

Notice of Meeting:

I hereby give notice that an ordinary Meeting of the Economic Development Committee will be held on:

Date: Tuesday 1 March 2022
Time: 9.30am
Meeting Room: Council Chamber and Audio Visual link
Venue: Municipal Building, Garden Place, Hamilton

Lance Vervoort
Chief Executive

Economic Development Committee

Komiti OOhanga Whakatupu

OPEN AGENDA

Membership

Chairperson Cr R Hamilton
Heamana

Deputy Chairperson Cr E Wilson
Heamana Tuarua

Members	Deputy Mayor G Taylor	Mayor P Southgate (Ex Officio)
	Cr M Gallagher	Cr M Donovan
	Cr R Pascoe	Maangai O Te Ua
	Cr M van Oosten	Maangai T P Thompson-Evans

Quorum: A majority of members (including vacancies)

Meeting Frequency: As required – no less than four times a year.

Amy Viggers
Mana Whakahaere
Governance

21 February 2022

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Purpose

The Economic Development Committee is responsible for:

1. Governance of Hamilton's economic agenda and investment development opportunities consistent with Council's vision for the city and to enhance the wellbeing of Hamiltonians.

In addition to the common delegations, the Economic Development Committee is delegated the following Terms of Reference and powers:

Terms of Reference:

1. To drive and enhance Hamilton's economic position by actively promoting Hamilton.
2. To promote investment and business attraction opportunities for Hamilton and the greater Waikato region.
3. To provide advice on strategic initiatives, plans, projects and potential property developments that have a material impact upon the Hamilton economy.
4. To develop, review and monitor the implementation of the Economic Development Agenda.
5. To consider and recommend funding for Business Improvement District(s), Hamilton and Waikato Tourism and Te Waka through the Council's long-term plan process.
6. To monitor the performance and provide guidance on Council's relationship with key stakeholders including, but not limited to Te Waka, Hamilton Waikato Tourism and Hamilton Central Business Association.
7. To monitor the performance of Council's major event venues operation (H3).
8. To review and monitor the implementation of Council's Event Sponsorship Policy.
9. To approve annual Event Sponsorship funding applications and monitor any grants made to external organisations under the terms of the Event Sponsorship Policy.
10. To support and assist with efforts for external partnerships on Council projects that will provide economic development opportunities for Hamilton and the region.
11. To develop and monitor policy related to the appointment and remuneration of directors of CCOs, CCTOs and COs.
12. To provide clear direction to Council's CCOs, CCTOs and COs on Council's expectations, including feedback on draft statements of intent.
13. To receive six-monthly reports of Council's CCOs, CCTOs and COs, including on board performance.
14. To undertake any reviews of CCOs and CCTOs and agree CCO/CCTO-proposed changes to their governance arrangements, except where reserved for Council's approval by Council.
15. To develop policy, approve and monitor implementation of plans and strategies in relation to the performance of Council's investments in the Municipal Endowment Fund and strategic property.

The Committee is delegated the following powers to act:

- Approval of event sponsorship applications annually in accordance with the Event Sponsorship Policy.
- Approval of letters of expectation for each CCO, CCTO and CO.
- To provide feedback on draft statements of intent for each CCO, CCTO and CO.

The Committee is delegated the following recommendatory powers:

- Appointments to, and removals from, CCO, CCTO and CO boards
- Approval of proposed major transactions or constitutional adjustments of CCOs, CCTOs and COs.
- Approval or otherwise of any proposal to establish, wind-up or dispose of any holding in, a CCO, CCTO or CO.
- Approval of acquisition or sale or lease of properties owned by the Council, or owned by the Municipal Endowment Fund or the Domain Endowment Fund consistent with the Municipal Endowment Fund Investment Policy, for any endowment properties.
- The Committee may make recommendations to Council.
- The Committee may make recommendations to other Committees.

Recommendatory Oversight of Policies and Bylaws:

- *Appointment and Remuneration of Board Members of COs, CCOs and CCTOs Policy*
- *Event Sponsorship Policy*
- *Freeholding of Council Endowment Land Policy*
- *Municipal Endowment Fund Investment Policy*
- *Business Improvement District (BID) Policy*
- *International Relations Policy*

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1 Apologies – *Tono aroha*

2 Confirmation of Agenda – *Whakatau raarangi take*

The Committee to confirm the agenda.

3 Declaration of Interest – *Tauaakii whaipanga*

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as an elected representative and any private or other external interest they might have.

4 Public Forum – *Aatea koorero*

As per Hamilton City Council's Standing Orders, a period of up to 30 minutes has been set aside for a public forum. Each speaker during the public forum section of this meeting may speak for five minutes or longer at the discretion of the Chair.

Please note that the public forum is to be confined to those items falling within the terms of the reference of this meeting.

Speakers will be put on a Public Forum speaking list on a first come first served basis in the Council Chamber prior to the start of the Meeting. A member of the Council Governance Team will be available to co-ordinate this. As many speakers as possible will be heard within the allocated time.

If you have any questions regarding Public Forum please contact Governance by telephoning 07 838 6727.

Council Report

Committee: Economic Development Committee

Date: 01 March 2022

Author: Tyler Gaukrodger

Authoriser: Michelle Hawthorne

Position: Governance Advisor

Position: Governance and Assurance Manager

Report Name: Confirmation of the Economic Development Committee Open Minutes of 23 November 2021

Report Status	<i>Open</i>
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Staff Recommendation - *Tuutohu-aa-kaimahi*

That the Economic Development Committee confirm the Open Minutes of the Economic Development Committee Meeting held on 23 November 2021 as a true and correct record.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Economic Development Committee Unconfirmed Open Minutes - 23 November 2021

Economic Development Committee

Komiti OOhanga Whakatupu

OPEN MINUTES

Minutes of a meeting of the Economic Development Committee held Council Chamber, Municipal Building, Garden Place, Hamilton and Audio Visual Link on Tuesday 23 November 2021 at 9.32am.

PRESENT

Chairperson Cr R Hamilton

Heamana

Deputy Chairperson Cr E Wilson

Heamana Tuarua

Members

Mayor P Southgate

Deputy Mayor G Taylor

Cr M Gallagher (exclusively via Audio Visual Link)

Cr R Pascoe

Cr M van Oosten

Cr M Donovan

Maangai O Te Ua (exclusively via Audio Vial Link)

Maangai T P Thompson-Evans (exclusively via Audio Vial Link)

In Attendance

Blair Bowcott – General Manager Growth

Sean Murray – General Manager Venues, Tourism and Major Events

Mike Bennett – Key Account Manager

Tracey Musty – Financial Controller

James Clarke – Director of the Mayor's Office

Greg Carstens – Growth, Funding and Analytics Unit Manager

Nicolas Wells – Strategic Property Manager

Tiki Mossop – Programme Manager

Amy Trigg – Senior Policy Analyst

William Durning, Rosie Spragg and Sue Lorenz – Te Waka

Governance Staff

Amy Viggers – Governance Team Leader

Narelle Waite and Claire Guthrie – Governance Advisors

The meeting was opened with whakataukii from Cr Hamilton

1. Apologies - *Tono aroha*

Resolved: (Cr Hamilton/Cr Wilson)

That the apologies for partial attendance from Mayor Southgate are accepted.

2. Confirmation of Agenda - *Whakatau raarangi take*

Resolved: (Cr Wilson/Cr Bunting)

That the agenda is confirmed.

3. **Declarations of Interest - *Tauaakii whaipaa***

Cr Donovan declared an interest in item 7 (Te Waka 6-monthly Update). He noted he was not conflicted and would participate in discussion and vote on the matter.

4. **Public Forum - *AAtea koorero***

No members of the public wished to speak.

5. **Confirmation of the Economic Development Committee Open Minutes of 11 August 2021**

Resolved: (Cr Wilson/Cr Hamilton)

That the Economic Development Committee confirm the Open Minutes of the Economic Development Committee Meeting held on 11 August 2021 as a true and correct record.

Item 7 (Te Waka 6-monthly Update) was taken after Item 5 (Confirmation of the Economic Development Committee Open Minutes of 11 August 2021) to accommodate speaker availability.

7. **Te Waka 6-monthly Update**

The Key Account Manager introduced William Durning, Rosie Spragg, Sue Lorenz (Te Waka). They introduced their roles at Te Waka and took the 6-monthly update report as read. They responded to questions from Members concerning business partnerships, funding challenges for Te Waka, measurable outcomes and success indicators, and updates to the Te Waka board.

Resolved: (Mayor Southgate/Cr Hamilton)

That the Economic Development Committee receives the report.

6. **Chair's Report**

The Chair introduced his report noting Council's shift from planning and positioning to production and delivery. He responded to questions from Members concerning Te Huia financial statements.

Resolved: (Cr Wilson/Cr Pascoe)

That the Economic Development Committee:

- a) receives the report; and
- b) requests staff and Cr Wilson undertake to report back to all Elected Members within 14 days with the financial summary of Te Huia operation activities up to the date when services were suspended due to alert level changes;
- c) notes that there is potential economic benefits from the increased Te Huia service that now includes the Strand.

8. **Waikato Innovation Growth Limited - Letter of Expectation 2022/23**

The Financial Controller introduced the report noting the letter of expectation to Waikato Innovation Growth Limited (WIGL), requested work programme, and the incoming WIGL Chief Executive.

Resolved: (Cr Hamilton/Deputy Mayor Taylor)

That the Economic Development Committee:

- a) receives the report;
- b) approves the Letter of Expectation 2022/23; and

- c) delegates authority to the Chair of the Economic Development Committee to sign the Letter of Expectation 2022/23.

Cr Wilson left the meeting (10.35am) during discussion of the above item. He was not present when the matter was voted on.

9. Civic Financial Services Limited - Half Year Report 30 June 2021

The Financial Controller introduced the report, noting the changes to the board chair. She responded to questions from Members concerning shareholdings, performance of the fund as comparable to other superannuation funds, and ethical investing.

Resolved: (Cr Pascoe/Cr Hamilton)

That the Economic Development Committee receives the report.

Cr Wilson joined the meeting (10.37am) during discussion of the above item. He was present when the matter was voted on.

10. International Relations Update

The Director of the Mayor's Office and the Senior Policy Analyst spoke to the report noting progress of relationships with sister cities, effect of Covid-19, and additional resourcing. They responded to questions from Members concerning progressing relationships with the existing sister cities, and assuring equal-benefit relationships.

Resolved: (Cr Wilson/Mayor Southgate)

That the Economic Development Committee receives the report.

11. Municipal Endowment Fund - Quarterly Report - Q1 2021/22 FY

The Strategic Property Manager took the report as read.

Resolved: (Cr Hamilton/Cr Wilson)

That the Economic Development Committee receives the report.

12. Municipal Endowment Fund - Investment Strategy

The Strategic Property Manager and Financial Controller spoke to the report noting the proposal to re-invest funds in a higher-yielding portfolio. Staff responded to questions from Members concerning portfolio diversity and risk mitigation, Covid-19 financial risks, advice on funding adjustments, liquidity and cash in reserve, and policy on ethical investing.

Resolved: (Cr Hamilton/Cr Wilson)

That the Economic Development Committee:

- a) receives the report;
- b) notes that the Municipal Endowment Fund Financial Reserves will be invested in accordance with the Council's Investment and Liability Management Policy to generate a return greater than is currently the case;
- c) notes that the investment returns (positive or negative) will be credited to the Municipal Endowment Fund; and

- d) notes the higher risk profile that accompanies the desire for a higher return, in accordance with the Municipal Endowment Fund Investment Strategy.

The meeting was adjourned from 11.34am-11.53am.

13. H3 Group - Quarter 1 Activity Report 1 July - 30 September 2021

The General Manager Venues, Tourism and Major Events spoke to the report, noting first quarter trading prior to lockdown, lockdowns effect on revenue, preparation in place for response to the new Covid restriction framework, and progress of a socio-economic benefit measurements project. He responded to questions from Members concerning measuring socio-economic wellbeings, resourcing for the new Covid restriction framework, and responsibility of vaccination pass monitoring.

Resolved: (Cr Hamilton/Cr Donovan)

That the Economic Development Committee receives the report.

14. General Manager's Report (*Recommendation to the Council*)

The General Manager Growth introduced the report noting updates on economic development activities, sponsorship of Kudos science awards, Covid rent-relief funding, and strategic property activities update including the sale of land at Heaphy Terrace and Brooklyn Road. Staff responded to questions from Members concerning the economic outlook for Hamilton, employment market, inflation and OCR rate predictors, effect of Covid restriction framework, and review of Arts Post land use.

Resolved: (Cr van Oosten/Cr Hamilton)

That the Economic Development Committee:

- a) receives the report;
- b) recommends that the Council approves \$100,000 of additional funding for rent relief for eligible Council tenants in the Covid-19 Level 3 and 2 lockdowns from 1 November to 31 December 2021, in accordance with the criteria approved by Council on 5 October 2020;
- c) approves the continuation of the sponsorship of the Kudos Scientist Awards, funded through existing Economic Development budgets.

Mayor Southgate retired from the meeting (12.19pm) during discussion of the above item. She was not present when the matter was voted on.

15. Resolution to Exclude the Public

Resolved: (Maangai Te Ua/Cr Hamilton)

Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

That the public be excluded from the following parts of the proceedings of this meeting, namely consideration of the public excluded agenda.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Confirmation of the Economic Development Committee Public Excluded Minutes of 11 August 2021) Good reason to withhold information exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
C2. 191-197 River Road - Sonning Carpark Update)	
C3. Hamilton Hotel Reports		

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

Item C1.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C2.	to enable Council to carry out commercial activities without disadvantage	Section 7 (2) (h) Section 7 (2) (i)
Item C3.	to enable Council to carry out negotiations to enable Council to carry out commercial activities without disadvantage	Section 7 (2) (h)

The meeting went into a Public Excluded session at 12.33pm.

The meeting was declared closed at 1.39pm.

Minute Note 21/12/2021:

On 21/12/2021 the following resolutions were determined to be released to the public via these minutes and the quarterly update.

Hamilton Hotel Reports

Resolved:

That the Economic Development Committee:

- a) receives the report;*
- b) notes that the Committee will be kept apprised of hotel development interests under consideration;*
- c) notes that Attachment 1 of the staff report (**Appendix 1**) will be released to the public via the open minutes of this meeting; and*
- d) notes that the decision and information in relation to this matter be released at the appropriate time, to be determined by the Chief Executive.*

Hamilton Hotel Market Situation Report



Prepared for
Hamilton City Council

12 October 2021



A member of Crowe Global

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1 INTRODUCTION

Hamilton City Council has commissioned Horwath HTL Limited ("Horwath") to prepare this Hamilton hotel market report.

1.1 SCOPE OF WORK

We have undertaken the following scope of work:

- summarised the hotel and motel market for Hamilton, including historical demand, supply and occupancy performance up to 2019 (ie: pre-COVID)
- identified commercial accommodation demand drivers for the leisure and other market segments in Hamilton (historical and expected future)
- estimated the current and potential future demand for and supply of commercial accommodation in Hamilton.

1.2 EXCLUSIONS OF SCOPE

Our work has excluded:

- detailed market enquiries other than those identified in this report
- detailed verification of information or representations provided by third parties
- hotel site options assessment or analysis
- a market demand study for any particular assumed hotel
- future quantified demand projections other than to the extent indicated above
- a feasibility study or other report.

1.3 DISCLAIMERS

This report is based on certain assumptions, estimates and other information available to us (the sources of which are stated in our report) and our knowledge of the tourism industry in New Zealand and Hamilton. We did not carry out an audit or verification of the information supplied to us during the engagement, except to the extent stated in this report.

Some assumptions and forward-looking statements inevitably will not materialise, and unanticipated events and circumstances may occur. Therefore, the actual results achieved during the forecast period covered in our analysis will vary from those described in our report (including forward looking statements and projections) and the variations may be material.

Our report is intended for the private use of Hamilton City Council, and not for inclusion in a private offering, prospectus or public offering for equity and / or debt raising purposes or other reasons. Neither the report nor its contents, nor any reference to our firm, may be included or quoted in any offer document,

prospectus, valuation or other document without our prior written consent and input.

We reserve the right to (i) review any document for consistency with our report, where there is a reference to our report, or inclusion of any part, and (ii) suggest amendments to your document. This may result in additional engagement by our firm, and therefore additional fees.

Horwath HTL Ltd owes a duty of care to Hamilton City Council as our client and cannot be held responsible for any loss suffered by a third party as a result of that party relying on our report. The potential liability of Horwath HTL Ltd under this engagement, or in any way associated with the services rendered, will be limited to the extent of our fees paid to Horwath HTL Ltd in relation to this engagement.

DRAFT

2 SUMMARY OF KEY FINDINGS AND CONCLUSIONS

In the perception of most modern-day frequent travellers, Hamilton's existing commercial accommodation market is dominated by motels and smaller hotels at the lower end of the 3-4 star categories. The quantity and general quality of existing supply falls short of current and future market requirements.

Prior to the Covid-19 pandemic, the average annual occupancy rate of the city's hotels and motels was 72% with significant variation between properties. Properties with more up to date facilities, offering high quality services and facilities, reported annual occupancies in the range of 80%-95%.

Representatives of major Travel Management Companies (TMC's) who book accommodation for central government departments, major businesses and other organisations, reported a lack of suitable accommodation in the city and having frequent difficulties securing rooms at their preferred properties.

Conference and event organisers have repeatedly selected alternative cities to host their event due to a lack of suitable accommodation in Hamilton.

Supply and demand of Airbnb¹ has increased considerably over time to cover some of the accommodation shortfalls, reducing the stock of residential accommodation.

Since 2020, accommodation supply in the city has reduced dramatically with 42% of major hotel supply being used for government MIQ facilities and a reported 55% of motel supply taken off the market for use by the Ministry of Social Development's (MSD) social housing requirements.

In the meantime (and until the start of lockdowns in August 2021), the strong recovery of economic activity and domestic tourism has more or less restored demand for commercial accommodation in Hamilton.

This has resulted in a significant increase in occupancy rates with hotels and motels (excluding MIQ) reaching an average occupancy of 82% in July 2021. This compares to 68% occupancy during the same month in 2019.

Considerable compression has been reported during weekdays and on Saturday nights with people either abandoning plans to stay overnight or seeking alternative accommodation options in the wider Waikato Region and even Tauranga.

The Novotel Tainui is the clear market leader. A sample of publicly advertised room rates during the period April-September 2021, show the rates offered for a standard room by the Novotel Tainui were on average 61% higher than rates

¹ When comparing Airbnb demand and supply, we compare only "entire places" and not shared accommodation.

offered by its closest rate competitor. Similarly, the Novotel's rates were on average 74% higher than the average offered by the remaining Hamilton hotels.

Reported demand for Airbnb during the 1st half of 2021 has increased by 15% compared to the same period in 2019 with a 27% rise in average daily rates to \$177.

We expect that much of the motels currently used for social housing will continue to do so for the next few years or may be permanently re-purposed to another use either for or as a result of this activity.

Hamilton is the 4th largest city in New Zealand and the economic hub of the Waikato region. Over the past 10 years, the city's economy and population have grown more strongly than the national average.

Yet, with regard to the quantity of available commercial accommodation in relation to its population and economic output, even prior to the Covid-19 pandemic, the city lagged behind most comparable city's in New Zealand, particularly in terms of hotel supply.

The economic outlook for the Waikato Region and Hamilton seems positive for the foreseeable future (10+ years), supported by further population growth, business investment, major infrastructure spending and improvements of public amenities.

Transport infrastructure improvements (including road and rail) are making Hamilton and the Waikato region quicker and easier to access from Auckland for visitors and trade. Improved access also makes regional multi-day conferences in Hamilton more attractive / competitive as an alternative to Auckland.

Provided there is sufficient suitable accommodation available, there appears to be much potential for an increase in the number of business, entertainment, sporting and other events at Claudelands, FMG Stadium, Seddon Park and Mystery Creek Events Centre that will attract hotel and motel demand.

A calendar of established annual events and activities are likely to continue to assist in attracting visitors to Hamilton for leisure purposes.

Internationally renowned visitor attractions in the Waikato region such as Hobbiton Movie Set and Waitomo Caves, with very limited nearby commercial accommodation available, provide Hamilton with more opportunity to 'capture' visitor accommodation demand.

To meet future commercial accommodation requirements, we expect that Hamilton requires a mixture of circa 160 additional hotel rooms and serviced apartment units by 2023, rising to circa 850 in the year 2033. This requirement is over and above the rooms in hotels that are currently used as MIQ facility and are expected to return to the market over the next 12-18 months.

Our calculations include projections of future domestic and international visitor night demand for New Zealand, the Waikato and Hamilton City, assumptions about visitor stay patterns, the future of existing motel supply and sustainable market occupancy rates.

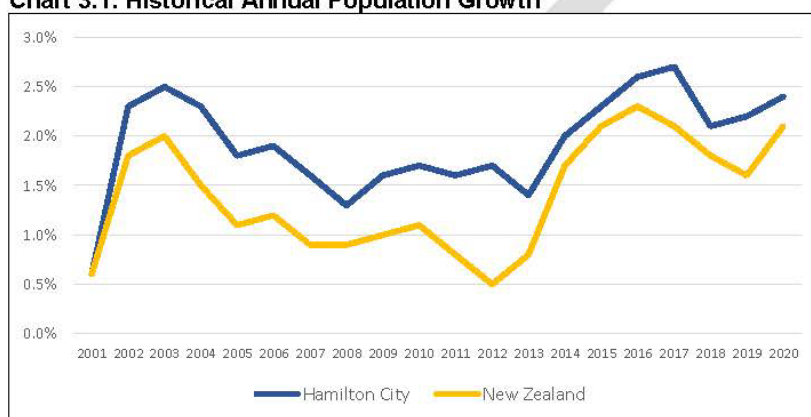
3 HAMILTON OVERVIEW

Hamilton is located at the heart of the Waikato region and is the fourth largest city in New Zealand after Auckland, Wellington and Christchurch. It is the main population centre at the heart of the geographically extensive Waikato Region.

3.1 HAMILTON AND WAIKATO POPULATION GROWTH OUTLOOK

Population growth in Hamilton City has been above the national average for all of the past 20 years and is expected to continue to grow at above the national average.

Chart 3.1: Historical Annual Population Growth



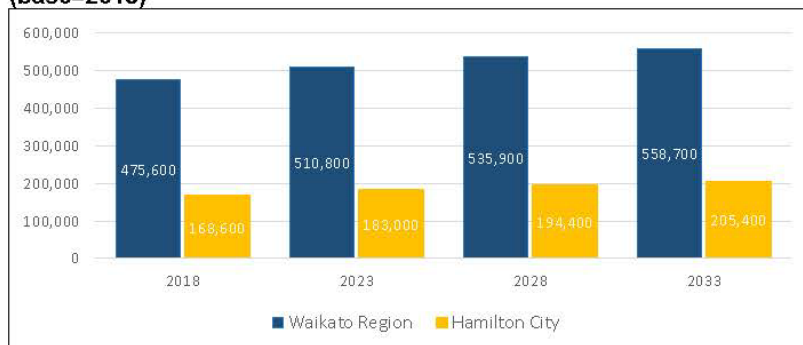
(Source: Stats NZ)

The stronger than average growth has been the result of higher migration, opposed to natural growth and reflect the increasing attractiveness of the city as a good place to live and work.

