
Tuesday, 23 March 2021

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council

Operations and Monitoring Committee Meeting

Kaupapataka

Open Agenda

Te Rā Hui:
Meeting date: **Tuesday, 23 March 2021**

Te Wā:
Time: **1.00pm - Supplementary Agenda**

Te Wāhi:
Venue: **Council Chamber
Ground Floor
Civic Administration Building
Lyndon Road East
Hastings**

Te Hoapā:
Contact: **Democracy and Governance Services
P: 06 871 5000 | E: democracy@hdc.govt.nz**

Te Āpiha Matua:
Responsible
Officer: **Group Manager: Corporate - Bruce Allan**

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Operations and Monitoring Committee – Terms of Reference

Fields of Activity

The purpose of the Operations and Monitoring Committee is to ensure consolidated and complete reporting and monitoring of all financial and non-financial information and performance measures against the Annual Plan, Long-Term Plan and Council Strategies, Goals and Priorities.

Membership

- (Mayor and 14 Councillors).
- Chair appointed by Council.
- Deputy Chair appointed by Council.
- 1 Heretaunga Takoto Noa Māori Standing Committee Member appointed by Council.

Quorum – 8 members

Delegated Powers

- 1) Authority to exercise all of Council's powers, functions and authorities (except where prohibited by law or otherwise delegated to another committee) in relation to all matters detailed in the Fields of Activity.
- 2) Authority to exercise all of Council's powers, functions and authorities (except where prohibited by law) at any time when the Chief Executive certifies in a report that;
 - the matter is of such urgency that it requires to be dealt with
 - the matter is required to be dealt with, prior to the next ordinary meeting of the Council.
- 3) Monitor the performance of Council in terms of the organisational targets set in the Long Term Plan and Annual Plan – both financial and nonfinancial.
- 4) Monitor operational performance and benchmarking.
- 5) Undertake quarterly financial performance reviews.
- 6) Develop the Draft Annual Report and carry forwards.
- 7) Monitor and review the performance of Council Controlled Organisations and other organisations that Council has an interest in.
- 8) Monitor and review tender and procurement processes.
- 9) Monitor major capital projects.
- 10) Recommend to Council on matters concerning project decisions where these are identified as a result of the committee's project monitoring responsibilities.
- 11) Writing off outstanding accounts for amounts exceeding \$6,000 and the remission of fees and charges of a similar sum.
- 12) Settlement of uninsured claims for compensation or damages where the amount exceeds the amounts delegated to the Chief Executive.
- 13) Guarantee loans for third parties such as local recreational organisations provided such guarantees are within the terms of Council policy.
- 14) Authority to exercise the Powers and Remedies of the General Conditions of Contract in respect of the Principal taking possession of, determining, or carrying out urgent repairs to works covered by the contract.
- 15) Grant of easement or right of way over Council property.
- 16) Approve insurance – if significant change to Council's current policy of insuring all its assets.

Tuesday, 23 March 2021

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Operations and Monitoring Committee Meeting

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Mematanga:

Membership:

Koromatua

Chair: Councillor Geraldine Travers

Ngā KaiKaunihera

Mayor Sandra Hazlehurst

Councillors: Councillors Bayden Barber, Alwyn Corban, Malcolm Dixon, Damon Harvey, Tania Kerr (Deputy Chair), Eileen Lawson, Simon Nixon, Henare O’Keefe, Peleti Oli, Ann Redstone, Wendy Schollum, Sophie Siers and Kevin Watkins

Mike Paku - Heretaunga Takoto Noa Māori Standing Committee appointee

Tokamatua:

Quorum:

8 members

Apiha Matua

Officer Responsible:

Group Manager: Corporate – Bruce Allan (Lead)

Group Manager: Asset Management - Craig Thew

Group Manager: Strategy & Development – Craig Cameron

Financial Controller – Aaron Wilson

Chief Information Officer – Andrew Smith

Te Rōpū Manapori me te

Kāwanatanga

Democracy &

Governance Services:

Christine Hilton (Extn 5633)

Te Rārangī Take

Order of Business

14.0	Draft Statement of Proposal for Foodeast Council Controlled Trading Organisation	7
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Tuesday, 23 March 2021

Item 14

Te Hui o Te Kaunihera ā-Rohe o Heretaunga
**Hastings District Council: Operations &
Monitoring Committee Meeting**

Te Rārangi Take

Report to Operations and Monitoring Committee

Nā:
From: **Lee Neville, Economic Development Manager**

Te Take:
Subject: **Draft Statement of Proposal for Foodeast Council Controlled
Trading Organisation**

1.0 Executive Summary – Te Kaupapa Me Te Whakarāpopototanga

- 1.1 This report asks the Committee to adopt the attached Statement of Proposal (SOP) to establish two new Council Controlled Trading Organisations (CCTOs) to operate Foodeast.
- 1.2 There are two proposed CCTOs that are required to be established and they will be named Limited Partnership and General Partner. On formation, each CCTO will be given a name that reflects its role in Foodeast. (refer to the diagram in paragraph 4.1)
- 1.3 The Council is required under section 56 of the Local Government Act 2002 (LGA) to undertake consultation before establishing a CCTO.
- 1.4 Council is recommended to adopt the SOP to establish two new CCTOs for public consultation. This consultation will run in conjunction with a parallel consultation process by Hawke's Bay Regional Council (HBRC).

2.0 Recommendations – Ngā Tūtohunga

- A) That the Operations & Monitoring Committee Meeting receive the report titled Draft Statement of Proposal for Foodeast Council Controlled Trading Organisation dated 23 March 2021.
- B) That the Committee:
 - i. agrees that the decision to adopt the Statement of Proposal for consultation is in accordance with the provisions of the Local Government Act 2002;
 - ii. adopts the Statement of Proposal as proposed (Attachment 1); and

iii. agrees with the proposed Submissions and Decisions process timeframes as set out in the report.

3.0 Background – Te Horopaki

3.1 The need for this consultation has arisen from:

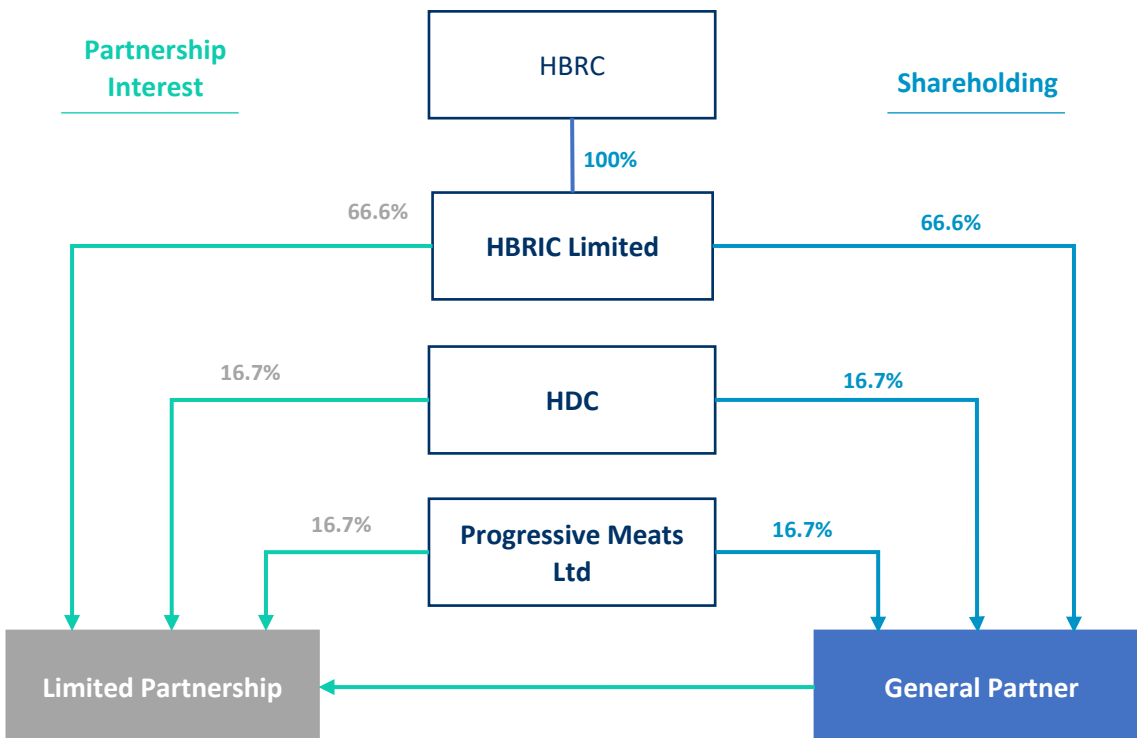
- the decision made at the 24 February 2021 HBRC meeting to endorse HBRIC’s intention of investing up to \$4 million in Foodeast; and
- the decision of Council on 18 March 2021 to conclude a land purchase for the development of the Hawke’s Bay Food Innovation Hub; and .
- the decision of both Councils at the above-mentioned meetings to initiate consultation on the formation of a new CCTO.

3.2 At its meeting on 18 March 2021, the Council delegated authority for the Operations and Monitoring Committee on 23 March 2021 to approve the SOP in order to meet the consultation timeline agreed with HBRC.

3.3 Consultation is on the establishment of the CCTOs which will own and operate the Foodeast investment, not on the investment opportunity itself.

4.0 Discussion – Te Matapakitanga

4.1 The recommendation in the Statement of Proposal is to establish two new CCTOs, provisionally named Limited Partnership and General Partner, to own and manage Foodeast as below.



4.2 The recommended option is based on professional advice having considered a range of options for a legal entity and tax structures which have subsequently been considered by both Councils.

Consultation Process

4.3 As noted above, the establishment of a CCTO requires consultation under section 56 of the LGA. The Council has discretion under this section of the LGA to decide the form the consultation takes.

4.4 Council must make reasonable efforts to ensure that persons who will or may be affected by, or have an interest in, the decision should be provided with reasonable access to relevant information in a manner and format that is appropriate to the preferences and needs of those persons. (S82 LGA 2002).

4.5 The key dates for the consultation are:

- 25 March 2021 Consultation opens
- 12 April 2021 Consultation closes
- 6 May 2021 Verbal submissions hearing
- 6 May 2021 Decision made by the Council

4.6 The relatively short time frame between hearings and Council decision, is to meet deadlines to execute company foundation documents and meet conditions precedent for Crown funding.

4.7 The SOP will be posted on the Council's website as soon as practicable after it is adopted. The consultation will be advertised in Hawke's Bay Today, posted to social media and emailed to interested and affected parties.

4.8 The Council will invite submissions and feedback over a period of two weeks. Any submissions will then be collated, heard and the final decision to establish the CCTOs made on 6 May 2021.

4.9 The finalised submission form will be presented at the meeting. The Draft SOP will be formatted appropriately for publication

Attachments:

1↓ FINAL Draft HDC Version SOP Foodeast (002) CG-16-4-00088

Draft STATEMENT OF PROPOSAL

Consultation on establishing new Council Controlled Trading Organisations

What is the proposal?

Hastings District Council (HDC or The Council) seeks community input on a proposal to establish two new Council Controlled Trading Organisations (**CCTOs**) to operate the Hawke's Bay Food Innovation Hub known as FoodEast.

Background

In 2020/21 we talked to you and sought your views on a proposed investment towards the establishment and ongoing operation of Foodeast. Feedback from the community at that time was supportive of a Food Innovation Hub being established in Hawkes Bay and for Council to be involved with a \$1m investment into this new entity.

The 2020/21 Council Annual Plan includes a proposed investment toward the establishment and ongoing operation of Foodeast which is projected to be a:

- centre of excellence in food processing skills training;
- place of sustainable food and beverage innovations, production and packaging and;
- centre of entrepreneurship in food business.

Key Points:

- The facility is expected to generate \$100 million of additional gross regional product over 10 years and more than 500 skilled jobs.
- This \$18 million project has attracted \$12 million of government funding.
- \$6 million is to come from regional investors (including \$1 million from Council).
- A Limited Partnership is proposed to be established which will have financial advantages for the investors.
- The project has engaged with Local Government, iwi, Eastern Institute of Technology, Waikato University, Plant & Food Research. Ministry of Business, Innovation and Employment and the business community.

HDC investment of \$1 million has been approved. This Statement of Proposal (SOP) seeks to formalise the Limited Partnership referred to above.

A significant amount of work has been undertaken by the Foodeast establishment board with investors identified to fulfil the \$6m required of regional funding. This funding has been secured from three investors:

Hawkes Bay Regional Investment Company \$4m

Hastings District Council \$1m

Progressive Meats \$1m

Hawke's Bay Regional Investment Company Limited (HBRIC) is the Hawke's Bay Regional Council's (HBRC) investment arm and will be a majority investor. With HBRIC's involvement, any new entity created becomes by default a Council Controlled Entity and requires consultation with the community (Section 56 of the Local Government Act (LGA) 2002) prior to its establishment.

For the purposes of this proposal, there are two proposed CCTOs that are required to be established. They are currently named "Limited Partnership" and "General Partner". The Limited Partnership will own the assets and the business. The General Partner operates and manages the business. On formation, each entity will be given a name that reflects its role in Foodeast.

What is a CCTO?

An entity which is controlled directly or indirectly by one or more local authorities is a council controlled organisation.

CCTOs are council organisations that trade for the purpose of making a profit.

Why do we need to establish CCTOs?

The proposed investment structure would see HBRIC controlling the "Limited Partnership" and "General Partner". HBRIC is 100% owned by HBRC.

The Limited Partnership and the General Partner entities therefore become CCTOs by meeting the Local Government Act 2002 definition of a CCTO with HBRIC's and HDC's ownership representing 83.3% ownership of those entities.

HDC will be a shareholder and Limited Partner in the CCTO's

CCTOs provide a robust governance structure as they are subject to requirements in the LGA 2002. The LGA requires high levels of accountability by the CCTO to Council including objective setting through Statements of Intent and ongoing performance monitoring under six monthly reporting requirements.

What options are considered in this consultation?

This consultation presents two options for people to submit on:

1. Establish the two new CCTOs as presented in this consultation (preferred option).

-

2. Do not establish the two new CCTOs.

-

Why are we consulting?

The Council is consulting with anyone who will or may be affected by, or have an interest in, the establishment of the two new CCTOs as required under Section 56 of the Local Government Act 2002.

The Council encourages any interested members of the community to provide their views on the proposed establishment of the two new CCTOs through this consultation process.

Council has previously consulted on its investment into a Hawkes Bay Food Innovation Hub. This consultation requirement to establish a CCTO has been triggered by the proposed investment from HBRIC which brings the total investment from local authorities to over 50%. Had investors from other

entities been secured and the local authorities share remained below 50% of these new entities, no consultation would have been required.

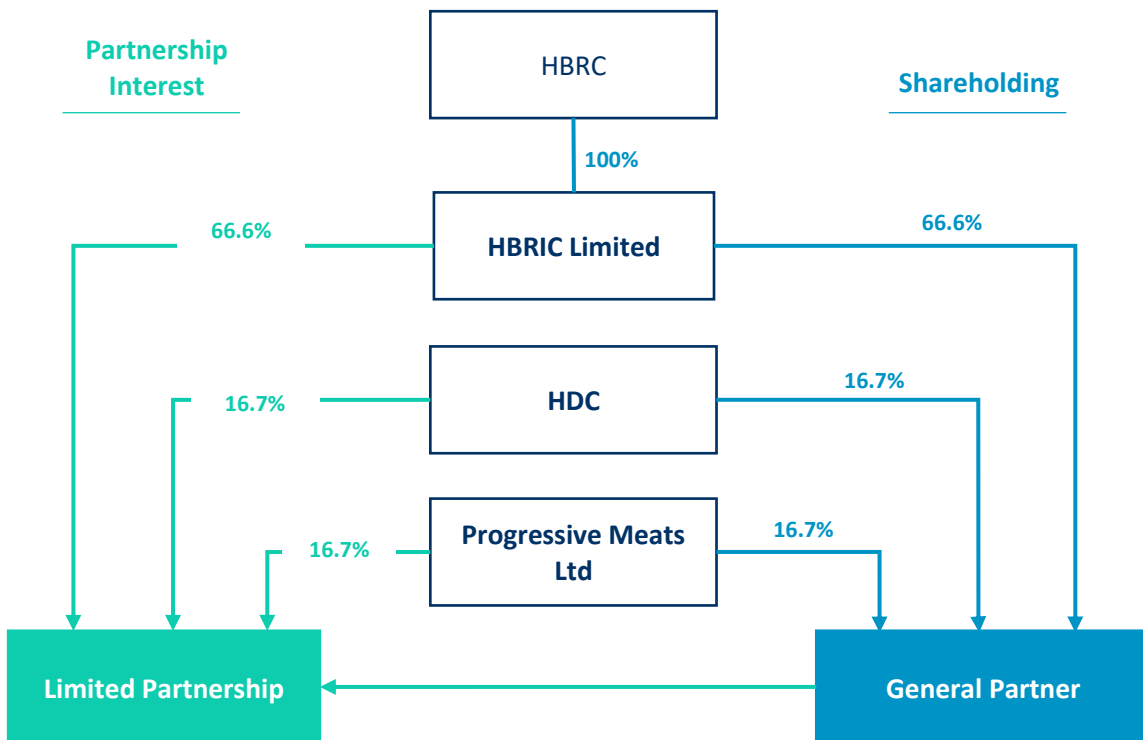
What will the General Partner and the Limited Partnership look like?

The Limited Partnership will be a limited partnership established in accordance with the Partnerships Act. HBRIC Ltd, HDC and Progressive Meats Limited will be the limited partners and investors.

A Limited Partnership is required to have a general partner to manage the business of the Limited Partnership. The General Partner will be set up as a company under the Companies Act to perform this role. HBRIC Ltd, HDC and Progressive Meats Limited will be the three shareholders in the General Partner.

Shares in the General Partner will be “stapled” to each of HBRIC Ltd, HDC and Progressive Meats Limited’s interest in the Limited Partnership. This means the shares in the General Partner will be the same as the proportion of their interest in the Limited Partnership.

The proposed structure is shown in the diagram below.



What is the Process from here?

25th March 2021 Consultation Opens

12th April 2021 (8 a.m.) Consultation Closes

- 6th May 2021 Set aside for people to present their views in person
- 6th May 2021 Decision made by the Hastings District Council