



## Meeting of the Corporate and Strategic Committee

**Date:** Wednesday 14 March 2018  
**Time:** 9.00am  
**Venue:** Council Chamber  
Hawke's Bay Regional Council  
159 Dalton Street  
NAPIER

### Agenda

ITEM	SUBJECT	PAGE
1.	Welcome/Notices/Apologies	
2.	Conflict of Interest Declarations	
3.	Confirmation of Minutes of the Corporate and Strategic Committee held on 11 December 2017	
4.	Follow-ups from Previous Corporate and Strategic Committee meetings	3
5.	Call for Items of Business Not on the Agenda	7
<b>Decision Items</b>		
6.	HBRC Letter of Expectation for HBRIC Ltd	9
7.	Draft Regional Targets for Swimmable Lakes and Rivers	13
8.	Recommendations from the Finance, Audit and Risk Sub-committee	29
9.	Council Representative Appointments to Local Government New Zealand	37
<b>Information or Performance Monitoring</b>		
10.	<b>(11:00)</b> Verbal Presentation of Napier Port Annual Results	
11.	Discussion of Items Not on the Agenda	39
<b>Decision Items (Public Excluded)</b>		
12.	Confirmation of Public Excluded Minutes of the Corporate & Strategic Committee Meeting held 11 December 2017	41
13.	Phase II Capital Structure Review Report <b>(Late Item to come)</b>	43



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

**Wednesday 14 March 2018**

**SUBJECT: FOLLOW-UPS FROM PREVIOUS CORPORATE AND STRATEGIC  
COMMITTEE MEETINGS**

**Item 4**

**Reason for Report**

1. In order to track items raised at previous meetings that require follow-up, a list of outstanding items is prepared for each meeting. All follow-up items indicate who is responsible for each, when it is expected to be completed and a brief status comment.
2. Once the items have been completed and reported to the Committee they will be removed from the list.

**Decision Making Process**

3. 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 “***Follow-ups from Previous Corporate and Strategic Committee Meetings***” report.

**Authored by:**

**Leeanne Hooper  
GOVERNANCE MANAGER**

**Approved by:**

**Liz Lambert  
GROUP MANAGER  
EXTERNAL RELATIONS**

**Attachment/s**

- [!\[\]\(54a282d3ed55c9b1ac66d6fb81d5de2b\_img.jpg\) 1](#) Follow-ups for March 2018 Corporate and Strategic meeting



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

11 December 2017

	Agenda Item	Follow-up / Request	Responsible	Status Comment
1	Recommendations from Finance, Audit & Risk Sub-committee	Letter to HBRIC Ltd encouraging alignment of Port financial year with Council/HBRIC	J Palmer	HBRC management concluded timing is not appropriate to request a change in PONL reporting date, however as a compromise PONL has been requested to provide special purpose accounts to 30 June 2018 to streamline the audit process.
2	Recommendations from Finance, Audit & Risk Sub-committee	Scope of the Internal Audit of "Water Management" to be confirmed by Council 31 January 2018	J Palmer	31Jan18 Council resolved: <i>"Agrees to the Water Management Internal Audit scope as provided, and confirms approval for the audit to commence immediately."</i> Update on the status of the Audit was provided to 7 March Finance, Audit & Risk Sub-committee meeting
3	Council S17a Activities	Status of Council's section 17a reviews and compliance with this legislation	J Ellmer	Work programme of s17a reviews added to the Finance, Audit & Risk Sub-committee work programme with report back to each meeting

Item 4

Attachment 1



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

**Wednesday 14 March 2018**

**Subject: CALL FOR ITEMS OF BUSINESS NOT ON THE AGENDA**

**Item 5**

**Reason for Report**

1. Standing order 9.12 states:

*"A meeting may deal with an item of business that is not on the agenda where the meeting resolves to deal with that item and the Chairperson provides the following information during the public part of the meeting:*

*(a) the reason the item is not on the agenda; and*

*(b) the reason why the discussion of the item cannot be delayed until a subsequent meeting.*

*Items not on the agenda may be brought before the meeting through a report from either the Chief Executive or the Chairperson.*

*Please note that nothing in this standing order removes the requirement to meet the provisions of Part 6, LGA 2002 with regard to consultation and decision making."*

2. In addition, standing order 9.13 allows "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**

1. That the Corporate and Strategic Committee accepts the following "Items of Business Not on the Agenda" for discussion as Item 11:

1.1. ***Urgent*** items of Business

	Item Name	Reason not on Agenda	Reason discussion cannot be delayed
1.			
2.			

1.2. ***Minor*** items for discussion

Item	Topic	Councillor / Staff
1.		
2.		
3.		

**Leeanne Hooper**  
**GOVERNANCE MANAGER**

**Liz Lambert**  
**GROUP MANAGER**  
**EXTERNAL RELATIONS**





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

**Wednesday 14 March 2018**

**Subject: HBRC LETTER OF EXPECTATION FOR HBRIC LTD**

**Item 6**

**Reason for Report**

1. In accordance with the Local Government Act 2002 (LGA), the Hawke's Bay Regional Investment Company (HBRIC Ltd) is required to submit its Draft Statement of Intent (Sol) for the next financial year within set timeframes to enable Council input prior to adoption of the Sol by 30 June.

**Background**

2. HBRIC Ltd is required to submit its Draft (Sol) to Council by 1 March each year in order to meet legislative timeframes, however with the uncertainty arising from the Council's Capital Structure Review, it has instead been agreed by HBRC management to issue HBRIC with a "Letter of Expectation" (LoE) by the end of March, giving the company shareholder direction.
3. In order for HBRIC Ltd to develop a Draft Sol for the 2018-19 financial year, HBRC will provide the company with the LOE by 1 April to enable HBRIC Ltd to consider how those expectations are best incorporated into a Draft Sol for presentation to Council on **24 April**. This will enable the Council to provide feedback by 1 May, and then the final 2018-19 Statement of Intent can be adopted by Council on or before 30 June 2018.
4. This paper provides context for discussion and is to confirm content for staff to draft the Letter of Expectation, to be presented to Councillors for adoption at the 28 March 2018 Council meeting.

**Considerations**

**The Future of HBRIC Ltd**

5. The recent Capital Structure Review was charged with considering the current capital assets and investment held by the Council and make recommendations for future arrangements. The Review has highlighted several options for the future of HBRIC Ltd, including:
  - 5.1. Moving ownership of the PONL back to Council and
    - 5.1.1. Winding down HBRIC Ltd or
    - 5.1.2. Retaining HBRIC as a 'shelf' company, which provides a ready vehicle to facilitate investment in different asset classes
  - 5.2. The status quo in respect of PONL ownership but with a revised, more narrow mandate; HBRIC Ltd is responsible for managing the Napier Port asset and ensuring dividend maximisation to Council or
  - 5.3. HBRIC Ltd is responsible for managing the Napier Port asset and ensuring dividend maximisation to Council, and is directed to develop business cases for future potential strategic investment opportunities, such as commercial forestry, that meet Council's minimum expected rate of returns while also delivering regional co-benefits.
6. For all options 5.1.2, 5.2 and 5.3 above, the recommendation is to streamline the current governance structure to a smaller Board with a tighter reporting structure back to Council. This is recommended in all options as it is anticipated that in the event HBRIC Ltd invests in new asset classes this will be via subsidiary companies or joint ventures with their own appropriately skilled directors. Council staff note the letter received from HBRIC Ltd Chairman Chris Tremain on 27 February 2018 and concur with the

recommendation of a reduction in board size, which is fit for purpose to achieve its objectives with a clear revised mandate.

### **Moving Ownership of PONL back to Council**

7. Whilst we may not need to formally consult using the Special Consultative Procedure on moving ownership of the Port back to HBRC, a change in ownership of an asset of such significance to the region would require some kind of consultation with the community. Transferring an asset which may have had a significant increase in its valuation could also have accounting / tax implications, which would need to be further analysed.
8. The winding down of HBRIC Ltd in a short form removal process would take approximately 9 months, but could take longer depending on complexity. Due to the likelihood of an impending public consultation on a Port capital transaction, winding down the direct owner of the Port could create confusion and be a distraction to the process.
9. Ceasing to operate a CCO could also have commercial and tax implications to HBRC as a shareholder that would need to be taken into consideration. There would also be a significant amount of time required for legal and financial advisors to ensure that legislative requirements are met, particularly around valuation of intangible assets, in order to move these assets to the HBRC balance sheet.
10. Moving ownership of the PONL back to HBRC and leaving HBRIC Ltd as a shelf company is also an option, however the tax implications of moving this revenue generating asset off the HBRIC balance sheet, and the ability of HBRIC to service its ongoing commitments thereafter would have to be addressed.
11. Given the Council's expression of interest to explore other asset classes such as commercial forestry joint venture investment opportunities, a CCO or special purpose vehicle to facilitate this type of arrangement would be necessary. HBRIC Ltd provides an existing investment vehicle, which can be restructured to suit future activities, including the creation of subsidiaries for particular purposes within a group tax structure. The creation of a new CCO would require public consultation, and therefore repurposing HBRIC Ltd would be a prudent use of vehicle which is already formed.
12. Therefore, in light of the above considerations, staff do not recommend the cessation of HBRIC Ltd due to timing of a possible PONL capital transaction and the complexity of doing so.

### **Re-purpose HBRIC Ltd / Revised Statement of Intent**

13. It was decided at Council's LTP workshop held on 14 February 2018 that the non-financial benefits were not compelling enough to outweigh the loss of income due to tax, of transferring passive financial assets off the HBRC balance sheet to HBRIC Ltd at this time.
14. However, staff are recommending HBRIC Ltd maintains ownership and management of the PONL asset and also encourages HBRIC Ltd to formally explore investment opportunities for alternative strategic investments, including commercial forestry joint ventures with Tangata Whenua, the Crown and private investors. Council has expressed its desire to invest significantly in commercial forestry, given the environmental benefits of afforestation, and has the ability to fund such an investment by utilising its balance sheet. The ultimate decision to invest would be informed by a business case to be presented back to council in due course.
15. The commercial forestry piece of work aligns with the Council's strategic plan and ambitious aspirations for the environment. The due diligence is well placed to be performed by HBRIC Ltd given its alignment to the current SOI and HBRIC Ltd likely commercial expertise and acumen within a reconstituted board, although expert advice in new activities such as forestry would need to be procured.
16. As well as aligning strategically, and having clear commercial drivers it could be advantageous to have commercial forestry investments, in particular, under the HBRIC Ltd CCO from a taxation point of view. Forestry investment returns are not immediate, and are inconsistent in terms of the timing of cash returns. A diversified HBRIC Ltd

investment portfolio of this nature could provide a post-tax improvement compared to if those same activities were pursued by separate CCOs. Any business plan and proposal for significant future investment would require possible consultation with the community and also need careful analysis and tax planning.

### **Governance and Administration**

17. Given the reframed mandate, and noting the Council's decisions not to further invest in the RWSS scheme, HBRC recommends that HBRIC Ltd reviews the current governance structure of the company. It is further recommended the number of independent directors is reduced to 3.
18. It is recommended the administrative functions of the day-to-day operation of HBRIC Ltd, including financial and governance admin (EA), be bought in-house to HBRC. There is existing and/or planned capacity within HBRC to accommodate this and it will reduce costs in administering the company.
19. HBRC staff also recommend Councillors request the full cooperation of the HBRIC Ltd board of directors and PONL to work with the management of HBRC in any future PONL capital transaction. Once a preferred option is agreed, following public consultation, an appropriate structure to govern a PONL capital project would be proposed. HBRC management recommend a Council managed advisory group to oversee the project and to commission advisors with the appropriate expertise if the Council chooses to proceed with such a transaction.

### **Dividend**

20. The letter of expectation should outline the expected level of dividend for years one to three of the 2018-28 LTP. HBRIC Ltd has acknowledged that for planning purposes HBRC has assumed the dividend remains at the current level of \$10 million with a conservative 2% inflation adjustment year on year.
21. The Capital Structure Review panel has provided dividend analysis of the options which both support the growth of the PONL and also meet Councils objectives. The analysis of these options shows no negative impact to current income levels and support LTP budget assumptions.

### **Direction Sought**

22. In order to draft the Letter of Expectation, staff seek the Committee's consideration of the following management recommendations.
  - 22.1. HBRIC Ltd's revised mandate consists of managing the Port investment, and direct HBRIC Ltd to formally explore and develop a business proposal for commercial forestry investment opportunities to report back to Council.
  - 22.2. HBRIC Ltd board also be encouraged to cooperate with HBRC on any future PONL capital transaction.
  - 22.3. A review of the structure of the company and its governance, specifically a reduction in the number of directors.
  - 22.4. Bringing the financial and governance admin (EA) function of HBRIC Limited in house given there is capacity to do so.
  - 22.5. Dividend levels remain at current levels plus inflation for years one to three of the 2018-2028 LTP.

### **Decision Making Process**

23. The Sol for HBRIC Ltd is required to be prepared under section 64 of the Local Government Act 2002 (the Act). This is a statutory requirement and is not subject to consultation under the provisions of the Act.

## **Recommendations**

1. The Corporate and Strategic Committee:
  - 1.1. Receives and notes the ***“HBRC Letter of Expectation for HBRIC Ltd”*** staff report.
  - 1.2. Agrees with the following staff recommendations, which will form the basis for the content of the Letter of Expectation.
    - 1.2.1. HBRIC Ltd’s revised mandate consists of managing the Port investment and exploring commercial forestry investment opportunities
    - 1.2.2. HBRIC Ltd Board is encouraged to cooperate with HBRC on any future PONL capital transaction
    - 1.2.3. Council requests that HBRIC Ltd Board reviews the structure of the company and its governance, specifically a reduction in the number of directors
    - 1.2.4. Council requests that HBRIC Ltd Board reviews the financial and governance administration (EA) functions of HBRIC Limited including options to transfer those functions back to HBRC
    - 1.2.5. Advises that dividend levels are expected to remain at current levels plus inflation for years one to three of the 2018-2028 LTP.
2. The Corporate and Strategic Committee recommends that Council:
  - 2.1. Agrees that the decisions to be made are not significant under the criteria contained in Council’s adopted Significance and Engagement Policy, and that Council can exercise its discretion and make decisions on this issue without conferring directly with the community and persons likely to be affected by or to have an interest in the decision.
  - 2.2. Confirms the Letter of Expectation for HBRIC Ltd as drafted in accordance with resolution 1.2 above.

### **Authored by:**

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

### **Approved by:**

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

## **Attachment/s**

There are no attachments for this report.

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

**Wednesday 14 March 2018**

**Subject: DRAFT REGIONAL TARGETS FOR SWIMMABLE LAKES AND RIVERS**

**Item 7**

**Reason for Report**

1. To seek the Committee's agreement to set a draft target for the Hawke's Bay region, and to provide an update on work towards setting regional and national targets for primary contact in rivers and lakes under the National Policy Statement for Freshwater Management (NPSFM).

**Summary**

2. Commitments to improving water quality have already been made across the Hawke's Bay region and their effect on water quality has been modelled. Based on the existing commitments, staff are recommending that Council agrees to the draft targets of 90 % of rivers that are fourth order or larger to be in the blue, green or yellow category in terms of *E. coli* by 2030, and 76% of lakes with perimeters greater than 1.5 kilometres swimmable by 2030.
3. The National Policy Statement for Freshwater Management (NPSFM) requires regional councils to prepare draft regional targets to improve the quality of fresh water (Policy A6). These targets must contribute to achieving the national target for 90% swimmable lakes and rivers by 2040. The draft regional targets must be made publicly available by 31 March 2018, with final regional targets publicly available by 31 December 2018
4. A governance group and taskforce comprising MfE and MPI officials and staff from regional councils were set up to help councils meet this obligation. The taskforce has compiled information on work committed or underway in each region to improve water quality for swimming, and the associated likely costs. The information for each region is presented in a report that will be made publicly available before 31 March 2018 (a draft was reviewed by councils in January 2018).
5. Councils have not had the opportunity to consult with their communities about what rivers and lakes they should focus on for improvements and within what timeframes, and so most are intending to use the results in the report as their draft targets and as a starting point for discussion. The taskforce supports this approach.
6. The information in the taskforce report indicates that a draft regional target for the Hawke's Bay region of 90% of rivers and 76% of lakes swimmable by 2030, is realistic and achievable. The information sheet (**Attachment 1**) fulfils the reporting requirements under the NPSFM.

**Background**

7. On 23 February 2017, the Government announced its proposals to amend the National Policy Statement for Freshwater Management (NPSFM) and introduce a national (non-statutory) target for swimmable lakes and rivers (*Clean Water: 90% of lakes and rivers swimmable by 2040*). The Hon Dr Nick Smith (as Minister for the Environment) wrote to all regional councils on 28 February 2017 to inform them of the national target and to "encourage input and an early start to the implementation of these ambitious goals."
8. In that letter, Dr Smith asked regional councils to provide the following information.
  - 8.1. The rivers and lakes where interventions that are planned or in place will improve water quality so that it is swimmable
  - 8.2. The rivers and lakes where additional interventions will improve water quality so that they are swimmable more often, the level of improvement those interventions would achieve, and the timeframes to achieve them

- 8.3. The likely costs of the interventions described above, and the parties on whom those costs would fall.
9. After considering submissions to the proposals in *Clean Water*, the Government made a suite of amendments to the NPSFM, which were gazetted in August 2017. These amendments included setting a national target for water quality improvement in rivers and lakes as follows.
  - 9.1. 80% of specified rivers and lakes are suitable for primary contact (e.g. swimming) by 2030; and
  - 9.2. 90% are suitable by 2040.
10. The term “specified rivers and lakes” is defined in the NPSFM as rivers that are fourth order or above and lakes with a perimeter greater than 1,500 metres.<sup>1</sup> Primary contact is defined as people’s contact with water that involves immersion, including swimming.
11. To achieve the national targets, the NPSFM directs regional councils to set regional targets. Draft regional targets must be made available to the public by 31 March 2018 and final targets made available by 31 December 2018. The NPSFM does not specify whether these regional targets should be for the 2030 or 2040 timeframe.
12. To help councils respond to the requests for information and develop their regional targets as directed in the NPSFM, central and local government established a governance group and taskforce comprising MfE and MPI officials and staff from regional councils and territorial authorities. The governance group has been responsible for coordinating the sector’s response to the policy proposals more generally and overseeing the work of the taskforce. The taskforce has focused on a programme of work to collect the information needed to achieve the deadlines set by government.
13. Some regional councils have raised concerns with the taskforce about the national targets. The concerns include:
  - 13.1. The targets focus on *E. coli* and cyanobacteria (human health attributes in the NPSFM) as measures of suitability for swimming. In some regions, the community outcomes sought will mean other contaminants such as nitrogen, phosphorus and sediment may be a higher priority.
  - 13.2. There is a risk that prioritising actions to achieve the national targets for swimming will affect the process of identifying other community values (such as irrigation or mahinga kai) and setting freshwater objectives and limits for those values as required under the NPSFM.
  - 13.3. The method of assessing and reporting *E. coli* takes no account seasonal effects that influence when people swim, or whether there is any public access to the rivers and lakes that are part of the target.
14. The Taskforce will continue to discuss these wider issues related to setting and achieving the targets and work with government officials to resolve them. In the meantime, to address these concerns our draft regional target includes how the draft targets fit with our regional programme for setting freshwater objectives and limits under our plan change programme.

#### **Draft regional targets for swimmable lakes and rivers**

15. The governance group has interpreted the NPSFM direction as being that the draft targets should be set for the 2030 target date, with the final targets, which must be made available by 31 December 2018, to be for both 2030 and 2040. This reflects that there has been insufficient time for a wider community consultation on where water quality improvements should be focussed and how quickly any mitigations works should be implemented. Because of the timing issue the Taskforce modelled the impact on water quality of commitments that have already been made, most of which have already been through a public consultation phase and investment allocated. Our intention is to

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<sup>1</sup> A first order stream is the smallest of the streams and has no tributaries. First order streams, which may not be permanently flowing, flow into second order streams, which flow into third order streams and so on.

carry out consultation throughout 2018 to establish what additional work programmes may be necessary to set realistic final targets for 2030 and 2040.

16. The taskforce used the “water quality for swimming map” on the MfE website as a basis for establishing the extent of water quality improvements that will be required region by region, and the associated costs. Regional councils provided information on areas where the maps were inaccurate; the maps were adjusted accordingly and taken as a baseline of national river “swimmability”. Councils also provided the taskforce with information about the commitments to water quality mitigation work in their region in regional plans, long term plans, annual plans and asset management plans – the “committed work”. This committed work included investment in infrastructure and was assumed to include the stock exclusion requirements proposed by the Government in *Clean Water* in February 2017, although these have not yet been promulgated as national regulations.
17. The National Institute of Water and Atmosphere (NIWA) used the regional information to model the water quality improvements in rivers that should be achieved. The modelled improvements relate only to improvements in *E. coli* concentrations (a measure of the risk to human health) in rivers. They do not relate to improvements in lake water quality (due to modelling limitations) which are also required as part of achieving the swimmable lakes and rivers target, or to associated water quality improvements (such as nutrient levels or water clarity).
18. Estimations of the costs of the committed work have been modelled by Professor Graeme Doole of Waikato University.
19. The modelled results of water quality improvements in rivers and their associated costs are presented in the taskforce’s report “Regional information for setting draft targets for swimmable lakes and rivers”.
20. The draft regional targets for Hawke’s Bay are set out in an information sheet in Attachment 1. Supporting information in the information sheet sets out our focus, and how our work on the targets fits with our wider programme of freshwater management, which is encapsulated in our programme of RRMP catchment-based plan changes that will ultimately result in the setting of freshwater objectives for all water bodies.

