



MINUTES OF A MEETING OF THE CORPORATE AND STRATEGIC COMMITTEE

Date: Wednesday 5 June 2019

Time: 9.00am

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

Present: N Kirton - Chairman
P Bailey
R Barker
P Beaven
T Belford
A J Dick
R Graham
D Hewitt
M Paku
T Waaka
F Wilson

In Attendance: J Palmer – Chief Executive
J Ellerm – Group Manager Corporate Services
P Munro – Te Pou Whakarae, Māori Partnerships
A Roets – Governance Administration Assistant
L Hooper – Principal Advisor Governance
J Lawrence – Group Manager Office of the CE & Chair
T Skerman – Group Manager Strategic Planning
C Dolley – Group Manager Asset Management
M Sharpe – Project Manager
T Kilkolly – Principal Accountant Rates and Revenue

1. Welcome/Apologies/Notices

Pieri Munro, Te Pou Whakarae, opened the meeting with a karakia.

The Chair welcomed everyone to the meeting and noted the agenda items would be taken out of order.

Councillor Alan Dick and Mr Mike Paku advised that they are unavailable this afternoon.

Resolution

C&S11/19 That the apologies from Councillor Fenton Wilson for lateness and Councillor Rex Graham for early departure at 1.30pm be received.

**Barker/Bailey
CARRIED**

2. Conflict of Interest Declarations

As previously noted Cr Hewitt indicated that she is a trustee of the Cranford Foundation Trust.

Cr Rex Graham declared an interest in item 8 – HB Tourism Funding Review and Organisational Updates as he is investigating entering the ‘bed and breakfast’ business.

Mr Toro Waaka declared an interest in item 8 – HB Tourism Funding Review and Organisational Updates as Chair of Hawke’s Bay Māori Tourism.

3. Confirmation of Minutes of the Corporate and Strategic Committee meeting held on 6 March 2019

C&S12/19 Resolution

Minutes of the Corporate and Strategic Committee meeting held on Wednesday, 6 March 2019, a copy having been circulated prior to the meeting, were taken as read and confirmed as a true and correct record.

**Waaka/Bailey
CARRIED**

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

James Palmer introduced the item, advising that all bar one of the items is the subject of an agenda item today.

In relation to an ethical investment workshop, it was suggested that a session provided by the fund managers can be organised in late July.

In relation to Maori Constituencies, the advice that the next opportunity for Council to discuss the establishment of one or more will be late 2020 was reiterated.

Cr Fenton Wilson arrived at 9.18am

C&S13/19 Resolution

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

**Beaven/Paku
CARRIED**

5. Call for Minor Items of Business not on the Agenda

There were no items raised.

8. HB Tourism Funding Review and Organisational Updates

Tom Skerman introduced the item, highlighting:

- Ongoing issues for funding of tourism, generally

- Emergence of Air BnB sector
- Introduce Hamish Saxon, Acting General Manager of HB Tourism
- HB Tourism board is seeking Council agreement to Key Performance Indicators under the new funding arrangement
- Letter advising commercial ratepayers of changes to the economic development rate will be distributed

Hamish Saxon spoke to the organisational update, highlighting:

- Applications for GM have now closed and will be shortlisting and interviewing over next 6 weeks or so
- Balancing tourism, how much is too much and how to determine where the local community would like to see tourism growth
- Paid membership does not reflect all of industry support, as there is significant 'in kind' support through participation in trade shows and providing meals, accommodation, etc for trade delegations
- visitor levy and GST propositions from Central Government
- Suggested additional KPIs for increasing membership, increasing the number of members signing up to pay the living wage, development of a carbon reduction Tourism strategy, and the need for some additional detail to make the performance measures meaningful
- Council's agreed expectations and strategy need to be clear so that HB Tourism can set clear, appropriate KPIs.

C&S14/19 Resolutions

1. That the Corporate and Strategic Committee receives and notes the "*HB Tourism Funding Review*" staff report.
2. The Corporate and Strategic Committee recommends that Hawke's Bay Regional Council:
 - 2.1 Adopts the Key Performance Indicators proposed, subject to the Hawke's Bay Tourism Board of Directors ratifying them, and incorporating any amendments agreed by the Committee today.

**Graham/Wilson
CARRIED**

13. Treasury Report

Jessica Ellerm introduced the item, which provides an update to the Committee on investment performance, borrowing and debt funding, before introducing Rhys Weyburne and Brian Kearney, presenting on behalf of Mercer Investments.

