



MINUTES OF A MEETING OF THE STRATEGIC PLANNING AND FINANCE COMMITTEE

Date: Wednesday, 19 May 2010

Time: 9.00am

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
M Adye – Group Manager Asset Management
D Lew – Group Manager Resource Management
L Lambert – Group Manager External Relations
C Gilbertson – Administration Manager

1. WELCOME/APOLOGIES

The Chairman welcomed everyone to the meeting. An apology was received from Councillor Gilbertson and also an apology for lateness from Councillor Rose.

**von Dadelszen/Kirton
CARRIED**

2. DEPUTATION CONCERNING HOLDING COMPANY PROPOSAL – DIANE CHARTERIS AND ASSOCIATES

Diane Charteris and June Graham were in attendance to give a deputation on the holding company proposal. These submitters noted that they had attended public meetings on the Draft Annual Plan and were disappointed they were not able to ask questions on the Holding Company at that meeting but did acknowledge that following the Annual Plan Meeting they met with Chairman Alan Dick to pose their questions but still had in a request to Council for a deputation to put their points of view across regarding the Holding Company. The submitters acknowledged that the public paper on the Holding Company that was presented to this meeting did go some way towards answering some of their questions but they still had concerns. They requested Council hold a further public meeting on the Holding Company to let people know the reason in detail behind this proposal. The Chairman thanked the submitters for making their deputation.

Councillor Rose joined the meeting at 9.05am

3. CONFLICT OF INTEREST DECLARATIONS

There were no conflicts of interest declared.

4. CONFIRMATION OF MINUTES OF THE MEETING HELD ON 24 MARCH 2010

Minutes of the meeting held on 24 March 2010, a copy having been circulated prior to the meeting, were taken as read and confirmed.

**Rose/von Dadelszen
CARRIED**

5. MATTERS ARISING FROM MINUTES OF MEETINGS HELD ON 24 MARCH 2010

There were no matters arising from the minutes.

6. ACTION ITEMS FROM COUNCIL MEETINGS

Communication Strategy – Website Review

Mr Drew Broadley was in attendance and gave a verbal update on the review of Council's website. He noted that while the website had been revamped to give a new structure in 2005 and then refreshed again in 2007, it was well overdue to address a number of issues in relation to the content of the website and navigation pane and also some technology and accessibility restraints for Council's website. It was also timely to look at the content in the management system behind the website. He advised that a spec document had been drafted and there will be user surveys given to a number of providers to seek an indication of the cost of refreshing the website. After these indications have been provided, a further update will be given to Council on this matter.

It is noted that there are limitations and Council needs to be cognisant of rural broadband issues in limitations with reaching the rural community.

Resolution:

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

**McGregor/Wilson
CARRIED**

7. CONSIDERATION OF GENERAL BUSINESS

1. Submission re mining Schedule

8. PROPOSED ESTABLISHMENT OF HOLDING COMPANY

Mr Newman and Mr Drury; with Mr Robert Philpott from McDermott Miller presented the report to Council and outlined the principles proposed to be adopted for the implementation of Hawke's Bay's Regional Investment Company Limited (HBRIC). Mr Philpott gave Council a presentation on the Holding Company and advised that Council made a decision to align its investments with its regional development strategy to help generate financial, economic, and environmental incomes and wanted its investments made to work best for the region rather than continue at a low return fund. He advised that a Holding Company structure would give Council benefits of limited liability, structure and flexibility in managing a wider range of its investments. He advised other Councils had used a Holding Company structure - these included Auckland Regional Council, Environment Bay of Plenty, Horizons Regional Council (this was one of the more recent ones), Greater Wellington Regional Council (has a similar structure to the proposed structure for this Council) and Christchurch City Council (this has been a very successful company). He did note that none of these had been in existence for more than 20 years.

