



## Meeting of the Corporate and Strategic Committee

**Date:** Wednesday 10 June 2020  
**Time:** 9.00am  
**Venue:** Council Chamber  
Hawke's Bay Regional Council  
159 Dalton Street  
NAPIER

### Agenda

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2.	Conflict of Interest Declarations	
3.	Confirmation of Minutes of the Corporate and Strategic Committee meeting held on 11 March 2020	
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**HAWKE'S BAY REGIONAL COUNCIL  
CORPORATE AND STRATEGIC COMMITTEE**

**Wednesday 10 June 2020**

**Subject: FOLLOW-UP ITEMS FROM PREVIOUS MEETINGS**

**Item 4**

**Reason for Report**

1. On the list attached are items raised at previous Corporate & Strategic Committee meetings that staff have followed up on. All items indicate who is responsible for follow up, and a brief status comment. Once the items have been reported to the Committee they will be removed from the list.

**Decision Making Process**

2. Staff have assess the requirements of the Local Government Act 2002 in relation to this item and have concluded that, as this report is for information only, the decision making provisions do not apply.

**Recommendation**

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

**Authored by:**

**Leeanne Hooper  
GOVERNANCE LEAD**

**Approved by:**

**James Palmer  
CHIEF EXECUTIVE**

**Attachment/s**

[!\[\]\(2bae76de5ebbd5c4d7d47162f1673734\_img.jpg\)1](#) Followups for June 2020 CorpStrat meeting



## Follow-ups from Previous Corporate and Strategic Committee Meetings

11 March 2020

Agenda Item	Follow-up / Request	Responsible	Status Comment
Regional Water Security	Completion of the Scoping Study for presentation to the May 2020 Regional Council meeting, of options to be carried through to pre-feasibility	T Skerman	Presentation at the meeting
Regional Water Security	Further investigate alternative governance models for the Tukituki Water Security Scheme and the Heretaunga Flow Enhancement Scheme that will identify and assess a short list of programme governance models for recommendation to Council for adoption at the May 2020 Regional Council meeting	T Skerman	Presentation at the meeting
Strategic Bi-lateral Arrangements	Chairman and Chief Executive to put forward a proposal to the HB Local Government Leaders Forum to establish regular bilateral meetings with each of the four territorial authorities in the region	J Palmer/ J Lawrence	Scheduling has been delayed due to the Covid19 response but will be developed for the 2020-21 financial year.
HBRC Agrichemical Collection Service Funding	Staff to investigate options to continue Agrichemical collection on a user pays basis for commercial users, and contributing to HazMobile collection events held annually by the district and city councils which target residential users.	J Blunden /L Lambert	<ul style="list-style-type: none"> <li>Staff have investigated the operation of a user pays system for commercial users as requested by Council. This is a facility already operated by a number of suppliers within the Hawkes Bay region for the collection and disposal of agrichemicals and hazardous waste.</li> <li>Staff are still engaging with District and City Councils around contributing to HazMobile events. Engagement on this has been delayed due to the Covid19 restrictions.</li> </ul>



**HAWKE'S BAY REGIONAL COUNCIL  
CORPORATE AND STRATEGIC COMMITTEE**

**Wednesday 10 June 2020**

**Subject: CALL FOR MINOR ITEMS NOT ON THE AGENDA**

**Item 5**

**Reason for Report**

1. This item provides the means for committee members to raise minor matters they wish to bring to the attention of the meeting.
2. Hawke's Bay Regional Council standing order 9.13 states:
  - 2.1. "A meeting may discuss an item that is not on the agenda only if it is a minor matter relating to the general business of the meeting and the Chairperson explains at the beginning of the public part of the meeting that the item will be discussed. However, the meeting may not make a resolution, decision or recommendation about the item, except to refer it to a subsequent meeting for further discussion."

**Recommendations**

3. That the Corporate and Strategic Committee accepts the following "Minor Items Not on the Agenda" for discussion as Item 11.

Topic	Raised by

**Leeanne Hooper  
GOVERNANCE LEAD**

**James Palmer  
CHIEF EXECUTIVE**





**HAWKE'S BAY REGIONAL COUNCIL**  
**CORPORATE AND STRATEGIC COMMITTEE**

**Wednesday 10 June 2020**

**Subject: REMIT TO LOCAL GOVERNMENT NEW ZEALAND ANNUAL GENERAL MEETING**

**Item 6**

**Reason for Report**

1. This report seeks the agreement of the Committee to support the Climate Change Coastal Hazard remit proposed to be submitted to Local Government New Zealand (LGNZ) by Hauraki District Council.

**Background**

2. Hauraki District Council intend on raising a Climate Change Coastal Hazard remit at the LGNZ AGM and, as part of the process Hauraki District Council needs the support of at least five other councils; proposing to ask for the support of:
  - 2.1. Hawkes Bay Regional Council
  - 2.2. Waikato Regional Council
  - 2.3. Waikato District Council
  - 2.4. Napier City Council
  - 2.5. Hastings District Council, and
  - 2.6. Northland Regional Council.
3. As part of the Remit process Hauraki District Council requires feedback on whether HBRC will support the Remit by 10 June; sufficiently provided by an email response from the Chair to Hauraki District Council at this stage.

**Remit**

4. As part of the LGNZ annual conference and AGM, all Councils are invited to submit proposed remits. Proposed remits should only relate to the internal governance and constitution of Local Government New Zealand, and relate to "issues of the moment". Remits must have formal support from at least one sector group meeting, or five councils, prior to being submitted for consideration by LGNZ.
5. The remit in question proposes:
  - 5.1. That Central Government undertakes a comprehensive review of the current law relating to natural hazards and climate change adaptation along New Zealand's coastlines and coordinates the development of a coastline strategy for the whole of New Zealand which would cover the roles and responsibilities of territorial and regional councils, greater direction on an integrated approach, and develop principles for "who pays".
6. Staff recommend that the Committee supports the remit based on the following assessment.

**Key Reasons**

7. That the remit reflects some of the challenges experienced during the Clifton to Tangoio Coastal Hazard Strategy 2120.
8. Specifically the remit reflects the same issues raise through the MfE/ HBRC case study "Challenges with Implementing the Clifton to Tangoio Coastal Hazards Strategy 2120" being:
  - 8.1. Core responsibilities for adaptation are ambiguous

- 8.2. Tools and mechanisms to manage current and future hazards are limited or inefficient
- 8.3. There is a lack of agreed approach and principles for sharing costs of works.

### **Decision Making Process**

9. Council and its committees are required to make every decision in accordance with the requirements of the Local Government Act 2002 (the Act). Staff have assessed the requirements in relation to this item and have concluded:
  - 9.1. The decision does not significantly alter the service provision or affect a strategic asset.
  - 9.2. The decision does not fall within the definition of Council's policy on significance.
  - 9.3. The decision is not inconsistent with an existing policy or plan.
  - 9.4. Given the nature and significance of the issues to be considered and decided, Council can exercise its discretion and make these without consulting directly with the community.

### **Recommendations**

That the Corporate and Strategic Committee:

1. Receives and considers the "Remit to Local Government New Zealand Annual General Meeting" staff report.
2. Agrees that the decisions to be made are not significant, and that the Committee can exercise its discretion and make decisions on this issue without conferring with the community.
3. Confirms support for the proposed Hauraki District Council Climate Change Coastal Hazard remit, to be supplied by the Hawke's Bay Regional Council Chairman via email.

### **Authored and Approved by:**

**Chris Dolley**  
**GROUP MANAGER ASSET**  
**MANAGEMENT**

### **Attachment/s**

There are no attachments for this report.

**HAWKE'S BAY REGIONAL COUNCIL**  
**CORPORATE AND STRATEGIC COMMITTEE**

**Wednesday 10 June 2020**

**Subject: RISK MATURITY ROADMAP**

**Item 7**

**Reason for Report**

1. This item outlines a proposed long-term pathway towards a culture of consistent and transparent risk intelligent decision making across every Council function and summarises the current state of Council's Enterprise Risk Management programme; seeking Council's support to initiate the risk maturity work programme in accordance with the proposed roadmap.

**Officers' Recommendations**

2. Council officers recommend that the Corporate and Strategic Committee endorses Phases I and II of the proposed risk maturity roadmap with key decisions items to be finalised by the Executive Leadership Team and the Finance, Audit and Risk Sub-committee (FARS) and formal adoption by the Council during the 2020-21 financial year.
3. Council officers further recommend that the Committee endorses Phases III and IV of the risk maturity journey on a longer-term horizon, recognising the need to create a fundamental cultural shift towards risk intelligent decision making across all functions of the Council.

**Executive Summary**

4. The ultimate purpose of a robust Enterprise Risk Management (ERM) programme is to provide assurance to the Council and oversight to the Executive Leadership Team that risks are managed, and risk opportunities are seized. Risk intelligent, or risk informed decision making ensures the ongoing efficient and effective achievement of HBRC's operational and strategic objectives.
5. To that end, this item seeks the Committee's endorsement of certain foundational elements of the proposed ERM work programme with defined deliverables to enable achievement of the longer-term goal of implementing a robust ERM framework to define, develop, deploy, measure, monitor, and report upon a culture of risk intelligent decision making in support of Council's vision, mission, and strategic objectives.
6. The item's recommendations are supported by:
  - 6.1. An initial risk maturity assessment from external auditors driven by Council's 2019-2020 Audit work programme
  - 6.2. An external independent cursory risk maturity assessment, and
  - 6.3. Staff's commitment to seek and adopt industry best practices to create a more resilient, risk-intelligent organisation better positioned to deliver outcomes consistent with Council's mission, vision, and values.

**Background**

7. Initially established as part of the Finance team within the Corporate Services umbrella, Council's risk management functions included identifying, reporting and quantifying Council's key enterprise risks across functions.
8. With a dotted line reporting to the Office of CE and Chair (OCEC), Council's Group Accountant shared a variety of risk management responsibilities including risk workshops, risk training, and risk reporting in addition to the role's primary Finance functions.

9. As the risk management program matured organically within the Council coupled with turnover within the Finance team, staff realigned the risk management function entirely under OCEC's portfolio of responsibilities in May 2019. This resulted in a complementary OCEC portfolio which included adjacent enterprise functions such as governance and audit.
10. Acknowledging Council's diverse nature of services in an increasingly dynamic environment, staff established a full-time, permanent Risk and Assurance lead role to further develop Council's Enterprise Risk Management (ERM) capabilities.
11. Council's function-specific risk management activities are currently being undertaken across the organisation. Council's current risk management programme includes centralised risk reporting on a six-monthly basis in the form of a risk register outlining Council's enterprise risks. HBRC's risk register was last presented to the FARS at the meeting held on 12 February 2020. As part of the risk maturity transition plan staff propose that the risk register ordinarily scheduled to be presented to FARS at the 12 August 2020 meeting will include the revised enterprise risks.
12. Worthy of note, since the 12 February 2020 risk report Hawke's Bay has been impacted by two significant events, being the Covid19 response and a declared regional drought.
13. New Zealand's response to Covid19 took effect at velocity. As a result, HBRC's operating model was disrupted. During this time of business interruption, the ongoing risk focus has been ensuring enterprise risks directly and materially impacted by the Covid19 response continued to be well managed. These risks included:
  - 13.1. Health and Safety
  - 13.2. People and Culture (including wellbeing)
  - 13.3. Community Sustainability (welfare and resilience - CDEM), and
  - 13.4. Financial.
14. The impact of the declared regional drought has also meant additional scrutiny applied to similar risks including:
  - 14.1. Community Sustainability (welfare of farmers and closer oversight of water related resources), and
  - 14.2. People and Culture (our staff capacity particularly given additional Covid19 restrictions and CDEM's involvement in Covid19 regional coordination).
15. As Council's risk reporting functions have evolved, it is considered good practice to further develop Council's culture of risk by formalising a risk maturity roadmap. An integrated and embedded risk management system ensures effective execution of objectives by identifying and addressing risks and uncertainties, therefore supporting operational excellence. A key value of Council being excellence, the timing is considered optimal to consciously advance the Council's current risk practices via an accelerated path to risk maturity.
16. It is imperative to note that this accelerated path to risk maturity is a journey requiring a long-term commitment to risk management to create a fundamental cultural shift. As with any programme that seeks an enduring cultural transformation, a steadfast commitment from the Council and the Executive Leadership Team is a crucial component for success in the long term.
17. With the appointment of an in-house permanent Risk and Assurance Lead position effective 18 May 2020, Council aims to formalise the role of risk management as an enabler of strategic and operational objectives.

### **A Primer on Enterprise Risk Management frameworks**

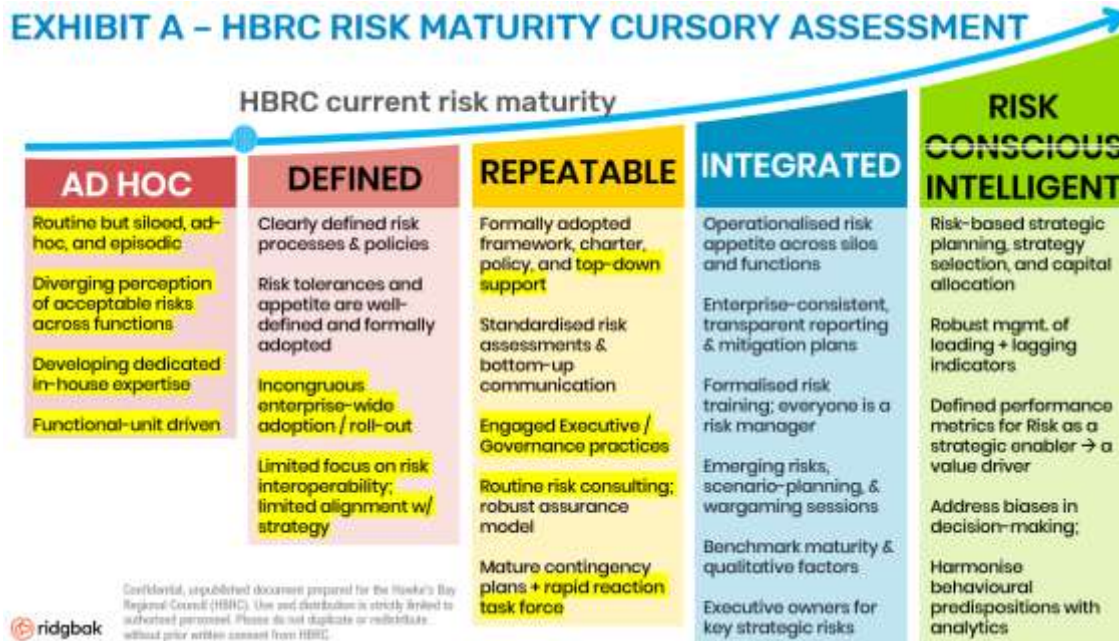
18. All Council managers, employees, and stakeholders currently manage risk on a daily basis. Proposed ERM efforts are designed to link risks and risk opportunities to objectives. This enables cross functional aggregation of what may appear to be

disparate risks. This also provides the ability to embed risk management into everyday decision making for all staff.

19. A mature and dynamic approach of ERM is tailored to the organisation's size, scale, and mandate, as well as integrated and standardised across all levels of the organisation. This tailored approach to ERM enables the Executive Leadership Team and the governing body to:
  - 19.1. Effectively prioritise resource allocation for management of risks that most significantly impact the Council's overall strategic plan and mission
  - 19.2. Stress-test Council's strategic and operational objectives against the interests of key stakeholders
  - 19.3. Define, develop, and cultivate a culture of operational excellence that is effective in identifying all risks, which enables the streamlining of processes and controls across the organisation.
20. Council's risk maturity can be benchmarked against a number of well-recognised risk management models. Staff have undertaken an evaluation of these models. This evaluation considered Council's size, scale, mandate, and operational practices for benchmark suitability.
21. After careful consideration, staff have agreed to utilise the principles of the International Standard for Risk Management (ISO 31000:2018), while also adding certain prescribed elements outlined in the 'All-of-Government' (AoG) enterprise risk maturity assessment framework propagated by Local Government New Zealand (LGNZ).
22. ISO 31000:2018 provides the ability to tailor risk processes, so they are right sized for Council. In addition, the ISO model allows for better alignment to Council's other structured management systems such as Quality Management Systems (ISO 90001) and therefore provides the ability for future management system integration.

#### **Current Risk Management Efforts – Assessed by Shash Davè, External Consultant**

23. At the request of Staff and Council to provide a "quick risk maturity assessment against best-in-class programmes," Council retained an independent external consultant to:
  - 23.1. Swiftly undertake a subjective risk maturity assessment, and
  - 23.2. Interview the Executive Leadership Team to collect, collate, prioritise, and report top Council risks on a standardised 1-page dashboard (heatmap). A brief summary of each of these efforts is provided following.
24. **Preliminary risk maturity assessment:** Key highlights from an independent preliminary risk maturity assessment are outlined below in detail and graphically summarised in the attachment as Exhibit A – HBRC Risk Maturity Cursory Assessment below (and attached to this report).



25. Key highlights from this preliminary risk assessments are outlined following.
- 25.1. **Risk as a value driver** – Council and the Executive Leadership Team recognise the value of utilising risk management as an enabler of strategic objectives well beyond the traditional model of risk aversion.
  - 25.2. **Tone at the top** – Council and the Executive Leadership Team have established a clear “tone at the top” with high levels of engagement to drive a long-term cultural shift towards perception of risk. Council and the Executive Leadership Team desire a focussed approach to empowering Staff in making smart, risk-informed choices within a yet-to-be-defined tolerance framework (i.e. risk appetite).
  - 25.3. **Current state** – Operational risk management efforts are routinely undertaken by business units in an ad-hoc and episodic manner with risk prioritisation occurring via traditional channels of managerial escalation. Routine Executive Leadership Team meetings are an informal forum where mitigation plans are discussed and resource-allocation is prioritised. The output of this exercise is communicated in the form of a risk register to the Finance Audit and Risk Sub-committee.
  - 25.4. **Risk tolerance dissonance** – Functional units have a varying perception of acceptable risks and risk tolerance resulting in differing degrees of resource-allocation for identified risks. Formalised, analytically sound risk appetite statements aligned with strategic objectives is necessary to empower Staff in making risk-informed decisions.
  - 25.5. **Audience-appropriate, clear risk reporting** – With a proposed standardised reporting relying on a predefined framework, Council's risk identification and reporting methodology requires refinement in order to tailor audience-specific portfolio view of key risks (e.g. risk heatmap with top 5 / 10 / 15 risks).
  - 25.6. **A need for standardisation** – An enterprise-consistent and standardised identification, reporting, and escalation framework is required in order to effectively deploy resources. Council's current format of enterprise consistent risk-based resourcing is largely subjective. Standardised scales of Impact (Severity) and Likelihood (Frequency) were recently proposed as a draft for further refinement by Staff.
  - 25.7. **Incongruous adoption and roll-out** – Council's risk management practices are incongruously adopted across the enterprise with limited focus on risk interoperability and limited alignment with strategy.
  - 25.8. **Resiliency** – Risk resiliency evaluations are primarily driven by audit-based, siloed stress-testing, although, recent appointment of a dedicated in-house

resource serves as a foundational platform for embedding risk management deeper within the Council.

- 25.9. **Integrated response management** – Function specific crisis response processes are well defined. However, routine cross-functional crisis simulations tied to emerging risks can further bolster development of a rapid reaction task force.
- 25.10. **Scenario planning and political volatility** – Long-term scenario planning exercises can be undertaken to refine and clarify top strategic priorities, driven by a standardised strategic risk framework, insulating Council's strategic objectives from triennium-driven political volatility.
26. While it is premature to provide detailed written risk maturity on this matter, Council's current state of subjective risk maturity is included above (attached as Exhibit A – HBRC Risk Maturity Cursory Assessment). Council's current risk maturity is roughly approximated between "ad-hoc" and "defined" on an evolutionary path towards risk intelligence.

### Executive Leadership Team Risk Interviews

27. At the direction of staff and members of the Finance, Audit and Risk Subcommittee and Corporate and Strategic Committee, an independent, executive-focussed risk assessment has been commissioned to identify key enterprise risks across each Group of Activity to be assessed on a standardised scale of Impact (Severity) and Likelihood (Frequency). A proposed draft copy of standardised scales is attached to this report as Exhibit D – HBRC Likelihood and Impact Assessment Matrix for Operational Risks. Staff continue to evaluate these standardised scales which are subject to revision prior to review and eventual adoption by the Council.
28. Outputs from the executive risk assessment interviews are currently being evaluated for presentation to Council in the form of a one-page, portfolio risk heatmap for top enterprise risks before 30 June 2020. This output is designed to act as a springboard for formalised risk heatmap reporting. This exercise will inform staff's current risk management efforts in formalising the Council's ERM framework and key enterprise risk for reporting and determining risk appetite parameters and risk tolerances.
29. Executive risk assessment interviews conducted to date indicate broad consensus among the Executive Leadership Team of key Enterprise Risks. This consensus for creating a robust and standardised risk management framework to drive operational excellence points to a culture of humility and is consistent with Council's values of collaboration, transparency, accountability, and excellence. As an example, the following emerging risk in the current operating environment is outlined below for reference. All reported risks will be subject to Executive Leadership Team harmonisation prior to final dashboard (heatmap) reporting to the Finance, Audit, and Risk Subcommittee (FARS) by 12 August 2020:
  - 29.1. An increasingly volatile economic environment precipitated by COVID-19 has manifested in several financial risks adversely impacting Council's funding strategy, operating income from rates revenue, and sources of non-rates revenue (e.g. interim dividend suspension by Napier Port to its shareholders). With FY 2019-20 financial impacts anticipated to be well above the \$2.5 million scale for severity (impact scale 5) and a likelihood of near certainty (likelihood scale 4 / 5), these risks will appear on Council's overall ERM risk dashboard / heatmap as one of the top enterprise risks with associated downstream impact to Council's ability to execute on its core functions and undertake its statutory obligations.
  - 29.2. Similarly, each member of the Executive Leadership Team has highlighted their top 2-3 function-specific risks across the standardised likelihood and impact scale to be prioritised by staff to arrive at a clear, enterprise-consistent dashboard (heatmap) reporting to the Finance, Audit, and Risk Subcommittee (FARS) by 12 August 2020.



## Proposed Risk Maturity Roadmap

30. As a result of risk maturity discussions with input from staff, members of the Executive Leadership Team, and some members of the Finance Audit and Risk Sub-committee, and the external risk consultant, staff propose the attached risk maturity roadmap; with the first phase scheduled for completion on or before 30 June 2020. Exhibit B below and attached outlines Council's risk maturity roadmap in a phased approach.

### Exhibit B – HBRC Risk Maturity Roadmap (Proposed)



31. **Phase I** of this roadmap to risk maturity aims to standardise Council's risk management framework. This tailored risk management framework will be customised to suit Council's, size, scale, and mandate (strategic, operational, and financial objectives). Staff aim to complete the following three deliverables proposed in Phase 1 of the roadmap for presentation at 12 August 2020 FARS meeting. These four deliverables include:
- 31.1. Council endorsement for the high-level roadmap to risk maturity (this item)
    - 31.1.1. A detailed graphical representation of six components that comprise Phase I of this roadmap are attached to this report as Exhibit C – Key Artefacts and Decisions for Phase I of Risk Maturity Roadmap.
  - 31.2. Finalised purpose-built risk management framework consistent with International Standards (i.e. ISO 31000:2018) for Council adoption.
  - 31.3. Standardised scales for Impact and Likelihood (Severity and Frequency) allowing for risks to be identified and ranked on a consistent scale for Council adoption
    - 31.3.1. Proposed draft copy of standardised scales is attached to this report as Exhibit D – HBRC Likelihood and Impact Assessment Matrix for Operational Risks draft copies of these scales are included as an Appendix to this report.
  - 31.4. Revised enterprise risks.
32. **Phase II** of the roadmap proposes a review of the draft risk appetite statements aligned to Council's strategic, financial, and operational objectives. Additionally, HBRC's enterprise risks will be ratified using the Council approved risk management framework. Ratified enterprise risk context and risk controls will be determined by applying 'bowtie' risk methodologies. Within this phase, routine risk reporting to the governance committees will also be formalised



33. **Phase III** of the roadmap intends for the Executive Leadership Team to ratify Council's risk appetite statements across strategic, operational, and financial objectives and proposes adoption by the Council. Staff also intend to present a draft version of Council's risk management policy, framework, and reporting standards for Council review, feedback, and eventual adoption
34. **Phase IV** of the roadmap is designed to operationalise risk appetite statements deeper within the organisation further refining the quality of risk reporting pipeline. Efforts include creating qualitative and quantitative processes for risk aggregation with the eventual goal of developing Key Risk Indicators (KRIs) and Key Control Indicators (KCIs). KRIs and KCIs when used in conjunction with Key Performance Indicators (KPIs) should drive proactive and forward-looking risk-intelligent decision making across the Council. This phase is a longer-term deliverable.
35. Staff intend to provide detailed updates for each phase of this proposed roadmap as the Council continues this journey of evolution towards risk intelligence. Providing the continued commitment to risk maturity and risk maturity resourcing, Staff expects to seek formal adoption of key governance and risk oversight processes and policies within Phases I, II, and III before the end of FY 2020-2021.
36. **Phase IV** requires significant commitment and buy-in across all functions and levels of the organisation. Numerous aspects of Phase IV are designed to further embed and operationalise a culture of risk intelligent decision making across the Council and its varied stakeholders.
37. Driving a fundamental cultural shift of this scope is a voyage requiring steadfast commitment to risk management as an enabler of strategic objectives rather than an assurance-focussed tick-the-box exercise. As a result, it is premature to editorialise on a time-constrained approach for an evolution beyond Phase III.
38. Effective 18 May 2020, Helen Marsden has been appointed as a dedicated in-house Risk and Assurance lead with overall responsibility of managing and leading Council's risk and assurance activities across the four proposed phases. Helen brings over 15 years of risk management experience that is supported by an MBA from Massey University. As an in-house employee, Helen led risk management maturity across a diverse range of organisations, including large banks, finance companies, and critical infrastructure. In addition, as an employee of PwC, Helen provided external risk management consulting services to a range of other organisations and has worked as a trusted risk advisor to a variety of Executive Leadership teams and governing bodies.
39. Recognising that reducing risk to zero would prohibit any form of Council activity, Phase I to III of the risk maturity roadmap is designed to provide the Executive Leadership Team and the governing body a foundation for robust discussion surrounding Council's risk framework, risk appetite, and tolerances. Therefore, a number of risk artefacts and decisions will be required to finalise HBRC's risk framework. Draft copy of key artefacts and decisions within the first phase of this journey are attached to this report as Exhibit C – Key Artefacts and Decisions for Phase I of Risk Maturity Roadmap.

#### **External audit efforts on Council's current risk maturity assessment**

40. As outlined in Council's current 2019-2020 Audit Programme, Crowe has been retained as an external auditor to evaluate Council's risk maturity in context of the All of Government (AoG) risk maturity model promoted by Local Government New Zealand (LGNZ).
41. An initial assessment by the auditors indicates that Council's current risk management practices are lacking a foundational framework with inconsistent and ad-hoc risk management functions being performed in silos. It is expected that the final audit report will likely outline areas of improvement to further drive risk maturity within the organisation. This proposed pathway to risk maturity intends to address not only the matters anticipated in the audit report but to also create a lasting culture of risk-intelligent decision making.

42. Staff intend to respond to the audit findings with this proposed risk maturity roadmap while addressing non-conformance and findings from the auditors with regards to risk maturity.
43. It should be noted that staff intend to create distinct and separate frameworks for the risk management function and for the assurance function. The LGNZ All of Government (AoG) risk maturity model recognises assurance as a function of risk maturity. However, to enable a phased approach to risk maturity, it is recommended that Council maintain a distinction between risk management and assurance maturity programmes.
44. Risk management maturity intends to drive and foster a cultural change in risk intelligent decision making by all staff while an assurance framework provides confidence that consistent systems are effectively applied across the organisation. Enterprise-wide development and application of one overarching risk framework enables consistency in the application of risk intelligent decisions which in turn provides a higher level of assurance to the Executive Leadership Team and the Council.

## Options Assessment

### Option 1 – Do Nothing

45. In an increasingly dynamic environment, opting to maintain the status quo with Council's current state of risk maturity may adversely impact operational excellence and effectiveness in the short term, and may adversely impact Council's ability to achieve its strategic objectives in the long term.
46. Current practice of functional, ad-hoc, and siloed identification, management, and mitigation of risks will make risk aggregation challenging resulting in suboptimal outcomes.
47. Council's incongruous adoption of risk practices across the organisation may limit Council's resiliency due to lack of portfolio risk visibility and prioritisation.

### Option 2 – Endorse the proposed risk maturity framework

48. With broad Staff consensus for creating a robust and standardised risk management framework to foster a culture of risk intelligence across all functions of the Council, Staff recommend that the Committee endorse Option 2 empowering Staff to commence Phases I and II of the proposed risk maturity framework. Endorsing the proposed risk maturity framework will help achieve Council's strategic and operational goals by:
  - 48.1. Prioritising resource allocation for management of risks that most significantly impact the Council's overall strategic plan and mission
  - 48.2. Stress-testing Council's strategic and operational objectives against the interests of key stakeholders
  - 48.3. Defining, developing, and cultivating a culture of operational excellence and risk intelligent decision making across all functions.

### Option 3 – Explore alternatives to the proposed risk maturity framework

49. The Committee may opt to explore alternatives to the proposed risk maturity framework. Staff do not recommend this option because the proposed risk maturity framework integrates principles of numerous well-recognised international and New Zealand standards for risk management framework providing the ability to tailor risk processes that are right sized for the Council. In addition, the proposed risk maturity model allows for better alignment to Council's other structured management systems therefore providing the ability for future management system integration driving operational efficiencies.
50. Alternative options are also likely to be inapplicable to Council's size, scope, and mandate resulting in inappropriate resource utilisation.

## Financial and Resource implications

51. Staff confirm that the foundational elements of the proposed work programme are accommodated within existing budgets as set by the 2018-28 Long Term Plan, however if the Committee wishes to commission additional work, budget allocations may require reconsideration.

## Strategic Fit

52. A mature and dynamic ERM programme that is tailored to the Council's size, scale, and mandate, as well as integrated and standardised across all levels of the Council enables the Executive Leadership Team and the Council effectively prioritise resource allocation for management of risks that most significantly impact each of the Council's four strategic priority areas of:
  - 52.1. Water Quality, Safety and Certainty
  - 52.2. Smart, Sustainable Land Use
  - 52.3. Healthy and Functioning Biodiversity, and
  - 52.4. Sustainable Services and Infrastructure.
53. Council's proposed ERM maturity framework utilises risk management as an enabler of strategic objectives well beyond the traditional model of risk avoidance by providing a standardised, enterprise-consistent, and all-encompassing portfolio view of Council's risks and risk opportunities.

