



Meeting of the Corporate and Strategic Committee

Date: Wednesday 3 October 2018
Time: 11.00am
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 13 June 2018	
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6.	Report and Recommendations from the Finance Audit and Risk Sub-committee	9
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**HAWKE'S BAY REGIONAL COUNCIL
CORPORATE AND STRATEGIC COMMITTEE**

Wednesday 03 October 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
PRINCIPAL ADVISOR GOVERNANCE**

Approved by:

**James Palmer
CHIEF EXECUTIVE**

Attachment/s

[!\[\]\(2bae76de5ebbd5c4d7d47162f1673734_img.jpg\) 1](#) Follow-ups for October 2018 Corporate and Strategic meeting

Follow-ups from Previous Corporate and Strategic Committee Meetings

Council Meeting held 27 June 2018

	Agenda Item	Action	Responsible	Status Comment
1.	Recommendations from Corporate & Strategic Committee	Ethical Investments policy to be revisited to clarify what industries are included on the list of industries Council will not invest in	J Ellerm	Item on 3 October Corporate and Strategic Committee meeting agenda
2.	Adoption of the LTP	Review of the LTP development processes	J Palmer	Review to be carried out by staff and an item on the 12 December Corporate & Strategic Committee meeting agenda for consideration.

13 June 2018

	Agenda Item	Follow-up / Request	Responsible	Status Comment
3.	Appointment of Independent FA&R member	Letter of thanks to David Benham	J Palmer	Sent.
4.	Appointment of Independent FA&R member	Recruitment and appointment process initiated	J Palmer	Expressions of Interest re-advertised August.
5.	HBRC Representation Review	Any submissions received on HBRC's Initial proposal to be 'heard' by C&S Committee on 3 October	L Hooper	One submission in support received. Resolve final proposal at 24 October Council meeting.
6.	Health & Safety Update	Query what 2 public complaints related to	V Moule	Response emailed 15 June 2018 (reference 6 following)

Reference follow-up 6

From: Leeanne Hooper
Sent: Friday, 15 June 2018 8:28 AM
To: Alan Dick; Debbie Hewitt; Fenton Wilson; Neil Kirton; Paul Bailey; Peter Beaven; Rex Graham; Rick Barker; Tom Belford
Cc: Toro Waaka; Michael Paku; Viv Moule
Subject: follow-up on C&S Health & Safety Item

Good morning,

A quick follow-up in regards to the Health & Safety Update item on Wednesday's agenda, Viv Moule, HR Manager, advises:

2 public complaints were:

1. a member of the public phoned to make a complaint about a specific staff member and their interaction with that staff member
2. a member of the public phoned to make a complaint that one of the Council vehicles did something they thought was wrong

Ngā mihi

Leeanne Hooper

Principal Governance Advisor

HAWKE'S BAY REGIONAL COUNCIL
CORPORATE AND STRATEGIC COMMITTEE

Wednesday 03 October 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 14:

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
PRINCIPAL ADVISOR GOVERNANCE

James Palmer
CHIEF EXECUTIVE

HAWKE'S BAY REGIONAL COUNCIL
CORPORATE AND STRATEGIC COMMITTEE

Wednesday 03 October 2018

Item 6

Subject: REPORT AND 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 meeting on 19 September 2018 and are now presented for the Committee's consideration and approval.

Agenda Items

2. **Six Monthly Report on Risk Assessment and Management** presented the latest risk management update for councillors' review and feedback in relation to the appropriateness and assessed levels of the risks, readability of the Register and the processes themselves. An overview of the responsibilities of two new roles, Group Manager – Office of Chief Executive and Chair and Principal Advisor Organisational Performance, with input into the risk management processes was also provided. It is intended that the increased capacity the additional resources provide will increase visibility of Risk processes within the organisation and enable more accountable reporting.
3. **Verbal update on the process to appoint an Independent Member of the Sub-Committee** advised that the role has been re-advertised after the three respondents to the first call for expressions of interest were precluded on the basis of potential conflicts of interest. The current application period closed on 28 September and councillors were asked to invite potential candidates they are aware of to consider applying.
4. **Internal Audit update** provided a status report on the agreed 2018-19 internal audit work programme, including agreement of the Sub-committee to defer the Data Analytics Internal Audit report scheduled for November to the first meeting in 2019.
5. **Treasury Reporting** sought the Sub-committee's input to the content for inclusion in ongoing treasury reporting on Council's investment portfolio to the sub-committee.
6. **Resource Management Information System Implementation update** reported that the project is on track, with Go-Live of the Consents and Compliance modules on or before 26 November 2018.
7. **Annual Report update** Council's Auditor, Stephen Lucy, was present to speak about the Audit NZ process and findings, and the Committee was provided with an updated Annual Report document to provide feedback to staff and raise any queries on the information presented. Arising from discussions, the sub-committee requested that staff investigate and report back to a future Corporate and Strategic Committee meeting on financial treatment of the Tangoio Soil Conservation Reserve land on Council's books, as well as future management of the reserve. In addition, the sub-committee requested staff seek legal advice and advice from the Ombudsman's office in relation to the potential disclosure of tangata whenua remuneration.
8. The following (attached) advice is in accordance with verbal advice from the Ombudsman's office and legal opinion provided by Simpson Grierson, and offered to enable Councillors to decide the form and content of the disclosure of tangata whenua remuneration in the Annual Report in accordance with the Sub-committee resolution:
 - 8.1. *Requests that staff provide advice to enable the Corporate and Strategic Committee to consider and decide whether disclosure of Regional Planning Committee and Māori Committee tangata whenua representatives' remuneration is included in the Council's 2017-18 Annual Report, and if it is the form that the disclosure will take.*

- 8.2. The Local Government Act 2002 (LGA), does not explicitly **require** the disclosure of remuneration of non-councillor members of any Council committees. Nor, however, does the LGA prohibit or specifically preclude such disclosures. LGA Schedule 10, clause 32 does require disclosure of the total remuneration of the Chief Executive and each of the elected members on Council.
- 8.3. In considering whether to disclose tangata whenua remuneration in the annual report, it is useful to consider how the issue would be dealt with if a request for that information was made under the Local Government Official Information and Meetings Act (LGOIMA). Potentially, the information could be withheld under the protection of personal privacy ground in section 7(2)(a). However, the application of that ground has to be weighed against the public interest in disclosure. In this situation, there is a strong argument that there is a material public interest in the information: it involves the payment of ratepayer funds to officials acting as members of important council committees and in a context where the remuneration of councillor members is subject to mandatory disclosure. Given the weight of the public interest, the Ombudsman's office expressed the view, based on the circumstances described by staff, it is likely the information would not meet the tests necessary to be withheld in full.
- 8.4. Keeping the public interest in sight while also considering potential personal privacy issues, it might be important that Council also considers whether the public interest is still served by disclosure in a particular form or format. Put another way, If transparency of overall costs associated with tangata whenua participation on Council committees is the information being sought, is there anything to be gained from disclosing individual remuneration, or will the public interest be served just as well by disclosing the total remuneration and associated costs without including the individuals' names?
- 8.5. Staff, based on the advice received, recommend that the following options are considered.
 - 8.5.1. For each Committee, include a list of individuals' names, the total remuneration paid, and the total expense reimbursements paid (or the two amounts as one figure) for the 2017-18 financial year
 - 8.5.2. For each Committee, include the total remuneration and total expense reimbursements (or the two amounts as one figure) paid to Co-Chairperson and/or Deputy Co-Chairperson as relevant and listed separately plus total remuneration and total expense reimbursements (or the two amounts as one figure) paid to the remaining members of the Committee, including the number of members the combined totals represent
 - 8.5.3. For each Committee, list the total remuneration and total expense reimbursements (or the two amounts as one figure) paid to all tangata whenua representatives on the Committee and the number of members the combined totals represent.
 - 8.5.4. For each Committee, a statement describing the remuneration and expenses members were entitled to claim on a per meeting basis, including the number of meetings held within the period of the report.

Decision Making Process

9. These matters have all been specifically considered at the Committee level except where specifically noted.

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 and persons likely to be affected by or to have an interest in the decision.

Six Monthly Report on Risk Assessment and Management

2. Confirms the Sub-committee's opinion that the risk assessment processes are appropriate and adequately identify and assess organisational risks.

Annual Report Update

3. Having considered the staff advice provided, the Corporate and Strategic Committee requests that staff include the disclosure of Regional Planning Committee and Māori Committee tangata whenua representatives' remuneration in the Council's 2017-18 Annual Report, in the form following, for Council approval as part of the adoption of the Annual Report for publication on 24 October 2018.

- 3.1. For each Committee, include a list of individuals' names, the total remuneration paid, and the total expense reimbursements paid (or the two amounts as one figure) for the 2017-18 financial year

Or

- 3.2. For each Committee, include the total remuneration and total expense reimbursements (or the two amounts as one figure) paid to Chairperson and/or Deputy Chairperson as relevant and listed separately plus total remuneration and total expense reimbursements (or the two amounts as one figure) paid to the remaining members of the Committee, including the number of members the combined totals represent

Or

- 3.3. For each Committee, list the total remuneration and total expense reimbursements (or the two amounts as one figure) paid to all tangata whenua representatives on the Committee and the number of members the combined totals represent.

Or

- 3.4. For each Committee, a statement describing the remuneration and expenses members were entitled to claim on a per meeting basis, including the number of meetings held within the period of the report.

4. Requests that staff provide advice about the financial treatment and future management of the Tangoio Soil Conservation Estate.

Reports Received

5. Notes that the following reports were provided to the Finance Audit & Risk Sub-committee.
 - 5.1. Verbal update on the process to appoint an Independent Member of the Sub-Committee
 - 5.2. Internal Audit update (*resolved: Agrees to defer the "Data Analytics Internal Audit" report to the first meeting in the 2019 calendar year*)
 - 5.3. Treasury Reporting
 - 5.4. Resource Management Information System Implementation update
 - 5.5. September 2018 update on the Sub-Committee Work Programme
 - 5.6. Annual Report update

Authored by:

**Leeanne Hooper
PRINCIPAL ADVISOR GOVERNANCE**

Approved by:

**Jessica Ellerm
GROUP MANAGER CORPORATE
SERVICES**

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

**James Palmer
CHIEF EXECUTIVE**

Attachment/s

[!\[\]\(05be7c7a8995decd503647c99211f7c2_img.jpg\) 1](#) Simpson Grierson Legal Advice



25 September 2018

Partner Reference
Jonathan Salter - Wellington

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For: Leanne Hooper

LGOIMA query

1. You have asked for our advice in relation to the disclosure in the annual report of the names and remuneration of tangata whenua appointees to the Regional Planning and Maori committees. In particular, you would like advice on whether or not the Local Government Official Information and Meetings Act 1987 (**LGOIMA**) would preclude public release of that information in an annual report.
2. The starting point is that the Local Government Act 2002 (**LGA 02**) does not explicitly **require** the disclosure of remuneration of non-councillor members of any Council committees. Clause 32 of Schedule 10 of the LGA 02 does require disclosure in the annual report of the total remuneration of the chief executive, Mayor, and each of the other members of the Council. This does not include members of committees who are not councillors.
3. In considering whether to include in the annual report the information on the remuneration of non-councillor committee members, it is useful to consider how the issue would be addressed if a request for that information was made under LGOIMA. In our opinion, the information could be withheld under the protection of personal privacy ground in section 7(2)(a).
4. However, by virtue of section 7(1), the application of that ground has to be weighed against the public interest in disclosure. There is a strong argument that there is a material public interest in the information: it involves the expenditure of public funds in the payment of officials acting as members of important council committees and in a context in which the remuneration of councillor members is subject to mandatory disclosure. We are inclined to think that the Ombudsman would have little hesitation in requiring the information to be disclosed.
5. We appreciate that there may be sensitivities around disclosure, and you may be better placed to assess how those sensitivities relate to the public interest assessment. Perhaps a way of addressing that would be to disclose the total remuneration cost for tangata whenua appointees rather than the remuneration of the individuals.


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6. We would be happy to discuss this further if you have concerns.

Yours faithfully
SIMPSON GRIERSON


Jonathan Salter
Partner

HAWKE'S BAY REGIONAL COUNCIL
CORPORATE AND STRATEGIC COMMITTEE

Wednesday 03 October 2018

**Subject: TĀNGATA WHENUA REPRESENTATION ON COUNCIL AND ITS
COMMITTEES**

Item 7

Reason for Report

1. To provide the means for Council to formally appoint the Regional Planning Committee Co-Chairperson (currently Mr Toro Waaka) to Council as a non-voting member in the same manner as the Chairman of the Māori Committee, and a tāngata whenua representative of the Regional Planning Committee and/or the Māori Committee to the Finance, Audit and Risk Sub-committee.

Strategic Fit

2. The relationship between HBRC and tangata whenua is of great importance and needs to succeed.
3. Growing capacity and partnerships for co-governance and co-management with Tāngata Whenua will assist Council to achieve its strategic goals and community outcomes, including:
 - 3.1. by 2025, Tāngata Whenua values for all catchments are identified and embedded in the Regional Resource Management Plan
 - 3.2. by 2030, cultural monitoring tools are in-use in all catchments.
4. While much of the discussion has been in relation to the Resource Management Act, the functions of the regional council are not exclusively governed by the RMA but fall under the Local Government Act, Biosecurity Act, Civil Defence Emergency Management Act, Soil Conservation and Rivers Control Act, Maritime Transport Act, Land Transport Management Act and others.

