

The Chairman and Councillors

Finance and Corporate Committee

NOTICE IS GIVEN that the next meeting of the Finance and Corporate Committee will be held in **Council Meeting Room One, Bay of Plenty Regional Council, 5 Quay Street, Whakatane** on:

EMBARGOED

Until 2 working days before meeting on:

Tuesday, 9 August 2011

commencing at 9.30 a.m.

Members please note that a Council meeting to deliberate on submissions to the Government Funding Agency Proposal has been scheduled to start at 12.30 pm, or at the conclusion of the Finance and Corporate Committee meeting (whichever is the earlier).

Miles McConway
Acting Chief Executive

2 August 2011



Finance and Corporate Committee – Terms of Reference

The Finance and Corporate Committee has a core function for formulating finance policy and monitoring financial and corporate performance.

Delegated Function

To develop and monitor Council's financial policy and corporate performance.

Membership

Eleven Councillors including the Chairman as Ex-Officio.

Term of the Committee

For the period of the 2010/2013 Triennium unless discharged earlier by the Regional Council.

Specific Responsibilities and Delegated Authority

The Finance and Corporate Committee is delegated the power of authority to:

- 1 Receive the Council's quarterly overall financial reports and to review the appropriateness of reports received and if necessary make recommendations to council on financial matters arising from council's financial reports.
- 2 Receive quarterly reports on corporate performance, if required.
- 3 Receive and consider month-end financial reports between quarters, if required.
- 4 Preview and approve the form and content of the annual financial statements.
- 5 Monitor Council's overall service and financial performance against the Ten Year Plan and Annual Plan, including overseeing the production of the Annual Report.
- 6 Develop, approve and review council's funding and financial policies.
- 7 Review internal financial systems.
- 8 Audit financial decisions, if required.
- 9 Consider significant corporate matters that require governance input.
- 10 Consider applications for the remittance of user fees, charges and rates that can not be dealt with under the delegation of another committee.
- 11 Establish subcommittees and delegate to them any authorities that have been delegated by council to the Finance and Corporate Committee and to appoint members (not limited to members of the Finance and Corporate Committee).
- 12 Approve its Subcommittee's recommendations for matters outside the Subcommittee delegated authority.
- 13 Approve, within its terms of reference, the transfer of budget levels between activities or to exceed the budget level for an activity with no commensurate savings elsewhere, up to \$100,000 and to recommend to Council amounts exceeding \$100,000.

Note:

The Finance and Corporate Committee reports directly to the Regional Council.

The Finance and Corporate Committee is not delegated the power of authority to:

- *Develop, approve or review strategic policy and strategy.*
- *Develop, approve or review non financial operational policies and plans.*
- *Allocate funding through the Environmental Enhancement Fund.*

Public Forum

1. A period of up to 15 minutes shall be set aside near the beginning of the meeting to enable members of the public to make statements about any matter on the agenda of that meeting which is open to the public, but excluding any matter on which comment could prejudice any specified statutory process the council is required to follow.
2. The time allowed for each speaker will normally be up to 5 minutes but will be up to the discretion of the chair. A maximum of 3 public participants will be allowed per meeting.
3. No statements by public participants to the Council shall be allowed unless a written, electronic or oral application has been received by the Chief Executive (Governance Team) by 12.00 noon of the working day prior to the meeting and the Chair's approval has subsequently been obtained. The application shall include the following:
 - name of participant;
 - organisation represented (if any);
 - meeting at which they wish to participate; and matter on the agenda to be addressed.
4. Members of the meeting may put questions to any public participants, relevant to the matter being raised through the chair. Any questions must be asked and answered within the time period given to a public participant. The chair shall determine the number of questions.

Committee Membership

Chairman: P Thompson

Deputy Chairman: P Sherry

Councillors: R Bennett, T Eru, J Mansell, J Nees, I Noble, D Owens, L Thurston, M Whitaker

Ex Officio: Chairman J Cronin

Secretary: S Cubbon

Recommendations in reports are not to be construed as Council policy until adopted by Council.

Agenda

1 **Apologies**

2 **General Business and Tabled Items**

Items not on the agenda for the meeting require a resolution under section 46A of the Local Government Official Information and Meetings Act 1987 stating the reasons why the item was not on the agenda and why it cannot be delayed until a subsequent meeting.

3 **Reports**

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APPENDIX - Quayside Holdings Ltd Statement of Investment Policy and Objectives (SIPO) 30 June 2011

4 **Public Excluded Section**

Resolution to exclude the public

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

The general subject 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(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

4.1 **Investment Performance Report for the year ending 30 June 2011**

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Reason

That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information where the withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage.

Grounds

That the public conduct of the whole or 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.

APPENDIX - 12 BOPRC Annual Report to June 2011

5 **Consideration of General Business**

Reports

File Reference: 1.01317
Significance of Decision: Receives Only - No Decisions



Report To: Finance and Corporate Committee
Meeting Date: 09 August 2011
Report From: The Chairman

Chairman's Report

Executive Summary

This report provides the Committee with an update on information on Corporate Services activities that are being undertaken, what has been done to date, and what is planned for the future. This follows on from June's report. Committee's feedback on the format and content of this report is, as always, welcomed.

1 Recommendations

That the Finance and Corporate Committee under its delegated authority:

1 Receives the report, '*Chairperson's Report*'.

2 Update

The table on the next page provides an update of Corporate Services activities.

What has been done	What was this	Outcomes	Status	Budget
IM Services Review	Reviewed the information management and IT services offered and bench marked these against other similar councils.	Endorsement of most service levels being offered. Develop a programme for a move to a thin client desktop.	Completed. Action points underway. Key point of improvement is the development of a thin client strategy planned for 3rd and 4th quarter of this calendar year.	The review was \$30,240 excl expenses/ Actual was \$30,585 incl expenses. The actions have no specific budget as they will be accommodated within current operating budgets.
Data Monitoring Review	Review of how we capture, store and utilize data used in delivering our external functions.	A 5 year development pathway has been established focused on improvements across the board. See paper in today's agenda.	Completed. Action points underway and will help develop next Ten Year Plan.	\$10,000 consultancy plus staff time charges to operational expenses.
Laboratory review	Reviewed the need for and operation of an internal laboratory service. Services were benchmarked against other possible options and the market conditions were analysed to identify risks of seeking alternate delivery mechanisms.	Internal service delivery was identified as the best option. Operational improvements were identified. Improved lab performance achieved both financially and in quality assurance.	Completed.	\$15,000 approx including staff time.
Participation in BoPLASS Ltd	This is a long term strategy aimed at obtaining benefits through the aggregation of procurement and service delivery in the back office. There are 9 participating councils.	Improved procurement – insurance, geospatial data, office and stationery equipment, telecommunication services etc. Developing an operating platform for inter council IT services to operate on so that IT dependent shared services can commence.	As part of Councils internal connectivity programme resources are being shared with BoPLASS Council to put in place the connected platform for shared services reliant on IT to begin.	\$115,000 in procurement savings for council was reported for the 2009/10 year. This level of savings is predicted to continue through the current year. Intangible returns such as the benefits of joint procurement of aerial photography.

What has been done	What was this	Outcomes	Status	Budget
Corporate Services Strategy	An overall strategy looking at all corporate services, identifying their inter relationships and opportunities for improvements and what will be needed to be done to remove barriers to maximizing these opportunities.	An integrated, planned approach to corporate service offerings. Improved service levels, improved productivity and where achievable additional cost reductions.	To be implemented from the second quarter of the 2011/2012 financial year.	Within allocated resources.
Internal Communications	This plan provides an overview of our current environment, and outlines our goals and objectives, what we will deliver and how we will measure success. It sets out the roles and responsibilities of managers and staff for different teams and levels and discusses key initiatives and projects to manage and develop our internal communications programme.	<p>The goals we want to achieve through our internal communications plan are:</p> <ul style="list-style-type: none"> • improved knowledge and information flows through effective and efficient use of internal communications' tools; • innovative and flexible in our approach to internal communications; • increased support for our internal communications approach and initiatives by all staff; and • know we're succeeding on internal communications. 	Several key actions in the plan are being implemented.	Within allocated resources.
Community Relations Strategy	This strategy is being reviewed and updated to provide guidance on the approach that the organisation will take to Community Relations.	A five-year strategic direction for Community Relations and how the organisation approaches this work and why.	To be signed off by ELT in August 2011.	Within allocated resources.

What has been done	What was this	Outcomes	Status	Budget
Enterprise Architecture Project	This project will identify the current state and desired future state of the Information Management environment. This will include the desktop, network, application and data infrastructure areas. The councils IT environment has grown organically over the years. A more sophisticated, interconnected environment requires a detailed architectural plan.	A detailed architectural plan showing the interdependencies of our physical equipment and the information it carries allowing for more efficient and informed adds, moves and deletions.	Presentation completed at last Finance and Corporate Committee meeting.	\$147,000. Includes, staff time, consultancy and software.
Information Strategy Review	This project will review the current Information Management Strategy. This strategy is the key guiding strategy for the Information Management sections of the Technology Group.	A revised 3 year strategy showing current state and desired future state. The implementation of the findings of this strategy are subject to funding resources if required.	Project commences 1 July 2011 and is aligned with the Ten Year Plan process.	\$53,000 plus staff time (charged to staff capital).
Property review	A review of all properties owned by Council to identify whether they are being used appropriately.	If any parcels of land are identified as being surplus to requirements, opportunities for divestment will be explored.	The property review is 90% complete, with identification of only a few parcels of land remaining. These have been difficult to identify as the land ownership information is proving difficult to ascertain. All staff have now been moved out of the Ground Floor of the West Wing in the Whakatane office. We have shown a couple of prospective long term tenants through the space; however we have yet to secure a lease.	Catered for in the overall property management budget.

What has been done	What was this	Outcomes	Status	Budget
			Once a tenant is found, there will be some work required around security in particular, to make the West Wing suitable for occupation.	

Brian Trott
Group Manager Corporate Services

for The Chair

28 July 2011

File Reference: 1.00424
Significance of Decision: Receives Only - No Decisions



Report To: Finance and Corporate Committee
Meeting Date: 09 August 2011
Report From: Brian Trott, Group Manager Corporate Services

Group Managers' Report

Executive Summary

This report provides Committee members with an update on operational matters of interest not covered elsewhere on the agenda.

1 Recommendations

That the Finance and Corporate Committee under its delegated authority:

- 1 Receives the report, '*Group Managers' Report*'.

2 Online GIS Solution

Bay of Plenty Councils through Bay of Plenty Shared Services Ltd have selected a common online GIS solution for geospatial information availability both internally and externally. This is the first step in developing a single portal access for integrated geospatial services and information in the Bay of Plenty.

3 Update on Bright Ideas Innovation Fund

The next round for the Bright Ideas Innovation Fund is about to commence. Please refer to the flyer (attached as an appendix). A report will be coming to the next Finance and Corporate Committee meeting to discuss two projects in particular relating to this fund.

4 Laboratory Development

The Bay of Plenty Regional Council laboratory has had some significant operational and culture changes in the past 2-3 years and a few representative key items from recent history and a new development phase are briefly discussed below.

4.1 Green Chemistry Expo

The laboratory recently participated in a Green Chemistry Expo held in Tauranga to which aligned with 2011 being 'Year of the Chemist'. The primary aim of the expo was:

‘To create awareness and understanding of Green Chemistry in the education and industry sectors and demonstrate its potential to deliver a healthy environment, a strong economy, quality jobs and high living standard’.

The expo had an attendance of approximately 450, with half of the attendees being made up of year 12 & 13 students from six local secondary schools and the remainder being from business and tertiary education sectors. The numbers attending the event were lower than was hoped as the number of local industry/business attendees was disappointing, but those that attended were very positive about the experience. As the comment below indicates, local secondary schools were very happy with the event.

“Just wanted to say thanks for the organisation behind the scenes for the Green Expo. It was great to enable the Science students see that Chemistry is not just about test-tubes. The Y13 students have a year more maturity and are thinking more about their futures and they were very positive about the afternoon. For me, the best part was seeing a boy that I don’t feel I have connected with, asking so many questions. He was the last to leave! Thanks again to all the people involved.” Pam, Otumoetai College

One of the exhibition organiser’s outcomes from the expo was that a greater degree of interaction needs to be designed into exhibits for future events. The more interactive exhibits, referring to the BOPRC laboratory, were vastly more popular than static displays. The laboratory display has been set up for Council to view at an appropriate break in today’s meeting.

4.2 **Flow Injection Analyser**

The laboratory has recently received IANZ accreditation for methods associated with the use of the automated Flow Injection Analyser (FIA) that is held within the laboratory. There has been a sustained effort over the last 12 months to leverage and maximise the capabilities of the FIA. The key benefits obtained from the use of the FIA are:

- Analysis cost kept in-house with reduced overhead
- Faster sample turnaround times
- Lower detection limits coupled with IANZ accreditation
- Efficient sample and workflow control, coupled with improved demand response

It is hoped that future enhancements will bring even lower detection limits, faster turnarounds along with a beneficial reduction in chemical usage.

4.3 **Laboratory Future Development**

In the coming year the laboratory will be undertaking an interactive planning exercise to lead the direction of the laboratory over the next 2-3 years. The aim of this next stage of laboratory development is to ensure that laboratory services are efficient, fit for purpose and meet quality assurance requirements going while also identifying opportunities for business growth in-house and externally.

- A detailed development plan towards maximising laboratory performance

- Plans and budget for resources, training and capital requirement for the next 2-3 years
- A lean and adaptable management system
- An engaged team ready to execute the plan

External support with a background in the development and execution of operations strategy within the energy, dairy, chemical and food sectors will be utilised for the process.

Brian Trott
Group Manager Corporate Services

28 July 2011

APPENDIX 1

3418 Bright Idea innovation fund info sheet 2011_print



Bright Idea
Innovation Fund

brightideas@boprc.govt.nz

The Bright Idea Innovation Fund has set aside \$30,000 with the aim of inspiring staff to think about taking a risk, trying something new or improving a process.

Are there any rules?

The fund is only available to current staff members at Bay of Plenty Regional Council. Applications must use standard template application forms. Projects shall be completed before the end of the financial year (30 June 2012).

The Innovation Selection Panel may split the total budget between the best ideas received or allocate the total amount to one project. This decision will be at the discretion of the Innovation Selection Panel and will be dependent on the quality of applications received.

Successful recipients will need to provide regular progress reports and may be asked to present their project findings to staff and Council on completion. This information will remain the property of Regional Council and may also be made publicly available.

Staff will be required to gain prior manager approval. Where able projects funded should be recognised as part of staff performance appraisal KPIs.

What are the Assessment Criteria?

The Innovation Selection Panel will assess how well the proposal aligns with the intent of the Bright Idea Innovation Fund using the following evaluation criteria;

Tell us what the benefits are?

What is unique, new or innovative about this idea?

Tell us how you think this idea will work?

Sounds great. When do I start?

There will be one funding round per year;

Funding round opens 1 August

Applications close 13 September

Recipients/applicants advised from
23 September

How do I submit my Bright Idea?

Email an electronic copy of the complete application to brightideas@boprc.govt.nz.

Your direct manager should be copied into this email.

The Bright Ideas application form is available in the Innovation Fund page on SAM.

For information and assistance in completing your application, please contact any member of the Innovation Selection Panel or email your query to brightideas@boprc.govt.nz

Can I code my time for preparing my application?

Time spent on developing innovative ideas can be charged to a special code created for this purpose, OP-60015400. Your manager will provide guidance on how much time can be charged to this code.

Due Date

4pm Tuesday 13 September 2011. An electronic copy of the application must be received by the deadline. Late applications will not be accepted.

Who's on the Panel?

The panel is made up of six representatives across ELT, management and staff.



Brian Trott
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Rob Donald
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Justine Brennan
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Nassah Steed (Chair)
Nassah.Steed@boprc.govt.nz

APPENDIX 2

3418 Bright Idea Innovation Fund Application Form



Bright Idea
Innovation Fund

brightideas@boprc.govt.nz

Application Form 2011

Applicant name:

Job Title:

Email address:

Project Name:

What: Tell us about the proposal

Attach a copy of your full proposal to this application if necessary

Why: Tell us about the issue to be improved and/or addressed

Include information like: Why this issue is a problem and who it currently affects...

How: Tell us how you plan to implement your idea

Include information like: How will your idea make a difference, how your idea will work in practice, how many staff will be required to implement and manage the proposal...

WOW: Tell us why your idea is unique/special/new

Timeframes: What are the timeframes, key milestones and tasks required to implement the proposal

Include information like: Project start and end dates, key tasks and milestones, costings and resources required.

Who: Tell us who or what will benefit from your idea

Include information like: Who will benefit from the proposal in terms of employees or groups within the organisation, the environment, the community. Does it have potential for wider applicability in future...

...

\$\$\$: Tell us how much money you will need

Include information like: Funds and staff time required to put the idea into action, will there be on-going costs...

Risks: Does your idea have any risks we should know about?

Confirmation of Manager approval

Include information you have discussed this project with your manager and they approve you making the Bright Idea application. Your manager should be copied into the emailed application.

Don't forget to address the selection criteria

Benefits: Uniqueness: Viability

File Reference: 1.00026
Significance of Decision: Receives Only - No Decisions



Report To: Finance and Corporate Committee
Meeting Date: 09 August 2011
Report From: Brian Trott, Group Manager Corporate Services

Waioeka-Otara Rivers Scheme Rate

Executive Summary

To inform the Finance and Corporate Committee of an error in the Targeted River Schemes rates for the Waioeka-Otara Rivers Scheme.

1 Recommendations

That the Finance and Corporate Committee under its delegated authority:

1 Receives the report, 'Waioeka-Otara Rivers Scheme Rate'.

2 Update on the Waioeka-Otara Rivers Scheme Targeted River Scheme Rates

This is to inform you that there was an error in the Targeted River Scheme rates for the Waioeka-Otara Rivers Scheme.

The clear intention of Council in its Annual Plan was for a targeted scheme rate increase of approximately 9%. Invoices have been received by river scheme ratepayers in the rural areas with increases of approximately 80% and decreases of approximately 50% in the urban areas.

This problem was caused by an administrative error in calculating the land area between the urban and rural ratepayers. This has since been corrected and the average rate increase across the targeted scheme is now approximately 9%.

I can now advise you of the process for fixing the problem/adjusting the rates. The steps we need to take (under section 119 of the Local Government (Rating) Act 2002) in chronological order are:

1. Work out what is wrong and lay out what needs to be changed (i.e. set the rates again);
2. Publicly advertise the changes in all areas affected by the rates changes (Council must give 14 days public notice of its intention to set the rates again);

3. Council makes a resolution setting the rates again in affected areas. (This will be brought to the next Council meeting on 25 August);
4. Send a notification out to affected properties, and also notify the resolution through the media.
5. Notify the Secretary of Local Government of the resolution (within 14 days of the resolution being made).

3 **Financial Implication**

The rates collected in the first quarter will be slightly lower as people choose not to pay the Regional Council portion but this will be corrected in the second quarter.

Stephen Wheeler
Acting Finance Manager

for Group Manager Corporate Services

2 August 2011

File Reference: 2.00057
Significance of Decision: Receives Only - No Decisions



Report To: Finance and Corporate Committee
Meeting Date: 09 August 2011
Report From: Brian Trott, Group Manager Corporate Services

Group Statement of Investment Policy and Objectives

Executive Summary

Attached for the Committee's information is a copy of the final Group Statement of Investment Policy and Objectives (SIPO).

