



Unconfirmed

MINUTES OF A MEETING OF THE CORPORATE AND STRATEGIC COMMITTEE

Date: Wednesday 14 March 2018

Time: 9.00am

Venue: Council Chamber
Hawke's Bay Regional Council
159 Dalton Street
NAPIER

Present: N Kirton - Chairman
P Bailey
P Beaven
T Belford
A J Dick (from 1.00pm)
R Graham
D Hewitt
M Paku
F Wilson (from 9.30am)

In Attendance: M Mohi – Chair, Maori Committee
J Palmer – Chief Executive
T Skerman – Interim Group Manager Strategic Development
L Lambert – Group Manager External Relations
J Ellerm – Group Manager - Corporate Services
I Maxwell - Group Manager - Resource Management
A Roets – Governance Administration Assistant
K Lie – Napier Port CFO
A MacLeod –Napier Port Chairman
B O’Keeffe – HBRIC Ltd CEO
S Tremain – HBRIC Ltd Chairman
L Hooper – Governance Manager (from 1.00pm)

1. Welcome/Apologies/Notices

The Chairman welcomed everyone to the meeting.

The Committee acknowledged the passing of Hawke's Bay legend Paddy Donovan.

C&S8/18 Resolution

That the apologies for absence from Toro Waaka and Rick Barker and for lateness from Fenton Wilson and Alan Dick be accepted.

**Beaven/Graham
CARRIED**

2. Conflict of Interest Declarations

There were no conflict of interest declarations.

3. Confirmation of Minutes of the Corporate and Strategic Committee meeting held on 11 December 2017

C&S9/18 Resolution

Minutes of the Corporate and Strategic Committee held on Monday, 11 December 2017, a copy having been circulated prior to the meeting, were taken as read and confirmed as a true and correct record.

**Beaven/Bailey
CARRIED**

4. Follow-ups from Previous Corporate and Strategic Committee Meetings

Mrs Jessica Ellerm provided a brief update on the status of the follow-up items including a request that Napier Port provides special purpose accounts to 30 June 2018 to align with Council's financial year dates.

C&S10/18 Resolution

That the Corporate and Strategic Committee receives and notes the "*Follow-ups from Previous Corporate and Strategic Committee Meetings*" report.

**Belford/Graham
CARRIED**

5. Call for Items of Business Not on the Agenda

Recommendations

There were no Items of Business Not on the Agenda raised for discussion.

7. Draft Regional Targets for Swimmable Lakes and Rivers

Mrs Liz Lambert introduced the item, explaining that the reason the item is being considered by this committee and not Environment and Services is the short notice given by Central Government that the draft regional targets must be made publicly available by 31 March 2018. A presentation by Iain Maxwell provided background on progress towards works undertaken to improve water quality and achieve the targets as set out in the National Policy Statement.

- A range of regional councils, CRIs and TA's contributed to the MfE process through a taskforce
- Information provided is the Hawke's Bay part extracted from the whole of NZ report
- A number of discussions will be held to discuss how to work collectively amongst

- regional councils to ensure that National Targets are met
- It is assumed that targets will remain the same under the new Government, but there may be some issues or potential changes around seasonality
- Reform of the NPS-FM 2014 led to a new risk based human health attribute and a national target for water quality improvements.

Cr Fenton Wilson arrived at 9:31am.

- Requires councils to work together towards making rivers and lakes swimmable more often and to improve freshwater quality in rivers greater than 4th order or lakes with a perimeter greater than 1500m
- Modelling developed with NIWA/UoW to predict the cost and impact of various mitigation strategies for river water quality
- Regions invited to submit their planned and programmed work to improve water quality, including policy interventions, the hotspot activities and traditional land management activities, with impacts modelled against the current state to assess predicted improvements
- Lakes not modeled due the complexity of modelling required (cyanobacteria biovolume)
- Under a base case HB was assessed as having 64% of rivers swimmable against the human health attribute and the HBRC planned and programmed work moves the region to 90%
- draft regional targets will be published upon adoption by Council to meet our Policy A6 (NPSFM) reporting requirements, and work will continue throughout the year to derive final targets to meet the December 2018 requirement
- Further advice will go to the Environment and Services and Regional Planning committees later in the year
- Need to consult with the RPC - will have a full consultation process schedule late April to take to the 2 May RPC meeting.
- Process to be flagged to the next RPC meeting and further development of final targets will be taken through that Committee for recommendation to Council.

