 100% ownership of the holding company.
- Via the appointment of an independent board, facilitation of dedicated professional and experienced commercial governance of Council's commercial investments and

undertakings, while still enabling Council to maintain control via annual approval of a Statement of Intent and regular monitoring thereof.

- To promote sound investment and management rationales for the long-term enhancement of the value of Council's investments.
- Provide a vehicle for evaluation of future investment opportunities in a non-political environment (eg. joint venture forestry).
- Transparency of reporting between Council's core activities and commercial activities.
- Sets up a structure for Council, for future potential growth and development.

The disadvantages are as follows:

- There would be one-off and ongoing costs associated with the holding company such as legal fees for establishing the holding company, directors fees, monitoring costs.
- There would be the usual annual compliance requirements for reporting on a CCTO.

Sale of Port of Napier Ltd Shares

We will investigate the option of selling the shares and investing those funds elsewhere, and Hawkes Bay Regional Council (HBRC) has indicated to us, that they are interested in purchasing our 8.33% shareholding. Under the terms of the Constitution of Port of Napier Limited (the Company), certain restriction are place on the transfer of shares in the Company. Essentially, existing shareholders intending to sell or transfer their shares are required to offer them, through the Company, to other existing shareholders. If the Company cannot find an existing shareholder to willing to purchase the shares on offer at an agreed price, then the transferor is at liberty to sell and transfer the shares to any other person, and a price not lower than that contained within the original notice.

We are not bound by HBRCs declared interest, and our current options are:

- a) do nothing and retain our investment and related dividend flows;
- b) investigate the sale to HBRC on terms to be agreed;
- c) investigate the sale to other parties on terms to be agreed (but see restrictions referred to above).

As the Local Government Act 2002 (LGA 2002) defines port shares as a strategic asset, any intention to sell or transfer these shares needs to meet the requirements of the decision making process, and Special Consultative Process procedure, contained within the LGA

(2002), and for these reasons the intention is incorporated in this Community Plan, and the process will follow these requirements accordingly.

Under option a), there are no changes to the current and future economic and social well-being, or the community outcomes, of the region. There is no impact on our capacity to meet present and future needs in relation to our statutory responsibility, and there are no other matters that are considered relevant.

Under option b), there may be additional income to either:

- reduce the rate burden, while still achieving the planned community outcomes, and so help the economic and social well-being of the region, or
- increase activities to positively impact on planned community outcomes, and the environmental and social well-being of the region.

Other than the possible impacts referred to above, there is not impact on our capacity to meet present and future needs in relation to our statutory responsibility, nor are there any other matters that are concerned to be relevant.

Under option c), impacts are expected to be similar to those under Option b) as proceeds from any sale are expected to be similar.

Council received submissions both for and against the sale of the Port of Napier shares and has decided to continue to investigate the sale on the proviso the shares would only be sold if it is considered to be in the best interests of the region.

Long-term Funding Strategy

Council, in the Draft Community Plan, proposed to build up cash reserves over the life of the Community Plan, resulting in a cash buffer of \$9.57 million by the end of the Plan (2019). There were submissions both for and against building up this cash reserve. Council has, in light of the current economic situation, decided not to build up on cash reserves but to reconsider this decision at the next Community Plan in 2012. This changes means we will use surplus cash deposits to offset external loans where it is in the best interest of the Council. We will take into account such issues as interest minimisation and interest change exposure when considering our level of external debt.

How the Investment Activity links your community outcomes and what we're going to do!

Your community outcomes (as selected by you through consultation)	How our work is linked to your community outcomes	What we're going to do (How the Investment Activity and community outcomes link to the levels of service)
The Investment Activity indirectly supports all community outcomes.	By managing investments to ensure they return a significant annual contribution to Council funding we are able to reduce the financial burden on our ratepayers while enabling other activities to meet their community outcome obligations.	<ul style="list-style-type: none"> Investment activity - continue to review our investment portfolio to ensure it meets budget expectations, and prudently manage our cash investments to produce adequate returns Continue to apply penalties for rates non-payment

The Investment Activity is linked directly to your community outcomes by setting performance measures in the next table.

Investment – What we will deliver (\$000)

PERFORMANCE MEASURES FOR LEVELS OF SERVICE *The targets (performance measures) listed below (In lower case) are the detailed goals for each level of service over the next three years.	2008-09 Annual Plan	2009-10		2010-11		2011-12		2012-19
		Year 1 Target	Project Group Costs	Year 2 Target	Project Group Costs	Year 3 Target	Project Group Costs	Ongoing Targets
INVESTMENT ACTIVITIES (INC PORTS)	1		0		0		0	
Monthly weighted average interest rate exceeds 90-day Bank Bill Buying Rate (BBBR)								
Dividends meet budget expectations and also comply with Port of Napier Limited (PONL) and CCTO Statements of Corporate Intent levels								
Establish a CCTO for holding investments		✓						
Transfer the ownership of our CentrePort Limited Shared into the CCTO		✓						
Investigate expansion of investments held by CCTO		Ongoing		Ongoing		Ongoing		
RATE PENALTIES	-		-		-		-	
Apply penalties in accordance with the Local Government (Rating) Act 2002 and Horizons policies.								
TOTAL OPERATING EXPENDITURE	1		0		0		0	

Investment Financial Summary (what this work will cost) (\$000)

OPERATING AND FUNDING STATEMENT	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	20015-16	2016-17	2017-18	2018-19
Total Operating Expenditure	1	-	-	-	-	-	-	-	-	-	-
Government Support Revenue	-	-	-	-	-	-	-	-	-	-	-
Activity Revenue	-2,926	-3,026	-3,121	-3,306	-3,325	-3,322	-3,315	-3,305	-3,295	-3,293	-3,301
Rates Revenue	2,926	3,026	3,121	3,306	3,325	3,322	3,315	3,305	3,295	3,293	3,301
Total Operating Revenue		-	-	-	-	-	-	-	-	-	-
Operating Surplus	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditure	-	-	-	-	-	-	-	-	-	-	-
Total to be Funded	-	-	-	-	-	-	-	-	-	-	-
Funded By:											
Reserve Movement	-	-	-	-	-	-	-	-	-	-	-
Total Funding Approved	-	-	-	-	-	-	-	-	-	-	-

Rate Breakdown	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	20015-16	2016-17	2017-18	2018-19
General Rate (EQCV)	-2,926	-3,026	-3,121	-3,306	-3,325	-3,322	-3,315	-3,305	-3,295	-3,293	-3,301
Total Rates	-2,926	-3,026	-3,121	-3,306	-3,325	-3,322	-3,315	-3,305	-3,295	-3,293	-3,301