1 Recommendations

That the Finance and Corporate Committee under its delegated authority:

1 *Receives the report, 'Group Statement of Investment Policy and Objectives (SIPO)'.*

2 Quayside Group's Statement of Investment Policy and Objectives

Attached is a copy of the Quayside Group's Statement of Investment Policy and Objectives (SIPO). This was submitted to Council by the Chief Executive of Quayside Holdings, A S Hamilton (Scott Hamilton) as an attachment with the Quayside Groups final Statement of Intent.

The SIPO set the parameters under which Quayside will internally control and manager its Share Investment Portfolio. The SIPO is a live document, able to be amended at any time by the Quayside Board of Directors. The SIPO attached is effective 30 June 2011.

Stephen Wheeler
Acting Finance Manager

for Group Manager Corporate Services

18 July 2011

APPENDIX

Quayside Holdings Ltd Statement of Investment Policy and Objectives (SIPO) 30 June 2011

Quayside Holdings Limited and Subsidiaries

Statement of Investment Policy and Objectives (SIPO)

Updated: 30 June 2011

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Introduction

Effective Date

This version of the Statement of Investment Policy and Objectives (SIPO) was approved by the Board of Quayside Securities on 30 June 2011. It is effective from 30 June 2011.

It supersedes the version of the Statement of Investment Policy and Objectives (SIPO) dated 13 March 2009.

The Quayside Group

Quayside Holdings Limited and subsidiaries represent the investment vehicle of the Bay of Plenty Regional Council.

Quayside Holdings Limited and wholly owned subsidiaries Quayside Securities Limited (a trustee company) and Quayside Unit Trust (a unit trust) were established in 1991. Quayside Holdings Limited is a Council Controlled Organisation, itself being a 100% subsidiary of the Bay of Plenty Regional Council.

In 1991, Quayside Holdings Limited through Quayside Unit Trust acquired shares in the Port of Tauranga from the Bay of Plenty Regional Council for \$53.48m.

In subsequent years Quayside has distributed income derived from its investment in the Port of Tauranga Limited back to the Regional Council. Quayside retained two special dividends (in early 2000's), creating a Share Investment Portfolio. Additionally, Quayside has used leverage opportunities to create a Property / Infrastructure Investment Portfolio known as Quayside Properties, established in 2003.

Current Assets

As at 15 June 2011 Quayside Group had the following investments

Port Investments – a strategic holding of 54.96% of NZX listed Port of Tauranga Limited (POTL), market value \$644m (73,687,536 shares at \$8.75)

Share Investments – growth targeted, listed equity investments, market value \$60m

Property / Infrastructure Investments – targeting long term gains and regional benefit, market value \$12m

Scope

This Statement of Investment Policy and Objectives (SIPO) relates solely to the Share Investment Portfolio.

Objectives

The primary objectives underlying the strategic investment policies for the Portfolio are to ensure that the value of the assets are protected long term and grown appropriately, while generating income opportunities that could be distributed to the share holder.

Quayside will

- maintain a long-term perspective with respect to capital preservation and distributions;
- ensure that the Portfolio is inflation proofed through long term capital preservation;
- ensuring that the nature of the individual investments do not detract from the reputation of Quayside or related organisations;
- target the level of income required for potential distribution.

Distributions and Reserving

Quayside targets retention and reinvestment of any capital growth.

The application of income benefit derived from the Investment Portfolio is determined by Quayside and The Bay of Plenty Regional Council through the Statement of Intent.

Statement of Intent

Quayside must issue a Statement of Intent at 30 June every year, identifying targets for the following 12 months and beyond. The Statement of Intent includes the agreed distributions to be made by Quayside to shareholders (both Bay of Plenty Regional Council and PPS holders) and the gross return the Investment Portfolio is targeted to achieve.

The cash flow required by Quayside to achieve both the distribution and return targets will be key driver of the Investment Policy.

Taxation

Quayside Holdings and subsidiaries are companies pursuant to the Companies Act 1993. Income earned is therefore subject to the Income Tax Act 2007. The Bay of Plenty Regional Council (the parent) is not subject to Income Tax.

The companies hold assets on capital account. The companies balance date is 30 June.

The attached table identifies the tax status of Investments in the Investment Portfolio

Table A: Investment Tax Statuses

Investment Type	Capital Gains / Loss	Dividends / Interest	Other Tax
New Zealand Equities	Nil ('Traders' ¹ are taxed at 28%)	Taxable at 28% on gross dividend	N/A
Australian Equities ²	Nil ('Traders' are taxed at 28%)	Taxable at 28%	N/A
International Equities	N/A	N/A	FDR of 5% of average value x 28% tax rate
NZ Listed Property	Nil ('Traders' are taxed at 28%)	Taxable at 28% on gross dividend	N/A
NZ Fixed Interest	Taxable at 28%	Taxable at 28%	N/A
Currency Hedging	Taxable at 28%	N/A	N/A
Cash (NZD)	N/A	Taxable at 28%	N/A
Cash (Foreign)	Taxable at 28%	Taxable at 28%	N/A

Investment Portfolio Management

Board Responsibility

The Investment Portfolio will be governed by the Board of Directors and monitored against this Statement of Investment Policy and Objectives (SIPO).