## Conclusions

54. Staff will provide timely and meaningful updates to all relevant Committees along each Phase the risk management programme maturity.
55. The proposed evolutionary risk maturity roadmap outlines a path towards risk intelligent decision making. It is important, however, to note that creating, fostering, operationalising, and propagating a culture of risk across all functions of the Council is a process of continuous improvement. As such, "best-in-class" achievements are mythical. Consequently, Council's risk maturity roadmaps must also remain dynamic and subject to routine evolutionary reviews.

## Decision Making Process

56. Council and its committees are required to make every decision in accordance with the requirements of the Local Government Act 2002 (the Act). Staff have assessed the requirements in relation to this item and have concluded:
  - 56.1. The decision does not significantly alter the service provision or affect a strategic asset
  - 56.2. The use of the special consultative procedure is not prescribed by legislation
  - 56.3. The decision is not significant under the criteria contained in Council's adopted Significance and Engagement Policy
  - 56.4. The decision is not inconsistent with an existing policy or plan
  - 56.5. Given the nature and significance of the issue to be considered and decided, and also the persons likely to be affected by, or have an interest in the decisions made, Council can exercise its discretion and make a decision without consulting directly with the community or others having an interest in the decision.

## Recommendations

1. That the Corporate and Strategic Committee receives and considers the "*Proposed Risk Maturity Roadmap*" staff report.
2. The Corporate and Strategic Committee recommends that Hawke's Bay Regional 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 likely to have an interest in the decision.
- 2.2. Endorses the approach proposed by staff to formally launch the proposed Risk Management Maturity roadmap with the goal of embedding consistency in risk-intelligent decision making across all levels and functions of the Council.

**Authored by:**

**Shash Davé**  
**INDEPENDENT CONSULTANT**

**Helen Marsden**  
**RISK & ASSURANCE LEAD**

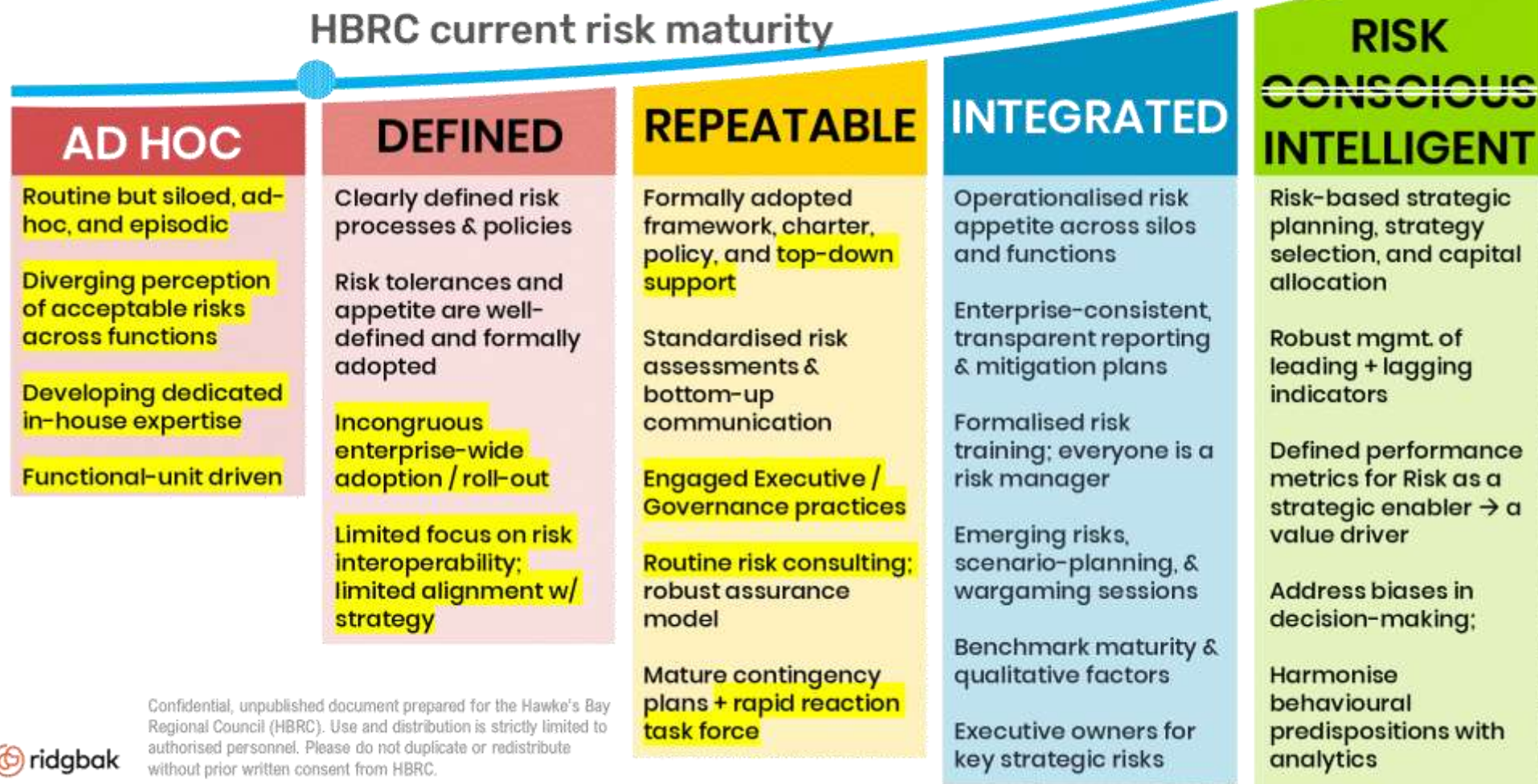
**Approved by:**

**Joanne Lawrence**  
**GROUP MANAGER OFFICE OF THE**  
**CHIEF EXECUTIVE AND CHAIR**

**Attachment/s**

- [1](#) Path to Risk Maturity Exhibits
- [2](#) Risk Maturity 10 June 2020 Presentation

# EXHIBIT A – HBRC RISK MATURITY CURSORY ASSESSMENT



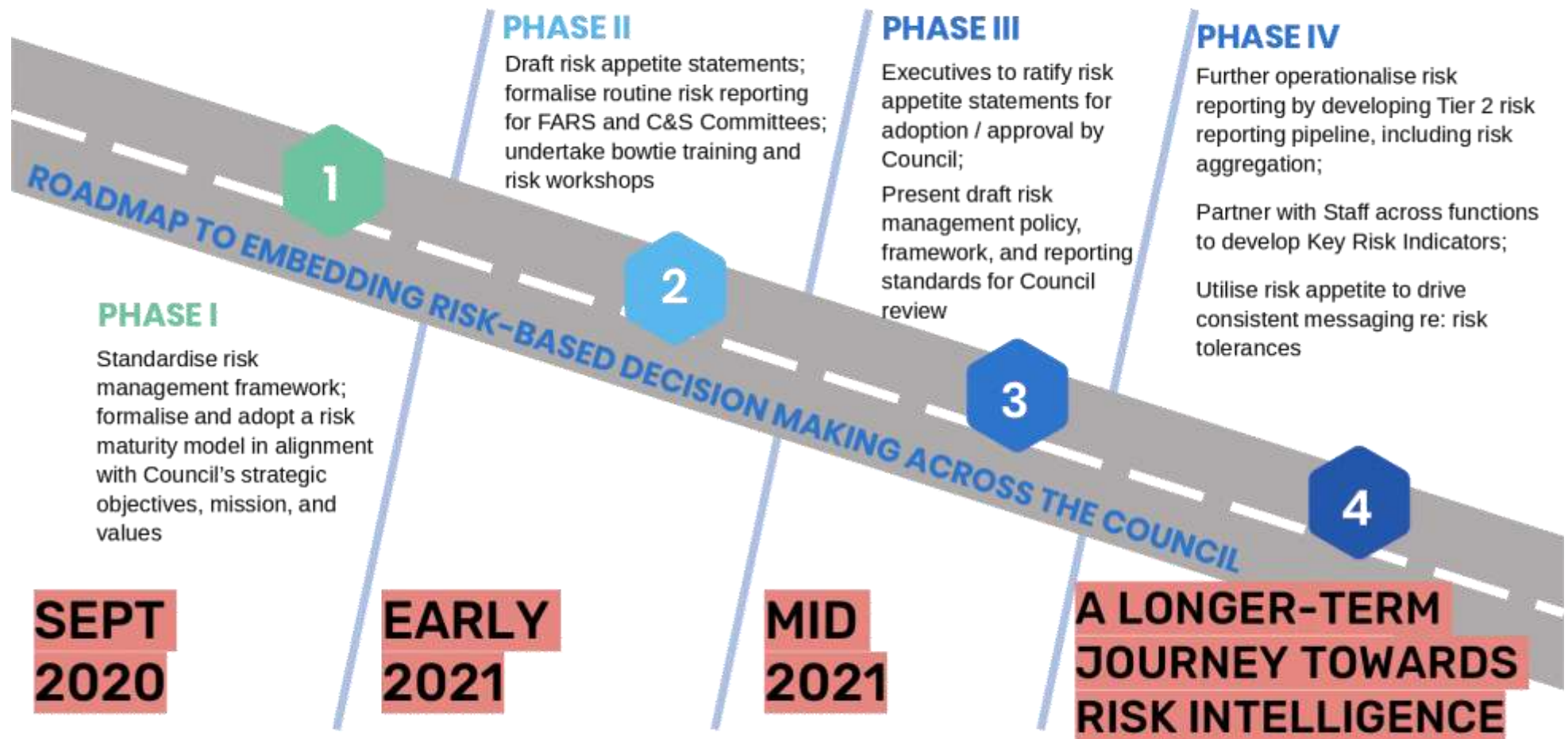
Item 7

Attachment 1

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## EXHIBIT B - HBRC RISK MATURITY ROADMAP



# EXHIBIT C - KEY ARTEFACTS AND DECISIONS

## 1 PHASE I OF RISK MATURITY ROADMAP



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## EXHIBIT D(a) - HBRC IMPACT ASSESSMENT MATRIX

### OPERATIONAL RISKS

IMPACT / CONSEQUENCE	HEALTH + WELL- BEING	ESSENTIAL SERVICES QUALITY	REPUTATION / BRAND-EQUITY	FINANCIAL	LEGAL + REGULATORY
<b>EXTREME (5)</b>	Mass casualties or loss of life; substantial and permanent physical + psychological harm to multiple individuals	Substantial sustained inability to deliver core services; unable to execute critical tasks	Sustained national media attention (>5 days); requires urgent attention from Councillors & Executives	\$2.5MM+	Multiple non-conformities or violations of law or regulations; governance model under question
<b>VERY HIGH (4)</b>	Serious physical or psychological injury with permanent impairment	Intermittent impact; core services partially functional (less than 90%); significant impact to key strategic objectives	National media coverage >3 days; requires a coordinated media response	\$1MM to \$2.5MM	Material non-compliance or breach of duty; prosecution or sanctions feasible; legal dispute involves key stakeholders
<b>HIGH (3)</b>	Physical injury with no hospitalisation or intermittent exposure to stressful environment	Intermittent impact; temporary workarounds required to deliver core services at 90% capacity	Regional media attention (2+ days); loss of stakeholder confidence possible	\$500K to \$1MM	Material breach of regulation, or law; likely to be investigated by a regulatory body; material breach of contract by Council
<b>MODERATE (2)</b>	Minor casualties or injuries w/ off-site medical attention and no long-term effects	Limited, sporadic impact; core services provided at reduced service-levels	Localised media coverage (1-3 days); loss of stakeholder confidence unlikely	\$250K to \$500K	Dispute may require mediation or mandatory reporting of non-compliance
<b>LOW (1)</b>	Minor injuries; treatable on-site with no long-term impairment	Little to no impact on essential / critical services provided	Local or assorted complaints; little recognition, minimal change in stakeholder confidence	\$100k to \$250K	Minor contractual or regulatory breach or non-compliance; possibly remedied w/out notification or fines



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# EXHIBIT D(b) - HBRC LIKELIHOOD ASSESSMENT MATRIX

OPERATIONAL RISKS

LIKELIHOOD / FREQUENCY	QUALITATIVE CRITERIA	QUANTITATIVE CRITERIA	EXAMPLE	RETURN PERIOD (FOR REFERENCE)
<b>ALMOST CERTAIN</b> (5)	Expected to occur in normal circumstances; Almost inevitable; Multiple prior experiences of a similar event occurring	90-100% probability of occurrence	3.0 – 5.0 magnitude earthquake in North Island	> 10 instances / year
<b>LIKELY</b> (4)	Expected to occur in most circumstances; Not surprised if event occurs multiple times in the defined period	75 – 90% probability of occurrence	20-minute delay for long-haul flights departing from Auckland Int'l Airport	At least once / year May occur up to 10 times / year
<b>POSSIBLE</b> (3)	Occasional occurrence; Not surprised if experienced; Event has been observed either in the past or in other industries or other Councils	25 – 75% probability of occurrence	Witnessing a meteor shower during a walk on a random evening	Likely to occur once / year
<b>UNLIKELY</b> (2)	Event unlikely to occur; Not experienced in the past but could occur; A couple of peers may have experienced a similar event or witnessed in other industries	5 – 25% probability of occurrence	Multiple ailing individuals from a docked cruise liner overwhelm local health infrastructure	Conceivably possible in the next 1 – 5 years; Might occur in the next 6 – 10 years; Increasingly likely to occur over the next 3 – 4 decades
<b>RARE</b> (1)	Improbable, highly unexpected event occurring in exceptional circumstances; Not previously experienced	< 5% probability of occurrence	Geopolitical unrest results in sustained global economic depression causing organised mass civil unrest, rioting, and protests across New Zealand	1 in 50-year event 1 in 75- year event 1 in 100- year event



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Item 7

Attachment 1



# Enterprise Risk Maturity

Why it is important and proposed way forward



## Purpose of ERM Maturity Paper

- Seek Council approval to progress HBRC's risk maturity journey building on risk maturity foundations developed in recent years, specifically:
  - Phase I and II of the proposed risk maturity roadmap that supports the Executive Leadership Team and the Finance, Audit and Risk Sub-Committee to adopt the formalised HBRC's risk framework
  - Phase III and IV that outlines the longer-term horizon for risk maturity
  - See Exhibit A of the paper, or slide 8 of this pack, for the proposed roadmap