Considerations of Tangata Whenua

5. Since the Māori Committee was established 1991, the Council has included the participation of the Chairperson (currently Mike Mohi) of the Māori Committee in Regional Council meetings as a contribution toward achieving LGA section 81 *Contributions to decision-making processes by Māori*:
 - a) ... to provide opportunities for Māori to contribute to the decision-making processes of the local authority
 - b) ... foster the development of Māori capacity to contribute to the decision-making processes of the local authority, and
 - c) provide relevant information to Māori for the purposes of paragraphs (a) and (b).
6. In addition, the RPC Act states:
 - 6.1. "the purpose of this Act is to improve tāngata whenua involvement in the development and review of documents prepared in accordance with the Resource Management Act for the Hawke's Bay region"

Terms of Reference Amendments

7. Should Council wish to appoint additional members to the Finance, Audit and Risk Sub-committee the Terms of Reference will require amendment as follows.
 - 7.1. Membership
 - 7.1.1. Four members of Council, being: Councillors Alan Dick, Neil Kirton, Paul Bailey and Rick Barker

7.1.2. ***One suitably qualified and experienced tāngata whenua representative (each) of the Regional Planning and/or Māori committees.***

7.1.3. An external independent appointee, being: vacant.

Financial and Resource Implications

8. The RPC Co-Chair's participation at Regional Council meetings will have an impact on the associated governance operational budgets of approximately \$5000 per year, which will be paid on a per meeting basis to the Co-Chair in addition to the remuneration paid for his participation on the Regional Planning Committee.
9. The Finance, Audit and Risk Sub-committee meetings quarterly and the remuneration of additional tangata whenua representatives will add between \$1600 (1 member) and \$3200 (2 members) per annum based on current meeting fees.

Decision Making Process

10. 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:
 - 10.1. The decision does not significantly alter the service provision or affect a strategic asset.
 - 10.2. The use of the special consultative procedure is not prescribed by legislation.
 - 10.3. The decision does not fall within the definition of Council's policy on significance.
 - 10.4. The decision is not inconsistent with an existing policy or plan.

Recommendations

1. That the Corporate and Strategic Committee receives and considers the "Tāngata Whenua Representation on Council and its Committees" 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 and persons likely to be affected by or to have an interest in the decision.
 - 2.2. Amends the Terms of Reference for the Hawke's Bay Regional Council to include Regional Planning Committee Tāngata Whenua Co-Chair participation at Council meetings with speaking rights only.
 - 2.3. Amends the Terms of Reference for the Finance, Audit and Risk Sub-committee to include membership of that body, being one suitably qualified and experienced member (each) as appointed by the Regional Planning Committee and/or the Māori Committee.

Authored by:

Leeanne Hooper
PRINCIPAL ADVISOR GOVERNANCE

Approved by:

Joanne Lawrence
GROUP MANAGER OFFICE OF THE
CHIEF EXECUTIVE AND CHAIR

Attachment/s

There are no attachments for this report.

HAWKE'S BAY REGIONAL COUNCIL
CORPORATE AND STRATEGIC COMMITTEE

Wednesday 03 October 2018

**Subject: KAHUTIA - NGATI KAHUNGUNU IWI INCORPORATED CARBON
CREDIT PROPOSAL**

Item 8

Reason for the Report

1. This item seeks endorsement from the Corporate and Strategic Committee for negotiations to be undertaken on a lease agreement for a portion of the Council's 'carbon credit' portfolio to Kahutia Limited in order to accelerate afforestation projects on erosion prone land.

Background

2. Council holds a forestry portfolio that has, since the introduction of the Emissions Trading Scheme (ETS), earned New Zealand Units (NZUs) or 'carbon credits' for carbon sequestration. As the Council's forests grow the Council's balance of NZUs continues to grow based on forest measurement surveys and subsequent allocation under the ETS. The Council is also liable for surrendering NZUs where there are decreases in carbon stocks in the Council's forests either from harvest activity or from fire, pest or wind damage.
3. The difference between the total carbon sequestered by the Council's forests and its future liabilities is known as 'safe carbon', which comprises the carbon permanently sequestered into the soil from the change of land use from pasture to forest (this assumes replanting following any harvest).
4. At the end of 2016 the Council commissioned independent advice from Carbon Farm Management Consultants and Ekos Limited on the management of this carbon portfolio. This advice identified that the Council's current forest holdings are expected to produce a carbon portfolio reaching between 250,000 and 280,000 NZUs by 2030, but that not all of these units can be monetised given the need for the Council to retain a proportion of its NZUs for future harvest liabilities. The advice identified that within the portfolio there are an estimated 110,907 NZUs of 'safe carbon' in the Council's portfolio (comprising 14,907 pre-1990 NZUs and 96,000 post-1989 NZUs), which it could sell or monetise by some other means. The market value of this safe carbon is approximately \$2.5 million. To date the Council has not made any decision in relation to this carbon portfolio and there are no revenue assumptions from the portfolio in the 2018-28 Long Term Plan.
5. Set out following is a graphical representation of the credits and liabilities in the Council's post-1989 portfolio and a further graph showing the cumulative portfolio and the 'safe carbon' proportion of this.

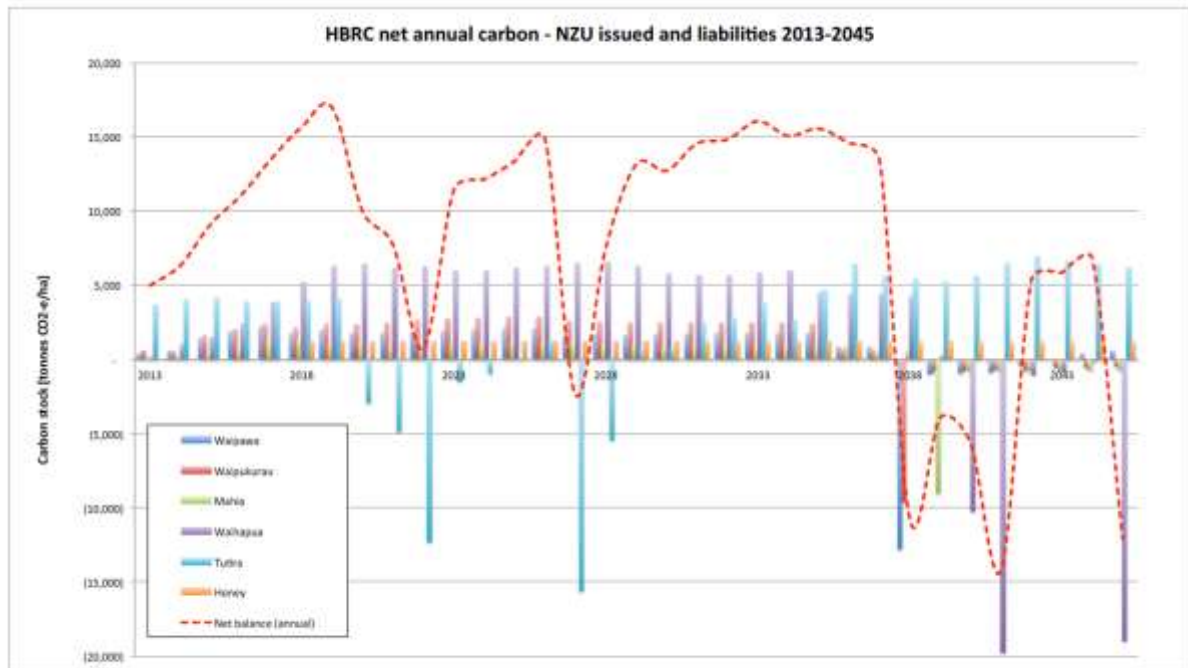


Fig. 1 Net annual carbon, HBRC post-1989 forest portfolio

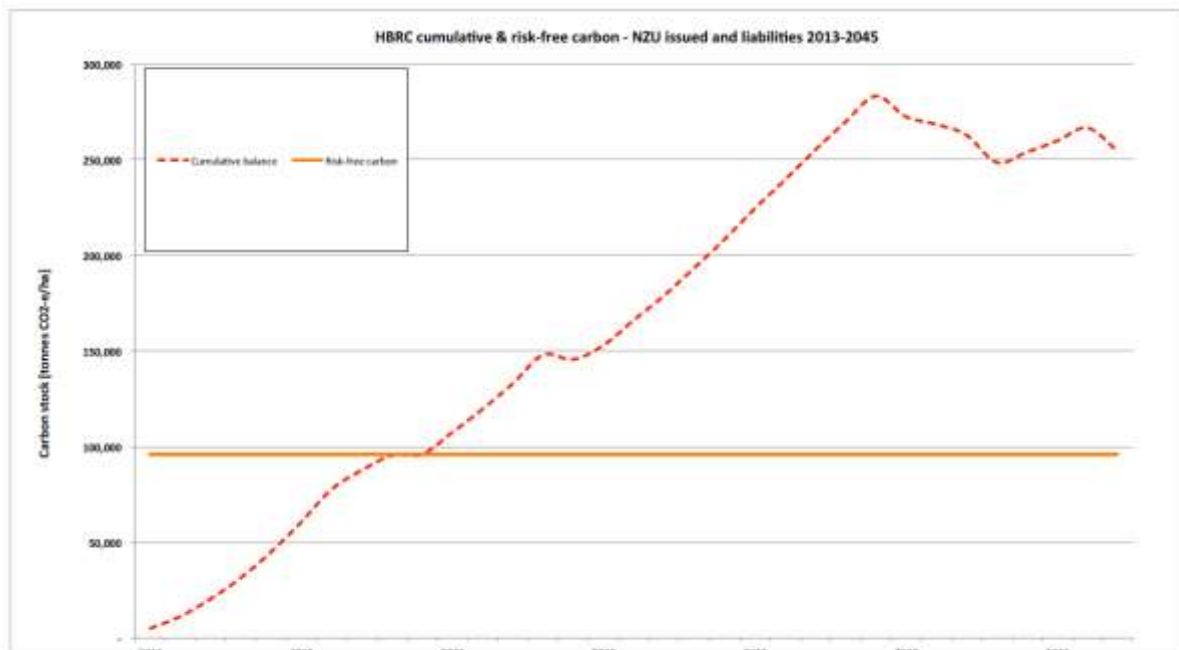


Fig. 2 Net cumulative carbon, HBRC post-1989 forest portfolio. Risk-free carbon level in orange.

Source: Hawke's Bay Regional Council – Carbon Strategy Review, Authors John Parker, Megan Southwick, Murray McClintock (10 December 2016).

Decision Making Process

6. Following the recent signing of the Kahutia Accord between the Council and Ngati Kahungunu Iwi Incorporated (NKII) aimed at driving regional afforestation, Council has been approached by Kahutia Limited, a wholly owned subsidiary company of NKII, seeking the Council's interest in leasing the safe carbon portion of the Council's NZU portfolio to the company.
7. Kahutia Limited has been established by NKII in response to the Kahutia Accord, as an investment vehicle in commercial forestry that also generates environmental benefits. The lease would enable the company to fund the commencement of afforestation of erosion prone land in the 2019 planting season. Kahutia Limited is presently in receipt of expressions of interest for afforestation of erosion-prone, collectively-owned Māori land

in the Wairoa District, including adjacent to the Wairoa River and within the Whakaki Catchment, and Central Hawke's Bay.

8. Kahutia Limited has proposed a lease on the following terms.
 - 8.1 commencement in 2019 for a duration of ten years, with all NZUs repayable at or before the conclusion of the lease term
 - 8.2 Interest rate of 2% per annum repayable in NZUs or cash equivalent at spot market ETS prices
 - 8.3 Interest to be accrued to the balance for the first 4 years and then paid to the Council six monthly thereafter
 - 8.4 The NZUs leased to be secured by a general security agreement granted by Kahungunu Asset Holding Company (KAHC) in favour of the Council.
- 9 The lease of the units would effectively provide a fully repayable and secured loan to Kahutia Limited.
- 10 Council has also been invited by the directors of Kahutia Limited to co-invest in the company up to, and including, as a 50% joint venture shareholder. If the Council was to take up this option at a 50% shareholding the company would be deemed to be a Council Controlled Organisation and a decision to invest would require a special consultation under the Local Government Act. Any decision to invest substantial capital into the company may also trigger the significance policy which would also necessitate special consultation. It is currently intended that Council will consider the best investment models, including investment in Kahutia Ltd., and consult on this in 2019 following the completion of the Right Tree Right Place study.

Risks

11. The principal risk to Council from leasing its safe carbon NZUs to Kahutia Limited is that the company fails to repay the NZUs either in part or in full. Under the proposal the Council will have a registered security over the assets of KAHC, which have substantial asset holdings including farm land, buildings and fisheries assets, and therefore the risk of the Council not being able to recover the value of its NZU asset is, in the view of staff, low.
12. There is also an opportunity cost of leasing the safe carbon NZUs, which Council could simply sell. However, the Council has no current need to realise the value of its NZU holdings and has no current plans to dispose of them. A lease would not preclude the NZUs being sold in the future, and under the proposed arrangement the leased NZUs would need to be returned to Council at the end, or a cash equivalent based on the spot price of the day. Council would be insulated from any future policy changes that affect the value of its NZUs and still benefit from any capital value gain from the anticipated future price increases of NZUs.

Benefits

13. Council is currently building an investment case for further large-scale commercial investment in forestry and this is due to be completed over the remainder of the 2018-19 financial year. This analysis, with anticipated further public consultation, will not be completed in time to inform investment decisions for forest plantings in 2019 (given the lead in times for land acquisition and preparation, and pre-ordering of seedling stock). While this due diligence is being undertaken there are landowners interested in planting sooner. This NZU lease proposal will enable some of these properties to be planted in 2019 and in doing so provide proof of concept and demonstration through 'pilot projects' that use carbon financing to reforest erosion prone land. Furthermore Council would receive income on a portion of its NZU portfolio that it is not currently receiving any.

Implications for Tangata Whenua

14. The proposal advances the Council's partnership with NKII under the Kahutia Accord and provides a low risk and low cost funding kick start of afforestation of Māori-owned land.

Financial implications

15. The NZUs leased would remain an asset on the Council's balance sheet, as they currently are, and future revenue assumptions from the lease can be incorporated into the next Annual Plan process.