C&S11/18 Resolutions

That the Corporate and Strategic Committee:

1. Receives and notes the **“Draft Regional Targets for Swimmable Lakes and Rivers”** staff report.
2. Notes that the National Policy Statement for Freshwater Management has a set a national target “to increase the proportion of specified rivers and lakes that are suitable for primary contact to at least 80% by 2030, and 90% no later than 2040”.
3. Notes that the National Policy Statement for Freshwater Management requires regional councils to make draft regional targets to improve the quality of fresh water that will contribute to achieving the national target and make these draft regional targets publicly available by 31 March 2018, with final regional targets publicly available by 31 December 2018.
4. Notes that the Government has indicated it may further amend the National Policy Statement for Freshwater Management in respect of “swimmability” and that these amendments may impact on developing our final regional targets.
5. Notes that a report on existing commitments for work underway in each region to improve water quality for swimming has been prepared in a partnership between central government and the Regional Sector. The Ministry for the Environment will make this publicly available before 31 March 2018.
6. Notes that the modelling undertaken for the report forms the basis for the draft targets.
7. Notes that staff will undertake further work, including consultation with the

Regional Planning Committee, and will report back to Council with a recommendation for a final regional target in December 2018.

The Corporate and Strategic Committee recommends that Council:

8. Agrees that the decisions to be made are not significant under the criteria contained in Council's adopted Significance and Engagement Policy, and that Council can exercise its discretion and make decisions on this issue without conferring directly with the community and persons likely to be affected by or to have an interest in the decision.
9. Agrees to set a draft target for the Hawke's Bay region of 90% of rivers and 76% of lakes swimmable by 2030, and make this target publicly available with the information sheet provided.
10. Agrees to recommend that the Regional Sector works collaboratively with the Government on any amendments to the National Policy Statement for Freshwater Management and requirements to set final regional targets.

**Belford/Beaven
CARRIED**

8. Recommendations from the Finance, Audit and Risk Sub-Committee

Mrs Jessica Ellerm introduced the item, covering the recommendations from the sub-committee meeting on 7 March, with discussions traversing:

- Robust discussions around the risk assessment and management update including refinements to be made to the report and suggestions for Exec accountability
- Governance oversight of the Works Group with future reporting to C&S annually
- Melissa des Landes provided an update on the Internal Audit processes including the updated, extended scope for the audit of Council's Procurement policies and processes.

C&S12/18 Resolutions

That the Corporate and Strategic Committee:

1. Agrees that the decisions to be made are not significant under the criteria contained in Council's adopted Significance and Engagement Policy and that Council can exercise its discretion and make decisions on these issues without conferring directly with the community.

Six-Monthly Risk Assessment and Management Update

2. Confirms the Finance, Audit and Risk Sub-committee's confidence that the risk assessment processes are appropriate processes to identify and assess organisational risks.

Procurement Internal Audit Scope and Water Management Internal Audit Progress Update

3. Approves the scope for the Procurement internal audit, including agreed amendments, and the initiation of the Audit.

Reports Received

4. Notes that the following reports were provided to the Finance, Audit and Risk Sub-committee meeting:
 - 4.1. HBRC Works Group Update
 - 4.2. Resource Management Information System Implementation Update
 - 4.3. Local Government Act Section 17a Reviews

9. Council Representative Appointments to Local Government New Zealand

James Palmer introduced the item, which meets the LGNZ requirement that formal appointments of representatives are made.