## Value of Risk Maturity to HBRC

Enterprise risk management maturity enables

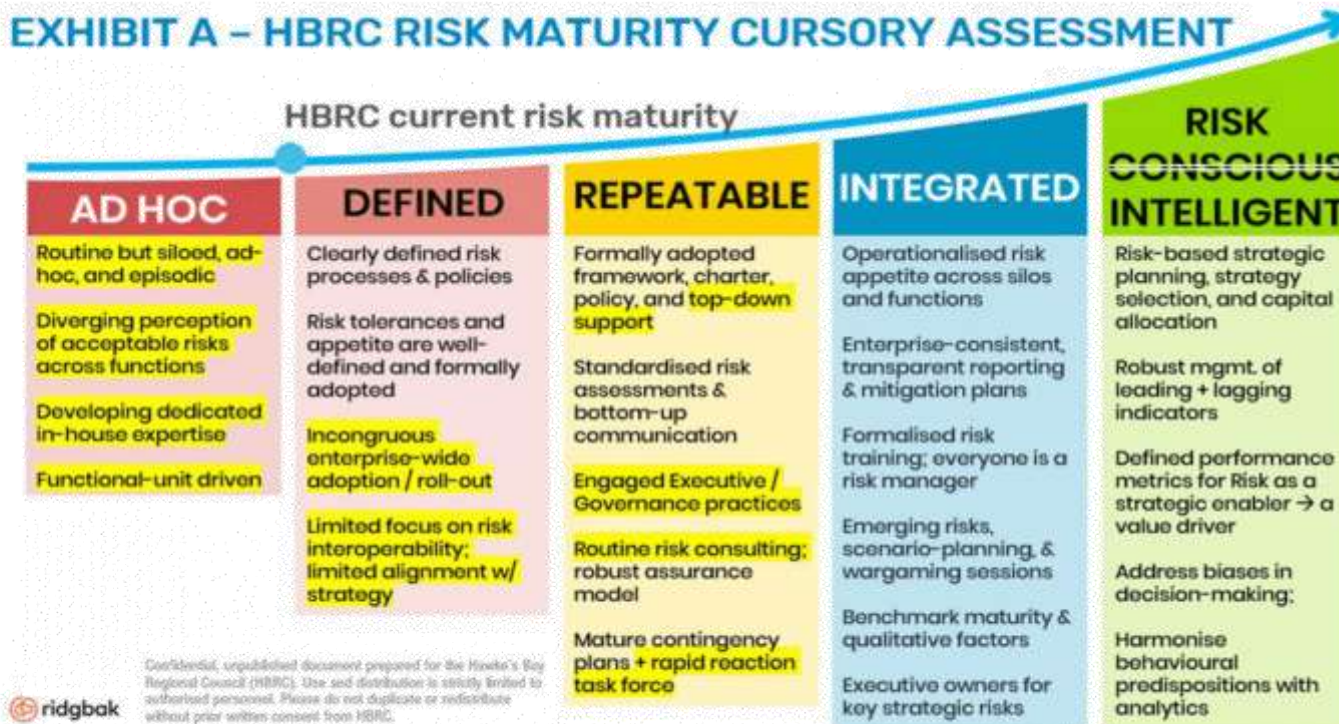
- improved oversight to the ELT that in turn provides
- a greater level of assurance to Council, that:
  - risks are well managed, and
  - risk opportunities seized
- risk intelligent decisions to ensure continued efficient and effective achievement HBRC's objective of business excellence
- resource allocation prioritised to manage critical risks
- a longer-term pathway towards a culture of consistent and transparent risk intelligent decision making across every function
  - embedded risk ownership
- alignment and integration of other risk based functional management systems
  - e.g. quality management and health and safety management





# Preliminary Risk Maturity Gap Assessment – By External Consultant Shash Dave

## EXHIBIT A – HBRC RISK MATURITY CURSORY ASSESSMENT



## Preliminary Risk Maturity Gap Assessment – By External Consultant Shash Dave

Item 7

Attachment 2

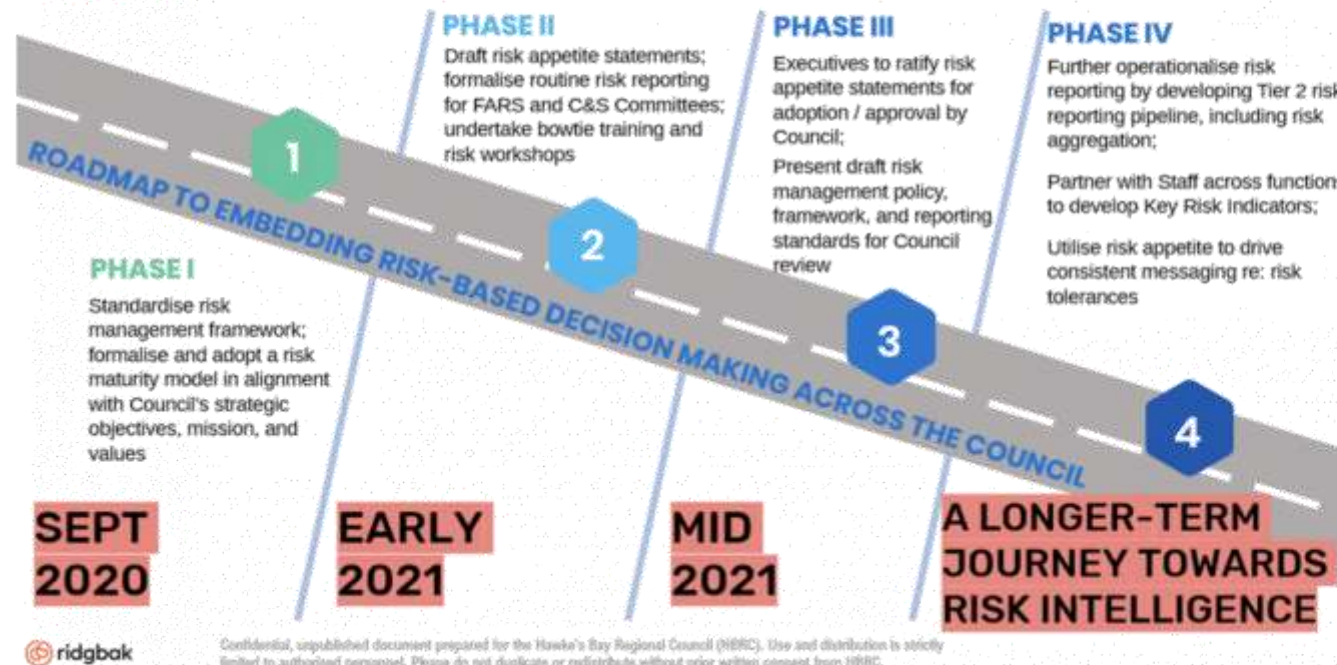
### Preliminary Risk Maturity Assessment Update

- External consultants' preliminary assessment appears consistent with high-level feed back from Crowe's internal audit on HBRC's risk management system
  - Crowe's final audit report due 30 June 2020
- The proposed risk maturity roadmap responds to both the high-level internal audit findings and preliminary risk maturity gaps
- The risk maturity roadmap will be modified for final internal audit report, if required



# Risk Maturity Post Defining Risks – Long Term Roadmap

## EXHIBIT B - HBRC RISK MATURITY ROADMAP





## Risk Maturity Post Defining Risks – Long Term Roadmap

### Post Risk Maturity Endorsement

- A detailed project management timeline for deliverables will be developed for each phase
- Executive Leadership Team will receive risk maturity progress and milestones updates
- Timely updates on risk maturity progress will also be provided as required to relevant Council Committees





**HAWKE'S BAY REGIONAL COUNCIL**  
**CORPORATE AND STRATEGIC COMMITTEE**

**Wednesday 10 June 2020**

**Subject: HEALTH AND SAFETY GOVERNANCE CHARTER**

**Item 8**

**Reason for Report**

1. This item seeks the Committee's agreement to the Council's Health and Safety Governance Charter.

**Officers' Recommendation**

2. Council officers recommend that the Committee considers the sufficiency of the background and discussion information provided following to satisfy themselves that a detailed review and revision of the Charter is not required at this time and approve the actions required to formalise adoption of the 2020 version.

**Background /Discussion**

3. An internal audit of the health and safety practices and processes in Council was included in the Finance, Audit and Risk Sub-committee (FARS) internal audit work programme for 2018-19 and the scope of the audit agreed on 6 June 2018.
4. The audit resulted in a number of recommendations for implementation across Council, reported to the 21 November 2018 FARS meeting, including advice that Council should adopt a Health and Safety Governance Charter. The Charter proposed today is the result of the iterative development process that began with the audit report presentation and discussion on 21 November 2018 at the FARS meeting; and finishing with adoption of the Charter by the Regional Council on 27 March 2019.
5. The Charter was due for its annual review during the recent Covid19 lockdown period when staff were focused on our operational response to that event and committee meetings suspended, hence its arrival on the agenda for consideration today.
6. Staff do not propose any changes to the Charter at this time as they consider it is still fit for purpose, and as such now seek the Committee's agreement to formalise the 2020 Charter with the signatures of the Chairs of the FARS and the Council.
7. It is also worth noting that a follow-up review of the original Health and Safety internal audit was conducted in May/June 2020 which has identified that considerable progress toward implementing the 2018 report's recommendations had been achieved. The full review report will be presented to the FARS meeting on 12 August 2020 along with an updated work programme which takes account of the few residual audit findings and recommendations and additional activity.

**Decision Making Process**

8. Council and its committees are required to make every decision in accordance with the requirements of the Local Government Act 2002 (the Act). Staff have assessed the requirements in relation to this item and have concluded:
  - 8.1. The decision does not significantly alter the service provision or affect a strategic asset
  - 8.2. The use of the special consultative procedure is not prescribed by legislation
  - 8.3. The decision is not significant under the criteria contained in Council's adopted Significance and Engagement Policy
  - 8.4. The decision is not inconsistent with an existing policy or plan

- 8.5. Given the nature and significance of the issue to be considered and decided, and also the persons likely to be affected by, or have an interest in the decisions made, Council can exercise its discretion and make a decision without consulting directly with the community or others having an interest in the decision.

### **Recommendations**

1. That the Corporate and Strategic Committee receives and considers the “*Health and Safety Governance Charter*” staff report.
2. The Corporate and Strategic Committee recommends that Hawke’s Bay Regional 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 likely to have an interest in the decision.
  - 2.2. Adopts the Health and Safety Governance Charter as proposed, for the signatures of the Regional Council and Finance, Audit and Risk Sub-committee Chairs.

### **Authored by:**

**Kirsty McInnes**  
**SENIOR ADVISOR HEALTH AND SAFETY**

### **Approved by:**

**Joanne Lawrence**  
**GROUP MANAGER OFFICE OF THE**  
**CHIEF EXECUTIVE AND CHAIR**

### **Attachment/s**

[!\[\]\(aa53ad6fea213b8b2226d3077e30533a\_img.jpg\) 1](#) June 2020 HBRC Health and Safety Governance Charter



## 1. PURPOSE

The Health and Safety Governance Charter outlines governance responsibilities and provides a high level overview of health and safety leadership at Hawke's Bay Regional Council (Council).

This Governance Charter is Council's highest level statement regarding health and safety and is supported by a Health and Safety work programme.

The Councillors (the Council) has a core governance role that requires strong leadership and proactive oversight on all matters relating to health and safety. The Council is committed to ensuring that it complies with its health and safety duties.

## 2. COMMITMENT STATEMENT

Council will maintain an effective governance framework in accordance with the Health and Safety at Work Act (HSWA) 2015, other relevant legislative requirements, and established principles to ensure a thorough oversight of health and safety across the full scope of Council's activities.

This framework will be implemented and regularly reviewed to ensure that Council is continuously acting in accordance with good practice for the governance of health and safety, and in order to manage Council's health and safety risks.

## 3. VISION

Our vision is for Hawke's Bay Regional Council to be a benchmarking health and safety business within local government where we all actively ensure that everyone goes home safe every day.

## 4. SCOPE

The requirements of Council's Health and Safety Governance Charter apply to all Council controlled activities. This includes all Council workplaces and workers (employees, contractors or volunteers) where Council acts as principal to the contract or has significant influence or control over the workers in the workplace.

## 5. RESPONSIBILITIES

As officers under the Health and Safety at Work Act 2015 (HSWA), Councillors are required to exercise due diligence, and in doing so take all reasonably practicable steps to manage health and safety risk. Councillors are responsible for:

- A personal commitment to attaining a thorough understanding of the day to day risks faced by employees and contractors doing work for and on behalf of the Council
- Ensuring health and safety is integrated into business strategies, processes and included in performance measures
- Ensuring that the Council has processes for complying with its health and safety duties under relevant legislation and regulations.
- Ensuring that the council leadership manage health and safety risks through the implementation and review of effective risk identification and management strategies
- Ensuring continuous improvement of health and safety practices within Council by establishing measurable and reporting on, appropriate health and safety lead and lag indicators
- Reviewing any serious incidents in consideration of the adequacy of the management response and provision of any support required
- Attending to other health and safety matters that the Council considers prudent from time to time

## 6. MONITOR AND REVIEW

- Council will receive quarterly health and safety reports regarding progress against the health and safety implementation plan, including lead and lag indicators.
- The Council will review the objectives and responsibilities set out in this charter regularly to ensure it adequately sets out the Council's governance role.
- The Hawkes Bay Regional Council Governance charter will be reviewed annually.

## 7. KEY HEALTH AND SAFETY DOCUMENTS

- Progressive Implementation Plan 2019-20 (based on Crowe Horwath report date September 2018)
- Health and Safety Strategic Plan 2019-2021
- Health and Safety Policy
- Health and Safety Manual

**Chair (Council)**

**Chair (Audit and Risk Sub-committee)**

Next review - June 2021

**HAWKE'S BAY REGIONAL COUNCIL**  
**CORPORATE AND STRATEGIC COMMITTEE**

**Wednesday 10 June 2020**

**Subject: QUARTERLY TREASURY REPORT FOR PERIOD TO 31 MARCH 2020**

**Item 9**

**Reason for Report**

1. This item provides an update of compliance monitoring of treasury activity and reports the performance of Council's diversified investment portfolios.
2. The March ending Quarterly Treasury report is being delivered late to Council due the scheduled Financial Audit and Risk Subcommittee being deferred as a result of COVID-19. For relevancy purposes, Office has provided updates of each Fund to the end of May 2020.
3. Brian Kearney, a representative from Mercer, will be joining the Corporate and Strategic Subcommittee on 17 June 2020; providing an opportunity to discuss the Funds being managed by Mercer and to provide a market update.

**Executive Summary**

Description	Total Capital Contributed \$	Value 31 Dec 19 \$	Value 31 Mar 20 \$	Value 30 Apr \$	Value 31 May \$
LTIF – HBRC	46,620,291	50,650,850	46,305,061	48,586,877	49,481,663
HBRIC (port Proceeds)	59,013,403	60,013,359	58,452,264	60,891,800	61,910,152
HBRC (Port Proceeds)	43,967,485	44,703,199	41,711,847	43,421,705	43,773,089
<b>Total</b>	<b>149,601,179</b>	<b>155,367,408</b>	<b>146,469,172</b>	<b>152,900,382</b>	<b>155,164,903</b>

4. The first half of 2020 saw the rapid international spread of, COVID-19. This led to large parts of the world economy halting in a bid to minimise the collapse of healthcare systems. Initially, markets were slow to respond to the risk, however, once caught up, in late February/March, we witnessed the fastest-falling equity market of the last century.
5. In the last 2 months, markets have recovered a significant amount of the loss. The speed of decline is notable here. Traditionally, shares are priced to an estimated earnings stream over a significant amount of time, not just the next quarter. The volatility seen in late February/March, would usually only be seen in Balances Sheets which are not able to access additional debt. As such, this 'rebound' indicates optimism that the vast monetary and fiscal support offered across the world will be enough to stave off serious negative long-term economic consequences.
6. Equity markets across the global have been aided with the declining interest rates, resulting in investors repositioning money into the equity markets. Large institutions and Overseas Pensions Funds have led this flow, where they have predicated mandates that they must meet. This competition pushes up the price of equities.
7. Locally the NZX50 is up almost 30% from its lows in March, with healthcare stocks leading the way with abnormally large returns. However, long term, Tourism will still be very tough, and the housing market, which is traditionally a key driver of the New Zealand economy, is still one of the largest areas of uncertainty, and downside risks are possible. A real key to the recovery, will be the maintenance of both consumer and business confidence.

**Background**

8. HBRC has procured Treasury Advice and services from PwC since 2018.
9. Internally, HBRC's CFO is developing capability-building programmes to transfer skills from consultants to staff to build internal capabilities to continuously improve and provide an adequate, mature treasury function.
10. Staff have worked with PwC over the past two years during which we have joined the LGFA providing access to borrowing at reduced rates, developed and adopted the current SIPO and run an RFP process for the appointment of investment fund managers.
11. Since March 2020, HBRC has had a dedicated resource in the form of a Treasury and Funding Accountant. This allows HBRC to develop a more mature cash-flow function, as borrowing needs increase and enhance reporting to Council.

**Decision Making Process**

12. Staff have assessed the requirements of the Local Government Act 2002 in relation to this item and have concluded that, as this report is for information only, the decision making provisions do not apply.

**Recommendation**

That the Corporate and Strategic Committee receives and notes the "*Quarterly Treasury Report for period to 31 March 2020*".

**Authored by:**

**Geoff Howes**  
**TREASURY & FUNDING ACCOUNTANT**

**Bronda Smith**  
**CHIEF FINANCIAL OFFICER**

**Approved by:**

**Jessica Ellerm**  
**GROUP MANAGER CORPORATE**  
**SERVICES**

**Attachment/s**

[1](#) HBRC Treasury Report for Period to 31 March 2020



# Hawke's Bay Regional Council

## *Quarterly Treasury Reporting*

*As at 31 March 2020*

## 1.0 Executive summary

Total assets under management across the three respective portfolios was \$146.47m as at 31 March 2020. This is down from \$155.37m as at 31 December 2019, a fall of 5.7% over the quarter. Total capital contributed to the three portfolios since inception is \$150.9m, meaning the combined portfolio valuation has fallen 2.9% from this level. Given the current valuation is below this level, it has not met its inflation or return target.

Treasury activity remains compliant with policy except for investment portfolio asset allocations, due to Jarden's staggered implementation approach; this will become compliant over coming months.

Council remains compliant to the LGFA borrowing limits.

The interest rate strategy is to maintain and increase exposure to short-term floating rates (within policy limits) through issuing all new debt on a floating rate basis.

The funding requirement continues to be reviewed given the economic and financial market disruptions potentially impacting the Investment Portfolio distributions. Council's debt forecasts are currently being revised and there may be a debt funding requirement at the upcoming 3 June 2020 LGFA tender.

## 2.0 Treasury Activity Compliance Monitor

Policy document	Policy parameters	Compliance
Treasury Policy	Borrowing limits	Yes
	Funding risk control limits	Yes
	Liquidity buffer	Yes
	Interest rate risk control limits	Yes
	Treasury investment parameters	Yes
	Counterparty credit limits	Yes
SIPO	Asset allocations	No

### 3.0 Investment Management Reporting

#### Performance Summary (net returns – after management and custodial fees)

Quarter ending	Mercer Net Returns			Mercer Benchmark Returns	
	LTIF HBRC	HBRC (port proceeds)	HBRC (port proceeds)	LTIF HBRC	HBRC & HBRC (port proceeds)
31/03/2019	3.7%			4.5%	
30/06/2019	2.7%			3.1%	
30/09/2019	3.0%	0.7%	0.7%	3.2%	0.7%
31/12/2019	1.2%	1.2%	1.2%	1.4%	1.4%
31/03/2020	(7.9%)	(7.9%)	(7.9%)	(8.7%)	(8.7%)
Financial YTD	(4.1%)	(6.2%)	(6.2%)	(4.5%)	(6.8%)
Days Invested in Financial Year	275	197	197	275	198
Financial YTD (annualised)	(5.4%)	(11.2%)	(11.2%)	(5.9%)	(12.2%)
Cumulative Return Since Inception	2.2%	(6.2%)	(6.2%)	2.9%	(6.8%)
Annualised Return Since Inception	1.8%	(11.2%)	(11.2%)	2.4%	(12.2%)
Inception Date	18-Jan-19	16-Sep-19	16-Sep-19	18-Jan-19	15-Sep-19
Days Invested	438	197	197	438	198
Balance as at 31-Mar-20 (\$)	23,247,769	28,811,474	20,586,066		
Total Capital Contributions (\$)	23,267,730	30,820,747	21,985,605		
Net Returns (\$)	- 19,961 -	2,009,273 -	1,399,539		

Quarter ending	Jarden Net Returns			Jarden Benchmark Returns	
	LTIF HBRC	HBRC (port proceeds)	HBRC (port proceeds)	LTIF HBRC	HBRC & HBRC (port proceeds)
31/12/2018	0.3%				
31/03/2019	2.7%			4.5%	
30/06/2019	2.3%			3.6%	
30/09/2019	1.9%	0.0%	0.0%	2.3%	0.2%
31/12/2019	3.3%	1.6%	1.6%	2.9%	2.9%
31/03/2020	(9.2%)	(5.4%)	(5.4%)	(7.7%)	(7.7%)
Financial YTD	(4.4%)	(3.8%)	(3.9%)	(2.9%)	(4.9%)
Days Invested in Financial Year	275	198	198	275	198
Financial YTD (annualised)	(5.8%)	(6.9%)	(7.0%)	(3.8%)	(8.8%)
Cumulative Return Since Inception	(1.2%)	(3.9%)	(3.9%)	5.2%	(5.7%)
Annualised Return Since Inception	(1.0%)	(7.1%)	(7.0%)	4.3%	(10.3%)
Inception Date	18-Jan-19	15-Sep-19	15-Sep-19	18-Jan-19	15-Sep-19
Days Invested	438	198	198	438	198
Balance as at 31-Mar-20 (\$)	23,057,262	29,640,789	21,125,782		
Total Capital Contributions (\$)	23,349,026	29,500,000	21,978,750		
Net Returns (\$)	- 291,764 -	1,172,108 -	652,968		

Note: Mercer calculates their quarterly and cumulative returns based on movements in the underlying unit prices of the funds they invest into. This is straight point to point calculation and is not impacted by cash flows into the portfolio.

The Net dollar return figure at the bottom of Mercer's table is calculated slightly differently, in that it takes into account timing of cash flows (additions and withdrawals) from the portfolio. For example, a large cash inflow prior to a period of strong performance will be beneficial to the portfolio's performance. This benefit is not reflected in the prior method of calculation, as is the reason why there is a slight discrepancy between the two return outcomes.

## Long Term Investment Fund (LTIF)

## Mercer (3 months ending 31 March 2020)

## LTIF HBRC

Asset Class	Opening Balance	Closing Balance	Gross Return	Benchmark Return	Perf. vs Benchmark	Asset Allocation	SAA Ranges		Portfolio Compliant?
Operational Cash	94,930.16	94,998.5				0.4%	-	20.0%	Y
Index Cash Portfolio	2,493,921.45	1,772,584.6	0.5%	0.4%	0.1%	7.6%	-	20.0%	Y
NZ Sovereign Bonds	3,385,462.40	3,389,633.7	2.4%	3.5%	(1.0%)	14.6%	5.0%	25.0%	Y
Overseas Sovereign Bonds	2,938,646.77	2,731,968.2	0.9%	4.7%	(3.8%)	11.8%	5.0%	25.0%	Y
Global Credit	2,252,106.82	2,265,824.0	(4.4%)	(3.3%)	(1.1%)	9.7%	5.0%	25.0%	Y
Other Fixed Interest <sup>a</sup>	1,250,883.89	1,578,041.9	(3.7%)	0.4%	(4.1%)	8.8%	-	10.0%	Y
Socially Responsible Trans-Tasman Shares	1,568,187.30	1,389,210.1	(12.6%)	(14.5%)	2.0%	6.0%	-	18.0%	Y
Socially Responsible Overseas Shares	7,416,343.88	6,523,360	(12.7%)	(15.6%)	2.9%	28.1%	17.0%	37.0%	Y
International Listed Property	1,961,056.90	1,716,997.2	(28.1%)	(32.2%)	4.1%	7.4%	-	10.0%	Y
Unlisted Property	-	-	(4.7%)	2.2%	(6.9%)	-	-	10.0%	Y
International Listed Infrastructure	1,898,177.93	1,785,160.6	(19.1%)	(20.3%)	1.2%	7.7%	-	10.0%	Y
Unlisted Infrastructure	-	-	(7.4%)	4.9%	(12.3%)	-	-	10.0%	Y
<b>Total</b>	<b>25,259,717.50</b>	<b>23,247,769.1</b>	<b>(7.8%)</b>	<b>(8.7%)</b>	<b>1.0%</b>	<b>100.0%</b>			

## Jarden (3 months ending 31 March 2020)

## LTIF HBRC

Asset Class	Opening Balance	Closing Balance	Gross Return	Benchmark Return	Perf. vs Benchmark	Asset Allocation	SAA Ranges		Portfolio Compliant?
Cash	185,929.00	1,633,250.0			-	7.1%	2.0%	8.0%	Y
NZ Fixed Income	7,093,006.00	5,649,290.0			-	24.5%	15.0%	24.0%	N
International Fixed Income	5,891,658.50	5,947,982.0			-	25.8%	23.0%	28.0%	Y
NZ Property	524,113.66	433,687.0			-	1.9%	1.0%	4.0%	Y
NZ Equities	3,537,980.92	2,815,764.0			-	12.2%	13.0%	18.0%	N
Global Equities	7,668,244.61	6,217,438.0			-	27.0%	25.0%	34.0%	Y
International Property	490,739.72	359,971.0			-	1.6%	1.0%	4.0%	Y
<b>Total</b>	<b>25,391,672.41</b>	<b>23,057,262.0</b>	<b>(9.2%)</b>	<b>(7.7%)</b>	<b>(1.5%)</b>	<b>100.1%</b>			

**Mercer portfolio**

- The Mercer portfolio generated a *gross* return (before fees and tax) of -7.8% for the March 2020 quarter, outperforming their benchmark by 90bp. On a *net* basis (after fees and tax), the portfolio returned -7.9%, outperforming the benchmark by 80bp.
- The portfolio has now achieved a *gross* cumulative return of 2.7% since inception on 18 January 2019, trailing the benchmark by 20bp. On a *net* basis, the portfolio has returned 2.2% since inception, trailing the benchmark by 70bp.
- Over the quarter, the key drivers of outperformance were Listed Property and Socially Responsible Overseas Shares. The main areas of underperformance were Fixed Interest and Overseas Sovereign Bonds.
- The portfolio remains compliant with the strategic asset allocation (SAA) ranges stipulated in the SIPO.

**Jarden portfolio**

- Jarden generated a *gross* return (before fees and tax) of -9.1% for the quarter, trailing their benchmark by 1.4%. On a *net* (after fees and tax) basis, the portfolio returned -9.2%, trailing the benchmark by 1.5%. The portfolio has achieved a *net* return of -1.4% since inception.
- Individual asset class performance was not provided by Jarden this quarter due to reduced resourcing as a result of COVID-19.
- The portfolio has slightly breached its target asset allocations as at 31 March for NZ Fixed Income (24.5% vs a target range of 15-24%) and NZ Equities (12.2% vs a target range of 13-18%). This has occurred as a result of heavy market volatility from COVID-19. Jarden has stated that they would rebalance the portfolio back in line with asset allocation targets once market volatility subdued.



## Port Future Investment Fund (PFIF)

## Mercer (3 months ending 31 March 2020)

## HBRC (port proceeds)

Asset Class	Opening Balance	Closing Balance	Gross Return	Benchmark Return	Perf. vs Benchmark	Asset Allocation	SAA Ranges	Portfolio Compliant?
Operational Cash	112,827.6	117,721.3				0.4%	- 20.0%	Y
Index Cash Portfolio	2,964,107.0	2,196,803.3	0.5%	0.4%	0.1%	7.6%	- 20.0%	Y
NZ Sovereign Bonds	4,023,732.4	4,200,848.0	2.4%	3.5%	(1.0%)	14.6%	5.0% 25.0%	Y
Overseas Sovereign Bonds	3,482,677.5	3,385,788.6	0.9%	4.7%	(3.8%)	11.8%	5.0% 25.0%	Y
Global Credit	2,676,702.4	2,808,085.8	(4.4%)	(3.3%)	(1.1%)	9.7%	5.0% 25.0%	Y
Other Fixed Interest*	1,486,716.3	1,955,702.3	(3.7%)	0.4%	(4.1%)	6.8%	- 10.0%	Y
Socially Responsible Trans-Tasman Shares	1,863,841.7	1,721,678.8	(12.6%)	(14.5%)	2.0%	6.0%	- 18.0%	Y
Socially Responsible Overseas Shares	8,814,566.5	8,084,544.8	(12.7%)	(15.6%)	2.9%	28.1%	17.0% 37.0%	Y
International Listed Property	2,330,780.1	2,127,912.5	(28.1%)	(32.2%)	4.1%	7.4%	- 10.0%	Y
Unlisted Property	-	-	(4.7%)	2.2%	(6.9%)	-	- 10.0%	Y
International Listed Infrastructure	2,256,046.4	2,212,389.0	(19.1%)	(20.3%)	1.2%	7.7%	- 10.0%	Y
Unlisted Infrastructure	-	-	(7.4%)	4.9%	(12.3%)	-	- 10.0%	Y
<b>Total</b>	<b>30,021,997.79</b>	<b>28,811,474.4</b>	<b>(7.8%)</b>	<b>(8.7%)</b>	<b>1.0%</b>	<b>100.0%</b>		

## HBRC (port proceeds)

Asset Class	Opening Balance	Closing Balance	Gross Return	Benchmark Return	Perf. vs Benchmark	Asset Allocation	SAA Ranges	Portfolio Compliant?
Operational Cash	84,061.3	84,113.0				0.4%	- 20.0%	Y
Index Cash Portfolio	2,208,385.3	1,569,636.3	0.5%	0.4%	0.1%	9.9%	- 20.0%	Y
NZ Sovereign Bonds	2,997,851.2	3,001,544.9	2.4%	3.5%	(1.0%)	13.4%	5.0% 25.0%	Y
Overseas Sovereign Bonds	2,602,192.7	2,419,177.3	0.9%	4.7%	(3.8%)	11.6%	5.0% 25.0%	Y
Global Credit	1,994,256.7	2,006,403.3	(4.4%)	(3.3%)	(1.1%)	8.9%	5.0% 25.0%	Y
Other Fixed Interest*	1,107,666.6	1,397,367.4	(3.7%)	0.4%	(4.1%)	5.0%	- 10.0%	Y
Socially Responsible Trans-Tasman Shares	1,388,641.1	1,230,155.5	(12.6%)	(14.5%)	2.0%	6.2%	- 18.0%	Y
Socially Responsible Overseas Shares	6,567,225.5	5,776,482.3	(12.7%)	(15.6%)	2.9%	29.4%	17.0% 37.0%	Y
International Listed Property	1,736,529.9	1,520,413.3	(28.1%)	(32.2%)	4.1%	7.8%	- 10.0%	Y
Unlisted Property	-	-	(4.7%)	2.2%	(6.9%)	-	- 10.0%	Y
International Listed Infrastructure	1,680,850.1	1,580,772.5	(19.1%)	(20.3%)	1.2%	7.5%	- 10.0%	Y
Unlisted Infrastructure	-	-	(7.4%)	4.9%	(12.3%)	-	- 10.0%	Y
<b>Total</b>	<b>22,367,660.48</b>	<b>20,586,065.8</b>	<b>(7.8%)</b>	<b>(8.7%)</b>	<b>1.0%</b>	<b>100.0%</b>		



## Jarden (3 months ending 31 March 2020)

## HBRC (port proceeds)

Asset Class	Opening Balance	Closing Balance	Gross Return	Benchmark Return	Perf. vs Benchmark	Asset Allocation	SAA Ranges		Portfolio Compliant?
Cash	3,724,255.0	9,365,864.0	-	-	-	31.6%	2.0%	8.0%	N
NZ Fixed Income	15,086,774.0	5,842,153.0	-	-	-	19.7%	15.0%	24.0%	Y
International Fixed Income	3,798,664.5	6,104,660.0	-	-	-	20.6%	23.0%	28.0%	N
NZ Property	490,724.1	437,676.0	-	-	-	1.5%	1.0%	4.0%	Y
NZ Equities	1,898,169.6	2,761,114.0	-	-	-	9.3%	13.0%	18.0%	N
Global Equities	4,551,108.0	4,805,348.0	-	-	-	16.2%	25.0%	34.0%	N
International Property	441,665.8	323,974.0	-	-	-	1.1%	1.0%	4.0%	Y
<b>Total</b>	<b>29,991,360.86</b>	<b>29,640,789.0</b>	<b>(5.4%)</b>	<b>(7.7%)</b>	<b>2.3%</b>	<b>100.0%</b>			