According to the latest census published by Statistics New Zealand (Stats NZ), Hamilton's City's population in 2020 (176,500) comprised 36% of the Waikato region's total population (496,700).

Chart 3.2 shows the projected population of Waikato Region and Hamilton City for the period to 2033 with a compound annual growth rate (CAGR) of 1.1% and 1.3% respectively.

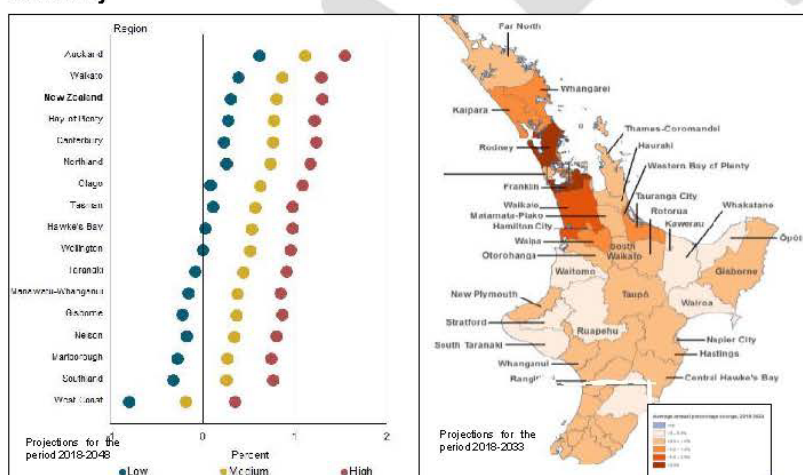
Chart 3.2: Projected population of Waikato Region and Hamilton City (base=2018)



(Source: Stats NZ, 31 March 2021)

The charts below show that the population projections Hamilton City and the Waikato Region are expected to be amongst the strongest growing parts of New Zealand, just behind Auckland as illustrated in the charts below.

Chart 3.3: Projected average annual population change by region and territorial authority



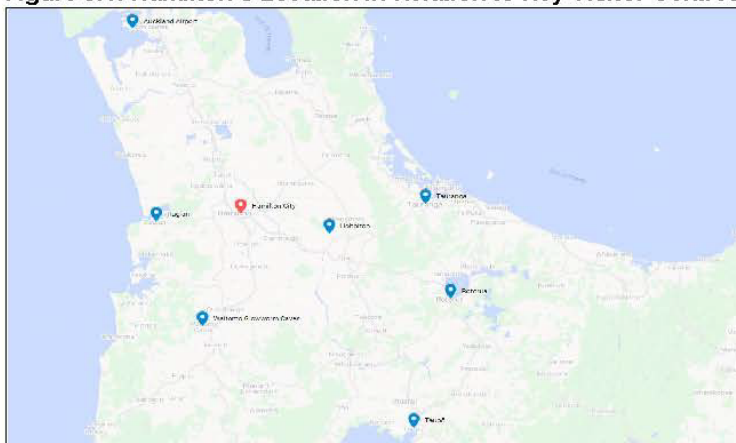
(Source: Stats NZ)

3.2 LOCATION AND ACCESSIBILITY

As illustrated in Figure 3.1, Hamilton is located 125km south of the Auckland CBD on State Highway 1. It is also 228 km north of Taupo on State Highway 1, the main arterial route through the North Island.

Due to its central location on the North Island, Hamilton's is closer to a larger part of the New Zealand's population than Auckland. Together with the Waikato region, it has developed into a major production centre and distribution hub.

Figure 3.1: Hamilton's Location in Relation to Key Visitor Centres



(Source: Google Maps)

The Waikato Expressway provides motorway access between Auckland and Hamilton. Approximate off-peak travel times between Hamilton and nearby destinations are summarised in Table 3.1.

Table 3.1: Driving times to Hamilton CBD

Location	Approximate Driving time (Hours:Minutes)
Auckland CBD	1:30
Auckland Airport	1:15
Cambridge	:25
Tauranga	1:20
Rotorua	1:30
Taupo	2:00
Hobbiton Movie Set	1:00
Waitomo Caves	1:00

(Source: Google Maps) (Noon travel times)

Appendix A shows the location of the main industrial and business zones in Hamilton.

Hamilton Airport is serviced by Air New Zealand and Origin Air, with regular direct flights to and from Wellington, Christchurch, Palmerston North, Nelson and Hawke's Bay.

The airport has experienced a 31% increase in passenger movements during the four years to June 2019 with a further growth of 8% reported for the year until the start of the pandemic in March 2020.

An announcement by Air New Zealand in March 2021 saw flight schedules in and out of Hamilton airport exceeding pre-Covid levels, indicating a strong rebound in business activity.

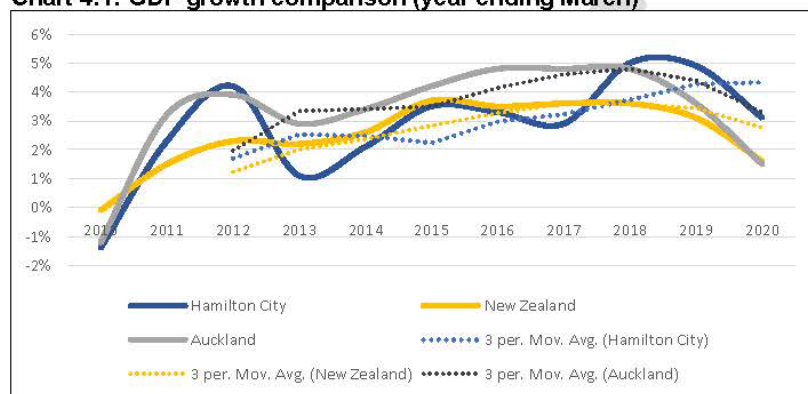
4 ECONOMIC PERFORMANCE

4.1 GDP GROWTH

Chart 4.1 shows a strong increase in the growth of Hamilton's Gross Domestic Product (GDP) over the three years prior to the Covid-19 pandemic, outperforming the average for Auckland and New Zealand.

Economic growth in Hamilton City averaged 3.2%pa over the last 10 years compared with an average of 2.8%pa in the national economy.

Chart 4.1: GDP growth comparison (year ending March)



(Source: Infometrics)

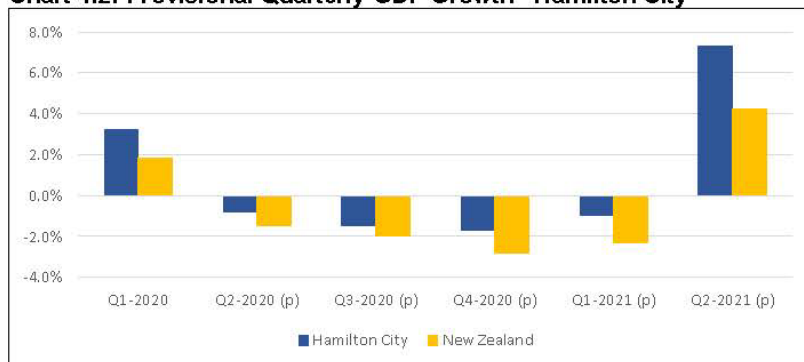
The strong recent economic performance reflects the increasing attractiveness of the city as a place to live, work and invest. Some of the contributing factors include:

- additional investment and development from agricultural, logistics distribution and servicing companies
- a strong growth in the number of businesses
- the spill-over from Auckland's strong population growth and consequent pressure on housing affordability in Auckland
- completion of the Hamilton section of the Waikato Expressway, which has made Hamilton more easily accessible from Auckland and is contributing to improving Hamilton's attractiveness as a place to live, work and invest in new businesses
- improved facilities and community infrastructure in Hamilton
- an increase in well skilled and educated younger people moving into the area.

With less reliance on international tourists and significant share of "essential" businesses, Hamilton's economy has been relatively resilient to the negative impacts from Covid-19 compared to many other cities in New Zealand.

The chart below shows the resilience of the Hamilton economy compared to the national average as during the Covid-19 pandemic, lock downs and other restrictions.

Chart 4.2: Provisional Quarterly GDP Growth - Hamilton City



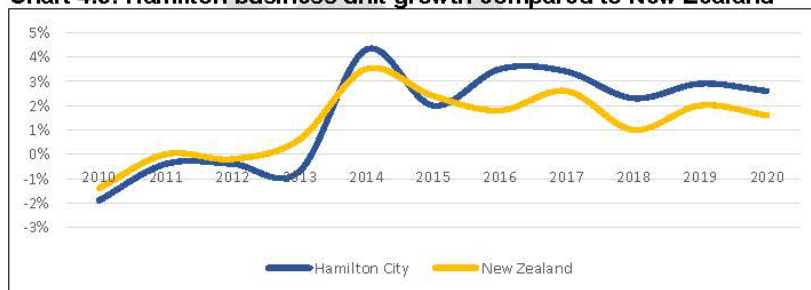
(Source: Infometrics)

4.2 BUSINESS GROWTH AND INDUSTRY DIVERSIFICATION

Chart 4.3 shows a comparison of business unit growth between Hamilton and the New Zealand average over the 10 year period to 2020.

Business unit growth in Hamilton has outperformed the average growth in New Zealand during most of the past five years after overcoming the impact of the GFC (2010–2013).

Chart 4.3: Hamilton business unit growth compared to New Zealand

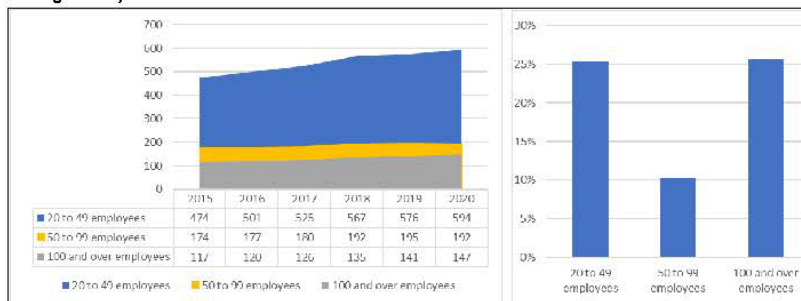


(Source: Infometrics)

The increase has been particularly strong amongst medium and larger size businesses as illustrated in

Chart 4.4, reflecting both business growth and newly established business units.

Chart 4.4: Hamilton growth of large and medium size businesses 2015-2020 (year ending March)



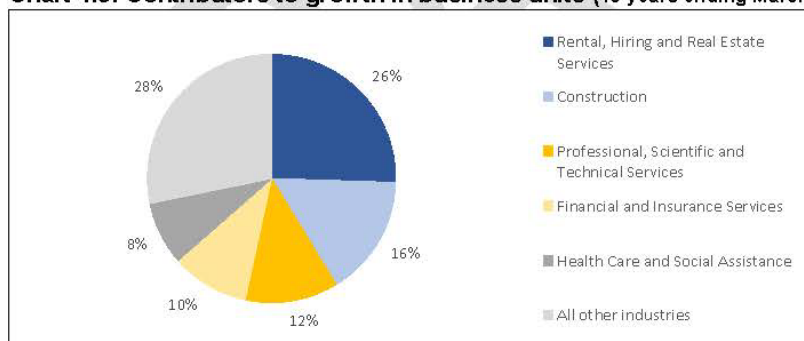
(Source: Infometrics)

Much of the business growth has occurred in knowledge intensive sectors that require higher skilled employees such as professionals, managers, technicians and trades workers.

According to the General manager of the Hamilton Central Business Association, 53 new businesses have opened in the city's CBD during between September 2020 and August 2021 amidst the Covid-19 pandemic.

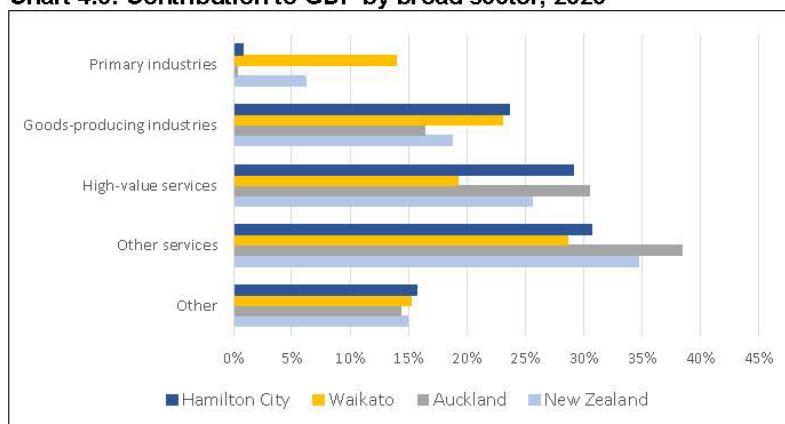
Chart 4.5 shows the key industry sectors that have contributed to business unit growth during the 10 years to March 2019.

Chart 4.5: Contributors to growth in business units (10 years ending March 2019)



(Source: Infometrics)

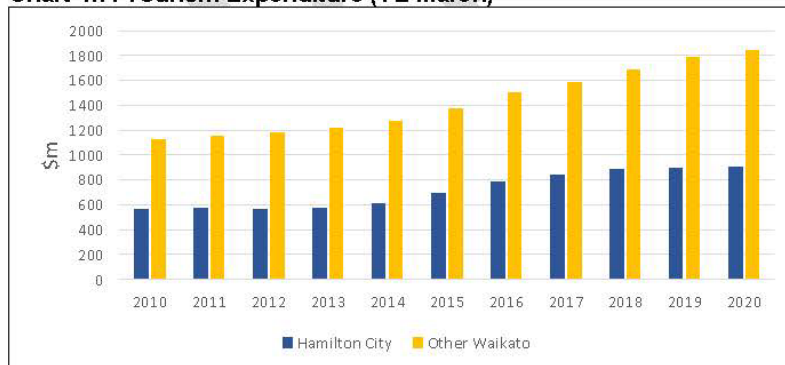
Hamilton city services a very broad range of industry sectors. It has the advantage of being the hub of the Waikato region which is dominated by primary industry sectors as well as being a major urban centre attracting goods producing industries and companies providing high value services as illustrated in the chart below. As a result, the overall economy and therefore the demand for commercial accommodation is less sensitive to potential ups and downs of any particular sector.

Chart 4.6: Contribution to GDP by broad sector, 2020*(Source: Infometrics)*

A list of major employers in the Hamilton area can be found in Appendix D.

4.3 TOURISM EXPENDITURE IN HAMILTON

Spending by domestic and international tourists during the period 2010-2020 in Hamilton City has grown at a CAGR of 4.8%, while that in the Waikato Region outside Hamilton has grown at a CAGR of 5%. This compares to a national growth of 4.9% during the same period. Chart 4.7 shows this growth in absolute terms.

Chart 4.7: Tourism Expenditure (YE March)*(Source: Infometrics / Stats NZ)*

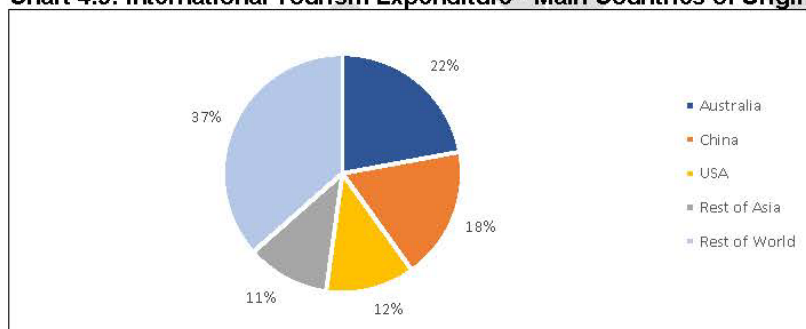
The growth reflects both the strong increase in business activity and popularity amongst domestic and international leisure travellers.

The growth of internationally oriented businesses combined with an increasing appeal of the region with international travellers have had a significant impact on international tourism expenditure in the city, which has grown at a CAGR of 10% during the five years pre-Covid-19 as illustrated in the chart below.

Chart 4.8: Hamilton City - International Tourism Expenditure

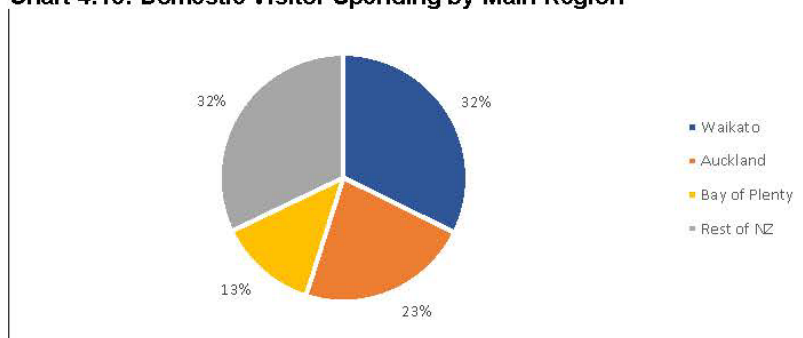

(Source: Infometrics / Stats NZ)

International Tourism expenditure made up 23% of total tourism expenditure in Hamilton for the year ending March 2020. Australia, China and the USA were the largest international source markets, contributing 52% of total international tourism spend in the year to March 2020.

Chart 4.9: International Tourism Expenditure - Main Countries of Origin


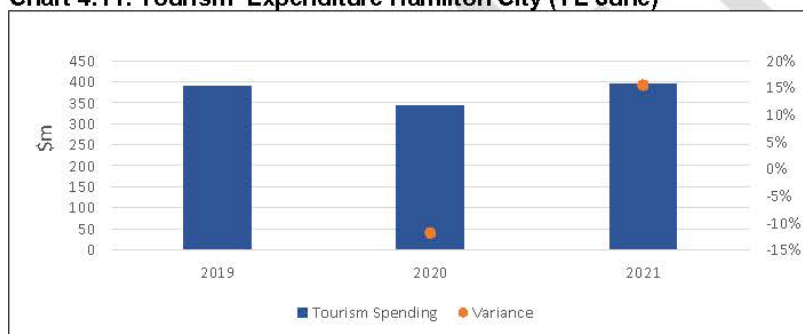
(Source: Infometrics / Stats NZ)

Domestic visitor spending is dominated by visitors who reside within driving range of the city as shown below. This reflects the role that Hamilton plays as a regional hub and as a semi-satellite centre for Auckland. For current and future accommodation providers it highlights the need to provide ample car parking for guests.

Chart 4.10: Domestic Visitor Spending by Main Region

(Source: Infometrics / Stats NZ)

Tourism expenditure in Hamilton City quickly bounced back after the initial decline caused by the Covid-19 pandemic in 2020, with spending reaching pre-covid levels during the 12-month ending June 2021.

Chart 4.11: Tourism Expenditure Hamilton City (YE June)

(Source: Infometrics / Stats NZ)

This data indicates that:

- the Hamilton visitor economy was not significantly detrimentally impacted by COVID-19 during 2020
- the local visitor economy was less exposed to the dramatic downturn in international visitor arrivals and spending in 2020 experienced in many other regions, including Auckland
- short-term negative impacts in domestic visitor expenditure during the 2020 lockdown periods were largely off-set by increased domestic visitor expenditure in the non-lockdown periods, including from domestic leisure 'short breaks'
- business and corporate visitor expenditure underpins total tourism expenditure in Hamilton.

5 KEY DEMAND DRIVERS FOR COMMERCIAL ACCOMMODATION

5.1 BUSINESS EVENTS VENUES AND ACTIVITY

Hamilton has two nationally significant Business Events venues – Claudelands and Mystery Creek (located just outside the Hamilton City boundary) – as well as several other venues capable of hosting meetings, conferences, incentive events, public and trade shows and exhibitions, entertainment and other events.

5.1.1 Claudelands

Claudelands is a multi-function events facility, the main venue of which is shown in Figure 5.1. Together with FMG Stadium Waikato (rugby), Seddon Park (cricket) and a number of smaller venues, the facilities are managed by H3, a highly professional and commercially focussed business unit of Council.

Developed in 2011 by the Hamilton City Council, Claudelands includes a four-star conference centre, an entertainment arena with a capacity for 6,000 patrons, extensive meeting facilities and a combined 11,000m² of indoor (7,000m²) and outdoor (4,000m²) exhibition space.

Figure 5.1: Claudelands Events Centre



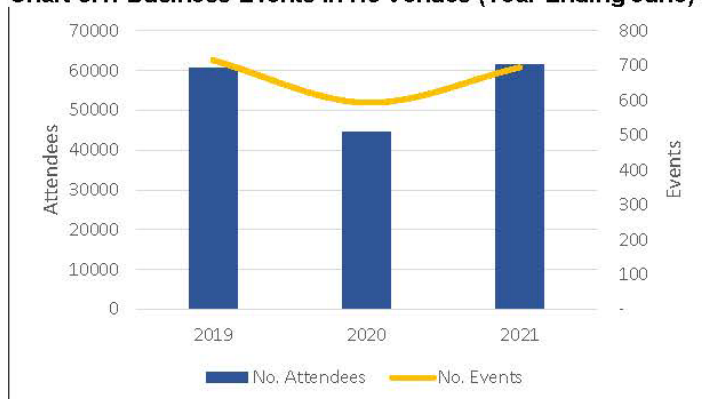
(Source: Hamilton City Council)

Combined with FMG Stadium Waikato (rugby), Seddon Park (cricket) and a number of smaller venues, the facilities are managed by a commercially focussed business unit of Council, branded as H3.

The facilities are well-suited for large conferences and other business events, as well as large consumer shows, music and theatre performances and major sporting events.

Prior to the Covid-19 Pandemic in the year ending June 2019, the H3 facilities hosted over 715 business events with a total attendance of more than 60,727. As illustrated in the chart below, following the Covid-19 lockdowns in the second quarter of 2020, business event volumes have largely recovered in the year to June 2021.

Chart 5.1: Business Events in H3 Venues (Year Ending June)



(Source: H3)

Claudelands operates well below its potential capacity, much of which is attributed to a lack of commercial accommodation in the city as described in section 6.3.2 of this report.

Please refer to Appendix G for Claudelands' event space details and Appendix E for an overview of the number and type of events and attendance numbers at Claudelands and other H3 Venues.

5.1.2 Mystery Creek Events Centre

Sitting on 114 ha of land and capable of hosting events with up to 45,000 attendees, the Mystery Creek Events Centre is New Zealand's largest event venue.