### **Regional information for setting draft targets for swimmable lakes and rivers**

21. The taskforce’s report “Regional information for setting draft targets for swimmable lakes and rivers” provides information on progress towards the national targets as a result of committed work programmes. It will be released publicly when draft targets are published on 31 March 2018. The report identifies the work committed in each region, and gives an indication of the expected improvement in water quality for swimming and the associated costs arising from that committed work. The improvements and costs have been calculated both regionally and nationally.
22. The report relies on scientific modelling by NIWA using a national version of the Catchment Land Use for Environmental Sustainability (CLUES) water quality model, which is relevant to rivers only. Water quality improvements related to point-source discharge upgrades were included in the modelled estimations. For improvements that will arise from non-point source discharges, relevant information was provided to a mitigation expert panel who worked with NIWA to determine the effectiveness of mitigations in our region. The mitigation interventions largely fell into three categories: stock exclusion, riparian planting and management of farm dairy effluent.
23. The report also modelled the economic impacts of the committed work programmes. To establish the cost data, all capital costs were converted into an annual cost using a discount rate of 6% and a 25-year payback period. Included in the cost calculations were:
  - 23.1. Cost of establishing 2-wire electric fences on both sides of waterways
  - 23.2. Fence maintenance costs (1% of total material costs on flat and rolling land and 2% on steep land)

- 23.3. Three metre wide riparian buffer comprising pasture and one row of native plants on both sides of rivers
- 23.4. Opportunity cost of land within each buffer
- 23.5. Cost of additional water reticulation (excluding dairy farms where this normally occurs)
- 23.6. Remediation of wastewater systems (in Auckland only).
- 24. The water quality and economic modelling provides an estimate of how far each council's existing work programmes will go to meet the national targets and provides an informed interim (draft) target.
- 25. The assumptions and limitations of the modelling approaches taken are described in the report. The report was distributed to all regional councils in December 2017 for their review and comments. Useful feedback has further refined the report content.

### **The Hawke's Bay Region**

- 26. Nearly half of the land area is used for pastoral farming, primarily sheep and beef with some dairy farms and deer.<sup>2</sup> One-third of the land cover is native vegetation, around 12 per cent is exotic forestry and the remainder is divided among horticulture, urban and industrial and other uses. Although they represent a relatively small proportion of the land area, the highly productive Heretaunga and Ruataniwha plains are essential to the region's strong horticulture industry, known for its orchards, vegetable growing and viticulture. Agriculture is the largest employer in the region, and also the basis of much related industry, including fruit and vegetable processing, wine production, and transport of produce.<sup>3</sup>
- 27. Hawke's Bay has several major river catchments, generally with headwaters in the inland mountains and hills, leading to fast-flowing gravel-bottomed rivers with braided lower reaches. The Wairoa and Mōhaka rivers drain catchments from the northern and western hills into northern Hawke's Bay. The Tūtaekurī and Ngaruroro rivers flow from the Kaweka and upper Ruahine ranges through the Heretaunga Plains, merging just before their mouth near Clive; and the Tukituki flows from the Ruahine Range across the Ruataniwha Plains towards Cape Kidnappers.
- 28. Lakes Whakaki, Rahui, Oingo, Runanga, Horseshoe, Tutira, Whatuma and Poukawa all have histories of algal blooms.
- 29. The main point-source discharges are sewage (Wairoa District Council and Central Hawke's Bay District Council (Waipukurau, Waipawa)) and waste water from an Affco meat works.

### **Main sources of *E. coli***

- 30. The main source of *E. coli* throughout the region is ruminant. The following table provides more detail on the sources of *E. coli* in different catchments.

<sup>2</sup> Ministry for the Environment. n.d. *Environmental Reporting: Area of land cover 1996–2012*. Retrieved from <https://data.mfe.govt.nz/table/2478-land-cover-area-of-land-cover-1996-2001-2008-and-2012/data/> (10 July 2017).

<sup>3</sup> [www.lawa.org.nz/explore-data/hawkes-bay-region/river-quality/](http://www.lawa.org.nz/explore-data/hawkes-bay-region/river-quality/)



31. Table 1: Sources of *E. coli* in different catchments

Catchment	Sources of <i>E. coli</i>
Karamu	ruminant (up to 10%), plant, avian <sup>4</sup>
Porangahau	ruminant up to 100% <sup>5</sup>
Kairakau	ruminant (up to 100%), some dog <sup>6</sup>
Wairoa	ruminant (10–50%), plant, avian <sup>7</sup>
Kopuawhara (Maungawhio)	ruminant 10–50% <sup>8</sup>
Kopuawhara (Te Mahia)	ruminant (up to 100%), avian <sup>9</sup>
Kopuawhara (Opoutama)	ruminant up to 100% <sup>10</sup>
Southern Coast (Waipuka stream)	ruminant (up to 50%), avian <sup>11</sup>
Waipatiki	ruminant (up to 10%), plant, wildfowl <sup>12</sup>

**Planned work***Point sources*

32. Ongoing upgrades at Waipukurau and Waipawa are expected to overcome existing problems around capacity and design issues. Takapau Waste Water Treatment Plant is looking to discharge to land, and upgrades are currently occurring at Otane, which will involve ultra-violet treatment. Consent renewal discussions are currently under way for the Wairoa Affco discharge.

*Urban*

33. Stormwater treatment wetlands for the Napier watershed (Ahuriri estuary, Purimu Stream) could reduce *E. coli* load by 80 per cent, depending on design.
34. Napier City are investigating options to increase capacity within the sewerage network to prevent blowouts during high-flow events.

*Rural*

35. Attention on dairy effluent management will continue, with measures in place to ensure effective storage and deferred irrigation measures are in place (using effluent pond storage calculator). Appropriate conditions are placed on all dairy consents, and each farm is visited and checked every year by compliance officers.
36. The Tukituki Plan is currently being implemented (from Plan Change 6), and includes a requirement for 1100 Farm Environmental Management Plans to be completed (240 done so far). Farm plans include designation of critical source areas, with appropriate mitigation measures identified and a plan of implementation outlined. Stock exclusion rules (excluding sheep) essentially apply to any flowing waterways that have formed beds, if stocking rate is above 18 stock units, or slope is less than 15 degrees. The Tukituki Plan is the region's first to give effect to the National Policy Statement for Freshwater Management (NPS-FM), but expectations are that some form of Farm Environmental Management Plan, as well as compulsory stock exclusion rules, will be developed and apply to the rest of the region.
37. Hawke's Bay has an ongoing soil conservation control programme which, among other things, has included 2.4 million poles being planted, resulting in the protection of 46,000

<sup>4</sup> ESR\_CMB140853/0844

<sup>5</sup> ESR\_CMB140853/0844

<sup>6</sup> ESR\_CMB152236

<sup>7</sup> ESR\_CMB160304/0305 & ESR\_CMB160142\_0143\_0144

<sup>8</sup> ESR\_CMB160142\_0143\_0144

<sup>9</sup> ESR\_CMB160142\_0143\_0144

<sup>10</sup> ESR\_CMB140059

<sup>11</sup> ESR\_CMB130680

<sup>12</sup> ESR\_CMB120996

hectares of highly erodible land. This includes stream bank stabilisation by protecting about 50 kilometres of gullies with willow poles each year. Up to 20,000 native plants are planted along streams each year, with fencing subsidies available outside of the Tukituki (where stock exclusion is not mandatory and so no longer subsidised).

