

Meeting of the Corporate and Strategic Committee

Date: 13 November 2024
Time: 2.00pm
Venue: Council Chamber
Hawke's Bay Regional Council
159 Dalton Street
NAPIER

Agenda

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1.	Welcome/Karakia/Housekeeping/Apologies	
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Hawke's Bay Regional Council
Corporate and Strategic Committee
13 November 2024

Subject: Public Forum

Reason for report

1. This item provides the means for the Committee to give members of the public an opportunity to address the Committee on matters within its terms of reference.

Background

2. The Hawke's Bay Regional Council's Standing Orders provide for public forums as follows:

14. Public Forums

Public forums are a defined period of time, usually at the start of a meeting, which, at the discretion of a meeting, is put aside for the purpose of public input. Public forums are designed to enable members of the public to bring matters to the attention of the local authority.

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 meeting.

Requests must be made to the HBRC Governance Team (06 835 9200 or governanceteam@hbrc.govt.nz) at least one clear day before the meeting; however this requirement may be waived by the Chairperson.

14.1 Time limits

A period of up to 30 minutes, or such longer time as the meeting may determine, will be available for the public forum at each scheduled Regional Council, Corporate & Strategic Committee, Environment & Integrated Catchments Committee and Regional Transport Committee meeting.

Speakers can speak for up to 5 minutes. No more than two speakers can speak on behalf of an organisation during a public forum. Where the number of speakers presenting in the public forum exceeds 6 in total, the Chairperson has discretion to restrict the speaking time permitted for all presenters.

14.2 Restrictions

The Chairperson has the discretion to decline to hear a speaker or to terminate a presentation at any time where:

- ☐ a speaker is repeating views presented by an earlier speaker at the same public forum
- ☐ the speaker is criticising elected members and/or staff
- ☐ the speaker is being repetitious, disrespectful or offensive
- ☐ the speaker has previously spoken on the same issue
- ☐ the matter is subject to legal proceedings
- ☐ the matter is subject to a hearing, including the hearing of submissions, where the local authority or committee sits in a quasi-judicial capacity.

14.3 Questions at public forums

At the conclusion of the presentation, with the permission of the Chairperson, elected members may ask questions of speakers. Questions are to be confined to obtaining information or clarification on matters raised by a speaker.

14.4 No resolutions

Following the public forum no debate or decisions will be made at the meeting on issues raised during the forum unless related to items already on the agenda.

Decision-making process

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

Recommendation

That the Corporate and Strategic Committee receives and notes the *Public Forum speakers' verbal presentations*.

Authored by:

Leeanne Hooper
Team Leader Governance

Approved by:

Desiree Cull
Strategy & Governance Manager

Attachment/s

- 1 [↓](#) Corporate and Strategic Committee Terms of Reference 2023-2025

Corporate and Strategic Committee Terms of Reference



Adopted by resolution of Hawke's Bay Regional Council on 26 April 2023

1. The Corporate and Strategic Committee is responsible for recommending actions, responses and changes to Council for:
 - 1.1. Establishing strategic priorities for organisational direction and performance including development of Council's Strategic Plan
 - 1.2. Oversight of the development of Council's Annual and Long Term plans
 - 1.3. Oversight of Council's financial reporting
 - 1.4. Monitoring the effectiveness of Council's strategic external partnerships with the region's Territorial Local Authorities and agencies that receive Council funding including Hawke's Bay Tourism, Matariki Governance Group and the Regional Economic Development Agency
 - 1.5. Consideration of resourcing implications of strategic initiatives and significant financial matters
 - 1.6. Monitoring the effectiveness of the organisation's Corporate Services activities including information and communication technology, fleet and facilities, marketing and communications
 - 1.7. Monitoring the effectiveness of Council's resource consent, compliance monitoring and enforcement activities
 - 1.8. Monitoring the effectiveness of the organisation's People & Capability and Health, Safety & Wellbeing activities
 - 1.9. Monitoring the effectiveness of the organisation's emergency management activities
 - 1.10. Monitoring the strategic direction of Council's investment portfolio and, where appropriate, the sale or acquisition of Council investments.
2. **Use of Delegated Powers for the Corporate and Strategic Committee** – this committee may, without confirmation by Hawke's Bay Regional Council (HBRC), exercise or perform them in the same manner and with the same effect as HBRC could itself have exercised or performed them, provided that the decision deserves urgency and the decision to make the resolution a decision of HBRC is carried unanimously by the voting members of the Committee.

Members:	All councillors being: Hinewai Ormsby, Jerf van Beek, Martin Williams, Neil Kirton, Thompson Hokianga, Charles Lambert, Di Roadley, Sophie Siers, Will Foley, Xan Harding and Jock Mackintosh One appointed member of the Māori Committee being Peter Eden One appointed PSGE member of the Regional Planning Committee being Laura-Margaret Kele
Chair:	A councillor as elected by the Council, being Xan Harding
Deputy Chair:	A councillor as elected by the Council, being Jock Mackintosh
Meeting Frequency:	Quarterly
Staff Executive:	Chief Executive Group Manager Corporate Services Group Manager Policy & Regulation

Hawke’s Bay Regional Council
Corporate and Strategic Committee

13 November 2024

Subject: Regional Economic Development Agency update

Reason for report

1. This paper provides an update on the establishment and operations of the Hawke’s Bay Regional Economic Development Agency (HBREDA).

Background

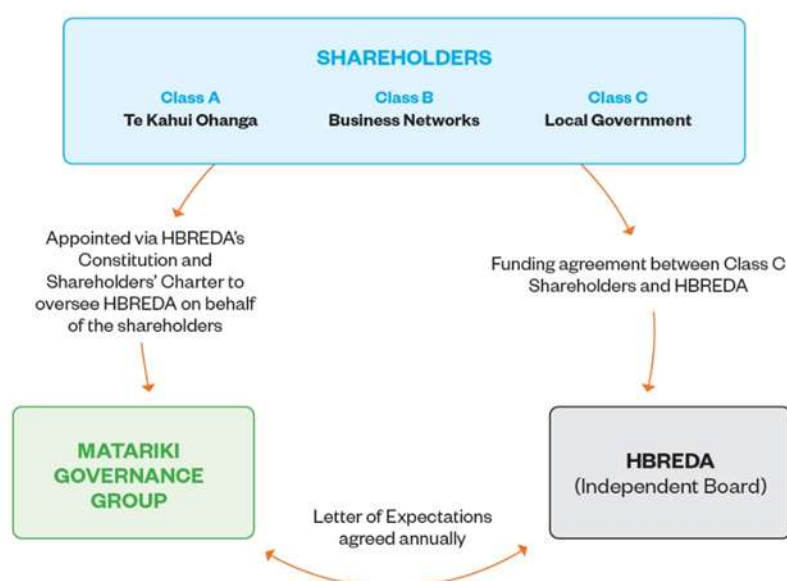
2. Councils in the Hawke’s Bay region resolved to fund HBREDA in late 2021. The organisation was formed as partnership between local government, business, and iwi/hapū.
3. Following legal advice, the legal structure for HBREDA was confirmed to be a council organisation (but not a CCO) in the form of a limited liability company and governed by an independent skills-based board. Shareholdings in the HBREDA company were agreed by council CEs and the Matariki Governance Group (MGG) to be in equal thirds between business, iwi/hapū and local government. Fourteen shareholder entities are represented within these three groupings.
4. The MGG set up a board appointments panel and appointed the Board in December 2022. Board members are:
 - 4.1. Alasdair MacLeod (Chair)
 - 4.2. Shayne Walker
 - 4.3. Caren Rangī
 - 4.4. Erin Simpson
 - 4.5. Rawinia Kamau (resigned May 2024).
5. The Matariki Governance Group was nominated by shareholders, via the HBREDA constitution, as the shareholder representative.
6. The funding committed by councils in December 2021 is allocated between councils as outlined in the table below.

Council	Split	Year 1	Year 2	Year 3+
HBRC	29%	454,572	461,899	500,000
HDC	29%	454,572	461,899	500,000
NCC	29%	454,572	461,899	500,000
CHB	8%	122,844	124,824	135,120
WDC	4%	64,440	65,479	70,880
		1,551,000	1,576,000	1,706,000

7. Prior to HBREDA’s establishment, some of the funds set aside for HBREDA were allocated to the operation of the Business Hub in Ahuriri, shifting the business support agencies to Hastings and setting up a new business hub, the Regional Freight Distribution Strategy, consultant support to assess the needs of business post-cyclone, and consultant and legal costs for the establishment of HBREDA.

HBREDA establishment update

8. Lucy Laitinen was appointed as Chief Executive of HBREDA and commenced in 14 August 2023.
9. HBRREDA was incorporated on 14 September 2023 with a constitution that outlined the shareholder arrangements and appointed the Matariki Governance Group as the shareholder representative.
10. The Shareholders' Charter was approved at a meeting of shareholders on 23 February 2024. This lays out the governance, reporting, and funding arrangements for the company. The Charter states that the Matariki Governance Group, as the shareholder representative, shall agree an annual letter of expectations (LOE) with the HBREDA Board. The process for agreeing the annual letter of expectations must allow for an opportunity for shareholder entities to provide their input/feedback into the letter. The Matariki Governance Group has the final signing authority, on behalf of shareholders. HBREDA's governance arrangements are illustrated below.



11. The Shareholders' Charter lays out 8 operating principles to assist HBREDA in determining its work programme (to be detailed in the LOE). The full Charter can be referred to in **Attachment 1**.
12. The HBREDA Shareholders' Charter, approved on 23 February, defines the letter of expectations (LOE) as the mechanism for Matariki, the shareholder representative, and HBREDA to agree work programme priorities, reporting, and performance measures for the company.
13. HBREDA provided the Matariki Governance Group a draft LOE for the six month period starting 1 July 2024 at the 5 April 2024 meeting, asking the MGG to provide it to shareholder entities for feedback with a view to agreeing the LOE at the 21 June 2024 Matariki meeting.
14. Over time, when Matariki has the capacity available, HBREDA has recommended a move to a process where Matariki prepares a LOE each year, with input from all shareholder entities, and provides it to HBREDA, which then responds with a Statement of Intent. This would allow for the development of a robust and transparent process to secure shareholder feedback and input and allow HBREDA to exercise its independence through developing a Statement of Intent in response.
15. The MGG is reviewing an LOE laying out HBREDA's work programme, performance measures, and reporting requirements for a six-month period. The LOE will be annexed to HBREDA's funding agreement with councils.

16. The financial reporting provided by HBREDA to the Matariki Governance Group will meet the reporting requirements for local government expenditure. It is Matariki's responsibility to ensure this reporting, along with narrative reporting, is disseminated to shareholder organisations. It is not expected there will be any additional formal reporting mechanisms to shareholders outside of those outlined in the Letter of Expectations, nor separate KPIs. HBREDA will continue to respond to requests from shareholders, such as HBRC, to provide updates directly on its activities. These will not be considered part of HBREDA's formal reporting to shareholders.
17. Following the approval of HBREDA's first LOE, HBREDA will sign a funding agreement with the funding councils. HBREDA is currently receiving tax and accounting advice on the draft agreement. We are also in the process of clarifying the treatment of pre-incorporation expenses, which is relevant to HBRC because HBRC held HBREDA's funding before it was established.

Establishment of Te Rae

18. The responsibility for running the new business hub was given to HBREDA before the company was established. Due to the shift of the previous business hub away from Ahuriri to Hastings, HBREDA 'inherited' a building project.
19. HBREDA turned the building project into 'Te Rae', the new business hub, which was blessed and opened to the public on 23 February 2024. Te Rae houses the business support agencies (Chamber of Commerce, NZTE, Business Central, and Export NZ) and HBREDA, and provides six meeting rooms for public hire. HBREDA has partnered with Toi Mairangi to provide gallery space for local artists in the events/meeting space.
20. The Te Rae website can be accessed at www.terae.nz. HBREDA is seeking clarification from the MGG that all councils should receive free use of the rooms.
21. HBREDA has just taken over the lease on 101 Queen St East, where Te Rae is located, from Hastings District Council and now has licenses to occupy with tenants. A considerable portion of HBREDA funds have been put toward the design and fitout of Te Rae. Landlord and operational responsibility for Te Rae will be an ongoing part of HBREDA's responsibilities.

Telecommunications resilience report

22. HBREDA engaged consultant Jonathan Brewer to conduct a review of Hawke's Bay's telecommunications resilience as a contribution to the recovery, to investigate the widespread telecommunications outage that occurred after Cyclone Gabrielle and develop recommendations. The Regional Recovery Agency is responsible for developing an action plan for next steps. The report will be released shortly.

RFPs: 'Research into understanding the HB Economy' and 'Provision of Regional Dashboard and Economic Insights'

23. HBREDA published two RFPs in May and is currently evaluating responses. Both the research and the ongoing provision of economic and wellbeing data will inform HBREDA's future work programme and will provide useful insights and data for all of our stakeholders.

Matariki secretariat

24. HBREDA has been asked to fund and support the Matariki secretariat. It has contracted a board secretary, communications function, and just recently a strategic advisor. A grant of \$60,000 has recently been provided by MSD to support these costs as well as the development costs of a Matariki website, when appropriate.

Decision-making considerations

25. 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 *Regional Economic Development Agency update*.

Authored by:

Tracey O'Shaughnessy
Treasury & Investments Accountant

Approved by:

Susie Young
Group Manager Corporate Services

Attachment/s

- 1↓ HBREDA Charter
- 2↓ Matariki letter of expectations
- 3 July 2024 economic performance report Under Separate Cover online only

Approved 23 February 2024

Shareholders' Charter for the HB Regional Economic Development Agency (HBREDA)

1. Introduction

The Hawke's Bay Regional Economic Development Agency (HBREDA) was set up by the shareholders to secure better economic outcomes for our region. HBREDA will support the region to work collaboratively to capture opportunities, address regional challenges, reduce inefficiencies and duplication, maximise investments, present a unified voice, and champion positive economic and social outcomes for all whānau in Hawke's Bay.

This Charter has been prepared by the shareholders to provide additional clarity around the relationship between the shareholders, the Matariki Governance Group, and the HBREDA Board. This document supplements the company's constitution.

The shareholders recognise that partnerships and collaboration across, and between, iwi and hapū Māori, business, local authorities, central government, and the community sector are essential for regional success. The shareholders have established HBREDA to work for the benefit of the region as a whole.

2. Vision of HBREDA

The vision, as stated in HBREDA's constitution, is a sustainable, accessible, and resilient Hawke's Bay economy where every whānau and household benefits.

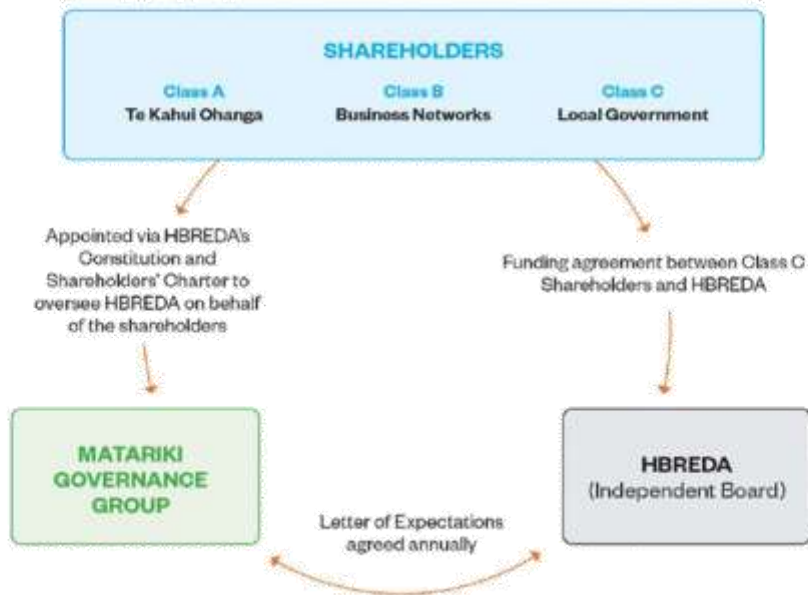
3. Goals

The purpose of HBREDA, as stated in the Constitution, is to contribute to:

- i. increasing Hawke's Bay productivity performance, including a shift from volume to higher value products, investing in R&D, technology and innovation to achieve productivity improvements, and supporting small to medium enterprise growth;
- ii. facilitating a more even distribution of economic benefits, skill levels and productivity improvements, achievement of higher incomes and the right skills available for the future workforce; and
- iii. assisting in enabling Hawke's Bay to respond to and mitigate the effects of disruptions and shocks in a manner that reduces harm and overall costs including through diversification and supporting supply chains.

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4. Governance



4.1 Matariki Governance Group

The shareholders have asked the Matariki Governance Group to act as our shareholder representative. The Matariki Governance Group will set expectations for HBREDA's strategic direction and oversee its performance. Following input from the shareholders, the Matariki Governance Group will issue an annual Letter of Expectations to the Board of HBREDA, which will include:

- i. HBREDA's anticipated work programme;
- ii. Agreed funding; and
- iii. Annual reporting requirements.

Additionally, the Matariki Governance Group will undertake to:

- iv. Facilitate discussions about funding for HBREDA, noting that individual shareholder entities have their own processes to consider and approve funding contributions;
- v. Review the external review of HBREDA's Board performance every two years;
- vi. Act as the first point of contact for any shareholder concerns regarding HBREDA's work programme, funding, and/or performance;
- vii. Approve interim appointment of directors on recommendation of the HBREDA Board, subject to confirmation of appointment at the shareholders' AGM; and
- viii. Set the directors' remuneration annually after taking independent advice. The HBREDA Board shall annually make a recommendation to the Matariki Governance Group regarding remuneration for directors.

It is expected that the Chair of HBREDA will meet the Matariki Governance Group co-chairs at minimum twice a year to discuss HBREDA's work, emerging issues of interest, and any areas of concern.

The CEO of HBREDA shall be a member of the Matariki Executive Group.

4.2 HBREDA Board

The HBREDA Board shall direct and supervise the business and affairs of HBREDA including:

- i. Appointing the Chair;
- ii. Appointing the Chief Executive Officer and managing their performance;
- iii. Working with the Matariki Governance Group to establish HBREDA's work programme through the Letter of Expectations;
- iv. Making sure the appropriate resources are in place to achieve the HBREDA's objectives within the funding envelope provided by shareholders and any other funders;
- v. Ensuring key governance policies and procedures are in place and adhered to;
- vi. Taking the necessary steps to protect the company's financial position and the ability to meet its debts and other obligations when they fall due;
- vii. Ensuring HBREDA adheres to high standards of professional and ethical behaviour;
- viii. Managing risks appropriately; and
- ix. Familiarising itself with issues of concern to shareholders and wider stakeholders.

The HBREDA Board shall take a 'no surprises' approach where matters of major importance and significant emerging issues are shared early with the Matariki Governance Group, applying tika, pono, and aroha.

As an independent board, the HBREDA Board is encouraged to form views on matters related to economic and social wellbeing in the region in order to advocate for change, inform investment decisions, and drive collaboration. It is the expectation of the shareholders and the Matariki Governance Group that the HBREDA Board shall take a constructive approach to communicating its views to shareholders and the wider public, keeping at the forefront recognition of its role as a regional entity that has been established to work towards the vision and goals outlined in the constitution and this Charter.

The desire of the shareholders is to ensure the independence of the HBREDA Board. To ensure continued independence, and avoid the undue influence of a single shareholder, the shareholders agree that no elected members, directors, trustees, or officers of any of the shareholder entities shall be appointed as directors of HBREDA.

5. Operating Principles

In determining its work programme and the activities that shall or shall not be prioritised, the HBREDA Board shall in the first instance ensure there is alignment with agreed regional targets, when in place, and that the following principles are met:

- i. There are opportunities for collective regional benefit at the household level;
- ii. Our commitment to our rights and obligations under Te Tiriti o Waitangi is honoured;
- iii. The activity or initiative is operationally feasible within existing resourcing and capability, or additional funding is provided; and
- iv. No other shareholder or other organization is better placed to undertake the work in terms of mandate, capacity, funding, and capability and/or within the desired time-frame.

Once this threshold is met, the HBREDA Board shall be guided by the following principles in determining its work programme:

- v. Long-term value, whether economic, environmental, cultural, or social, is not sacrificed for short-term results;
- vi. The expected outputs and outcomes are clear and measurable and include, where possible, measurable outcomes for Māori, Pasifika, and other groups in our community who are currently disadvantaged in the local economy;
- vii. Subsequent high impact opportunities for REDA, or the region more generally, are generated; and
- viii. No more of than 50% of the discretionary budget shall be consumed by one activity.

The HBREDA Board shall ensure that all applicable fiduciary, prudence, and due diligence requirements are met as well as compliance with all applicable laws, rules, and regulations.

6. Funding and Audit

The Matariki Governance Group shall facilitate discussion about funding for HBREDA, noting that individual shareholder entities have their own processes to consider and approve funding contributions. We note the nature and scale of its resourcing is a large factor in the success of HBREDA.

HBREDA may also seek funding from outside of the shareholder group as long as the source and nature of funding aligns with the company's purpose as defined in the constitution and charter and the strategic goals as defined in the letter of expectations.

No external financial audit is required unless the shareholders pass a resolution to the contrary at the shareholders' annual general meeting.

7. Letter of Expectations

The Matariki Governance Group shall agree an annual letter of expectations with the HBREDA Board. The process for agreeing the annual letter of expectations must allow for an opportunity for shareholder entities to provide their input/feedback into the letter. The Matariki Governance Group will have the final signing authority, on behalf of shareholders.

8. Board Performance

The HBREDA Board shall be responsible for establishing governance policies and procedures to manage the appointment of the Chair, the nomination and onboarding of new directors, voting and conduct at Board meetings, tenure and rotation, and Board performance.

Each year the HBREDA Board shall critically evaluate its own performance, including the performance of the Chair and each director. Every second year, in addition to its own internal evaluation, the HBREDA Board shall commission an independent review of its performance, which shall be shared with the Matariki Governance Group.



30 June 2024

Letter of Expectations for HBREDA

Tēnā koe Alasdair,

We write to convey our expectations for the work programme and performance of the Hawke's Bay Regional Economic Development Agency (HBREDA or the company). This letter of expectations covers the first six months of the July 2024 to 30 June 2025 financial year. This financial year is the final year of the first three-year funding tranche from council shareholders. We are working on the assumption that funding will continue beyond 2025 and note that the funding approval process will take place during the period covered by this letter.

As a region we established HBREDA to contribute to achieving our regional vision of a sustainable, accessible, and resilient Hawke's Bay economy where every whānau and household benefits. We acknowledge your Board's commitment to this vision. The challenges to our economy brought about by Cyclone Gabrielle and the choices we have around future growth opportunities further emphasise the importance of our region having a robust economic development agency and sustainable development economic development plan for the region.

This letter of expectations is for six months only as recognition that HBREDA is finishing its establishment phase and is currently working to build an informed and broad understanding of the economy and the opportunities and challenges for sustainable economic development. This work will inform HBREDA's future work programme.

The Shareholders' Charter for HBREDA sets out the shareholder expectations of the Matariki Governance Group and the HBREDA Board and should be read alongside this letter.

We look forward to working with you as your shareholder representative.

1. FUNDING

The Council shareholders committed the following funding to the establishment of HBREDA:

Council	Split	Year 1 FY2023	Year 2 FY2024	Year 3 FY2025
HBRC	29%	454,572	461,899	500,000
HDC	29%	454,572	461,899	500,000
NCC	29%	454,572	461,899	500,000
CHB	8%	122,844	124,824	135,120
WDC	4%	64,440	65,479	70,880
		\$1,551,000	\$1,576,000	\$1,706,000

We note that funds assigned by councils to HBREDA were allocated to several projects and operational costs prior to HBREDA's incorporation and that unspent funding was carried forward in year 1. The projects included the regional freight strategy, the operation of the business hub in Ahuriri and its move to Hastings and fitout, and director and consultant fees related to the establishment of HBREDA as well as support to the cyclone response.