The Board has the power to approve and remove

- Delegations to the Chief Executive and team,
- Independent Investment Advisors,
- External Custodial Providers,
- External Investment Managers, and
- Currency Hedge Advisors.

The Board in conjunction with the Chief Executive comprises the Investment Committee.

Chief Executive and Management Team Responsibility

Execution of the SIPO is the responsibility of the Chief Executive. The Board may delegate authority to the Chief Executive to transact in accord with this SIPO through its Financial Delegated Authority Policy.

The Chief Executive's role includes:

- assisting with the creation and implementation of the Board's investment policies;
- liaison with investment advisors, custodians, hedge advisors, and or investment managers;
- advising the Board of recommended changes to or issues arising with regard to the investments;
- reporting to the Board on the performance of Portfolio assets;
- prudent management of Investment Portfolio costs (transacting and advice);

¹ Traders are those who actively trade equities for profit. Quayside has a buy and hold concept to ensure it is not deemed a trader, rather holds its investments on capital account.

² Provided a member of the ASX 200 and domiciled in Australia. Australian Equities that do not meet this test are deemed International Equities.

- execution of corporate events and voting rights on behalf of the board³.

Independent Investment Advisors

The Board may from time to time appoint Independent Investment Advisors to assist the Board in achieving strategic objectives, investment performance targets, and in the management of risk.

In selecting an Independent Investment Advisor, the Board will consider

- organisational fit with Quayside objectives,
- past investment performance of the advisor,
- strength and depth in of research personnel to support recommendations, and
- operational costs and timeliness.

It is the responsibility of the Chief Executive to shortlist Independent Investment Advisors for the Board.

A review of value add from Independent Investment Advisors is to be presented to the Board by the Chief Executive on an annual basis.

The Board currently contracts JBWere (NZ) Pty Ltd in this role.

External Custodial Services

The Board may from time to time appoint an External Custodian to assist the Board in the safe keeping of assets and the provision of investment reporting information.

In selecting an External Custodial Service, the Board will consider

- organisational fit with Quayside objectives,
- past operating performance of the custodian,
- the retention of key personnel within the organisation, and
- operational costs and timeliness.

It is the responsibility of the Chief Executive to shortlist External Custodians for the Board.

A review of functional value and costs from External Custodians is to be presented to the Board by the Chief Executive on an annual basis.

The Board currently contracts Custodial Services Limited, a subsidiary of Craigs Investment Partners Limited in this role.

External Investment Managers

The Board may elect to invest through investment vehicles provided by External Investment Managers such as a Portfolio Investment Entity (PIE), Unit Trusts, or an Exchange Traded Fund (ETF).

³ Quaysides investment in the Port of Tauranga Limited is deemed strategic and therefore not governed by this SIPO. Voting rights in relation to the Port of Tauranga Limited are to be voted on by Board resolution and executed by the Chief Executive.

In selecting an External Investment Manager, the Board will consider

- organisational fit with Quayside objectives,
- past investment performance of the external manager,
- strength and depth in of research personnel to support recommendations (where active investment management is selected), and
- underlying total expense ratios.

It is the responsibility of the Chief Executive to commend External Investment Managers to the Board.

A review of performance and expenses of an External Investment Manager is to be presented to the Board by the Chief Executive on an annual basis.

Currency Hedge Advisors

The Board may from time to time appoint one or more Currency Hedge Advisor to assist the Board in achieving strategic objectives, investment performance targets, and in the management of currency risk.

The role of the Currency Hedge Advisor is to advise on currency projections and execute any currency hedging transactions the Board or its delegate approves.

In selecting a Currency Hedge Advisor, the Board will consider

- organisational fit with Quayside objectives,
- exposure to the relevant currency markets,
- strength and depth of documentation (ISDA arrangements), and
- operational costs, margins, and timeliness.

It is the responsibility of the Chief Executive to shortlist Currency Hedge Advisors for the Board.

SIPO Review Periods

The SIPO can be updated by board resolution at any time, noting the date from which an updated SIPO would come into effect.

The SIPO should be formally reviewed on an annual basis (usually in conjunction with the annual budget and Statement of Intent).

Investment Policy

Asset Allocation

The Share Investment Portfolio will consist of a mixture of growth and income assets. Given the return targets set for Quayside, the asset allocation will be heavily biased to growth assets. Cash flow requirements are derived predominantly from income derived from growth assets (i.e. dividends).

The Share Investment Portfolio will invest in a diversified mix of New Zealand, Australian, and International Equity Markets. A provision exists in the asset allocation to hold higher levels of income assets (such as cash and New Zealand Fixed Interest) in times of higher volatility or specified management action.