## HBRC (port proceeds)

Asset Class	Opening Balance	Closing Balance	Gross Return	Benchmark Return	Perf. vs Benchmark	Asset Allocation	SAA Ranges		Portfolio Compliant?
Cash	2,594,375.0	6,517,150.0	-	-	-	30.8%	2.0%	8.0%	N
NZ Fixed Income	11,289,667.0	4,242,407.0	-	-	-	20.1%	15.0%	24.0%	Y
International Fixed Income	2,937,618.9	4,405,721.0	-	-	-	20.9%	23.0%	28.0%	N
NZ Property	376,793.7	322,582.0	-	-	-	1.5%	1.0%	4.0%	Y
NZ Equities	1,439,643.1	1,865,617.0	-	-	-	8.8%	13.0%	18.0%	N
Global Equities	3,373,553.8	3,534,724.0	-	-	-	16.7%	25.0%	34.0%	N
International Property	323,888.2	237,581.0	-	-	-	1.1%	1.0%	4.0%	Y
<b>Total</b>	<b>22,335,539.66</b>	<b>21,125,782.0</b>	<b>(5.4%)</b>	<b>(7.7%)</b>	<b>2.3%</b>	<b>100.0%</b>			

- The port proceeds portfolios were implemented on the 16<sup>th</sup> of September 2019.
- The Mercer portfolios both returned -7.8% on a *gross* basis and -7.9% on a *net* basis. This brings the cumulative returns to -5.9% and -6.2% respectively.
- The Jarden portfolios both returned -5.3% on a *gross* basis and -5.4% on a *net* basis. These correspond to annualised returns of -6.7% and -6.9% respectively.
- The Mercer portfolios are both compliant with their respective SAA SIPO requirements.
- Jarden are again adopting a staggered implementation approach, meaning both portfolios are not yet SIPO compliant with their target asset allocations. The Jarden portfolios had an allocation to growth assets of 28% at the end of March versus a target benchmark allocation of 50%.

**Summary of Assets Under Management****As at 31 March 2020**

	LTIF - HBRC (\$)	HBRC - port proceeds (\$)	HBRC - port proceeds (\$)	Total (\$)
Jarden	23,057,262	29,640,789	21,125,782	73,823,833
Mercer	23,247,769	28,811,474	20,586,066	72,645,309
Total	46,305,031	58,452,263	41,711,848	146,469,142

**As at 31 December 2019**

	LTIF - HBRC (\$)	HBRC - port proceeds (\$)	HBRC - port proceeds (\$)	Total (\$)
Jarden	25,391,672	29,991,361	22,335,540	77,718,573
Mercer	25,259,718	30,021,998	22,367,660	77,649,376
Total	50,651,390	60,013,359	44,703,200	155,367,949

**Total capital contributed**

	LTIF - HBRC (\$)	HBRC - port proceeds (\$)	HBRC - port proceeds (\$)	Total (\$)
Total	46,616,756	60,320,747	43,964,355	150,901,858

**4.0 Treasury Investments**

Deal Date	Bank	Deposit	Amount (NZD \$m)	Maturity	Interest Rate
5-Feb-2020	ASB	Fixed Term	2.0	1-May-2020	2.33%
4-Feb-2020	BNZ	Fixed Term	7.0	1-Apr-2020	1.35%

## 5.0 Liability Management Policy Compliance Checklist

The table below illustrates Council's compliance with funding, interest rate and liquidity risk parameters set out within the Liability Management Policy. A snapshot of current funding in place (maturity term and pricing) as well as interest rate fixing is also provided.

Hawke's Bay Regional Council Interest Rate Position			
31-Mar-20			
<b>Liquidity Buffer:</b>	10%		
Actual	27%		
Policy Compliance	Y		
<b>Funding Maturity Profile:</b>			
Years	0 - 3 years	3 - 5 years	5 years plus
Policy Limits	15% - 60%	15% - 60%	0% - 60%
Actual Hedging	29%	28%	43%
Policy Compliance	Y	Y	Y
<b>Weighted Average Duration:</b>			
Funding		4.5 Years	
Fixed Rate Portfolio (swaps and fixed rate loans)		5.37 Years	
<b>Weighted average margin</b>		0.09%	
<b>Weighted average Commitment/Line Fee</b>		0.06%	
<b>Weighted average fixed rate (swaps &amp; term loans/bonds)</b>		5.39%	
<b>All up cost of borrowing (On Drawn Debt)</b>		5.07%	

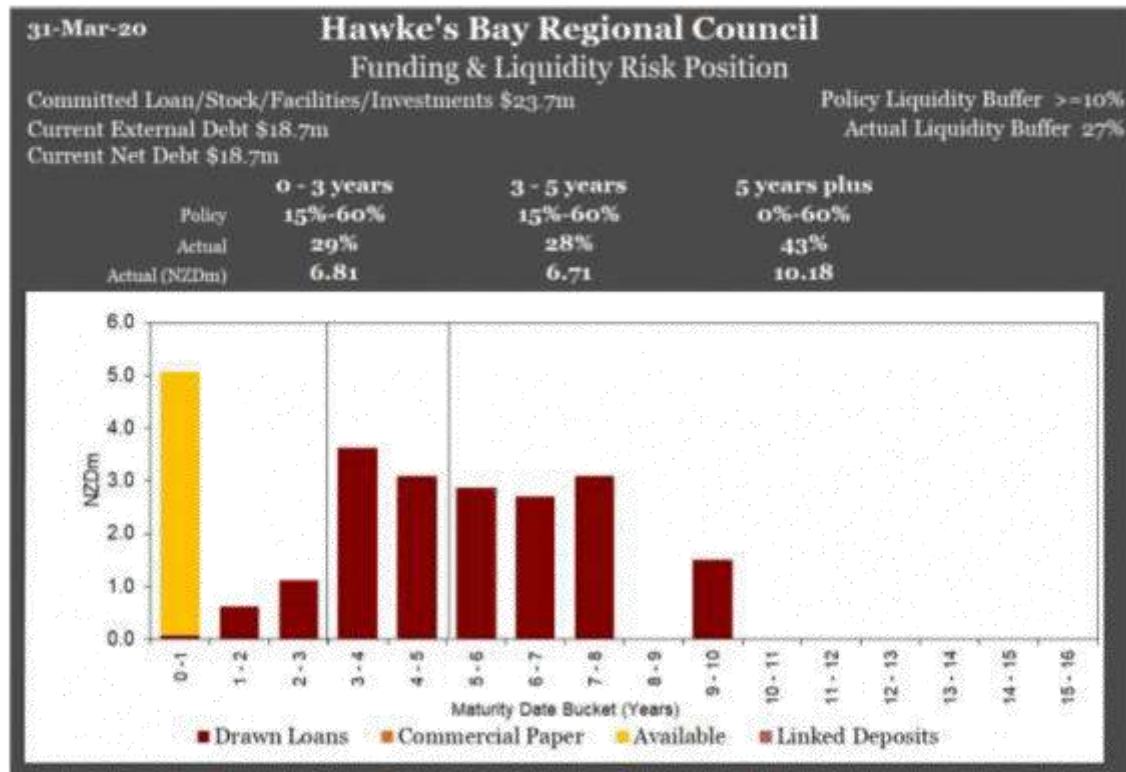
New treasury transactions in the period are outlined in Appendix 1.

## 6.0 Borrowing Limits

Ratio	Hawke's Bay Regional Council	LGFA Lending Policy Covenants	Actual
Net external debt as a percentage of total revenue	<150%	<175%	16.2%
Net interest on external debt as a percentage of total revenue	<15%	<20%	0.8%
Net interest on external debt as a percentage of annual rates income	<20%	<25%	2.4%
Liquidity buffer amount comprising liquid assets and available committed debt facility amounts relative to existing total external debt	>10%	>10%	27%

## 7.0 Funding and Liquidity Risk Position

The chart below shows the spread of Council's current funding maturity terms and positioning within funding maturity limits set out within the Liability Management Policy. Council's liquidity buffer amount is also shown.



### Debt Funding Strategy

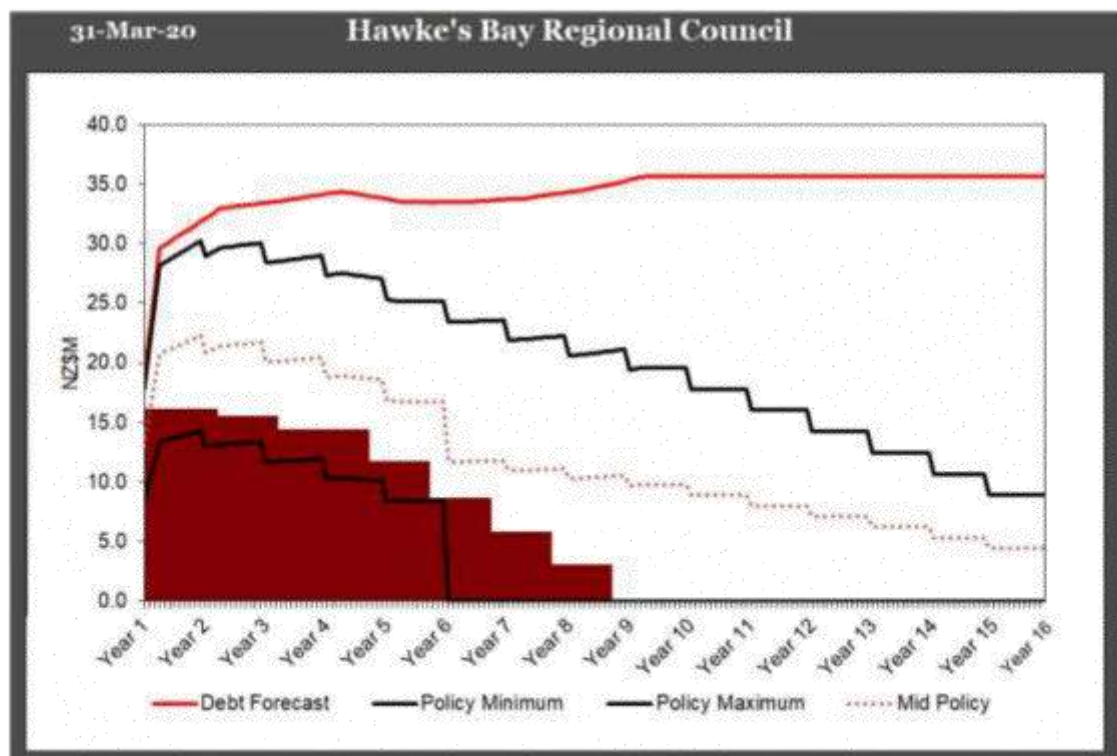
Council's cash flow and debt forecast indicate a requirement for an additional \$10 million of core borrowings during this financial year. This level of debt requirement is a function of FY19 borrowings being \$2.5 million of the expected \$7 million. The first tranche of new funding is anticipated to be required in the second quarter of FY20 (circa \$5 million) and is proposed to be met via participation in upcoming LGFA tenders.

The funding requirement continues to be reviewed given the economic and financial market disruptions potentially impacting Port Napier and the Investment Portfolios. It may be that additional debt funding may be required at the upcoming 3 June 2020, LGFA tender.

## 8.0 Interest Rate Risk Position

The interest rate profile below shows the level of Council's interest rate fixing within Liability Management Policy parameters. The shaded area represents fixed interest rate commitments (i.e. term loans and/or derivatives) and their maturity terms over the 15-year Policy period. The red line represents the current rolling debt forecast for the forward period with the maximum and minimum bands a function of the debt forecast.

As can be seen from the chart and table below, the interest rate risk position is fully compliant to all policy parameters.





Debt Interest Rate Policy Parameters (calculated on rolling monthly basis)						
	Debt Period Ending	Debt Forecast	Minimum %	Maximum %	Actual	Compliant (Y/N)
0	Year 1	19	45%	95%	86%	Yes
12	Year 2	32	40%	90%	50%	Yes
24	Year 3	33	35%	85%	46%	Yes
36	Year 4	34	30%	80%	42%	Yes
48	Year 5	34	25%	75%	35%	Yes
60	Year 6	34	0%	70%	26%	Yes
72	Year 7	34	0%	65%	17%	Yes
84	Year 8	34	0%	60%	9%	Yes
96	Year 9	35	0%	55%	0%	Yes
108	Year 10	36	0%	50%	0%	Yes
120	Year 11	36	0%	45%	0%	Yes
132	Year 12	36	0%	40%	0%	Yes
144	Year 13	36	0%	35%	0%	Yes
156	Year 14	36	0%	30%	0%	Yes
168	Year 15	36	0%	25%	0%	Yes

### Interest rate strategy

With short term interest rates expected to be lower for longer, as the RBNZ stimulates with loose monetary policy settings, the fixed rate position will progressively move towards minimum policy limits. The strategy is therefore to increase exposure to short-term floating rates (within policy limits) through issuing all new debt on a floating rate basis.

Long term interest rates are expected to remain around current low levels as global central banks maintain their loose monetary policy requirements along with influencing low, longer term interest rates (through QE programmes). Slowing domestic and global demand is expected to have a dampening impact on inflation supporting the maintaining of looser monetary conditions for the medium term.

The longer term interest rate risk position will be maintained around minimum policy limits through the use of interest rate swaps or fixed rate debt issuance.

## 9.0 Funding Facility

Bank (Facility maturity date)	Maturity Date	Drawdown Amount (\$m)	Facility Limit (\$m)
BNZ	15-Jan-21	0.00	5.00
<b>TOTAL</b>		<b>0.00</b>	<b>5.00</b>

Available bank facility capacity (liquidity buffer)	This month (\$m)	Last month (\$m)
Gross amount	5.00	5.00
Policy liquidity buffer requirements	2.55	2.55
<b>Excess amount</b>	<b>2.55</b>	<b>2.55</b>

## 10.0 Cost of Funds vs Budget

Month		YTD	
Actual (\$m)	Budget (\$m)	Actual (\$m)	Budget (\$m)

## 11.0 Counterparty Credit

All counterparty credit exposures are fully compliant with policy.

Counterparty Credit Risk (Interest Rate Risk Management Instruments and Investments)			
<b>Rates Revenue</b>		\$	19,475,000
Policy Credit Limit (NZ\$) per NZ Registered Bank (Interest rate risk management)		15%	
Policy Credit Limit (NZ\$) per NZ Registered Bank (Investments)		20-50%	
	Credit Exposure (Swaps) (\$m)	Credit Exposure (Investments) (\$m)	Compliance
WPC	0.00	0.00	Yes
ANZ	0.00	0.00	Yes
ASB	0.00	2.00	Yes
BNZ	0.00	7.00	Yes
Kiwibank	0.00	0.00	Yes
LGFA	0.00	0.00	Yes

## 12.0 Market Commentary

### Investment markets

The start of 2020 showed plenty of promise. The US-China Phase One trade deal was signed on 16 January with agreement to reduce tariffs and increase imports of US goods and services into China. The UK officially left the European Union. President Trump was acquitted of charges relating to his impeachment trial. Jo Biden became almost a certainty to receive the Democratic presidential nomination, which is a less scary prospect for financial markets than the other candidates. Economic indicators showed signs of economies gaining momentum. US company financial reports for the December quarter showed sound earnings growth. The most prominent concern was growing tensions between the US and Iran. Accompanied by accommodative monetary policy from central banks globally equity markets traded at, or close to, record highs.