We acknowledge our role in brokering discussions about further funding commitments from shareholders beyond the agreed funding period. HBREDA will also explore funding opportunities from outside of the shareholder group as long as the source and nature of funding aligns with the company's purpose as defined in the Constitution, Charter, and work programme outlined in this letter.

When preparing your strategies and plans you can assume that funding will be provided beyond 30 June 2025.

2. ESTABLISHMENT ACTIVITIES

We acknowledge that since HBREDA's incorporation on 14 September 2023 the company has been in establishment phase. We note that you have appointed a Chief Executive Officer. We want HBREDA to be successful and encourage you to ensure HBREDA's foundations are robust through the establishment of sound policies, systems, processes, and ways of working. We note that some of your establishment activities will continue into the 2024/2025 year.

3. ONGOING CORE RESPONSIBILITIES

a. Operation of Te Rae

HBREDA established Te Rae, the business hub, on behalf of the region, opening it on 23 February 2024. We ask you to continue operating Te Rae as a place where businesses and other members of the community can access affordable, versatile meeting and event space. We collectively want to see Te Rae as a space that fosters the sharing of ideas and collaboration that will support the development of our whole region.

We note that it is HBREDA's responsibility to set a pricing strategy and operating model for Te Rae but confirm, via this letter, that the five HBREDA shareholder funding councils shall receive free use of Te Rae meeting rooms for council-led meetings and that other shareholders, with the exception of the Chamber of Commerce, which is a paying tenant of Te Rae, should receive a 10% discount on room bookings.

We also ask you to continue to act as landlord at 101 Queen St East, Hastings for Te Rae's permanent tenants, the business support agencies: Hawke's Bay Chamber of Commerce, NZ Trade and Enterprise, Business Central, and Export NZ.

b. Regional thought/ economic leadership

We expect HBREDA to position itself as a voice of authority on our local economy, supporting the region's vision for every whānau and every household being actively engaged in and benefiting from

a thriving economy. This may involve the identification of gaps and barriers to sustainable growth, advocacy for particular regional priorities, investments and initiatives, or challenges to current thinking. In time, when more research and stakeholder engagement has taken place, HBREDA will have a clearer direction in terms of regional development priorities to guide this work. As a priority, we would like to see you champion progressive procurement/broader outcomes from central and local government infrastructure investments in this region.

We recognise that partnerships and collaboration across iwi/hapū Māori, business, central and local government, and the community sectors are essential to creating the conditions for economic and social wellbeing in Hawke's Bay. HBREDA needs to be a connector and facilitator to ensure joined up, long-term thinking across the region. In particular, HBREDA should work closely with business in the region to understand their aspirations and concerns, look for opportunities for enhancements to the business environment, and broker industry relationships.

c. Provision of economic data and insights

We expect HBREDA to fund and hold the region's repository for economic intelligence, data, and insights. HBREDA should make this information available to stakeholders to inform strategy, support investment decisions, track progress, and identify areas of need. The data should, where possible, meet the economic data needs of individual shareholders and our stakeholder communities.

d. Matariki Regional Economic Development Strategy

The Matariki Regional Economic Development Strategy, developed some years ago, has served as an important guide and focus for the region's development. We envisage that in the future HBREDA will lead a refresh of this strategy. HBREDA may be asked to scope this piece of work on behalf of the region towards the end of this financial year and if so this work will be captured in the next letter of expectations.

e. Support to the Matariki Governance Group

We ask that you allocate funding and operational capacity to support the Matariki Governance Group secretariat to ensure its smooth operation. In particular we ask you to manage and maintain the Matariki meeting calendar, fund and support the strategic advisor, board secretary, and communications functions, maintain the Office 365 domain, and fund the development of a website for Matariki. We do not expect you to manage Matariki's work programme.

f. Support to the Cyclone Gabrielle recovery

We expect HBREDA to continue to work alongside the Regional Recovery Agency (RRA) to ensure that recovery-related investment is focused on enabling long-term, sustainable recovery. Please continue to engage with the RRA to identify initiatives you can either lead, collaborate with and/or support in some way.

4. DISCRETIONARY PROJECTS

As HBREDA builds its capacity and capability, opportunities for HBREDA to be involved in new projects will arise. We anticipate the annual budgeting and planning process to be the main process for jointly agreeing with you the priorities for HBREDA. That said, there will be occasions when we explore opportunities together outside of the annual planning cycle.

Whichever way opportunities are identified and when, we will both ensure requests are consulted on to ensure they align with the vision, goals, and operating principles outlined in the Shareholders' Charter and that the resources are available to execute them.

It is not our expectation that representatives of individual shareholders will commission work directly from HBREDA. All requests from shareholders will be channelled through the Matariki Governance Group and need to be jointly agreed.

As HBREDA is still in establishment phase we note that the initial projects, primarily the research into the economy, will help us develop, with stakeholders, economic priorities for the region and a forward work programme for HBREDA.

a. Research to understand the Hawke's Bay economy

We note that HBREDA is in the process of commissioning a comprehensive economic analysis of the Hawke's Bay region with a specific focus on identifying challenges and opportunities within key sectors. The research will provide insights into the current state of the regional economy, shedding light on trends, disparities, and potential areas for growth and development. It will examine the performance of various sectors, including but not limited to horticulture, agriculture, manufacturing, services, tourism, and emerging sectors. Special attention will be given to understanding the unique dynamics and factors shaping each sector's growth and resilience within the regional economy.

Key objectives of the research include:

- Identifying major challenges hindering sectoral growth and competitiveness.
- Assessing the impact of external factors such as global market trends, technological advancements, and regulatory frameworks.
- Exploring opportunities for diversification, innovation, and sustainable development.
- Exploring opportunities for the development of sectors of the economy that are currently under-developed or missing from the Hawke's Bay economy: what are the sectors, what are the barriers to investment in HB, what could the potential economic benefit be, and what could be done to attract or grow these sectors?

The study will have a specific focus on the Māori and Pasifika communities within Hawke's Bay, with both quantitative and qualitative methodology that will cover:

- An assessment of the current state and trends of the Māori and Pasifika economies in Hawke's Bay, including analysis of Māori and Pasifika indicators such as employment, income, business ownership, and asset ownership and utilisation.
- Identification of key sectors and industries where Māori and Pasifika whānau are active and/or engaged.

- Opportunities for growth, collaboration, and economic empowerment within the Māori and Pasifika economies.
- Comparative analysis with non-Māori/ non-Pasifika economic activities in the region to contextualize the contributions of the Māori and Pasifika economies.

Following the completion of the research HBREDA will work with regional leaders, the business community, and other stakeholders to establish economic development priorities for the region and for HBREDA's work programme specifically.

5. AREAS THAT ARE NOT A PRIORITY

There are areas we do not expect HBREDA to lead or to be actively involved in at this point in your establishment. We are aware of the broad expectations the region has for HBREDA and understand that it will be impossible to fulfil them all in the short to medium term.

Importantly, HBREDA should not replicate the work of other entities in the region. We do, however, want you to work with other entities to ensure a coordinated approach to important regional issues and eliminate duplication, where possible. The exclusions may change over time but are helpful in setting expectations about what HBREDA's role is or is not in the long term.

Specifically, we do not expect HBREDA to undertake or lead the following pieces of work during this reporting period, unless otherwise agreed with the Matariki Governance Group:

- A funding role to support other organisations' operational capacity (i.e. grants to other organisations);
- A project management function for infrastructure or other regional projects;
- Business development support to small and medium enterprise development;
- Tourism, regional events strategy or event management; and
- Duplication of local or central agency functions.

Together we will continually monitor these exclusions from your scope of work.

6. PERFORMANCE MONITORING

We have included in this letter (Annex 1) performance measures for the period covered by this letter. We note that over time as HBREDA develops and its functions expand, the reporting framework will become more sophisticated.

7. REPORTING

HBREDA will report to the Matariki Governance Group formally on a six-monthly basis. For the reporting period, this will include:

Date	Nature of report
July 2024	<ul style="list-style-type: none"> • Narrative report on activities undertaken in the previous six-month period as well as planned activity.

Dec 2024	<ul style="list-style-type: none"> • Narrative report on activities undertaken in the previous six-month period as well as planned activity. • Annual accounts.
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The financial reporting provided by HBREDA to the Matariki Governance Group should meet the reporting requirements for local government expenditure. It is our responsibility to ensure this reporting is disseminated to shareholder organisations. It is not expected there will be any additional formal reporting mechanisms to shareholders outside of those outlined in the Letter of Expectations.

You may be asked, from time to time, to provide updates directly to shareholders on your activities. These will not be considered part of your formal reporting processes outlined above but are encouraged as part of your shareholder engagement approach.

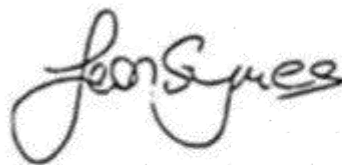
We expect the CEO of HBREDA to attend Matariki Governance Group meetings in person, accompanied by the Chair, for those meetings at which HBREDA's six-monthly reports are tabled. Additionally, the co-chairs of Matariki will meet regularly on an informal basis with the Chair of HBREDA.

Finally, we wish you all the very best as you work through your establishment and deliver on your work programme over the coming year.

Ngā mihi,



Alex Walker
Co-Chair
Matariki Governance Group



Leon Symes
Co-Chair
Matariki Governance Group

Annex 1: Performance measures for HBREDA: 1 July 2024 – 31 December 2024

1. CORE OPERATIONAL ACTIVITIES

Activity	Qualitative target	Quantitative target
a. Operation of Te Rae	<ul style="list-style-type: none"> Net promotor score of 7/10 (survey feedback via online booking system) Te Rae quarterly tenant satisfaction survey average score across all categories: 7/10 	<ul style="list-style-type: none"> 10 external bookings per month 7 external organisations have made repeat bookings in the reporting period July-September 128 internal bookings per month Organisations from 10 different kinds of industries booking per month
b. Economic leadership		<ul style="list-style-type: none"> Business advisory group established and meeting quarterly – 2 meetings in reporting period 4 significant speaking engagements for HBREDA CEO or directors 6 thought leadership pieces published in established media
c. Provision of economic data and insights	<ul style="list-style-type: none"> Quarterly Te Rae shareholder satisfaction survey 	<ul style="list-style-type: none"> Establishment of HBREDA website, including link to economic data respository of resources (e.g. studies) Quarterly provision of regional economic data to shareholders via email – at least one report in reporting period At least one visit by economics consultant to present to HB stakeholders
d. Support to the Matariki Governance Group	<ul style="list-style-type: none"> Six monthly MGG governors - satisfaction survey: 7/10 	<ul style="list-style-type: none"> Matariki agendas delivered one week before meetings Matariki pānui delivered to stakeholders within two week of Matariki meetings Matariki website developed and live

e. Support to the Cyclone Gabrielle recovery		<ul style="list-style-type: none"> Regular meetings between CEO of HBREDA and RRA
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2. DISCRETIONARY PROJECTS

Activity	Qualitative target	Quantitative target	Reporting time-frame
a. Analysis of the HB economy	<ul style="list-style-type: none"> Delivery of anticipated outcomes, i.e. identification of agreed regional priorities and forward work programme for HBREDA 	<ul style="list-style-type: none"> On time, on budget and 	October/November 2024

Hawke's Bay Regional Council
Corporate and Strategic Committee
13 November 2024

Subject: HB Tourism update

Reason for Report

1. This item introduces the update from Hawke's Bay Tourism.

Background

2. HB Tourism's 2023-2024 Annual Report is attached for information.

Decision-making considerations

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

Recommendation

That the Corporate and Strategic Committee receives and notes the *HB Tourism update*.

Authored & Approved by:

Susie Young
Group Manager Corporate Services

Attachment/s

1. Hawke's Bay Tourism FY24 Annual Report Under Separate Cover online only

Hawke's Bay Regional Council
Corporate and Strategic Committee

13 November 2024

Item 7

Subject: HBRIC quarterly update

Reason for report

1. This item provides HBRIC's quarterly update.

Executive summary

2. During the first quarter of FY24/25, the Group transitioned its managed funds portfolio to Harbour Asset Management.
3. Managed Funds: From 1 July to 31 October, the Group portfolio grew by \$6.9 million, representing a 4.2% year-to-date increase.
4. FoodEast: While new tenants are signing on, market conditions remain challenging.
5. The HBRIC FY24 Group financial statements have been approved, and the audit is now complete.
6. Investment Strategy: HBRIC continues implementing Council's new investment objectives. Further updates are provided on Council's forestry investments, Napier Leasehold Properties and Wellington leasehold properties.

Managed Funds

7. As of 30 June 2024, HBRC and HBRIC held the following managed funds portfolios:

Fund	Jarden	Mercer	Total
HBRC - LTIF	\$25,999,654	\$25,830,971	\$51,830,625
HBRC - FIF	\$42,717,326	\$24,130,757	\$66,848,083
		HBRC Total	\$118,678,708
HBRIC - FIF	\$15,607,038	\$33,247,264	\$48,854,302
		Group Total	\$167,533,010

8. HBRC's portfolio was fully transferred to Harbour by the end of July. As of 31 October, the combined HBRC portfolio had increased by 4.1% (\$4,905,494).
9. HBRIC's portfolio was fully transferred by the end of October and, as of 31 October, had increased by 4.3% (\$2,085,279).

FoodEast

10. FoodEast is not immune to the current state of the commercial and industrial property markets and, despite good progress, faces challenges in securing tenants. Management is actively exploring opportunities to promote the facilities and attract new tenants in this challenging leasing market. The team takes a proactive approach to delivering an effective commercial strategy while adhering to Kanoa's innovation funding requirements.
11. The AGM was held on-site on 14 October, and the facility's official opening is scheduled for early December.

Napier Port

12. Napier Port reported a 3.4% increase in container cargo volumes and a 9% rise in bulk cargo for the year ending 30 September 2024. The growth in container volumes was driven by the recovery of refrigerated exports and higher exports of wood pulp and timber, as Pan Pac's production mills resumed full operations. Bulk cargo volumes also grew, primarily due to strong log exports, including windthrown and unprocessed logs from Pan Pac. Additionally, Napier Port received 89 cruise vessel calls over the 2023/24 period.
13. The final dividend will be announced in late November, with the Annual Shareholder Meeting scheduled for early December.

Council-initiated Investment Performance Review

14. In 2023, the Council reviewed its approach to managing investments, which are either directly owned or held by its wholly owned CCTO, HBRIC Ltd.

Asset (June '24)	HBRIC \$000	HBRC\$000
Napier Port	272,800	
FoodEast	3,203	
Managed Funds	48,854	118,723
Wellington Leasehold		24,100
Napier Leasehold*		9,017
Forestry Tree Crop		11,898
Forestry (NZUs)**		8,404
Entity Total (Gross)	\$324,857	\$172,142
Group Total (Gross)	\$496,000	

*Accounting for estimated \$33 million lease receivables liability to ACC.

**Based on NZU value of \$50.50 as of 30/6/24.

Council's Investment Objectives

15. HBRIC has been directed to maximise the commercial value of the Group's investment portfolio, ensuring a steadily growing dividend for the Council. The targeted outcomes from this portfolio include:

Cash dividend generation

- 15.1. FY24/25: \$12.5 million (plus a special dividend of \$2.5 million)
- 15.2. FY25/26: \$13.0 million (plus a special dividend of \$300,000)
- 15.3. FY26/27: \$13.5 million.

Capital protection

- 15.4. Aiming to safeguard the managed funds portfolio at approximately \$4.5 million per annum, based on a long-term inflation target of 2.5%.

Resilience Fund

- 15.5. Establishing a new fund equivalent to one year's Napier Port dividend, estimated at \$7-8 million.
16. While the Group's portfolio, valued near \$500 million, may seem sufficient to achieve these targets, various assets are either held for non-financial purposes (fully or partially) or consist of legacy investments that yield low returns.

Forestry Tree Crop

17. Despite projected forestry revenue of approximately \$12 million over the next four years, net returns are expected to be minimal after accounting for direct harvest and internal costs. Although listed as an investment asset, the tree crop primarily serves as an irregular source of internal funding for Council objectives (e.g. erosion control) across these properties.
18. HBRIC believes the forestry estate should not be considered a core investment asset contributing to the Group's primary financial objectives.
19. Notably, two Central Hawke's Bay properties in the forestry estate—originally acquired for proposed land-based wastewater treatment initiatives that did not proceed—are planted with relatively low-value species. The Council may wish to consider a process that investigates reallocating this capital to higher-priority activities.

NZUs

20. HBRC currently holds 186,472 New Zealand Units (NZUs). Of these, 13,705 are not associated with a carbon accounting area and are thus 'unencumbered', meaning they can be sold at any time on the spot market. An additional 118,569 units are considered low-risk and also available for immediate sale, although it is recommended that a 20% buffer be retained to account for various modeling and real-world uncertainties.
21. With the current price of NZUs around \$60, the unencumbered units are valued at approximately \$178,000, while the low-risk units, after accounting for a 20% contingency, are valued at \$5.69 million.
22. The Council may consider selling NZUs valued at up to \$2 million to meet increased dividend requirements under the Long Term Plan. This proactive approach could help bridge potential shortfalls in returns from the managed funds portfolio, which may fluctuate annually due to credit and equity market volatility. Before proceeding, the Council should ensure these NZUs are not required to support other organisational objectives.

Napier Leasehold Property Portfolio

23. In 2013 the ex-Harbour Board portfolio comprised 628 individual properties sited on leasehold land. In some cases, the leasehold interest had been cross-leased and, therefore, had multiple dwellings on a single leasehold estate. The portfolio valuation for the leasehold interest at the time was \$48m.
24. In return for a lump sum of \$37.651, HBRC sold the cashflows arising from rents from this portfolio to ACC for 50 years from 1 July 2013 until 30 June 2063. These funds sit within Council's managed funds reserves.
25. Since the agreement was signed, 358 individual properties (occupying 285 leases) have been freeholded. As at 30 June 2024, the value of the remaining properties is \$42m but this is partially offset by the outstanding liability to ACC arising from the obligation to pass rental cashflows through.
26. HBRC receives a portion of rental income and proceeds of property freeholding, but this is a very complex financial arrangement which makes returns forecasting very difficult. For the period 1 January 2019 to 30 June 2024 investment income has averaged approximately \$400,000 pa.
27. HBRIC and HBRC have agreed to jointly develop a detailed financial model to better forecast future returns. In the meantime, the investment income is being treated as forming part of the Group's cash dividend requirement.

Wellington Leasehold Property Portfolio

28. Leasehold interest in 11 inner-city residential and central area properties increased from 2020 valuation of \$17.75 million to the current \$24.1 million, with one property sold for \$628,000 in FY24. This represents an annualised value increase of 6.8% pa.
29. Rental income rose from \$813,596 in 2020 to \$930,959, contracted for FY25. Rent reviews occur every 14 years, with a weighted average lease term of approximately 7 years across all properties. Current gross yield from this investment is 3.9%.
30. In October, HBRIC directors toured the properties and consulted with a professional advisor for a portfolio review. Key observations include that the properties are located in three premium, well-positioned areas in Wellington. However, market conditions in Wellington's property sector are currently very weak. It is generally recognised that the best buyer for a leasehold interest in land is often the lessee, and lease renewal is an ideal opportunity to explore a sale. The portfolio is relatively illiquid, and transactions may take some time.
31. Notably, three properties, representing about half the portfolio's value and income, are leased to a single tenant and are due for lease renewal in October 2025. This upcoming renewal provides an opportunity to assess the tenant's interest in freeholding the property.

Decision-making considerations

32. 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 *HBRIC - strategic assets and investment structure* report.

Authored by:

Tom Skerman
Contractor

Approved by:

Susie Young
Group Manager Corporate Services

Attachment/s

There are no attachments for this report.

Hawke's Bay Regional Council
Corporate and Strategic Committee

13 November 2024

Item 8

Subject: Organisational Performance Report for the period 1 July - 30 September 2024

Reason for report

1. This item presents the Organisational Performance report for the period 1 July – 30 September 2024.

Organisational Performance Report content

2. The **attached** report contains four parts:
 - 2.1. **Executive summary** including highlights and challenges.
 - 2.2. **Corporate metrics** that focus on how we are performing across a number of corporate-wide measures such as employee turnover and official information requests.
 - 2.3. **Level of service measures** by group of activities with traffic light status and commentary.
 - 2.4. **Activity reporting** with non-financial traffic light status and commentary, and financial status and commentary rolled up to the group of activities.
3. Organisational performance reports were established in 2018. The status and commentary reporting are rolled up from budget lines to activity level. Commentary by budget lines is still available to committee members on request to staff.
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. Level of service performance measures (LOSMs) are included in their totality this quarter rather than by exception. This is the first quarter of the new Three-Year Plan, and there are 16 new measures and a further 3 that have been adjusted from the previous Long Term Plan.
6. Summarised financial reporting shows *actual* versus *budget* by activity. This includes operational and capital expenditure by activity, plus funding for the group. Commentary is also provided for the group.

Corporate metrics

7. Annual staff turnover continues to drop from its high two years ago.
8. Our Customer Service team has had an extremely busy quarter following rates invoices being sent out. All key forms of contact with the public are up on the same quarter last year.
9. LGOIMAs are at an all-time quarterly high of 57 – previous high of 56 was the quarter following Cyclone Gabrielle.

Performance measures reporting

10. Staff have reported 7 performance measures as 'off track'. A further 7 cannot be reported on until later in the year, and reporting was 'not available' for 3 measures (all in HBCDEM).

Activity reporting

11. Staff have reported 2 activities as 'off track' from their usual workplans. This is the same as last quarter.
12. Financial reporting shows that 4 of the 6 Groups of Activities are over budget. Commentary is provided to provide context.

Decision-making considerations

13. 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 July - 30 September 2024*.

Authored by:

Sarah Bell
Team Leader Strategy and Performance

Approved by:

Desiree Cull
Strategy & Governance Manager

Attachment/s

- 1 Quarterly Organisational Performance Report 1 July – 30 September 2024 Under Separate Cover online only

Hawke's Bay Regional Council
Corporate and Strategic Committee

13 November 2024

Item 9

Subject: Financial report for FY24-25 to 30 September 2024

Reason for report

1. This report presents the financial results of the Council for the three months to 30 September 2024.

Background

2. Financial performance is reported to the Corporate and Strategic committee quarterly. The report presented today is for the first quarter of the 2024-25 financial year.
3. The financial performance statements included are:
 - 3.1. HBRC Statement of Comprehensive Revenue and Expense
 - 3.2. HBRC Statement of Financial Position
 - 3.3. Comprehensive Revenue and Expense by Group of Activities.

Key Points

4. Total operating revenue for the period is \$77.4m, which is \$40m above budget. Subsidies and grants for sediment and debris and HBRRA are ahead of budget as funding is received ahead of the work being done. Income related to the flood resilience programme of work is behind budget due to timing.
5. Comparably, total operating expenses for the period are \$40m above budget at \$63.8m, again largely impacted by expenditure on sediment and debris.
6. Borrowings continue to be high while we continue to work through the National Emergency Management Agency (NEMA) and insurance claims. We have received payments for NEMA claims 5 and 6 during the quarter, totaling over \$2m. We continue to work on further claims.
7. Liquidity remains high due to the annual rates intake and preparatory work on the NIWE project. Council has pre-funded an external loan repayment of \$8m due in April 2025.
8. All managed funds portfolio's have transition to the new Group Investment Manager.
9. The budgets reflected in this report are year 1 of the Three-Year Plan 2024-2027. Revised budgets are used for management reporting which include the carry forwards of 2023-24 budgets.

Statement of Comprehensive Revenue and Expense					
	For the 3 months ended 30 September 2024				Full Year Annual Plan Budget
	Actual 30-Sep 24/25 \$000	Budget 30-Sep 24/25 \$000	Variance \$000	Variance % %	Actual 24/25 \$000
Revenue					
Revenue from activities	2,448	2,690	(242)	-10%	10,761
Rates revenue	12,269	11,874	395	3%	47,497
Subsidies and Grants	58,730	17,440	41,290	70%	69,759
Other revenue	2,922	4,276	(1,354)	-46%	17,105
Fair value gains on investments	1,053	1,045	8	1%	4,179
Reduction in ACC Leasehold Liability					-
Total Operating Revenue	77,422	37,325	40,097	52%	149,301
Expenditure					
Expenditure on activities	(60,956)	(20,931)	(40,025)	66%	(83,725)
Finance costs	(1,691)	(1,362)	(329)	19%	(5,449)
Depreciation and Amortisation Expense	(1,170)	(1,112)	(58)	5%	(4,450)
Fair value losses	-	-	-	0%	-
Other expenditure	-	-	-	0%	-
Total Operating Expenditure	(63,817)	(23,405)	(40,412)	63%	(93,624)
Operating Surplus / (Deficit)	13,605	13,920	(315)	-2%	55,677
Other Comprehensive Revenue and Expense					
Gain/(loss) in other financial assets	(164)	359	(523)	0%	1,434
Gain/(loss) on revalued intangible asset	-	-	-	0%	-
Gain/(loss) on revalued property, plant and equipment a	-	-	-	0%	-
Gain/(loss) on revalued infrastructure assets	-	-	-	0%	-
Total Other Comprehensive Revenue and Expense	(164)	359	(523)		1,434
Total Comprehensive Revenue and Expense	13,441	14,279	(838)		57,111

Commentary on Statement of Comprehensive Revenue and Expense

- The actual result to 30 September 2024 is a gain of \$13.4m while HBRC budgeted a gain of \$14.3m
- Sediment and Debris (HBRRA) and the Silt Taskforce (HBRC) continue to be significant activities for the organisation, making up \$52m of the revenue and \$43.4m of the expenditure reflected above (\$8.6m of sediment & debris funding has been received that will be spent in Q2). The continuation of this activity was not budgeted in the Three-Year Plan 2024-2027 and, therefore, is the main contributor to the significant variances in revenue and expenditure.
- After taking out the Hawke's Bay Regional Recovery Agency (HBRRA) and silt taskforce funding, subsidies and grants are \$28m, \$10.7m behind budget. This is mainly due to the time taken to work through the NEMA and insurance claims and to start claiming for the Government contribution to the NIWE schemes.
- The shortfall in other revenue reflects the timing of the HBRIC dividend. The budget is phased evenly across the year but the dividend is received in two installments in Q2 and Q4.
- Total operating expenses for the quarter were \$63.8m of which \$23.6m is for the HBRRA (sediment and debris) and \$19.6m for the silt taskforce, leaving \$20.6m against a budget of \$23.4m.
- The remaining \$2.8m operating underspend of is across a number of areas including biosecurity and biodiversity work that increases over the summer months, Total Mobility costs lower than planned and some rephasing required in flood protection budgets. Further detail on financial and non financial information for Groups of Activities is detailed in the Organisational Performance Report.

Statement of Financial Position			
	Prior Year (PY) Actual 23/24 As at 30 June \$000	Current Year (CY) Actual 24/25 as at 30 September 2024 \$000	Current Year (CY) Budget 24/25 As at 30 June \$000
ASSETS			
Non-Current Assets			
Property, plant & equipment	37,967	34,706	36,842
Infrastructure assets	435,885	442,439	302,622
Investment property	66,697	66,697	66,243
Intangible assets	10,868	14,075	11,473
Forestry assets	11,318	11,318	12,070
Prepayments	168	168	42
Total non-current assets before other financial assets	562,903	569,402	429,292
Other financial assets	139,872	141,356	143,107
Investment in Council-controlled organisations	352,023	333,023	335,948
Total other financial assets	491,895	474,379	479,055
Total Non-Current Assets	1,054,798	1,043,781	908,347
Current Assets			
Inventories	754	582	821
Trade & other receivables	23,961	29,075	18,968
Derivative financial instruments	1,909	1,909	2,243
Other financial assets	2,083	2,083	3,081
Cash and cash equivalents	62,276	63,027	26,185
Total Current Assets	90,983	96,676	51,298
TOTAL ASSETS	1,145,782	1,140,457	959,645
NET ASSETS / EQUITY			
Accumulated funds	271,288	284,676	317,607
Fair value reserves	506,415	491,959	286,739
Other reserves	129,794	130,962	126,212
Total Net Assets / Equity	907,498	907,597	730,558
LIABILITIES			
Non-Current Liabilities			
Derivative financial instruments			
Borrowings	99,600	96,664	150,915
ACC Leasehold financing liabilities	29,574	29,574	29,255
Provisions for other liabilities & charges	19	19	19
Employee benefit liabilities	433	433	426
Total Non-Current Liabilities	129,627	126,690	180,615
Current Liabilities			
Borrowings	30,563	30,563	4,650
ACC Leasehold financing liabilities	3,421	1,112	1,500
Employee benefit liabilities	2,505	2,635	2,574
Trade & other payables	55,712	62,566	29,629
Funds held on Behalf	16,456	9,292	10,120
Total Current Liabilities	108,657	106,169	48,472
TOTAL LIABILITIES	238,284	232,860	229,087
TOTAL NET ASSETS / EQUITY & LIABILITIES	1,145,782	1,140,457	959,645

Commentary on Statement of Financial Position

- Infrastructure assets continue to increase due to the significant amount of capital work being undertaken to repair assets damaged by Cyclone Gabrielle. The value has increased by \$6.5m over the quarter. The end of year budget in the LTP does not include the significant revaluation of infrastructure assets that occurred during the 2023-24 year end.
- Intangible assets value has increased this quarter by 3.2m, predominantly due to the carbon credits movement trading price increased from \$50.50 to \$74.88.

18. Napier Port share price is sitting at \$2.26 at 30 September, down from \$2.48 at the beginning of the financial year. The price on 5 November was \$2.23. The driver of the price change has been attributed to the closure of two mills in the Ruapehu District, both of which put cargo through the Napier Port. This is reflected in the Investment in Council-controlled organisations.
19. Trade and other receivables have increased over the quarter as a result of the issue of the annual rates invoices.
20. Cash and Cash equivalents is showing at \$63m as of 30 September 2024 with \$8m set aside in a short term deposit to repay the LGFA loan maturing in April 2025. See the Treasury commentary for further details on overall cash position.
21. Trade payables are sitting at \$62.6m a large portion of which is the sediment and debris work.

Financial summary by Group of Activities (GOA)

22. The following table 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. Please note that the budgets used in this report are from the LTP and the budgets used in the Organisational Performance Report include subsequent adjustments including approved carry forwards from 2023-24.
23. GOA expenditure includes each activity's external expenditure, internal staff time, finance costs (interest), depreciation/amortisation and a share of corporate overheads.

Statement of Comprehensive Revenue and Expense by Group of Activities												
For the 3 Months to 30 September 2024												
	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	0	-	0	883	647	236	400	1,061	(661)	628	825	(196)
Rates revenue	1,378	1,376	2	5,270	5,274	(4)	4,072	4,516	(444)	2,017	2,017	(0)
Subsidies and Grants	-	10	(10)	512	696	(184)	4,938	15,167	(10,229)	19,944	14	19,930
Other revenue	254	435	(181)	-	-	-	109	39	70	11	1	10
Net Fair value gains on investments	-	-	-	-	-	-	-	81	(81)	-	-	-
Total Operating Revenue	1,633	1,821	(188)	6,664	6,617	47	9,520	20,865	(11,345)	22,601	2,857	19,743
Expenditure												
Expenditure on activities	1,474	1,528	(54)	4,895	6,343	(1,448)	4,998	6,260	(1,261)	22,700	3,058	19,642
Finance costs	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation and Amortisation Expense	-	-	-	160	152	8	379	308	71	2	2	(0)
Total Operating Expenditure	1,474	1,528	(54)	5,055	6,496	(1,440)	5,378	6,568	(1,191)	22,702	3,060	19,642
Operating Surplus / (Deficit)	159	293	(134)	1,609	122	1,488	4,142	14,297	(10,155)	(101)	(203)	101
	Emergency Management			HBRRA			Transport			Corporate Overheads		
	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	217	30	187	-	-	-	211	87	123	108	40	68
Rates revenue	1,423	1,414	9	-	-	-	1,186	1,186	1	(3,077)	(3,909)	832
Subsidies and Grants	49	81	(32)	32,326	-	32,326	960	1,471	(511)	-	-	-
Other revenue	-	-	-	82	-	82	15	-	15	2,450	3,801	(1,351)
Net Fair value gains on investments	-	-	-	-	-	-	-	-	-	1,053	3,854	(2,801)
Total Operating Revenue	1,689	1,525	164	32,407	-	32,407	2,373	2,745	(372)	534	3,786	(3,251)
Expenditure												
Expenditure on activities	1,342	1,205	138	23,664	-	23,664	2,274	2,685	(412)	(381)	(147)	(234)
Finance costs	-	-	-	-	-	-	-	-	-	1,691	1,362	329
Depreciation and Amortisation Expense	0	-	0	-	-	-	53	55	(3)	576	595	(19)
Total Operating Expenditure	1,343	1,205	138	23,664	-	23,664	2,326	2,741	(414)	1,886	1,810	76
Operating Surplus / (Deficit)	346	321	26	8,743	-	8,743	47	4	42	(1,351)	1,976	(3,327)

Rates Collection

24. The rates and customer experience teams have experienced very high volumes of enquiries and requests for payment plans and remissions, especially following the issue of the rates penalty letters after the due date of 20 September 2024.
25. Rates penalties issued this year totaled \$700k (12,111 ratepayers). Last year we issued \$552k of

penalties to 11,720 ratepayers.

26. Year to date at September the team have processed remissions for utility charges to local authorities (\$163k) and \$90k of public transport remissions.
27. 140 hardship remissions have been received relating to revenue & financing policy changes and natural calamity. These are now being assessed and remitted where appropriate.

Debt Collection

28. As at 30 September 2024 the Council had \$4.2m of outstanding trade debtors. This compares to \$9.1m at the end of last financial year (June 2024) and \$13.4m a year ago (September 2023). Receivables from government agencies had inflated previous balances.
29. The level of debt overdue by more than 60 days has decreased from \$1.3m a year ago to \$753k now.
30. On the rates side we currently have \$12.5m outstanding (including sustainable homes \$1.5m) with \$9.6m related to the latest rates invoices issued for 2024/25. At the same time last year we had \$11.2m outstanding (sustainable homes \$1.5m) with \$8.6m related to the 2023/24 rates invoices that had just passed their due date. This increase is in line with the average rates increase for the year and as such does not reflect a significant change in the number of ratepayers not able to pay their rates (also reflected in the small increase in the number of rates penalties issued).

Commentary - Treasury

31. All short-term borrowings held to fund cyclone recovery operations were either repaid or rolled into long term debt prior to 30 June due to the uncertainty of insurance proceeds value and timings.
32. No new borrowing has been drawn during the quarter and it is anticipated Council may enter the December/January LGFA tender to assist with funding of the NIWE project.
33. HBRC has however submitted an application for a Green Loan with LGFA to fund the NIWE project and if successful will replace the proposed draw-downs above. While green loans provide an additional 5 basis points reduction on interest costs they carry additional requirements and the criteria is tight. We expect an outcome on our application prior to Christmas.
34. The annual insurance renewal process is now complete and we are awaiting insurance invoices. While the premium levels are in line with prior years, additional asset coverage is up by 35-40%. A full breakdown of insurances will be provided to Risk and Audit once all invoices are received.
35. At 31 October HBRIC had completed the transition of all managed portfolio's to Harbour Asset Management. All portfolios are operating within the Group SIPO.

Cyclone Recovery

36. The below table summarises the current forecast financial impact from Cyclone Gabrielle response and recovery. It excludes work on sediment & debris and NIWE.
37. Overall we expect to have spent a total of \$71.5m in responding to and recovering from the cyclone. The other costs relate to staff time that is not claimable, independent reviews and the like.

Impact from cyclone

	22/23	23/24	24/25 Q1 Actuals	24/25 Forecast Q3-Q4	Total
Costs					
Infrastructure	22,461,910	20,135,462	1,045,973	6,348,084	49,991,428
Welfare	8,489,521				8,489,521
Other	8,785,947	4,201,552			12,987,499
	39,737,378	24,337,014	1,045,973	6,348,084	71,468,448
Funding					
Other Income	(15,157,521)	(12,552,965)	(2,250,733)	(23,589,501)	(53,550,720)
General Rate		(3,122,126)			(3,122,126)
Internal Loans	(9,638,227)	(5,655,591)		10,875,531	(4,418,286)
Reserves					
Scheme Disaster Reserves		(3,544,821)			(3,544,821)
Council Disaster Damage Reserve	(6,808,123)	176,015	1,204,760	3,687,152	(1,740,196)
General Reserve	(5,454,773)	362,473			(5,092,300)
Emergency Management Reserve	(2,678,734)			2,678,734	(0)
	(39,737,378)	(24,337,014)	(1,045,973)	(6,348,084)	(71,468,448)

38. NEMA and insurance monies received will be used to repay external loans taken out to cover the expenditure incurred. The balance of the borrowing and the recovery of the council and scheme disaster damage reserves will be funded from general rate funding already included in the LTP.

NIWE Update

39. The following table reflects the spend to date on the various NIWE projects.

NIWE Programs - Costs by activity and project to 30 September 2024	Waikou	Waikou	Waikou	OHV Road (Dunhu)	Pakowhai	Porangahau	Hawke Bay North - HDC	Pump Stations	Scheme Reviews	Telemetry Network Up	Rapid Repair LOS Upg	Grand Total
Site Investigations	47,389	341,446	480,310	274,383	261,333	50,438			154,462			1,490,621
Public & Env Consult	133,519	4,230	16,039	5,452	31,404	9,050	10,000		49,150			256,844
Professional Services (Design engineers etc)	461,455	627,295	132,158	140,375	252,979	117,454	130,000		241,050	1,182,767		3,285,637
Procurement	87,737	15,194	6,754	12,534	62,669	16,294			10,088			211,270
Physical Works		53,000	98,006									151,006
Other										98,979	121,207	220,186
Land Purchases				140,901								140,901
Land Acq. Services	14,444	33,078	42,968	42,670	17,815	9,524	10,000					170,900
Equipment Supply					352							252
Consenting	46,787	65,705	52,098	49,898	47,058	8,589			20,008			290,263
Project Management	321,085	125,104	147,586	120,313	135,572	40,552	44,557		75,852			966,064
Programme Set Up Costs	230,674	36,413	32,953	32,953	164,767	42,839			96,860			678,458
Programme Level Costs allocated	380,980	36,375	31,265	31,265	257,828	67,035			154,697			1,000,629
Grand Total	1,704,090	1,358,543	1,040,439	809,629	1,211,897	162,335	194,557	804,185	1,182,767	98,979	121,207	8,808,588

40. The majority of the spend to date has been in early design and site investigations across the projects. We are working closely with Crown Infrastructure Partners (CIP) to get our approved Project Delivery Plan (PDP) schedules and milestones confirmed so we can progress our first claim which we expect to be before the end of the calendar year.
41. We anticipate this first claim will be approximately \$1.6m. The team are working at pace to get four more PDPs ready for submission also, which will allow for a further claim of circa \$2.7m once approved.
42. As mentioned above we are also progressing with Green Loan applications from LGFA for the co-funding portions of the NIWE projects to minimise the cost of borrowing.

Decision-making process

43. 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 FY24-25 to 30 September 2024*.

Authored by:

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Approved by:

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Attachment/s

There are no attachments for this report.