38. There is currently a major focus on six 'hotspots' in Hawke's Bay, which include initiatives to improve overall water quality, including swimmability. The hotspots include the Ahuriri Estuary, Tutira Lakes, Whakaki Lake and Wairoa, Tukituki River and Lake Whatuma and the Karamu. Wide-scale stock exclusion and riparian planting will be a component of each workstream. Council had committed \$1 million across these hotspots in the 2017/18 year, and the Tutira Lakes and Whakaki Lake have received additional money from the Ministry for the Environment's Freshwater Improvement Fund.
39. During the development of this information Council was deliberating on an Integrated Catchments approach to its work in catchments alongside a regional scale reforestation programme. This work has not been included in this draft assessment due to the timing of the report development and Council's deliberations. This work will be included in the assessment and final report.

#### *Lakes*

40. There is a project for Lake Tutira to develop an Integrated Catchment Management Plan, develop and implement farm environmental management plans throughout the catchment, reconnect Papakiri Stream to Lake Tūtira, install an oxygenation system, and implement a mauri monitoring programme.<sup>13</sup>
41. Work at Lake Whakaki will include a recirculating wetland, the establishment of 80 hectares of mānuka plantation, and complete stock exclusion from the lagoon's perimeter.<sup>14</sup>

#### ***State of swimmability in Hawke's Bay***

42. **Overall swimmability for the Hawke's Bay is 64 per cent of rivers and 68 per cent of lakes.**

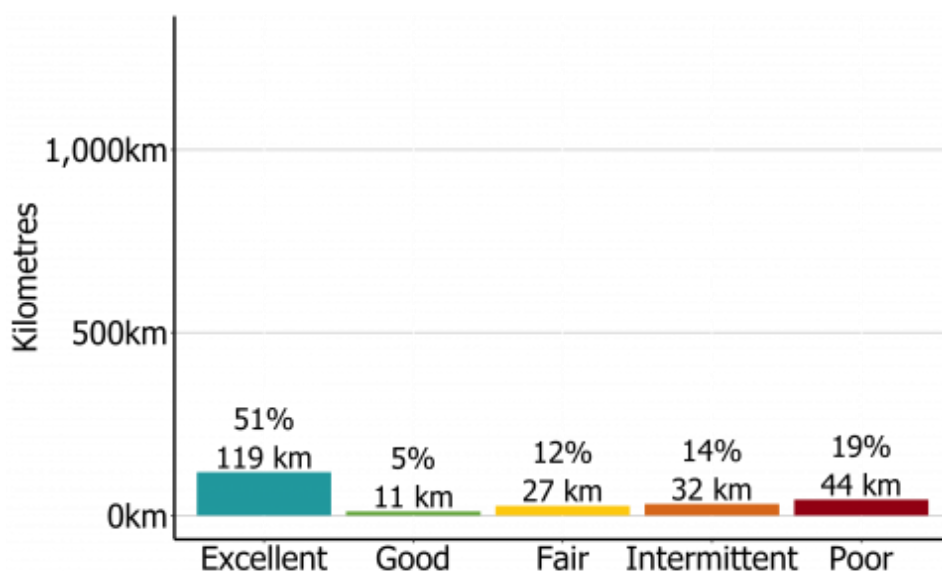
#### *Lakes*

43. This work has not modelled the projected improvement in water quality for swimming in lakes, but the current state of water quality for lakes in Hawke's Bay is represented following.

<sup>13</sup> Survey response; [www.mfe.govt.nz/more/funding/freshwater-improvement-fund/freshwater-improvement-fund-projects](http://www.mfe.govt.nz/more/funding/freshwater-improvement-fund/freshwater-improvement-fund-projects)

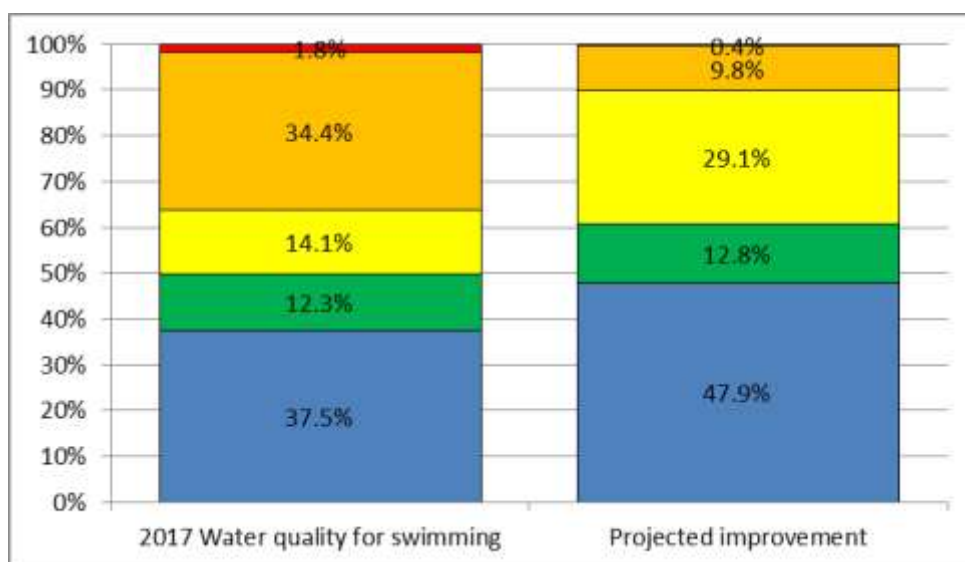
<sup>14</sup> Survey response; [www.mfe.govt.nz/more/funding/freshwater-improvement-fund/freshwater-improvement-fund-projects](http://www.mfe.govt.nz/more/funding/freshwater-improvement-fund/freshwater-improvement-fund-projects)

44. Figure 1: Percentage of Hawke's Bay lakes currently in each swimming category



#### Rivers

45. The modelling indicates an increase in the overall swimmability of rivers of 26 per cent, to 90 per cent of rivers being swimmable.
46. Figure 2: Projected improvement in water quality for swimming in Hawke's Bay rivers



47. The total annual cost of committed work in the rural area of the Hawkes Bay region is \$14.72 m. The rural costs of committed work are spread across the dairy (3%), dairy grazing (1%), sheep and beef (85%), deer (2%), and lifestyle (9%) sectors.

#### Specific modelling considerations

48. For modelling the implementation of activities in the Ahuriri catchment, the modelling has assumed uptake of 15–20 per cent riparian planting.
49. Fencing on slopes greater than 20 degrees will have a >3 metre setback. Eighty per cent of fencing on dairy farms have <3 metre setback, and 90 per cent of fencing on cropping land will have a <3 metre setback.
50. Where the regional plan focuses on stock exclusion or an extension to the Sustainable Dairy Accord, the modelling approach taken is to extend the stock exclusion provisions to all streams in that catchment.

## Options Analysis

51. Council has two options.

51.1. Option 1 – accept the recommended draft targets

51.2. Option 2 – reject the recommended draft targets.

### Option One – Accept the recommended draft targets (recommended)

#### Description of option

Council sets draft targets of 90 % of rivers and 76 % of lakes swimmable by 2030 and makes these publicly available by 31 March 2018, meeting the requirements of the NPSFM.

#### Impact assessment

Legal Implications	The NPSFM does not require the regional targets to be included in regional plans therefore they do not have legal standing in the way plan provisions do. However, achieving the national target will be relevant for catchment limit setting processes. The NPSFM requires regional councils to set freshwater objectives in every catchment, and these must include objectives for the compulsory values of ecosystem health and 'human health for recreation'. Objectives must use the specified attribute tables, including for <i>E. coli</i> . There are no legal repercussions for not achieving targets by the required dates.
Risk	There is a risk that the limitations of the modelling which informed the 90 % target may mean that the committed work programme in our region is not sufficient to achieve the target by 2030. For example, it is unlikely that land use will remain static and it is not clear what impact that may have on the achievement of the target.
Policy Implications / Strategic Links	The draft regional targets will have a strong relevance to the setting of freshwater objectives, standards and limits in the Regional Resource Management Plan.
Regional costs and benefits	The draft target for 2030 is based on implementing work programmes already planned and budgeted for in the Hawke's Bay region. The report states that the annual cost of this work is \$10.16 million and an overall increase in swimmability of 25.9% by 2030.
Financial Implications	There are no financial implications arising from setting the draft 2030 target.
Annual Plan / LTP Implications	While the draft regional targets are not specified in the Draft Long Term Plan 2018-28 the work programme upon which the modelling for the targets is based, is accounted for through the detail of the Long Term Plan.
Community Outcomes	The community priorities as set out in the Long Term Plan include water quality, safety and certainty; and smart sustainable land use, both of which work towards HBRC's purpose of working with our community to protect and manage the region's precious taonga of rivers, lakes, soils, air, coast and biodiversity for health, wellbeing and connectivity.
Community Views	In a 2017 ratepayer survey, with over 2000 respondents, 69% of respondents said that HBRC should spend more on waterways and aquifers.

Option Two – Reject the recommended draft targets ( <u>not recommended</u> )	
Description of option	
Council does not set the recommended draft regional targets and does not provide an alternative draft regional target by 31 March 2018.	
Impact assessment	
Legal Implications	<p>Council will be non-compliant with the NPSFM and failing to provide the information requested by the then Minister for the Environment in February 2017.</p> <p>There are no legal repercussions for not achieving targets by the required dates or failing to provide information when requested to do so by the Minister for the Environment, but the Minister for the Environment has powers to investigate councils and either make recommendations or appoint commissioners.</p>
Risk	There are reputational risks in not setting a draft regional target. Improving the quality of fresh water became an election issue last year and continues to attract media interest. The new government has indicated a strong focus on improving water quality, and non-compliance with the NPSFM is likely to attract attention from community members, Ministers and the media, particularly if the Hawke's Bay Region is the only region not to make a draft target publicly available.
Policy Implications / Strategic Links	The setting of freshwater objectives, standards and limits in the Regional Resource Management Plan in response to other legal and environmental drivers, but these would not be supported by swimmability targets.
Regional costs and benefits	Not setting a draft regional target does not change existing commitments, therefore the costs and benefits outlined for Option 1 are the same as for Option 2.
Financial Implications	There are no financial implications arising from not setting the 2030 target.
Annual Plan / LTP Implications	While the draft regional targets are not specified in the Draft Long Term Plan 2018-28 the work programme upon which the modelling for the targets is based, is accounted for through the detail of the Long Term Plan. The work will be delivered irrespective of there being no targets in place. However it may increase a future risk of higher priority and funding going to other activities.
Community Outcomes	The community priorities as set out in the Long Term Plan include water quality, safety and certainty; and smart sustainable land use, both of which work towards HBRC's purpose of working with our community to protect and manage the region's precious taonga of rivers, lakes, soils, air, coast and biodiversity for health, wellbeing and connectivity.
Community Views	In a 2017 ratepayer survey, with over 2000 respondents, 69% of respondents said that HBRC should spend more on waterways and aquifers. Option 2 would not be supportive of the views expressed by the community for a stronger focus on water quality.

### Communication of the Draft Regional Target

52. The Ministry and the Regional Sector has prepared a communications plan (**Attachment 2**) for our response to the release of the report "Regional information for setting draft targets for swimmable lakes and rivers", and the publication of our draft regional target.

## Decision Making Process

53. Council is 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:
  - 53.1. The decision does not significantly alter the service provision or affect a strategic asset.
  - 53.2. The use of the special consultative procedure is not prescribed by legislation.
  - 53.3. The decision does not fall within the definition of Council's policy on significance.
  - 53.4. The persons affected by this decision are all residents, ratepayers and visitors to Hawke's Bay who contribute to and enjoy recreational use in the region's waterways.
  - 53.5. The decision is not inconsistent with an existing policy or plan.
  - 53.6. 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

The Corporate and Strategic Committee:

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

## The Corporate and Strategic Committee recommends that Council:

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

10. Agrees to recommend that the Regional Sector works collaboratively with the Government on any amendments to the National Policy Statement for Freshwater Management and requirements to set final regional targets.

**Authored by:**

**Liz Lambert  
GROUP MANAGER  
EXTERNAL RELATIONS**

**Approved by:**

**Iain Maxwell  
GROUP MANAGER  
RESOURCE MANAGEMENT**

**Attachment/s**

- [!\[\]\(00454fbbe8db418db0de5eebfa916a08\_img.jpg\)1](#) Draft Regional Targets for Hawke's Bay Region
- [!\[\]\(fd0f3d0c9a8d9b3ff3951bcf7c4bf0c0\_img.jpg\)2](#) Draft Regional Target Communications Plan





## Attachment 1

### Draft Regional Targets for the Hawke's Bay Region

#### Introduction

The National Policy Statement for Freshwater Management (as amended in August 2017) directs all regional councils (including unitary authorities) to set draft regional targets to improve the quality of fresh water so they are suitable for primary contact more often. This information sheet has been prepared to meet this requirement. "Primary contact" includes swimming, and means people's contact with fresh water that involves immersion in the water. Being suitable for primary contact more often includes improvements in water quality from one state to another (for example, orange to yellow, yellow to green, or green to blue).

All regional councils have worked together to use the best information available to identify:

- The improvements that will be made to water quality in rivers and lakes in the Hawke's Bay region under programmes that are planned or underway
- When the anticipated water quality improvements will be achieved
- The likely costs of all interventions, and where these costs will fall

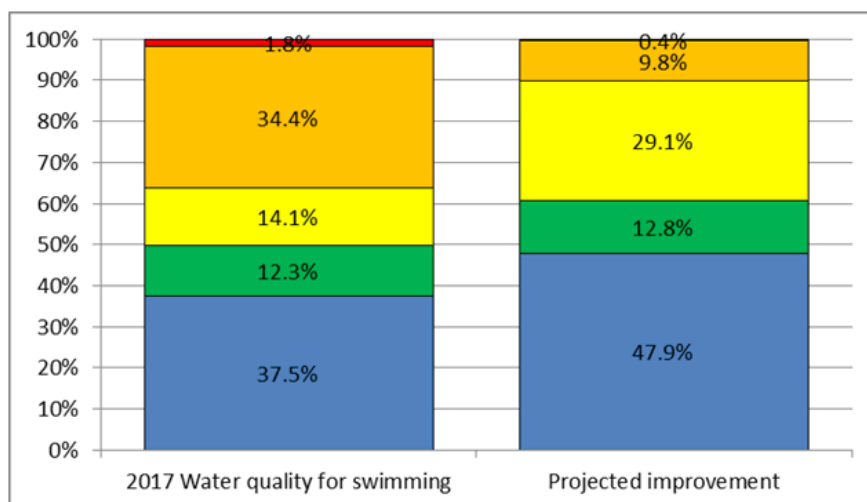
A report on these theoretical improvements and costs, presented region by region, is available [here](#). The assumptions and limitations of the modelling approaches taken are described in the report.

#### Regional context and focus

The overall swimmable state of the Hawke's Bay region's rivers is 64% swimmable (that is, 64% of rivers that are fourth order or larger are in the blue, green or yellow category in terms of *E. coli*). For lakes with perimeters greater than 1500 metres, 68% are in the blue, green or yellow category in terms of cyanobacteria based on the status quo. The regional priorities for the Hawke's Bay region are to concentrate on improving the quality of the remaining point source discharges to rivers because this a particular concern to our communities, and to continue to work with farmers to fence and plant rivers.

#### Draft regional targets

The primary contact draft regional targets for the Hawke's Bay region based on the modelling of programmes underway, are for 89.8% of rivers that are fourth order or larger to be in the blue, green or yellow category in terms of *E. coli* by 2030. [shown in the graph below.]



HBRC is currently consulting on its Long Term Plan for 2018-28. Included within the Draft Long Term Plan is provision for a range of activities and programmes that are factored into the projected improvement for swimmability targets. These include:

- Plan Changes – HBRC has a programme of catchment-based changes to its Regional Resource Management Plan that will implement the National Policy Statement for Freshwater Management including the setting of freshwater quality standards
- Integrated Catchment Management – a new approach to the organisation and delivery of our land management resources is proposed to achieve enhanced catchment outcomes.
- Incentives for speeding up the development of Farm Environment Management Plans. These are a great tool identify and prioritise on-farm actions that improve soil retention and water quality
- Riparian and reforestation activities – HBRC proposes to fund riparian fencing, planting and maintenance of planted areas and plant trees on highly-erodible land unsuitable for commercial purposes.
- A range of other projects based on regional “hotspots” including:
  - More active regulation and monitoring of the environment
  - Wide scale stock and exclusion and riparian planting in every hotspot area
  - Development of an integrated catchment management plan for Lake Tutira, physical works, and a mauri monitoring programme
  - Work at Lake Whakaki to include a recirculating wetland and the establishment of 80ha of Manuka plantation

## Attachment 2

### Draft Regional Target Communications Plan

#### Context

The National Policy Statement for Freshwater Management (NPSFM) requires regional councils to prepare draft regional targets to improve the quality of fresh water (Policy A6). These targets must contribute to achieving the national target for 90% swimmable lakes and rivers by 2040. The draft regional targets must be made publicly available by 31 March 2018, with final regional targets publicly available by 31 December 2018.

A governance group and taskforce comprising MfE and MPI officials and staff from regional councils were set up to help councils meet this obligation. The taskforce has compiled information on work committed or underway in each region to improve water quality for swimming, and the associated likely costs. The information for each region is presented in a report “Regional information for setting draft targets for swimmable lakes and rivers” by 31 March 2018. This report forms a basis for draft regional swimmability targets.

Councils have not had the opportunity to consult with their communities about what rivers and lakes they should focus on for improvements and within what timeframes, and so most are intending to use the results in the report as their draft targets and as a starting point for discussion.

Developing regional targets is a challenging process because of delays and uncertainties relating to the Government regulation on stock exclusion, and the work committed to by the coalition Government on seasonality for swimming. More recently the Minister for the Environment has signalled further changes to the NPS-FM.

#### Approach

The proposed communications approach is to position the report and the 31 March draft targets as a ‘step along the way’ towards swimmable rivers and lakes.

#### Key messages

- The previous government set a target for swimmable rivers and lakes based on *E. coli* levels in rivers and cyanobacteria in lakes. *E. coli* is an indicator for risks to human health. Cyanobacteria is a form of toxic algae that can bloom in lakes.
- The previous government requires regional councils to set regional targets for swimmable rivers and lakes, which would contribute to achieving the national targets.
- The report “Regional information for setting draft targets for swimmable lakes and rivers” is part of that process. It enables us to understand what to expect based on currently planned activity. This is a helpful step towards identifying what more needs to be done.
- The estimates for water quality improvement in this report do not, and are not expected to, add up to the national target of 90% swimmability by 2040. They help us see what more needs to be done.
- The report provides a starting point for discussion with our communities.

**Attachment 2**

- The current government has committed to higher water quality standards, across a range of attributes that contribute to Te Mana o te Wai.
- Improving water quality is complex, with about 4,200 catchments around the country having different conditions and land uses.
- Regional councils and territorial authorities are committed to working with central government to meet community expectations about water quality.
- Decisions about improving water quality must consider costs, timeframes and implications for infrastructure

**Item 7**

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

**Wednesday 14 March 2018**

**Item 8**

**Subject: RECOMMENDATIONS FROM THE FINANCE, AUDIT AND RISK SUB-COMMITTEE**

**Reason for Report**

1. The following matters were considered by the Finance, Audit and Risk Sub-committee on 7 March 2018, and are now provided for confirmation and/or approval as recommended.
2. The Finance, Audit and Risk Sub-committee Chairman will provide verbal comment to add context to aid the Committee's considerations.

**Six-Monthly Risk Assessment and Management Update**

3. The Sub-committee received an updated risk register, which has been extended to analyse project risks individually for five key projects (TANK, PC6, Iris Implementation, Coastal Strategy and Hot Spots (FIF's).
4. The Sub-committee requested that the risk register be further "refined" for presentation to next Sub-committee meeting.

**Procurement Internal Audit Scope and Water Management Internal Audit Progress Update**

5. The Sub-committee received an update on progress with the Water Management internal audit process, which is near completion with the Audit Report expected this month for consideration at the 6 June 2018 Sub-committee meeting.
6. In relation to the next scheduled internal audit of HBRC's Procurement processes and policies, the Sub-committee considered the scope proposed by the internal auditor and suggested additional changes to include assessment of local versus out of town purchasing, and ethical/environmental standards when purchasing. A revised scope was not able to be produced in time. The current scope is **attached** for the Committee's consideration and approval, with expectation that aforementioned items will be added.

**Decision Making Process**

7. These items were specifically considered by the sub-committee.

**Recommendations**

The Finance, Audit and Risk Sub-committee recommends that the Corporate and Strategic Committee:

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

**Six-Monthly Risk Assessment and Management Update**

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

**Procurement Internal Audit Scope And Water Management Internal Audit Progress Update**

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

### **Reports Received**

4. Notes that the following reports were provided to the Finance, Audit and Risk Sub-committee meeting:
  - 4.1. HBRC Works Group Update
  - 4.2. Resource Management Information System Implementation Update
  - 4.3. Local Government Act Section 17a Reviews
  - 4.4. March 2018 Update on the Sub-Committee Work Programmes

### **Authored by:**

**Melissa des Landes**  
**MANAGEMENT ACCOUNTANT**

### **Approved by:**

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

### **Attachment/s**

- [!\[\]\(661ad2fdbe8fa1392f2b194cfa45d124\_img.jpg\) 1](#) HBRC Procurement and Purchasing Audit Planning Memorandum, Feb 2018



Item 8

Attachment 1

# Hawke's Bay Regional Council Procurement and Purchasing Audit Planning Memorandum

25 February 2018

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Audit | Tax | Advisory



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## Contents

1	Objectives .....	3
2	Scope .....	3
3	Approach .....	4
4	Deliverable .....	4
5	Estimated hours .....	4
6	Acknowledgement and Acceptance .....	5

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Item 8

## 1 Objectives

The objective of this audit will be to assess the the current procurement procedures and strategies in place at Hawke's Bay Regional Council and to identify potential improvements to the efficiency and effectiveness of procurement activities.

## 2 Scope

The scope of the audit will cover three key areas of procurement and purchasing practice as follows:

- A benchmark of the Council's policies and procedures with regard to procurement contract tendering, selection and awarding against relevant sections of the following good practice guidelines and rules:
  - The NZ Government Rules of Sourcing
  - The OAG's good practice guide Procurement guidance for public entities.
  - The NZ Government Guide to Mastering Procurement.
  - Our own experience with local government and other public sector entities.
- A review of a sample of major procurement activities will be undertaken to assess compliance with the Council's policies and procedures covering tendering, supplier selection and the completion of contract documents and will include:
  - Assessing whether appropriate procurement planning has been undertaken to identify the optimum solutions for the Council and the local economy considering the size, complexity and risks of the proposed procurement.
  - Assessing whether quoting and tendering methods, policies and procedures have been adhered to and decisions made in line with delegated authorities.
  - Assessing whether tender evaluations have been performed appropriately and in line with expectations, including sustainability considerations.
  - Assessing the procedures in place to identify, manage and monitor potential conflicts of interest in the procurement process.
  - Assessing whether exemptions applied or other exceptions to standard policy have been appropriately documented, justified and approved.
  - Assessing whether formal agreements are in place or purchase orders with appropriate terms and conditions have been approved and issued prior to the commencement of procurement activities.
  - Assessing whether documentation of all stages of the procurement process has been appropriately obtained and retained to ensure transparency and integrity of the procurement, tender evaluation and contractor selection processes.
- A review of procurement processes for lower value/direct purchases including:
  - Assessing the policies and procedures for the creation, management and review of supplier lists (e.g. all of government, registered suppliers, pre-qualified suppliers and panel of suppliers).
  - A review of purchase order requirements and monitoring of adherence to those requirements including delegated levels of authority.

Attachment 1



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- Review of the use and monitoring of procurement cards and emergency procurement practices.
- Assessing the processes in place to identify, manage and monitor potential conflicts of interest in the procurement process.

### 3 Approach

The review will be conducted primarily by applying discussion, observation and review techniques, with limited testing being undertaken, focusing on:

- Review of relevant policies, procedures and other documentation.
- Understanding through discussion and observation the management processes in place.
- Evaluating the methods associated with monitoring, control and management.
- Sample testing of major procurement activities.

### 4 Deliverable

We will provide you with a detailed report of our findings and recommendations we consider appropriate to mitigate any further risks identified.

### 5 Estimated hours – Procurement and Purchasing Audit

We estimate that 50 hours will be required to complete this audit.

### 6 Extension to scope – Living wage considerations

The Council's remuneration policies ensure that all employees are paid at a minimum the nationally determined living wage. We have been requested by management to extend the scope of our review to consider and provide advice on the implications and practicalities of implementing living wage conditions in its agreements with contractors.

We will provide a memorandum highlighting the implications, practicalities and challenges of implementing such an approach.

We estimate that a 16 hours will be required to complete this work.



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Item 8

## 7 Acknowledgement and Acceptance

The details of the above scoping document have been read and understood and I am authorised to accept them for and on behalf of the Hawke's Bay Regional Council.

Signed: \_\_\_\_\_

Name: \_\_\_\_\_

Position: \_\_\_\_\_

Date: \_\_\_\_\_

PO No: \_\_\_\_\_

Attachment 1

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5



## Contact Us

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

**Wednesday 14 March 2018**

**SUBJECT: COUNCIL REPRESENTATIVE APPOINTMENTS TO LOCAL GOVERNMENT  
NEW ZEALAND**

**Item 9**

**Reason for Report**

1. To formalise councillor appointments to Local Government New Zealand.

***Local Government New Zealand***

2. Council is a member of Local Government New Zealand (LGNZ), which is the national body representing the interests of all Local Authorities in New Zealand.
3. The Country is divided into six 'Zones' which meet periodically. The Chairman has traditionally represented Council at these meetings and other Councillors may attend when relevant items of interest appear on the agenda.
4. The Chairman also attends, as the Council's representative, the Regional Sector Group which is a Committee of LGNZ representing all Regional and Unitary Authorities.
5. It is necessary to formalise Council's representation on the various bodies of Local Government New Zealand.
6. There are usually four sector group meetings held each year, and one 3-4 day LGNZ conference at which the organisation's Annual General Meeting takes place. Council has 3 votes available on remits put to the LGNZ AGM.
7. The Council pays \$40,280 per year to LGNZ for membership fees, and travel and accommodation costs associated with elected representative meeting attendance are covered by Council as well.

**Background**

8. At the first ordinary meeting of the Hawke's Bay Regional Council for the current triennium, Council resolved:
  - 8.1. Confirms the Chairman of Council, or his substitute delegate, as the Hawke's Bay Regional Council's representative at Zone 3 meetings of Local Government New Zealand.
  - 8.2. Authorises the Chairman, as HBRC delegate, to vote at those meetings on behalf of the Hawke's Bay Regional Council.
  - 8.3. Appoints the Chairman as Council's representative on the Regional Sector Group of Local Government New Zealand.
  - 8.4. Delegates to the Chairman of HBRC, the authority to respond to and provide input into matters relating to Local Government New Zealand, reporting as necessary to Council.

**Decision Making Process**

9. Council is required to make a decision in accordance with the requirements of the Local Government Act 2002 (the Act). Staff have assessed the requirements contained in Part 6 Sub Part 1 of the Act 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 use of the special consultative procedure is not prescribed by legislation.
  - 9.3. The decision does not fall within the definition of Council's policy on significance.

- 9.4. The persons affected by this decision are all persons with an interest in the Council's management of regional resources.
- 9.5. Options that have been considered include not making any appointments to any groups or organisations listed.

### Recommendations

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

### Authored by:

**Leeanne Hooper**  
**GOVERNANCE MANAGER**

### Approved by:

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

### Attachment/s

There are no attachments for this report.

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

**Wednesday 14 March 2018**

**Subject: DISCUSSION OF ITEMS NOT ON THE AGENDA**

**Item 11**

**Reason for Report**

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

1.1. ***Urgent*** items of Business (*supported by tabled CE or Chairman's report*)

	Item Name	Reason not on Agenda	Reason discussion cannot be delayed
1.			
2.			

1.2. ***Minor*** items (*for discussion only*)

Item	Topic	Councillor / Staff
1.		
2.		
3.		





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

**Wednesday 14 March 2018**

**Subject: Confirmation of Public Excluded Minutes of the Corporate and Strategic Committee meeting held on 11 December 2017**

That the Council excludes the public from this section of the meeting being Confirmation of Public Excluded Minutes Agenda Item 12 with the general subject of the item to be considered while the public is excluded; the reasons for passing the resolution and the specific grounds under Section 48 (1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution being:

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

**Authored by:**

**Leeanne Hooper**  
**GOVERNANCE MANAGER**

**Approved by:**

**Liz Lambert**  
**GROUP MANAGER**  
**EXTERNAL RELATIONS**

**Item 12**



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

**Wednesday 14 March 2018**

**Subject: PHASE II CAPITAL STRUCTURE REVIEW REPORT**

That Council excludes the public from this section of the meeting, being Agenda Item 13 Phase II Capital Structure Review Report with the general subject of the item to be considered while the public is excluded; the reasons for passing the resolution and the specific grounds under Section 48 (1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution being:

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

**Authored by:**

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

**Approved by:**

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

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