The Chief Executive may tactically allocate within the bands provided to maximise return, minimise transaction costs, or minimise risk. Any tactical allocation must remain within the upper and lower limits of that respective asset class.

Table B: Asset Allocation and Acceptable Ranges

Asset Class	Strategic Asset Allocation (%)	Tactical Minimum (%)	Tactical Maximum (%)	2010 Asset Allocation (%)
NZ Equities	32%	22%	52%	47%
Australian Equities	21%	11%	31%	21%
International Equities	42%	32%	52%	24%
NZ Listed Property	4%	0%	10%	7%
NZ Fixed Income	0%	0%	20%	0%
Cash	1%	0%	100%	1%
	100%			100%

The Benchmark listed in Table B, or Strategic Asset Allocation is the basis on which target performance will be measured.

Currency Hedging

Currency hedging may be taken out in order to minimise the impact of currency movement on the value of underlying investments. Currency hedge positions can only be held against currencies representing underlying assets, and to a maximum of the value of that exposure.

Currency hedging can only occur against material currencies exposures. Materiality is considered when the currency exposure in an Asset Class exceeds 10% of that Asset Class. Based on Share Investments at 15 June 2011, material currencies are AUD, EUR, GBP, and USD.

Any currency hedging contracts should be for a period of no more than three months.

Currency hedging and the level of hedging (between 0% and 105%) by currency can only be adopted by Director Resolution. Any transaction to execute or roll hedge contracts to meet that resolution will be governed by the Financial Delegated Authorities Policy.

Quayside would utilise a currency hedge advisor in determining future currency risk.

As at 15 June 2011 no currency hedging is held by Quayside.

Investment Style

Through Investment Advisors the Board targets outperformance of gross index returns. This is achieved by active stock selecting in each of the Asset Classes.

Advisor benefit is assessed by comparing any outperformance of the index as a result of stock selection (alpha) less the cost of that advice (advisor fees).

Responsible Investment

Quayside will invest in a manner that is complementary to the policies and objectives of the Bay of Plenty Regional Council.

Regional Investment

Quayside Group has an investment in the Port of Tauranga of \$644m, this being 90% of the total assets of the Group at 15 June 2011. Investment into other regionally based NZX listed investments are too be considered on their respective investment merit alone.

Investment Guidelines

Each of the Asset Classes shall be managed in accord with the following guidelines.

New Zealand Listed Equities

Index: NZSE50 Gross Index

Style: Direct equity selection

Rebalancing: Assets held on capital account. Allow two years elapsed between rebalancing events.

Parameters: All equities held must be listed on the NZX All Index Exchange
 A minimum 75% of the portfolio by value will be members of NZX 50
 A minimum of 10 securities must be held for diversity
 No single equity shall exceed 25% of the New Zealand Listed Equity Portfolio
 No equity holding shall exceed 5% of the equities market capitalisation
 Minimum parcel size for initial investment is \$250,000.

Investments into equities at a level greater than 5% of their respective market capitalisation are permitted by resolution of the Board. Where an investment represents more than 5% of market capitalisation the investment is considered strategic and no longer subject to the SIPO.

New Zealand Listed Property

- Index: NZX Listed Property Index
- Style: Direct equity selection
- Rebalancing: Assets held on capital account. Allow two years elapsed between rebalancing events.
- Parameters: All equities held must be listed in the NZX Listed Property Index
A minimum of 2 securities must be held for diversity
No equity holding shall exceed 5% of the equities market capitalisation
Minimum parcel size for initial investment is \$250,000.

Australian Listed Equities

- Index: ASX200 Gross Index NZD Unhedged
- Style: Direct equity selection
- Rebalancing: Assets held on capital account. Allow two years elapsed between rebalancing events (where not subject to FDR). FDR assets rebalanced by management upon consideration of Independent Investor Advice.
- Parameters: All equities held must be listed on the ASX Equities Exchange
A minimum 75% of the portfolio by value will be members of ASX 200
No single equity shall exceed 25% of the Australian Listed Equity Portfolio
A minimum of 10 securities must be held for diversity
No equity holding shall exceed 5% of the equities market capitalisation
Minimum parcel size for initial investment is \$250,000 NZD.

International Listed Equities

- Index: MSCI All World Gross Index NZD Unhedged
- Style: Portfolio style selection through Exchange Traded Funds (ETF)
- Rebalancing: FDR assets rebalanced at management discretion upon receipt of Investment Advice.
- Parameters: All ETF's must be traded on major exchanges (New York, London, Sydney)
No single ETF shall exceed 25% of the International Listed Equity Portfolio
A minimum of 5 securities must be held for diversity⁴
Minimum parcel size for initial investment is \$250,000 NZD.

⁴ Exchange Traded Funds are by nature diversified as they usually represent a country index or range of equities representing an industry sector.

New Zealand Fixed Income

Index:	ANZ Corporate A Bond Index
Style:	Direct bond selection
Rebalancing:	As required.
Parameters:	All instruments must be listed on the NZDX All Index Exchange A minimum of 3 securities must be held for diversity (where term of investment is intended for a period greater than three months) Investments must be A+ rated or better (or equivalent investment grade). Minimum parcel size for initial investment is \$250,000.

Investments in Fixed Income are deemed non core activity for Quayside but may be utilised in certain market conditions or to meet specific business needs.

Cash

Index:	NZD 90 day bank bill rate
Style:	Direct
Rebalancing:	As required.
Parameters:	Currency can be held in any currency in which underlying Equity investments are transacted or proposed to be transacted. Held on current account or term no more than 90 days.

Investments in Cash are deemed a non core activity for Quayside but may be utilised in certain market conditions or to meet specific business needs.

Performance Objectives

Target Return

The targeted return for the Investment Portfolio is a three year rolling gross return (before tax, fees, and inflation) of 8.5% per annum. This target is set annually and is reflected in the Statement of Intent that Quayside agrees with its parent company, the Bay of Plenty Regional Council.

While no net target is set, it is expected that the Board will aim to achieve the most efficient net returns through demonstrated skill in management of tax and fee expenses.

Risk Profile

The Investment Portfolio is subject to market and currency risks, however the portfolio will be managed to minimise risk and maximise returns.

The dominant asset class is expected to be equities investments, which are inherently risky and can generate negative returns for a period or periods. Risk and return balance will be addressed through ongoing review of asset allocation, targeted investment selection, portfolio diversity, and currency hedging.

Transactions are subject to operational risk.

Currency Risk Management

Quayside manages currency risk through

- employing Independent Currency Hedge Advisors to advise on currency projections,
- assessing currency rate forecasts across multiple market providers,
- establishing an ISDA with a major banking partner,
- diversification of the International Portfolio across currency markets

Liquidity Risk Management

Quayside manages liquidity risk through

- investing in equities and fixed interest products tradable on major exchanges,
- investment parameters by stock capitalisation,
- investment parameter by market exchange, and
- consulting in investment advice with a research bias to company and / or sector performance.

Market Risk Management

Quayside manages market risk through

- consulting in investment advice with a research bias to company and / or sector performance,
- diversifying investments across multiple market sectors,
- diversifying investments within market sectors,
- the application of limits on holdings within sectors, and
- an annual review of this SIPO.

Operational Risk Management

Quayside manages operational risk through

- employing a custodian to manage transactions,
- separation of the custodial and decision making processes,
- reconciliation of asset positions between custodian and management record,
- segregation of duties through Financial Delegated Authorities.

Reporting

Board Reporting

The Board meetings of Quayside Securities Limited will consider a standing item reporting the

- period performance versus benchmarks,
- period performance versus SOI return targets,
- compliance with the Statement of Investment Policy and Objectives.

Annually, or more frequently as agreed by the Board, the Chief Executive will report on the performance of

- Independent Investment Advisors
- External Custodial Providers
- External Investment Management
- Currency Hedge Advisors

The format and content of Board Reporting is to be determined by the Board.

Custodial Reporting

The Chief Executive is responsible for ensuring appropriate levels of Custodial Reporting exists.

Custodial reporting will form the basis of compliance monitoring against the group's Investment Guidelines.

Compliance will be assessed on a month basis.

Reporting to Council

Quayside will report at least twice a year to the Bay of Plenty Regional Council on the performance (both compliance and financial) of the Share Investment Portfolio in a format agreed by Council through the Statement of Intent.

Additional reporting will occur on an as requested basis.

Asset Valuation

Accounting Valuation

The Share Investment Portfolio is to be valued at market valuation. Where available, a bid price valuation will be applied.

Dividend Income, interest, and foreign exchange gains and losses will be accounted for on an accruals basis.

Performance Valuation

The Share Investment Portfolio is to be valued at market valuation. Where available, a last traded price will be applied in determining investment performance⁵.

Dividend Income, interest, and foreign exchange gains and losses will be included on an accruals basis for the purpose of calculating investment performance.

Conflicts of Interest

Members of the Board, Management Team, or any contracted service providers are expected to report any conflict of interests to the Chairman of the Board and the Chief Executive.

For the purpose of example, a conflict of interest exists where a transaction, or recommendation to transact occurs where Quayside or the other party holds, or intends to hold an interest of greater than 5% of the issue of a company.

Glossary

Currency Risk – the risk arising from the variability of the NZD currency against any currency in which the Portfolios has an investment.

Liquidity Risk – the risk that arises when an asset is unable to be quickly sold (liquidated) for a true market price due to lack of demand.

Market Risk – the risk of changes in total portfolio value as a result of changes in currency, interest and price risk.

Operational Risk – the risk arising in carrying out an investment transaction.

Price Risk – the risk that the value of an equity or fixed interest instrument will fall as a result of change in market prices.

⁵ Most indices are calculated using a last traded price.

Public Excluded Section