Decision Making Process

16. 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:
 - 16.1 This decision does not significantly alter the service provision or affect a strategic asset.
 - 16.2 The use of the special consultative procedure is not prescribed by legislation.
 - 16.3 The decision does not fall within the definition of Council's policy on significance.
 - 16.4 The decision is not inconsistent with an existing policy or plan.
 - 16.5 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:
 - 1.1. receives and notes the ***"Kahutia - Ngati Kahungunu Iwi Incorporated Carbon Credit Proposal"*** staff report
 - 1.2. endorses the Chief Executive negotiating a lease of New Zealand Units to Kahutia Limited consistent with the proposal as detailed
 - 1.3. requests that the Chief Executive provides a draft contract and appropriate legal and financial advice to Council on 24 October 2018 to enable consideration of a decision, as being recommended following, to approve a lease agreement with Kahutia Limited.
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 and persons likely to be affected by or to have an interest in the decision.
 - 2.2. Approves a lease of up to 100,000 New Zealand Units of the Council's safe carbon portfolio to Kahutia Limited.

Authored by:

Joanne Lawrence
GROUP MANAGER OFFICE OF THE
CHIEF EXECUTIVE AND CHAIR

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 03 October 2018

SUBJECT: PROPOSED SCHEDULE OF 2019 COUNCIL AND COMMITTEE MEETINGS

Item 9

Reason for Report

1. Council traditionally adopts a Schedule of Meetings for the following year in October/November each year.
2. The proposed 2019 schedule of meetings (attached) has been developed taking public holidays and the following into consideration.
 - 2.1. One Regional Council meeting scheduled on the last Wednesday of each month
 - 2.2. One Regional Planning Committee meeting scheduled on Wednesday every six weeks
 - 2.3. Environment & Services Committee and Māori Committee meetings are scheduled every other month
 - 2.4. Regional Transport Committee meetings scheduled on a Friday, four times per year
 - 2.5. Finance, Audit & Risk Committee and Corporate & Strategic Committee meetings are scheduled quarterly, to align with Audit and financial reporting requirements
 - 2.6. CDEM Group Joint Committee and Coordinating Executives Group meetings coordinated with Regional CEs and Leaders monthly meeting
 - 2.7. Timeframes for Annual Plan and Annual Report development, consultation and Audit
 - 2.8. Timeframes for the 2019 Local Government Elections.

Decision Making Process

3. Council is required to make every decision in accordance with provisions of the Local Government Act 2002 (the Act). Staff have assessed requirements contained in the Act in relation to this item and have concluded that adoption of a schedule of meetings is specifically provided for under Schedule 7, Part 1, Section 21.

Recommendation

The Corporate and Strategic Committee recommends that Council adopts the 2019 Schedule of Meetings as proposed.

Authored by:

Leeanne Hooper
PRINCIPAL ADVISOR GOVERNANCE

Approved by:

Joanne Lawrence
GROUP MANAGER OFFICE OF THE
CHIEF EXECUTIVE AND CHAIR

Attachment/s

[1](#) Proposed 2019 Meetings Schedule

Proposed 2019 Meetings Schedule

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	
SAT						1							SAT
SUN						2			1			1	SUN
MON				1		3 Queens Birthday	1		2			2	MON
TUE	1 NY Day			2		4 <i>Māori</i>	2		3	1		3	TUE
WED	2 NY holiday			3 <i>reserve day</i>	1 <i>Planning</i>	5 <i>C&S</i>	3 <i>Drinking</i>		4 <i>Planning</i>	2		4 <i>C&S *</i>	WED
THU	3			4	2	6	4	1	5	3		5	THU
FRI	4	1	1 <i>Transport</i>	5	3	7 <i>Transport</i>	5	2	6 <i>Transport</i>	4	1	6 <i>Transport</i>	FRI
SAT	5	2	2	6	4	8	6	3	7	5	2	7	SAT
SUN	6	3	3	7 DLS ends	5	9	7	4	8	6	3	8	SUN
MON	7	4	4	8	6	10	8	5	9	7	4	9	MON
TUE	8	5	5	9 <i>Māori</i>	7	11	9	6 <i>Māori</i>	10	8	5	10	TUE
WED	9	6 Waitangi Day	6 <i>C&S DAnnPln</i>	10 <i>E&S</i>	8	12 <i>Planning</i>	10	7	11 <i>C&S</i>	9	6 <i>1st ordinary *</i>	11 <i>Mā ori/ Drinking</i>	WED
THU	10	7 <i>Planning</i>	7	11	9	13	11	8	12	10	7	12	THU
FRI	11	8	8	12	10	14	12 election period opens	9	13	11	8	13	FRI
SAT	12	9	9	13	11	15	13	10	14	12 LG Election Day	9	14	SAT
SUN	13	10	10	14	12	16	14	11	15	13	10	15	SUN
MON	14	11	11	15	13	17	15	12	16	14	11	16 <i>CDEM CEG</i>	MON
TUE	15	12 <i>Māori</i>	12	16	14	18	16	13	17	15	12	17	TUE
WED	16	13 <i>E&S</i>	13 <i>Drinking</i>	17 <i>reserve day</i>	15	19 <i>E&S</i>	17 Notice of Election	14 <i>E&S</i>	18	16	13 <i>Planning</i>	18 <i>Council</i>	WED
THU	17	14	14	18	16	20	18	15	19	17	14	19	THU
FRI	18	15	15	19 Good Friday	17	21	19 Nominations Open	16 Nominations Close	20 Voting Opens	18	15	20	FRI
SAT	19	16	16	20	18	22	20	17	21	19	16	21	SAT
SUN	20	17	17	21	19	23	21	18	22	20	17	22	SUN
MON	21	18	18	22 Easter Monday	20	24 <i>CDEM CEG</i>	22	19	23 <i>CDEM CEG</i>	21	18	23	MON
TUE	22	19	19	23	21	25	23	20	24	22	19	24	TUE
WED	23	20 <i>FA&R</i>	20 <i>Planning</i>	24 <i>Council</i>	22 <i>FA&R</i>	26 <i>Council</i>	24 <i>Planning</i>	21 <i>FA&R AnnRep</i>	25 <i>Council AnnRep</i>	23	20 <i>E&S</i>	25	WED
THU	24	21	21	25 Anzac Day	23	27	25	22	26	24	21	26	THU
FRI	25	22	22	26	24	28	26	23	27	25 HB Ann Day	22	27	FRI
SAT	26	23	23	27	25	29	27	24	28	26	23	28	SAT
SUN	27	24	24	28	26	30	28	25	29 DLS starts	27	24	29	SUN
MON	28	25	25 <i>CDEM CEG</i>	29	27 <i>CDEMG JC</i>		29	26 <i>CDEMG JC</i>	30	28 Labour Day	25 <i>CDEMG JC</i>	30	MON
TUE	29	26	26	30	28		30	27		29	26	31	TUE
WED	30 <i>Council /AP w/s</i>	27 <i>Council 6mos</i>	27 <i>Council DAPln4Aud</i>		29 <i>Council</i>		31 <i>Council</i>	28 <i>Council DraftAR</i>		30 <i>Inaugural *</i>	27 <i>Council *</i>		WED
THU	31	28	28		30			29		31	28		THU
FRI			29		31			30			29		FRI
SAT			30					31			30		SAT
SUN			31										SUN
	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	

Key:	<i>red, italicised print = tentative</i> ; black print = confirmed; <i>green, italicised print = extra info</i>	School Holidays	W/S Workshop	FT Field Trip
Council - Regional Council	Tenders	Tenders Committee (scheduled as required)	(D)AP	(Draft) Annual Plan
Planning - Regional Planning Committee	Hearings	Hearings Committee	(D)AR	(Draft) Annual Report
CDEMG JC - HB Civil Defence Emergency Management Group Joint Committee	HBRC-NKII	Councillors + NKII Board	<i>NCC</i>	<i>Napier City Council (3pm start)</i>
Transport - Regional Transport Committee	Maori	Maori Committee	<i>NCC SIC + Reg</i>	<i>Strategy & Infrastructure & then Regulatory Committee (3pm)</i>
Coast - Clifton to Tangoio Coastal Hazards Strategy Joint Committee	TW Hui	RPC Tangata Whenua reps workshop	<i>NCC MCC</i>	<i>Maori Consultative Committee (3pm)</i>
C&S - Corporate & Strategic Committee	CDEM CEG	CDEM Coordinating Executive Group (CEs only)	<i>NCC F + CS</i>	<i>Finance & then Community Services Committee (3pm)</i>
E&S - Environment & Services Committee	Drinking	HB Drinking Water Governance Joint Committee	<i>NCC A&R</i>	<i>Audit & Risk Committee (1pm)</i>
FA&R - Finance, Audit & Risk Sub-committee				

* recommend FA&R independent member

* 1st ordinary agrees committee structure & meeting schedule for rest of 2019

* inaugural meeting officially sets date of 1st ordinary meeting

* inaugural 7 days after results of election advised to candidates (17Oct)

* 27Nov meeting agrees 2020 meeting schedule

HAWKE'S BAY REGIONAL COUNCIL
CORPORATE AND STRATEGIC COMMITTEE

Wednesday 03 October 2018

Subject: ETHICAL INVESTMENTS POLICY

Item 10

Reason for Report

1. To seek guidance on advice to be given to Council's investment managers on the ethical investment parameters for the portfolios and further direction for staff in relation to further development of Council's own ethical investments policy.

Background

2. In the development of the Treasury Policy for the 2018-28 Long Term Plan, the following ethical investment guidelines were established.
 - 2.1. Where practical, investments will be made taking into account the ethical practices of the investment entity. Council's intention for the Fund is to avoid direct involvement with industries that have a negative impact on society and the environment. This includes:
 - 2.1.1. Alcohol
 - 2.1.2. Tobacco
 - 2.1.3. Fossil fuels, and
 - 2.1.4. Military/weapons.
3. This was also included in the Statement of Investment Policy and Objectives (SIPO) which was the basis for assessment of the investment management proposals.
4. During the process of evaluating the investment managers' proposals it was communicated to staff that the fund managers would require more definitive parameters in order to build an appropriate portfolio.
5. Councillors also questioned the appropriateness of excluding alcohol given Hawke's Bay is a leader in the wine industry.

Discussion

6. Both Mercer and First New Zealand Capital (FNZC) have provided information (attached) on ethical investment approaches and how they will implement them.
7. Council needs to determine the approach they deem appropriate and where the line is drawn as far as direct and indirect investment in the excluded industries.
8. Councillors also need to decide if they want to have a special Ethical Investment Policy or are comfortable with amending the current disclosure in the Treasury Policy and SIPO to reflect Council's current approach.

Next Steps

9. Staff recommend that the Treasury Policy and the Statement of Investment Policy and Objectives are amended to remove alcohol from the excluded industries list, and that these are then used to provide guidance for the fund managers appointed.
10. Staff further recommend that Council undertakes an ethical investment workshop and a policy development process for a specific Council Policy over the next six months.

Decision Making Process

11. 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:

- 11.1. The decision does not significantly alter the service provision or affect a strategic asset.
- 11.2. The use of the special consultative procedure is not prescribed by legislation.
- 11.3. The decision does not fall within the definition of Council's policy on significance.
- 11.4. The persons affected by this decision are all ratepayers in the region.
- 11.5. The decision is not inconsistent with an existing policy or plan.
- 11.6. 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

1. That the Corporate and Strategic Committee receives and notes the "Ethical Investments Policy" 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 and persons likely to be affected by or to have an interest in the decision.
 - 2.2. Amends the treasury policy and the Statement of Investment Policy and Objectives to reflect the decision to take alcohol off the excluded industries list.
 - 2.3. Uses the amended treasury policy and the Statement of Investment Policy and Objectives as initial guidance for the fund managers.
 - 2.4. Undertakes a full ethical investment workshop and policy development process over the next six months.

Authored by:

Manton Collings
CHIEF FINANCIAL OFFICER

Approved by:

Jessica Ellerm
GROUP MANAGER CORPORATE
SERVICES

Attachment/s

- [↓1](#) FNZC Ethical Investment Information
- [↓2](#) FNZC Ethical Investment Answers
- [↓3](#) Mercer Ethical Investment Answers

Appendix 2

Values Based Investing - Environmental, Social and Governance (ESG)

Key Takeaways

- + Consideration of ESG issues ranges from the simple exclusion of certain companies from portfolios to detailed analysis of environmental (E), social (S) and governance (G) issues
- + Academic research is split on the benefits of ESG research
- + Undertaking ESG research poses unique challenges

What is it?

At a high level the principle of ESG investing seems clear - investments that align an investors capital with their personal values. It is once you start working through the detail that the subject becomes increasingly complex. Of the three categories represented by the initials ESG, the first, 'environmental' is the easiest to explain and the source of the biggest misconception about ESG investing. The misconception being that it is just for investors that care about the environment or more specifically climate change.

As the Economist explains, the environmental 'E' means shunning companies that produce a large amount of externalities, which are, costs not captured in the companies day to day operations such as carbon emissions, waste or other forms of pollution. The 'G' for governance encompasses how a company structures its board, disclosure on various issues, compensation and so on.

While both environmental and governance issues are broad, they have nothing on 'S', or social issues. Social issues cover a wide spectrum of issues including labour rights (such as working hours, wages), work place injuries and fatalities, the ability to pursue a grievance and issues such as the breakdown of employees by gender.

Examples of ESG Issues

Source: CFA Institute

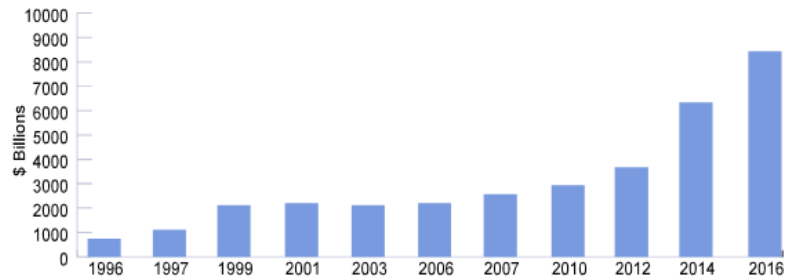
Environmental Issues	Social Issues	Governance Issues
Climate change and carbon emissions	Customer satisfaction	Board composition
Air and water pollution	Data protection and privacy	Audit committee structure
Biodiversity	Gender and diversity	Bribery and corruption
Deforestation	Employee engagement	Executive compensation
Energy efficiency	Community relations	Lobbying
Waste management	Human rights	Political contributions
Water scarcity	Labour standards	Whistleblower schemes

Various labels are used to describe investments that consider ESG issues, from the relatively traditional socially responsible investing (SRI) to the more recent responsible investing and sustainable investing. Traditional SRI is most closely associated with avoiding morally questionable businesses (such as tobacco and gambling), whereas sustainable investing is usually characterised by identifying an investment strategy, which seeks to consider both financial return and social good to bring about a social change. There is, however, a lack of consistency in the use of such labels, and the different labels can overlap.

Investment Outlook November 2017

US Growth in SRI and ESG Funds Management

Source: US SIF Foundation



While academic research is split on the subject of whether ESG factors are superior predictors of investment returns, a recent survey of fund managers by Bank of America Merrill Lynch found that of those who integrated ESG factors into their investment process, 80% cited better returns as one of the top reasons for incorporating ESG factors. ESG metrics can help highlight potential risks which could lead to lower earnings, share price declines and even bankruptcies.

ESG metrics can highlight potential risks

Consider the example of BP (BP/LN). On 20 April 2010, the Deepwater Horizon oil-drilling platform exploded, killing 11 workers and resulting in a large oil spill, the results of which cost BP several billion dollars. Prior to the catastrophe, some of the ESG research on BP had shown that the company had significant safety and environmental violations at its US operations, including fines, which could have alerted investors to the potential risk.

The Five Methods for Considering ESG Issues

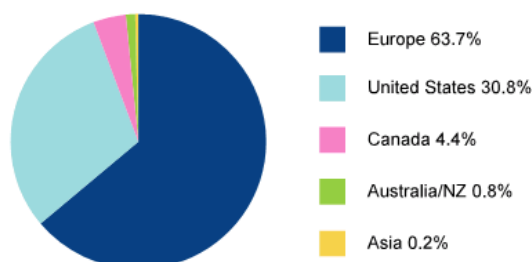
1. Exclusionary screening is the oldest ESG method. Exclusionary screening refers to avoiding securities of companies or countries on the basis of traditional moral values (e.g. products or services involving alcohol, tobacco, gambling, adult entertainment or arms manufacture) or 'norms-based' investing, which is guided by international treaties on what is acceptable behaviour. This is the approach adopted by the NZ Super Fund, which among other things excludes cluster munitions manufacturers. New Zealand is one of over 100 countries that have joined the UN's convention against cluster munitions.
2. Best-in-class selection refers to preferring companies with better or improving ESG performance relative to sector peers. By way of example Japanese listed sporting goods manufacturer, ASICS, regularly checks working conditions in its supply chain. ASICS' rating system scores each of the factories from which it sources its products on a range of criteria, such as employee working hours and health and safety. ESG specialist, Sustainalytics, reward ASICS with an ESG score of 68.4 versus the industry average of 57.2.
3. Thematic investing refers to investing that is based on trends, such as social, industrial, and demographic. A number of investment themes are based on ESG issues, including clean tech, green buildings, sustainable forestry and agriculture, education and health.
4. Engagement investing involves voting, engaging and lobbying as a shareholder for change in a company rather than simply precluding it as an investment. While research shows that 'engagement' investing has had

positive results as well as delivering excess returns, it is very costly in terms of time taken (usually well over a year) and the success rate typically stands at only around 20%.

5. Impact investing has a focus on generating social or environmental benefits as well as a financial return. Investments are usually very specific, such as providing affordable housing or healthcare in a specific area, which enables the social and environmental impact to be clearly measured.

Proportion of Global SRI Assets by Region (2014)

Source: Global Sustainable Investment Alliance (2014 Global Sustainable Investment Review)



Difficulties of Including ESG Issues in an Investment Process

There are four main challenges incorporating ESG issues into an investment process. Firstly, it is difficult to assign a monetary value to ESG issues and to incorporate them into company valuations. Secondly, ESG related disclosure by companies can be limited, unverified, and non-standardised. Thirdly, ESG issues tend to influence a company's financial performance in the long term whereas many investors have shorter investment horizons. Lastly, ESG analysis faces some of the same limitations as traditional analysis and may not necessarily lead to investment insights.

Another factor when considering exclusion screening is how direct does the excluded revenue stream need to be? For example excluding gambling would prevent an investor from buying a casino operator like Sky City (SKC.NZ). But, would it also prevent the purchase of a cruise line, which may have casinos on-board that contribute a modest percentage of the cruise lines' revenue, or a technology company that provides software for gaming machines? The materiality of an excluded activity may also be an important consideration. If investors are excluding alcohol, does that include a supermarket chain that attributes a small percentage of total revenue to beer and wine sales?

Conclusion

The practise of considering ESG issues when constructing investment portfolios has evolved significantly from its origins in exclusionary screening. Increasingly, there is a growing realisation, whether motivated by economic value or moral values that ESG issues can be relevant for long-term investors.

ESG related disclosure by companies can be limited

FNZC

Further Questions

Socially Responsible Investing. Council's assumed ESG policy is that investments should not include conventional and nuclear weapons or tobacco.

When making indirect investments, how will FNZC ensure that such investments are made in accordance with HBRC's ESG policy?

Globally companies are classified using the Global Industry Classification Standard (GICS). Each company is classified into one of 157 sub-industries. We can screen out companies classified as tobacco (tobacco sub-industry), fossil fuel (energy industry) and military/weapons (aerospace and defense sub-industries). Should the policy change we would screen for an amended list of companies. Where we are using funds we can examine the underlying securities in the funds to see if they have exposure to companies in these sectors and where they the proportion of the fund exposed. We would need to discuss with you the approach you want to take with respect to the small exposures that many funds have to the companies which your ESG policy wishes to avoid.

Are the indirect investment funds proposed compliant with HBRC's ESG policy?

ESG requirements tend to vary from one investor to the next. Therefore, it is often hard to find ETF's which precisely match an investors specific ESG requirements. This is particularly the case when ETF's which aren't specialist ESG ETF's are considered. Specialist ESG ETF's form only a very small part of available ETF's.

FNZC's approach is to examine the proportion of each ETF which we research for exposure to each of the tobacco, gaming and aerospace/defense sectors as defined by the GICS (Global Industry Classification Standard), which is the global standard for classifying companies. Usually we find the weightings are under 1% of each ETF, but they could be as high as 5%. This is particularly the case for aero/defense where there is no discrimination between aero for civilian purposes and military purposes.

Your mandate also precludes fossil fuels. We would interpret this as exposure to the energy sector which includes: coal; suppliers of oil and gas equipment and services; oil and gas exploration, production, distribution, marketing and refining.

This is a much broader selection of companies, comprising 6.5% of the global equity market. Therefore it forms a similarly large component of many ETF's focused on geographic regions. We would therefore construct global equity portfolios predominantly using ETF's focused on industry sectors and avoid any ETF's focused on energy. We may find it necessary to use a small proportion of geographically focused ETF's which have exposure to energy. However, as the proportion is small the underlying exposure to energy will be very small.

We would like to offer our support and expertise to further develop your ESG policies. Some general information is included in Appendix 2.

3

Socially Responsible Investing

Would HBRC have to invest in the SRI Fund identified within Mercer's RFP response?
Or would there be the option to tailor this Fund to HBRC's specific requirements?

We are able to provide two options. Both exclude controversial and nuclear weapons, and tobacco. The Socially Responsible Investment Fund option offers additional exclusions and includes some impact investment strategies, as set out in the table below.

Profile	Mercer Funds	Mercer Socially Responsible Investment Funds
Exclusions	Controversial weapons Nuclear weapons Tobacco - - -	Controversial weapons Nuclear weapons Tobacco Adult entertainment Heavy fossil fuels Gambling
Shareholder voting	Yes	Yes
Environmental, Social & Governance manager ratings	Commitment to improving ratings over time	All managers are rated either ESG1 (best) or ESG2
Impact Investing	No	Yes

This approach reflects a trade-off between a range of SRI positions, while retaining scale and diversification benefits.

Socially Responsible Workshop

An option that may be of interest to the Council is to run a workshop to start the process of identifying your preferred Responsible Investment (RI) policies. We do this regularly for our clients and would be happy to facilitate the workshop and the follow up process at no additional charge. This approach would allow you to address the issue in more depth and to ensure you settle on an enduring policy that has widespread support and can be clearly communicated to your stakeholders.

What influence would the proposed impact investing have on the Investment Fund's returns?

The target for the impact investing fund managers is to generate strong market returns at the same time as making a positive social impact. So, despite investing in a narrower range of securities, we still expect our SRI managers to beat standard market benchmarks. For example, the Mercer Socially Responsible Global Shares Fund is benchmarked vs. the MSCI World index, unlike some other funds in the market which utilise a lower performance hurdle or a benchmark which has exclusions.

Are the objectives/performance benchmarks of the impact investing typically met?

Yes.

For example, the Stewart Worldwide Sustainability Fund has beaten its market benchmark (the All Country World Index) by **+3.4%** p.a. over the last three years, and the Wellington Global Impact Fund by **+2.2%** p.a. since inception (September 2015). Stewart and Wellington are both managers in our Global Sustainability Equity Fund, that makes up part of our SRI fund solutions.

We are also keen to monitor the achievement of impact goals. Below is an example of impact reporting from Wellington Management that is available and that we incorporate as part of our quarterly updates.

Category	Output		Outcome		Impact	
Alkermes Plc	Revenue from Vivitrol treatments sold	US\$269.3M	Patients treated for opioid dependency	60,000	Opioid relapse-free success rate	35%
Avangrid Inc	total energy generated in wind, hydroelectric and solar photovoltaic segments	15,103 GWh	CO2 emissions avoided through renewable energy generation	11.6M metric tons	Annual CO2 emissions avoided as a percent of annual global CO2 emissions	0.03%
Katitas Co Ltd	revenue from affordable housing sales	61.8B JPY	Affordable housing units supplied	4,402	Lives and communities improved by access to affordable housing	Aspirational
Nuance Communications Inc	revenue from healthcare IT solutions	US\$899.3m	clinicians supported	500,000	Healthcare organisation's increase in productivity	54%
Proofpoint Inc	Revenue from security-as-a-service solutions	US\$515.3M	End users protected	Over 100M	Cybersecurity attacks prevented; anticipated losses	6.5 million, US\$60.8B

HAWKE'S BAY REGIONAL COUNCIL
CORPORATE AND STRATEGIC COMMITTEE

Wednesday 03 October 2018

Subject: 2017-18 ANNUAL REPORT UPDATE

Item 11

Reason for Report

1. To provide the committee with the opportunity to review and discuss the draft Annual Report for the year ending 30 June 2018. The amended document is attached, and provided to Councillors only in hard copy. Hard copies of the final adopted Report will be provided upon request.

Draft 2017-18 Annual Report

2. The on-site Audit work for HBRC has been completed, with final work to be undertaken off-site over the next few weeks.
3. The draft 2017-18 Annual Report is attached for review and has been updated since the version presented to Council on 29 August 2018.
4. There are two major changes that have been included in the draft Annual Report.

HBRC Ltd Valuation –

- 4.1. HBRC Ltd have decided to revalue Napier Port to a value of \$291 million. This has been driven from the work done for the Napier Port capital structure transaction.
 - 4.2. The approach agreed by Council was to use the valuation provided by HBRC Ltd and to obtain an independent valuation of HBRC Ltd that takes into account the value of any debt and ongoing management costs.
 - 4.3. BDO New Zealand Ltd has provided this work and have come to a value for HBRC Ltd of \$283.5 million. This provides a fair value gain of \$48 million from the previous valuation 3 years ago. The valuation report is attached.
 - 4.4. Council needs to be comfortable with this approach and to confirm they are happy with the use of this valuation.
 - 4.5. ***Group Consolidation*** – Draft consolidated group financials have been provided that incorporate HBRC Ltd and Napier Port. The audited HBRC Ltd financials are due to be finalised and adopted on 28 September 2018 to comply with their statutory deadlines.
5. There are potentially some further audit alterations and note adjustments still to be added before the final Annual Report is presented to Council for adoption at its meeting on 24 October 2018.

Maori Contributions to Decision Making Processed

6. Councillors requested that further detail be added to the Annual Report in relation to tangata whenua involved in the TANK plan change process as well as detail around the results of the Long Term Plan consultation on increasing the budgets for tangata whenua engagement. This section, as amended, is on pages 10-12 of the attached document.

Tangoio Soil Conservation Reserve

7. There has been some discussion with Land Information NZ (LINZ) which holds the interest in the Tangoio Soil Conservation Reserve on behalf of the Crown. They are interested in the treatment of the forestry assets and reserve held by Council, and indicated that they are treating this as an asset on their balance sheet while Council also records these as an asset. This brings into question where the assets should be shown.

8. The historical treatment from Council's perspective has been that full managerial and financial control was transferred to Council in 1989 under section 16 of the Soil Conservation and Rivers Control Act 1941 and therefore the land, forestry assets and the reserve were recorded on Council's balance sheet. There is also contingent liability in the notes to the Annual Report which highlights that these reserves are held by Council on behalf of the Crown.
9. Due to Council being so close to finalising the Annual Report staff suggest that the same historical treatment is continued for the 2017-18 Annual Report and that further investigation is continued with LINZ in regards to the correct accounting treatment.
10. The Finance, Audit and Risk Sub-committee requested that a report is provided to the Corporate and Strategic Committee with more detail around the historical transactions and Council's obligations for consideration.

Decision Making Process

11. 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 ***"2017-18 Annual Report Update"***.

Authored by:

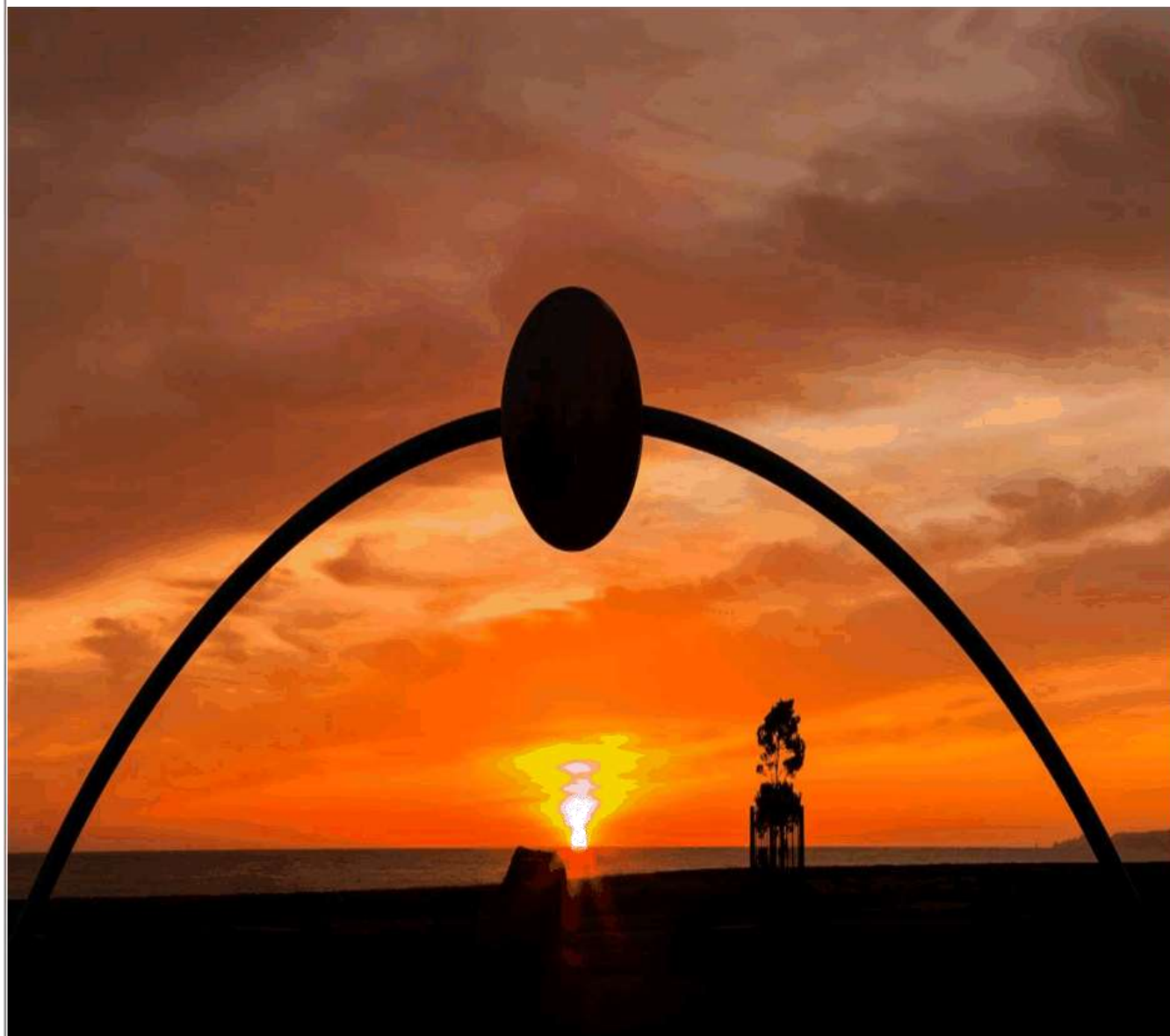
Manton Collings
CHIEF FINANCIAL OFFICER

Approved by:

Jessica Ellerm
GROUP MANAGER CORPORATE
SERVICES

Attachment/s

- [!\[\]\(0f13e74bece43321be4542883500ac30_img.jpg\)1](#) HBRIC Valuation 30 June 2018
- [!\[\]\(096ca4c8372bb23497150f03b2c177db_img.jpg\)2](#) Updated Draft 2017-18 Annual Report Under Separate Cover



**VALUATION OF HAWKE'S BAY REGIONAL
INVESTMENT COMPANY LIMITED**
FOR THE YEAR ENDED 30 JUNE 2018



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Item 11

Manton Collings
Corporate Accountant
Hawke's Bay Regional Council
Private Bag 6006
Napier 4142

24 September 2018

Dear Manton,

VALUATION OF HAWKE'S BAY REGIONAL INVESTMENT COMPANY LIMITED

Thank you for appointing us to provide advisory services to Hawke's Bay Regional Council (HBRC) in relation to the valuation of Hawke's Bay Regional Investment Company Limited (HBRIC). Our report is provided in accordance with the terms of our engagement letter dated 10 July 2018 (refer Appendix 1).

The purpose of this report is to summarise our valuation conclusions and set out the approach we took for the valuation. In our opinion the value of HBRC's investment in HBRIC is approximately \$283.5 million as at 30 June 2018.

Please let me know if you wish to discuss the contents of our report further or if you require any additional information.

Yours sincerely
BDO Central (NI)

A handwritten signature in black ink, appearing to read 'Matt Coulter', is written over a horizontal line.

Matt Coulter
Partner

matt.coulter@bdo.co.nz

Attachment 1

1. EXECUTIVE SUMMARY

In our opinion the value of HBRC's investment in HBRIC is approximately \$283.5 million as at 30 June 2018. The breakdown of this amount is summarised in the table below:

VALUE OF HBRIC	
	\$000's
Port of Napier Limited (PONL)	291,000
Net Debt	(5,700)
Capitalised HBRIC Management and Governance Costs	(1,800)
Total Value of HBRIC	283,500
Number of Shares on Issue (000's)	177,500
Value per Share	\$1.60

The basis for our valuation is set out in our report below.

2. APPROACH

Our valuation was based on the following approach:

2.1. PONL

PONL has been valued independently of this valuation by a third party. We were provided with the value of \$291 million as at 30 June 2018 by HBRC management and as noted in our engagement letter we do not take any responsibility for the accuracy of the valuation of PONL or its appropriateness for use in the financial statements of HBRC.

2.2. NET DEBT

We have obtained HBRIC's net debt from the draft financial statements for the year ended 30 June 2018 provided to us on 19 September 2018. This records borrowings from the Bank of New Zealand at \$5.7 million as at 30 June 2018. We consider that any other assets and liabilities recorded in the financial statements form part of working capital and therefore have not been included in the calculation of net debt.

We note there are no advances from HBRC as at 30 June 2018. The advances previously owing to HBRC were written off during the year ended 30 June 2018.

2.3. CAPITALISED HBRIC MANAGEMENT AND GOVERNANCE COSTS

From discussions with HBRC management, we understand HBRIC will continue to incur management and governance costs going forward. These costs will most likely need to be funded either through advances from HBRC or dividends received from PONL. Therefore, when establishing the value of HBRIC it is necessary to capitalise and deduct these costs from the value of the assets it holds.

We have received information from the HBRC finance team regarding the likely level of management and governance costs going forward. Based on the information received, we have estimated management and governance costs at \$300,000. On the basis that there have been no substantial changes to warrant a different earnings multiple, we have capitalised these costs using the same earnings multiple of 6 times that was used in the previous valuation. On this basis, we assess the capitalised value of the future management and governance costs to be \$1.8 million.

3. DISCLAIMER

We have prepared this report based on information supplied to us by HBRC's management. We do not take responsibility for the accuracy of the information supplied to us. We reserve the right to reissue our report should any information come to light that would change the conclusions we have reached.



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 napier@bdo.co.nz
 www.bdo.co.nz

BDO CENTRAL (NI)
 Napier Office
 86 Station Street
 PO Box 944
 Napier 4140

Palmerston North Office
 Tel: +64 6 358 4163

Manton Collings
 Corporate Accountant
 Hawke's Bay Regional Council
 Private Bag 6006
 Napier 4142

10 July 2018

Dear Manton

ADVISORY SERVICES FOR THE VALUATION OF HAWKE'S BAY REGIONAL INVESTMENT COMPANY LIMITED

Following our recent discussions, we are writing to outline the terms of an engagement to provide advisory services to assist you with the valuation of Hawke's Bay Regional Investment Company ("HBRIC").

If there are any issues covered in this letter that you would like further clarification or information on, please raise them with us.

Client Service Team

We have structured your client service team to maximise client service, quality of delivery and continuity of service to you. For this engagement, your client service team will be led by Matt Coulter, Partner.

If needed, other experts within the firm can be utilised to provide further specialist services. They will be introduced when required.

Scope of this Engagement

You have requested we assist you with the valuation of HBRIC. This will most likely involve us providing the following services.

1. Provide you with a report that sets out the value of HBRIC, based on the following information:
 - a. a valuation of Port of Napier Limited, which has been completed by a third party and will be provided to us by you. We will incorporate this valuation into our report; however, we take no responsibility for the accuracy of the third party's report or its appropriateness for use in the financial statement of Hawke's Bay Regional Council;
 - b. an assessment, completed by us, of the value of HBRIC's investment in the Ruataniwha Water Storage Scheme; and
 - c. an assessment of the value of any other liabilities or investments that should be taken into account in determining the value of HBRIC

We wish to emphasise that due to the nature of this engagement, it does not represent a valuation engagement in accordance with AES-2 *Independent Business Valuation Engagements*.

PARTNERS:	David Pearson	Ross Hadwin	Glenn Fan-Robertson	Heather Hallam	Lisa Townshend	Matt Coulter
ASSOCIATES:	Cary Davis	David Hopping	Sheena Mason	Billie Stanley	Suzie Clifford	
CONSULTANTS:	Ron Eglinton					

BDO New Zealand Ltd, a New Zealand limited liability company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO New Zealand is a national association of independent member firms which operate as separate legal entities.

Limitations on the Scope of Our Work

Our work will consist of performing the procedures described in the Scope of this Engagement section of this letter. We will inevitably be relying on data and information provided to us by the management of Hawke's Bay Regional Council and on enquiries and discussions with them. We will not be in a position to verify the accuracy of the data or the information and explanations provided by management, such as would be the case during an audit. Consequently, our work will be substantially less in scope than an audit and we will not express an opinion on any of the information contained in our report and consequently no assurance on any assertions contained in the financial information will be expressed.

In no circumstances shall we be liable, other than in the event of our bad faith or willful default, for any loss or damage, of whatsoever nature, arising from information material to our work being withheld or concealed from us or misrepresented to us by the employees, or agents of Hawke's Bay Regional Council, HBRIC or any other person of whom we may make enquiries, unless detection of such withholding, concealment or misrepresentation should reasonably have been expected because the fact of such withholding, concealment or misrepresentation was evident without further enquiry from the information provided to us or required to be considered by us pursuant to the scope agreed under this letter. This clause, and any assessment of our work made pursuant to it, will have regard to our agreed scope under this letter.

Fees

Our fee for this assignment is \$1,250 plus disbursements and GST.

The fee above excludes any additional work required in relation to an assessment of HBRIC's investment in the Ruataniwha Water Storage Scheme. If a detailed impairment calculation is required or there are complications with this aspect of our engagement, we will discuss the additional charges with you. For any other requirements that are outside the scope of this engagement letter, our standard hourly rates (excluding GST) are as follows:

Matt Coulter	Partner	\$295
Sue Boys	Manager	\$250
Assistants	Various	\$100 - 150

If we are required to incur any specific costs on your behalf (e.g. travel, accommodation) these will be added to our fee. We will also charge a 3% service fee to cover the cost of disbursements for stationery and ancillary office services.

Our fees are payable on receipt of our invoice, unless we have made other arrangements with you at the commencement of this engagement. Progress fees will be rendered throughout the performance of the assignment at the end of each month and they are due and payable when rendered.

Where payment is not made by due date, we reserve the right to charge interest at 2% per month on all amounts (including any interest previously charged) not paid by due date.

In the event of default in payment by Hawke's Bay Regional Council, Hawke's Bay Regional Council shall pay all costs incurred by BDO Central (NI), including costs on a solicitor-client basis and debt collector's costs incurred in the recovery or attempted recovery of outstanding moneys and enforcement of any of the terms contained in this letter of engagement.

Standard Terms and Conditions

A copy of our Standard Terms and Conditions is attached.



BDO CENTRAL (NI)

Acceptance

This letter constitutes a complete record of the arrangement between us and remains effective until superseded or amended in writing.

If the services outlined are in accordance with your requirements and if the above terms are acceptable to you, please sign a copy of this letter in the space provided and return it to this office. If they are not acceptable please let us know.

Should you require further information or explanation please contact us.

Yours faithfully
BDO Central (NI)

Matt Coulter
Partner

DDI: (+64 6) 872 9817
Email: matt.coulter@bdo.co.nz

I acknowledge and accept the terms of appointment set out in this letter.