Mr Philpott then went on to outline the proposed company structure for the Holding Company and it was acknowledged that, whilst assets (afforestation) had not been included in this diagram, this was an omission. He advised that Council currently had an exposure of 100% risk if anything happened to its assets while under a Holding Company structure each asset would be ring fenced to reduce the risk to Council. He advised that the current performance of Council's assets was below market average performance so there was an opportunity to increase this under a new structure. Mr Philpott advised that advice from Pricewaterhouse Coopers (PWC) on the structure and taxation had been given.

Advice from PWC included improving the return to Council and the first step for this would be to separate tax paying entities from non taxpaying entities. PWC had outlined four options for tax but the core issue was that the performance of the Holding Company was not related to tax, it was related to its return, but Council did need to ensure it was not paying any more tax than it needed to.

Mr Philpott advised that Council would own 100% of HBRIC, that any significant borrowings would need to have Council approval and that Council would still have control over significant acquisitions or divestment of investments.

Mr Philpott said the proposed Board structure for HBRIC was not standard in that the Council would appoint the Chair and Deputy Chair as well as directors. It was proposed that three external appointments would be made to bring greater expertise to the management of the Company, and this would be undertaken by a recruitment agency who would undertake an independent process to look at skill sets, experience etc. A person specification would be developed and Councillors who may be interested in a role on the Board would need to express an interest and would be interviewed by an independent agency. It was noted that Councillors appointed to the Board would not be

paid for that role. Mr Philpott advised it was also proposed that the Council's Chief Executive be Chief Executive of HBRIC which he noted was also not standard but this had been proposed to reinforce Council control.

Mr Philpott advised that the Peer Review had been undertaken in a desktop review form by Martin Turner and that some changes arising from the Peer Review had been made to strengthen the document. Mr Philpott said the next stage of implementing HBRIC would be in two phases. Phase 1 was to be completed by 1 July 2010 and would involve initial asset allocation, asset valuation, initial balance sheet and funding implementation. Phase 2 would be completed by 30 June 2013 and would involve managing HBRIC's investments, making new investments and, where HBRIC sought funds from Council for new investments, an investment case would be submitted to Council for a decision and disposal of investments subject to approval.

During discussion Chairman Dick reminded Councillors that as elected members they were tasked with doing the best with the investment portfolio Council had.

The idea of holding a public meeting to discuss the Holding Company as further consultation with the Hawke's Bay public was suggested. It was agreed that this would take place on Tuesday 1 June 2010.

Chairman Dick reminded Councillors that they had been discussing this issue for at least two years with the first time being through the Right Debate section of the 10 Year Plan 2009-19.

Resolution:

1. The Strategic Planning and Finance Committee recommend that Council:
 - 1.1. Note that the decisions to be made in this paper are part of the process of establishing a Holding Company for Council's Investment portfolio, the establishment of the Holding Company being consulted on as part of the 10 Year Plan 2009-19.
 - 1.2. Note the Peer Review Report made by Mr Turner, Senior Fellow of the School of Accounting and Commercial Law, Victoria University of Wellington.
 - 1.3. Approve in principle, the structure and continuing implementation process proposed for HBRIC in this paper.
 - 1.4. Note that final approval of the holding company structure will be considered by the Council at its meeting on 30 June 2010.

**Kirton/McGregor
CARRIED**

9. HEALTHY HOMES UPDATE

Ms Megan Rose provided the Committee with an update on the Healthy Homes programme. To date 248 applications have been approved, which equates to \$14,361 for insulation and \$314,272 for clean heat; 39 open fires have been replaced and 104 solid fuel burners have been replaced.

Ms Rose also reported on the social programmes that are currently underway and advised that the Hawke's Bay District Health Board and two Primary Health Organisations have also come on board as another funder to provide funding for injury prevention measures including slip maps, smoke alarms, door locks etc.

Ms Rose reported that a "good wood" seminar had recently been held and was very successful. Following this, a "good wood" register will be compiled and publicised to those wishing to purchase the best wood available for their burners.

