



## MINUTES OF A MEETING OF THE STRATEGIC PLANNING AND FINANCE COMMITTEE

Unconfirmed

**Date:** Wednesday, 16 June 2010

**Time:** 1.30pm

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

**Present:** A Dick - Chairman  
T Gilbertson  
N Kirton  
E McGregor  
L Remmerswaal  
K Rose  
C Scott  
E von Dadelszen  
F Wilson  
M Mohi

**In Attendance:** A Newman – Chief Executive  
P Drury – Group Manager Corporate Services  
L Lambert – Group Manager External Relations  
C Gilbertson – Administration Manager

## **1. WELCOME/APOLOGIES**

The Chairman welcomed everyone to the meeting and noted the apology for lateness from Cr Wilson.

**Mohi/Kirton  
CARRIED**

*Cr Wilson arrived at 1.32pm*

## **2. CONFLICT OF INTEREST DECLARATIONS**

There were no conflicts of interest declared.

## **3. CONFIRMATION OF MINUTES OF THE MEETING HELD ON 19 MAY 2010**

Minutes of the meeting held on 19 May 2010, a copy having been circulated prior to the meeting, were taken as read and confirmed.

**von Dadelszen/Scott  
CARRIED**

## **4. MATTERS ARISING FROM MINUTES OF MEETINGS HELD ON 19 MAY 2010**

It was noted that a general business item (Submission re Mining Schedule) had included an element of debate and if items like this were to be discussed in future they should be stand alone agenda items.

### **Proposed Establishment of Holding Company**

In response to a question about the tax advice received from PWC it was noted that attachment 5 of the current agenda contained this advice.

## **5. ACTION ITEMS FROM STRATEGIC PLANNING AND FINANCE COMMITTEE MEETINGS**

It was noted that only one item was on the action list and this was to be addressed in July.

### **Resolution:**

That the Committee receives the report "Action Items from Strategic Planning and Finance Committee Meetings".

**von Dadelszen/Rose  
CARRIED**

## **6. CONSIDERATION OF GENERAL BUSINESS**

1. HPUDS Hearings
2. Local Government Act Submissions
3. Karamu Elms
4. Bill Greening's Tangi

## **7. ESTABLISHMENT OF HOLDING COMPANY - ISSUES UNDER CONSIDERATION**

Mr Newman and Mr Drury advised that the purpose of the report is to inform the Committee about a number of topics pertinent to its consideration of a proposal to establish a holding company for part of the Council's investment portfolio including information requested by the Committee at its meeting on 19 May 2010.

Mr Robert Philpott of McDermott Miller was in attendance and gave the Committee a presentation that covered the updated Statement of Intent; cost/benefit factors; and risk management issues.

Mr Philpott focused on the financial risk minimisation aspects of the formation of a Holding Company and noted that in managing investments there was always a trade off between risk and return. He outlined the current financial risk that, within its current portfolio, Council could face. He advised that as a worst case scenario, the current risk was to 100% of Council's balance sheet and that made it more at risk around commercial positioning in relation to the Port.

The objectives of the Holding Company included an objective that would move Council's investment from a passive to an active investment policy. The Council's current portfolio shows that 43% of it is invested in one single asset being the Port of Napier, 30% in restricted Napier leasehold land, 74% is invested in Hawke's Bay and the Council's current portfolio generates around 4% of its value which equates to a contribution of about \$10m to Council's income. By moving to an active investment position, there is an increased risk approach but doing nothing will increase risk in any event.

In order to achieve a best risk management approach, this can be addressed by implementing a Holding Company structure allowing financing arrangements to be facilitated by the Company. Mr Philpott said that the value of the Council's investment and the return back to ratepayers outlined that the first principle is return. Council should also be aiming for improved returns out of its portfolio. Presently, this equates to approximately a 4% return and the internal rate of return should be about 9%. A Holding Company is a long term investment strategy. Mr Philpott reiterated that tax issues are not the driver for forming a holding company.

During the presentation, the Chairman noted that there had been some concern from both councillors and members of the public around potential and perceived loss of control of accountability if the Holding Company structure was put in place. The Chairman suggested that there could be the potential for a transitional period put into place with a transitional structure which could include all elected members of Council say for a period of 2 years. This would allow Councillors and the public to be comfortable with the structure being put in place and ensure that no loss of control or lack of accountability by Council.

Mr Philpott then continued with the balance of his presentation and summarised the risk management approach that would be enhanced by Council having a holding structure.

***The meeting adjourned at 3.00pm and reconvened at 3.15pm.***

***Councillor Kirton left the meeting at 3.00pm***

Mr Newman and Mr Drury then outlined the attachments that were contained within the report and the Chief Executive advised that he had made sure that all the information that Council has received has been peer reviewed and the issue around tax had also been peer reviewed by Price Waterhouse Coopers.

Mr Drury then advised that an updated Statement of Corporate Intent was included for Councillor's information and in discussing this item, it was requested an extra clause be added to ensure that the Holding Company had its own investment policy, that would be consistent with Council's investment policy.

The Chairman then reiterated his earlier comments in relation to the makeup of the Board and suggested that elected members of Council form the Board for a short term, say two years then a review be undertaken.