Figure 5.2: Mystery Creek Events Centre



(Source: www.mysterycreek.co.nz)

Mystery Creek hosts several large-scale annual events, including the Transport and Heavy Equipment Expo and the National Agricultural Fieldays. The latter is a four-day event which attracts circa 130,000 visitors each year from across New Zealand and overseas in addition to circa 10,000 exhibitor staff.

These events generate more accommodation demand than can be satisfied in Hamilton and surrounding areas during the event as well as considerable demand during the lead up and conclusion of the events.

Throughout the year, the venue typically holds around 100 other events ranging from 100 to 10,000 pax, including multi-day conferences.

Like Claudelands, Mystery Creek is operating below capacity and is losing opportunities due to a shortage of suitable hotel accommodation in Hamilton.

Appendix G includes details about the size and capacity of Mystery Creek's event spaces.

5.2 SPORTS, LEISURE AND ENTERTAINMENT EVENTS

5.2.1 Domestic Event Leisure Demand

Key demand drivers for domestic leisure visitors include:

- FMG Stadium Waikato which can seat 25,800 attendees and hosts high profile sporting fixtures such as the All Blacks, National Rugby League (NRL), Super Rugby, and National Provincial Rugby
- Seddon Park is recognised as one of the cricket world's best "boutique" grounds; it is the home of cricket in Hamilton and has the capacity to host 10,000 event attendees
- Clarence St Theatre is in the centre of Hamilton and can transform from an outstanding proscenium arch theatre (capacity of 550) to a theatre restaurant style to a standing concert venue (capacity of 900)
- Claudelands also hosts a wide range of entertainment and theatre events (as well as Business Events), that attract visitors from around the Waikato region some of whom stay overnight in commercial and private accommodation in Hamilton
- a significant schedule of rowing & cycling events hosted in Cambridge and at Lake Karapiro which generate room-night demand in Hamilton
- the new \$74 million Waikato Regional Theatre located on Victoria Street in the heart of the CBD, will seat 1,300 patrons and attract visitors from throughout the Waikato region. With demolition of existing buildings about to commence, construction of the theatre is expected to be completed in Q1-2024.

5.2.2 Visitor Activity and Attraction Demand

Popular local attractions and activities provide good reasons for local visits from neighbouring regions to visit and stay in Hamilton, including:

- Hamilton Gardens (recently expanded with the new Fantasy Collection gardens, and with ongoing expansion plans also in planning)

Figure 5.3: Hamilton Gardens



(Source: Google Images)

- Hamilton Zoo (with improvements in facilities in recent years)

Figure 5.4: Hamilton Zoo



(Source: Google Images)

- Waikato Museum Te Whare Taonga o Waikato

Figure 5.5: Waikato Museum



(Source: Google Images)

- The annual week-long 'Balloons Over Waikato' event at Hamilton Lake

Figure 5.6: Hot Air-Balloon



(Source: Google Images)

- Hobbiton Movie Set

Figure 5.7: Hobbiton Village



(Source: Google Images)

- Waitomo Glowworm Caves

Figure 5.8: Glowworm Caves Tour



(Source: Google Images)

- Avantidrome sports and leisure facility (Cambridge)

Figure 5.9: Avantidrome



(Source: Google Images)

- Huka Falls (Taupo)

Figure 5.10: Huka Falls



(Source: Google Images)

5.2.3 Education Institution Visitor Demand

Major tertiary education institutions based in Hamilton (The University of Waikato and Waikato Institute of Technology (Wintec)) have approximately 24,000 Equivalent Full Time and Part Time tertiary students and 2,400 staff between them. These institutions generate commercial accommodation demand in the FIT segment, from visiting friends and relatives, as well demand from visiting academics and speakers.

The new head office for the recently established national 'mega polytechnic' Te Pūkenga – New Zealand Institute of Skills and Technology (NZIST) – is based in Hamilton. The new entity is responsible for all 16 of the country's institutes of technology and polytechnics, including Wintec. Visitors to the head office will generate incremental commercial accommodation demand in Hamilton.

6 COMMERCIAL ACCOMMODATION MARKET OVERVIEW

6.1 HAMILTON HOTELS, MOTELS AND SERVICED APARTMENTS (PRE-COVID 19)

Prior to the Covid-19 pandemic, Hamilton's hotel and motel supply as reported by the Commercial Accommodation Monitor (CAM) consisted of 39 motels and serviced apartments² with a total of 931 rooms and 8 hotels a total of 690 rooms.

Room capacity in Hamilton has been stable over the five years prior to the Covid-19 pandemic as illustrated in the chart below.

Chart 6.1: Hamilton City annual hotel and motel capacity



(Source: Accommodation Data Monitor/Stats NZ)

In 2020 an addition of 40 rooms to the Novotel has increased the total room count to 730 as shown in the table below.

Table 6.1: Hamilton City Hotel Supply

Hotel Property Name	Key Count	Trip Advisor Rating ³
Novotel Hamilton Tainui	217	4.0
Distinction Hamilton Hotel & Conference Centre	147	3.5
ibis Hamilton Tainui	126	4.0
Ramada by Wyndham Hamilton City Centre	69	3.0
Heartland Ambassador Hotel Hamilton	51	4.0
Ventura Inn & Suites Hamilton	50	4.0
VR Hamilton Hotel	38	3.0
Abbots Hamilton Hotel & Conference Centre	32	3.0
Sub-total – Hamilton City	730	3.6
Jet Park Hamilton Airport (Waipa District)	61	4.5
Total – Greater Hamilton	791	3.7

(Source: Horwath HTL, Trip.com, Tripadvisor)

² Serviced Apartments are included in the definition of Motels as part of government reporting and in relation to the content of this report.

³ Calculated Average Tripadvisor ratings are weighted for hotel/motel size



Our market insight and inquiries with hotel operators and booking agents indicate that hotel supply is often highly constrained on weekdays when demand from business travelers is strong. With much of the hotel supply being relatively dated and in need of refurbishment, the Novotel is regarded as the leading hotel that meets the quality standards expected by today's frequent business and leisure travelers.

Based on public advertised room rates, the Novotel achieves a significant room rate premium over the rest of the market. We understand that the constraint on available hotel rooms midweek results in many business travelers who would prefer to stay in hotels have to stay in motels instead.

Table 6.2 summarises the leading Hamilton serviced apartments and motels based on size and TripAdvisor rating.

Table 6.2: Serviced Apartment (SA) and top 10 Hamilton Motel Supply

Motel Property Name	Key Count	Trip Advisor Rating
Quest Hamilton	38	4.0
Atrium on Ulster	28	4.5
BK Premier	28	4.5
Park View Motor Lodge	24	4.5
Anglesea Motel and Conference Centre	24	3.5
Brooklyn Motor Lodge	23	4.0
Astra Motor Lodge	23	5.0
Argent Motor Lodge	19	5.0
Lake Point Motel	19	3.5
Albert Court Motel Lodge	18	5.0
Stadium Motel	17	4.0
Auto Lodge Motel	14	4.5
Total – SA and top 10 motels	275	4.3

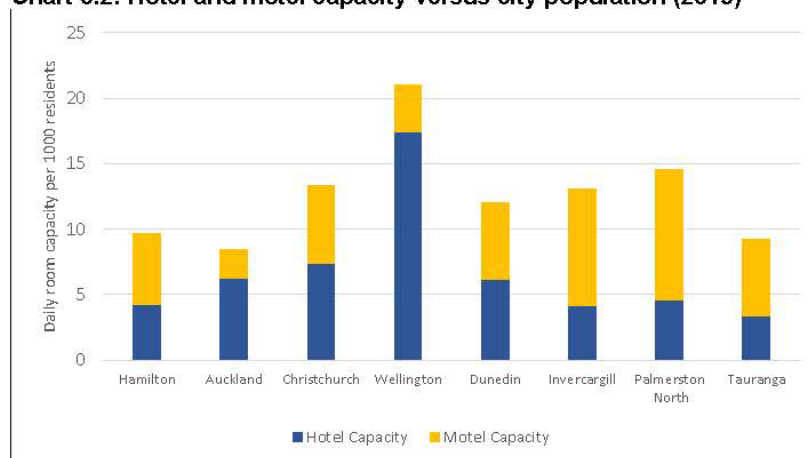
(Source: Horwath HTL)

If all Hamilton motels were included in the analysis, the average TripAdvisor score would fall to a score similar to the average hotel score of 3.8.

The 'Quest on Ward' (29 rooms), has been closed for building maintenance issues since April / May 2019. It is expected that this property will be reinstated into the competitive room supply in the medium term (eg: 1–2 years).

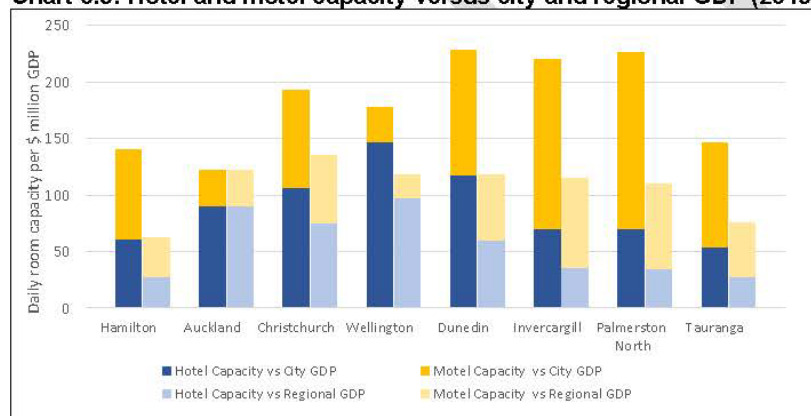
As New Zealand's fourth-largest city in terms of population, Hamilton's hotel supply has been relatively low compared to other commercial centres and does not seem to reflect the needs of the city's growing economy. Charts 6.1 and 6.2 show comparisons of Hamilton's accommodation capacity with other centres in relation to their population and the economic output of the city and the region for which the city is the commercial hub.

Chart 6.2: Hotel and motel capacity versus city population (2019)



(Source: Stats NZ & Horwath HTL)

Chart 6.3: Hotel and motel capacity versus city and regional GDP (2019)



(Source: Stats NZ & Horwath HTL)

While the city's room supply has remained constant, room night demand has increased consistently during the five years pre Covid-19, resulting in Average Occupancy Rates (AOR) for the market exceeding 70%.

However, occupancies vary significantly based on the quality standards and ratings of hotels and motels. Inquiries with operators, owners and accommodation booking agents indicate that hotels and motels that are preferred due to their quality, branding and location were often booked out and achieved annual occupancy rates in excess of 85-90%.

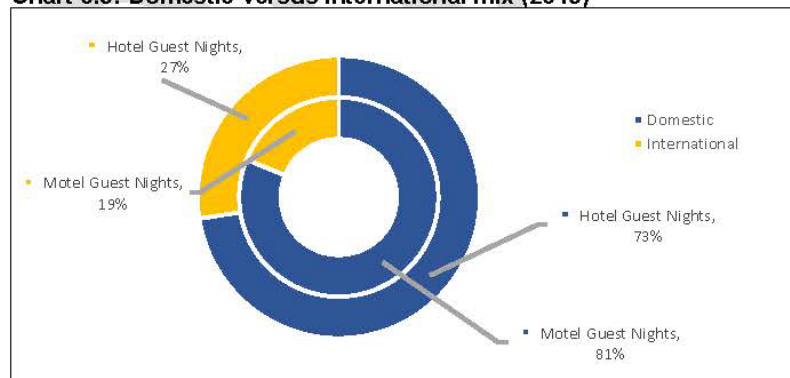
Chart 6.4 shows the city's hotel and motel occupancies for the period 2015-2019.

Chart 6.4: Historical Hamilton hotel and motel occupancy

(Source: CAM, Horwath HTL)

The average condition and small size of many hotels have made them less distinct from the typical motel, resulting in many motels successfully competing for guests that would normally prefer to stay in hotels. This is reflected in the similar occupancy rates after accounting for the expected much higher than average hotel occupancies achieved by hotels such as the Novotel.

Despite a strong growth over the past five years, Hamilton still has a relative low dependence on international visitors as shown in the chart below. We estimate⁴ that circa 27% of hotel visitor nights and 19% of motel visitor nights are derived from international markets. This compared to a national average of 47% of all hotel visitor nights and 34% of all motel visitor nights.

Chart 6.5: Domestic versus International mix (2019)

(Source: TIA, Horwath HTL)

The share of international visitor nights over the five years to March 2019 appears not have grown in line with the city's international tourism spend. This suggests an increasing number of international travellers who do not stay

⁴ Estimates are based on regional data published by Tourism Industry Association (TIA) and Tourism Expenditure data published by MBIE.

overnight in the city and instead pass through or return to cities such as Rotorua and Auckland.

6.2 IMPACT OF SHORT-TERM GOVERNMENT HOTEL AND MOTEL DEMAND IN 2020-21

As a result of the Covid-19 pandemic three hotels in Hamilton (the Ibis, Distinction and Jetpark) are used by the government as MIQ facilities since mid-2020. These hotels represent 42% of available room supply in Hamilton.

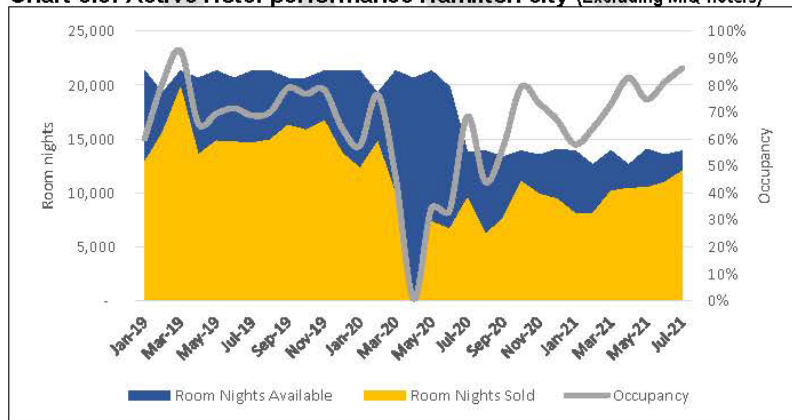
Furthermore, since 2019, many motels are used by the Ministry of Social Development (MSD) for social housing which taken many motels out of the market. According to the Accommodation Data Program (ADP) in July 2021, 19 (45%) of 42 reporting motels are inactive, representing 532 rooms, or 55% of the total room capacity.

In the meantime (and until the start of lockdowns in August 2021), the strong recovery of economic activity and domestic tourism has significantly restored demand for commercial accommodation.

This has resulted in rising occupancy rates and many instances where consumers' preferred accommodation choices have no availability.

The charts below show the impact of the significant supply and demand changes amongst the city's hotels and motels.

Chart 6.6: Active Hotel performance Hamilton city (Excluding MIQ hotels)



(Source: CAM, ADP, Horwath HTL)

Chart 6.7: Active Motel performance Hamilton City

(Source: CAM, ADP, Horwath HTL)

The effective removal of supply has resulted in demand shifting to areas outside of Hamilton, including regional Waikato and in some instances Tauranga which have experienced significant occupancy increases. It has also resulted in some demand transferring to private accommodation such as Airbnb which we have illustrated in the next section.

Our inquiries with several booking agents indicate that even before Covid-19 many had great difficulty securing the quality of accommodation that meet their requirements (especially during weekdays) and that they frequently had to book non-preferred facilities or locations for their travellers. The supply decrease since mid-2020 has significantly exacerbated this problem.

The Ministry of Social Development (MSD) state that demand increased significantly during 2020 as a combined result of an increasing shortage of affordable housing, the need for self-isolation during the COVID lockdown in 2020, and a consequent lengthening of the average stay in emergency and transitional housing.

Information provided by MSD to Hamilton City Council shows that, in the three months to September 2020, Emergency housing grants were provided to 87 suppliers in Hamilton City for a total of 33,390 nights, with the average grant being for \$271 per night. This represents an average of 366 accommodation units occupied by MSD clients per night during the quarter

Although we understand that several motels are accepting only MSD business, the data suggests that the MSD demand is spread more widely in other properties not dedicated solely to MSD business.

The period of time over which MSD demand will continue at this level is uncertain, and it is possible that at least some level of MSD demand will continue for several years.

Many of the motels currently used by MSD have facilities that are dated and will require considerable investment if they were to return to the open market.

We expect that much of this capacity may continue to be used by MSD for the next few years or may be permanently re-purposed to another use either for or as a result of this activity.

6.3 OTHER HOTEL AND MOTEL MARKET CHARACTERISTICS

6.3.1 Consumer insights and market trends

Our inquiries with several hotel and motel operators, showed a general optimism about the market with owners reporting strong occupancy levels which fluctuate widely. An operator of a good quality mid-size hotel reported a full year 2019 occupancy of circa 85% while an operator of a mid-size hotel that required refurbishment reported occupancies of circa 65% for the same period. One motel provider stated that in 2019 his property had an average annual occupancy in excess of 90%. We estimate that the Novotel, being the market leader had annual occupancies in the range of 84%-89% before the completion of an extension with 40 additional rooms in 2020.

Much of the occupancies are driven by strong weekday business and government demand. Major companies such as Fonterra, AMI, Rabobank, Gallagher, The University of Waikato are solid contributors to demand, not only in hotels but also in good quality motels. Much of the demand is also derived from travellers visiting the many SME's in the city and wider region. Contributing government departments include health, social development, education, justice, police and corrections.

Meeting and conference delegates attending events at the Claudelands Events Centre frequently choose motels for their overnight accommodation, with motel owners claiming that they offer better service than many of the hotels. One operator of a domestic hotel brand mentioned that "big conferences will fill the town one or two days per week, about every other week". During such periods and during other major events, they can achieve room rates from \$280 to \$400.

Hotels/Motels with sufficient on-site car parking find it easier to attract business travellers than those without.

Demand during weekends and school holidays has grown considerably over the past years, driven by many sporting events in and around the city, concerts, events at Claudelands, weddings and other celebrations, VFR travel during the festive season, visitors exploring the Waikato cycle trails and visitors from the lower North Island stopping over on their way to Auckland. One operator



- the hotel/motel's location is not a priority factor in choosing accommodation, with most travellers prepared to use a car or taxi to travel to and from their place of work.

6.3.2 Lost / Declined Events at Claudelands

The current constraint on the existing supply of hotel accommodation in Hamilton is widely accepted as resulting in the loss of some large potential conference events for Claudelands.

Based on specific enquiries with the event planning team at Claudelands, we are advised that Claudelands misses out on a substantial volume of business due to the limited availability of suitable accommodation in Hamilton City.

Examples of such events lost to Hamilton in recent times include:

- Building Nations Symposium (Infrastructure NZ) – 500 delegates, 3 days
- Harcourts Annual Conference – 900 delegates, 4 days
- Veterinary Association Congress – 3,000 delegates, 5 days
- Intensive Care Conference – 400 delegates, 5 days.

Events such as these usually require a higher than average standard of commercial accommodation (usually 4–4.5 star hotels). The existing supply of 4–4.5 star hotels in Hamilton are not capable of accommodating events with 300 attendees or more.

The Waikato region has earned a reputation for hosting successful business events but has to decline additional business because of the shortage of available accommodation.

Professional Conference Organisers (PCOs) who specialise in association events have mostly effectively 'crossed out' Hamilton City as a potential destination because of the lack of available accommodation in the city.

Nevertheless, H3 (the Claudelands management team) are investing significant time and resources into targeting the Association market and believes that at least one more quality 4-star hotel would align with event organiser requirements.

6.3.3 Average Length of Stay

Despite the development of the Waikato express way, shortening the travel time between Auckland and Hamilton, the Average Length of Stay (ALOS) in hotels has remained stable, while there has been a strong increase in the ALOS in motels. This is illustrated in Chart 6.8. Furthermore, the ALOS in Hamilton is well above the national average of 1.8 for hotels and 1.9 for motels.

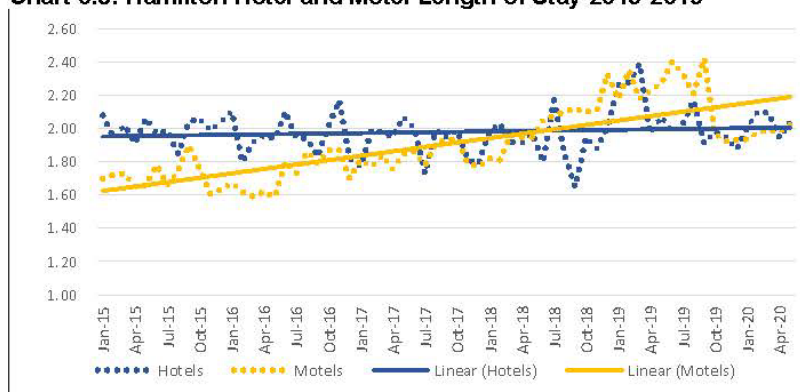
mentioned “there is always something happening on the weekend in Hamilton”, referring to activities that attract overnight visitors.

Weekend demand is dominated by families, groups of friends, couples and sporting teams, who often prefer larger size, motel accommodation with or without the options to prepare a simple meal in the room.

We have also made inquiries about the Hamilton accommodation market with several representatives of major travel management companies (TMC's). TMC's handle accommodation bookings for all national government employees, major national and international companies, sporting organisations etc. They typically select preferred hotels/motels, negotiate rates and booking terms, make the bookings on behalf of the traveller and according to the organisation's travel policies. Our inquiries substantiated some key market trends we have seen during the last few years in respect of the government and business market segment such as:

- a demand for accommodation in Hamilton for corporate and government employees from all levels (from executive to contract employees)
- frequent difficulty to book the desired standard of accommodation due to no availability or high room rates; a large number of bookings are made in non-preferred properties, most of which are motels.
- a strong preference for 4-4.5 star properties
- a general preference for national or international branded hotels that provide consistent quality standards, ease of booking and a trusted environment.
- a general preference for larger, branded hotels and hotel companies that they can use across the country and that offer a loyalty program
- little to no bargaining power by TMC's in terms of rates and availability with their preferred hotels
- a frequent preference for self-contained facilities such as serviced apartments with female business travellers
- a room rate expectation of between \$175-\$250 (incl. GST) for a 4-4.5 star hotel, with a maximum rate for government employees of around \$220
- current room rates in Hamilton are at the lower end of the top four cities in New Zealand
- while occasionally bookings are made at Airbnb's, the lack of certainty regarding quality standards, difficulties around the booking process and relationships make this type of accommodation not very suitable for TMC's.
- a strong preference for the Novotel as it best meets their quality standards
- TMC's consider booking at motels a “bit of a lottery”, or “hit and mis”, referring to the lack of consistency in quality standards

Chart 6.8: Hamilton Hotel and Motel Length of Stay 2015-2019



(Source: Accommodation Survey, Stats NZ, Horwath HTL)

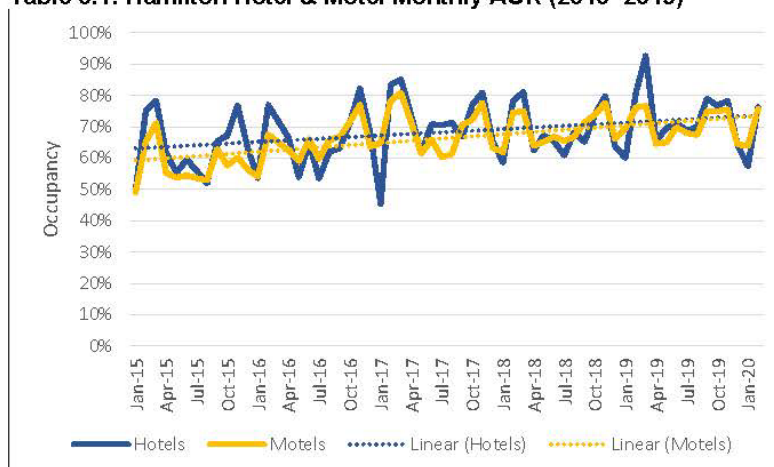
In addition to the general increase in economic and leisure activity, we attribute the following factors to this trend:

- an increase in the number of multi day business and leisure events in Claudelands Events Centre and other venues in the area
- an increasing number of business travellers who prefer to use Hamilton as a base to cover the wider Waikato region
- a shift in multi-day midweek corporate demand from hotels to motels as hotel room rates have increased and midweek hotel capacity has been constrained.