Despite the World Health Organisation being informed of an outbreak of an unknown virus in Wuhan, China on the 31 December 2019, financial markets didn't start to factor in any impact until late January. At that stage it was very much a China story with the lockdown of Wuhan on 23 January, travel restrictions within China and bans on people who had been in China recently entering uninfected countries. At that time, it was the adverse impact on trade flows that was top of mind. The potential adverse impact on New Zealand agricultural exports to China resulted in the New Zealand dollar falling 4.1% to US\$0.649 in January.

The efforts to contain the outbreak of COVID-19 were followed closely. Equity markets rebounded to previous highs when it appeared that China had got the upper hand over the virus. At that time, many were of the view that COVID-19 would have minimal impact, including the Reserve Bank of New Zealand (RBNZ) which stated that it expected "the overall economic impact of the coronavirus outbreak in New Zealand will be of short duration, with most of the impacts in the first half of 2020". However, by late February COVID-19 had spread to South Korea, Italy and beyond. Governments extended their travel bans. In response, equity markets began to slide, and investors increasingly focused on safe-haven assets – gold, government bonds and currencies such as the US dollar, Swiss franc and Japanese yen.

What followed in March was devastating. In order to prevent the spread of COVID-19, governments progressively closed their borders, before in many cases moving to various combinations of testing, social distancing and lock-down to slow the transmission of the virus. Concern quickly spread to the impact on the economy – business failures, declines in people's incomes and rising unemployment.

This in turn led to the announcement of massive government support packages to limit the damage to businesses and reduce the adverse impact on employment and incomes. In some countries, the packages also included measures to stimulate demand. Adding to the storm was a disagreement between Russia and Saudi Arabia over the management of oil production, which saw the Brent oil price slump to US\$22.74/barrel.

The magnitude and, more particularly, the speed of the decline in equity markets was remarkable, (an equity market fall of over 20%). Central banks responded aggressively by cutting interest rates to near zero in single moves. Those actions proved to be ineffective resulting in countries like New Zealand and Australia introducing large scale asset purchases (quantitative easing) for the first time. The US Federal Reserve reinstated large scale asset purchases, but with no limit.

The impact on equity prices over the quarter has been extraordinarily diverse. In New Zealand, Fisher and Paykel Healthcare and A2 Milk are up 36.8% and 14.5% respectively. While at the other end of the spectrum Air New Zealand and Tourism Holdings have fallen by 71% and 68.4% respectively. There was also significant volatility in equity prices due to poor liquidity and high levels of uncertainty, which added to the challenge when reconfiguring investment portfolios.

Many companies have been forced to remove earnings guidance due to the highly uncertain outlook, suspend/reduce/cancel dividends, seek waivers of debt covenants from their banks, cut capital expenditure and reduce costs. An increasing number are now raising additional capital to strengthen their balance sheets in order to ensure they have a future.

### Funding markets

The debt funding markets have been volatile over the last quarter as weak risk sentiment has driven investors into safer asset classes and cash. The response to investors rebalancing their portfolios was an increase in LGFA credit spreads as investors sold longer dated bond holdings. It was not until the RBNZ announced on the 23 March 2020 their \$30 billion, quantitative easing programme (QE) or Large Scale Asset Purchase programme (LSAP), that some normality returned to the government bond market. This action saw a rapid reduction in government bond yields as the market was comforted that there remained an active buyer of government bonds through the RBNZ. Credit spreads for LGFA bonds however remained high relative to government bonds and their underlying strong semi-sovereign credit strength. On 7 April 2020 the RBNZ announced the inclusion of up to \$3 billion of LGFA bonds within their LSAP programme. This action immediately reduced the additional liquidity risk premium attached to LGFA bonds meaning that borrowing costs for the LGFA immediately reduced. With the \$1.1 billion issue of the LGFA 2026 bond on the 8 April, the timing was critical. The issue was very successful with pricing below previous pricing expectations. The next LGFA tender is 6 June 2020.

### Interest rate markets

On the 16th March 2020, the RBNZ unexpectedly cut the Official Cash Rate by 75bps to bring the OCR to 0.25%, and added the comment "it will remain at this level for at least the next 12 months". The LSAP followed with the \$30 billion purchasing of government bonds over the next 12 months. The RBNZ also introduced a corporate and asset-backed purchasing programme - roughly \$500m with maturities out to three months.

Governor Adrian Orr expects the market disruption to be of a medium duration (~12 months). Business failures and higher unemployment is inevitable, but minimised through government and RBNZ initiatives. Domestic (and global) economic data will be very weak for a time.

Long-term NZ swap rates biased lower with global rates likely to remain under structural pressure lower. Introduction of domestic QE will reduce the steepness at the long end of the curve, to an extent, and support better market functioning. Growth from our key export trading nations, Australia, China and Europe is markedly softer.

U.S. Federal Reserve cut interest rates to near-zero (0.00%-0.25%) and significantly increased asset purchases. Fed Chair, Jerome Powell, commented that negative rates are not appropriate for the U.S. economy and reinstated (massive) QE (essentially unlimited), liquidity facilities and supporting lending to the real economy.

Underlying inflation around the globe remains relatively benign and there is no reason to expect structurally higher long-term swap rates over the next year.

## 13.0 Policy exceptions

Date	Detail	Approval	Action to rectify
TBC	SIPO asset allocations non-compliant	Y	Gradual staggering into investment portfolio positions will see strategic asset allocation requirements met over coming months.

## 14.0 Appendix

### 14.1 New Treasury Transactions up to 31/03/2020

#### Borrowing activity

Bank/LGF A	Amount (NZDm)	Borrower notes (NZDm)	Deal Date	Start Date	Maturity Date	Commitment Fee	Margin
NIL							

#### Interest Rate Borrower Swaps

Bank	Notional Amount (NZDm)	Deal Date	Start Date	Maturity Date	Swap Rate
n/a	n/a	n/a	n/a	n/a	n/a





**HAWKE'S BAY REGIONAL COUNCIL**  
**CORPORATE AND STRATEGIC COMMITTEE**

**Wednesday 10 June 2020**

**Subject: WATER SECURITY GOVERNANCE MODEL**

**Item 10**

**Reason for Report**

1. This item provides an update on the Committee's direction to staff on 11 March 2020 to further investigate alternative governance models for the Tukituki Water Security Scheme and the Heretaunga Water Security Scheme that will identify and assess a short list of programme governance models for recommendation to Council for adoption.

**Executive Summary**

2. As part of its Water Security funding agreements with the Provincial Growth Fund, HBRC undertook to investigate and propose a model for the ownership, structure and governance of the Heretaunga and CHB Water Security Projects (being the pre-construction phase of any scheme), that is appropriate for Hawke's Bay and consistent with the priority of and interests in water. Subject to Council's final determination and the approval of the responsible Ministry, the Crown and HBRC would, if required, transfer their funding agreements and all other interests to an entity established under such a model.
3. Staff have written to regional leaders and iwi authorities inviting their feedback on a short list of governance options. At the time of writing we are yet to receive feedback from Hastings District Council and Ngati Kahungunu Iwi Incorporated.

**Background /Discussion**

4. Of the four projects within the Regional Water Security Programme The 3D Aquifer Mapping project and the Regional Water Assessment sit as HBRC work streams with dedicated project management structures and operate according to normal internal accountability and governance structures.
5. However, for the substantially larger CHB and Heretaunga projects, the Provincial Development Unit's funding agreement directed HBRC to investigate a broader governance model that is consistent and aligned with the regional leadership's support of the application. Specifically, each agreement proposes that:
  - 5.1. *[HBRC] undertakes to comply with the following additional undertakings:*
  - 5.2. *In recognition of the representations made by Hawke's Bay's regional leaders that water security was the agreed priority they wished the Ministry to consider and support for Provincial Growth Fund funding, [HBRC] undertakes that it will use reasonable endeavours, within 6 months from the date of this agreement to:*
    - 5.2.1. investigate and propose a model for the ownership, structure and governance of the Project, being the pre-construction phase of the Scheme, that is appropriate for Hawke's Bay and consistent with the priority of and interests in water; and
    - 5.2.2. if required, transfer this Agreement and all other interests to an entity established under such a model;
  - 5.3. *subject to the Ministry's approval.*
6. It is important to emphasise that the governance arrangements are restricted to the development and pre-construction phases of the projects and does not in any way pre-empt or fetter what will ultimately need to be appropriate ownership and/or operational models of any successful project that meet the feasibility thresholds necessary to achieve financial close and construction.

7. HBRC engaged Bell Gully to develop a shortlist of governance options that could potentially satisfy this request (Attachment 1) and canvassed the following alternatives:
  - 7.1. Status Quo i.e. HBRC.
  - 7.2. Hawke's Bay Regional Investment Company.
  - 7.3. Charitable Trust.
  - 7.4. Joint CCO.
  - 7.5. Committees of HBRC/Joint committees.
8. On May 5 staff then wrote to the following organisations seeking their feedback on these options (copy of that letter is Attachment 2). These organisations were selected based either on their initial support for Water Security being the region's number one priority for the PGF's evaluation of applications submitted in early 2019, or at the recommendation of the Group Manager Maori Partnerships.
  - 8.1. Chair & CE, Te Taiwhenua o Heretaunga
  - 8.2. Chair & CE, Te Taiwhenua o Tamatea
  - 8.3. Chair & CE, Heretaunga Tamatea Settlement Trust
  - 8.4. Mayor & CE, Hastings District Council
  - 8.5. Mayor & CE, Napier City Council
  - 8.6. Mayor & CE, Central Hawke's Bay District Council
  - 8.7. Chair & CE, Ngāti Kahungunu Iwi Incorporated.
9. Notwithstanding reminders sent out on 26 May, at the time for writing feedback had been received from all parties except Hastings District Council and Ngāti Kahungunu Iwi Incorporated.

### Summary of Feedback

10. **Te Taiwhenua o Tamatea** favoured a Charitable Trust option that was specific and dedicated to Central Hawke's Bay water security. Local leadership was considered to be integral to the success of the project. It is worth noting that Te Taiwhenua o Tamatea engaged with both CHBDC and the Heretaunga Tamatea Settlement Trust on this matter. No suggestions were made as to their expectations as to the proportion of representation on a Trust.
11. **Central Hawke's Bay District Council** supported a dedicated CHB project Charitable Trust option and indicated its support for equal iwi representation on that entity.
12. **Napier City Council** indicated a preference for a Joint Regional Committee under HBRC as a simple structure for the short term in the early phases of the respective projects. No comment was made in respect of a need to establish separate governance for each project.
13. **Heretaunga Tamatea Settlement Trust** prefers the Charitable Trust model believes that Treaty Partnership would be best reflected in 50-50 membership. The Chief Executive noted the importance of representation on behalf of both Heretaunga and Tamatea hapū over and above representation by the Trust itself, and that the structure may require separate groups for each project. The Trust invites further discussions on the matter.
14. **Te Taiwhenua o Heretaunga** responded in relatively strident and wide-ranging terms and advocated for no governance model on the rationale that the projects should not proceed. Staff are somewhat confused by some of the feedback which focusses on "TANK Governance" and re-states that organisations previously stated opposition to aspects of the TANK Plan change, TANK consent renewals and HBRC's role in resource management generally.

15. While feedback has yet to be received from both Hasting's District Council and Ngāti Kahungunu Iwi Incorporated it is worth noting that the latter has previously expressed strong objections to the Water Security Programme and has on two occasions proactively made representations to the responsible Minister expressing its dissatisfaction with HBRC and processes related to the Water Security programme.
16. In summary, while the feedback is leaning towards a preference for a Charitable Trust option (three of the five responses), with further feedback to come and the totality of Te Taiwhenua o Heretaunga's rejection of the projects, staff are not in a position to make concrete recommendations to Council at this point.
17. It is perhaps worthwhile recording that staff are somewhat vexed by the notion of any governance structure that affords one group an effective veto over these projects, particularly given the significant public funding and resources committed to the project as well as the criticality of water security to the foreseeable needs of current and future generations in Hawke's Bay. While not stated explicitly, part of the PGF's rationale for suggesting the exploration of a broader governance model was to protect the project(s) from a risk of being captured by one or another set of interests. This issue will be addressed as a part of any final set of recommendations.
18. Furthermore, recall that any recommendations made by Council are subject to the ultimate approval of the Crown as a co-funder of the projects.

### **Next Steps**

19. Staff propose that an updated report be provided either to Council on the 24<sup>th</sup> June or EICC on 1 July, depending when feedback is received.
20. In the interim staff propose to follow up with all parties with and update as a courtesy and to seek clarification and feedback on the preference by some to have the projects governed and managed separately. The cost in terms of time and resource of an even further devolved governance model will need to be understood by the funding agencies (HBRC and Crown).

### **Considerations of Tangata Whenua**

21. This report relates directly to tangata whenua's involvement in critical resource management issues, long term community wellbeing and climate change adaptation.
22. Heretaunga Tamatea Settlement Trust in particular expressed an appreciation for being consulted at an early stage, acknowledging:
  - 22.1. its legislative mandate in relation to the hapū of Heretaunga Tamatea, whose influence extends the entire length of Heretaunga and Tamatea-Central Hawke's Bay (our tribal rohe)
  - 22.2. its paramount rights and interests in both water and water security under our enacting settlement legislation, the Hawke's Bay Regional Planning Committee Act 2015 and, of course, the Resource Management Act 1991; and
  - 22.3. both the Heretaunga and Ruataniwha aquifers are within our tribal rohe.

### **Decision Making Process**

23. Staff have assessed the requirements of the Local Government Act 2002 in relation to this item and have concluded that, as this report is for information only, the decision making provisions do not apply.

### **Recommendations**

That the Corporate and Strategic Committee receives and considers the "Water Security Pre-feasibility Options and Governance Models" staff report.

**Authored and Approved by:**

**Tom Skerman  
GROUP MANAGER  
STRATEGIC PLANNING**

**Attachment/s**

- [↓1](#) Potential Water Security Governance Models
- [↓2](#) 4 May 2020 Letter to Mayor Sandra Hazlehurst - HDC re Heretaunga and CHB Water Security Projects

Water storage projects – possible governance models

The table below sets out a brief description of several possible governance structures for the proposed Tukituki and Heretaunga Plains water storage schemes, each of which are to be co-funded by HBRC and the Provincial Growth Fund (PGF) and the 'pros' and 'cons' of each. By 'governance structures' we mean the structure for both holding HBRC's non-regulatory interests in the relevant projects, and for decision making in respect of those projects.

A separate decision would need to be made on bundling. It is likely to be most efficient to utilise the same structure, or type of structure, for both projects. To avoid the complexity and duplication of effort in running parallel structures, there would need to be a strong reason to proceed with different approaches for each project.

The PGF/Provincial Development Unit has required HBRC to investigate and report back on a proposed regional governance model as a condition of the current funding agreements.