It was acknowledged that Holding Company meetings would have to be held in Public Excluded session and that Councillors attending those meeting would have to "put a different hat on". The Chairman advised that external independent advice would be sought if this regime was adopted. He said it was imperative to get the Holding Company and structure formed.

There was a request made that all scenarios of the makeup for the Board be explored which included:

- 9 Councillors plus buying independent advice
- Hybrid
- No Councillors and having purely commercial expertise
- Suggestion that the Port have professional directors and Council hadn't explored using the directors from the Port on the Holding Company Board.
- All pros and cons for all options be presented and discussed.

The Chief Executive then tabled a document outlining Holding Company Board compositions from other organisations around the country.

The issue of whether enough consultation had been undertaken on the Holding Company was discussed with a view that the people of Hawke's Bay had missed out on having input into this decision and it was questioned whether further consultation should take place.

The Chairman noted that only 9 people had submitted through the Annual Plan on the Holding Company in comparison to the velodrome which got 7 submissions. He said he compared this to other things that have been proposed around the Bay e.g. Nelson Park and the sports park and from the level of submissions and communications, this has not been controversial or major in terms of people wanting to have their say.

A comment was then made that there has been a challenge outlined to the Auditor General which questioned whether Council had legally covered its responsibilities in relation to the consultation process contained in the Local Government Act. The Chief Executive said that the Draft Annual Plan and Summary document had been audited by Audit NZ and no concerns were raised.

The Chairman requested the CEO obtain a legal opinion in relation to the consultation under the Local Government Act provisions.

In summary Councillors said it was important that Council had all the information prior to making a decision on this matter and requested that an assessment of the cost benefit analysis be sent out to Councillors.

#### **Resolution:**

That the Strategic Planning and Finance Committee:

1. Note that the information contained in this paper is part of the process of considering the establishment of a Holding Company for Council's investment portfolio. The principle of the establishment of a Holding Company having been consulted on as part of the 10 Year Plan 2009-19 and further noted that submissions on this subject have been received for the 2010/11 Annual Plan.
2. Receive the information on the proposed Holding Company structure, risk, cost benefit and other issues and further note that further discussion, and possible approval, of the Holding Company structure will be considered by the Council at its meeting on 30 June 2010.

**Scott/McGregor  
CARRIED**

## **8. GENERAL BUSINESS**

### **HPUDS**

The Chairman reported that he and Councillor von Dadelszen had been attending the HPUDS hearings each day from 8.00am to 5.00pm and another day was scheduled for

Friday 8.30 to 1.00pm. He said progress had been very good and it was very interesting process. He advised the final report will be of great interest to each Council and noted the work and contribution that Helen Codlin had made to this process and the way she is very highly respected by other Councils.

### **The Local Government Amendment Act**

Councillor Remmerswaal noted that the Amendment Act presented by Rodney Hide had submissions due on Friday, 18 June and asked whether this Council would be making a submission. The Chief Executive advised that the Council would be joining with the submission being presented by Local Government NZ and did not intend to do a separate submission.

### **Karamu Elms**

Councillor Remmerswaal noted there were 60 year old elm trees near Crosses Road Bridge that were due to be removed and wanted reassurance that prior to this happening communication had been made to groups and residents around that area advising that the trees were being removed. Councillor Rose noted that this had already had been dealt with.

### **Bill Greening Tangi**

Mr Mike Mohi advised that Bill Greening died on Sunday, 13 June and his tangi had been held on Tuesday, 15 June. He noted that Mr Greening had been a member of the Maori Committee from 2001 to 2007. Councillor Scott, Councillor Wilson, Mr Viv Moule also attended the tangi. Mr Mohi thanked the Chief Executive for allowing his staff to attend this.

**The Committee moved into Public Excluded session at 5.07pm.**

## **9. CONFIRMATION OF PUBLIC EXCLUDED MINUTES OF MEETING HELD ON 19 MAY 2010**

| <b>GENERAL SUBJECT OF THE ITEM TO BE CONSIDERED</b>                    | <b>REASONS FOR PASSING THIS RESOLUTION</b>   | <b> GROUNDS UNDER SECTION 48(1) FOR THE PASSING OF THIS RESOLUTION</b>                           |
|--|--|--|
| Confirmation of Public Excluded Minutes of Meeting held on 19 May 2010 | 7(2)(i) Disclosure of new investment strategies, governance and management issues currently being considered and negotiated during the formation of the Council's investment holding company could prejudice the Council's achievement of an optimum structure and could therefore impair future returns from the portfolio. | The Council is specified, in the First Schedule to this Act, as a body to which the Act applies. |

**Rose/Wilson  
CARRIED**

Minutes of the meeting held on 19 May 2010, a copy having been circulated prior to the meeting, were taken as read and confirmed.

**Gilbertson/Scott  
CARRIED**

**10. MATTERS ARISING FROM PUBLIC EXCLUDED MINUTES OF MEETING HELD ON  
19 MAY 2010**

There were no matters arising from the minutes.

**The Committee moved out of Public Excluded session at 5.07pm.**

**McGregor/Scott  
CARRIED**

**Closure:**

There being no further business the Chairman declared the meeting closed at 5.07pm.

Signed as a true and correct record.

**DATE:** .....

**CHAIRMAN:** .....