Per:

Manton Collings CFO

Date:

12/07/18

Item 11

Attachment 1

STANDARD TERMS AND CONDITIONS

1. Terms of Appointment
 - 1.1. The engagement letter and these terms ("the Agreement") contain our understanding of your requirements, and the terms of this Agreement and conditions of our appointment to provide services to you. 8.4.
2. Services
 - 2.1. This Agreement records the services we will provide you. If there is a material change to the services provided, or if you require any additional services, we must agree in writing to provide those services in a supplementary or replacement engagement letter (which will specify the scope of the further appointment). 8.5.
3. Interpretation
 - 3.1. In this Agreement, "we", "our", and "us" refer to BDO Central (NI) and "you" and "your" refer to all those entities listed on the attached engagement letter. 9.
 - 3.2. If any item in these terms and conditions is at variance with what is specified in the engagement letter, then the terms specified in the engagement letter will take precedence. 9.1.
4. Conflict of Interest
 - 4.1. Unless otherwise notified, we are not presently aware of any conflict of interest, which would affect our ability to provide services to you. We will advise you if we become aware of any potential conflict of interest during the course of our engagement, and we will work with you to find a suitable solution. 9.3.
 - 4.2. If a conflict is discovered we may ask for you to give consent in writing for us to act for you, despite the conflict or we may need to terminate this agreement with you. 10.1.
5. Information and Documents
 - 5.1. You agree to provide us on a timely basis with all the information and documents we reasonably require to provide our services. 10.2.
 - 5.2. We will not be responsible or liable if information we need to accurately carry out our services is withheld or concealed from us or incorrectly represented to us.
 - 5.3. You warrant that the information provided by you or on your behalf will be accurate and complete and unless otherwise agreed in writing we will rely on that information without further independent verification. This includes the responsibility for any failure to supply us with information. If, after you have provided us with information, you become aware that such information has become untrue, unfair or misleading, then you must promptly notify us. 10.3.
 - 5.4. You warrant that all information provided to us complies with the Privacy Act 1993. You also warrant that the information provided will not breach the intellectual property rights of any third parties. 10.4.
 - 5.5. You should let us know about any changes to your circumstances that may affect our engagement, so that the implications of these changes on our current engagement can be properly assessed. Where possible, you should let us know your intentions before making any such changes, as we may be able to advise you of a more beneficial course of action. 10.5.
 - 5.6. You will provide us with access to records, staff, premises, information technology and other systems, to assist us in providing the services. 10.6.
 - 5.7. In regard to documents such as (but not limited to) company constitutions, trust deeds, partnership agreements and shareholder agreements it is necessary for us to hold copies of these documents to ensure that our engagement complies with the terms of these documents. We will need to review any relevant document as part of the engagement and you will need to provide us with details of any changes to or replacement of any documents that have a potential impact on our engagement. 10.7.
 - 5.8. We will report to you if we believe that information provided to us by you or on your behalf is not reliable or accurate. 10.8.
6. Client Documents
 - 6.1. If we are provided with custody of any documents supplied by you, those documents will be retained during the term of engagement (unless their earlier return is requested), at the end of which they will be returned to you. We shall be entitled to retain copies to meet any legal obligations, unless otherwise agreed. 11.1.
 - 6.2. Viruses on Client Disks and E-Mail Attachments
 - 7.1. If you provide us with a disk or e-mail attachments for use on our system and it contains a virus, you may be contacted by us and advised to remove the virus from your computer and send us a virus free disk or e-mail attachment. 11.2.
 - 7.2. Should we receive a second disk or email statement or emails from your with a virus, we may refuse to use your disks in the future. 11.3.
 - 7.3. We strongly recommend that all clients use an up to date virus checker on their computers to avoid the transfer of viruses to other systems. 11.4.
8. Electronic Communication/Messages
 - 8.1. During the engagement, we may wish to communicate electronically with each other. However, electronic transmission of information cannot be guaranteed to be secure or virus free and information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete or otherwise be adversely affected or unsafe to use. 12.1.
 - 8.2. We confirm that we each accept these risks and authorise electronic communications between us. We will each be responsible for protecting our own systems and interests in relation to electronic communications.
 - 8.3. Neither you nor us (in each case including our respective partners, directors, employees, sub-contractors or agents) will have any liability to each other on any basis, whether in contract, tort (including negligence) or otherwise, in respect of any damage, loss or omission arising from or in connection with the electronic communication of information between us or our reliance on the information.
- From time to time we distribute firm newsletters and other material which contain topical and informative business, accounting and tax related issues. We do this free of charge as part of our ongoing service to clients.
- By signing the confirmation attached to this engagement letter you are expressly consenting to the receipt of the firm's newsletter and other business, accounting and tax related information by way of email. In addition you are expressly waiving the requirement for us to include a functional unsubscribe facility in the principal message by which such information is transmitted.
- Access to our Work Papers

The working papers we produce in relation to the services (that do not form part of our final work product) are our property.

Where reasonably possible we will inform you if any other person seeks access to our work papers we produce in the course of our work for you. We will seek your consent before granting access to any person unless we are compelled to do otherwise at law.

In certain circumstances, statutory authorities, such as the Inland Revenue Department or Financial Markets Authority, may request access to information and work papers and we may not be legally able to prevent such access.
- Confidentiality

We will not disclose any confidential information that we obtain in dealing with your affairs to any other person without your permission except as required by law, regulations, Court or arbitration proceedings, regulatory authorities, professional duty or as is necessary to protect our own legitimate interests.

Where appropriate, we use the credentials obtained in doing work for clients in internal and external publicity material. We will always ask your permission before publicly claiming credit for our work for you.

Unless you expressly forbid us doing so, we may:

refer to our work for you in proposals (or other similar submissions to prospective clients), and

Provide your information (on an anonymised basis) for statistical, research or benchmarking purposes, so long as your information is not used or published in a way that could reasonably be expected to identify you.

You acknowledge our legal obligations to keep confidential any relevant information obtained from any other client (or potential client) and you agree that, if we have or obtain any such confidential information, we will not disclose it to you or make use of it for your benefit.

You acknowledge that our processes, concepts and techniques are our property and are also confidential information. You will not disclose to third parties any confidential information relating to us or our processes, ideas, concepts or techniques; unless you are required to do so by law.

From time to time, our firm will be subject to both internal and external regulatory reviews. In these reviews we are required to produce any document or other material in our possession or power and to co-operate in the review process. The work we perform for you may be selected by the examiners for their review. If so, they are obliged to keep all information confidential

The obligations of confidence set out in this clause will continue after termination of our engagement.
- Benefit of Services

Unless we agree in writing, our advice and services are provided solely for your benefit and no advice or other information provided by us is to be passed on or made available to be used or relied upon by any third party. We have no liability to any such third party and you will indemnify us against any claim arising from a third party relying on our advice or information.

You agree that you will not name us or refer to us in connection with written materials or publicly filed documents, other than to your professional advisors, unless you have our prior written consent.

Where you are permitted to disclose material we provide to you, you must not edit or modify the material.

Any advice or material we provide to you orally or in draft cannot be relied upon in that form.
- Limitation of Liability

BDO will perform the engagement with reasonable care and skill and acknowledges that it will be liable to you for losses, damages, costs or expenses ('losses') caused by its negligence or wilful default, subject to the following provisions:

 - a) BDO shall have no other liability of any nature, whether in contract, tort or otherwise, for any losses, whatsoever and howsoever caused, arising from or in any way connected with this engagement;
 - b) BDO will not be liable if such losses are due to the provision of false, misleading or incomplete information or documentation or due to any acts or omissions of any person other than BDO;
 - c) BDO will only bear that part of any loss or damage that is proportionate to the loss or damage we have directly caused or contributed to. In determining responsibility for loss or damage caused, account shall be taken of any loss or damage that is reasonably attributable to any third party.
 - d) The aggregate liability of BDO, whether to you or any third party, of whatever nature, whether in contract, tort or otherwise, for any losses (including interest) whatsoever and howsoever caused arising from or in any way connected with this engagement will be limited to the amount of direct damage, loss, expense or costs actually suffered by

- you as a result of the event that gave rise to the liability and the maximum amount of such liability will not exceed four times the fee paid for the particular service giving rise to the claim. For the purposes of this clause, direct losses or damages excludes:
- (i) Any losses or damages arising from delay, increase in operating costs, loss of profit, use, production, income, business data, contact or goodwill of any person;
 - (ii) Any indirect or consequential loss, and
 - (iii) Any loss resulting from liability to any third party.
- 2.2. Any claim against us must be made and notified to us in writing no later than two years after the date we complete the work to which the claim relates and which is covered by this Agreement.
- 2.3. Nothing in this Agreement shall exclude, restrict (or prevent suit in respect of) any liability arising from fraud or dishonesty or other liabilities which cannot lawfully be limited or excluded.
- 2.4. Unless and to the extent that they have been finally and judicially determined (including by the conclusion of any appeal) to have been caused by the fraud, wilful default or negligence of any of the BDO Parties, you will indemnify on demand and hold harmless the BDO Parties against all actions, claims, proceedings, losses, damages, costs and expenses whatsoever and howsoever caused arising from or in any way connected with this engagement.
- 2.5. You agree to indemnify BDO against all liabilities, including litigation costs, resulting from reliance on the information supplied by or obtained with the knowledge of yourself and failure by yourself to disclose material information, except to the extent that the losses arise from negligence by BDO.
- 2.6. For the purposes of this Agreement 'BDO Parties' is defined as BDO Central (NI), and all partners, employees and agents of BDO Central (NI), along with all such parties' successors and assignees. You will not bring any action against any of the BDO Parties, except for the specific entity you have engaged for this assignment. The BDO Parties may (individually or collectively) in their own right enforce the provisions of this Agreement which refer to the BDO Parties.
- 2.7. If any BDO Member Firm other than BDO Central (NI) whether located in New Zealand or in any other jurisdiction (each such firm, an "Other Firm"), performs any of the services to which this Agreement applies, you agree that BDO Central (NI) (as the sole contracting party with you pursuant to this Agreement) shall have sole liability to you for both its acts and/or omissions and for all acts and/or omissions of any Other Firm providing services to you pursuant to this Agreement. You agree that you shall bring no claims or proceedings of any nature whatsoever (whether in contract, tort, for breach of statutory duty or otherwise) against any Other Firm in any way arising from, or in respect of, or in connection with, the services provided under this Agreement or this Agreement itself.
- 2.8. You further agree that any Other Firm whom we may involve in the provision of services under this Agreement (and any partners, directors or employees of any such Other Firm) shall have the right to rely on and enforce this clause 12 of these terms as if he, she or it were a party to this Agreement in his, her or its own right and the provisions of the Contracts (Privity) Act 1982 shall apply for his, her or its benefit accordingly.
- 2.9. We have also agreed with you that this limitation of liability extends to both the engagement contained in this Agreement and any variation or addition to it, and to claims arising from breach of contract, negligence or in any other way.
13. Indemnities
- 3.1. You indemnify us and our partners and employees against:
- a) any loss suffered or liability incurred by us or our partners and employees in connection with any breach of, or default under this Agreement by you;
 - b) any loss suffered or liability incurred by us or our partners and employees out of, or in consequence of, any infringement or alleged infringement of any intellectual property in any documents supplied to us; and
 - c) any reasonable costs or expenses, including legal costs (on a solicitor and own client basis that we, our partners and employees may incur in respect of such loss or liability).
- 3.2. The indemnities referred to above will be enforceable by us, our partners and employees whether or not legal proceedings are instituted and, if legal proceedings are instituted, irrespective of the means of any settlement, compromise or determination.
- 3.3. This clause is intended to be for the benefit of, and enforceable against you by BDO Central (NI), our partners and employees for the purposes of the Contracts (Privity) Act 1982. Despite this clause, this document may be varied by written agreement between you and us.
- Our Employees
- From time to time, our employees may work from your premises. You agree to comply with all statutes, bylaws, codes of practice and legal requirements with which you are ordinarily required to comply in respect of your own staff.
- You acknowledge our employees are an integral part of our business. Accordingly, you agree that you will not offer employment to any of our employees or induce any of our employees to end their employment with us without the prior written permission of a BDO Central (NI) Partner. You also agree not to procure or assist anyone else to do this.
- In addition to breaching this Agreement, you acknowledge that if you offer or induce any of our employees to end their employment with us you may be assisting or procuring a breach of a restraint of trade agreement between BDO Central (NI) and the employee.
- If you directly employ any of our employees within a period of twelve months after completing an assignment, you agree to pay an introduction fee of 100% of the staff member's annual gross salary as paid by us immediately prior to their termination of employment inclusive of any benefits (plus GST). You acknowledge that this is a genuine pre-estimate of our loss.
- Health and Safety
- We are required to comply with the provisions of the Health and Safety at Work Act 2015 (the Act) by ensuring, so far as is reasonably practicable, the health and safety of our people.
- Our policy expects our people to take responsibility to ensure their own health and safety and that no harm is caused to others in the workplace. However, the Act, also requires persons conducting a business or undertaking to consult, co-operate with, and co-ordinate activities with one another, so far as is reasonably practicable where they share a health and safety duty in relation to the same matter or person. Given this, we require you, when appropriate, to hold a health and safety briefing at the beginning of each assignment for those involved regarding any hazards, the provision of any personal protection equipment, and the details of your accident reporting and emergency procedures.
- We also require you to comply with all reasonable instructions from us in relation to health and safety matters affecting our people.
- Commencement and Termination
- This engagement will commence when we receive, at the BDO address as detailed on our letterhead, a copy of this letter signed on your behalf, and it shall continue in force until the engagement ends, or is terminated by either party.
- This Agreement may be terminated by either party giving 30 days written notice to the other but BDO also reserves the right to terminate the agreement immediately where the client fails to meet obligations or becomes insolvent or if BDO believes immediate termination is warranted. Termination will not affect any accrued rights of a party.
- Any of the terms and conditions of this Agreement, which are intended to apply after termination, will continue to apply.
- Entirety of Terms of Engagement
- This Agreement:
- constitutes the entire understanding and agreement of the parties relating to the matters dealt within it. Neither party may rely on any arrangement, understanding or agreement, which is not expressly set out in this Agreement; and
- supersedes and extinguishes all prior agreements, statements, representations and understandings whether verbal or written between us relating to the matters dealt with in this engagement letter. We may change our Standard Terms and Conditions at any time. In that event, we will communicate those changes to you and publish the update the changed terms on our website. If you instruct us to commence a new instruction after such communication, you will be deemed to have accepted those changes in the absence of any other communications to the contrary and accordingly that instruction and any subsequent instruction will be based on those updated terms.
- Applicable law and governing jurisdiction
- You agree that this Agreement shall be governed by, and interpreted in accordance with, the laws of New Zealand. You and we irrevocably agree that the Courts of New Zealand shall have exclusive jurisdiction to settle any claim, difference or dispute, including, without limitation, claims for set-off and counterclaims that may arise in connection with the validity, effect, interpretation or performance of, or the legal relationship established by, this contract or otherwise arising in connection with this Agreement.
- Ownership of Documents and Files
- It is agreed that the ownership of all documents supplied by you to assist in the performance of professional services shall remain your property. It is also agreed that all final end product documents produced by us and provided to you in the performance of these professional services shall be your property, aside from audit reports, review engagements or similar such opinions.
- For the avoidance of doubt, it is agreed that we retain ownership of all work papers and drafts created in the course of performing professional services for you, which are not or do not form an integral part of the end product of that work.
- While some documents may legally belong to you, we reserve the right to destroy correspondence and other papers once we believe they need no longer be retained for legal reasons, unless you write to us telling us not to do so.

20. Assignment
0.1. You may not assign the benefit of this Agreement or the performance of the services to any third party without our prior written consent.
21. Survival
1.1. If any terms or provisions of this Agreement (or parts thereof) are or become invalid, illegal or unenforceable, the remainder shall survive unaffected to the fullest extent permitted by law.
22. Events Beyond our Control
2.1. We are not liable to you for any failure, or delay in performing the services if the failure or delay arose from a cause beyond our reasonable control.
23. Modification and Severability
a) If the court holds that any provision of this Agreement or its duration is unenforceable, illegal, or invalid but any such provision would be enforceable if it was modified or limited, then that provision shall be so modified or limited to the extent necessary.
b) Each provision of this document is individually severable. If any provision is or becomes illegal, unenforceable or invalid, it is to be treated as being severed from this document, but the rest of this document will not be affected.
24. Our advice
4.1. Any advice given will be based on our understanding of the statute, case law and practice at the time of its issue and any subsequent changes in the law and practice may therefore affect its conclusions. We are under no legal obligation to update the advice for subsequent changes in law, and do not undertake to do so. Therefore, you should ask us to confirm advice previously given if you want to repeat a transaction or if an action that we have advised on is delayed.
4.2. It is our policy to set out in writing (which may be by email) any advice on which you may wish to rely. In many cases, our advice will include a summary of our understanding of the facts or background on which our advice is based. It is important that you tell us if you think this summary does not accurately reflect the facts since our analysis of the transaction and the resulting advice may then change.
4.3. We intend to provide a prompt and efficient service in giving advice. In many instances, advice is requested ad hoc initially and very often orally with no subsequent written confirmation being sought. In these circumstances, we will accept no liability for your reliance on any oral advice on technical matters, until we have subsequently reconfirmed that advice in writing.
25. Fees
5.1. Unless otherwise agreed in the engagement letter, progress fees will be rendered throughout the performance of the engagement and invoices are due and payable when rendered.
5.2. If we are required to incur costs on your behalf (such as travel and mobile calls) these will be added to our fee. We may also add a 5% service charge to cover the cost of disbursements of stationary and ancillary office services.
5.3. Fees are payable within 14 days of receipt of our invoice, except where the engagement letter states otherwise. Please tell us immediately if you receive an invoice on which you have any questions or which you anticipate will not be paid within 14 days. We reserve the right to charge interest at 2% per month on all overdue amounts (including any interest previously charged).
5.4. Unless otherwise specifically agreed in the engagement letter, fee estimates given by BDO are only estimates and the fees may be adjusted if the work has to be extended for reasons beyond our control. We may also charge an additional fee, having regard to factors such as the urgency and circumstances in which the matter is undertaken and any time limitation imposed, the complexity of the matter and the skill or specialised knowledge required to perform the services properly. We will let you know if we consider the estimate is likely to be exceeded.
5.5. On termination of the engagement, we will be entitled to our fees incurred until the date of termination.
5.6. In the event of default in payment by you, you shall pay all costs incurred by BDO, including costs on a solicitor-client basis and debt collector's costs incurred in the recovery or attempted recovery of outstanding moneys and enforcement of any of the terms contained in this Agreement.
26. GST
6.1. If goods and services tax (GST) is payable by us in relation to any supply made by us to you, you agree to pay to us that GST amount in addition to our fees and disbursements. We will provide you with a valid tax invoice where GST is payable by you to us.
27. Right to Claim a General Lien over Documents and Files
7.1. It is agreed that we will be entitled to exercise a general lien over all the files and related documents that may come into our possession for the purpose of performing professional services for you until all our costs and charges for professional services of any nature to you have been fully paid.
28. Right of set-off
8.1. In the event of default in payment to us by any entity for which this engagement letter incorporates ('you'), you or any entity in the same corporate group as you, severally shall pay the amount in default and all costs incurred by us, including our adviser's costs on a solicitor-client basis and debt collector's costs incurred in the recovery or attempted recovery of outstanding moneys and enforcement of any of the terms contained in this Agreement.
29. Ethical and practice guidelines
9.1. We will observe the ethical guidelines of Chartered Accountants Australia and New Zealand and other statutory bodies and accept instructions to act for you on the basis that we will act in accordance with those guidelines.
30. Quality of service
0.1. If, at any time, you believe our service to you could be improved, or if you are dissatisfied with any aspect of our service, you should raise the matter with the partner responsible for providing our services to you. If, for any reason, you would prefer to discuss these matters with someone other than that partner, please contact our managing partner. In this way we are able to ensure that your concerns are dealt with carefully and promptly.
- 30.2. We will investigate all complaints. You have the right to take any complaint up with Chartered Accountants Australia and New Zealand.
- 30.3. If a dispute arises between you and us, out of or in connection with this Agreement, the parties shall make all reasonable efforts to resolve the dispute by some form of alternative dispute resolution method (such as mediation or expert appraisal) before commencing court proceedings.
31. Distributions and Solvency Testing
31.1. If our assistance is required by you in relation to company distributions and the solvency test under the Companies Act 1993, no responsibility will be accepted by us in respect to any assistance in these matters and we will not be liable for such matters, unless they are detailed in a separate engagement letter.
32. Engagement Solely with BDO Central (NI)
32.1. BDO is a worldwide network of public accounting firms called "BDO Member Firms" serving international clients. Each BDO Member Firm is an independent legal entity. In New Zealand, BDO is a national association of independent member firms which operate as separate legal entities in the form of separate partnerships and separate limited liability companies.

FOR MORE INFORMATION:

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HAWKE'S BAY REGIONAL COUNCIL
CORPORATE AND STRATEGIC COMMITTEE

Wednesday 03 October 2018

Subject: HB TOURISM UPDATE

Item 12

Reason for Report

1. HB Tourism reports to Council quarterly. Following the changes to HBT's funding arrangements in the current LTP, HBT is undertaking a strategic review in order to align its activities to its reduced HBRC funding and furthermore to incorporate a number of HBRC-mandated actions into its 3 year work programme.
2. HBT expects this review will be completed in time for presentation and discussion with this Committee at its next meeting on 5 December. This will allow a revised funding agreement complete with refreshed reporting KPI's to be presented to this Committee for review and approval. In the interim, Council and HBT agreed a variation and extension to HBT's prior funding agreement (**attached**) to allow for the transition to new terms (originally expected to be October 2018).
3. A report from HB Tourism setting out Q1-18/19 achievements is **attached**. This is purposefully set out in a more narrative format than previous reports as a result of discussions by HBT's Board, who would in turn welcome Committee members' feedback as a part of the review process.
4. The General Manager is travelling overseas and will not be available to present this report.

Decision Making Process

5. 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 "**HB Tourism Quarterly Update**" report.

Authored by:

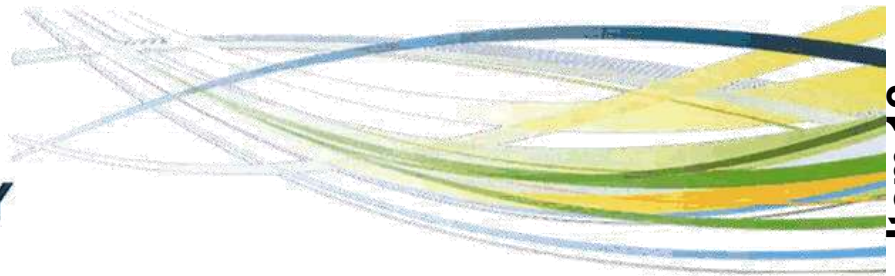
Annie Dundas
GENERAL MANAGER HAWKE'S BAY
TOURISM

Approved by:

Tom Skerman
GROUP MANAGER STRATEGIC
PLANNING

Attachment/s

- [1](#) HBRC Extension Letter to HB Tourism July 2018
- [2](#) Metrics dashboard Q1 2018
- [3](#) HB Tourism July - September 2018 report



Item 12

6 July 2018

Hawke's Bay Tourism Limited
19 Waghorne Street
Ahuriri
NAPIER 4144

HAWKE'S BAY REGIONAL COUNCIL TO HAWKE'S BAY TOURISM LIMITED – EXTENSION OF EXISTING FUNDING AGREEMENT

Hawke's Bay Regional Council (HBRC) and Hawke's Bay Tourism Limited (HB Tourism) are party to an existing Funding Agreement for the Establishment and Operation of a Regional Tourism Organisation (the **Funding Agreement**) dated on or about 2016.

The Funding Agreement expires on 30 June 2018 and the parties intend to replace the existing Funding Agreement with a new agreement. The new agreement will include some amendment to the key performance indicators and the incorporation of clauses reflecting the following resolutions from HBRC's Long Term Plan:

That HBRC:

- (a) Confirms its proposal, as consulted on in the *Facing our Future 2018-28* Long Term Plan consultation document, to support HB Tourism at a rate of \$1.52m for the 2018-19 year
- (b) Confirms that the rate of \$1.52m will be retained for the first three years of the LTP, with subsequent funding levels to be reviewed through the 2021-2031 Long Term Plan process with the overall objective of lessening HB Tourism's dependence on HBRC funding, including:
 - (i) that HB Tourism examine levels of accommodation in private homes achieved through hosting websites to recommend to HBRC possible differentiated rating levels for accommodation providers based on occupancy rates; and
 - (ii) that HB Tourism works with HBRC staff to investigate the possibility of introducing a bed tax via enabling legislation to support the activities of HB Tourism
- (c) Encourages HB Tourism to better support Māori tourism in Hawke's Bay
- (d) Encourages HB Tourism to actively promote the Living Wage initiative amongst its members.

The Long Term Plan was formally adopted on 27 June 2018 and as a result the parties have not had an opportunity to prepare and discuss the terms of the new agreement in the short period between adoption of the LTP and expiry of the existing Funding Agreement.

Hawke's Bay Regional Council

159 Dalton St, Private Bag 6006, Napier 4142, New Zealand Tel 06 835 9200 Fax 06 835 3601 Freephone 0800 108 838

www.hbrc.govt.nz

Attachment 1

Therefore, the parties each agree that the term of the existing Funding Agreement shall be extended to and include 30 October 2018 on the same terms and conditions except that from 1 July 2018 the funding under the existing Funding Agreement shall be reduced to \$1,520,000 (excluding GST).

Both parties have signed below to indicate their acceptance of this extension and variation.

Signed by Hawke's Bay Regional Council



James Palmer
Chief Executive

Date: 6 July 2018

Signed by Hawke's Bay Tourism Limited



Director

Date: 10 July 2018

Hawke's Bay Tourism dashboard

CAM = Commercial Accommodation Monitor, provided by Statistics NZ

MRTE = Monthly Regional Tourism Estimates, provided by MBIE

AirBNB = provided by AirDNA data scraping service

Net Promoter Score = provided by Automobile Association research

July CAM Domestic Nights 58,690 Last year ↑4.2%	Annual CAM Domestic Nights 890,056 Last year ↑1.9%	Net Promoter Score 43 Last month Last year ↑1 ↑5	July MRTE Spend Domestic \$32.7m Last year ↑3.8%	Annual MRTE Spend Domestic \$471m Last year ↑4.2%	AirBNB July room nights booked 7,905 Last year ↑88.2%
July CAM International Nights 14,501 Last year ↓10.7%	Annual CAM International Nights 322,998 Last year ↓2.6%	Annual average length of stay nights 2.28 Last year ↑0.04 nights	July MRTE Spend International \$7.9m Last year ↓9.6%	Annual MRTE Spend International \$169m Last year ↑8.3%	AirBNB annual room nights booked 144,677 Last year ↑85.6%
July CAM Overall Nights 73,191 Last year ↑0.9%	Annual CAM Overall Nights 1,213,054 Last year ↑0.3%	Annual average occupancy 46.6% Last year ↑3.4%	July MRTE Spend Overall \$40.6m Last year ↑0.9%	Annual MRTE Spend Overall \$640m Last year ↑5.2%	AirBNB July revenue \$728k Last year ↑54.5%
July CAM Overall Nights 73,191 Last year ↑0.9%	Annual CAM Overall Nights 1,213,054 Last year ↑0.3%	Annual average occupancy 46.6% Last year ↑3.4%	July MRTE Spend Accommodation \$4.7m Last year ↑6.7%	Annual MRTE Spend Accommodation \$79.0m Last year ↑4.4%	AirBNB annual revenue \$13.2m Last year ↑87.8%



Hawke's Bay Tourism Ltd – First Quarter Report 2018 2019

Prepared by Annie Dundas, GM Hawke's Bay Tourism

Item 12

General outlook

Visitor spend is +5% year end July at \$640m. Hawke's Bay is the 11th largest region of thirty-one in terms of visitor spend but our annual growth rate has the region at 23rd of all regions on par with destinations like Rotorua and Wellington. This is a reflection of a summer that was not as strong in 2018 as the previous year. Events not happening, like the Mission Concert and international cricket makes a considerable difference to our annual spend figures. (See detail in Appendix).

Hawke's Bay has had a better than expected winter period. Last year saw the Lions Tour dominate and there were some concerns we would see a sharp decline in winter visitor traffic but so far (through July) we have seen growth of 1% in overall commercial nights spent in Hawke's Bay compared to the previous July. This has been propped up by domestic nights +4.2%. and average length of stay increasing to 2.28 nights. Comparing other regions, Hawke's Bay gets a longer length of stay than neighbouring and close-by regions of Taupo and Rotorua who only have a one-night stay on average.

The summer season ahead is looking particularly strong as many large-scale events have returned. The Mission Concert did not take place in 2018 but will do so in 2019. This concert is a sell out for 2019 so will make a big impact. A particularly strong concert line-up for the entire summer season at Church Road and Black Barn will also generate strong visitation from out of town. International cricket will also return as well.

Areas of Focus

Additional Funding Streams for HBT

Initial discussions have been had with HBRC staff to work on a project plan to understand the "peer to peer" sector. The region needs to understand what the changes would actually generate in terms of revenue for HBT, what the set-up costs would be to establish a framework and the on-going costs as well. HBT is working closely with other regions to "compare notes" on best practice in this area.

Maori Tourism

The Maori Board position candidate will be finalized this quarter and will be for a two-year term.

HBT continues to work alongside existing and emerging Maori tourism operators. A new Award category was introduced to the Hawke's Bay Tourism Awards this month for Culture and Heritage and Napier Maori Tours was the winner of this important Award.

Our Tauiira Mahi – Maori graduate has now completed nine months and has completed work placements at HBT, MTG, the National Aquarium, the iSITE and Kennedy Park.

China

HBT has launched its new mandarin website. This is a basic site which we expect to populate with more local product that suits the growing Chinese market. Visitor spend from the China market has almost doubled since 2015 – now equating to \$6m of overall spend in Hawke's Bay.

Attachment 3



Summary of activity undertaken this quarter

Winter campaign activity

Winter marketing activity centred around our seasonal campaign which ran for an 11-week period, focusing on attracting prospective visitors from most areas of the North Island. Hawke's Bay also participated in a Tourism New Zealand-led campaign in Australia, focusing on encouraging Australians to book North Island road trips during Spring. Website traffic over the three-month Winter period was up 59% YOY, with organic traffic up a particularly pleasing 31% following sustained effort in website search engine optimisation.

Events

Winter F.A.W.C! ran from 1-24 June, with 88% of all available tickets being sold. This equated to \$265,000 in revenue for Hawke's Bay restaurants, wineries and other venues.

Travel Trade Activity

Hawke's Bay Tourism successfully hosted the Tourism Export Council Conference in August. This saw 320 tourism industry professionals from around New Zealand come to Hawke's Bay. These delegates will sell Hawke's Bay internationally and many had not been in the region since the last conference in 2004. The value of the conference market is exceptional. Domestic delegates spent on average \$479 per day/night and 83% of visiting delegates stayed for three nights or more.

Overall the comments made by delegates were impressive -

"Napier as a conference destination really surprised me, it is ideal", "Such a great region to explore and visit for the TEC conference. Everything is so close by, a quick walk, plenty of accommodation and lots of activities", "There are lots of things to see and do in Napier and Hawke's Bay, as well which makes it a great destination to add a couple of extra nights before or after conference. Wineries make great event spaces!"

This event highlighted the need for HBT to consider a role in Auckland as this is where the key buyers are based. With some staff changes it has become possible for HBT to establish the new position of Hawke's Bay Tourism Manager based in Auckland. This role will focus on marketing the region and our experiences to our key trade channels which drives our international visitor nights. They will also be responsible for winning new conference business for Hawke's Bay.

Industry support

The Industry has contributed to the famil programme for the 320 delegates at the TECNZ Conference as well as hosting 27 travel agents and product managers. HBT covered 18% of overall costs while the industry covered 64% of all related costs. This saved the organisation around \$20,000 this period.

Membership renewals take place in October so this will give an indication of financial support via the website. To date there are over 370 operator listings on the website.

Stakeholder Collaboration

Hawke's Bay Tourism took home a coveted prize at the 2018 New Zealand Tourism Awards – the industry's most prestigious awards. The organisation beat out strong competition from Tourism West Coast and AccorHotels to win the Ministry of Business, Innovation and Employment Industry Alignment Award, an award recognizing an organization that has aligned/partnered to successfully maximise their tourism industry impact and results, achieve Tourism 2025 goals of addressing seasonality, encouraging regional dispersal or



improving visitor satisfaction. This category recognises creativity and innovation in organisations working together to achieve demonstrable results. The judges commented that “Hawke’s Bay Tourism had successfully aligned local councils and multiple business associations and 300-plus tourism operators to create www.hawkesbaynz.com – a one-stop-shop visitor website to promote the Hawke’s Bay region. The mission to achieve this presented a major sacrifice for many stakeholders when they were asked to turn off their digital footprint in favour of the new regionally inclusive website”.

Hawke’s Bay Tourism Awards

The Hawke’s Bay Tourism Awards were also held in this period. Hastings District Council, Napier City Council, and Wairoa District Council all contribute sponsorship to allow this event to take place.

The Winners

- 2018 Supreme Award Winner: Black Barn Vineyards Sponsored by EIT
- 2018 Accommodation Award Winner (small): Craggy Range Sponsored by Central Linen Service
- 2018 Accommodation Award Winner: (large) Black Barn Retreats Sponsored by Central Linen Services
- 2018 Visitor Experience Award Winner (small): Prinsy’s Tours Sponsored by Hastings District Council
- 2018 Visitor Experience Award Winner (large): Church Road Winery Sponsored by Hastings District Council
- 2018 Culture & Heritage Award Winner: Napier Maori Tours Sponsored by Wairoa District Council
- 2018 Essence of Hawke’s Bay Award Winner: Black Barn Vineyards Sponsored by Napier City Council
- Ambassador for Tourism in Hawke’s Bay: Katie Nimon of Nimon Luxury Passenger Transport
- Rising Star Award: Juliet Harbutt of Hunter Gatherer Tours

Central Hawke’s Bay District Council has renewed their contract with us to continue the CHB Tourism Coordinator role. This role provides focus for the district in relation to tourism and has seen visitor spend increase 20% to \$37m in the last year.

HBT Stewardship

HBT in association with the Industry Association have begun discussions around communicating to industry about the need for stronger environmental credentials or in some cases upweighting the conversation as many are in fact very strong. The Living Wage has also been a topic of conversation and the Association is asking industry to consider this. An industry survey is in development which will ask key questions in relation to the environment and the living wage. This will give us a better snapshot of what is happening in Hawke’s Bay.

Financial Position

HBT has only just begun the new financial year and a new budget, all activity is on track at this early stage. The reduced budget has meant a drop in domestic advertising spend and we have reduced costs associated with the new website as well. The Partner Programme overspend year to date is in relation to the recently held Tourism Awards. This event is a break-even event and therefore will bring this back to the allocated budget.



Appendix

Commentary around statistics –

All spend data is based on estimates by MBIE. The Monthly Regional Tourism Estimates (MRTes) provide an estimate of regional monthly expenditure on tourism from both international and domestic consumers – provided by MBIE.

Commercial Accommodation (CAM) represents approximately 30-40% of all nights spent in Hawke's Bay and allows us to see trends across hotel, motel, backpacker and holiday park accommodation. This report is provided by Statistics New Zealand.

The Net Promoter Score is sourced from AA Traveller Research and is based on domestic visitor assessment only.

	Annual Spend Estimate 12 months to July 2018	Spend Growth	Annual CAM 12 months to July 2018	CAM Growth	Net Promoter Score
Taranaki	\$400m	13.6%	669,647	7.1%	29
Marlborough	\$398m	11.3%	767,994	-1.3%	30
Wairarapa	\$187m	10.6%	253,672	5.3%	31
Bay of Plenty	\$889m	6.9%	1,195,474	-3.1%	46
Hamilton & Waikato	\$1,539m	6.6%	1,412,453	-0.4%	3
Coromandel	\$458m	6.3%	920,920	1.6%	55
Taupo	\$640m	5.7%	1,160,673	3.2%	49
Hawke's Bay	\$640m	5.2%	1,213,054	0.3%	43
Rotorua	\$820m	5.0%	2,343,248	5.7%	46
Wellington	\$2,358m	4.6%	2,694,837	0.2%	31
Manawatu	\$461m	3.8%	553,868	2.4%	-18
Nelson	\$665m	3.4%	1,485,065	0.5%	47
National	\$28,749m	8.0%	39,897,180	2.3%	-

Metrics attached – please note:

Air BNB revenue combines Napier/Hastings whole house only, not private room bookings. This data comes from Air DNA a data scraping service.

Growth in Air BNB is substantial year on year, however we do expect this to plateau over the next 12 months.

Some Air BNB revenue is accounted for in MRTes visitor spend – ie all Air BNB properties booked in NZ are accounted, bookings made out of NZ are not counted.

HAWKE'S BAY REGIONAL COUNCIL
CORPORATE AND STRATEGIC COMMITTEE

Wednesday 03 October 2018

Subject: ESTABLISHMENT OF A PROJECT MANAGEMENT OFFICE

Item 13

Reason for Report

1. This report informs the Committee of the establishment of the Project Management Office (PMO) and the intention to provide quarterly status reports on key projects to the Committee starting in December 2018.

Background

2. As a result of the recent reorganisation, a PMO was established to act as a centre of excellence for project management. This is the first time that HBRC has had dedicated resources to implement a consistent best practice project management (PM) framework across the whole of the organisation in a structured and supported manner.
3. The four key roles of the PMO are to:
 - 3.1 Improve project management capability across the organisation through training and coaching;
 - 3.2 Facilitate accurate and useful reporting to the Executive and Council on projects to build confidence that ratepayer money is being spent cost-effectively for fit-for-purpose services;
 - 3.3 Focus on continuous improvement through project reviews, sharing good practice and learning from each other; and
 - 3.4 Manage projects where capacity allows, primarily in the Strategic Planning and Corporate Services areas.
4. In May 2018, the Executive agreed to pilot a new project management framework on a small number of projects to road-test process steps, templates, tools and the reporting needs of the business. Nineteen pilot projects have subsequently been selected and approved by the Executive Team.
5. These projects are purposefully spread across the organisation and are a mix of size, type, and stage. A list of the pilot project is included below. The pilot will run for at least the next six months, with the PMO providing support and guidance to the pilot project managers in implementing the new framework during that time.
6. It is important to note that the PMO is not resourced to project manage all projects. HBRC continues to have a decentralised model within which staff are responsible for managing their own projects.
7. Projects other than the pilot projects will continue as normal and are encouraged to use the new project management framework and templates, but the PMO's current focus is the 19 pilot projects.

Project Management Framework

8. The graphic below illustrates the Project Management Framework we are implementing and the base requirements in each phase.

Figure 1: 4-phases of our Project Management Framework



9. The framework is based on the PRINCE2 methodology but heavily tailored to the needs of HBRC. PRINCE2 (Projects in Controlled Environments) is a widely used method originating from the UK public sector. In particular we have streamlined it, used more friendly language and linked it to our LTP cycle. Two key goals are to improve the visibility of all projects and provide staff with ready access to templates, tools, training and support from the PMO to assist them to deliver successful projects.

Reporting

10. During the pilot, the project managers of the 19 pilot projects will provide monthly status reports to the PMO. The PMO will then use this information to compile monthly reports for the Executive Team and quarterly reports for the Corporate and Strategic Committee. Over time, it is likely that we will find some projects need more or less regular reporting, depending on project risk etc.
11. Through the pilot, the PMO will learn and adapt reporting to meet the needs of Council and the Executive. It is proposed to start reporting to the Executive at the end of each month starting in October and to this Committee starting in December 2018.

Pilot projects

12. The pilot projects include:

	Project Title	Project Manager	Project Sponsor
1	Te Waiu o Tūtira	Te Kaha Hawaikirangi	Iain Maxwell / Shane Walker (MTT)
2	Ahuriri Hotspot	Anna Madarasz-Smith	Iain Maxwell
3	Whakaki	Nicolas Caviale-Delzescaux and Joanne Hales	Iain Maxwell
4	Ruataniwha Groundwater	Jeff Smith	Tom Skerman / Iain Maxwell
5	Predator Free HB	Wendy Rakete-Stones	Iain Maxwell (and DOC)
6	Ecosystem Prioritisation and Implementation	Keiko Hashiba/Mark Mitchell	Iain Maxwell
7	State of the Environment Monitoring – Lakes	Andy Hicks	Iain Maxwell
8	Future Farming Initiative	Karina Campbell	Tom Skerman
9	HB Tourism Funding	Mandy Sharpe	Tom Skerman
10	TANK to notification	Ceri Edmonds	Tom Skerman

	Project Title	Project Manager	Project Sponsor
11	FEMPs	Shane Gilmer	Jessica Ellerm
12	New Bus Ticketing System	Anne Redgrave	Tom Skerman
13	Napier Port Consultation	Desiree Cull	Jessica Ellerm
14	Improving Quality of Council Reports	Leeanne Hooper	Jo Lawrence
15	Implementation of MERI framework	Louise McPhail	Liz Lambert / Iain Maxwell
16	IRIS Implementation Phase 1	Yvette Mackay	Jessica Ellerm
17	Public use of rivers	**	Chris Dolley
18	HPFPS LOS increase	**	Chris Dolley
19	Erosion Control Scheme	Amanda Langley	Iain Maxwell

** To be confirmed

Decision Making Process

- 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 ***“Establishment of a Project Management Office”*** staff report.

Authored by:

Desiree Cull
STRATEGY AND PROJECTS LEADER

Approved by:

Tom Skerman
GROUP MANAGER STRATEGIC
PLANNING

Attachment/s

There are no attachments for this report.

HAWKE'S BAY REGIONAL COUNCIL
CORPORATE AND STRATEGIC COMMITTEE

Wednesday 03 October 2018

Subject: DISCUSSION OF ITEMS NOT ON THE AGENDA

Item 14

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 03 October 2018

SUBJECT: Confirmation of Public Excluded Minutes of the Corporate and Strategic Committee Meeting held on 13 June 2018.

Item 15

That the Council excludes the public from this section of the meeting being Confirmation of Public Excluded Minutes 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	REASON FOR PASSING THIS RESOLUTION	GROUND UNDER SECTION 48(1) FOR THE PASSING OF THE RESOLUTION
Confirmation of Public Excluded Minutes of the Corporate & Strategic Committee Meeting held 14 March 2018	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	The Council is specified, in the First Schedule to this Act, as a body to which the Act applies.
Consideration of Debt Facility - HBRC to HBRIC Ltd	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) 7(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	The Council is specified, in the First Schedule to this Act, as a body to which the Act applies.
Napier Port Capital Raising Options	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 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) 7(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	The Council is specified, in the First Schedule to this Act, as a body to which the Act applies.

Authored by:

Leeanne Hooper
PRINCIPAL ADVISOR GOVERNANCE

Approved by:

James Palmer
CHIEF EXECUTIVE