6.3.4 Seasonality

Table 6.1 summarises changes in Hamilton's hotel and motel Average Occupancy Rates (AOR) on a monthly basis for the five years pre-covid to February 2020. Commercial accommodation demand in Hamilton is less seasonal when compared to many visitor destinations in New Zealand, with the lowest occupancy being experienced in January (rather than winter). This reflects the significant proportion of commercial accommodation demand is derived from the business / corporate segment.

Table 6.1: Hamilton Hotel & Motel Monthly AOR (2016–2019)



(Source: Accommodation Survey, Stats NZ)

6.3.5 Weekday vs Weekend demand

While no market statistics are available about weekday and weekend demand, our inquiries with several hotel and motel owners and operators suggest that over the past years, weekend demand has increased considerably as a result of a growing number of events in and around the city.

Particularly on Saturday nights, hotel and motel occupancies often meet or exceed those on popular weekdays, reaching in excess of 80%-85%. This is reflected in the typical pricing we have observed and discussed in the next section.

Data from 38 pedestrian cameras commissioned by the City Council since 2018 also show a steady increase of pedestrian traffic in the CBD with significant increases particularly on Saturday's.

Similarly, according to the Hamilton Central Business Association, retail spend in the CBD has steadily increased over the past 13 years, peaking in 2018 and showing a strong recovery after the Covid-19 related lock-downs in 2020 and 2021.

6.4 ESTIMATED CURRENT HOTEL AND MOTEL RATES

Information regarding average achieved actual room rates for Hamilton hotels and motels is not publicly available.

Data from TravelClick/Amadeus, a Global Distribution System provider (GDS), report a 19% increase in the average rate for hotel and motel bookings made during the past 12 months in Hamilton, from \$163 to \$194 (incl. GST). GDS systems are predominantly used by TMC's and larger companies to make travel bookings throughout the world. Data shows that 60% of the bookings were



made at a room rate of \$177 or higher, compared to 30% of bookings 12 months earlier.

Domestic branded hotel operators, report lead-in room rates of \$150-\$170 (incl GST) with contracted corporate & government rates for premium room types in the range of \$200-\$220.

Based on our market research, we estimate that the full year 2019 ADR for a typical mid-size 4-star hotel/motels would have been in the range of \$140-\$160 (excl. GST) and the ADR for the leading hotel around \$180-\$190 (excl. GST)

Appendix B shows Hamilton hotel and motel public rates quoted on third-party websites for 12 days during the period April–September 2021.

It is likely that the advertised room rates for both hotels and motels in 2021 are positively impacted as a result of the current level of Government demand for MIQ and emergency housing services in Hamilton.

The Novotel Tainui is the clear market leader. A sample of publicly advertised room rates during the period April-September 2021, show the rates offered for a standard room by the Novotel Tainui were on average 61% higher than rates offered by its closest rate competitor. Similarly, the Novotel's rates were on average 74% higher than the average offered by the remaining Hamilton hotels.

The motels and serviced apartments in Hamilton appear to have minimal optimisation in revenue management and price adjustments, as rates stay consistent throughout the week and few properties appear to adjust their prices based on peak demand periods in Hamilton.

6.5 PRIVATE HAMILTON CITY ACCOMMODATION

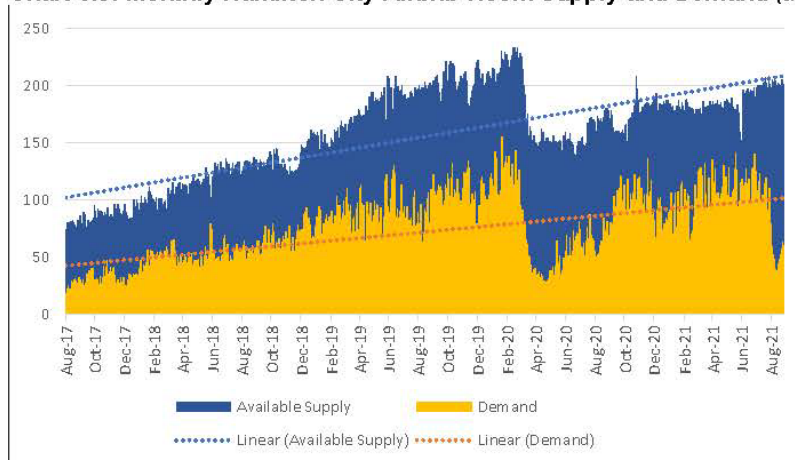
In considering the demand and supply for Hamilton City, we have also taken into account the extent of private accommodation that has been made available by private individuals effectively on a commercial basis.

A good example of this, which has gained significant increases in both demand and supply in recent years, is Airbnb. This style of private accommodation competes directly and indirectly with commercial accommodation providers.

Chart 6.9 shows Airbnb available supply and demand as reported by proprietary website alltherooms.com in the 4 years to August 2021.

The data shows that since 2017, amidst strong monthly fluctuations, the available Airbnb inventory in 'entire place' listings (ie: excluding private rooms in larger homes) has approximately doubled.

Chart 6.9: Monthly Hamilton City Airbnb Room Supply and Demand (entire place)

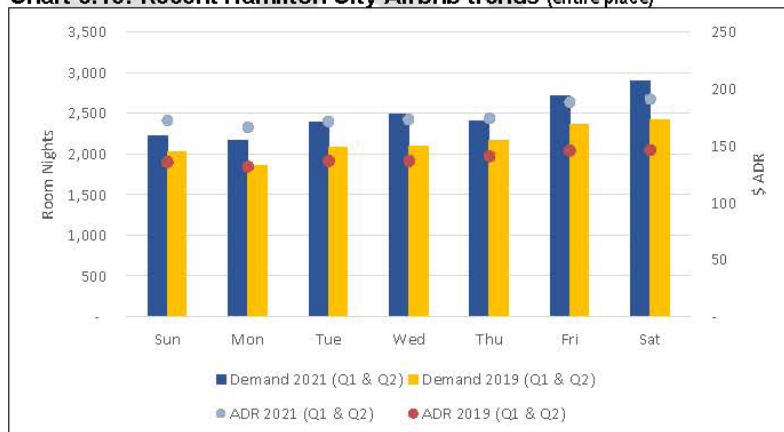


(Source: *altherooms.com*)

Occupancy rates for Airbnb properties (entire place) averaged 49% in 2019. The Covid-19 pandemic and reduction in commercial accommodation supply has considerably increased demand for Airbnb in the city. During the 1st half of 2021 available supply increased by 7% compared to the same period in 2019, while demand grew by 15% and outstripped demand during the first half of 2019. This is contrary trends in cities such as Auckland and Christchurch where demand for Airbnb during this period declined by 38% and 18% respectively.

Chart 6.10 shows a comparison between the first two Quarter of 2021 and the corresponding quarters of 2019 in terms of demand and ADR by weekday.

Chart 6.10: Recent Hamilton City Airbnb trends (entire place)



(Source: *altherooms.com*)

Airbnb demand is traditionally strongest on weekends and during school holidays, reflecting the popularity of amongst leisure travellers and families. The multi-room Airbnb properties can accommodate a higher density of guests than



motels. Nevertheless, our inquiries and research indicate that there are an increasing number of business travellers to Hamilton that use Airbnb due to constraints in quality commercial accommodation. This will have contributed to the 15% rise in weekday Airbnb demand in the first half of 2021 amidst strong rises in average daily rates.

Despite the trend of increasing Airbnb demand, the overall supply in Hamilton City remains relatively low, at between 100 and 200 properties.

We consider it very likely that any new and well marketed hotel supply will attract considerable 'existing' demand away from both motels and Airbnb properties.

7 HAMILTON FUTURE OUTLOOK

The New Zealand government's Urban Growth Agenda (UGA) aims to facilitate population growth in New Zealand's leading cities including Hamilton.

Collaboration between Hamilton City Council, Environmental Waikato, Waipa and Waikato District Councils has designed 'Future Proof' as the growth strategy plan specific to Hamilton and Waikato. It outlines key aspects in the "Hamilton–Auckland Corridor Plan & Implementation Programme" in terms of how the UGA's objectives in the Waikato will be achieved.

The UGA has identified the "Hamilton–Auckland corridor" as having significant housing and employment growth potential in the southern Auckland–northern Waikato area to the north and in the greater Hamilton metropolitan area to the south.

Appendix C shows the areas covered within "the corridor" including the following Policies and Plans:

- Transport Corridors
- Priority Development Areas
- Enabling Infrastructure
- Hamilton-Waikato Metropolitan Spatial Plan.

7.1 TRANSPORT CORRIDORS

The roading network provides the main access to Hamilton and the surrounding Waikato region. Other transport infrastructure includes the North Island Main Truck Line and East Coast Main Truck line, and the Te Awa Cycleway.

A balanced approach is planned to facilitate increased access in the Waikato, and to / from Hamilton in particular.

In a recent report (published November 2020), Future Proof outlines key initiatives in future-proofing a balanced approach in accessing Hamilton and its surrounding regions. These include:

- rapid intercity rail service
- start-up passenger rail service
- improved public transport between southern Auckland and Northern Waikato
- introducing peak and more frequent off-peak bus services between towns
- rapid and frequent public transport network.

Implementing these initiatives is expected to further facilitate Hamilton's growth, which should drive additional visitors and commercial accommodation nights.

7.2 ECONOMIC GROWTH & DEVELOPMENT

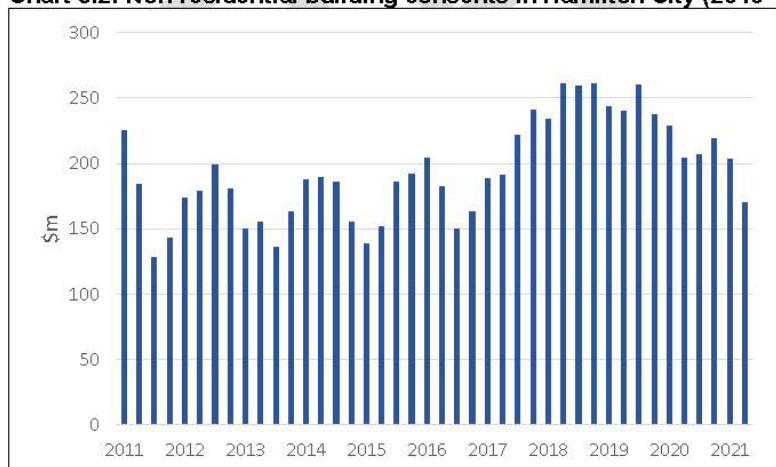
Several major projects which will stimulate further economic growth are either under construction or in planning. These projects will generate increased in commercial activity and visitors to Hamilton and the Waikato. Key projects under construction or planning include:

- 480 hectare mixed used development incorporating, 30 hectares Ruakura Inland Port, 200 hectares logistics and industrial facilities and 1,000 to 2,000 residential houses being developed by Tainui Group Holdings (currently in development)
- rail partnership between Port of Tauranga and the Ruakura Inland Port
- extensive work to create the final link in the Hamilton Ring Road
- extensive investment into commercial infrastructure development adjacent to Hamilton Airport
- large industrial investments at Huntly and Pokeno.

7.3 CONSTRUCTION AND PROPERTY DEVELOPMENT

As indicated in Chart 3.2 by the value of non-residential building consents issued by Hamilton City Council over the past 10 years, commercial and industrial development has been strong in Hamilton, reaching a peak in 2019 before the onset of the COVID-19 pandemic.

Chart 3.2: Non-residential building consents in Hamilton City (2010–2020)



(Source: Infometrics)

Hamilton's CBD is undergoing revitalisation after more than 10 years of little investment and relatively high commercial premises vacancy rates. Several large developments have been completed, are under way and planned that help increase the number of people living and working in the central city.

These include:

- redevelopment of the 14-storey former Telecom New Zealand tower
- development of Union Square on Alexandra Street, consisting of approximately 7,000m² A-Grade office space for 2,500 workers with residential apartments, F&B, retail and car parking. With resource consent obtained, this is planned as a staged development between 2020 and 2024-2026
- redevelopment of the Tristram Precinct (previously the Hamilton Central Shopping Centre); once completed, between 800 to 1000 workers are expected to occupy the building, including more than 400 Waikato Regional Council staff
- the Hamilton Central City Transformation Plan developed by Hamilton City Council in 2015
- new \$71 million development on the corner of Victoria and Ward Streets
- new \$74 million Waikato Regional Theatre on Victoria Street
- \$20 million five storey building on the corner of Anglesea and Hood Streets to house the head office of Rabobank and the Hamilton office of AA Insurance
- \$50 million four-storey complex being developed by Tainui Group Holdings to house the ACC Waikato office
- new national headquarters of Te Pūkenga – New Zealand Institute of Skills and Technology on the Wintec site.
- several residential apartment developments have been completed and are in progress across the CBD

Appendix F includes a map of central city developments that have recently been completed, are in progress or planned.

7.4 PRIORITY DEVELOPMENT AREAS

The “Hamilton–Auckland corridor” includes significant identified development potential. To increase overall urban growth, surrounding areas need to be able to accommodate the future potential residential and employment growth of Hamilton City.

Key initiatives and identified priority development areas include:

- Hamilton-Waikato Metropolitan Spatial Plan
- Metropolitan economic corridor
- Drury development (South Auckland)
- Northern metro corridor (Rotokauri, Te Rapa, Horotiu, Ngāruawahia, Hopuhopu, Taupiri)
- Central metro corridor (Frankton, Hamilton city centre, Hospital, University, Ruakura)



- Southern metro corridor (Peacocke, Airport, Te Awamutu, Cambridge).

To enable the planned levels of growth, basic infrastructure requirements need to be met. This includes funding new water, wastewater, flood control, drainage, and electricity supply. These enablers will be the catalyst for sustainable growth in the region.

The development of these priority areas and the associated infrastructure will result in an increase in skilled workers coming to the region eg: consultants, engineers, builders, and supporting trades. The increase in skilled workers coming to the Waikato will generate further pressure on existing commercial accommodation supply.

7.5 ENABLING INFRASTRUCTURE

Infrastructure development will help support the success of “the corridor” by utilising new and existing housing, social and network infrastructure.

Key enablers:

- Rail, motorway, arterial, active mode and public transport network and services
- Water management solutions
- Employment creation initiatives
- Social, housing and utility infrastructure and services improvements
- Flood protection and drainage infrastructure and services.

These key enablers are the elements that will enable and support the development and growth of new and existing communities in the region.

7.6 HAMILTON-WAIKATO METROPOLITAN SPATIAL PLAN

The Hamilton-Waikato Metropolitan Spatial Plan (MSP) demonstrates the vision and framework for how Hamilton City and the neighbouring communities within Waikato Region will grow and develop over the next 100+ years.

The MSP includes a significant focus on growing Hamilton’s central city area as a civic, administrative, cultural and commercial metro core that is well connected by public transport and safe walking and cycling networks, where people can afford to live and work.

A healthy and thriving city centre will generate migration from smaller towns and cities, driving up demand for all forms of commercial accommodation.

8 OPPORTUNITY FOR NEW COMMERCIAL ACCOMMODATION

Indications are strong for a very positive future for Hamilton and the Waikato Region in terms of development and growth. The perception of Hamilton is rapidly changing to being a vibrant city offering a desirable lifestyle with good connectivity to Auckland. Significant central and local government funding and supporting policies will further increase Hamilton's appeal for further investment by commercial and residential investors.

As a result of this investment, we expect that Hamilton will see a further increase in commercial accommodation demand, provided the accommodation meets the requirements of today's business and leisure travellers.

The relatively few existing hotels and motels in Hamilton City that meet guest expectations are currently achieving strong occupancy rates.

As indicated in previous sections, there is currently reasonably regular compression in the commercial accommodation market, especially mid-week, which is further increased by major events occurring in the city. These events, which occur both during the week and at weekends, can bring significant numbers of visitors to Hamilton. In this environment, room rates achieved by the leading hotels and motels are very strong.

As identified in this report there are a wide range of demand drivers in the business / corporate, government, leisure and Business Events market segments. A regular schedule of entertainment, sports events, visitor attractions and activities help sustain commercial accommodation demand in Hamilton throughout the year.

Ongoing development of new businesses, support of new business infrastructure and other major economic growth initiatives will generate additional Hamilton commercial accommodation demand in coming years.

Tourism expenditure data indicates Hamilton has not been significantly detrimentally impacted in terms of visitor spending as a result of COVID-19.

As discussed in section 6.3.2, there is an increasing number of events that require hotel and other forms of accommodation, and potential events have been lost to Hamilton due to the shortage of suitable accommodation.

Increasing traffic congestion in and around Auckland has made access to many hotels, especially in the Auckland CBD, problematic for some international visitors. With improved road access and shorter travel times from Auckland Airport to Hamilton, this makes Hamilton a more viable and attractive alternative for first and / or last night accommodation of international visitor in New Zealand.

8.1 PROJECTED FUTURE HOTEL AND MOTEL DEMAND

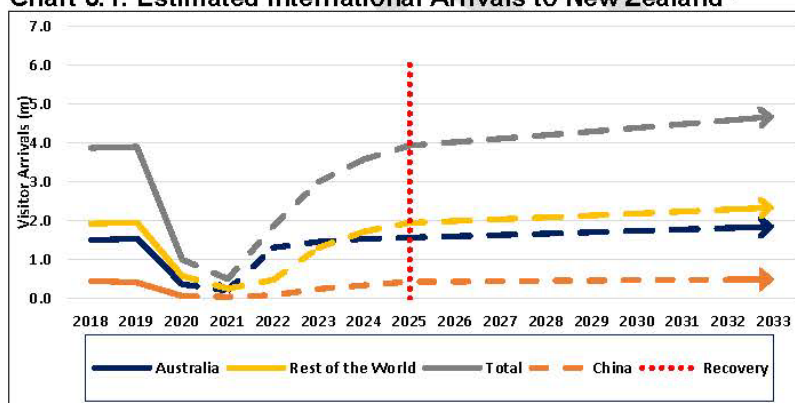
Our projections for future hotel and motel demand take into account projected international arrivals to New Zealand, projected growth of domestic overnight visitors and the share of Hamilton and the Waikato Region of the total visitor nights in New Zealand. They include assumptions about changes over time in market share, the average length of stay and room density.

8.1.1 New Zealand – Visitor Night Projections

We project that the number of international arrivals to New Zealand will recover to pre-pandemic levels by 2025. We believe this is a plausible scenario of the New Zealand tourism industry's recovery from the impacts of the COVID-19 pandemic with a gradual re-opening of the border from 2022. This scenario is aligned with assumptions published by the Tourism Export Council New Zealand (TECNZ) and expectations expressed by organisations such as Tourism Industry Aotearoa, Air New Zealand, etc.

Chart 8.1 shows our long-term projections, including for some of Hamilton's major international markets.

Chart 8.1: Estimated International Arrivals to New Zealand ⁵



(Source: Horwath HTL)

After international arrival numbers have recovered in 2025, we project a modest growth at a CAGR of 2.2% during the period 2025-2033.

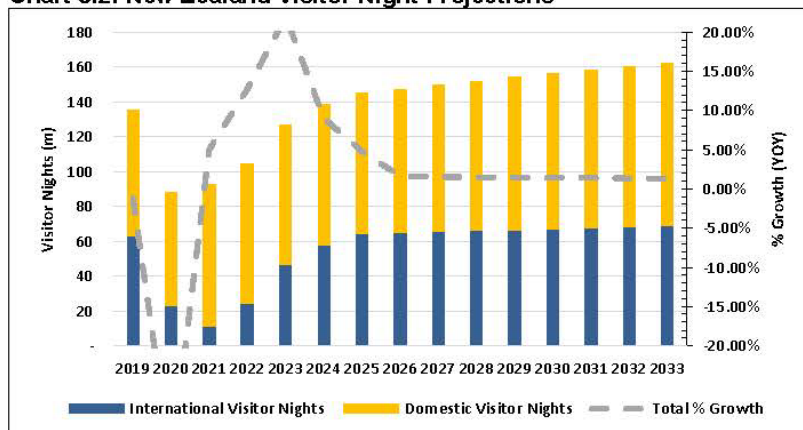
Chart 8.2 shows our projected international and domestic visitor nights spent in New Zealand over the 12 years to 2033.

Our international visitor night projections are based on assumed average lengths of stay in New Zealand which are more conservative than previous

⁵ International visitor arrivals in 2020 and 2021 include New Zealander passport holders returning and spending time in New Zealand, as well as international visitor nights spent in the country prior to the border closure in 2020, and Australian visitors in 2021.

assumptions published by MBIE up to 2019 and include a gradual decline in for key markets such as Australia, China and the USA due to changing travel patterns.

Chart 8.2: New Zealand Visitor Night Projections



(Source: Horwath HTL)

Total international and domestic visitor nights combined are projected to grow at a modest CAGR of 1.3% over the 2019 'base' year with domestic visitor nights projected to grow at a CAGR of 1.9%.

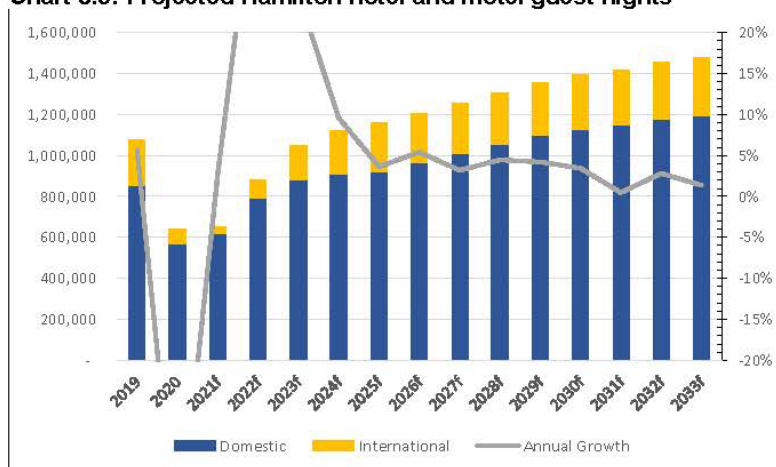
8.1.2 Hamilton - Visitor Night Projections

To estimate the requirement for the city's future hotel capacity, we have projected future demand for hotel and motel accommodation (including serviced apartments) on the basis that there are no supply constraints (otherwise described as 'unconstrained demand'). This assumes that everyone who would prefer to stay in Hamilton will be able to book their accommodation of choice on most days during the year at an acceptable rate.

Considering the past and current supply constraints in the market, the pace of recovery seen to date and the city's future outlook, we expect that by 2023 visitor night demand for the city will have returned to pre-covid levels, despite lower international guest nights, driven by strong domestic demand.

With the gradual recovery of international demand and completion of the various developments in and around the city, we project visitor night demand for hotels and motels to grow at a CAGR of 3.8% during the period 2023-2033. This compares to our national visitor night growth projection of 2.5% and reflect our expectation that over time, Hamilton will increase its historical market share of national visitor nights, both for domestic and international visitors.

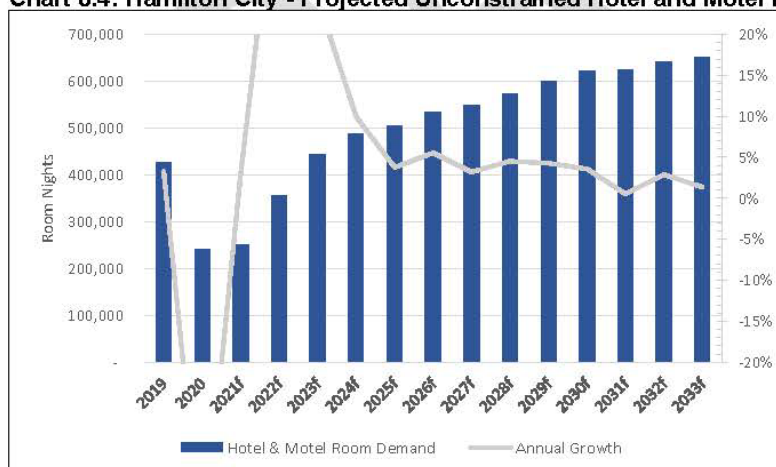
Chart 8.3 shows our unconstrained demand projections for hotels and motels (including serviced apartments) for the period 2021-2033.

Chart 8.3: Projected Hamilton hotel and motel guest nights

(Source: Horwath HTL)

8.2 FUTURE COMMERCIAL ACCOMMODATION REQUIREMENTS

Chart 8.4 shows our projections for unconstrained hotel and motel room demand. These are based on the projected visitor nights and historical guest room density.

Chart 8.4: Hamilton City - Projected Unconstrained Hotel and Motel Demand

(Source: Horwath HTL)

The growth after most of the Covid-19 recovery in 2023 is projected at a CAGR of 3.9% for the 11 year period to 2033.

We have considered the extent to which motels currently used for emergency housing (as discussed in section 6.2) will be re-positioned and return to available supply for general short-term accommodation. As discussed, as at

July 2021, 19 motels were reportedly inactive due to alternative use, representing 532 rooms, which has left the city with only 45% of its previous motel room capacity. As in Hamilton, motel capacity in the remainder of the Waikato has also been reduced by a reported 32% as a result of emergency housing demands.

Most of the motels used for emergency housing will need significant investment to meet the quality standards expected by today's travellers. Moreover, based on our inquiries, much of the latent demand is for good quality hotel or serviced apartment accommodation with sufficient capacity to book group blocks for conferences and other events. In our projections we have assumed that from 2023 onwards, 20% of the pre-covid motel supply in Hamilton and 15% of the supply in the remainder of the Waikato will be permanently repurposed or will not be competitive in the market.

With regard to the short-medium term projections we have assumed that the Ibis and Distinction hotels will cease to operate as MIQ facilities and return to normal operation by mid-2022, while the Jetpark Hamilton Airport hotel will resume normal operation from January 2023.

We have also assumed the addition of two 80-room hotel developments in the Waikato region, outside Hamilton, opening in 2026 and 2030 respectively.

Based on the projected demand and with no confirmed supply additions in the city, we calculate that there will be a requirement of 159 additional rooms in 2023, growing to 857 rooms by 2033 in order to maintain an average annual market occupancy of around 75%.

Chart 8.5: Hamilton City - Projected Hotel and Motel Supply Requirement



(Source: Horwath HTL)

Notwithstanding their quality ratings, in the perception of many modern-day frequent travellers, Hamilton's existing commercial accommodation market is



dominated by motels and smaller hotels at the lower end of the 3-4 star categories.

There is a market opportunity for mid-size and larger hotel accommodation at a 4-4.5 star level to meet the demand from today's travellers and organisers of conferences and events. Such a hotel will capture much 'latent' visitor night demand, particularly from those travelling for business and attending meetings and conferences but also from today's leisure travellers who expect the standards of facilities to be the same or better as at their homes. Considering the source markets, we believe there is no significant volume of latent demand for a medium scale or larger 5-star hotel in Hamilton, however an opportunity does exist for small size, high quality boutique accommodation.

To meet current and future demand, financially feasible hotel developments will be influenced by site availability and suitability and could include the following (including a combination of options):

- a 4-4.5-star hotel in the range of 200-250 rooms offering a mix of accommodation types such as studio rooms with or without kitchenettes combined with one and two bedroom apartments to cater for long stay business travellers and the domestic leisure market.
- a 4-4.5 star hotel in the range of 130-160 rooms
- a boutique, high quality (4.5-5-star) property in the range of 40-60 rooms
- 4-4.5 star serviced apartment accommodation, including studios equipped with kitchenettes plus one and two bedroom apartments with a combined key count in the range of 50-80.

A significant proportion of guests will be traveling by car. Having adequate on-site car parking would provide an additional competitive advantage for a new hotel, particularly when considering that car parking for the Novotel and ibis hotels is significantly constrained. Identifying a site of sufficient scale in or near the Hamilton City CBD will be a key achievement in developing a new hotel.

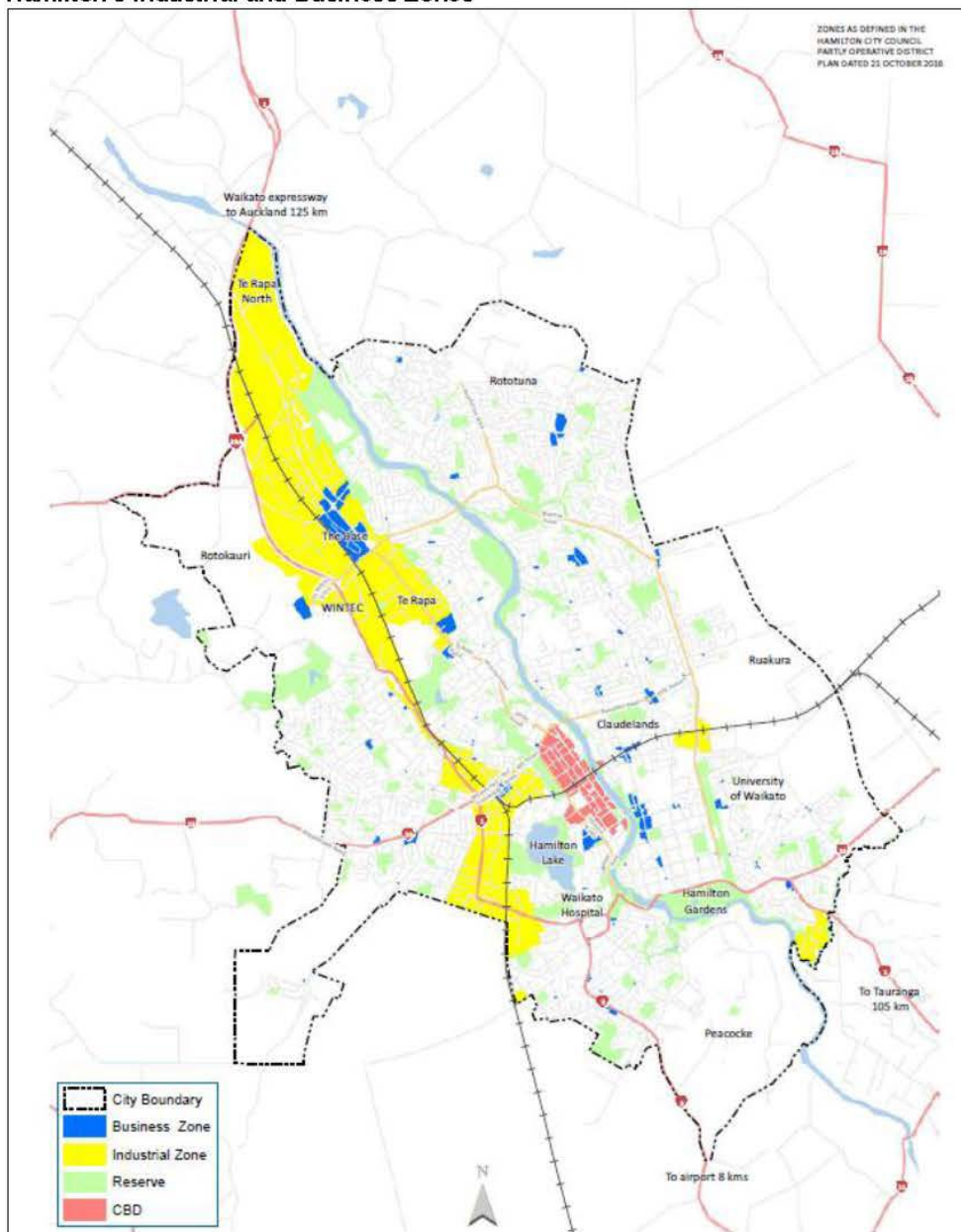
Despite Hamilton City Council being active in facilitating and encouraging developers and investors to consider new hotel development in the CBD for several years, little new hotel room supply is expected in the foreseeable future.

The most significant projects which have been proposed include a 67-room 4 star hotel on Hood Street, a hotel on the ArtsPost site in Victoria Street, and a SkyCity hotel on the casino site adjacent to the Novotel. These projects have at least been postponed due to the impact of the COVID-19 pandemic, or other factors.

Planning consent has been given for the Te Awa Lakes project 15 minutes' drive north from the Hamilton CBD, which will result in the development of a community hub and tourism destination. The Te Awa Lakes vision includes the development of on-site commercial accommodation.

APPENDIX A

Hamilton's Industrial and Business Zones



APPENDIX B

Hotel Public Advertised Room Rates for 6 Months 2021

Property	Room Count	Room Type	April		May		June		July		August		September	
			Weekday	Weekend	Weekday	Weekend	Weekday	Weekend	Weekday	Weekend	Weekday	Weekend	Weekday	Weekend
Novotel Tainui Hamilton	217	Superior Room	249	259	209	299	209	219	249	209	279	259	209	219
Ventura Inn & Suites Hamilton	50	Standard Studio	164	164	164	164	164	164	164	164	164	164	164	164
Heartland Ambassador Hotel Hamilton	51	Standard Twin Queen	146	148	148	148	148	148	146	152	148	152	148	148
Ramada by Wyndham Hamilton	69	Economy Room	140	140	140	140	140	140	140	140	140	140	140	140
VR Hamilton	38	Studio Deluxe	129	189	121	191	121	137	121	137	121	137	137	242
Ibis Hamilton*	126	Standard	135	140	135	140	135	140	135	140	135	140	135	140
Abbotts Hamilton	30	Business Double Room	109	119	109	119	109	119	109	119	109	119	109	119
Jet Park Hotel Hamilton Airport	61	n/a	125	120	125	120	125	120	125	120	125	120	125	120
Distinction Hamilton*	147	n/a	125	125	125	125	125	125	125	125	125	125	125	125

(Source: hotel websites) *n/a due to COVID 19 (Quarantine Hotel)

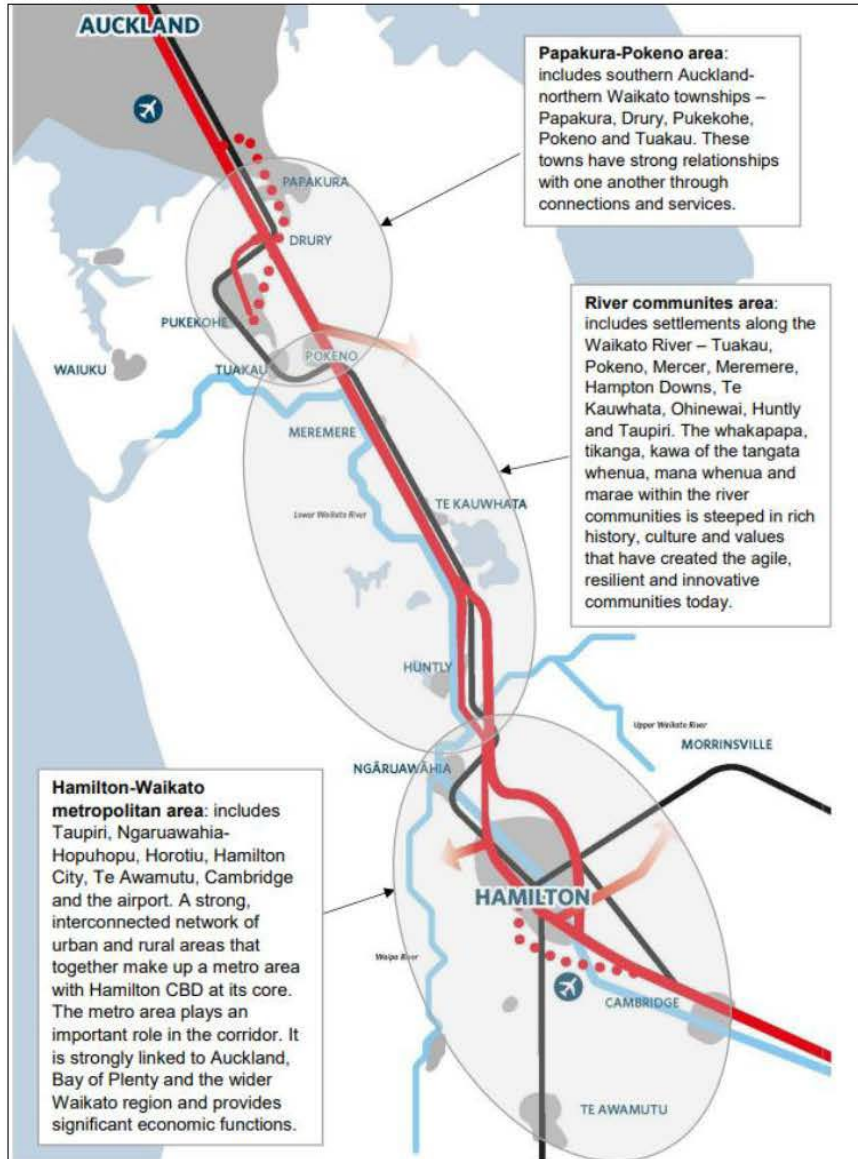
Top 10 Motel* Public Advertised Tariffs for 6 Months 2021

Property	Room Count	Room Type	April		May		June		July		August		September	
			Weekday	Weekend	Weekday	Weekend	Weekday	Weekend	Weekday	Weekend	Weekday	Weekend	Weekday	Weekend
BK Premier	28	Suite	195	195	200	200	200	200	200	200	200	200	200	200
Argent Motor Lodge	19	Studio King	175	175	165	165	165	165	165	165	165	165	165	165
Brooklyn Motor Lodge	23	Studio	150	150	150	150	150	150	150	150	150	150	150	150
Astra Motor Lodge	16	Access Suite	164	164	164	164	164	164	164	164	164	164	164	164
Lake Point Motel	19	King Studio	150	150	150	150	150	150	150	150	130	130	130	130
Stadium Motel	17	King Studio Queen	140	140	140	140	140	140	155	155	155	155	155	155
Auto Lodge Motel	14	Executive Queen	165	165	160	160	160	160	160	160	160	160	160	160
Albert Court Motel Lodge	18	Studio	139	139	139	139	139	139	139	139	139	139	139	139
Park View Motor Lodge	24	Studio	168	168	168	168	168	168	168	168	168	168	168	168
Angelsea Motel and Conference Centre	48	Studio Spa	150	150	150	150	150	150	150	150	150	150	150	150
Atrium On Ulster	28	Studio	145	145	145	145	145	145	145	145	145	145	145	145
Quest Hamilton	38	Studio	200	200	200	200	200	200	200	200	200	200	200	200

(Source: motel websites) *Top 10 Motels in Hamilton based on rating

APPENDIX C

“The Corridor”



(Source: Hamilton-Auckland Corridor Plan and Implementation Programme)



APPENDIX D

Major Employers in Hamilton area⁶

AFFCO New Zealand

Employs more than 2,800 people and is one of New Zealand's leading meat companies, processing and exporting more than 150,000 tonnes of quality meat products every year. It operates nine processing sites across the North Island of New Zealand, and is represented on six continents through a network of overseas offices and agents.

AgResearch

New Zealand's largest Crown Research Institute – a combination of research centres such as Ruakura, Grasslands, Wallaceville, Lincoln and Invermay where research is carried out to assist pastoral industries, food processing and innovative products.

Alstom Grid

Provides products and system to transmit and distribute electricity, ensure the reliability, quality and safety of energy flows, as well as operate efficient networks through information management.

CHH Kinleith

Pulp and paper milling

Digipoll

A fieldwork services provider specializing in computer assisted telephone interviewing, using an exclusive Random Digit Dialling programme development in-house.

Environment Waikato

Manages natural and physical resources in the Waikato region – including pest control and natural hazard management.

Fonterra Canpac International

Branded, nutritional milk products, blending, sachet packaging, consumer packing, metal packaging, printed cans, canning components and cans.

Forlong & Maisey

Agriculture, biotechnology, light innovation, light aviation, transport logistics, science research, education and healthcare dominate most of the Hamilton economy with other sectors such as manufacturing and retail emerging. This provides a diverse employment environment in the city and a growing demand for property.

Gallagher Group

Animal management systems, fencing, farm performance monitoring.

⁶ Source: <https://www.hamiltonpropertyguide.co.nz/>

The Lines Company Limited

Manages the power lines in the King Country of New Zealand. Head office is in Te Kuiti, but they also have physical presence in Otorohanga, Taumarunui, Turangi, Ohakune and Mangakino.

LIC

LIC's mission is to lead the world with genetics and knowledge to create wealth for pastoral dairy farmers. Livestock improvement sets the standards for the world in dairy herd improvement through a unique national database.

NDA Engineering

Fabricator of large stainless steel process vessels and other equipment. Our customers are mainly from process industries with a large proportion of work being carried out for the dairy, wine, brewing, chemical, mining, pulp and paper, pharmaceutical and food and beverage industries.

New Zealand Forest Managers

A privately owned company specializing in forest management organization that provides commercial forest owners with a comprehensive management service covering the full range of operations from forest development, protection and investment through to harvesting and marketing.

On Gas

NZ's second largest LPG supplier. As part of the NGC Group of companies, On Gas distributes and sells LPG, propane, and butane to industrial, commercial, residential and automotive markets.

Perry Group

Operates businesses in the property development, metal protection, quarrying, sand mining, waste solutions, fertilizer, manufacturing, leisure and entertainment industries.

Porter Hire

Their core business activity is to hire a wide range of earthmoving equipment throughout New Zealand. They are the largest rental company in the Southern Hemisphere. Currently over 1200 machines make the extensive line of equipment.

Timpack Industries

Provides one of the most comprehensive lines of products and services in the timber based packaging industry – the convenience and economy of 'single-sourcing' customers' packaging and service needs.

University of Waikato**Waikato District Health Board**

Responsible for funding and providing services to achieve good health and independence for the 320,000 people living in the Waikato district of the central North Island of New Zealand.



Waikato Institute of Technology

Waikato Times

Established in 1872, it is the third largest daily newspaper in the North Island, and the most popular and well read newspaper in the region.

Wallace Corporation

Employs some 600 staff seasonally. The company is a significant exporter with over 80% of sales to the USA, Canada, Europa, Australia and Asia. Additionally WCL owns dairy farms surrounding the Waitoa Site and dry stock farms.

APPENDIX E

H3 Venues – Annual Activity

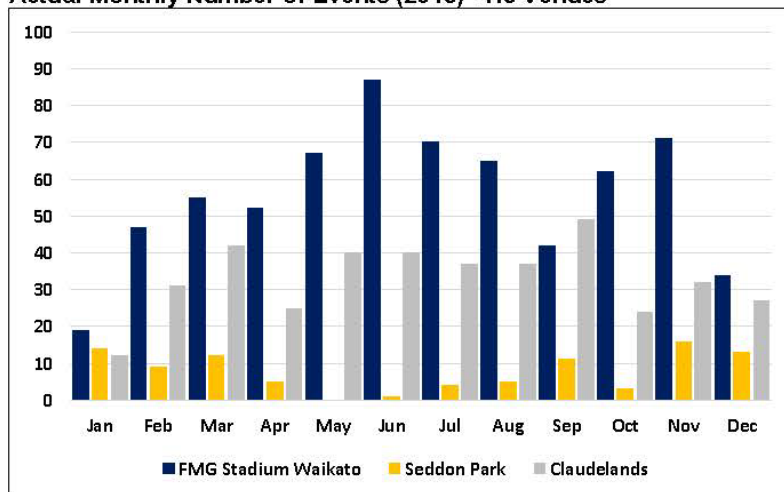
Number of events by size (Jan-Dec 2019)

Type of Event	Event size by number of attendees				Total Events
	2-99	100-499	500-999	1000+	
Conference	0	12	2	0	14
Exhibition	2	9	15	67	93
Function	66	41	8	3	118
Meeting	576	40	4	3	623
Performance	4	9	10	19	42
Sport	212	27	3	28	270
Total	860	138	42	120	1160

(Source: H3)

The charts below show the monthly numbers for events, event days, and total attendance numbers in 2019 for FMG Stadium Waikato, Seddon Park and Claudelands respectively.

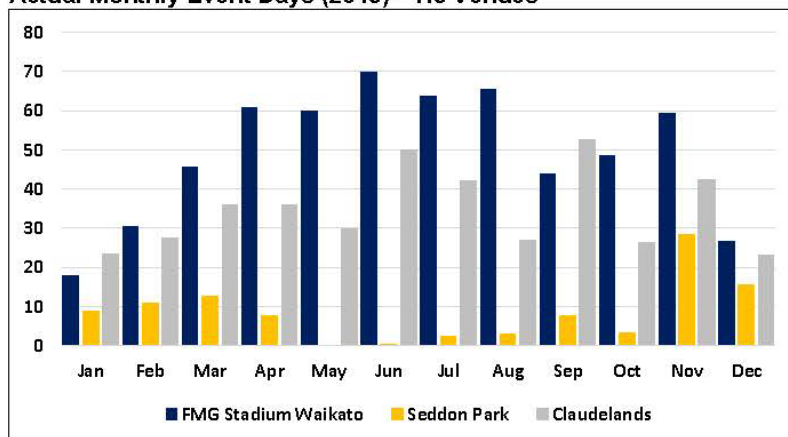
Actual Monthly Number of Events (2019) - H3 Venues



(Source: H3 Venues event analysis)

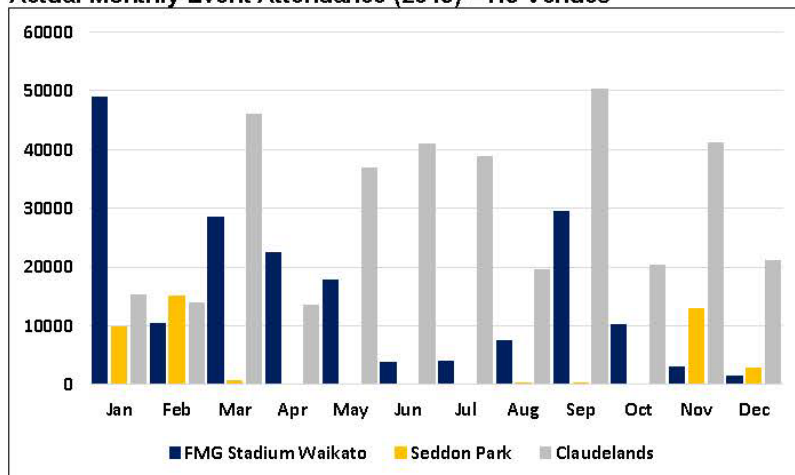


Actual Monthly Event Days (2019) – H3 Venues



(Source: H3 Venues event analysis)

Actual Monthly Event Attendance (2019) – H3 Venues

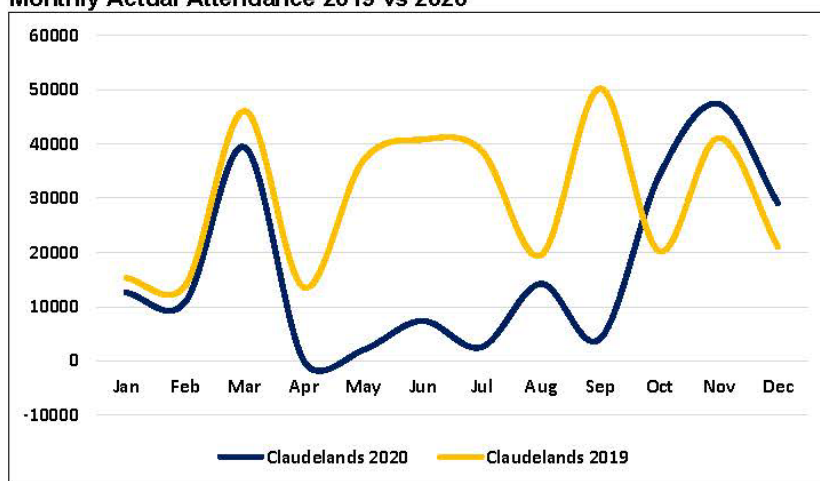


(Source: H3 Venues event analysis)

Across the three venues, it can be seen that there is a significant number of events occurring throughout the year, with the lower months being December / January. The associated visitor demand generated by these events is counter-cyclical to the usual peak leisure visitor season.

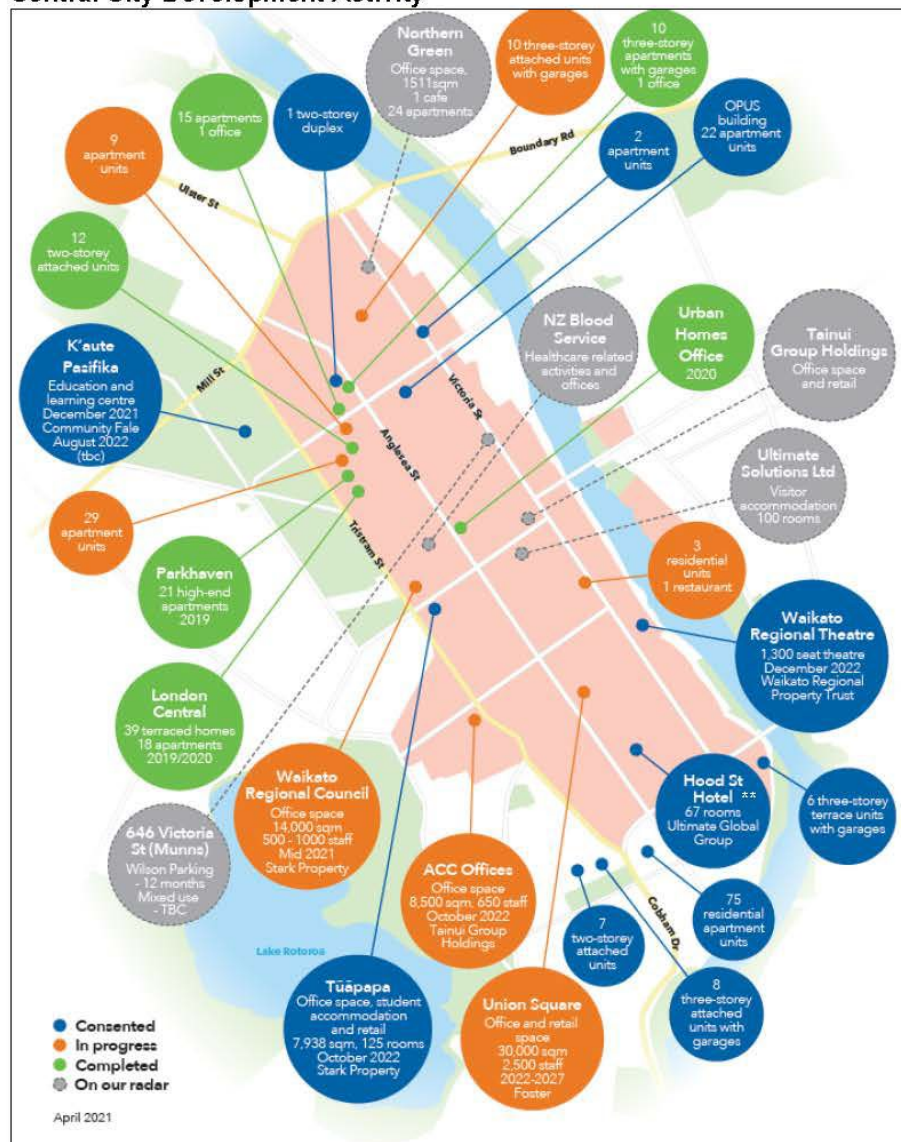
The chart below shows the impact of the COVID-19 pandemic on the calendar of events hosted at H3 venues in 2020, including a strong rebound in the last quarter of 2020, partly as a result of events postponed during the lockdown.

Monthly Actual Attendance 2019 vs 2020



(Source: H3 Venues event analysis)

The event attendances suggest that the H3 venues are likely to generate a reasonable volume of commercial accommodation demand in Hamilton.

APPENDIX F
Central City Development Activity


(Source: Hamilton City Council)

** Based on our inquiries, it is our understanding that the Hood Street Hotel project has been put on hold indefinitely.

APPENDIX G

Claudlands and Mystery Creek Event Spaces

Space	Size m ²	Maximum Capacity	
CLAUDELANDS			
Exhibition Plaza	4,125		
Exhibition Halls A&B	4,002		
Exhibition Halls C&D	3,128		
Globox Arena	2,220	6,000	Theatre
Upper Concourse	1,550	1,400	Cocktail
Heaphy Room (Combined)	992	900	Theatre
Heaphy Room (Double)	662	600	Theatre
Heaphy Room (Single)	331	300	Theatre
Heaphy Prefunction	400		
The Barn	800	650	Cocktail
Brooklyn (Combined)	252	230	Cocktail
Brooklyn 1	168	150	Cocktail
Brooklyn 2	83	70	Cocktail
Brooklyn 3	119	50	Theatre
The Grandstand	202	120	Cocktail
Arena Lounge	197	180	Cocktail
Network Lounge	93	50	Theatre
Oakley Room	80	62	Theatre
Globox Suite	63	40	Theatre
Ricoh Boardroom	49	16	Boardroom
MYSTERY CREEK			
The Pavillion	6,042	6,000	Cocktail
Convention Centre	2,052	1,500	Cocktail
Gallagher Building	800	450	Cocktail
The Bledisloe	1,090	600	Cocktail
The Bledisloe	200	200	Cocktail
Convention Centre Suites	100	150	Cocktail

Claudlands - Globox Arena



Claudlands - Exhibition Hall



Mystery Creek - Pavillion



Mystery Creek - Convention Centre



Sources:

<https://claudlands.co.nz/spaces/our-spaces/venues>

<https://mysterycreek.co.nz/>

Council Report

Committee: Economic Development Committee

Date: 01 March 2022

Author: Tyler Gaukrodger

Authoriser: Michelle Hawthorne

Position: Governance Advisor

Position: Governance and Assurance Manager

Report Name: Chair's Report

Report Status	<i>Open</i>
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Recommendation - *Tuutohu*

That the Economic Development Committee receives the report.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Chair's Report



Chair's Report

Item 6

At the time of writing one of the greatest challenges for employers is the both the implications of staff having to isolate if they are a direct contact of an Omicron or Covid related infection, the rapid changing rules around this, the unclear communications across government sites and all the agencies that interpret and apply their own understanding of these implications and the slow roll out and accessibility of Rapid Antigen Tests. There has been some commentary that these combined challenges are worse than a proper lockdown and exacerbated by both reduced revenue and reduced capacity to salvage revenue. It's not a conducive mix for supporting business and the flow on effects will be challenging.

Our ED committee continues to build momentum and you will see through the agenda progress on all fronts:

- Big agenda reflecting range of ED related matters;
- International relations – Eastern Bridge now on board and working with staff on initiatives;
- Strategic properties good progress being made to progress development opportunities reflecting work of MEF working group (some in PX);
- Website – will be a complete refresh of current ED platform content by early March (reflects the various information and data outcomes wanted), noting that a whole new HCC website will be launched later this year;
- A simplified pathway and page structure that focuses on investment promotion and communicating Hamilton's value proposition to businesses:
 - strategic location, connectivity, cost-of-living, workforce/education, as well as our strength as a community and lifestyle advantages.
 - Downloadable overviews of each key sector (Tech, Mfg, Logistics, Agritech)
 - Case studies capturing why businesses have selected Hamilton (Rabobank, Big Chill, ACC, AA New Zealand, Te Pūkenga, etc.)
 - A central location for programme documents including our economic development agenda, He Pou Manawa Ora, and our programme updates
- Tech Sector Working Group – advanced – Cultivate Trust now established
 - The Trust is finalising its overall purpose, 2022 goals, and a supporting operational plan
 - A membership and funding programme is set to commence in March
 - Subcommittees are being established to focus on key areas:
 - bringing together the tech and innovation ecosystem
 - telling our tech story
 - attracting tech businesses and talent to the Waikato
 - growing the pipeline of local talent with tertiary institutions
- Of those initiatives, the storytelling project being led by Kate Harris (HCC) is tracking to deliver a campaign to showcase Hamilton to tech workers
 - The goal is to have interesting content that appeals to people within the industry, and helps shape their perception of Hamilton as a tech hub

Attachment 1

Recommendation

That the Economic Development Committee receives the report.

Councillor Ryan Hamilton
Chair, Economic Development Committee
Hamilton City Council

Council Report

Item 7

Committee: Economic Development Committee

Date: 01 March 2022

Author: Sean Murray

Authoriser: Sean Murray

Position: General Manager Venues, Tourism and Major Events

Position: General Manager Venues, Tourism and Major Events

Report Name: Waikato Regional Airport Limited - Six-monthly Report to 31 December 2021

Report Status	<i>Open</i>
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Purpose - *Take*

1. To inform the Economic Development Committee of the Waikato Regional Airport Limited (WRAL) six-monthly report for the period 1 July to 31 December 2021 and approval of the Draft Statement of Intent 2022/23.

Staff Recommendation - *Tuutohu-aa-kaimahi*

2. That the Economic Development Committee:
 - a) receives the report; and
 - b) approves the Waikato Regional Airport Limited Draft Statement of Intent 2022/23.

Executive Summary - *Whakaraapopototanga matua*

3. WRAL representatives will present their six-monthly activity report to 31 December 2021 and their draft Statement of Intent for 2022/23 at the meeting.
4. WRAL's achievements over the last six months continue to reinforce the success of their diversification strategy implemented over the past few years which has been primarily led by optimisation and acquisition of properties around the Airport precinct.
5. WRAL's improved revenue (+5% compared to prior year) does disguise Covid-19's disruption on the Aeronautical Business. During the reporting period, regional travel restrictions dominated all but three weeks of a three-month period from August to November 2021. However, record individual trading months for July and December 2021, speaks to the strength of the recovery in passenger volumes.
6. Two significant projects reported back in further detail in the report are the completion of stage 1 of the airport's terminal resilience project and WRAL's investment in the development of a new corporate jet precinct.
7. WRAL representatives will speak to these results and the future Covid-19 landscape and be available to answer any questions.
8. The Statement of Intent (SOI) sets out WRAL's key performance targets and goals at for 2022/23 and is provided in accordance with the Local Government Act 2002.

9. Under the Committee's terms of reference, the Economic Development Committee is responsible for receiving six-monthly reports and providing clear direction to Council's CCO's, including feedback on draft statements of intent.
10. Staff consider the matters and decisions in this report to have a low significance and that the recommendations comply with the Council's legal requirements.

Discussion – *Matapaki*

11. WRAL operates as a limited liability company, with the following shareholders:

Council	Shareholding
Hamilton City Council	50.00%
Matamata-Piako District Council	15.63%
Waikato District Council	15.63%
Waipa District Council	15.63%
Otorohanga District Council	3.13%

12. WRAL's key objectives remain in live with those of the prior year's SOI:
 - i. Operate an efficient, sustainable and resilient airport.
 - ii. Enhance the traveller experience.
 - iii. Maintain a viable and sustainable aeronautical business.
 - iv. Maximise revenue diversification through nonaeronautical business opportunities

Legal and Policy Considerations - *Whaiwhakaaro-aa-ture*

13. Staff confirm the recommendation complies with the Council's legal and policy requirements.

Financial Considerations - *Whaiwhakaaro Puutea*

14. There are no financial implications in relation to the recommendation in this report.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

15. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
16. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report.
17. The recommendations set out in this report are consistent with that purpose.

Economic

18. WRAL's activity relates strongly to the economic wellbeing by its delivery of key objectives to operate an efficient and compliant airport, maximised revenue through diversification to protect the core aeronautical business and enhanced tourism growth within the region.

Environmental, Social and Cultural

19. There were no environmental, social or cultural wellbeing implications identified in the formulation of this report although the attached report includes progress on operational environmental sustainability initiatives.

Risks - *Tuuraru*

20. There are no known risks associated with the decisions required for this matter.

Significance & Engagement Policy - *Kaupapa here whakahira/anganui***Significance**

21. Staff have considered the key considerations under the Significance and Engagement Policy and have assessed that the recommendation(s) in this report has/have a low level of significance.

Engagement

22. Given the low level of significance determined, the engagement level is low. No engagement is required.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Waikato Regional Airport Limited - six monthly report to 31 December 2021

Attachment 2 - Waikato Regional Airport Limited - Draft Statement of Intent 2022/23

INTERIM REPORT

WAIKATO REGIONAL AIRPORT LIMITED
For the six months ended 30 December 2021



CHIEF EXECUTIVE'S REPORT

KEY RESULTS AT A GLANCE	
-13%	Passenger volume : 138,000 Decrease of 21,000
-70%	Aircraft movements : 15,000 Decrease of 35,000
+5%	Operating revenue : \$8.6m Growth of \$0.4m
+1%	EBITDA excluding land sales : \$3.2m Growth of \$27k
+35%	Net surplus after tax : \$1.4m Growth of \$0.4m
+39%	Total shareholder funds : \$148.9m Growth of \$42.1m
* Changes are measured compared to the six months ended 31 December 2020	

COMMENTARY

WRAL's achievements over the last six months continue to reinforce the success of the diversification strategy implemented over the past few years which has been primarily led by optimisation and acquisition of properties around the Airport precinct, most notably the continued operation of the Jet Park Hotel as a Managed Isolation Facility for arrivals into New Zealand.

Improved revenue and earnings metrics disguise the disruption of the COVID-19 Delta Community outbreak on the Aeronautical Business. Regional travel restrictions implemented at heightened alert levels dominated all but three weeks of a three-month period from August to November during which time there were only essential air movements. This period was bookended by record individual trading months for July and December, the latter speaking volumes to the strength of the recovery in passenger volumes from our airport.

The large decline in aircraft movements was not unexpected given the closure of international airline pilot academy L3Harris, however the last six months have also yielded many positives for the future of the aeronautical business, the two most significant being:

- The first of three stages in the Airport's \$15 million Terminal Resilience Project was completed, resulting in the successful transition to a temporary domestic terminal operation located in the former international terminal area. Domestic passenger operations are expected to operate from this repurposed space until September 2022. This project accounts for the majority of the \$2.7 million of capital expenditure in the period.
- WRAL will make its first expansionary investment into the General Aviation sector in over a decade with the development of a corporate jet precinct on land being sold in the central precinct business park adjacent to the airside boundary of the Airport. A new helicopter servicing base is also scheduled for development in the 2022 calendar year.
- As Stage 5 of Central precinct is constructed and completed over the next 6 months, contracted land sales in excess of \$10m will then settle in August 2022.
- In addition to the Titanium Park Central Precinct development, the Group's property strategy continues to advance with acceleration of due diligence and master planning work for the Northern Precinct development. This opportunity has gained traction in the last six months, with a private plan change application to re-zone over 100ha of land adjacent to the airport expected to be lodged by April 22. If successful, the re-zoned land would ensure the Airport will continue to be a significant regional industrial/commercial hub, with a supply of land expected to serve market demand south of the Hamilton City over the next two decades.

Via multi-year central government funded initiatives, Hamilton & Waikato Tourism are supporting the otherwise devastated local tourism industry with exciting new opportunities and initiatives to attract tourists to the Waikato, initially focused on domestic and in time the international markets. In addition an updated Destination Management Plan is being finalised to ensure a more coordinated and united approach for the sector to attract and host visitors in our region.

The changing landscape of COVID-19, including new variants becoming active in the community provide some uncertainties for the Group to navigate. Whilst the move away from lockdown and travel restrictions should provide for improved ongoing confidence in our aeronautical business, short term indications are this could be disrupted by the Omicron variant. With the Government announcing plans to re-open the international border in the first half of 2022, the future of the Hotel's trading beyond the tenure of its current Managed Isolation Facility contract to June 2022 is less clear.

Mark Morgan - Chief Executive

FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income & Expense

For the six month period ended 31 December 2021

	2021 \$ '000	2020 \$ '000
Revenue		
Operating revenue	8,574	8,156
Land sales	770	-
Other gains/(losses)	305	191
	9,649	8,347
Expenses		
Operating expenses	(2,911)	(2,815)
Cost of land sales	(574)	-
Employee benefits expense	(2,379)	(2,084)
Depreciation & amortisation	(1,708)	(1,683)
Finance costs	(206)	(304)
	(7,778)	(6,886)
Net surplus/(deficit) before tax	1,871	1,461
Tax expense	(439)	(403)
Net surplus/(deficit) after tax	1,432	1,058
Other comprehensive revenue & expense		
Revaluation of property, plant & equipment	-	-
Deferred tax	-	-
Total other comprehensive revenue & expense	-	-

These interim financial statements have been prepared in accordance with Tier 2 PBE Accounting Standards.

FINANCIAL STATEMENTS

Consolidated Statement of Changes in Equity

For the six month period ended 31 December 2021

	Share Capital \$ '000	Retained Earnings \$ '000	Revaluation Reserves \$ '000	Total \$ '000
Opening Balance - 1 July 2020	14,860	33,772	57,102	105,734
Net profit/(loss) after tax	-	1,058	-	1,058
Other comprehensive income	-	-	-	-
Total comprehensive income	-	1,058	-	1,058
Dividends paid to shareholder	-	-	-	-
Closing Balance - 31 December 2020	14,860	34,830	57,102	106,792
Opening Balance - 1 July 2021	14,860	73,523	59,080	147,463
Net profit/(loss) after tax	-	1,432	-	1,432
Other comprehensive income	-	-	-	-
Total comprehensive income	-	1,432	-	1,432
Dividends paid to shareholder	-	-	-	-
Closing Balance - 31 December 2021	14,860	74,955	59,080	148,895

FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

As at 31 December 2021

	2021 \$ '000	2020 \$ '000
Current Assets		
Cash and cash equivalents	1,094	1,014
Trade and other receivables	1,242	2,121
Inventories	578	485
Development property	8,169	12,145
	11,083	15,765
Non Current Assets		
Property, plant and equipment	98,478	94,394
Investment property	63,584	26,305
Intangible & other non-current assets	834	1,156
	162,896	121,855
Total Assets	173,979	137,620
Current Liabilities		
Trade and other payables	2,226	2,676
Income received in advance	1,777	1,655
Employee entitlements	606	495
	4,609	4,826
Non Current Liabilities		
Provisions for Infrastructure Development	1,431	1,417
Borrowings	13,895	19,725
Deferred tax liability	5,149	4,860
	20,475	26,002
Total Liabilities	25,084	30,828
Net Assets	148,895	106,792
Equity		
Share capital	14,860	14,860
Retained earnings	74,955	34,830
Revaluation reserves	59,080	57,102
Total Equity	148,895	106,792

FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows For the six months ended 31 December 2021

	2021 \$ '000	2020 \$ '000
Operating activities		
Receipts from operations	9,433	7,584
Payments to suppliers and employees	(6,417)	(4,694)
Payments for construction of development property	(1,315)	(2,836)
Payment of interest	(206)	(283)
Payment of income taxes	(1,409)	-
Net cash from/(used in) operations	86	(229)
Investing activities		
Receipts from sale of property, plant and equipment	500	-
Purchases of property, plant & equipment	(2,708)	(555)
Purchases of investment properties	-	(929)
Purchases of intangible assets	(44)	-
Net cash from/(used in) investment activities	(2,252)	(1,484)
Financing activities		
Receipts from/(repayments of) borrowings	1,900	2,098
Payments of dividends	-	-
Net cash from/(used in) financing activities	1,908	2,098
Net change in cash for the period	(266)	385
Add opening cash and cash equivalents balance	1,360	629
Closing cash and cash equivalents	1,094	1,014

PERFORMANCE REPORTING

Performance against Statement of Intent For the six months ended 31 December 2021

	SOI Full Year 30/6/22	Actual 6 months 31/12/21	Forecast Full Year 30/6/22
Financial Targets			
EBITDA excluding Land Sales	\$5.2m	\$3.3m	\$5.0m
EBITDA including Land Sales	\$5.7m	\$3.5m	\$5.6m
Net Profit before Tax	\$1.2m	\$1.8m	\$1.4m
Net Operating Cash Flow excl Land Sales	\$3.6m	\$0.6m	\$3.8m
Total Debt (not exceeding)	\$29.0m	\$13.9m	\$23.4m
Percentage of non-landing charges revenue	60%	82%	81%
Land Sales	\$2.0m	\$0.8m	\$2.0m
Interest coverage	4.0x	13.6x	9.2x

The group has a number of non-financial performance targets covering the range of activities the group undertakes. At 31 December 2021, the Group was on track to meet substantially all of its targets except for certain targets in relation to the Jet Park Hotel Hamilton Airport business due to the ongoing Managed Isolation Facility operation meaning it has not returned to a trading hotel business.





Hamilton Airport

WAIKATO REGIONAL AIRPORT LIMITED



GROUP STATEMENT OF INTENT 2022/2023

(Draft - FEBRUARY 2022)

INTRODUCTION

This statement is presented by the Directors in accordance with s.64 (1) of the Local Government Act 2002 and sets out the Board's intentions for the Company and Group for the year ending 30 June 2023 and succeeding two financial years.

COVID-19 and the WRAL Group

The COVID-19 pandemic resulted in world-wide crises: from health, to social and economic devastation. The ongoing impact on the WRAL Group is significant, as the business is primarily aviation and tourism-focused and therefore projected revenues remain substantially impacted. This has necessitated a conservative outlook for recovery over the next three years for the Group.

Fortunately, the Group's existing 10-year strategy already had a focus on non-aeronautical income diversification activities which will continue to be critical to our future. Our property initiatives served us well through the initial COVID-19 crisis period and the uncertainty through 2022/2023. We expect property initiatives will continue to provide a level of support to the Group, minimising future economic volatility, whilst aviation and tourism recover.

STRATEGIC INTENT

The Group has identified its core purpose and key objectives that recognise the strategic intent of the business:

CORE PURPOSE

- 1) Enabler of air services to the region.
- 2) Operate a first class, safe, sustainable and compliant airport.
- 3) Strategic positioning of the business to enhance capital value.

WRAL: KEY OBJECTIVES

- 1) Operate an efficient, sustainable and resilient airport.
- 2) Enhance the traveller experience.
- 3) Maintain a viable and sustainable aeronautical business.
- 4) Maximise revenue diversification through non-aeronautical business opportunities.





KEY OBJECTIVES OF THE GROUP

The Group incorporates Hamilton Airport, Titanium Park Limited, Hamilton & Waikato Tourism Limited and Waikato Regional Airport Hotel Limited.

1. Operate an efficient, compliant and resilient airport.

2. Provide an improved customer experience upon completion of the Terminal Resilience Project.

3. Maintain a viable aeronautical business.

4. Maximise revenue diversification through non-aeronautical business opportunities.

5. Develop and optimise the land holdings of the Group to generate a long-term property income from a diversified property portfolio.
6. Operate the airport hotel to meet or exceed its investment business case growth targets and customer satisfaction targets.

7. Marketing the Hamilton & Waikato region as a visitor destination to domestic and international visitors.

8. Assist recovery of the visitor economy through tourism development and destination management.

Nature and scope of activities to be undertaken

1. Operate an efficient and compliant airport.

Operate a first class, safe and compliant regional airport by providing for essential projects, together with any compliance expenditure warranted.

2. Enhance the traveller experience.

Maximise traveller satisfaction and airport experience.

3. Maintain a viable aeronautical business.

The COVID-19 pandemic has painted a very different canvas for the aviation sector over the next few years.

We will:
 - Assist airlines to identify opportunities to increase flight schedules and passenger numbers.
 - Promote the recovery and new development opportunities of the general aviation sector.
 - Develop and implement a five year plan to give effect to, or seek renewal of the runway extension designation.
 - Position and protect the airport as an efficient, cost effective international port of arrival.
 - Pursue all new international air service opportunities (both charter and scheduled services) as New Zealand's international borders open up.
4. Maximise revenue diversification through non-aeronautical business opportunities.

Support the development of land within the bounds of a sound, strategic approach to long-term planning for the airport precinct by its subsidiary Titanium Park Limited (TPL).

- TPL will continue marketing for sale, development and optimised investment, all available non-aeronautically strategic land in a planned and co-ordinated approach.
 - In conjunction with the hotel manager, maximise the recovery plan and earnings of the recently acquired and upgraded airport hotel business upon completion of the Managed Isolation Facility contract.

5. Ensure appropriate internal and external resource to enable a commercially driven and high performing organisation.

Knowledgeable and capable, high performing and appropriately resourced personnel to ensure sound reporting and accountability, and delivery of the strategic plan.

In pursuing its goals, the Group will:

- At all times behave in a professional and ethical manner in all its business dealings with its customers and stakeholders.
- Be an employer of choice.
- Ensure a safe and healthy workplace environment that complies with legislation and fosters the wellbeing of its employees.







PERFORMANCE TARGETS

The following annual performance targets are proposed for the Waikato Regional Airport Limited Group in relation to its core purpose and key objectives.

Based on Company forecasts	YEAR ENDING 30 JUNE		
	2023	2024	2025
EBITDA excluding land sales	\$5.0m	\$5.5m	\$6.0m
EBITDA including land sales	\$9.5m	\$6.5m	\$11.0m
Net profit before tax <i>no less than</i>	\$6.0m	\$3.0m	\$7.0m
Net operating cash flow (excluding land sales)	\$3.5m	\$4.0m	\$4.5m
Total debt excluding design build property <i>not exceeding</i>	\$30.0m	\$50.0m	\$50.0m
Percentage of non-landing charges revenue <i>at least</i>	60%	60%	60%
Land sales	\$12.0m	\$2.0m	\$10.0m
Interest cover <i>at least</i>	4.0x	4.0x	4.0x

NON-FINANCIAL PERFORMANCE TARGETS

	Health, safety and well-being
	Facilitate Health & Safety meetings every two months with representatives from each entity in the Group
	Zero Work Safe notifiable accidents/injuries
	Independently review and audit the Health & Safety system each year
	Operational compliance
	To achieve the Airport Certification Standards as required by the Civil Aviation Authority and as evidenced by Civil Aviation Authority audit reports.
	Ensure airport is operationally available for all scheduled passenger services (except for uncontrollable events)
	Monitor aeronautical noise and facilitate noise management meetings every six months in accordance with the Noise Management Plan.
	Property (Titanium Park Limited)
	Complete construction of airport infrastructure to support private aeronautical property development and land sales.
	Hotel operation
	Implement a recovery plan to enable a steady return from a Managed Isolation Facility to normal trading as a hotel and achieve pre-COVID metrics such as occupancy, room rates and customer satisfaction in line with the expectations underlying the achievement of a Qualmark 4 Star rating.



WAIKATO REGIONAL AIRPORT LTD - GROUP STATEMENT OF INTENT 2022/23 - 4

Statement of accounting policies

The accounting policies adopted by the Group for the year ending 30 June 2023 and succeeding two years are those as adopted in the 2021 Annual Report prepared under Tier 2 Public Benefit Entity Standards Reduced Disclosure Regime (PBE Standards RDR). The impact of accounting standards changes is not expected to have a material impact on the Group's financial statements or their comparability with previous results.

Dividend policy

The Directors will review the performance and outlook for the group annually before declaring any dividend.

Information to be provided to Shareholders

- The Annual Report of the Group.
- An interim report circulated to Shareholders each half-year including a Chair's Report, Consolidated Income Statement, Consolidated Balance Sheet and progress against Financial Performance Targets.
- Shareholder briefings held at least twice annually.

Future investment proposals

If the Group wishes to subscribe for, purchase, or otherwise acquire shares in any other company or any other organisation, it can do so only after first obtaining approval from the majority of shareholders at either a General Meeting or at a Special Meeting convened for that purpose.

There are no additional major transactions to be contemplated for which shareholder approval has not yet been sought.

Commercial value of the Shareholders' investment

No valuation of shares has been completed.

The consolidated balance sheet of WRAL as at 30 June 2021 shows shareholder equity of \$147m based on recent independent valuations of the Group's property, plant and equipment and investment properties.

Compensation from Local Authorities

There are no known activities of the Company or Group for which the Directors would seek compensation from any local authority.

Major transactions

Shareholders approve major transactions via a special resolution. A major transaction for WRAL is defined as:

- a. the acquisition of, or an agreement to acquire (whether contingent or not), assets the value of which is more than 10% of the value of the Company's assets before the acquisition; or
- b. the disposal of, or an agreement to dispose of (whether contingent or not), assets the value of which is more than 10% of the value of the Company's assets before the acquisition; or
- c. a transaction which has or is likely to have the effect of the Company acquiring rights or interests or incurring obligations or liabilities, the value of which is more than 10% of the value of the company's assets before the transaction.

Health & Safety and Wellbeing

The Board and Management will ensure that all requirements to the Health & Safety at Work Act 2015 are maintained.

This will be achieved by the engagement of an independent consultant and audit processes to ensure the organisation and its subsidiary companies are maintaining compliant and best practice processes. At all times the Group will continue to monitor and review health and safety requirements via monthly reporting.



WAIKATO REGIONAL AIRPORT LTD - GROUP STATEMENT OF INTENT 2022/23 - 5



Council Report

Committee: Economic Development Committee
Date: 01 March 2022
Author: Sean Murray
Authoriser: Sean Murray
Position: General Manager Venues, Tourism and Major Events
Position: General Manager Venues, Tourism and Major Events
Report Name: Hamilton and Waikato Tourism Limited - Six-monthly report to 31 December 2021

Report Status	<i>Open</i>
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Purpose - *Take*

1. To inform the Economic Development Committee of the Hamilton and Waikato Tourism (HWT) six-monthly report for the period 1 July to 31 December 2021.

Staff Recommendation - *Tuutohu-aa-kaimahi*

2. That the Economic Development Committee receives the report.

Executive Summary - *Whakaraapopototanga matua*

3. HWT Representatives will present their six-monthly activity report to 31 December 2021 at the meeting.
4. HWT is a subsidiary company under the Council Controlled Organisation (CCO) of Waikato Regional Airport Limited.
5. The first six months of the financial year presented a difficult market environment given the impact of Covid-19 and the resultant restrictions. As expected, a number of Hamilton and Waikato visitor statistics have suffered a decrease.
6. However outside of the lockdown and alert level challenges, marketing activities and key promotional campaigns have been executed including 'Mighty Local', winter and school holiday domestic campaigns 'Welcome Back Auckland' and 'Waikato Escapes', a 48-page print supplement into the Waikato Times locally and the Sunday Star Times nationally.
7. As a result of the additional marketing and industry development activity, HWT is pleased to report the Waikato region was recently identified as one of two regions to record the largest market share increase for domestic visitors over the past 12 months (from 10 percent to 13 percent).
8. HWT also announced two key personnel changes announced during the period – including the appointment of Richard Leggat as HWT's new Chair and the resignation of Chief Executive, Jason Dawson.

9. HWT representatives will speak to these results and the future Covid-19 landscape and be available to answer any questions.
10. Under the Committee's terms of reference, the Economic Development Committee monitors the performance and provides guidance on Council's relationship with HWT.
11. Staff consider the matters and decisions in this report to have a low significance and that the recommendations comply with the Council's legal requirements.

Discussion - *Matapaki*

12. HWT is the region's Regional Tourism Organisation (RTO) whose role is to generate competitive economic benefit through visitor sector strategies focused on increasing visitor length of stay and spend.
13. HWT is a subsidiary company of Waikato Regional Airport Limited.
14. HWT has a three-year service level agreement with Council for 2021-2024.
15. HWT is supported by five other councils with a total funding pool across all partner Councils of \$1,217,000 + CPI. The following table provides a contribution breakdown. HWT also raises funding contributions and leverages its partnerships with private sector interests of around \$400k annually.
16. **Table 1: Council funding of Hamilton and Waikato Tourism 2021-2024**

Council	Annual Funding
Hamilton City Council	\$618,356 + CPI
Waikato District Council	\$150,000 + CPI
Waipa District Council	\$158,396 + CPI
Matamata-Piako District Council	\$150,000 + CPI
Otorohanga District Council	\$ 63,420 + CPI
Waitomo District Council	\$ 63,420 + CPI

Legal and Policy Considerations - *Whaiwhakaaro-aa-ture*

17. Staff confirm that the recommendation to approve funding complies with the Council's legal and policy requirements.

Financial Considerations - *Whaiwhakaaro Puutea*

18. There are no financial implications in relation to the recommendation in this report.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

19. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
20. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report as outlined below.
21. The recommendations set out in this report are consistent with that purpose.
22. HWT is an ambassador of the "Tiaki Promise" programme that promotes care for New Zealand within the visitor industry and by visitors to New Zealand.

Social

23. Hamilton and Waikato Tourism supports and promotes the local and regional tourism and events sector that make Hamilton a great place to live, work, play and visit.

Economic

24. Hamilton and Waikato Tourism's role is to generate competitive economic benefit through visitor sector strategies focused on increasing visitor length of stay and spend.

Environmental

25. Hamilton and Waikato Tourism supports and promotes the local and regional natural environment and green spaces that make Hamilton a great place to live, work, play and visit.

Cultural

26. Hamilton and Waikato Tourism has a goal that by 2025 the Hamilton and Waikato region will be recognised by visitors as the home of Kiingitanga with exceptional visitor experiences that enable the visitor to immerse themselves in our unique Māori culture.

Risks - *Tuuraru*

27. There are no known risks associated with the decisions required for this matter.

Significance & Engagement Policy - *Kaupapa here whakahira/anganui***Significance**

28. Staff have considered the key considerations under the Significance and Engagement Policy and have assessed that the recommendation(s) in this report has/have a low level of significance.

Engagement

29. Given the low level of significance determined, the engagement level is low. No engagement is required.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Hamilton and Waikato Tourism - six monthly report 1 July- 31 December 2021

Hamilton & Waikato TOURISM

Six Monthly Report to Hamilton City Council 1 July – 31 December 2021

Hamilton & Waikato Tourism (HWT) is the region's Regional Tourism Organisation (RTO) whose role is to generate competitive economic benefit through visitor sector strategies focused on increasing visitor length of stay and spend.

Hamilton & Waikato Tourism is a subsidiary company under the Council Controlled Organisation (CCO) of Waikato Regional Airport Limited. It has a commercial board with Richard Leggat appointed as its new Chair in December 2021. Chief executive Jason Dawson finished with Hamilton & Waikato Tourism in January 2022 and Nicola Greenwell has been appointed Interim General Manager until a replacement CEO has been secured.

HWT is funded through a public/private partnership with the region's tourism industry and six local authorities including Hamilton City and Matamata-Piako, Ōtorohanga, Waikato, Waipā and Waitomo. This is the six-monthly report from 1 July to 31 December 2021.

Key highlights (Jul – Dec 2021)



Executive summary

The first six months of the financial year presented more trading challenges and a difficult market environment given the arrival of the Delta variant in New Zealand. This led to a second national lockdown, an extended lockdown for our biggest drive market Auckland and the Waikato itself was impacted with alert level changes. We are now grappling with the challenges of operating in the red traffic light setting with the arrival of Omicron in the community.

With the return of lockdowns and alert level challenges, we reactivated the successful 'Mighty Local' campaign to promote essential services, hospitality providers and contactless/home delivery channels. The core purpose of 'Mighty Local' is to raise awareness, promote and drive residents to 'buy and shop local' within their local communities.

Outside of lockdowns and alert levels, we still managed to deliver a number of key marketing activities including event promotion around Matariki and regional events. We managed to execute a winter and school holiday campaigns in our key domestic markets. We also ran a small 'Welcome Back Auckland' campaign once the borders were reopened between the two regions.

Media activity has accelerated during the six months as travel writers are hungry for content for the domestic market. This has allowed us to leverage the opportunity and window of interest with our domestic media to really push the Waikato region, plus the more undiscovered areas, experiences and communities. We also partnered with Stuff in December to produce a 48-page 'Waikato Escapes' print supplement into the Waikato Times locally and the Sunday Star Times nationally. New Zealanders are self-explorers who are inspired by other people's travel experiences, including travel writers.

Our digital marketing platforms continue to grow from strength to strength, especially visitation to our main regional website www.waikatoz.com and our Facebook page. We also launched social media 'stickers' to promote the region on Instagram and Facebook. User have been quick to engage and use these 'Mighty Waikato' stickers on their digital stories.











Print marketing is still a strong medium for our organisation and for the domestic traveller. We successfully partnered again with Hamilton Central Business Association on a new edition of the Neat Places guide, plus produced 50,000 copies of our Regional Visitor Guide. Our guides are distributed nationally through i-SITEs and airports, displayed at visitor attractions, used at trade shows, and conference delegate packs. This guide remained a cost-neutral project with cheaper advertising sales funding production and distribution.

We completed the first round of funding from the \$3.75m Thermal Explorer Regional Events Fund, launched our Food Tourism Action Plan, developed our Draft Destination Management Plan and also developed a Draft Regional Business Events Strategy.

Finally, all our additional marketing and industry development activity is making an impact. The Waikato was recently being identified as one of two regions to record the largest market share increase for domestic visitors over the past 12 months (from 10 percent to 13 percent).

Performance targets

Given the ongoing Covid-19 impacts for the visitor economy, Hamilton & Waikato Tourism (HWT) have seven performance targets which are set in the 'Schedule of Services for Local Government 2021-2022'. The results are provided below.

Measure	Result						
 Visitor nights Hold total visitor nights compared to previous year as measured by MBIEs Accommodation Data Programme (ADP)*	 924,163 visitor nights (Dec 2020 to Nov 2021) 27.4% occupancy (NZ: 27.1%) *No comparison figures available in ADP						
 Visitor spend 0% increase in total visitor spend across region compared to previous year as measured by MBIEs Tourism Electronic Card Transactions	 3% increase on previous year \$664million annual electronic card transactions (year ending November 2021) DOMESTIC Annual Spend 8% more than 2020 and 1% less than 2019.						
 Conventions & business events Rebuild and restore market share of total business events to 5% as measured by the Business Events Data Programme	 6% market share of business events & 6% of delegates (Q3 2021)						
 Industry investment \$100,000 of industry contributions towards marketing activities	 \$79,230 (\$68,000 Visitor Guide sales) (As at 31 December 2021)						
 Media & travel trade 10 media outlets hosted + 150 travel trade trained or hosted	 <table><tr><td>2</td><td>1</td><td>52</td></tr><tr><td>media outlet hosted</td><td>agents hosted</td><td>agents trained</td></tr></table> (As at 4 February 2022)	2	1	52	media outlet hosted	agents hosted	agents trained
2	1	52					
media outlet hosted	agents hosted	agents trained					

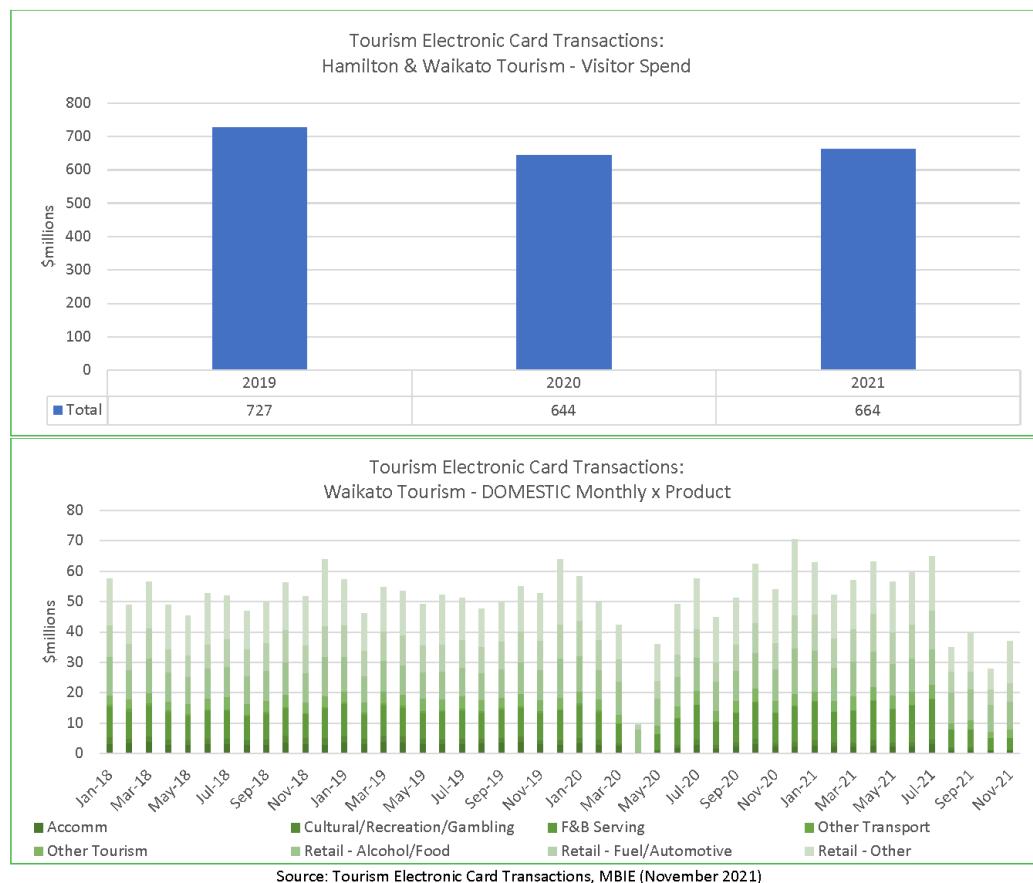
Visitor statistics

As mentioned prior, the first six months of the financial year presented a difficult market environment given the arrival of the Delta variant and now the arrival of Omicron in New Zealand. This led to a second national lockdown, an extended lockdown for our biggest drive market Auckland and the Waikato itself was impacted with alert level changes. NZ is now operating in the red traffic light setting of the Covid Protection Framework. Therefore, many of our visitor statistics have suffered decline across the board.