C&S13/18 Resolutions

1. The Corporate and Strategic Committee receives and notes the "Council Representative Appointments to Local Government New Zealand" staff report.
2. The Corporate and Strategic Committee recommends that Council:
 - 2.1. Agrees that the decisions to be made are not significant under the criteria contained in Council's adopted Significance and Engagement Policy, and that Council can exercise its discretion and make decisions on this issue without conferring directly with the community or persons who have an interest in the decision.
 - 2.2. Confirms Councillor Paul Bailey (or his substitute) as the delegate from the Hawke's Bay Regional Council at Zone 3 meetings of Local Government New Zealand.
 - 2.3. Authorises Councillor Paul Bailey to vote at LGNZ Zone 3 meetings on behalf of the Hawke's Bay Regional Council.
 - 2.4. Appoints the Chairman, Rex Graham, as the Hawke's Bay Regional Council's representative on the Regional Sector Group of Local Government New Zealand.
 - 2.5. Delegates to the Chairman, Rex Graham, the authority to respond and input into matters relating to Local Government New Zealand on behalf of the Hawke's Bay Regional Council, reporting as necessary to the Council.

**Kirton/Wilson
CARRIED**

The meeting adjourned at 10:09am and reconvened at 10:28 am

The meeting adjourned again at 10.29am to participate in a brief discussion around consideration of Item 6, and reconvened at 11:00 am.

10. Verbal Presentation of Napier Port Annual Results

The Chair introduced the Chairman of Napier Port, Alasdair MacLeod, HBRIC Ltd Chairman Chris Tremain, HBRIC Ltd CE Blair O'Keeffe and Napier Port Acting Chief Executive Kristen Lie.

- Alasdair MacLeod noted the impacts of the Kaikoura earthquake on CentrePort and consequential sudden (6 year increase within 1 month) mass increase of container volumes, the passing of highly respected board member John Chevsky, the retirement of director Jon Nichols, resignation of CE Garth Cowie, and welcoming new CE Todd Dawson and Board member Diana Puketapu
- Kristen Lie, Chief Financial Officer provided a 2017 operational and financial overview highlighting achievements of 12% increase in container cargo, record revenue of just short of \$87 million, bigger ships and increased log trade, shipping lines aggregating or merging globally, and over recent years significant increases in insurance costs continue
- The Chair thanked the team for their presentation and looking forward to the continued partnership between HBRC and Napier Port.

C&S14/18 Resolution

That the Corporate and Strategic Committee receives and notes the verbal “Presentation of Napier Port Annual Results”.

**Graham/Wilson
CARRIED**

12. Confirmation of Public Excluded Minutes of the Corporate & Strategic Committee Meeting Held 11 December 2017

C&S15/18 Resolution

That the Corporate and Strategic Committee excludes the public from this section of the meeting being Confirmation of Public Excluded Minutes Agenda Item 12 with the general subject of the item to be considered while the public is excluded; the reasons for passing the 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 being:

GENERAL SUBJECT OF THE ITEM TO BE CONSIDERED	REASON FOR PASSING THIS RESOLUTION	GROUND UNDER SECTION 48(1) FOR THE PASSING OF THE RESOLUTION
Public Excluded Recommendations from the Corporate and Strategic Committee	<p>7(2)(a) That the public conduct of this agenda item would be likely to result in the disclosure of information where the withholding of the information is necessary to protect the privacy of natural persons.</p> <p>7(2)(b)(ii) That the public conduct of this agenda item would be likely to result in the disclosure of information where the withholding of that information is necessary to protect information which otherwise would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.</p> <p>7(2)(i) That the public conduct of this agenda item would be likely to result in the disclosure of information where the withholding of the information is necessary to enable the local authority holding the information to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).</p> <p>7(2)(i) That the public conduct of this agenda item 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.</p>	The Council is specified, in the First Schedule to this Act, as a body to which the Act applies.

**Graham/Wilson
CARRIED**

13. Phase II Capital Structure Review Report

C&S16/18 Resolutions

1. That the Corporate and Strategic Committee excludes the public from this section of the meeting, being Agenda Item 13 Phase II Capital Structure Review Report with the general subject of the item to be considered while the public is excluded; the reasons for passing the 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 being:

GENERAL SUBJECT OF THE ITEM TO BE CONSIDERED	REASON FOR PASSING THIS RESOLUTION	GROUND UNDER SECTION 48(1) FOR THE PASSING OF THE RESOLUTION
Phase II Capital Structure Review Report	7(2)(b)(ii) That the public conduct of this agenda item would be likely to result in the disclosure of information where the withholding of that information is	The Council is specified, in the First Schedule to this Act, as a body to which the Act applies.

necessary to protect information which otherwise would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.

7(2)(i) That the public conduct of this agenda item would be likely to result in the disclosure of information where the withholding of the information is necessary to enable the local authority holding the information to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).

2. That Mr Blair O’Keeffe (HBRIC Ltd Chief Executive Officer), Mr Simon Tremain (HBRIC Ltd Chairman), Mr Alasdair MacLeod (Port of Napier Chairman) Mr Kristen Lie (Napier Port Chief Financial Officer) and Mr Jim Scotland (HBRIC Ltd Director) remain in attendance for this item as members of the Capital Structure Review Panel – authors and subjects of the report.

**Graham/Wilson
CARRIED**

The meeting moved into Public Excluded session at 11.40am and out of Public Excluded session at 12.30pm

The meeting adjourned at 12.31pm and reconvened at 1.02pm, with Alan Dick in attendance

6. HBRC Letter of Expectation for HBRIC Ltd

Mrs Jessica Ellerm introduced the item, which seeks guidance on content to draft a Letter of Expectation for HBRIC Ltd to assist with preparation of their 2018-19 Statement of Intent, noting:

- future substantial Council decisions required arising from the Capital Structure Review Phase 2 report in relation to HBRIC
- seeking feedback on potential changes to the governance structure and mandate for the company
- letter must include expectations for the dividend for the next 3 years

Mr James Palmer added context, including:

- letter from HBRIC board notes HBRIC in holding position since decision not to invest in RWSS, with not a great deal of governance and decision making required so recommends reduction in the number of directors on the Board and options for that as well as recommendation to take admin functions back into HBRC
- suggesting that HBRIC directed to explore commercial forestry investment activities which, if that grows into genuine investments that may require review of governance for specific expertise required

Queries and discussions traversed:

- Suggest committee focus on paragraph 5 of paper rather than the recommendations, specifically options for future of HBRIC being moving ownership of the Port back to Council and either winding down HBRIC or keeping it as a ‘shelf’ company; the status quo of Port ownership but with a more narrow mandate of managing the Port asset and maximising the dividend to Council; or HBRIC Ltd manages the Port asset and ensures dividend maximisation plus is directed to develop business cases for strategic investment opportunities such as commercial forestry. Then move on to paragraph 6 considerations on composition of entity.
- Ownership of Napier Port and potential taxation implications for HBRIC solvency issues if reverts to Council ownership
- Note decisions required today for purposes of a Statement of Intent and for only one year
- Staff advice that complexities and risks at the current time don’t warrant changing

ownership of the Port

- Extent of work in relation to Commercial forestry investment investigations to be quantified, but funding due diligence work most expeditiously done via HBRIC using investment income, and there is no HBRC funding included in LTP for this programme of work – meaning the only way Council can progress this currently is through HBRIC
- Two significant commercial activities are funding of Napier Port development and commercial forestry, each requiring separate oversight by a small, appropriately qualified team
- Moving parts include potential future disposition of the Port, \$60-80 million from RWSS for reinvestment, potential funds from sale or disposition of the Port and advice on what to do with that money, management of other commercial assets including leasehold land portfolio and forestry- how those should best be managed or where they should properly sit – and Council needs advice before making decisions
- Put HBRIC ‘on hold’ and minimise costs of running while awaiting the advice and then decisions on future structure of Council assets and investments
- Suggestion that reduction of HBRIC board members, retaining the councillor directors and 2 or 3 independents
- Pending decisions need to be made in relation to future of HBRIC in the longer term, however the requirement for a 2018-19 Sol cannot wait so retain HBRIC status quo in relation to mandate and reduce number of directors
- Support for streamlined HBRIC with fewer directors and admin functions back into HBRC
- Independence and expertise required of directors for upcoming transactions relating to the Port and enter into discussions around commercial forestry, reforestation
- Interim arrangements for the time being while examination of longer term options is undertaken and decisions subsequently made – at least 12 months away
- CE not able to provide independent advice on commercial activities to Council if a director of HBRIC
- Term of the Sol is only for the 2018-19 financial year

C&S17/18 Resolutions

1. The Corporate and Strategic Committee recommends that Council:
 - 1.1. Receives and notes the “HBRC Letter of Expectation for HBRIC Ltd” staff report.
 - 1.2. Agrees the following recommendations will form the basis for the content of the Letter of Expectation.
 - 1.2.1. That the HBRIC Ltd Board of Directors consists of two, or a maximum of three independent directors together with the two existing councillor directors, with remuneration adjusted downwards to reflect the smaller tasks they are responsible for.