Resolution:

1. That the verbal update be received.

**Rose/von Dadelszen
CARRIED**

10. NGARURORO PREFEASIBILITY PROGRESS REPORT

Mr Bruce Corbett provided an update to the Committee on the Ngaruroro Water Storage and Augmentation Pre-feasibility programme. He advised that project would cost \$60,000 with half of this funding coming from the Ministry of Agriculture. This funding will take Council up to the pre-feasibility phase.

Resolution:

1. That the Committee receives the report "Update on Ngaruroro Water Storage Prefeasibility Study".

**von Dadelszen/Rose
CARRIED**

11. METERING AND TELEMETRY REPORT

Mr Bruce Corbett provided an update to the Committee on progress with the implementation of the water information services function. He advised that efficiencies in the use of water is being undertaken by the water initiatives group.

Mr Corbett advised that it was going to be very difficult, if not impossible, to go out for a group tender for the cost and installation of water meters as 40% of the cost is for a meter while 60% of the cost is for installation which is a different cost for each scenario and each property that is being installed.

The Committee congratulated Mr Corbett and his team on the move forward to a decentralised approach for telemetry.

Resolution:

1. That the Committee receives the Metering and Telemetry Report.

**Scott/Remmerswaal
CARRIED**

12. GENERAL BUSINESS

Cr Rose left the meeting at 2.30pm

Submission re Mining Schedule

Mr Gavin Ide advised that at the Environmental Management Committee, he had been asked to present to this Committee meeting as to whether Council should be making a submission on the Mining Schedule. Mr Ide presented a plan showing which areas in the North Island would be affected by this Mining Schedule and noted that Hawke's Bay was not going to be affected therefore Mr Ide recommended that the Council doesn't make a submission at this stage. Councillors debated this and agreed with Mr Ide.

Councillor Rose returned to the meeting at 2.40pm

**13. CONFIRMATION OF PUBLIC EXCLUDED MINUTES OF MEETING HELD ON
24 MARCH 2010**

14. MATTERS ARISING FROM PUBLIC EXCLUDED MINUTES OF MEETING HELD ON 24 MARCH 2010

GENERAL SUBJECT OF THE ITEM TO BE CONSIDERED	REASONS FOR PASSING THIS RESOLUTION	GROUNDS UNDER SECTION 48(1) FOR THE PASSING OF THIS RESOLUTION
13. Confirmation of Public Excluded Minutes of Meeting held on 24 March 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.

**von Dadelszen/Scott
CARRIED**

15. HOLDING COMPANY (HBRIC) – DRAFT STATEMENT OF INTENT 2009-11

Councillors discussed whether it was appropriate for the Agenda item in relation to the draft Statement of Intent for the Holding Company to be discussed in the open section of the meeting or the Public Excluded section. The Chairman reminded Councillors of the reasons for the item going into a Public Excluded session but it was finally agreed that the item would be debated in open session and a copy of the draft Statement of Intent was handed to the media at this stage.

Councillors then discussed the content of the draft Statement of Intent and made some suggestions and changes to this document. It was agreed that the changes would be made and presented to the Council at their meeting on 26 May. Mr Robert Philpott will be making these changes and will present the updated Statement of Intent at the Council meeting.

Resolution:

That the Strategic Planning and Finance Committee:

1. Note that the decisions to be made in this paper are part of the process of establishing a Holding Company for Council's Investment portfolio, the establishment of the Holding Company being consulted on as part of the 10 Year Plan 2009-19.
2. Note this is a Draft Statement of Intent for the yet to be approved or formed investment Holding Company.
3. Note this Draft Statement incorporates changes made as required by the Committee in its previous consideration of the Draft Statement on 24 March 2010 and to reflect a number of issues raised in the "Peer Review".
4. Note further that the Final Statement of Intent will be prepared by the yet to be appointed Board of a Holding Company and will then be submitted to the Council for approval. This resolution being subject to the Council resolving to form a Holding Company.

**von Dadelszen/Kirton
CARRIED**

The Committee moved into Public Excluded session at 3.35pm.

Closure:

There being no further business the Chairman declared the meeting closed at 3.40pm.

Signed as a true and correct record.

DATE:

CHAIRMAN: