

Meeting of the Corporate and Strategic Committee

Date: 21 February 2024
Time: 1.30pm
Venue: Council Chamber
Hawke's Bay Regional Council
159 Dalton Street
NAPIER

Agenda

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Hawke's Bay Regional Council
Corporate and Strategic Committee

21 February 2024

Item 4

Subject: HBRC response to Ombudsman *Open for Business* report recommendations

Reason for Report

1. This report sets out the key recommendations of the Ombudsman's report *Open for business: A report on the Chief Ombudsman's investigation into local council meetings and workshops* and proposes a small number of changes to HBRC's current practice in response.
2. It also demonstrates where HBRC's current practice is in line with the Ombudsman's expectations to give Committee members and the community assurance that that council's business is following good practice for openness and transparency.

Officers' recommendations

3. Officers recommend that the Committee considers the options as detailed below, to enable recommendations to Council to make workshops open to the public by default and to introduce *public forums* as part of Regional Council meetings.

Background

4. For some time now, calls for more transparency in councils' decision-making processes have been increasing along with public expectations about access to public information.
5. With public participation and transparency in mind, specifically in relation to the use of workshops, the Ombudsman reviewed the practices of eight councils during the 2019-2022 term. The Ombudsman investigated whether councils were meeting the LGOIMA principles for transparent decision-making in the way workshops are used.
6. In October 2023 the Ombudsman released his *Open for Business* report (attached) with the findings of his investigations. The essence of the Ombudsman's messages in *Open for Business* is that councils need to increase the transparency of decision-making processes and how those progress through workshops and meetings, including the public's ability to access all the relevant information and be involved.
7. The Ombudsman's expectations of *what councils should do now* in response to his report are addressed with proposals for a number changes to HBRC's current practice discussed as follows:
 - 7.1. Workshops
 - 7.2. Meetings
 - 7.3. Accessibility
 - 7.4. Leadership and culture.

Workshops

Summary of Ombudsman's expectations

- Adopt a principle of openness by default for all workshops (and briefings, forums etc.), including a commitment to record a clear basis for closure where justified, on a case-by-case basis.
- Make sure the time, dates, venues, and subject matter, of all workshops are publicised in advance, along with rationale for closing them where applicable.
- Review practice and internal guidance for keeping records of workshop proceedings, ensuring

they contribute to a clear audit trail of the workshop, including details of information presented, relevant debate, and consideration of options. Councils may wish to consider consulting with Archives NZ to determine good practice in this respect.

- Publish workshop records on the council’s website as soon as practicable after the event.
 - Formalise a process for considering release of information from closed workshops.
 - Consider adding the message that members of the public are able to make a complaint to me about the administration of workshops on a relevant section of a council’s website.
8. The Ombudsman notes that workshops are not covered by Part 7 of the LGOIMA, which only relates to formal meetings. He also notes the distinction that final decisions and resolutions can only be made at formal meetings, not at workshops. As such, workshops should only be used as part of working towards a decision.
 9. The Ombudsman found no evidence of decisions being made in workshops during his investigation, however, he did find workshop practices that did not comply with the principles of openness and encourages councils to start from a position of workshops (hui, briefings, wananga) being open to the public by default.
 10. Hawke’s Bay Regional Council’s current practice is to hold all workshops with the public excluded.
 11. To align with the Ombudsman’s preference for openness it is proposed that HBRC workshops be open to the public by default and only specifically ‘closed’ in accordance with specific LGOIMA provisions used to exclude the public from meetings. This does not anticipate public participation at workshops – only attendance as observers.
 12. A distinction between workshops and **formal** meetings will be retained in that:
 - 12.1. LGOIMA Part 7 s45(2) *For the avoidance of doubt, it is hereby declared that any meeting of a local authority or of any committee or subcommittee of a local authority, at which no resolutions or decisions are made is not a meeting for the purposes of this Part of this Act.*
 - 12.2. Standing Orders do not apply at workshops, specifically: 9.7 Public availability of the agenda, 10. Quorum, 11.4 Public may record meetings, 18. Voting, 20. General rules of debate, and 21. General procedures for speaking and moving motions.
 - 12.3. No resolutions or decisions can be made at a workshop.

Option 1

13. Status quo. This option would not address the Ombudsman’s concerns, nor any already-held perceptions amongst members of the public that decisions are being made behind closed doors before any public input has been considered.

Option 2

14. At the beginning of each workshop, a decision on whether it is to be open to the public or public excluded would be made. This would address the Ombudsman’s concerns about workshops being held with the public excluded by default but would not allow for workshop information to be made available to the public ahead of the workshop.
 - 14.1. Staff would be required to include documentation of the rationale for excluding the public, based on the relevant LGOIMA grounds, as part of the pre-workshop Agenda distributed only to councillors and committee members.
 - 14.2. Members of the public in attendance at the start of the workshop may be asked to leave, and will have wasted a trip into the Council, if it’s decided that there is a legitimate reason to exclude them.

Option 3 (recommended)

15. That all workshops are to be open to the public unless they are covered by one of the specific LGOIMA provisions, as determined prior to scheduling. The Ombudsman has indicated that this would be an acceptable approach. If it is deemed necessary to hold a workshop in public excluded, the relevant Group Manager will be required to provide the documented rationale to the Chief Executive for approval at the time of scheduling the workshop.
 - 15.1. The workshop will be included on the published schedule, along with the topic and reason why the public is excluded.

Next steps for workshops

16. Consistent with the Ombudsman's advice to implement the change to open workshops, staff will publish a list of all the workshops including the topic, venue and whether the workshop will be held in public or public excluded (and if public excluded, the reason for that) on the HBRC website as we do for all of Council's formal meetings.
17. The Governance Team already creates an Agenda and Notes for each workshop, which will now be published on the HBRC website. There will still be a distinction between workshops and **formal** meetings in terms of the timeframes required for making the information available to the public.
 - 17.1. If information (Agenda) is available prior to the workshop, it will be published after it has been provided to councillors and committee members. If the information is not available prior to the workshop it will be published as soon as practicable after the workshop.
 - 17.2. Auditable notes will be taken and published no later than two weeks after a workshop. Notes will not be 'confirmed' by a subsequent workshop (because there may not be one) so the Governance Team will confirm the accuracy of the Notes with the Chief Executive or Group Manager responsible before publishing them to HBRC's website, along with any presentations from staff.
18. It is not proposed to routinely livestream or record workshops due to additional, unbudgeted costs.
19. A process for considering the release of information from public excluded workshops will be developed, for agreement and implementation by the Executive Leadership Team.

Meetings**Summary of Ombudsman's expectations**

- Review ease of access for meeting agendas, papers, and minutes on council websites (with a clear navigation path from the home page and minimal 'clicks' required).
- Make sure agendas and papers are posted on council websites with as much advance notice as possible before the meeting date.
- Review practice and internal guidance for the writing of public exclusion resolutions, ensuring:
 - the form includes all elements of the Schedule 2A form;
 - exclusion grounds are clearly identified, and section 7(2)(f)(i) is not relied on to exclude the public from meetings; and
 - the reasons for applying the named exclusion ground to the content of the agenda item are clearly set out in plain English along with how the decision to exclude the public has been balanced against public interest considerations.
- Review practice and internal guidance for the keeping of meeting minutes, ensuring that minutes reliably contain a clear audit trail of the full decision making process, including any relevant debate and consideration of options, and how individual elected members voted.
- Formalise a process for reconsidering the release of public excluded content at a time when the basis for withholding it may no longer apply.

20. The publication and making available of Council's meeting agendas, papers and minutes are all carried out in line with local government best practice. This generally means that the public will have access for 3 working days plus the weekend prior to the meeting.
21. The Governance Team will implement changes to the Public Excluded agenda item and Minutes templates to more fully comply with Public Excluded (PE) resolution requirements. Specifically, changes include:
 - 21.1. plain language wording of reasons to be used for the resolution
 - 21.2. how the public interest has been considered and the actual harm being prevented (or interest being protected) will be added to the resolution
 - 21.3. a resolution to allow subject matter experts/advisors to remain (if relevant) will include their specific knowledge and why that is relevant to the matter being discussed
 - 21.4. a resolution stating whether the paper can be released to the public in due course and when that would be, for example either on a date or at the achievement of a particular milestone, will be added.
22. In addition, the Governance Team and ELT are working to develop some examples of public excluded situations using HBRC-specific examples to assist with understanding how to apply the provisions.
23. Minutes currently meet the requirements of the LGA, LGOIMA and Standing Orders and contain adequate detail. However, to ensure that there is a complete record of the decisions made at meetings the Governance Team will attach any presentations made and any documents tabled to the Minutes document.
24. The Governance Team will schedule a 2-monthly review of previous PE agendas and Minutes to enable release upon confirmation by the GM responsible.
25. As a way of increasing opportunities for public participation in Council decision-making, staff propose adding a 'public forum' at the beginning of Council meetings in accordance with Standing Orders. This time, set aside at the beginning of the meeting (similar to when deputations are scheduled), will be open for any members of the public who wish to speak to Council about matters on that day's Agenda.
 - 25.1. Public forums are designed to enable members of the public to bring matters to the attention of the Council.
 - 25.2. In the case of a committee or sub-committee, any issue, idea or matter raised in a public forum must also fall within the terms of reference of that (sub)committee
 - 25.3. A period of up to 30 minutes will be available for the public forum at each scheduled Council and/or committee meeting.
 - 25.4. Requests must be made to the meeting secretary at least one clear day before the meeting.
 - 25.5. Speakers can speak for up to 5 minutes
 - 25.6. If there are more than 6 speakers the Chair has discretion to restrict the speaking time permitted for all speakers to allow all to be heard.
 - 25.7. The Chair has the discretion to decline to hear a speaker or to terminate a presentation at any time when:
 - 25.7.1. A speaker is repeating views presented by an earlier speaker at the same public forum
 - 25.7.2. The speaker is criticising elected members and/or staff
 - 25.7.3. The speaker is being repetitious, disrespectful or offensive

- 25.7.4. The speaker has previously spoken on the same issue
- 25.7.5. The matter is subject to legal proceedings
- 25.7.6. The matter is subject to a hearing, including the hearing of submissions where the Council or Committee sits in a quasi-judicial capacity.
- 25.8. At the conclusion of the presentation, with the permission of the Chair, elected members may ask questions only to obtain information or clarification on matters raised by the speaker.
- 25.9. No debate or decisions will be made on issues raised during the forum unless related to items already on the agenda.