- Transition of funds came in through three transactions, first \$5M on 18 January followed by two transactions totalling \$15M in February
- funds immediately, by day's end, invested in accordance with Council's investment objectives
- Set up a bespoke investment portfolio for Council, to meet Council's objectives - currently 50% growth and 50% defensive assets
- Q1 returns were \$774,000
- Socially Responsible investment (ethical) approach with HBRC funds excludes investments in companies that get more than – 10% of their revenue from adult entertainment, alcohol, gambling or tobacco related business; more than 20% from extraction of thermal, coal and/or tar sands oil; and any companies directly involved in development, production, sale or distribution of cluster munitions, anti-personnel mines, biological, chemical or nuclear weapons. Other part is proactively investing to make positive social impacts.

The meeting adjourned at 10.42am and reconvened at 11am with Cr Rick Barker not in attendance

John Carran (economist, strategist), Ben Petro (fixed interest investments), Adrian Woodhams and Sam Howard (HB office) spoke to the First NZ Capital first quarter report.

Early in the year impressive run for global equities due to key reasons of investor view that market softness last year was temporary, good data from US economy, optimism that trade tension between China and US settled and banks committed to keeping interest rates low.

Recent market tension and volatility increased due to ramped up trade tensions between US and China, and investors becoming less optimistic. Slightly cautious on equities and valued slightly higher than normal averages. Fixed income term deposit returns expected at around 3% and longer term view to equities market.

Decided not to be a sub-partner in the Napier Port IPO as feel less constrained but very supportive of the investment opportunity

Long term focussed portfolio so reporting six monthly should be sufficient.

C&S15/19 Resolution

That the Corporate and Strategic Committee receives and notes the "*Treasury Report*".

**Wilson/Bailey
CARRIED**

11. Business HB Update

Tom Skerman introduced the item and the Business Hawke's Bay team (Carolyn Neville (CE), Alan Pollard and David Kriel) noting that a single 'service level agreement' for all councils is being developed.

Carolyn's presentation highlighted:

- Attract, Build, Connect
- "Think Hawke's Bay – for your business" initiative to attract businesses to Hawke's Bay, including case studies of successful businesses in HB
- Regional skills attraction strategy being developed, from which a campaign will run
- Future food innovation and land diversification opportunities including sheep and goat dairy, hemp crops, sustainable fibre, pyrethrum, etc
- Start-up 9 week development programme to support entrepreneurs
- 18 business support agencies represented at the Business hub

Queries and discussions covered:

- Regional economic development strategy – Matariki – the differences between economic development and business development (BHB lead) which are interrelated
- Part of the matariki work is around developing appropriate metrics to measure service delivery around things such as new investment and business relocations for example
- Newsletter distributed is a showcase of what's happening across HB in the economic development space
- Councillors keen for ongoing engagement with BHB

C&S16/19 Resolution

That the Corporate and Strategic Committee receives and notes the "*Business HB Update*" report.

**Bailey/Graham
CARRIED**

6. Report and Recommendations from the Finance Audit and Risk Sub-Committee

Jessica Ellerm introduced the item, highlighting the proposed Rating invoice, due and penalty dates changes with discussions covering:

- engaging with the community to smooth the transition to the new dates including socialisation of the changes ahead of implementation
- rates revenue currently comes in towards the latter quarter of the financial year
- potential to alleviate impacts on top 10% of ratepayers by offering payment plans to spread payments across the year

Further discussions traversed:

- living wage item and disappointing responses to survey, proposal to give preference to suppliers who pay the living wage and how the living wage is calculated
- revised procurement policy and manual in response to 2018 internal audit

C&S17/19 Resolutions

The Corporate and Strategic Committee:

1. Receives and notes the *“Report and Recommendations from the 22 May 2019 Finance, Audit and Risk Sub-committee Meeting”*
2. 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 likely to be affected by or have an interest in the decision.

Rating Invoice – Proposed Issue, Due and Penalty Date Changes

3. Recommends that Hawke’s Bay Regional Council approves the proposed rates issue, due and penalty dates following, for implementation 1 July 2020.
 - 3.1. Invoices sent out – early to mid-August
 - 3.2. Rate assessment/invoice date – 20 September
 - 3.3. Payment due date – 20 September
 - 3.4. Penalty date – 21 September.

Proposed schedule of 2019-20 internal audits

4. Takes note of the agreed 2019-20 schedule of Internal Audits within associated budget allocations, being:
 - 4.1. IT Security
 - 4.2. Data Analytics
 - 4.3. Risk Management
 - 4.4. Asset Management
 - 4.5. Water Management follow-up.

Living wage update

5. Considers the addition of a statement in the Procurement Policy that *“Council gives preference to suppliers who pay employees the Living Wage”*
6. If the inclusion of a weighting for payment of the Living Wage in a contract decision is to be considered, that the decision will be determined based on the type and value of the contract, and should also weigh up other best business practices.

Procurement and Contract Management Update

7. Agrees support for the proposed Hawke’s Bay Regional Council Procurement Policy May 2019 and Procurement Manual as revised to reflect the feedback

provided by FARS.

8. Recommends that Hawke's Bay Regional Council agrees support for the Hawke's Bay Regional Council Procurement Policy May 2019 and Procurement Manual as revised, including that Policy 5.9 is amended to read "HBRC will give preference to suppliers who have adopted the living wage and will consider this as part of the procurement evaluation process".

Reports Received

9. Notes that the following reports were provided to the Finance Audit and Risk Sub-committee.
 - 9.1. Water Management Follow-up Internal Audit Report
 - 9.2. Living wage update
 - 9.3. Draft 2019-20 Annual Plan for review and feedback
 - 9.4. May 2019 Sub-committee Work Programme Update.

**Paku/Bailey
CARRIED**

The meeting adjourned at 12.30pm and reconvened at 1.00pm with Councillor Rick Barker in attendance

7. HBRC 2019-20 Annual Plan

Jessica Ellerm introduced the item, advising that updates from the Finance Audit and Risk Sub-committee are not all included in the copies provided due to timing issues and reiterating Council's earlier decision not to consult. Discussions traversed:

- Audit NZ does not audit annual plans where there is not material change from what was proposed in the Long Term Plan
- Financials will be updated with the outcomes of the decisions made on carry forwards
- Increased borrowings relate substantially to sustainable homes and the erosion control scheme

Councillor Rex Graham left the meeting at 1.20pm

- Notes to clearly identify what the numbers represent, i.e. sustainable homes, Port IPO proceeds
- Some carry forwards relate to activities spanning the end/beginning of the financial year
- Figures are as at 30 April and so financial year end results may be different when actual results known
- Delays to work starting while policy is agreed, e.g. erosion control scheme, resulted in unspent budgets needing to be carried forward so activities can carry on

Councillor Debbie Hewitt left the meeting at 1.30pm

- Will get better at forecasting scheme uptake however will never be precise enough to not require any carry forward of budgets
- Scheme Maintenance is averaged so year to year variations are smoothed, engineering staffing has been under resourced for 3 years and is being built up
- Funds leveraged against central government funding could unravel the project as a whole if not carried forward
- All of the erosion control scheme carry forward funds are committed to landowner agreements as determined through a rigorous engagement process
- CAPEX does not impact directly on the rate – planned \$15m spend, deliberate decision to pause software implementation and IT strategy to move to an integrated platform, replacing bespoke council IT systems
- Change title of Ngaruroro water security to regional fresh water security
- Drilling programme signalled in previous LTP as well as 2018-28, at least 2 deep

wells required to calibrate SkyTEM

- Two page release scheduled in media tomorrow as this meeting has effectively 'publicised' the Annual Plan

C&S18/19 Resolutions

1. That the Corporate and Strategic Committee:
 - 1.1. Receives and notes the "*HBRC 2019-20 Annual Plan*" staff report.
 - 1.2. Receives and notes the two page public notice informing the community of key highlights of the 2019-20 Annual Plan included in this staff report.
 - 1.3. Receives and notes the 2019-20 Annual Plan Carry Forward Budget Considerations included in this staff report.
2. The Corporate and Strategic Committee recommends that Hawke's Bay Regional Council:
 - 2.1. Adopts the 2019-20 Annual Plan, incorporating amendments and carry forwards agreed at today's meeting, in accordance with Section 95 and Section 82(A)(3) of the Local Government Act 2002.

Belford/Barker

For: Beaven, Bailey, Belford, Barker, Paku, Kirton

Against: Dick, Wilson, Waaka

CARRIED

9. Organisational Performance Report for Period 1 February to 30 April 2019

The item was taken as read

C&S19/19 Resolution

That the Corporate and Strategic Committee receives and notes the "*Organisational Performance Report for Period 1 February to 30 April 2019*".

Barker/Beaven

CARRIED

10. Strategic Plan Implementation

James Palmer introduced the item, which provides an overall view of the major activities and projects across the organisation to deliver Council's strategic goals. Some thought to be given to communicating this document with the public to assist with the community's understanding of what it is Council does and is achieving, potentially in the context of the Annual Plan.

C&S20/19 Resolution

That the Corporate and Strategic Committee receives and notes the "*Strategic Plan Implementation*" staff report.

Beaven/Barker

CARRIED

12. Discussion of Minor Items not on the Agenda

There were no items raised for discussion.

Pieri Munro closed the meeting with a karakia.

Closure:

There being no further business the Chairman declared the meeting closed at 2.25pm on Wednesday, 5 June 2019.

Signed as a true and correct record.

DATE:

CHAIRMAN: