

HAWKE'S BAY REGIONAL COUNCIL
CORPORATE AND STRATEGIC COMMITTEE

18 August 2021

Item 12

Subject: HBRIC QUARTERLY UPDATE

Reason for Report

1. This item provides Council with a quarterly update on the affairs of Hawke's Bay Regional Investment Company (HBRIC) for the last quarter of the 2020-21 financial year.

Financial Reporting

2. As the June quarter coincides with year-end, which is still subject to detailed year-end completion, audit and board approval, there are no HBRIC financial statements for this period. The annual report will be made available to Council following adoption by the HBRIC Board.
3. Key Items to note:
 - 3.1. \$4m interim dividend paid to Council in December 2020
 - 3.2. A further \$1.2m final dividend paid to Council in June 2021 at the request of Council to reduce Council's borrowing requirement
 - 3.3. Dividends received from Napier Port Holdings Limited - \$8.58m
 - 3.4. \$1.7mil invested in FoodEast in July 2021 as part of planned initial capital drawdown.

Managed Funds

4. The funds remain under management in compliance with Council's SIPO.
5. In December 2020, mirroring Council's approach, HBRIC liquidated circa \$1.2mil of funds after protecting the capital value of the funds.
6. A further \$2m was divested in June 2021 after protecting the capital value of the funds.
7. The value of managed funds with HBRIC as at 30 June 2021 amounted to \$48.5m, a movement of approximately +\$3m (after divestments) since 30 June 2020.

HBRIC Capital Structure

8. The Board of HBRIC is continuing to progress the development of a clear capital structure and investment mandate to support the growth of the company, as agreed with Council. When this is finalised, it will be shared with Council.
9. The Board of HBRIC have commenced discussions with HBRC to facilitate a potential loan facility in order to fund future investments.

FoodEast

10. FoodEast has now been established as a registered entity (July 2021).
11. HBRIC has invested \$1.7m of its planned \$4m investment, with further capital drawdowns to occur during the life of the investment.
12. Detailed establishment planning and execution is now underway. This includes:
 - 12.1 Governance establishment (including appointment of directors – Hastings District Council representative Tony Gray, and HBRIC representative Craig Foss as Chair)
 - 12.2 First Board meeting
 - 12.3 Appointment of a Project Manager

- 12.4 Financial establishment (appointment of financial services provider - BWR, establishment of bank accounts, insurance cover, and other administrative matters)
- 12.5 Intellectual Property and contract transfers from Hastings District Council to FoodEast
- 12.6 Detailed construction design, earthworks/building consents, with construction scheduled to commence in September 2021
- 12.7 Communications planning, including planning for a ground-breaking ceremony. Local media coverage is available at:
<https://www.nzherald.co.nz/hawkes-bay-today/news/building-of-hawkes-bay-food-innovation-hub-to-start-in-september/6KG4MZ5ZJ6TID7THNVTOYFDOBQ/>
- 12.8 Confirmation of a Māori name in consultation with Ngāti Kahungunu (to be launched at the ground-breaking ceremony)
- 12.9 The project is on time and on budget.

Aquaculture

- 13. There has been no further work on this item.

Whakatu Inland Port

- 14. Napier Port has recently decided to advance this project itself, in a staged process over the coming years. HBRIC will therefore not be involved in the development for the time being.

Napier Port

- 15. In July, Napier Port announced its nine-month trade results, highlighting a 61.8% increase in bulk cargo and 8.3% increase in container trade, compared to the third quarter 2020.
- 16. A copy of Napier Port's nine-month trade results to June release is available at: <https://www.napierport.co.nz/investor-centre/>
- 17. Construction of 6 Wharf remains on budget and on track for completion late 2022.

Decision Making Process

- 18. 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 Ltd Quarterly Update*".

Authored by:

Leone Andrews
EA TO GROUP MANAGER –
CORPORATE SERVICES

Kishan Premadasa
MANAGEMENT ACCOUNTANT

Approved by:

Jessica Ellerm
GROUP MANAGER CORPORATE
SERVICES

Tom Skerman
REGIONAL WATER SECURITY
PROGRAMME DIRECTOR

Attachment/s There are no attachments for this report.