Option 1

- 26. Introduce public forums for Regional Council meetings only. This may be considered sufficient because Council has not delegated any decision-making to any of its committees.

Option 2

- 27. Introduce public forums for Regional Council, Corporate & Strategic Committee and Environment & Integrated Catchments Committee meetings.

Next steps for meetings

- 28. If it's agreed that public forums are to be introduced, staff will undertake the necessary changes to Agenda templates and Standing Orders to enable implementation of the option chosen.

Accessibility

Summary of Ombudsman's expectations

- All councils should aim to live stream council meetings and/or audio visually record meetings and publish the recording on their website.
 - Consider live streaming and/or audio visually recording workshops.
 - Consider making meeting dates and times more visible to the public.
 - Ensure full agendas, including reports, supporting materials, and meeting minutes are in a searchable format for screen readers.
 - Undertake an accessibility audit to identify any barriers to inclusion and on completion of the audit, put in place a schedule of work to remedy any access issues or barriers to full inclusion of a wide range of people.
- 29. HBRC's current practice meets the Ombudsman's expectations, however, staff will continue to explore areas for improvement, particularly in relation to ease of finding information on our website.

Website access

30. A quick audit of our website shows that meeting information can be readily accessed. A word search of *meetings* brings up a link to the correct landing page as shown below.

The screenshot shows the Hawke's Bay Regional Council website. The header includes the council logo, a search bar, and navigation links for 'Do It Online' and 'Popular Links'. The main content area is titled 'Meetings and Agendas' with the Māori word 'Ngā hui'. Below this, there is a section for 'Schedule of Meetings' which includes a link to the '2024 Council Meetings Calendar Planner' and a button to 'View Agendas and Minutes online'. A 'Watch and View' section on the right provides information about webcasting and video recordings, with a button to 'View video recordings of Meetings'. At the bottom, there is a calendar navigation for February 2024 and a 'Public Attendance' section.

Leadership and culture

Summary of Ombudsman's expectations

- Induction training for staff and elected members must highlight the distinction between the operational and governance arms of local councils.
- Senior leaders should communicate clear and regular messages to all staff, signalling the council's commitment to conducting business in a manner that is open, transparent, and promotes accountability and public participation.
- Councils should have clear and visible public statements about their commitment to conducting business in a manner that is open, transparent, and facilitates accountability and public participation.
- Ensure pathways exist for council staff to make suggestions about meeting and workshop practices.
- Consider including a link to information about meetings and workshops prominently on the website landing page.
- Consider surveying constituents to establish the type of information about meetings and workshops they want to see on the website.

31. *Achieving the principle and purposes of the LGOIMA depends significantly on the culture of a council, and the attitudes and actions of its senior leaders. Elected members, chief executives, and senior managers, should take the lead in developing an environment that promotes openness and transparency within the organisation, with external stakeholders, and importantly, with their constituents. This environment should champion positive engagement with those who want to know and understand the work a council is doing.* Peter Boshier, Chief Ombudsman.

Training

32. The induction programme for elected members includes LGNZ and HBRC staff-lead sessions covering topics that include LGOIMA, Standing Orders and Chairing meetings, strategic planning, and *Being an effective elected member*.
33. In addition, councillors could consider subscribing to the LGNZ online training programme *Ākona*. Through *Ākona*, councillors can gain a better understanding of what their governance role entails through self-directed online sessions covering, for example:
- 33.1. Positive leadership
 - 33.2. Effective governance
 - 33.3. Te Tiriti o Waitangi and tikanga
 - 33.4. Political acumen
 - 33.5. Business acumen
 - 33.6. Council Māori relations
 - 33.7. Powerful engagement.
34. The Ombudsman recommends that councils should have clear and visible public statements committing to conducting business in a manner that is open, transparent, and facilitates accountability and public participation. Accountability and Transparency are two of the Regional Council's values in its Strategic Plan 2020-2025, which also states that "*we are open and outward facing*".

Significance and Engagement Policy assessment

35. By making Council workshops, and the information considered by them, accessible to the public we intend to increase transparency and inspire confidence in the Council's decision-making processes. This promotes community engagement and provides the community with the information elected members are considering prior to a decision being made.

Financial and resource implications

36. There will be some budget and resource implications from an administration perspective, however, until the changes are implemented, these are difficult to quantify. It is anticipated that these will be able to be accommodated within existing budgets.

Decision-making process

37. Council and its committees are required to make every decision in accordance with the requirements of the Local Government Act 2002 (the Act). Staff have assessed the requirements in relation to this item and have concluded:
- 37.1. The decision does not significantly alter the service provision or affect a strategic asset, nor is it inconsistent with an existing policy or plan.
 - 37.2. The use of the special consultative procedure is not prescribed by legislation.

- 37.3. The decision is not significant under the criteria contained in Council's adopted Significance and Engagement Policy.
- 37.4. The persons affected by this decision are the ratepayers of the region and anyone interested in local government decision-making.
- 37.5. 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.

Recommendations

That the Corporate and Strategic Committee:

- 1. Receives and notes the *HBRC response to the Ombudsman's Open for Business report recommendations*.
- 2. Recommends that Hawke's Bay Regional Council:
 - 2.1. Agrees that the decisions to be made are not significant under the criteria contained in Council's adopted Significance and Engagement Policy, and that Council can exercise its discretion and make decisions on this issue without conferring directly with the community or persons likely to have an interest in the decision.
 - 2.2. Agrees that the changes to meeting and workshop processes proposed by the Executive Leadership Team are adequate to address concerns raised by the Ombudsman.
 - 2.3. Agrees that all workshops are to be open to the public unless they are covered by one of the specific LGOIMA provisions as determined prior to scheduling.
 - 2.4. Agrees to the introduction of public forums for:
 - 2.4.1. Regional Council meetings
 - 2.4.2. Corporate & Strategic Committee meetings
 - 2.4.3. Environment & Integrated Catchments Committee meetings
 - 2.4.4.
 - 2.5. Agrees that the changes to meeting and workshop processes are to be implemented once any necessary amendments have been made to HBRC's Standing Orders, including Appendix 10: HBRC Workshop Guidelines.
 - 2.6. Agrees to carry out a review at the end of 2024, to ensure the changes to meeting and workshop processes have achieved the objectives for greater transparency and public participation with no significant unintended consequences.

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Approved by:

Nic Peet
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Attachment/s

- 1 Open for Business 2023 - a report on the Chief Ombudsman's investigation into local council meetings and workshops Under Separate Cover

Hawke's Bay Regional Council
Corporate and Strategic Committee

21 February 2024

Item 5

Subject: Transit School Bus Services

Reason for Report

1. This report presents a proposal for the Committee to consider, in order to decide by way of recommendations to Council, whether to commit to providing funding support to Transit Coachlines (Transit) for the provision of school bus services not currently funded by the Ministry of Education or Waka Kotahi (NZTA).

Officers' Recommendations

Staff recommend that the Committee agrees to HBRC providing the funding support as detailed in the report, and that the decision to do so is not considered significant as assessed against Council's Significance and Engagement Policy and therefore does not require public consultation.

Executive Summary

2. Transit currently holds the Ministry of Education contract for the provision of school bus services in Hawke's Bay. In addition to this contract, Transit operates a number of other school services for school students living outside the school zones they attend. These are not part of the Ministry of Education contract and are not subsidised by government funding. Transit has advised that these services are not financially viable despite the fares (\$2.10-\$3.00 per trip) being paid by students currently being higher than public bus fares.
3. Currently there are 390 students travelling daily to or from 6 High Schools on these services. Should Transit discontinue these services, the students will be forced to find alternative means of transport to school. There is no public bus service that these students could easily take to get them to school on time.
4. Staff at HBRC have discussed this issue with NZTA, and have been advised that there is potential for HBRC to access NZTA funding at our *public transport financial assistance rate* (FAR) of 51% to enable these services to be continued. Including the contribution from fare revenue, these services still require additional funding from Hawke's Bay Regional Council and NZTA to subsidise them and enable Transit to continue to financially operate.

Background

5. Hawke's Bay Regional Council has been approached by Transit Coachlines and asked to consider financial support for the provision of school bus services that are not currently funded by the Ministry of Education or Waka Kotahi (NZTA).
6. The services provided by Transit are not offered by GoBus through the public bus contract with Hawke's Bay Regional Council (HBRC).
7. As part of Transit school bus services in Hawke's Bay, they currently operate eight fixed runs which are stand-alone commercial runs funded by student fare revenue only. These services were originally established by Nimon buses to meet the needs of students choosing to attend alternative schools within their region which happen to not be the closest school to where they reside, so do not qualify for Ministry of Education funded transport assistance. The services that require funding assistance are listed below plus the corresponding PM return services.
 - 7.1. Flaxmere to Hastings Girls High School

- 7.2. Havelock North to Hastings Boys High School, Taikura Rudolf Steiner & Hastings Girls high School
 - 7.3. Taradale to Napier Girls High School
 - 7.4. Greenmeadows West to Napier Girls High School
 - 7.5. Tamatea/Greenmeadows East to Napier Girls High School
 - 7.6. Taradale to Napier Boys High School
 - 7.7. Tamatea to Napier Boys High School
 - 7.8. Greenmeadows to Napier Boys High School.
8. HBRC was approached by Tranzit in late 2023 seeking funding assistance to keep these eight high school runs operating as they have been operating them at a loss for some time. Although they have increased fares in the final term of 2023 by 20% this has not made them commercially viable. As there are around 400 students per day who use these services Tranzit is acutely aware of the negative impact to the region of withdrawing these services and so has engaged in dialogue with HBRC.
 9. Tranzit is continuing to operate the service in Term 1 of 2024 without funding, but if it cannot secure additional funding for the services in Term 2 the services will be cut.
 10. Because funding assistance is to commence in Term 2 which is approx. 24 April, the operating shortfall for the service for 2023-24 is \$50,000 – representing \$24.5K unbudgeted expenditure for the remainder of 2023-24 for HBRC.
 11. The cost in subsequent years will be \$300,000 per annum. HBRC currently has funding available from NZTA in what is called the *Low Risk Low Cost* funding that it can call on for 51% of the cost, leaving HBRC with a total cost of \$147,000 in the 2024-2025 financial year.

	2023-24	2024-25
HBRC	24,500	147,000
NZTA	25,500	153,000
Total	50,000	300,000

12. Budget forecasts for the 2024-25 financial year prepared by staff currently include the cost of this service as part of the targeted transport rate in 2024-2025.

Discussion

13. The majority of services provided by Tranzit do not align with current public transport bus routes. For those routes that could align with public services, the demand from school students will overflow the current GoBay public buses and will require adding buses to the GoBay services.
14. GoBay currently operates some similar school/education overflow services on other routes as part of the current public transport service offering.
 - 14.1. Flaxmere to HBHS x 2 (plus return)
 - 14.2. Havelock North to Havelock North Schools (plus return)
 - 14.3. Napier to Taikura Rudolf Steiner School – Hastings (plus return)
 - 14.4. Napier to EIT (plus return).
15. The public can choose to take these buses, but ultimately it is well-utilised by school students and the public choose to take the bus that runs before (or after) these services.
16. If Tranzit ceases to operate these services, students will be required to walk/ride up to 10 km to

school. Alternatively, traffic in Hastings and Napier will increase with private motor vehicles required to transport these students to school.

17. The additional vehicle kilometres travelled, and safety implications of removing these services is counter intuitive to HBRC's regional climate and safety strategies to get people out of private vehicles and onto public services. Therefore HBRC has been working to find solutions to prevent further traffic congestion and the flow-on effect of higher greenhouse gas emissions by maintaining these existing services.
18. The funding assistance required is \$300K pa for 2024/25 (HBRC \$147K, NZTA \$153K).
19. HBRC has engaged with NZTA around funding and identified a potential pre-approved funding bucket which could be reassigned to support this service.
20. It is proposed that this service operates as a separate contract from the existing public transport bus service and is initially established as a trial for 18months. This will enable an opportunity to further investigate feasibility to better align with the new mid-2025 Public Bus Services wherever possible.
21. Transit had sought to resolve the financial shortfall issue before the start of 2024 or cancel these services. They have, by mutual agreement with HBRC, agreed to extend this into the first term of 2024 to enable HBRC the opportunity to fully investigate alternatives to withdrawing/ceasing these services.
22. While this extension has enabled more time, it also has created an undesirable outcome in that these students will establish themselves at their preferred school in Term 1 and are therefore unlikely to change schools in Term 2 if this bus service is not available.
23. It is also considered detrimental to all schools involved to either remove or add this significant number of students to planned school attendance roles due to the cancellation of a bus service.
24. Due to the statistically historical safety benefits of bus services, transitioning 70,000 students per annum to make their way to school by alternative means is not in the public's interest. The most desirable outcome would be for HBRC and NZTA to agree to fund the next 18 months shortfall. Ideally this would be applied as soon as possible to assist Transit, but critically before the commencement of Term 2.

Options Assessment

Option 1 - Do Nothing

25. Advantages
 - 25.1. Will save \$24.5K in 2023-24 budget and \$147K in the current transport annual HBRC budget for 2024-25
 - 25.2. Reduces risk of pressure on providing future additional school services in other locations
 - 25.3. No impact on rates.
26. Disadvantages
 - 26.1. Will mean 390 students daily don't have a bus option to school
 - 26.2. Will increase private vehicles on the roads at peak school times increasing congestion and emissions
 - 26.3. Increased road safety risk
 - 26.4. Additional costs to the households affected.

Option 2 – Provide funding support

27. Advantages

- 27.1. Financially stabilise these school service runs which have operated for multiple years
- 27.2. Provide a solution so 390 students can continue to get to or from school daily
- 27.3. Remove the increased safety risk of additional private vehicles on the roads
- 27.4. No additional costs for the households affected
- 27.5. Stabilise bus services for Flaxmere students as Flaxmere residents are already raising concerns about public transport offerings.

28. Disadvantages

- 28.1. Will require the \$147K per annum commitment in budgeted funding from HBRC and \$153K from NZTA.
- 28.2. Will add costs to rate payers.
- 28.3. Risks setting a precedence for future school services support.
- 28.4. Risks negative community feedback with current Flaxmere additional service requests.

Strategic Fit

- 29. In line with the HBRC Goals and Actions in the 2020-2025 Strategic Plan the following are identified as having significant alignment:
 - 29.1. Sustainable and climate-resilient services
 - 29.2. Promote low impact transport and energy reduction solutions.
 - 29.3. Demonstrate improvement towards the goal of net zero greenhouse gases
 - 29.4. Continues to build community resilience.
 - 29.5. Connect urban communities via public transport and cycle networks
- 30. This also fits with our Road Safe objectives of safer local travel

Significance and Engagement Policy Assessment

- 31. The Taradale, Greenmeadows and Tamatea area represents 325 (83%) of total students affected, which would have a significant impact on the local Taradale High School should these students be forced to change schools if a bus mode of transport is no longer available.
- 32. Essentially, this is an existing school service with regular patronage and over regular routes requiring additional funding. It is not deemed to be a new public transport unit due to its dedicated high school student use only and not a significant change for the LTP using the criteria outlined below in Table 1.
- 33. However, if the services are removed by Tranzit, there is a high likelihood that the demand will flow over to the public bus service necessitating additional public buses for the GoBay service to accommodate the extra demand.

Table 1

Tranzit RPTP Significant Change Evaluation Matrix			
No.	Criteria	Assessment	Explanation
1	The likely level of community interest	Medium	Is an existing service operating on specific routes that is currently supported by a select group of approx. 390 high school students per day
2	The likely impact or consequences for affected individuals and groups in the region	Low (high if we do nothing)	This is not a Public Service offering as it is targeted specifically at high school students. Significant impact if no action is taken as there is no other public service offering on these routes to accommodate these students
3	How much a decision or action impacts on the rights and interests of tāngata whenua under the Treaty of Waitangi	Low	None as there is no requirement to amend policy
4	How much a decision or action promotes community outcomes or other Council priorities	Medium	Action to support this activity will provide a solution for approx. 400 high school students per day to get to and from school with minimal climate impact vs alternative of private motor vehicles
5	The impact on levels of service identified in the current Long Term Plan	Low	No impact on LTP
6	The likely impact of climate change factors in the region	Low (high if we do nothing)	Will maintain status quo but high risk for VKT blow out if no action is taken
7	The impact on rates or debt levels	Low	\$25K in 23/24 and then \$147K PA for remainder of the 18mth trial period
8	The cost and financial implications of the decision to ratepayers	Low	While under 10% change PA it does represent an increase in rates but is included in future budget projections
9	The involvement of a strategic asset.	Low	Nothing required

34. This service is not a significant change under the Regional Public Transport Plan (RPTP) *significant change policy* (copy attached) or the HBRC LTP Significance and Engagement Policy as detailed in Table 1.

Financial and Resource Implications

35. The funding assistance required from HBRC is \$24.5K for this current financial year and the balance of \$25.5K from NZTA. Due to HBRC public transport budgets operating above current budget costs this will need to come from reserves and recovered as part of public transport operating in 24/25. HBRC are still working with NZTA relating to funding support to recover additional costs in this financial year.
36. 2024-25 financial period will require \$300k pa (HBRC \$147K, NZTA \$153K). This has been included in current LTP budget forecasts for 24-25.
37. HBRC has engaged with NZTA around funding and identified a potential pre-approved funding bucket which could be reassigned to support this service.
38. It is proposed that this service operates as a separate contract from the existing public transport bus service and is initially established as a trial for 18months. This will enable an opportunity to further investigate feasibility to better align with the new mid 2025 Public Bus Services wherever possible.
39. Tranzit had targeted to resolve the financial shortfall issue before the start of 2024. They have, by mutual agreement with HBRC, agreed to extend this into the first term of 2024 to enable HBRC the opportunity to fully investigate alternatives to withdrawing/ceasing these services.
40. While this extension has enabled more time, it also has created an undesirable outcome in that these students will establish themselves at their preferred school in Term 1 and are therefore unlikely to change schools in Term 2 if this bus service is not available.
41. It is also considered detrimental to all schools involved to either remove or add this significant amount of students to planned school attendance roles due to a cancellation of a bus service.
42. Due to the statistically historical safety benefits of bus services transitioning 75,000 students PA to make their way to school by alternative means is not in the public's interest. Therefore, the most desirable outcome would be for HBRC and their funding partner to agree to fund the next 18 months shortfall. Ideally this would be applied as soon as possible to assist Tranzit, but critically before the commencement of Term 2.

