

## 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.

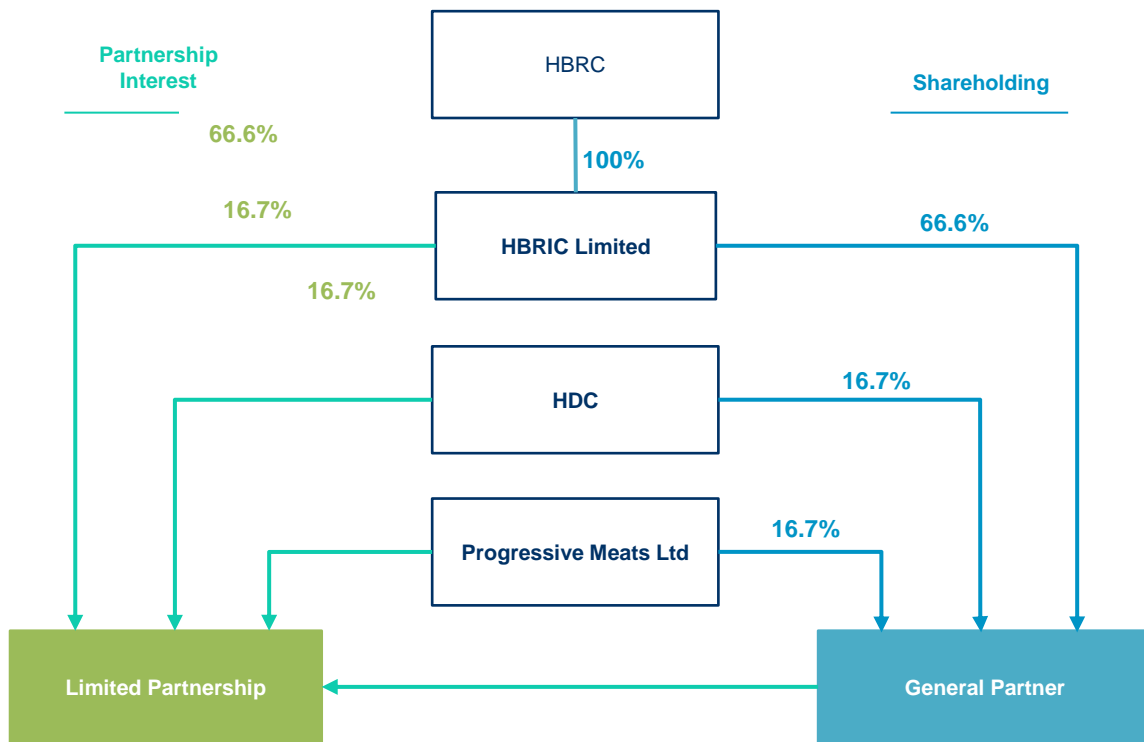
### **What will the General Partner and the Limited Partnership look like?**

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

12<sup>th</sup> April 2021 (8 a.m.)

6<sup>th</sup> May 2021

6<sup>th</sup> May 2021

Consultation Opens

Consultation Closes

Set aside for people to present their views in person

Decision made by the Hastings District Council