	Structure and brief description	'Pro'	'Con'
1.	HBRC	<ul style="list-style-type: none"><li>• 'Easy' from HBRC's perspective – requires least structuring work.</li><li>• HBRC retains direct control over its co-funding arrangements – this is not diluted by the inclusion of third party individuals or organisations.</li><li>• Would be possible to ensure appropriate consultation/involvement through either formal or informal committee structure (see 'Other' below).</li><li>• Liability: members entitled to an indemnity under s 43 LGA</li></ul>	<ul style="list-style-type: none"><li>• PGF will inevitably challenge this if it is presented as the 'best' option – as they have a preference for a more devolved model. We would need to be ready to explain the process of considering alternatives and why HBRC was considered the best model.</li><li>• The flip-side of retaining direct control is the lack of regional representation</li><li>• Liability: No 'ringfencing' – any liability accepted or incurred by HBRC will accrue to HBRC itself</li></ul>
2.	Hawkes Bay Regional Investment Company Limited (HBRIC)	<ul style="list-style-type: none"><li>• Established entity (not an SPV) – established to, and very capable of, providing management/governance functions in respect of external and/or co-funded investments</li><li>• Could potentially create Board sub-committees, with external parties (iwi, other regional representatives) having observer or other contractual rights.</li><li>• Liability:<ul style="list-style-type: none"><li>◦ achieves 'ringfencing' – any liability accepted or incurred by HBRIC will remain within HBRIC; and</li><li>◦ directors will be covered by D&amp;O insurance and indemnities from HBRIC (but no indemnity from HBRC permitted under LGA).</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Similar to retaining within HBRC – may not, in itself, be seen as providing sufficient devolution</li><li>• May be some RWSS 'baggage' with PGF</li><li>• Would need to look at Board composition to consider whether it created the right regional representation</li><li>• Would also need to consider how any changes impacted on other investments held by HBRIC and the skill sets relevant to providing governance in that context</li></ul>

	Structure and brief description	'Pro'	'Con'
3.	Charitable Trust	<ul style="list-style-type: none"><li>• Does create clear separation and allows the flexibility to involve different communities/regions in different schemes as needed.</li><li>• May make more sense for holding investments in a scheme during the construction/operational stage, where applicable, rather than at the pre-implementation stage.</li><li>• Liability:<ul style="list-style-type: none"><li>◦ achieves 'ringfencing' – any liability accepted or incurred by the trustees of the charitable trust will remain with those trustees, subject to their rights of indemnity;</li><li>◦ Trustees will be indemnified from trust assets for any liability; and</li><li>◦ Liability may be further ringfenced if trust holds the shares in a subsidiary company which undertakes the actual interface with the relevant schemes – in that case the liability will sit with that subsidiary, and the directors of that subsidiary should be provided with typical indemnities and D&amp;O cover from that subsidiary.</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Unwieldy and somewhat 'old fashioned' structure.</li><li>• Could be seen as unnecessarily replicating existing functions.</li><li>• Disproportionate at the pre-implementation stage when use of existing structures is available.</li><li>• Relatively compliance-heavy (need to consider both charities and general trust law, trustees' duties etc) – operationally less efficient than a typical company structure.</li><li>• Liability: trust assets may not be material (depending on how the trust was used) – this will be an issue for prospective trustees who typically have liability covered by trust assets.</li></ul>



	Structure and brief description	'Pro'	'Con'
4.	Other	<ul style="list-style-type: none"> <li>Many possibilities across companies, LPs, joint ventures, trust arrangements.</li> <li>We have considered two: <ul style="list-style-type: none"> <li>Joint CCO</li> <li>Committees of HBRC/Joint committees</li> </ul> </li> <li>Joint CCO: <ul style="list-style-type: none"> <li>Establish between HBRC and other relevant local authorities</li> <li>Can have minority holding from third parties (e.g. iwi)</li> <li>Could run as a company – well known/easy model to operate</li> <li>Liability ringfenced at CCO level, directors covered by insurance/indemnities</li> </ul> </li> <li>Committees of HBRC/Joint committees <ul style="list-style-type: none"> <li>LGA Sch 7, Section 30A/31</li> <li>Committee can be formed across multiple local authorities</li> <li>Committee can also have external members – e.g. iwi representatives</li> <li>Could be created in parallel for different schemes to create continuity of council involvement/opportunity for appropriate specific community involvement</li> <li>Creates own rules/terms of reference</li> <li>Could include PGF/PDU</li> <li>Creates a good degree of flexibility</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Joint CCO – needs consultation before establishment (to be undertaken by each relevant local authority).</li> </ul> <p style="text-align: center;">DRAFT</p>





5 May 2020

Sandra Hazlehurst  
Mayor  
Hastings District Council

VIA EMAIL: [sandra.hazlehurst@hdc.govt.nz](mailto:sandra.hazlehurst@hdc.govt.nz)

Dear Sandra

### FEEDBACK ON GOVERNANCE FOR THE HERETAUNGA AND CENTRAL HAWKE'S BAY WATER SECURITY PROJECTS

In February 2019 the Region's Mayors and Chairs and Ngāti Kahungunu Iwi Incorporated were signatories to a letter to the Provincial Growth Fund (PGF) confirming the importance of water security to the Region, in conjunction with Hawke's Bay Regional Council's (HBRC) ultimately successful application. In relation to two of the four projects that make up the Regional Water Security programme PGF officials have requested that HBRC explores project governance models that mirror the importance that the region has collectively placed on this issue.

#### Background

HBRC was successful in applying for PGF funding for four water security projects in Hawke's Bay.

PGF has committed \$2.154 million for the 3D Aquifer Mapping Project and \$450,000 for the Regional Water Assessment which are underway. Using a mix of suspensory loans and earmarked funding commitments, it has also committed \$12.9 million for Heretaunga water storage solutions and \$14.7 million for the Central Hawke's Bay. HBRC is co-funding the programme with a \$5+ million Long Term Plan commitment and recently re-affirmed the work programme on 11 March 2020.

The Heretaunga project is looking to identify and advance water storage solutions to support the maintenance of flows in lowland waterbodies as a mitigation against the impacts of collective groundwater use on the plains. This is consistent with the direction set down by community representatives through the TANK plan change, which was publicly notified on 2 May, 2020.

The Central Hawke's Bay project is undertaking parallel investigations of both above and below-ground storage by incorporating a pilot study of groundwater replenishment (managed aquifer recharge).

Both projects are in the relatively early scoping and data collection phase, commissioning the respective technical experts necessary to inform community reference or advisory groups, and ultimately decision makers, in order to identify preferred solutions and to then progress them through standard pre-feasibility and full feasibility processes.

Enhancing our environment together | Te whakapakari tahi i tō tātau taiao

06 835 9200 | [info@hbrc.govt.nz](mailto:info@hbrc.govt.nz) | 159 Dalton Street, Napier 4110 | Private Bag 6006, Napier 4142

[hbrc.govt.nz](http://hbrc.govt.nz)

Item 10

Attachment 2

**Heretaunga and Central Hawke's Bay governance model options**

Under the PGF's funding agreement, the default governance model is assumed to be HBRC centric with appropriate engagement with tangata whenua, other Councils and the community.

HBRC is seeking your feedback on alternative governance options and has procured the **attached** summary of alternatives to the HBRC default model to help carry the discussion.

Can you please advise on;

- which governance model you would prefer;
- any other feedback you may have;
- whether your organisation wishes to discuss providing any operational support to either project.

Staff will incorporate all feedback and commentary into a recommendation and decision paper to be presented to HBRC in late May. We would be grateful for your responses by 15 May 2020.

If you have any questions, please email Tom Skerman on [tom@hbrc.govt.nz](mailto:tom@hbrc.govt.nz) or phone 021 769 960.

Ngā mihi nui



**James Palmer**  
**Chief Executive**

Phone: (06) 835 9202  
Email: [james.palmer@hbrc.govt.nz](mailto:james.palmer@hbrc.govt.nz)

This letter has also been sent to the following Regional Leaders:

Mayor & CE, Napier City Council  
Mayor & CE, Central Hawke's Bay District Council  
Chair & CE, Ngāti Kahungunu Iwi Incorporated  
Chair & CE, Te Taiwhenua o Heretaunga  
Chair & CE, Te Taiwhenua o Tamatea  
Chair & CE, Heretaunga Tamatea Settlement Trust

## WATER STORAGE PROJECTS – POSSIBLE GOVERNANCE MODELS

The table below sets out a brief description of several possible governance structures for the proposed Central Hawke's Bay and Heretaunga Plains water storage schemes, each of which are to be co-funded by HBRC and the Provincial Growth Fund (PGF) and the 'pros' and 'cons' of each. By 'governance structures' we mean the structure for both holding HBRC's non-regulatory interests in the relevant projects, and for decision making in respect of those projects.

A separate decision would need to be made on bundling. It is likely to be most efficient to utilise the same structure, or type of structure, for both projects. To avoid the complexity and duplication of effort in running parallel structures, there would need to be a strong reason to proceed with different approaches for each project.

The PGF/Provincial Development Unit has required HBRC to investigate and report back on a proposed regional governance model as a condition of the current funding agreements.

	Structure and brief description	'Pro'	'Con'
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		<p>respect of external and/or co-funded investments</p> <ul style="list-style-type: none"> <li>• Could potentially create Board sub-committees, with external parties (iwi, other regional representatives) having observer or other contractual rights.</li> <li>• Liability: <ul style="list-style-type: none"> <li>– achieves 'ringfencing' – any liability accepted or incurred by HBRIC will remain within HBRIC; and</li> <li>– directors will be covered by D&amp;O insurance and indemnities from HBRIC (but no indemnity from HBRC permitted under LGA).</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Would need to look at Board composition to consider whether it created the right regional representation</li> <li>• Would also need to consider how any changes impacted on other investments held by HBRIC and the skill sets relevant to providing governance in that context</li> </ul>
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		<ul style="list-style-type: none"> <li>– Liability may be further ringfenced if trust holds the shares in a subsidiary company which undertakes the actual interface with the relevant schemes – in that case the liability will sit with that subsidiary, and the directors of that subsidiary should be provided with typical indemnities and D&amp;O cover from that subsidiary.</li> </ul>	
4.	Other	<ul style="list-style-type: none"> <li>• Many possibilities across companies, LPs, joint ventures, trust arrangements.</li> <li>• We have considered two: <ul style="list-style-type: none"> <li>– Joint CCO</li> <li>– Committees of HBRC/Joint committees</li> </ul> </li> <li>• Joint CCO: <ul style="list-style-type: none"> <li>– Establish between HBRC and other relevant local authorities</li> <li>– Can have minority holding from third parties (e.g. iwi)</li> <li>– Could run as a company – well known/easy model to operate</li> <li>– Liability ringfenced at CCO level, directors covered by insurance/indemnities</li> </ul> </li> <li>• Committees of HBRC/Joint committees <ul style="list-style-type: none"> <li>– LGA Sch 7, Section 30A/31</li> <li>– Committee can be formed across multiple local authorities</li> <li>– Committee can also have external members – e.g. iwi representatives</li> <li>– Could be created in parallel for different schemes to create continuity of council</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Joint CCO – needs consultation before establishment (to be undertaken by each relevant local authority).</li> </ul>

Attachment 2

		<div>involvement/opportunity for appropriate specific community involvement</div> <div><div><div>- Creates own rules/terms of reference</div><div>- Could include PGF/PDU</div><div>- Creates a good degree of flexibility</div></div></div>	
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Item 10

**HAWKE'S BAY REGIONAL COUNCIL  
CORPORATE AND STRATEGIC COMMITTEE**

**Wednesday 10 June 2020**

**Subject: DISCUSSION OF MINOR MATTERS NOT ON THE AGENDA**

**Item 11**

**Reason for Report**

1. This document has been prepared to assist Committee members note the Minor Items Not on the Agenda to be discussed as determined earlier in Agenda Item 5.

Item	Topic	Raised by
1.		
2.		
3.		



**HAWKE'S BAY REGIONAL COUNCIL**  
**CORPORATE AND STRATEGIC COMMITTEE**

**Wednesday 10 June 2020**

**Subject: HERETAUNGA WATER SECURITY SCOPING REPORT**

That Council excludes the public from this section of the meeting, being Agenda Item 12 Heretaunga Water Security Scoping 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	FOUNDATIONS UNDER SECTION 48(1) FOR THE PASSING OF THE RESOLUTION
Heretaunga Water Security Scoping Report	<p>s7(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>s7(2)(j) 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.

**Authored and Approved by:**

**Tom Skerman**  
**GROUP MANAGER**  
**STRATEGIC PLANNING**

**Item 12**





**HAWKE'S BAY REGIONAL COUNCIL  
CORPORATE AND STRATEGIC COMMITTEE**

**Wednesday 10 June 2020**

**Subject: HBRIC LTD 2019-20 STATEMENT OF INTENT**

That Hawke's Bay Regional Council excludes the public from this section of the meeting, being Agenda Item 13 HBRIC Ltd 2019-20 Statement of Intent 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'S UNDER SECTION 48(1) FOR THE PASSING OF THE RESOLUTION
HBRIC Ltd 2019-20 Statement of Intent	s7(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.	The Council is specified, in the First Schedule to this Act, as a body to which the Act applies.

**Authorized by:**

**Kishan Premadasa  
MANAGEMENT ACCOUNTANT**

**Bronda Smith  
CHIEF FINANCIAL OFFICER**

**Approved by:**

**Jessica Ellerm  
GROUP MANAGER  
CORPORATE SERVICES**

**Item 13**



**HAWKE'S BAY REGIONAL COUNCIL**  
**CORPORATE AND STRATEGIC COMMITTEE**

**Wednesday 10 June 2020**

**Subject: NAPIER PORT VERBAL UPDATE**

That Hawke's Bay Regional Council excludes the public from this section of the meeting, being Agenda Item 14 Napier Port Verbal Update 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	FOUNDATIONS UNDER SECTION 48(1) FOR THE PASSING OF THE RESOLUTION
Napier Port Verbal Update	s7(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.	The Council is specified, in the First Schedule to this Act, as a body to which the Act applies.

**Authored & Approved by:**

**Jessica Ellerm**  
**GROUP MANAGER CORPORATE**  
**SERVICES**

**Item 14**



**HAWKE'S BAY REGIONAL COUNCIL**  
**CORPORATE AND STRATEGIC COMMITTEE**

**Wednesday 10 June 2020**

**SUBJECT: REQUEST FOR REMISSION OF LEASEHOLD RENT – WELLINGTON  
PROPERTY**

**Item 15**

That the Council excludes the public from this section of the meeting being Request for Remission of Leasehold Rent – Wellington Property, Agenda Item 15 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**

Request for Remission of  
Leasehold Rent – Wellington  
Property

**REASON FOR PASSING THIS RESOLUTION**

s7(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)

**GROUND UNDER SECTION 48(1) FOR  
THE PASSING OF THE RESOLUTION**

The Council is specified, in the First Schedule to this Act, as a body to which the Act applies.

**Authored by:**

**Bronda Smith**  
**GOVERNANCE LEAD**

**Approved by:**

**Jessica Ellerm**  
**GROUP MANAGER**  
**CORPORATE SERVICES**





**HAWKE'S BAY REGIONAL COUNCIL**  
**CORPORATE AND STRATEGIC COMMITTEE**

**Wednesday 10 June 2020**

**SUBJECT: CONFIRMATION OF 11 MARCH 2020 PUBLIC EXCLUDED MINUTES**

That the Council excludes the public from this section of the meeting being Confirmation of 11 March 2020 Public Excluded Minutes, Agenda Item 16 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:

<b>GENERAL SUBJECT OF THE ITEM TO BE CONSIDERED</b>	<b>REASON FOR PASSING THIS RESOLUTION</b>	<b>FOUNDATIONS UNDER SECTION 48(1) FOR THE PASSING OF THE RESOLUTION</b>
Confirmation of 11 March 2020 Public Excluded Minutes	s7(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)	The Council is specified, in the First Schedule to this Act, as a body to which the Act applies.

**Authored by:**

**Leeanne Hooper**  
**GOVERNANCE LEAD**

**Approved by:**

**James Palmer**  
**CHIEF EXECUTIVE**

**Item 16**