Consultation

43. Currently no form of public consultation has taken place as these are already established services with ongoing demand and support from the public.
44. Until a Council position is established, it is considered unnecessary to alarm the public to the potential removal of these services.

Decision-making process

45. Council and its committees are required to make every decision in accordance with the requirements of the Local Government Act 2002 (the Act). Staff have assessed the requirements in relation to this item and have concluded:
 - 45.1. The decision does not significantly alter the service provision or affect a strategic asset, nor is it inconsistent with an existing policy or plan.
 - 45.2. The use of the special consultative procedure is not prescribed by legislation.
 - 45.3. The decision is not significant under the criteria contained in Council's adopted Significance and Engagement Policy.
 - 45.4. The persons affected by this decision are ratepayers in the regions these services operate and the current bus service users.
46. 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

That the Corporate and Strategic Committee:

1. Receives and considers the *Tranzit School Bus Services* staff report.
2. 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 consulting with the community.
 - 2.2. Agrees to fund the shortfall of \$24,500 for the 2023-24 financial year from general rates revenue.

Authored by:

Mark Allan
Transport Manager

Approved by:

Katrina Brunton
Group Manager Policy & Regulation

Attachment/s

There are no attachments for this report.

Hawke's Bay Regional Council
Corporate and Strategic Committee

21 February 2024

Item 6

Subject: 2024-27 Long Term Plan project update

Reason for Report

1. This information paper provides the Corporate and Strategic Committee with its second progress update on the 2024-27 Long Term Plan project. This update specifically provides an outline of the process undertaken to date by Council (elected members and Chairs of the Regional Planning Committee and Māori Committee) to develop the draft 2024 Long Term Plan (LTP) budget and consultation document. This includes:
 - 1.1. A summary of the eight Council workshops held to date (starting with a direction-setting workshop in June 2023) for the LTP development and the four workshops/meetings for the inter-related Investment Strategy review during that time. The summary table at the end of this paper includes the topics discussed and direction given.
 - 1.2. A recap of the detailed options and impacts of a divestment or investment strategy.
2. In line with its terms of reference, the C&S Committee is responsible for recommending actions, responses and changes to Council for (among other things) oversight of the development of Council's annual and long term plans.

Background

3. The Local Government Act 2002 (LG Act) requires the adoption of a Long Term Plan (LTP) every three years. The LTP ensures Councillors and staff take a long-term view of HBRC's operations and assets, and the macro-factors influencing its business. The three-yearly planning cycle provides an opportunity to consult with the community on the community outcomes it aims to achieve, and the activities it funds to achieve them.
4. In September 2023, an Order in Council under the Severe Weather Emergency Recovery Act (SWERLA) was made to replace the 10-year 2024 Long Term Plan with a three-year unaudited plan and relax some disclosure requirements for eight councils. This temporary change is to enable these eight councils - Kaipara and Far North District Councils, Gisborne, and all councils within the Hawke's Bay region - to focus on cyclone recovery.
5. It recognises that the affected councils will find it too hard to forecast spending beyond three years with enough certainty to meet the standards required under normal LTP requirements.

Current situation

6. Like other councils in Hawke's Bay, the Regional Council is facing an unprecedented situation having to deal with the recovery from Cyclone Gabrielle, significant cost increases over the last few years and reduced funding options due to impacted investment performance and borrowing carried out over the previous LTP to defer rates increases starting with the zero-rates increase in 2020-21 related to COVID.
7. There are a number of non-negotiable unavoidable costs included in the draft LTP:
 - 7.1. The committed costs HBRC signed up to as a result of the Government's Future of Severely Affected Land (FOSAL) flood mitigation programme of \$44.15m (accepted as part of the offer from the Crown for funding of \$203.5m towards flood mitigation for category 2 areas). New capital programmes will have ongoing maintenance associated with these to ensure upkeep.

- 7.2. Regulatory requirements, such as dam compliance costs and Freshwater Farm plans.
- 7.3. Like all businesses, the Council is facing unavoidable cost pressures – insurance costs and inflation. These cost pressures have been at play year on year, resulting in a significant cumulative effect.
- 7.4. A large proportion of the rates increase relates to deferred increases from previous years (the Council borrowed funds to smooth the rates increases in the past 4 years particularly to enable a decision to have a zero-rate increase during COVID). In other words, the costs to operate and to deliver our service levels have increased year on year, but the impact of those cost increases were held back.
- 7.5. In the last LTP, the Council set expected investment returns to help offset rates income. With COVID and other global market issues, the returns have not been achieved. The Council as had to re-set the expectations of what its investment portfolio can deliver and have tasked HBRIC to play a bigger role in the management of our investments to ensure they are returning maximum benefit to our ratepayers.
8. As a result of these cost drivers, the Council is looking at significant rates increases in years one and two of the three-year plan. The average rate increases to be consulted on will be agreed after further budget refinements and adopted for consultation by Council in mid-April.
9. At the same time, the Council is reviewing the way it charges rates (draft Revenue and Finance Policy consultation). Individual rate payers will be affected differently, but overall the Revenue and Financing Policy isn't changing the total amount of income collected – just redistributing how much everyone pays.

Tough choices

10. In keeping with the strategic direction set early in the LTP development process, Council has prioritised cyclone recovery, including flood mitigation for category 2 land and CDEM, and is proposing to stop or temporarily slow levels of service in other areas to save money and reduce the rating impact.
11. Council has provisionally identified changes in service levels in:
 - 11.1. Environmental Protection and Enhancement Programme
 - 11.2. Erosion Control Scheme
 - 11.3. HB Tourism
 - 11.4. Sustainable Homes
 - 11.5. Regional Parks (maintenance and new) and cycleways (new)
 - 11.6. Te Mata Park, and
 - 11.7. MyWay.
12. The Council will be seeking community feedback on these trade-off decisions and community guidance will be an important part of the process.
13. In addition, Council tasked staff with reviewing internal costs and overheads line by line and setting some significant savings targets. Subject to community consultation the areas of expenditure reduction include \$1m from software development, \$1.3m from corporate overheads (such as fleet), and \$1.2m by holding some vacancies open across the Council.
14. Council has looked at all its options and remains committed to removing borrowing for operations and has considered selling some assets to reduce the rates increase. This is covered in the section below.

Divestment versus Investment Strategy

15. As a result of prolonged underperformance on HBRC investments in 2022, a programme of work was undertaken in 2023 that included external benchmarking and reviews by PricewaterhouseCoopers on improvements required to HBRC investments.
16. Scott Hamilton, formerly CEO of Quayside Holdings, has worked with officers to propose recommendations on how to enable investment growth and better returns based on experience in establishing a similar entity.
17. Council agreed that the investment portfolio was intergenerational in nature and should not be 'deployed' for recovery projects, unless there is a compelling commercial investment return available.
18. In March 2023, Council confirmed the objective/vision of the HBRIC Investment Strategy to deliver higher capital and dividend growth to supplement rates for our communities.
19. Council unanimously supported efforts for HBRC to seek to replicate the Bay of Plenty Regional Council (BOPRC) model consistent with a vision for HBRC's long term financial resilience and to support strategic regional growth initiatives. This included direction for staff to report back to HBRC's Corporate and Strategic Committee (C&S) with recommendations on rebalancing the group's investment portfolio in a way that supports HBRC's long term investment objectives. The 14 June C&S workshop and 28 June Council workshop reaffirmed this position.
20. The Statement of Expectation documents between HBRC and HBRIC targets a cash return to Council on its investment assets, plus at a minimum, inflationary based growth. This represents a cash contribution to Council of ~\$12m per annum in year one of the LTP. Without this contribution, rates would need to rise a further 30%¹.
21. Council anticipates volatility in its investment portfolio. Broader investment returns in 2022 and early 2023 were negatively affected impacted by inflation and interest rate pressures. Additionally, the dividend from the HBRIC investment in Napier Port has been impacted by the cyclone. Markets are currently recovering, with a small upward market value increase noted to the tune of \$2.7m in the current financial year.
22. Council staff are of the view that our investment portfolio is one that provides long term benefits that are intergenerational, and builds resilience in our balance sheet and maximises rating offset for the long term, including assisting with debt capacity levels.

What would divesting assets achieve for rates and what does it mean?

23. Although an initial cash injection would be achieved to eliminate short term cash needs, selling off assets may have longer-term losses of present value of future cash flows, and may expose Council to future liabilities when reserves are finally spent, therefore, delaying impact for future ratepayers.
24. HBRC has both commercial property or managed funds that may be divested or "cashed up" to help with cashflow requirements.
25. HBRC retains the right to sell some or all of these properties and reinvest the proceeds in appropriate investment types specified in the Treasury Policy or use a limited amount of funds from the proceeds of the disposal for purposes other than reinvestment in the investment types of the Treasury Policy, where appropriate as outlined in that Policy.
26. Under this policy, investment income (other than that to be applied to reserve funds and in compliance with the provisions of section 3(b) of the Endowment Act) can be included in the revenue account and used for the general purposes of HBRC.
27. Looking specifically at the Wellington Properties, an example of what this may look like (to realise gains in that portfolio) is outlined below. Any gain realised is merely the conversion of

¹ Assumes general rate of 1% = \$400,000 costs

historical gains into cash. Council values its investment assets annually, and any annual valuation change is reflected in the Annual Report of Council. A property may realise a loss versus its valuation at 30 June 2023.

28. Although an initial cash injection would be received of ~\$5m from a proposed sale, HBRC is forfeiting long term rental income of up to \$1.5m over 10 years, which will need to be made up from rates increases. Any current under-performance by an asset, such as a Wellington property, is expected to be reviewed and rebalanced to Council's long term benefit by HBRC in their broader capacity as Investment Manager.
29. In addition, the work done to date with Scott Hamilton has assumed that the Wellington Property portfolio is part of Council's desire to hold investment assets as a match for reserves. Without its asset backing, Council will need to find funds to inflation-proof its reserves balances to hold the ratepayers buying power (at 2.5% per annum for any reserve that does not have an asset to match).

Wellington Leasehold						
						30/06/2023
Customer No	Address	Lessee	Frequency	Lease Expiry	Annual Rent	Lessor Interest
53237	5 Katherine Avenue	Queen Margaret College	14yrs	31/10/2025	\$ 179,212	5,575,000
53238	15 Fitzherbert Terrace	Queen Margaret College	14yrs	31/10/2025	\$ 43,537	1,455,000
53239	53 Hobson Street	Queen Margaret College	14yrs	28/08/2026	\$ 174,525	5,521,000
53240	32 Clifton Terrace	Wellington Presbyterian Methodist Halls of Residence Trust	14yrs	1/05/2024	\$ 27,472	761,000
53241	21 Talavera Terrace	Wellington Presbyterian Methodist Halls of Residence Trust	14yrs	1/05/2029	\$ 42,602	1,015,000
53242	23 Talavera Terrace	Wellington Presbyterian Methodist Halls of Residence Trust	14yrs	1/05/2029	\$ 44,058	1,060,000
53243	25 Talavera Terrace	Wellington Presbyterian Methodist Halls of Residence Trust	14yrs	1/05/2024	\$ 43,102	1,152,000
53244	27 Talavera Terrace	Wellington Presbyterian Methodist Halls of Residence Trust	14yrs	1/05/2024	\$ 36,935	1,029,000
53245	29 Talavera Terrace	Wellington Presbyterian Methodist Halls of Residence Trust	14yrs	1/05/2024	\$ 36,913	996,000
53246	54 Salamanca Rd	Simon & Jacque Harrison	14yrs	EXPIRED	\$ 33,000	571,000
53247	28 Clifton Terrace	Body Corporate 79005 - Mirabeau Apartments	7yrs	18/06/2029	\$ 60,750	1,019,000
53248	123-125 Molesworth Street	Molesworth Apartments Holdings Ltd	14yrs	8/05/2029	\$ 148,713	4,715,000
					\$ 870,819	\$ 24,869,000
Net market rent per portfolio valuation as at 30 June 2023					\$ 1,535,630	3.5%
WALT 4 years						
Owners have expressed an interest in purchasing freehold title						

30. Alternatively, HBRC could liquidate managed funds. The Future Investment Fund (FIF) is a reserve established to hold the proceeds of the Napier Port IPO when HBRC sold 45% holding in Napier Port. Council has tagged these proceeds as a Strategic Asset under its Significance and Engagement Policy.
31. In this sale, Council assigned a long-term intergeneration purpose via the Future Investment Fund Reserve (FIF). Although a reserve, there are liquid assets held in the Future Investment Fund Managed Fund Portfolio of ~\$62m. Managed Funds are held in both HBRC and HBRC.
32. The total amount currently held is \$110m from both of these funds. The capital-protected amount (2% on the original amount deposited) is \$115m; this means that HBRC has, since the inception of these funds already drawn \$5m more than the Treasury Policy currently allows.
33. The Long-Term Investment Fund (LTIF) is a reserve established to hold the proceeds of endowment leasehold land sales. This reserve is also held in liquid assets in the Long-Term Investment Fund Managed Fund Portfolio of ~\$48m.
34. Overarching all investments is the interconnectedness of the Council Reserves and how investment assets provide backing for these. In recent years, Council has diminished its operating reserves to the point that no unallocated operating reserves remain.
35. A \$5m sale of managed funds will have the following impacts.

Impacted area	Financial impacts (short term)	Financial Impacts (long term)
Assets	Immediate cash injection (increase) \$5m. (decrease) Managed Funds balance \$5m. Likely realised losses/gains in comprehensive Income.	Long term realised gains lost on sale. Lower resilience overall with depleting assets.
Reserves	Reserves – Equivalent decrease in LTIF of \$5m.	
Debt Capacity / Covenants	Net Debt increases \$5m if divestment is used to offset general rates. If it is used to offset internal loan funding – net effect (as affecting both sides).	Potential inability to leverage for debt capacity purposes.
Income received	Cash injection ~\$5m	Loss of interest on management funds – 5% per annum. ~\$250k
Rates impact	\$5m = 12.5%	0.75% rates on \$5m per annum saving going forward.
Accounting Impact	Sale of an asset to fund operating expenses does not constitute income. Council will demonstrate a \$5m operating shortfall, covered by \$5m application from reserves.	
Summary	Benefits today's ratepayer, but takes away benefit for future ratepayers if this is not returned with capital-protected amount.	

36. Any shortfall funded by an asset sale, where that shortfall is not a one-off event, will require the same transaction the next year and forward until the shortfall is covered by increased revenue or reduced expenses.
37. As previously outlined to this Council, any divestment should be lead by the HBRIC board, given recent expertise appointed to the Board.
38. It is staff's recommendation that the divestment to support the operational spend is not undertaken at this stage because the long term (4 years plus) benefits that would have been achieved with a higher portfolio value will need to be funded through future rates hikes.

Process to date

Date	Workshop or Meeting and content covered	Activities covered and directional views shared
1 June 2023	<p>Externally facilitated direction-setting workshop for Councillors, as well as Māori and Regional Planning Committee chairs.</p> <ul style="list-style-type: none"> • Reflections of past three years • Strategic drivers for next 3+ years • What activities to keep doing, scale up, down, pass to another organisation or start doing • Roadmap for LTP timeline and consultation were socialised with the Council. 	<ul style="list-style-type: none"> • Recognition that HBRC must ensure that Civil Defence Emergency Management and Flood Mitigation are a priority and must be accelerated. A desire to Build-back-better. • Long term investment in catchment scale water management, hazard mitigation, water security, land management, Tangata Whenua partnerships. • Intent to achieving financial security/balance by: <ul style="list-style-type: none"> - exiting borrowing to fund corporate operating (from Covid) - managing long-term borrowing with cost efficiencies where possible - establishing a sound investment base.
14 June 2023	<p>Corporate and Strategic Committee Investment Strategy Review phase 2 approach.</p>	<p>Supported recommendations that:</p> <ul style="list-style-type: none"> - HBRIC has a broader role in managing all investments on behalf of the Group - HBRIC Board considers appropriate staffing to enable success - Investigation opportunities to better utilize or manage strategic assets that can be put forward to the next Long Term Plan.
1 August 2023	<p>Council workshop to explain that LTP is a 'bridging strategy' for the LTP and what that means given exemption from 10 year plan to 3 year.</p> <p>Council officers and Council discussed service level reviews required across HBRC and any long term (post 2025) risks and considerations.</p>	<ul style="list-style-type: none"> • Councillors discussed significant headwinds for HBRC specifically reduced dividends from the Napier Port and Investment returns (circa \$2-3m), inflationary pressures across the board, in particular Insurance premium increases proposed and \$1.6m in Public Transport Total Mobility and indexation costs required to be funded. • In principal support of the primary role of HBRC to enhance our environment and core activities are asset and flood protection, catchment management activities such as science monitoring, biodiversity, Policy & Regulation activities as well as to ensure effective relationships with tangata whenua. Non environmental funding should be challenged in a fiscal constrained environment.
23 August 2023	<p>Council workshop to present the 'Big Picture' (macro environment including Investment Strategy) including how the prior LTP and decision to not have a rate increase during COVID have impacted our current fiscal position.</p> <p>Methodology for LTP financial packages.</p> <p>Levels of Service reviews – first set.</p> <p>Cat2 flood mitigation apportionment socialised for understanding.</p>	<ul style="list-style-type: none"> • Council officers presented slowing non-statutory work is to address cost pressures and allow for cyclone recovery including Category 2 flood mitigation works. • Presentation of a top-down budget by management (as opposed to detailed budget-holder driven given timeline).

Date	Workshop or Meeting and content covered	Activities covered and directional views shared
20 September 2023	Council workshop on Investment Strategy.	
11 October 2023	<p>Council workshop to seek direction on the top down Budget Strawman – specifically whether councillors agreed with ongoing costs/pressures. Test cyclone recovery-related items present programmes of work to consider stopping/slowing (including pros and cons).</p> <p><i>Other initiatives</i></p> <p><i>Direction on ‘acceptable’ average rates increase</i></p> <p><i>Direction on other options to increase revenue</i></p>	<p>Council discussion and acknowledged salary inflation assumption of 3%, inflation pressures, insurance premiums significant increase.</p> <ol style="list-style-type: none"> 1. Reset of investment returns 2. Rebuilding TR reserve deficits (spread over 5 years) 3. Remove out year GR offset (last year of borrowing to offset now 24/25) 4. Public Transport 5. CDEM 6. Asset Management – ETS fees; dam compliance 7. Options with supporting information. <p>Proposed Slow Down: Environmental Enhancement Programme, ECS, HB Tourism, Road Safety, Sustainable Homes, Regional Parks (maintenance and new) and cycleways (new), Te Mata Park, MyWay.</p>
25 October 2023	Council meeting (in PE) Investment Strategy review	
15 November 2023	<p>Council workshop to present the proposed LTP Budget Strawman, and an outline of current investment assets and reserves.</p> <p>The funding approach to Regional Water Security was reviewed and agreed funding is via the Long Term Investment Fund proceeds.</p> <p>Council provided with early versions of the Infrastructure Strategy, Financial Strategy and Forecasting Assumptions.</p>	<p>Acknowledged proposed Council officer cost reduction initiatives including additional reductions from prior indications such as holding vacancies, reduction in software development and fleet (alongside other corporate service reductions).</p> <p>Acknowledged the long-term intergenerational nature of investments noting programme of work already underway pre-cyclone to ensure our investments work harder for us to supplement rates.</p> <p>Discussed a phased reduction for Tourism HB, leaving Land for Life to external funding, keep some pressure on HBRIC and don't lose sight of Napier drainage.</p> <p>Discussed main drivers for financial strategy:</p> <ul style="list-style-type: none"> • Minimise financial impact of cyclone • Reduce borrowing for non intergenerational costs • Doing the core business that is expected of us • Set up HBRIC to provide best returns possible. <p>LTP around frugality, places to trim.</p>
29 November 2023	<p>Council workshop to provide further analysis and proposed budget cuts, budget constraints, issues.</p> <p>Levels of service (LOS) measures review.</p>	<p>Budget changes considered:</p> <ul style="list-style-type: none"> • Napier Drainage scheme funding was increased to \$500k over 3yrs of LTP • Land for Life is a budget line item awaiting confirmation of funding. <p>Desktop review of which LOS measures need further work.</p>

Date	Workshop or Meeting and content covered	Activities covered and directional views shared
6 December 2023	Corporate and Strategic Committee Investment Strategy Review update – implementation.	
13 December 2023	Council workshop to consider consultation topics. Draft Communication & Engagement Plan discussed and next steps.	Councillors considered comms approach including mail-out to each ratepayer and drop-in sessions.
31 January 2023	Council workshop to confirm proposed go forward position and page plan for Consultation Document.	Confirmation of proposed budget areas and proposed increases in activity, including high level cost cuts. \$10m increase in required rates funding due to rates smoothing, investment income and inflation.

Decision-making process

39. 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 *2024-27 Long Term Plan project update* report.

Authored by:

Susie Young
Group Manager Corporate Services

Desiree Cull
Strategy and Governance Manager

Jess Bennett
Senior Manager Finance Recovery

Chris Comber
Chief Financial Officer

Approved by:

Nic Peet
Chief Executive

Attachment/s

There are no attachments for this report.

Hawke's Bay Regional Council
Corporate and Strategic Committee

21 February 2024

Item 7

Subject: Financial report for the period 1 October - 31 December 2023

Reason for report

1. This report presents the financial performance of the Council for the six months to 31 December 2023.

Financial Performance Report Content

2. The financial performance report attached contains:
 - 2.1. Introduction to the new reporting format
 - 2.2. HBRC Statement of Comprehensive Revenue and Expense for the six months to 31 December 2023
 - 2.3. HBRC Statement of Financial Position as at 31 December 2023
 - 2.4. Comprehensive Revenue and Expense by Group of Activities
 - 2.5. Rates Collection
 - 2.6. Debtors position as at 31 December 2023.

Background

3. Financial performance is reported to the Corporate & Strategic committee quarterly.
4. The report presented today is in a new format from TechOne, designed to focus more on governance aspects including comparison to the Annual Plan.

Key points

5. Total revenue for the period is \$134.2m, \$54.8m above budget.
6. Comparably total expenses for the period are \$50.7m above budget at \$140.4m.
7. Sediment and Debris activity continues to be a significant activity for the organisation, making up \$91.4m of the revenue and expenditure reflected above (all sediment and debris activity revenue is currently offset by expenditure). This activity was not budgeted in the Annual Plan 2023-2024 and therefore is the main contributor to the significant variances in revenue and expenditure.
8. Borrowings have increased significantly due to additional funding required since the cyclone to fund response and recovery activities.
9. Rates collection to date is slightly below budget at 97% of the Annual Plan budget.
10. Rates collection costs and remissions are within the annual budget and are currently expected to remain within budget.
11. Debtors have significantly decreased due to a large number of Government receipts being collected during the quarter. We have been actively monitoring debt and lodging arrears with our debt management company and expect to see our aged debt decreasing in the coming months.

Decision-making process

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

Recommendation

That the Corporate and Strategic Committee receives and notes the *Financial report for the period 1 October - 31 December 2023*.

Authored by:

Pam Bicknell
Senior Group Accountant

Chris Comber
Chief Financial Officer

Approved by:

Susie Young
Group Manager Corporate Services

Attachment/s

- 1 [↓](#) Q2 Financial Report - 1 October - 31 December 2023

Hawke's Bay Regional Council Financial Performance Report

31 December 2023



Introduction

We are pleased to present the Financial Performance Report for Hawke's Bay Regional Council (HBRC) for the six months to 31 December 2023.

We have been reviewing the reporting of financial performance to Council and have developed this report to align the quarterly performance better with the financials provided in Long Term and Annual Plans and in the end of year Annual Report.

This is our first template of the new format which gives information for elected members to have a governance view of our financial performance. The report currently includes a Statement of Comprehensive Revenue and Expense (including a breakdown by Groups of Activities which forms the basis of the financial commentary in the Operational Performance Report) and a Statement of Financial Position, as well as some commentary on rates and debtors.

The statements included present our performance in the same level of detail as in the Annual Report statements. Commentary (with note references) has been provided on the key variances from the Annual Plan for revenue and expenditure and the key movements from prior year balances for assets, liabilities and equity.

As we continue to refine this report, we intend to include further statements and notes to provide a more complete analysis against the approved plan for the year. This does require performing some accounting tasks on a quarterly basis rather than only at year end as has previously been the case and as such is a work in progress. We would also appreciate any feedback or suggestions that elected members may have on this new format or if there is any other information they would like included in this report to assist with their governance role.

Hawke's Bay Regional Council						
Statement of Comprehensive Revenue and Expense						
	Note	For the 6 months ended 31 December 2023				Full Year Annual Plan Budget
		Actual 31-Dec 23/24 \$000	Budget 31-Dec 23/24 \$000	Variance \$000	Variance %	Actual 22/23 \$000
Revenue						
Revenue from activities	7	5,457	6,483	(1,026)	-19%	12,965
Rates revenue		20,895	20,480	415	2%	40,960
Subsidies and Grants	2,3	98,286	16,555	81,731	83%	33,110
Other revenue	5	8,208	35,289	(27,081)	-330%	70,579
Net Fair value gains on investments	6	2,669	589	2,080	78%	1,179
Total Operating Revenue		135,515	79,396	56,119	41%	158,793
Expenditure						
Expenditure on activities	2,4	(135,401)	(85,069)	(50,332)	37%	(170,137)
Finance costs	8	(2,810)	(2,103)	(707)	25%	(4,207)
Depreciation and Amortisation Expense		(2,200)	(2,580)	380	-17%	(5,160)
Total Operating Expenditure		(140,411)	(89,752)	(50,659)	36%	(179,504)
Operating Surplus / (Deficit)	1	(4,896)	(10,356)	5,460	-112%	(20,711)

Commentary on Statement of Comprehensive Revenue and Expense

- The actual result to 31 December 2023 is a \$6.2m deficit while HBRC had budgeted a deficit of \$10.4m. The favourable variance to budget of \$4.2m is primarily due to the uplift in fair value gains on managed funds and RMA section 36 fees revenue being \$1.3m above budget.
- The biggest contributor to variances to the budget are the transactions relating to the DIA Sediment and Debris agreements which were not budgeted for in the 2024 Annual Plan. Subsidies and grants revenue includes \$49.4m of Local Government funding and \$42m under the commercial entity agreement. Both amounts are offset by corresponding expenditure within expenditure on activities.
- Adjusting for the sediment & debris funding, subsidies and grants are down on plan by \$9.7m which is predominately due to other flood protection infrastructure rebuild receipts for NEMA claims not yet being received.
- Similarly, when excluding sediment & debris activity, expenditure on activities is below budget by \$41m. The key contributor to this is that the budget includes an operational spend budget of \$46m year to date for the flood protection infrastructure rebuild (as no impairment of assets had been processed at the time of finalising the Annual Plan). We subsequently impaired impacted flood protection assets and the expenditure now being incurred to repair those assets classifies as capital expenditure and is reflected in infrastructure assets in the balance sheet. This has been slightly offset by overspend in consultants and materials of \$3.7m. This consultant overspend includes \$0.4m overspend on our HBRC recovery management, \$0.5m on land categorisation costs, \$0.3m on flood mitigation scheme reviews and \$0.1m on coastal hazards.
- Other revenue is significantly down on budget due to no significant insurance proceeds being received to date. The Annual Plan estimated \$25.5m of insurance receipts by 31 December 2023 however these are expected to now be received in later periods. The HBRC dividend was also unfavourable to budget by \$1.5m with only \$3.9m received in December 2023.

6. Net fair value gains on investments have a favourable variance due improvement in the value of managed funds over the first half of the year. The budget assumes that all interest and dividends (less taxes and fees) are treated as cash received and paid out, however due to the fund balances being below the capital projected values this income has been retained in the portfolio and reinvested. This has contributed to the increase cash available in the fund and this combined with a recovering, although still volatile market, has seen the unrealised gains on the portfolio's rise above budgeted levels.
7. The main contributors to the unfavourable revenue from activities variance are coastal hazards funding still to be received from other councils and a shortfall in consents income due to high levels of non-recoverable work being done (e.g.: advice on recovery).
8. Finance costs are higher than plan due to the increase in interest rates and the levels of short-term debt taken out to cover the expenditure on cyclone response and recovery while insurance claims are processed.

Hawke's Bay Regional Council				
Statement of Financial Position				
	Note	Prior Year (PY) Actual 22/23 As at 30 June \$000	Current Year (CY) Actual 23/24 As at 31 December \$000	Current Year (CY) Budget 23/24 As at 30 June \$000
ASSETS				
Non-Current Assets				
Property, plant & equipment		37,558	37,815	36,705
Infrastructure assets	1	198,554	209,407	244,204
Investment property		67,194	67,194	69,220
Intangible assets	2	9,443	13,542	16,725
Forestry assets		11,745	11,745	12,382
Prepayments		168	168	-
Total non-current assets before other financial assets		324,662	339,870	379,235
Other financial assets	3	129,683	135,317	149,420
Investment in Council-controlled organisations	4	348,197	351,034	522,451
Total other financial assets		477,881	486,351	671,871
Total Non-Current Assets		802,542	826,221	1,051,107
Current Assets				
Inventories		337	159	430
Trade & other receivables	5	24,623	12,275	13,104
Derivative financial instruments		2,071	2,071	-
Other financial assets	3	3,142	11,042	2,807
Cash and cash equivalents	6	94,171	59,704	3,424
Total Current Assets		124,344	85,252	19,764
TOTAL ASSETS		926,886	911,473	1,070,871
NET ASSETS / EQUITY				
Accumulated funds		269,477	264,528	273,056
Fair value reserves		285,035	292,664	486,293
Other reserves		128,150	128,203	134,330
Total Net Assets / Equity		682,662	685,395	893,679
LIABILITIES				
Non-Current Liabilities				
Derivative financial instruments		-	-	-
Borrowings	7	71,563	90,613	131,103
ACC Leasehold financing liabilities		29,283	29,283	26,779
Provisions for other liabilities & charges		19	19	-
Employee benefit liabilities		414	414	510
Total Non-Current Liabilities		101,280	120,330	158,392
Current Liabilities				
Borrowings	7	29,930	29,731	3,500
ACC Leasehold financing liabilities		1,416	1,393	1,500
Employee benefit liabilities		2,401	3,023	-
Trade & other payables	8	89,578	50,006	12,218
Funds held on Behalf	9	19,620	21,615	-
Other Current Liabilities		(0)	(20)	1,582
Total Current Liabilities		142,945	105,748	18,800
TOTAL LIABILITIES		244,225	226,078	177,192
TOTAL NET ASSETS / EQUITY & LIABILITIES		926,886	911,473	1,070,871

Hawke's Bay Regional Council Financial Performance Report - 31 December 2023

Commentary on Statement of Financial Position

9. Infrastructure assets have increased by \$10.9m due to significant capital work on repairing assets damaged by Cyclone Gabrielle. However, the spend to date is significantly lower than the planned spend of \$46m for the first half of the year, a key contributor to this is the significant amount of work completed before 30 June 2023 and the timing of getting projects underway.
10. Intangible Assets have increased due to a fair value increase in carbon credits. The unit price has increased from \$41.00 at 30 June 2023 to \$69.15 at 31 December 2023. This is still well below the levels budgeted in the Long Term and Annual Plans.
11. Other financial assets (current and non-current) are mostly made up of Managed Funds. Financial markets have recovered since June 2023, although they remain volatile overall. The current value of the funds continues to be below the capital protected value of the asset, meaning no divestments of returns are permissible at this time. While these are reinvested, any gains remain unrealised and subject to market fluctuations.
12. Investments in CCOs in mostly made up of the investment in HBRIC which continues to be impacted by the share price of Napier Port, which dropped sharply during the 2023 financial year. The share price currently sits at a similar value to the prior year end (up to \$2.51 from \$2.50). It is not expected to vary significantly this year. The year end budget reflects assumptions that we would continue growth in asset values as per the last LTP and may be overly ambitious. The offset to this is in the fair value reserves.
13. The significant decrease in trade and other receivables is mostly a timing variance where the 30 June 2023 balance included a number of one-off receivables in relation to funding and reimbursements due to Cyclone Gabrielle, which have been subsequently received. GST receivable is also significantly lower in December than in June due to the timing of expenditure and income.
14. Cash equivalents has decreased from 30 June 2023 due to a large amount of the funds that were being held in advance or on behalf of others under the DIA sediment and debris funding agreements now being spent or paid out. There has also been a corresponding decrease within the trade & other payables and funds held on behalf liabilities. The balance at 31 December 2023 still includes approximately \$33m that is also recognised as held in advance or on behalf and therefore has a net nil impact on the balance sheet.
15. Borrowings have increased significantly due to additional funding required since the cyclone to fund response and recovery activities. So far this financial year Council has borrowed a further \$15m of long-term debt for this purpose and \$4.3m short-term to pre-fund maturing debt, effectively rolling it over for a longer term. Existing short-term debt of \$25m is expected to be repaid from insurance claims and reimbursements of prepaid costs by the HB Regional Recovery Agency.
16. Trade & other payables has decreased as \$43m of the DIA funds held in advance has been released to revenue as the expenditure for the agreed purposes has now been incurred. There has also been an offsetting increase in rates income received in advance which is a timing impact experienced every year.
17. Funds held on behalf has slightly increased from 30 June 2023 due to additional receipts of DIA sediment and debris funding since 30 June 2023 that have not all been paid out and a reallocation of HBRRA/DIA funds held from income in advance to funds held on behalf.
18. Note that there are several balance sheet movements that are only processed at the end of the financial year and therefore are not reflected in the above. These include, internal loan drawdowns, annual revaluations of investment property and forestry assets, the triennial infrastructure asset revaluations, infrastructure impairment assessment since 30 June 2023 and

reserve funding movements. These annual movements are likely to have a significant impact on the balance sheet come 30 June 2024.

Financial Summary by Group of Activities (GOA)

19. The following page provides a breakdown of the statement of comprehensive revenue and expense by Group of Activities (GOA). The Organisational Performance Report includes further financial and non-financial commentary for each GOA.
20. GOA expenditure includes each activity's external expenditure, internal staff time, finance costs (interest and debt repayments), depreciation/amortisation and a share of overheads.

Hawke's Bay Regional Council												
Statement of Comprehensive Revenue and Expense by Group of Activities												
For the 6 months ended 31-Dec-2023												
	Governance and Partnerships			Integrated Catchment Management			Asset Management			Policy and Regulations		
	Actual \$000	Budget \$000	Variance \$000	Actual \$000	Budget \$000	Variance \$000	Actual \$000	Budget \$000	Variance \$000	Actual \$000	Budget \$000	Variance \$000
Revenue												
Revenue from activities	1,106	500	606	1,590	1,733	(144)	439	2,291	(1,852)	759	1,818	(1,058)
Rates revenue	3,179	3,124	55	11,462	11,308	154	9,203	9,095	108	4,231	4,109	122
Subsidies and Grants	-	19	(19)	1,179	918	260	620	13,472	(12,852)	52,628	53	52,574
Other revenue	8	-	8	3	12	(8)	(338)	25,500	(25,838)	12	3	9
Net Fair value gains on investments	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Revenue	4,293	3,643	650	14,233	13,971	262	9,924	50,358	(40,434)	57,630	5,983	51,647
Expenditure												
Expenditure on activities	4,271	3,478	793	11,772	14,158	(2,387)	11,046	56,353	(45,308)	56,979	5,969	51,010
Finance costs	419	551	(132)	247	372	(125)	43	135	(92)	1	1	0
Depreciation and Amortisation Expense	-	-	-	308	404	(96)	400	473	(73)	7	4	3
Total Operating Expenditure	4,690	4,029	661	12,327	14,935	(2,608)	11,488	56,961	(45,473)	56,987	5,973	51,014
Operating Surplus / (Deficit)	(397)	(386)	(11)	1,906	(963)	2,870	(1,564)	(6,603)	5,039	644	10	634

	Emergency Management			Transport			Corporate Overheads			Total		
	Actual \$000	Budget \$000	Variance \$000	Actual \$000	Budget \$000	Variance \$000	Actual \$000	Budget \$000	Variance \$000	Actual \$000	Budget \$000	Variance \$000
Revenue												
Revenue from activities	1,313	59	1,254	183	-	183	67	81	(14)	5,457	6,483	(1,026)
Rates revenue	3,071	3,007	64	1,676	1,660	16	(11,928)	(11,824)	(104)	20,895	20,480	414
Subsidies and Grants	42,061	50	42,010	1,797	2,042	(245)	2	-	2	98,286	16,555	81,731
Other revenue	148	-	148	145	-	145	8,230	9,775	(1,545)	8,208	35,289	(27,081)
Net Fair value gains on investments	-	-	-	-	-	-	2,669	589	2,080	2,669	589	2,080
Total Operating Revenue	46,592	3,116	43,476	3,801	3,703	98	(960)	(1,378)	419	135,515	79,396	56,119
Expenditure												
Expenditure on activities	47,987	3,246	44,740	4,042	3,552	491	(695)	(1,688)	993	135,401	85,069	50,332
Finance costs	171	152	19	1	2	(1)	1,928	891	1,037	2,810	2,103	707
Depreciation and Amortisation Expense	0	0	0	120	113	6	1,365	1,586	(221)	2,200	2,580	(380)
Total Operating Expenditure	48,158	3,398	44,759	4,163	3,666	496	2,599	790	1,809	140,411	89,752	50,659
Operating Surplus / (Deficit)	(1,565)	(282)	(1,283)	(362)	36	(398)	(3,558)	(2,168)	(1,390)	(4,896)	(10,356)	5,459

Hawke's Bay Regional Council Financial Performance Report – 31 December 2023

Rates Revenue & Collection

	YTD Income			Full Year income Annual Plan	
	Actual	Budget	%	budget	%
General rates	6,510	6,407	102%	12,815	51%
Targeted rates	14,060	14,031	100%	28,062	50%
Penalty Income	591	330	179%	330	179%
	21,161	20,768	102%	41,207	51%

	YTD Expenditure			Full Year Expenditure Annual Plan	
	Actual	Budget	%	budget	%
Rate collection costs	300	322	93%	396	76%
Remissions/Refunds/Write-offs	286	250	114%	554	52%
	586	572	103%	950	62%

- 21. To date we have approved 248 rates remissions for extreme financial hardship as a result of the cyclone and have declined five.

Debtors

- 22. There is a significant decrease in debt this quarter due to a large amount of Government invoices being paid. The remaining debt is primarily made up of deferred leasehold (which clears on sale of the property), freshwater science and a few cyclone-related generator invoices.
- 23. On the rates side debt has dropped to \$5m still owing at the end of December. We currently have \$825k of rates debt with our debt management company and, based on previous trends, should start to see significant decreases on this debt. Sustainable homes debt has dropped \$200k due to targeted debt collection in this area.

The overall debt for HBRC for YTD December is:

Debt excluding Rates	Current	1 - 30 Days	31 - 60 Days	61 - 90 Days	91+ Days	Sum
Total	\$ 510,860	\$ 19,203	\$ 74,172	-\$ 16,499	\$ 762,376	\$ 1,350,112

Rates Debt	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Sum
Total	\$ 65,146	\$ 99,138	\$ 173,434	\$ 221,299	\$ 463,520	\$ 971,311	\$ 3,029,181	\$ 5,023,029

SH Debt	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Sum
Total	\$ 2,260	\$ 5,998	\$ 12,312	\$ 20,199	\$ 37,202	\$ 70,826	\$ 744,263	\$ 893,059

Total Debt	\$ 7,266,200
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NB: This is only a portion of the trade & other receivables balance in the Statement of Financial Position.

- 24. The balance sheet currently includes a \$296k rates provision and \$381k receivables provision for debtors unlikely to be received which will be reviewed and updated at 30 June 2024.

Hawke's Bay Regional Council
Corporate and Strategic Committee

21 February 2024

Item 8

Subject: Organisational Performance report for the period 1 October – 31 December 2023

Reason for Report

1. This item presents the Organisational Performance Report for 1 October – 31 December 2023.

Organisational Performance Report content

2. The report contains four parts:
 - 2.1. **Executive summary** including highlights and lowlights.
 - 2.2. **Corporate metrics** that focus on how well we are performing across a number of corporate-wide measures such as employee turnover and corporate carbon footprint.
 - 2.3. **Level of Service Measures** by group of activities with traffic light status and commentary by exception.
 - 2.4. **Activity reporting** with commentary and non-financial status, and financial statements and commentary by groups of activities.
3. Organisational performance reports were established in 2018. The status and commentary reporting are rolled up from cost centre to activity level. Commentary by cost centre is still available to committee members via the PowerBI dashboard.
4. Staff complete their reporting in a software tool called Opal3. For LOSM and activity reporting, staff select the status (red, amber, green) and provide commentary on what they did in the quarter against their annual work plans.

Points of interest

5. Levels of service measures have been reintroduced on an exceptions basis. This means that only those performance measures that are marked 'off track' have been included with commentary.
6. Strategic projects reports have not been included this quarter.
7. Financial reporting has been amended to align with the financial report produced by the Finance Team. Figures are now presented by group of activity rather than activity itself. Financial commentary focuses on the key points of note for each group.

Corporate metrics

8. LGOIMA requests remain high at 47 this quarter.
9. The employee count has climbed to 382 which includes summer students and additional recruitment to the Asset Management Group's Programme Management Office for category two flood protection works.
10. Annual staff turnover has trended downward for the sixth month in a row.

Levels of service performance reporting

11. Staff have reported 7 performance measures as 'off track', and 5 as 'not achieved' by the end of the year.

Activity reporting

12. Staff have reported 7 activities as 'off track' from their usual workplans. This is down from 13 last quarter.
13. Financial reporting shows 5 of the 6 groups of activities are 'off track'. Corporate overheads is also 'off track'.

Reporting dashboard (PowerBI)

14. The dashboard is produced using PowerBI to give a visual representation of the results over time. The Organisational Performance Report document is produced from the dashboard.
15. The dashboard also provides committee members with the ability to delve deeper into activities of interest (via cost centres) particularly under Work Programmes. There is often more commentary in the dashboard than in the published report.
16. We are continuously looking to improve the dashboard and data reliability across all areas and would appreciate any feedback from committee members.

Decision-making process

17. 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 *Organisational Performance report for the period 1 October – 31 December 2023*.

Authored by:

Hariza Adlan
Performance & Data Analyst

Sarah Bell
Team Leader Strategy and Performance

Approved by:

Desiree Cull
Strategy and Governance Manager

Attachment/s

- 1 Q2 Organisational Performance Report Under Separate Cover

Hawke's Bay Regional Council
Corporate and Strategic Committee

21 February 2024

Subject: HBRIC Ltd quarterly update

Reason for Report

1. This item presents the HBRIC quarterly update for Q2 October to 31 December 2023.

Financial Reporting

2. HBRIC's YTD Financial Statements as at 31 December 2023 are attached to this report.
3. Key Items to note:
 - 3.1. Statement of Financial Performance
 - 3.1.1. YTD surplus of \$202k (excluding fair value movements through other comprehensive income)
 - 3.1.2. YTD \$309k interest income (excluding managed funds)
 - 3.1.3. YTD \$68k net return from managed funds (excluding unrealised gains).
 - 3.2. Statement of Financial Position
 - 3.2.1. Increase in net assets of \$2.7million as at 31 December 2023
 - 3.2.2. NPHL share price has increased 0.4% YTD from \$2.50 to \$2.51 – total increase is \$1.1million
 - 3.2.3. Increase in managed fund value of \$1.4million.

Managed Funds

4. These funds were formed using proceeds raised from the Napier Port IPO and are considered a strategic asset. They remain under management in compliance with Council's SIPO.
5. The value of managed funds for HBRIC as at 31 December 2023 amounted to \$47.1 million, a movement of approximately \$1.5m (3.29%) year to date.
6. This is below the capital protected value of the asset of \$49.9m (2% compounded inflation since inception). No divestments have been made YTD.

HBRIC Managed Funds Performance Summary					
Fund	01/07/23 balance	YTD Divestments	31/12/2023	YTD gain / (loss)	YTD % gain / (loss)
Jarden	14,641,342	-	15,092,456	451,114	3.08%
Mercer	30,996,948	-	32,045,284	1,048,336	3.38%
HBRIC Total	45,638,290	-	47,137,740	1,499,450	3.29%

Port Dividend

7. Each year HBRIC receives dividends from Napier Port Holdings Ltd. Considering the effects of Cyclone Gabrielle on the Port operating revenue, HBRIC trimmed their FY24 budget expectations down to \$6m. HBRIC received \$3.905m in December, against budget YTD of \$3.840m. 100% of this dividend has been passed through to the Hawke's Bay Regional Council to support the council's cash expectation from HBRIC.

FoodEast

8. Since the last report:
 - 8.1. Work continues to progress towards the completion of both buildings.
 - 8.2. The FoodEast Board hosted a Strategy Refresh workshop on 13 November 2023 involving FoodEast partners (including HBRC's Chairperson) and industry experts. Subsequent to the workshop a commercial agent has been appointed to lead the process for identifying and tenants for the property and negotiating leases, expected to commence from June.
9. Building update:
 - 9.1. The building project continues on time and budget.
 - 9.2. Building A is now water tight, with roofing, walls and windows fitted. It is due for completion in March 2024.
 - 9.3. Building B is due for completion at the end of this month although the site remains a construction zone until building A has been completed.

Napier Port

10. Napier Port released their Q1 2024 (ended 31 December 2023) Trade Volume Update on 15 January 2024. Compared to the buoyant first-quarter 2023:
 - 10.1. Trade volumes decreased 28.3% for containerised cargo, mainly due to Pan Pac's wood pulp and timber mills remaining closed following Cyclone Gabrielle, with Reefer export cargo decreasing by 9.5% as small decreases were observed for apples and pears and fresh and other chilled produce.
 - 10.2. Total bulk cargo increased 3.2%, with log exports increasing 10.6%, continuing the positive momentum seen in the fourth quarter of 2023.
 - 10.3. Cruise vessel calls during the first quarter were 20, in line with the same period in the prior year. Assuming no further booking cancellations, Napier Port now has actual calls plus remaining bookings totalling 91 vessels for this cruise season.
11. Overall, the result is in line with expectations that the pace of recovery following Cyclone Gabrielle in February 2023 will become progressively clearer. The Port indicates that future performance will clearly be influenced by the scheduled recommencement of Pan Pac's timber and pulp manufacturing operations as well as the new season's agricultural and horticultural produce coming on stream during the second quarter of our 2024 financial year.

HBRC Investment Strategy Review

12. As resolved by Council at its 25 October meeting, a new Statement of Expectations was issued to the HBRIC board on 9 November, reflecting that wider suite of workshop outputs and formal resolutions that were made to conclude HBRC's Investment Strategy Review.
13. At its 27 November 2023 Board Meeting, HBRIC held a workshop dedicated to implementation of the changes to give effect to Council's decision to assume the role of Investment Manager for the Group's investment assets, including managed funds, investment property and forestry assets (that will continue to remain in HBRC ownership).
14. On 13 December Council adopted a new Statement of Investment Policies and Objectives (SIPO) which in turn enabled a key first step in the implementation of the investment strategy, namely a Request for Proposal in relation to the Group's \$150m managed funds portfolio. This was subsequently issued on 21 December to six parties with a submission deadline of 16 February 2024.

Decision-making process

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

Recommendations

That the Corporate and Strategic Committee receives and notes the *HBRIC Ltd quarterly update* report.

Authored by:

Jess Bennett
Senior Manager Finance Recovery

Tracey O'Shaughnessy
Treasury & Investments Accountant

Tom Skerman
HBRIC Commercial Manager

Approved by:

Susie Young
Group Manager Corporate Services

Attachment/s

There are no attachments for this report.