Dick/Wilson

For: Dick, Wilson, Paku

Against: Graham, Beaven, Belford, Bailey, Kirton

Abstained: Hewitt

LOST

- 1.2.1 That the HBRIC Ltd reconstituted Board of Directors consists of the HBRC Chairman Rex Graham, Councillor Peter Beaven and the HBRC Chief Executive James Palmer.

Belford/Bailey

For: Graham, Beaven, Belford, Bailey, Kirton

Against: Dick, Hewitt, Wilson, Paku

CARRIED

- 1.2.2 HBRIC Ltd's revised mandate consists of managing the Port investment.

CARRIED

- 1.2.3 Council seeks advice from the office of the auditor general on how to organise its future commercial activities and the role of HBRIC Ltd, and seeks advice from HBRC staff on how investigations into commercial investments in forestry could be progressed.

Against: Wilson, Paku

Beaven/Belford

CARRIED

- 1.2.4 Extends its complements to the retiring HBRIC Ltd directors on their commitment to the company and for their commitment and hard work on behalf of the region.

Dick/Wilson

CARRIED

The Substantive Motion was:

1. The Corporate and Strategic Committee recommends that Council:
 - 1.1. Receives and notes the "HBRC Letter of Expectation for HBRIC Ltd" staff report.
 - 1.2. Agrees the following recommendations will form the basis for the content of the Letter of Expectation.
 - 1.2.1 That the HBRIC Ltd reconstituted Board of Directors consists of the HBRC Chairman Rex Graham, Councillor Peter Beaven and the HBRC Chief Executive James Palmer.
 - 1.2.2 HBRIC Ltd's revised mandate consists of managing the Port investment.
 - 1.2.3 Council seeks advice from the office of the auditor general on how to organise its future commercial activities and the role of HBRIC Ltd, and seeks advice from HBRC staff on how investigations into commercial investments in forestry could be progressed.
 - 1.2.4 Extends its complements to the retiring HBRIC Ltd directors on their commitment to the company and for their commitment and hard work on behalf of the region.
 - 2.1. Agrees that the decisions to be made are not significant under the criteria contained in Council's adopted Significance and Engagement Policy, and that Council can exercise its discretion and make decisions on this issue without conferring directly with the community and persons likely to be affected by or to have an interest in the decision.
 - 2.2. Confirms the Letter of Expectation for HBRIC Ltd as drafted in accordance with resolution 1.2 above.

Beaven/Belford

CARRIED

Item - 7. Draft Regional Targets for Swimmable Lakes and Rivers - was considered as the first item for Decision, immediately following item 5.

Item - 8. Recommendations from the Finance, Audit and Risk Sub-committee - was considered as the second item for Decision, immediately following item 7.

Item - 9. Council Representative Appointments to Local Government New Zealand - was considered as the third item for Decision, immediately following item 8

Item - 10. Verbal Presentation of Napier Port Annual Results - has been moved to another part of the document.

11. Discussion of Items Not on the Agenda

There were no Items of Business Not on the Agenda raised for discussion.

Item - 12. Confirmation of Public Excluded Minutes of the Corporate & Strategic Committee Meeting held 11 December 2017 and Item - 13. Phase II Capital Structure Review Report - were considered immediately following item 10, at 11.39am

The meeting went into public excluded session at 11.40am and out of public excluded session at 12.30pm

Closure:

There being no further business the Chairman declared the meeting closed 2.19pm on Wednesday 14 March 2018.

Signed as a true and correct record.

DATE:

CHAIRMAN: