

Minutes of a meeting of the Corporate and Strategic Committee

Date: 19 February 2025

Time: 9.00am

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

Present: Cr X Harding – Chair
Cr J Mackintosh – Deputy Chair
P Eden – Māori Committee representative
Cr W Foley (*online*)
Cr T Hokianga (*online*)
L Kele – Regional Planning Committee representative
Cr N Kirton
Cr H Ormsby
Cr S Siers
Cr M Williams

In Attendance: N Peet – Chief Executive
S Young – Group Manager Corporate Services
T Munro – Te Pou Whakarae
C Dolley – Group Manager Asset Management
R Wakelin – Acting Group Manager Integrated Catchment Management
C Comber – Chief Financial Officer
L Hooper – Team Leader Governance
D Cull – Strategy & Governance Manager
P Bicknell – Senior Group Accountant
S Bell – Team Leader Strategy & Performance
T O'Shaughnessy – Treasury & Investments Accountant
Guests as noted

1. Welcome/Karakia /Apologies

The Chair welcomed everyone and Councillor Martin Williams led a karakia to open the meeting.

Resolution

CS1/25 That the apologies for absence from Councillors Charles Lambert, Di Roadley and Jerf van Beek be accepted.

**Ormsby/Mackintosh
CARRIED**

2. Conflict of interest declarations

There were no conflicts of interest declared.

3. Confirmation of Minutes of the Corporate and Strategic Committee meeting held on 13 November 2024

CS2/25 **Resolution**

Minutes of the Corporate and Strategic Committee held on Wednesday, 13 November 2024, a copy having been circulated prior to the meeting, were taken as read and confirmed as a true and correct record as amended.

**Siers/Mackintosh
CARRIED**

Laura Kele arrived at 9.06am

4. Public Forum

There were no speakers.

5. Financial Report for FY24-25 to 31 December 2024

Chris Comber and Pam Bicknell spoke to the item, noting there were many small variances but nothing substantial. Queries and discussions covered:

- Capital variances mainly due to delays in flood mitigation work
- The budgets needed to be set before the flood asset revaluation was completed and it wasn't prudent to make an allowance for an 'estimated value' due to potential impacts on rating.
- Operating surplus \$10M behind forecast. Cost of holding the funds for NIWE (stand-by facility) up to March, when the first payment is expected, is interest of approximately \$400k.
- Trade debt is everything other than rates.
- Having a paper on collections (trade debtors, rates etc) and developing a standard timetable for NIWE financial reporting.

Peter Eden arrived at 9.25am

- Rates penalties issued are consistent with previous years.
- Budgeted \$1M for rates remissions and funds remaining will be used for remissions in the next financial year.

CS3/25 **Resolution**

That the Corporate and Strategic Committee receives and notes the *Financial Report for FY24-25 to 31 December 2024* staff report.

**Williams/Ormsby
CARRIED**

7. Regional Economic Development Agency update

Nic Peet introduced the item and Lucy Laitinen. Queries and discussions covered:

- The budget that REDA is operating with is in accordance with the Letter of Expectations that expired in December and an updated budget will be set once the new Letter of Expectations has been received from Matariki.
- The \$1M carried forward while REDA went through the set-up process has not yet been spent and will be used for the projects including *The connection between productivity and Māori health outcomes (NZIER)*, *Analysis of the economic value of SH2 (NZIER)*, *FoodEast business case and a review of tourism in Hawke's Bay*.
- REDA does not carry out any work that is being done by any other agency or organisation.
- A presentation (attached) highlighted aspects of the '*Understanding opportunities and challenges for the Hawke's Bay Economy*' including a productivity challenge with a smaller proportion of working-age people in the population and available to work; industries with potential that could be more important future generators of value and jobs for the region include IT & digital, tourism, wool & textile manufacturing and screen & creative; and cross-cutting challenges that impact a broad range of industries including skills & talent, transport & connectivity, energy & water and business & industry development.

CS4/25

Resolution

That the Corporate and Strategic Committee receives and notes the *Regional Economic Development Agency update*.

Williams/Mackintosh
Against: Kirton
CARRIED

8. HBRIC quarterly update

Dan Druzianic, HBRIC Chair, introduced the item, which was taken as read. Tom Skerman introduced the team of Sam Howard and Chris Di Leva from Harbour Asset Management, who delivered a presentation (**attached**) including an overview of Harbour and the managed funds portfolio.

CS5/25

Resolution

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

Mackintosh/Williams
CARRIED

The meeting adjourned at 11.06am and reconvened at 11.20am

6. Organisational Performance Report for the period 1 October - 31 December 2024

Sarah Bell introduced the item, reminding everyone that the report is a snapshot in time. Discussions and queries covered:

- The number and complexity of LGOIMAs has increased significantly which has contributed to the organisation's ability to provide a full and final response including information within 20 working days. LGOMA requests and answers have previously been published on the website. The intention is to publish (without personal details) once resources allow.
- Drain maintenance work is noted as being 'off track' and will be the subject of future decisions of the Council where the budgets are insufficient to pay the costs for the maintenance required.
- There are some implications of staff reductions compromising the environmental information team's ability to meet level of service measures, specifically timeliness and completeness of data sets.

- More information on CDEMs 10 year hazard research plan was requested. Although HBRC has a stake in this work the research plan is owned by the CDEM group.

CS6/25

Resolution

That the Corporate and Strategic Committee receives and notes the *Organisational Performance Report for the period 1 October - 31 December 2024*.

Williams/Siers
CARRIED

Peter Eden led the group in offering a karakia to close the meeting.

Closure:

There being no further business the Chair declared the meeting closed at 11.40am on Wednesday 19 February 2025.

Signed as a true and correct record.

Date: confirmed by C & S resolution 21 May 2025

Chair: Xan Harding.

Attachment 1

Item 7 Regional Economic Development Agency update presentation



Aims of the study

1. Provide insights on the current state of the regional economy, trends and disparities
2. Identify major challenges impacting on sectoral growth and competitiveness
3. Explore opportunities for diversification, innovation and sustainable development - sectoral and cross -cutting

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Process

Economic performance and trends – overview of population, economy, labour market, wellbeing, Māori and Pacific people measures

Detailed industry & sector analysis – assessment of 504 industry sectors on scale and trends in GDP, employment, productivity, concentration, estimated exports, and projections. Identification of current and potential high performers

Research review – industry studies, economic reports, research on and assessments of skills, infrastructure, natural resources

Interviews – businesses, Councils, PSGEs, industry groups, infrastructure & support organisations. Covered views on growth potential of businesses and industries; trends impacting on performance; plans for investment and growth; advantages of Hawke's Bay; major constraints or opportunities for change (68 interviews)

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The Hawke's Bay economy historical performance

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Global and national context

It's been a tough few years, but Hawke's Bay has benefitted in some ways

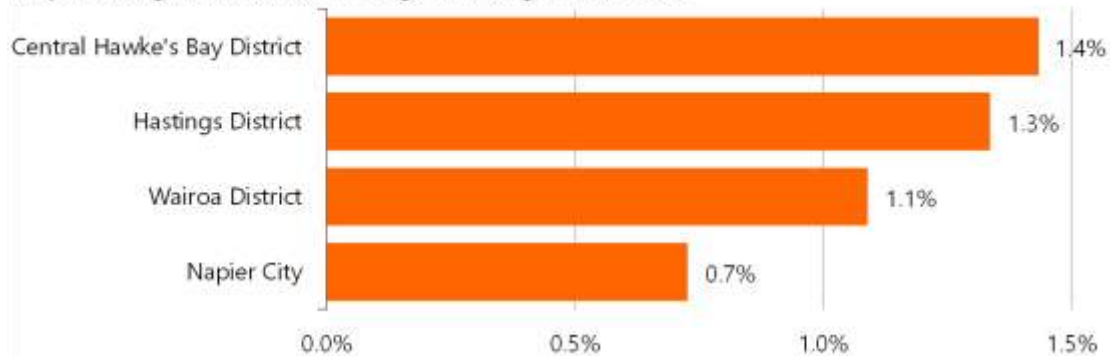
- COVID lockdowns
- Shifts to working from home
- Shifts of population out of metro areas
- Supply chain disruptions led to higher shipping rates
- Global demand for high quality food exports
- International tourism ceases, domestic tourism boosted
- Monetary stimulus maintains high global demand and prices
- Monetary tightening to combat inflation
- Adverse weather events

 Infometrics

Population growth

Highest five-year growth in Central Hawke's Bay

Population growth, annual average % change, 2018-2023



Infometrics

Economic growth

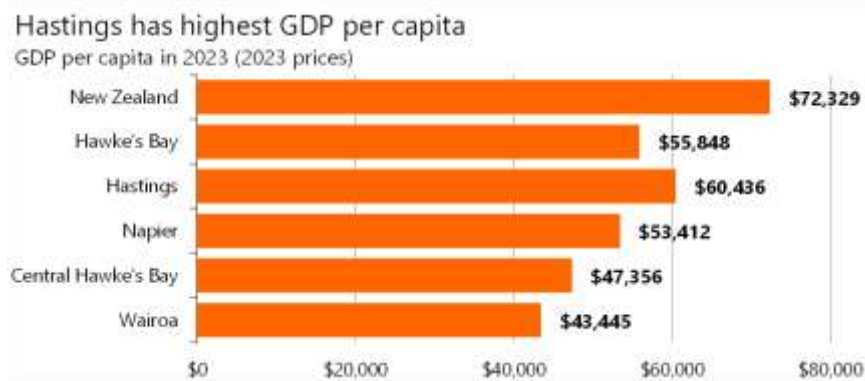
Professional services the largest contributor to growth

\$m increase in GDP, 2018-2023



Infometrics

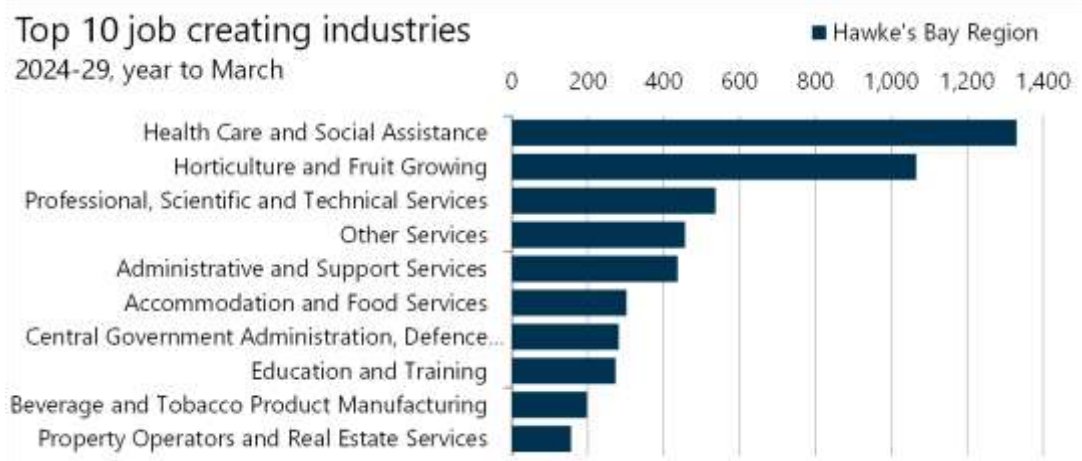
The productivity challenge



- Smaller proportion of working -age people in the population
- Smaller proportion of working -age people available to work
- Output per worker is lower
- Industry mix
- In most industries, productivity lags the national average

Infometrics

Outlook



Infometrics

03 Analysis

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Current & potential high performing industries

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Key sectors that ranked highly and will continue to be important for the prosperity of the region

- **Sectors in major primary industries**
 - Forestry & wood processing
 - Horticulture and related processing
 - Meat and meat processing
- Food & beverage product manufacturing
- Machinery & equipment manufacturing
- Construction services

Industries with potential that could be more important future generators of value and jobs for the region

- IT & digital
- Tourism
- Wool and textile manufacturing
- Screen and creative

Common themes

- ★ Interlinked food and fibre capabilities
- ★ Family connections
- ★ Innovation and technology

Challenges

There are several crosscutting challenges that impact a broad range of industries

- ★ Skills and talent
- ★ Transport and connectivity
- ★ Energy and water
- ★ Business and industry development

And several industry specific challenges

Opportunities

There are several crosscutting opportunities

- ★ Case for investment to improve SH2 road resilience
- ★ Skills programme
- ★ Energy strategy

And some low-hanging industry opportunities

- ★ Foodeast – investment in labs, equipment
- ★ Sustainable model for destination marketing
- ★ Targeted networking for manufacturers

Potential industry development priorities

Food & beverage



- Support the development of a feasibility assessment and business case for establishing equipment/facilities at Food East – starting with an assessment of the opportunities associated with the development of fermentation capabilities

Horticulture & related processing



- Identify horticulture land diversification potential across the region, for example, oats, hemp, seed drying, with an initial focus on the Central Hawke's Bay and Wairoa, including supporting infrastructure required (eg, coolstore)
- Support the wine growing industry with their export strategy, including identifying resources required for implementation

Forestry & wood processing



- Develop the case for Councils adopting a wood –first-policy for the region, supporting the procurement of wood –based construction

Construction



- Work with the Councils and government agencies to assess the extent to which progressive procurement has been implemented and whether and how it can be better applied

Potential industry development priorities

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Tourism



- Develop a case and model for ongoing support for Hawke's Bay Tourism.
- Support the development of a plan and case for developing the tourism industry in Wairoa, including cultural, natural and adventure tourism (and leveraging space tourism interests)

Wool & textiles



- Assess the feasibility of developing a wool/ fibre centre of excellence in the region

IT & digital



- Assess the feasibility and case for a digital/high tech innovation centre and landing pad

Advanced manufacturing



- Develop new approaches to encourage business networking/benchmarking for advanced manufacturers (eg, company visits, insights and discussions on common business development issues)

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Transport



- Present the case for additional government investment in roading resilience and future proofing. Particularly focus on the SH2 Wairoa to Napier road, including an assessment of the economic activity associated with SH2 and the impacts of not investing (NZIER study underway)
- Support the case for the Hawke's Bay airport runway extension and future proofing, and the feasibility of getting more flights/competing airlines into the Hawke's Bay
- Support the economic development case for further investment in the Wairoa airport extension

Potential cross-cutting priorities

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Skills & talent



- A comprehensive programme to improve skills attraction, development and retention in the region through, for example:
 - Supporting EIT's efforts to build industry relationships and industry relevant training and development initiatives
 - Identifying skill pilots and programmes that have worked well for industries in the region (with a view to extending successful initiatives)
 - Continuing to develop micro -credentials for key industries
 - Developing a targeted initiative to attract highly skilled, management, and entrepreneurial talent into the region, drawing on family connections.
 - Developing options to deliver governance training across the region, in partnership with PSGEs
 - Developing a management/leadership/supervisory training programme for the meat and broader agricultural industry, drawing on lessons from horticultural initiatives

Potential cross-cutting priorities

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Energy



- Develop an energy strategy for the region, identifying the combination of investments that will provide resilience, including additional hydro, solar and energy storage, co-generation and gas

Business and industry development



- Tell the story about the region's capabilities and advantages to support targeted talent and investment attraction
- Explore the potential to develop:
 - investment readiness support
 - more targeted investment attraction focused on leveraging family connections
 - ways to match HB-based capital with HB business opportunities
- Work with the P SGEs to ensure business development, R&D, investment support is effective for Māori enterprises and leaders
- Support the Chamber, HB Pacific Business Network, and Pacific Business Trust in building the capability of Pacific entrepreneurs and enterprises in the region, including through training, procurement, health and safety, and start-up support
- Assess the case for the development of a Special Economic Zone in Wairoa

05 Where to next?

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Assessing the potential priorities



- **Validity** – will the initiative address the challenges or opportunities facing the sector or cross-cutting issues?
- **Potential impact** – will the initiative likely improve productivity, incomes and/or jobs and have flow-on impacts to the wider economy?
- **Practicality** – is the initiative realistic and will it be able to be implemented?
- **Regional significance** – is the initiative important to and/or likely to benefit a broad cross-section of the region? Is there currently or likely to be broad support for the initiative?
- **Opportunities to leverage investment** – does the initiative build on current work and investment and will it be able to leverage local and/or central resources?

REDA's Process



- **Letter of Expectations from shareholders**
- **Workshop on priorities**
- **Statement of Intent**
- **Budget and work plan**
- **Projects and reporting**

Item 8 HBRIC quarterly update – Attachment 2 presentation

Hawke's Bay Regional Regional Council Investment Overview

Chris Di Leva, CFA | Head of Multi Asset & Global Investments - Harbour
Sam Howard | Director, Wealth Management Advisor FA - Jarden

See Important Notice and Disclosure at the end of this presentation

19 February 2025

Overview of Harbour

"Harbour sets the standard in the local industry for transparency, disclosure, and investor engagement. In our view, Harbour is one of the strongest stewards of investor money in NZ"

Morningstar, 2024

HARBOUR'S VISION IS

To be the
**MOST
TRUSTED**
fund manager

To provide
EXCELLENCE
in portfolio management
and client fund
performance

To support our
clients with
**QUALITY
RESEARCH**

FirstCape and Harbour



Our investment experts



We are trusted



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A sample of Harbour's clients

RI is woven into our fabric

Responsible Investing has been part of our journey since the outset. Some highlights include...

2010

Harbour's Corporate Behaviour Survey implemented

UNPRI & CDP Signatories

ESG Policy published

Established Footprint Committee

Three key funds certified by RIAA

Toitū net carbonzero certified

Mindful Money Best Ethical Investment Provider 2021

Launched NZ's first Sustainable Impact Fund

Founding Signatory of The Stewardship Code NZ

Published inaugural Sustainability & Impact Reports

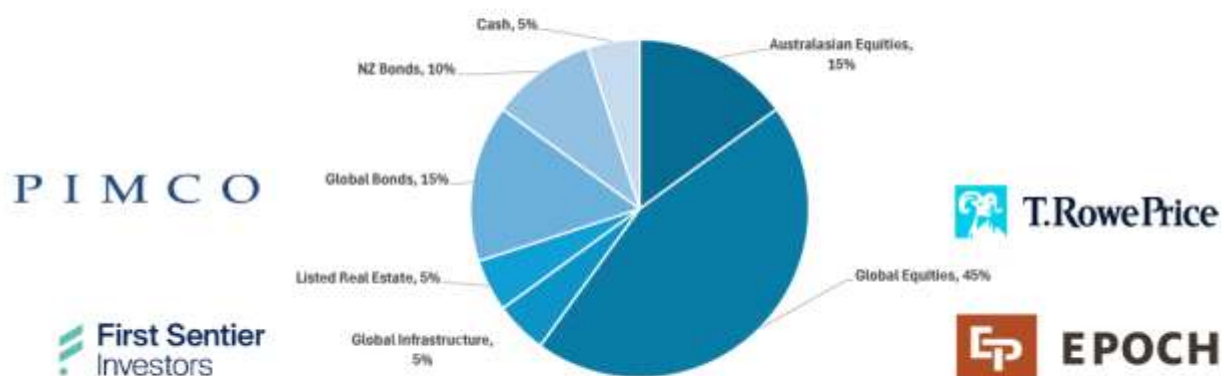
TODAY



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How the portfolio is invested

How your portfolio is invested



\$183.4m invested. \$53.7m with HBRIC and \$129.7m with HBRC.



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Source: Harbourview. Based off benchmark asset allocation.

What characteristics does the managed fund portfolio provide?

- Liquidity – assets can be easily sold to meet income needs.
- Geographical exposure diversification – minimal exposure to Hawkes Bay. Benchmark exposure of c.68% to offshore assets.
- Asset diversification within the portfolio. In your portfolio there is exposure to around 80 Australasian Equities, 3000 global equities, 1000 global bonds, 60 NZ bond and cash issuers.
- 45% of the portfolio is exposed to foreign currencies (largest of which is the US dollar which is c.60% of the exposure) provides resilience against NZ based events.

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How has the
portfolio
performed so
far?

Transition was a smooth process

- Full in-specie transfer of assets from Jarden within NZ Bonds, NZ Equities and NZ Property.
- Rest of the portfolio we utilised cash flow matching and tranches to mitigate out of market risk.
- HBRC and HBRC Port Portfolio started on 08/07 and was completed over four tranches with the final tranche on 06/08.
- HBRIC started on the 20/09 and was completed in October.

Performance to December 2024

Fund	3 months to 31 December 2024	Since Inception (1 August 2024)
Hawkes Bay Regional Council Portfolio	5.9%	5.6%
Benchmark Index	7.0%	6.7%

Performance to end of January 2025

Fund	3 months to 31 January 2025	Since Inception (1 August 2024)
Hawkes Bay Regional Council Portfolio	5.2%	7.1%
Benchmark Index	6.1%	8.2%



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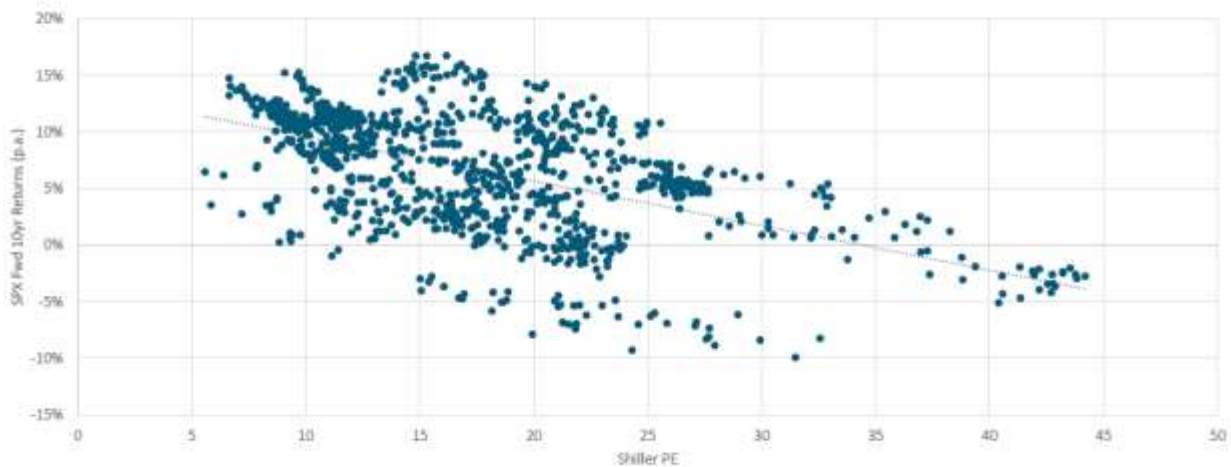
Performance is gross of fees and taxes



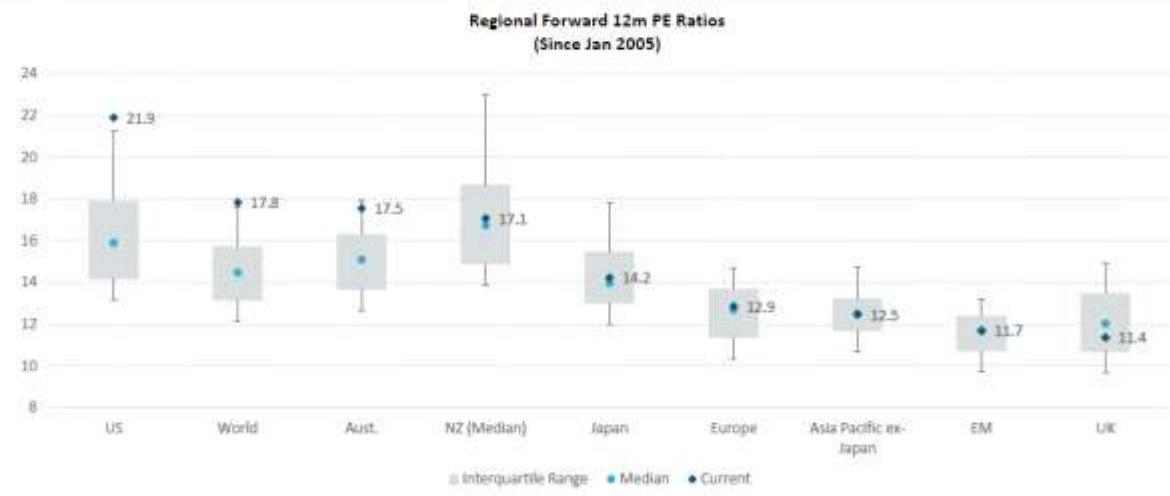
High valuations have typically preceded lower returns



Above 25 has typically been a handbrake for returns

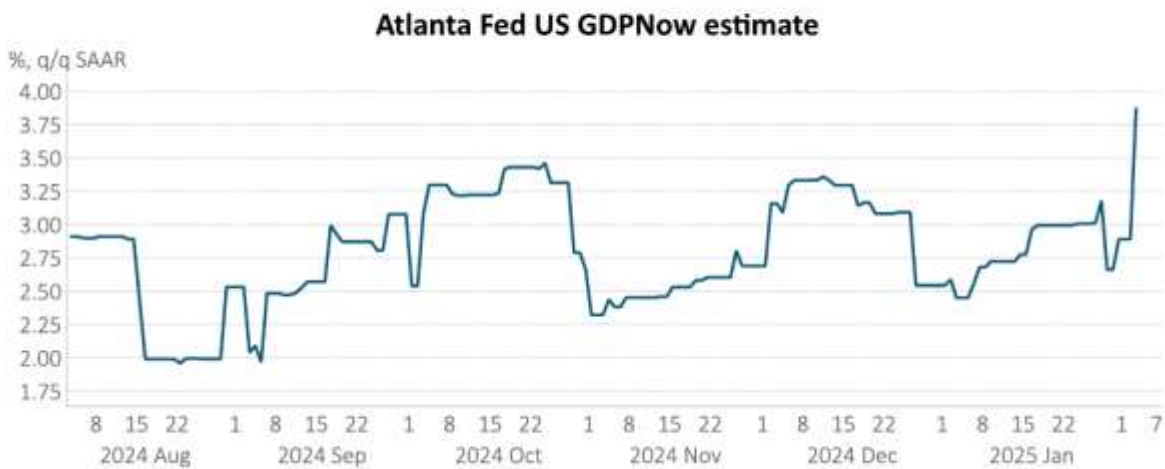


High valuations have typically preceded lower returns



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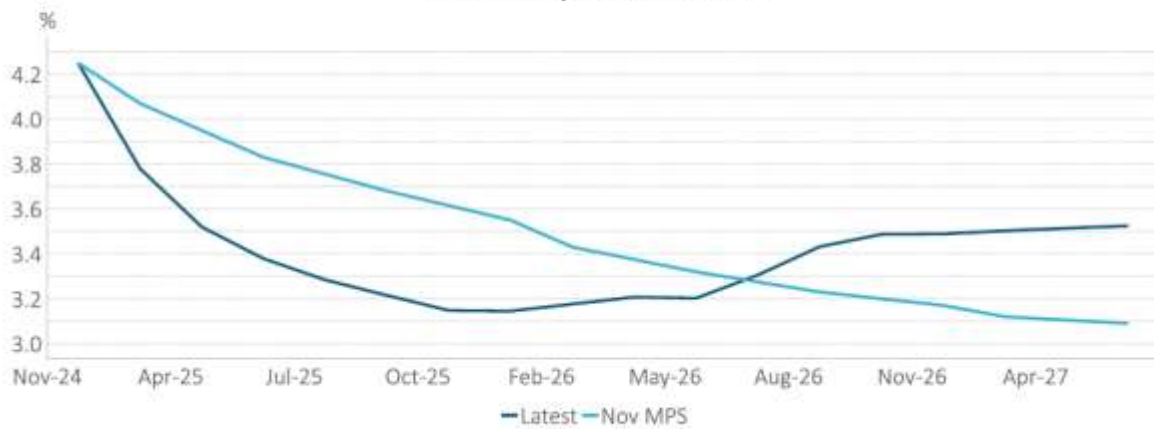
But the US economy is trucking along just fine...



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Markets (appropriately) think a faster easing cycle is needed...

Market-implied RBNZ OCR

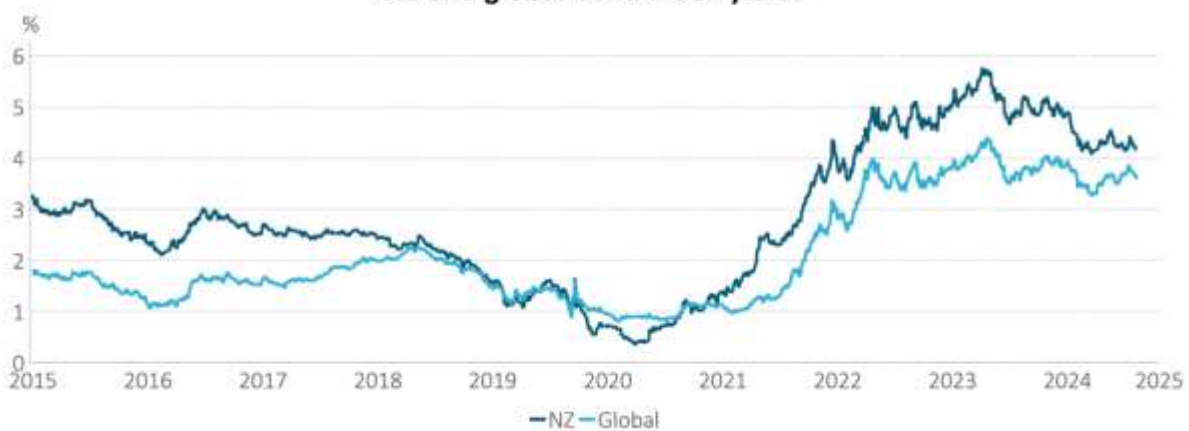


Source: RBNZ, Bloomberg, Macrobond

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Bonds are well positioned to deliver strong returns

NZ and global bond index yields



Note: NZ is the MSCI/NDX Composite NZ A-grade Corporate Bond Index and global is the Bloomberg Global Aggregate Total Return Index Value Unhedged USD. Source: Bloomberg, Macrobond

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Key portfolio positions

- Benchmark weight growth assets, though getting wary of valuations globally and there is a high level of earnings expectations priced in.
- Added hedging to your global equities portfolio (10% hedged vs. benchmark of 0%)

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