

MEETING OF THE FINANCE AND AUDIT COMMITTEE

**TO THE CHAIRPERSON AND MEMBERS
OF THE COMMITTEE**

MEMBERSHIP OF THE COMMITTEE

Cr R M Kirk (Chairperson)

Cr R A Budd
Cr R H M Johnston
Cr N J Wagner

Cr A G Neill
Cr T K Burke (ex officio)
Cr R I R Little (Alternate)

A meeting of the Committee will be held on
Thursday, 19 July 2007 at 9.00 a.m.

VENUE: Council Chamber
First Floor
Pegasus Building
58 Kilmore Street
CHRISTCHURCH

BUSINESS: As per Order Paper attached.

Dr Bryan Jenkins
CHIEF EXECUTIVE

**RECOMMENDATIONS IN REPORTS ARE NOT TO BE TAKEN
AS COUNCIL POLICY UNTIL ADOPTED BY THE COUNCIL**

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COMPLIANCE WITH LOCAL GOVERNMENT ACT 2002 DECISION-MAKING REQUIREMENTS

Except as below, a statement of compliance and a completed decision checklist is required for any agenda item on a council committee or the council recommending that a decision be made. This will be the responsibility of the person signing off the agenda item.

The compliance statement and checklist will not be used for:

- Recommendations that information be received or that the Council make a decision.
- Decisions taken under the Resource Management Act 1991 or the Biosecurity Act 1993 in relation to resource consents, decisions required when following the procedures set out in Schedule 1 of the Resource Management Act 1991, other permissions, submissions on plans, or references to the Environment Court.
- Decisions taken to proceed with enforcement procedures under various primary or secondary legislation or regulations, including procedures under the Resource Management Act 1991, the Biosecurity Act 1993, the Local Government Act 2002, and Environment Canterbury Bylaws.
- Administrative and personnel decisions that are entirely internal to Environment Canterbury.
- Other decisions where the procedures to be followed are set out in Legislation.

COMPLIANCE STATEMENT

The council committee (or the council) must formally certify that:

- (a) It is satisfied that it has sufficient information about the options and their benefits and costs, in terms of the region's social, economic, environmental and cultural well-being and the effects on community outcomes, bearing in mind the significance of the decisions.
- (b) It is satisfied that it knows enough about and has given adequate consideration to the views and preferences of affected and interested parties bearing in mind the significance of the decision.

INFORMATION CHECKLIST

(a)	A Statement of the Proposed Decision
(b)	A Statement of the Objective of the Proposed Decision and the Issue or Problem being addressed
(c)	A list of all reasonably practicable options, (including doing nothing).
(d)	For each option in (c): An evaluation of the Benefits and Costs, in terms of the region's social, economic, environmental and cultural well-being.
(e)	For each option in (c): A statement of the extent to which community outcomes would be promoted or achieved in an integrated and efficient manner.
(f)	For each option in (c): A statement of the Impact, if any, on Environment Canterbury's capacity to undertake its statutory responsibilities
(g)	If the Proposed Decision is a significant decision in relation to land or a body of water, a statement of how Maori values have been taken into account
(h)	A Statement of significant inconsistencies, if any, with any Existing Policy, Plan or Legislation arising from the Proposed Decision.
(i)	A statement how the views and preferences of affected or interested persons have been given adequate consideration during the definition of the problem or issue, the objective, the assessment of options and the development of the proposed decision, including the particular contribution of Maori to the decision-making process.

Notes:

The significance of proposals and decisions determines how much time, money and effort is put into exploring and evaluating options and obtaining the views of affected and interested parties. The significance of proposals and decisions is determined through reference to criteria contained in the policy on significance.

The policy on significance together with Section 76 of the Local Government Act 2002 set out the Council's requirements in relation to decisions. Some decisions can only be made through the Long-Term Council Community Plan, or after the Special Consultative Procedures set out in the Act have been used, (refer to the policy on significance and the Act).

All decisions of Environment Canterbury are subject to the decision-making requirements of section 76 of the Act unless inconsistent with specific requirements of other legislation.

**ENVIRONMENT CANTERBURY
FINANCE AND AUDIT COMMITTEE**

ORDER PAPER

1. APOLOGIES
2. MINUTES OF MEETINGS – 13 JUNE 2007
3. MATTERS ARISING

MATTER FOR COMMITTEE DECISION

4. 2006/07 ANNUAL REPORT

MATTER FOR INFORMATION

5. INVESTMENT POLICY – Presentation from Kevin Stirrat of Forsyth Barr.
(Presentation material attached.)
6. EXTRAORDINARY AND URGENT BUSINESS
7. NOTICES OF MOTION
8. MEETING WITH PUBLIC EXCLUDED
MATTER FOR COMMITTEE DECISION
8.1 MINUTES OF 13 JUNE 2007 MEETING AND MATTERS ARISING
9. NEXT MEETING – 15 AUGUST 2007
10. CLOSURE

**ENVIRONMENT CANTERBURY
FINANCE AND AUDIT COMMITTEE**

**MINUTES OF THE MEETING HELD IN THE COUNCIL CHAMBER,
ENVIRONMENT CANTERBURY, 58 KILMORE STREET, CHRISTCHURCH
ON WEDNESDAY, 13 JUNE 2007 AT 9.00 A.M.**

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1. APOLOGIES
2. MINUTES OF MEETINGS – 16 MAY 2007
3. MATTERS ARISING

MATTER FOR RECOMMENDATION TO COUNCIL

4. UPDATE ON PROGRESS TOWARDS IMPLEMENTING NEW ZEALAND
INTERNATIONAL FINANCIAL REPORTING STANDARDS

MATTER FOR INFORMATION

5. EXTRAORDINARY AND URGENT BUSINESS
6. NOTICES OF MOTION
7. MEETING WITH PUBLIC EXCLUDED
MATTERS FOR COMMITTEE DECISION
 - 7.1 MINUTES OF 16 MAY 2007 MEETING AND MATTERS ARISING
8. NEXT MEETING – 19 JULY 2007
9. CLOSURE

PRESENT

Crs R M Kirk (Chairperson), R A Budd, T K Burke, R H M Johnston and A G Neill.

Cr N J Wagner participated by way of telephone conference.

MANAGERS AND OFFICERS PRESENT

B R Jenkins (Chief Executive), N Pilbrow (Acting Director Finance and Corporate Services), H Sellwood (Finance Manager), N Bishell (Property and Reserves Manager) and J C Pani (Manager Secretariat).

1. **APOLOGIES**

Cr Wagner.

2. MINUTES

Resolved

That the minutes of the 16 May 2007 meeting, as circulated, be confirmed as a true and correct record and be adopted.

Cr Budd/Cr Burke

3. MATTERS ARISING

There were no matters arising from the minutes.

4. UPDATE ON PROGRESS TOWARDS IMPLEMENTING NEW ZEALAND INTERNATIONAL FINANCIAL REPORTING STANDARDS

Helen Sellwood (Finance Manager) presented this report to brief the committee on progress towards implementing New Zealand International Financial Reporting Standards (NZ IFRS) and to recommend to Council agreement with the proposed accounting policy for forestry assets.

Under NZ IFRS there is a new standard for agriculture and the accounting treatment for forests must be reviewed. A document, draft Review of Accounting Treatment of Forestry Assets under New Zealand International Financial Reporting Standards, prepared by Deloitte was also received by the Committee.

There was discussion on whether Council should continue to classify all forestry as infrastructural assets within Property, Plant and Equipment and to continue valuing the forests every three years, with an independent review, as is current practice or to apply the alternative accounting treatment for forestry assets and use the new standard for agriculture activity. Classifying forestry as agriculture activity would require annual revaluation with any adjustments reflected in the Profit and Loss Account. There would be additional costs associated with an annual revaluation.

The Finance Manager confirmed that some other Councils were classifying forestry as infrastructural assets within Property, Plant and Equipment and advised that the Office of the Auditor General had accepted this treatment by those Councils.

Resolved

That the Committee

- (a) Notes the draft Review of Accounting Treatment of Forestry Assets under New Zealand International Financial Reporting Standards prepared by Deloitte, and***
- (b) Recommends that Council adopts the proposed accounting treatment of forestry assets under NZ IAS16 as Property, Plant & Equipment.***

Cr Budd/Cr Burke

Cr Johnston requested that his vote against recommendation (b) be recorded.

5. EXTRAORDINARY AND URGENT BUSINESS

There was no extraordinary and urgent business.

6. NOTICE OF MOTION

There were no notices of motion.

The meeting moved into public excluded meeting from 9.30 to 10.33 a.m.

7. MEETING WITH PUBLIC EXCLUDED

Resolved

That the public be excluded from the following part of the proceedings of this meeting, namely:

7.1 Minutes of 16 May 2007 Meeting and Matters Arising

The general subject of the matter to be considered while the public is excluded, the reason for passing this resolution, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

<i>General subject of each matter to be considered</i>	<i>Reason for passing this resolution in relation to each matter</i>	<i>Ground(s) under section 48(1) for the passing of this resolution</i>
<i>7.1 Minutes of 16 May 2007 meeting and matters arising</i>	<i>That good reason exists for not discussing the matter with the public present and is not outweighed by the public interest.</i>	<i>Section 48(1)(a)</i>

This resolution is made in reliance on Section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interests protected by Section 7 of that Act which would be prejudiced by the holding of the relevant part of the proceedings of the meeting in public are as follows:

7.1 Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) – section 7(2)(i).

Cr Kirk/Cr Burke

The meeting resumed in open meeting at 10.33 a.m.

8. NEXT MEETING

Thursday, 19 July 2007 commencing at 9.00 a.m.

9. CLOSURE

The meeting closed at 10.35 a.m.

CONFIRMED

DATE _____ CHAIRMAN _____

AGENDA ITEM NO: 4	SUBJECT MATTER: 2006/07 ANNUAL REPORT
REPORT: Finance and Audit Committee	DATE OF MEETING: 18 July 2007
FILE REFERENCES:	PORTFOLIO: PROJECT: OUTPUT:
REPORT BY: Neil Pilbrow Portfolio Manager Finance and Corporate Services	ENDORSED BY: Wayne Thomas Director Finance and Corporate Services

PURPOSE

To adopt the timetable for adopting the 2006/07 Annual Report and Summary.

BACKGROUND

Each year the Council is required to prepare an Annual Report and Summary setting out its actual performance against the forecasts and targets in the Annual Plan.

As in previous years it is proposed that service performance be presented to the Combined Portfolios Committee and financial performance to the Finance and Audit Committee, with the final Annual Report and the Summary being adopted by the council in September.

As this Annual Report will be the first to report against the 2006-16 LTCCP, two new areas of reporting are required:

- the results of any measurements of progress towards the Community outcomes, and
- the effects of our activities on social, economic, environmental and cultural well being of the community.

TIMETABLE

Date	Event	Activity
Jul 19	F&A Committee meeting	Committee receives timetable.
Jul 31	Combined Portfolio Cttee meeting	Committee considers the performance against levels of service.
Aug 15	F&A Committee meeting	Receives report on key financial issues, if any.
Aug 27	CDEM Group meets	Adopts CDEM Group pages.

Aug 20 to Sep 7	Auditors on site	Staff respond to Audit queries and incorporate amendments, if required.
Sep 19	F&A Committee meeting (Auditor to attend)	Committee considers financial statements.
Sep 27	Council meeting (Auditor to attend)	Council adopts pre-audit Annual Report and Summary, receives audit certificates, adopts audited Annual Report and Summary.
By Oct 27	Distribute and publish on website	Distribute to Secretary for Local Government, the Auditor General, the Parliamentary Library, stakeholder list, councillors and staff.

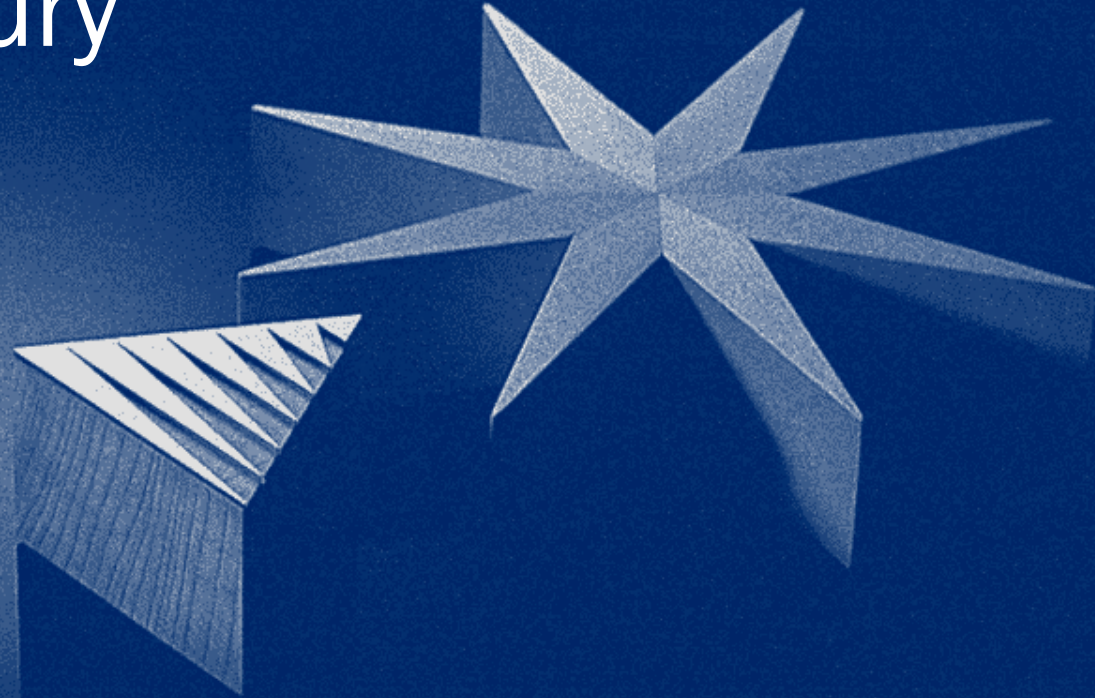
ANNUAL REPORT AWARDS- 2005/06

Each year we enter the Annual Report in the in the local authority section of the NZ Institute of Chartered Accountants Best Annual Report Awards. The results for 2005/06 were announced recently, with Environment Canterbury's Annual Report being selected as one of four finalists. First place was awarded to Wellington City Council, who also received the supreme award for the best report overall.

RECOMMENDATION

That the timetable for adopting the 2006/07 Annual Report and Summary be adopted.

Environment Canterbury



FORSYTH BARR
FUNDS MANAGEMENT

Portfolio Construction

Objective

- ▶ Capital preservation
- ▶ Maximise risk adjusted returns

Implementation

- ▶ Strategic asset allocation
- ▶ Tactical asset allocation

Investment Beliefs

- ▶ Diversification lowers total investment risk
- ▶ Risk and return characteristics can be unpredictable – one off events happen
- ▶ Future returns are semi predictable – don't rely on the past
- ▶ Excess returns can be achieved in certain asset markets where information and knowledge are less efficient
- ▶ Good investment managers have genuine insight, good organisational structure and talent
- ▶ Costs matter

Correlations

Correlation with Traditional Asset Classes

	NZ Cash	NZ Bonds	Global Bonds	NZ Property	NZ Equities	Global Equities	Global Equities (Hedged)
Traditional Asset Class							
NZ Cash	1.00	0.23	0.31	-0.08	-0.14	0.09	-0.05
NZ Bonds	0.23	1.00	0.72	0.08	0.06	-0.17	-0.05
Global Bonds	0.31	0.72	1.00	-0.08	-0.16	-0.31	-0.25
NZ Property	-0.08	0.08	-0.08	1.00	0.51	0.07	0.31
JP Morgan EMBI	-0.16	0.20	0.00	0.27	0.49	0.33	0.55
NZ Equities	-0.14	0.06	-0.16	0.351	1.00	0.39	0.53
Global Equities	0.09	-0.17	-0.31	0.09	0.39	1.00	0.70
Global Equities (Hedged)	-0.05	-0.05	-0.25	0.31	0.59	0.70	1.00

Structured Credit Correlations

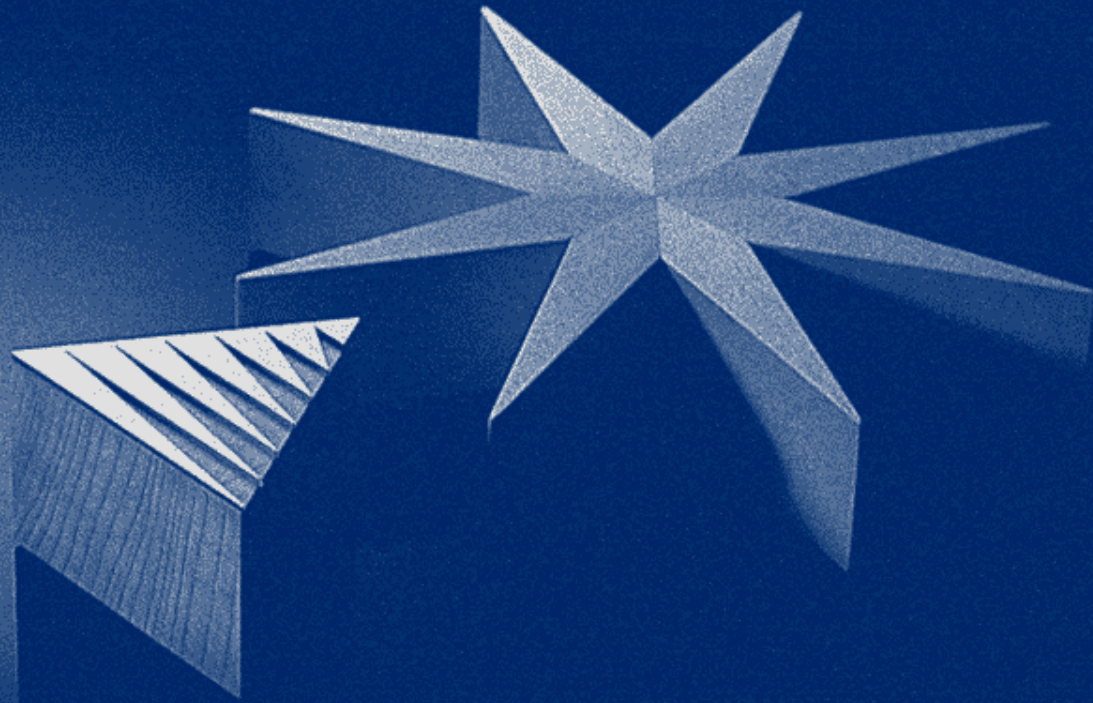
Correlation with Other Markets

	NZ Cash	NZ Bonds	Global Bonds	NZ Property	NZ Equities	Global Equities	Global Equities (Hedged)
Structured Credit							
Symphony	0.08	- 0.14	- 0.14	0.30	- 0.07	- 0.03	- 0.06
Harbourmaster	0.09	0.06	0.22	0.01	- 0.03	- 0.29	- 0.24
South Coast III	0.16	0.45	0.41	0.24	0.06	- 0.20	- 0.19
Taberna No1	0.18	0.18	0.37	- 0.15	- 0.21	-0.41	- 0.41
Alcentra	0.24	0.32	- 0.45	- 0.06	0.60	0.67	- 0.03
JPMorgan EMBI	0.08	0.22	0.18	0.32	0.46	0.32	0.51

Portfolio Analysis

Portfolio Analysis

	Portfolio 1	Portfolio 2	Portfolio 3	Portfolio 4	Portfolio 5
Cash	100%	50%	30%	60%	60%
NZ Bonds		20%	25%		20%
Property		10%	5%	10%	
Australasian Equities		10%	20%	30%	
International Equities			10%		
Emerging Market Debt		5%	5%		10%
Structured Credit		5%	5%		10%
5-year annualised return	6.69%	8.64%	8.64%	10.74%	6.66%
5-year annualised volatility	0.27%	1.87%	3.73%	3.52%	1.32%
10-year annualised return	6.57%	7.98%	8.33%	8.82%	7.25%
10-year annualised volatility	0.37%	2.61%	4.60%	4.63%	1.77%



FORSYTH BARR
FUNDS MANAGEMENT

AGENDA ITEM NO: 8	SUBJECT MATTER: MEETING WITH PUBLIC EXCLUDED
REPORT: Finance and Audit Committee	DATE OF MEETING: 19 July 2007
FILE REFERENCES:	PORTFOLIO: PROJECT: OUTPUT:
REPORT BY: Jude Pani Manager Secretariat	ENDORSED BY:

MEETING WITH PUBLIC EXCLUDED

The Chairman will move:

That the public be excluded from the following part of the proceedings of this meeting, namely:

8.1 Minutes of 13 June 2007 Meeting and Matters Arising

The general subject of the matter to be considered while the public is excluded, the reason for passing this resolution, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
8.1 Minutes of 13 June 2007 Meeting and Matters Arising	That good reason exists for not discussing the matter with the public present and is not outweighed by the public interest.	Section 48(1)(a)

This resolution is made in reliance on Section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interests protected by Section 7 of that Act which would be prejudiced by the holding of the relevant part of the proceedings of the meeting in public are as follows:

Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) – section 7(2)(i)