Visitor expenditure in Waikato

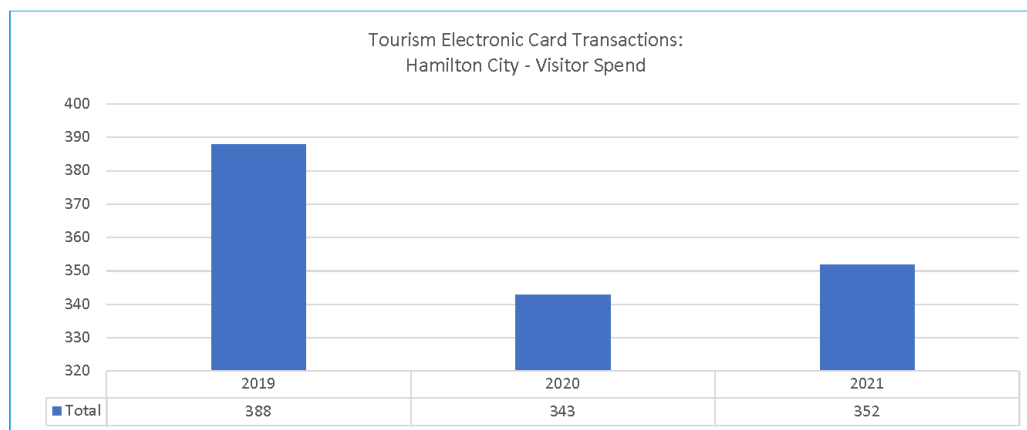
The Ministry of Business, Innovation and Employment (MBIE) have discontinued the Monthly Regional Tourism Estimates (MRTes) as they were becoming unreliable within the Covid-19 environment. They have replaced the data with an interim data set capturing electronic card transactions. The key difference is that this data does not make any estimates for online or cash spending.

Compared to 2020, tourism spending increased 3% for Waikato for the year ended November 2021.



Visitor expenditure in Hamilton

Annual visitor electronic expenditure for Hamilton increased 3% to year end November 2021; injecting \$352million into Hamilton's economy.

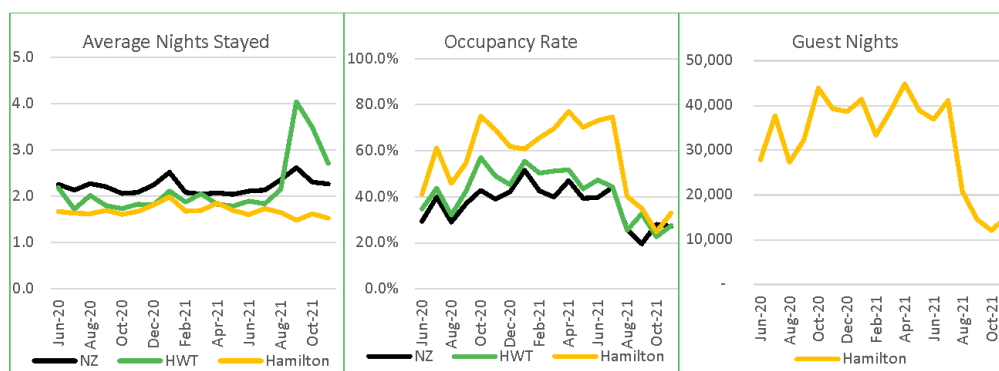


Source: Tourism Electronic Card Transactions, MBIE (November 2021)

Commercial accommodation in Hamilton

The new national 'bed nights' measurement tool, the Accommodation Data Programme (ADP) began providing monthly measurements from June 2020.

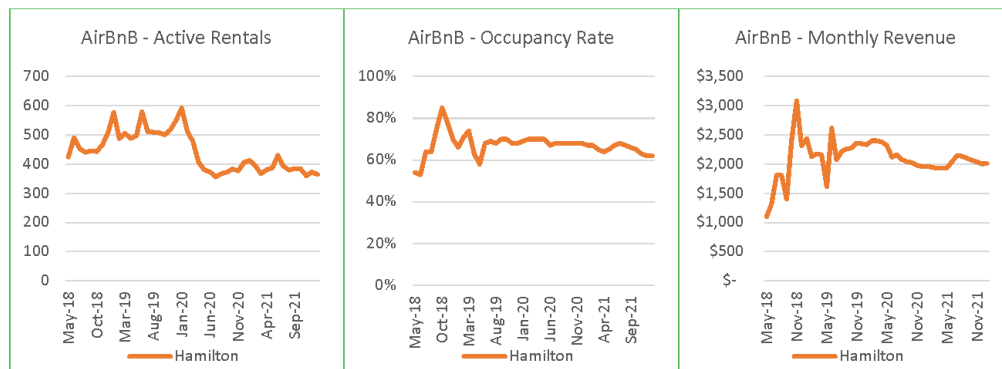
Hamilton have 22 commercial accommodation providers contributing data into this programme (unlike the old Commercial Accommodation Monitor, this is not a legal requirement). The Occupancy rate for Hamilton accommodation providers in November 2021 was 32.9% (nationally the occupancy rate was 27.1%). People stayed an average of 1.5 nights per visit/stay. This resulted in 15,075 guest nights in November 2021; and 376,461 for the 12 months to November 2021.



Non-commercial accommodation in Hamilton

Hamilton also had 373 properties listed on AirBnB during December 2021 as alternative accommodation to the traditional commercial offerings. This has decreased by 33 listings from December 2020 and 177 on December 2019.

These properties experienced 62% occupancy during December 2021. For the 12 months December 2021, the average occupancy rate for AirBnB properties in Hamilton was 65%.



Source: AirDNA (December 2021)

Leisure & Trade Marketing

Domestic marketing

Matariki Events Campaign

A specific 'Waikato Matariki Events' campaign launched in early June and concluded at the end of July to coincide with Matariki from 11 June – 31 July. Working in partnership with and supporting the Matariki Ki Waikato festival, this campaign targeted Waikato residents encouraging them to participate in events happening across the region to celebrate the Maori New Year. Digital ads ran on Facebook, Google Display and Search and 82,000 printed Matariki events guides were also distributed through the Waikato Times, Hamilton Press and Cambridge Edition.

External domestic markets: Winter Campaign

HWT developed a campaign for winter to encourage travel to the Waikato over the months of July-Sept. Targeting key drive and fly markets - Auckland, Bay of Plenty, Central North Island, Wellington and Christchurch, the aim of this campaign being a non-ski destination dispelling the myth there is 'nothing to do in the Waikato' over winter by showcasing the wide variety of experiences on offer. The campaign went live on 13 July and will run until the end of August on Facebook and Google Display. Unfortunately, this campaign had to end early due to the lockdown periods.

Winter School Holidays

Launched on 13 July and concluded on 24 July through Facebook and Instagram, our small digital Winter School Holidays campaign was focused on promoting family-friendly activities and attractions in the region to Waikato residents.

Mighty Local Campaign

When all of NZ moved to Alert Level 4 on 18 August, HWT worked to quickly stand up our Mighty Local campaign again. The Mighty Local messaging was designed to promote and profile everything local across the Mighty Waikato region during the COVID-19 Alert Levels periods.

The campaign aimed to encourage Waikato residents to support local businesses through the various alert levels and adapted to the market depending on what level we were at – from online retail, virtual experiences and takeaways at Level 4 and 3 to visiting our Waikato attractions, dining and accommodation at Level 2.

External domestic markets: Summer Campaign

During Level 3, HWT worked through options for an upcoming summer campaign and had planned to launch in November to inspire summer travel before publications filled up with Christmas content. Unfortunately, lockdown continued for longer than expected, so the majority of campaign activity will occur post-Xmas/early in 2022 targeting key drive and fly markets.

As an alternate to a major campaign pre-Xmas, we published a 48-page 'Waikato Escapes' print supplement with Stuff which was distributed via the Sunday Star Times and Waikato Times in early December. The aim of this publication was to encourage people to travel to the Waikato over summer, and for local residents to stay and explore their own backyard this summer while showcasing the vast range of activities and attractions in the Waikato. This had a print distribution of over 257,000.

External domestic markets: Welcome Back Auckland

We ran a small, dedicated campaign to welcome back Auckland once they could travel from 15 December. This campaign focused on our close relationship as neighbours as our key point of difference to other places in NZ and welcomed Aucklanders back with open arms. The messaging in this campaign was very well received.

Neat Places

In December, HWT partnered with Hamilton Central Business Association on activity with Neat Places to help promote Hamilton over the summer period and develop additional content to align with the latest edition of the pocket guide. As part of this partnership, Neat Places worked with HWT and Hamilton Central on a competition to win a weekend in Hamilton. Content produced from this partnership highlighted 10 of the best things to do in Hamilton this summer, and Hamilton's best creative boutiques and galleries. Content was shared on Neat Places social media throughout December and will continue into January and February.

Regional Events

We have supported regional events during July-December by profiling them in campaign activity, on social media and coverage on waikatoz.com. Events are an important driver for domestic visitation as well as local expenditure, and post-COVID provide great reasons for repeat visitation to a region. A specific 'Summer of Events' campaign is scheduled take place in early 2022.

Always On Facebook

Alongside hero marketing campaigns, HWT have developed a series of ads that will run across Facebook on an ongoing basis. The aim of this is to keep Waikato at the front of minds and to highlight passion points for locals and visitors. This ongoing activity has ads designed for a local Waikato audience as well as visitors from key drive and fly markets.

Social Media Stickers

HWT developed some Waikato-related animated 'stickers' for use on social media. Stickers offer an interactive way to mix official branding with the more casual, personal nature of social media posts in turn helping to increase brand awareness and engagement. Ten stickers are now available on Instagram, Facebook & Twitter for anyone to use in their posts – from promoting 'mighty local' and 'meet in the Waikato' to cycling, glowworms and the mighty Waikato River. We are using these in our social channels and have encouraged our operators and wider tourism community to utilise the stickers where relevant.

Annual Visitor Guide

50,000 copies of the 2022 Official Regional Visitor Guide were distributed in late December 2021. They have been distributed nationally through i-SITEs and airports, displayed at visitor attractions, used at trade shows, and conference delegate packs. This guide remained a cost-neutral project with cheaper advertising sales funding production and distribution.

Media

While international borders remain closed, we have had another successful year for domestic travel media coverage with a number of media pitches, famils and hosting. Domestic media platforms and publications are hungry for content and we have been quick to take up this opportunity. Coverage so far includes content in NZ Herald Travel Supplements, Cuisine Magazine, Our New Zealand, NZ Geographic, 3 separate articles in Kia Ora Magazine and numerous stories across the Stuff network in print and online.

Communications Specialist

HWT employed a 12month Communications Specialist in November. This role has been funded from RESET with some baseline funding inclusion as well. This role sits within the marketing team but will create content for all departments across the organisation including media releases and pitches, case studies/testimonials, articles, e-newsletters, web copy and promotional collateral. This is a very welcome addition to the team, allowing HWT to capitalise on further content and media opportunities.

International marketing

While no physical training or sales activity with off-shore international travel trade has been possible, we have continued to undertake virtual trade training and promotional activities alongside on-shore training and famils over the last six months including:

- Attending the annual conference TECNZ Conference and meeting with 32 inbound tour operators to update them on trade-ready operators in the Waikato
- Preparing and hosting Inbound Tour Operator famils
- Undertaking regional webinars with Tourism New Zealand China, UK and India teams
- Participating in the TRENZ online connections/ meetings portal
- Undertaking trade development support for regional tourism operators

The Explore Central North Island collective continued to promote the central North Island to international travel trade on behalf of, and in conjunction with the eight participating RTOs (Waikato, Coromandel, Bay of Plenty, Rotorua, Taupo, Ruapehu, Tairāwhiti, Hawke's Bay.)

Marketing activity for Hamilton City

A summary of specific trade and leisure marketing for Hamilton is detailed below.

Target market	Campaign or activity	Hamilton experiences profiled
Media – domestic & international famils	Media hosting and famils profiling Hamilton: <ul style="list-style-type: none"> • Cuisine Magazine famil • Big Bus Travel 	Hamilton Gardens, Sisterfields, Wonder Horse, Mr Pickles.
Media - domestic	Hamilton was profiled as part of regional promotions in the following publications: <ul style="list-style-type: none"> • NZ Herald Travel Supplements • Kia Ora Magazine • Stuff.co.nz • Neat Places • NZ Today RV Lifestyle 	Hayes Common, The Chilli House, Palate, Mr Pickles, The River Kitchen, Bootleg Brewery, Hamilton Farmers' Market, Waikato River, Te Awa River Ride, Victoria on the River, Waikato Museum, Browsers Bookstore, Duck Island, Gothenburg, Hamilton Zoo, Hamilton Gardens, Classics Museum, Boon Street Art Festival, Lovegrove Lane, Grey Street Kitchen, Winner Winner, Good George Brewery, Brewacuracy, Riverbank Lane, Casabella Lane, Madam Woo, Banh Mi Caphe.
Travel Trade – webinars & training	International trade training webinars: <ul style="list-style-type: none"> • TNZ China • TNZ UK 	Hamilton Gardens, Waikato Museum, Novotel Tainui Hamilton, Ramada Hamilton, Ventura Hamilton.
Domestic consumer -Local, Hamilton & Waikato	<ul style="list-style-type: none"> • Matariki Events June – July 2021 • Winter School Holidays • Spring School Holidays • Mighty Local - Aug–Sep 2021 • Always On Facebook • 48-pg Waikato Summer Stuff Supplement 	Hamilton Gardens, Victoria on the River, Taitua Arboretum, Waikato Museum, Hamilton Zoo, The River Kitchen, Te Awa River Ride, City River Walks, Hamilton Lake, Gothenburg, Banh Mi Caphe, Matariki ki Waikato events, Bowl and Social, Hamilton East eateries, Volare, Rocket Coffee, Duck Island Ice cream, Novotel Tainui Hamilton, The Base

		Mighty Local - Hamilton cafes and restaurants offering takeaways during Alert Level 3, online retail, online fitness classes during Alert Level 3 & 4.
Domestic consumer - External Drive & Fly Markets	<ul style="list-style-type: none"> • Matariki Events June – July 2021 • Winter Campaign – July – August 2021 • Always On Facebook • Welcome back Auckland • 48-pg Waikato Summer Stuff Supplement 	Hamilton Gardens, Victoria on the River, Taitua Arboretum, Waikato Museum, Hamilton Zoo, The River Kitchen, Te Awa River Ride, City River Walks, Hamilton Lake, Gothenburg, Banh Mi Caphe, Matariki ki Waikato events, Hamilton East eateries, Volare, Rocket Coffee, Duck Island Ice cream, Novotel Tainui Hamilton, The Base
Domestic consumer – Chinese New Zealanders	Ongoing campaign activity has continued through our Weibo social media channel, blogs, community forums etc	Hamilton Lake Domain Walkway, Hamilton Gardens, Boon After Dark 2021, Hamilton Lake / Lake Rotorua, Balloons over Waikato, Hamilton Christmas Tree.
Domestic & International consumer and trade	2021 Hamilton & Waikato Regional Visitor Guide	Hamilton City profiled in 'Regional Highlights' section and 'Hamilton' section. Hamilton based tourism operators advertised in their respective sections. Events based in Hamilton have also been profiled in the 'Events' section.
Domestic & international consumer, travel trade and media	Quarterly e-newsletters distributed to our consumer, trade and media databases featuring: Hamilton Gardens, Women's Cricket World Cup 2022, FIFA Women's World Cup 2023, Palate restaurant, Mr Pickles bar & eatery, Hamilton Gardens Arts Festival 2022, Hamilton Zoo's new Tuatara house, Ernest bar, Last Place bar, Weave eatery, Hamilton's Christmas tree.	
Domestic & International consumer	Hamilton profiled through HWT's website and various social profiles including Facebook, Instagram, Twitter & YouTube, including: Hamilton City Walk, Boon Hamilton Street Art Festival 201, Hamilton Lake, Hamilton Zoo, Waikato Museum, Boon After Dark 2021, Hayes Common, Banh Mi Caphe, The River Kitchen, Hamilton Gardens, Hamilton Zoo's new entrance building, Hamilton Lake Domain walk, FMG Stadium Waikato, Matariki Events in Hamilton, Matariki Dish Challenge, Toi Maaori Waikato Museum, Let It Go - The Songs of Frozen 1&2 - Live In Concert, Clarence St Theatre, All Blacks vs Fiji, Michael Houstoun - Rodger Fox Big Band Gallagher Academy of Performing Arts, Drax Project & Mitch James, Claudelands Arena, Musical Feast, Isaac Butterfield Outlaw, Hamilton Farmers' Market, Hamilton Brick Show 2021, Bunnings NPC - Waikato Rugby home games, NZ String Quartet National Tour 2021, Storytelling in the Gallery, Women's Lifestyle Expo, Bennee - Aotearoa Tour, Bunnings NPC - Waikato v Auckland, "Santa Claus is Coming to Town, Garden Place, Waikato Christmas Market, Hamilton Christams tree, Turtle Lake, Duck Island ice cream, Pukete, Hamilton City, Gothenburg, University of Waikato, Jansen Park, The Keg Room, Te Waka, Creative Waikato, Waikato Chamber of Commerce, Waikato Food Inc, HLive, Hamilton City Council, Hamilton Central Business Association, Tongue of the Dog, Browsers bookshop, Weave Eatery, Boots N All over Gumboot Friday, Balloons over Waikato.	

Conferences, incentives & business events

Overview

The lockdown during the majority of August through to December has been a major challenge for the business events sector, with an emerging trend of clients now holding multiple possible dates when rebooking which has created challenges for venues and suppliers. Most of the events affected were initially moved to November 2021, with the majority of those then postponed to February 2022. These February dates are now currently being pushed out again or cancelled completely due to the Omicron outbreak.

In addition to this, three of our largest commercial accommodation providers continue to be Managed Isolation Facilities which has also impacted on the conference market, significantly reducing our offer. Hosting some of the larger conferences is now very challenging due to limited accommodation availability which includes the majority of our motels continuing to be used for emergency housing.

Uncertainty is also taking its toll with event organisers confidence in booking conference venues and accommodation waning, plus they are afraid of the force majeure clauses in contracts. Currently venues are experiencing short lead-in times which brings its own challenges.

Australia was beginning to show promise, however this has come to a complete standstill due to the closing of the quarantine-free Trans-Tasman travel bubble. Australian Associations are not looking to start exploring travel and hosting conferences in New Zealand until 2023 at the earliest.

We have been conscious to keep connected with our partners through this period and have initiated purposeful visits over the last six months.

New Incentive Video

Working with the HWT marketing team, we have completed filming for our new “Mighty Waikato Incentives” video aimed at the lucrative incentive market. The Waikato region offers corporates unique incentive travel and rewards to inspire high performing employees in our corporate market. The Waikato has something to offer groups of all sizes and tastes. From exhilarating jet boat safaris, breathtaking glowworm caves and magical movie sets through to a number of new awe-inspiring experiences like Tieke Golf Estate and New Zealand’s only tea plantation.

This new video and suggested incentive itinerary and programmes will target the New Zealand and Australia corporate market. The video aims to capitalise on our region currently having a more attractive proposition as an incentive destination with borders still closed to quarantine free travel outside of New Zealand and Australia.

Waikato Business Events Strategy

DUCO events have been contracted to undertake a five-year Business Events Strategy for the Waikato. This started with DUCO individually interviewing reference group members and some industry stakeholders to provide a basis for our first Reference Group Meeting in August. The draft strategy is nearing completion for reference group feedback.

Meet North South

“Meet North South” was launched three years ago between Waikato and Dunedin as a two-year North Island/South Island rotational conference solution for the national conferences of associations, industry and membership organisations.

Dunedin Convention Bureau has hired a new Business Events Manager and discussions have restarted around how we will work together on joint sales activity in 2022. This will see a reactivation of the “Meet North South” marketing activity in 2022 with a focus on the national association market.

Convention Bureau activity

Summary of specific conference marketing activity (1 July 2021 to 31 Dec 2021)

Activity	Detail
Enquiries	20 enquiries and 5 bid proposals managed
Business Activity	<ul style="list-style-type: none"> July 2021: <ul style="list-style-type: none"> CAP funding lunch event at University of Waikato hosted with Tourism NZ Waikato AAPNZ BA4 presentation Dairy NZ morning tea presentation to Event & EA team Sales calls: Harcourts NZ – Auckland, BOINZ - Wellington, Fonterra and Waikato Chamber of Commerce - Hamilton
Buyer hosting	<ul style="list-style-type: none"> July 2021: Kim Preston, MTA – hosted site visits December 2021: Jess Ogg, LJ Hooker – site visits
Trade Show and business event postponements	<ul style="list-style-type: none"> August 2021: <ul style="list-style-type: none"> TNZ AU Roadshow postponed to May 2022, Melbourne, Brisbane and Sydney September 2021: <ul style="list-style-type: none"> AuSAE LINC Conference Rotorua, postponed to Feb 2022 Corporate PA Summit Auckland, postponed to Mar 2022 Waikato BE Showcase, Hamilton, postponed to Nov 2021, then Sept 2022 Association Forum National Conference (AFNC) postponed to April 2022, Melbourne October 2021: <ul style="list-style-type: none"> BEIA Conference, postponed to Sept 2022
Hosted Event postponements	<ul style="list-style-type: none"> September 2022: <ul style="list-style-type: none"> International Hobbit Day PCO hosting postponed to Nov 2021 Post LINC Conference Associations hosting, postponed to Feb 2022 BEW Partner Workshop, postponed to Nov 2021 October 2022: <ul style="list-style-type: none"> Wellington joint partner sales calls, cancelled Wellington Soiree, cancelled November 2022: <ul style="list-style-type: none"> International Hobbit Day PCO hosting, cancelled Waikato Mega Famil, cancelled Joint Claudelands Wellington Sales calls, cancelled

AuSAE NZ Networking Activity	AuSAE – Australasian Society of Association Executives <ul style="list-style-type: none"> July 2022: Networking Breakfast, Wellington July 2022: Networking Lunch, Auckland
Partner Communication & Development	<p>July 2021: Waikato Business Events Strategy reference group meeting</p> <p>October 2021: BEW partner zoom meeting, Tourism NZ update</p> <p>November 2021: Waikato Business News Feature for Novotel Tainui Hamilton and Hobbiton Movie Set</p> <p>Hamilton Business Events partners:</p> <p>FMG Stadium Waikato, Good George Group, Gothenburg, Hamilton Golf Club, Heartland Ambassador Hotel, Ibis Tainui Hamilton Hotel, Kerr & Ladbroke, Montana Food & Events, Panama House & Square, Park View Motor Lodge, The Lawrenson Group, Waikato Museum & ArtsPost, Hamilton Gardens, Claudelands Conference & Exhibition Centre, Novotel Tainui Hamilton, Ramada Hamilton, SkyCity Hamilton, Escape HQ, Distinction Hamilton Hotel, University of Waikato, Classics Museum, Helicorp, Lime & Soda, Leisure Time Tours, Wintec Venues, Forum Point 2, Hertz, ACLX, Vidcom</p>

Responding to the Covid pandemic

Hamilton & Waikato Tourism has been instrumental in continuing to respond, restart and rebuild the regional tourism and events sector with the ongoing impacts of COVID-19, especially over the past six months.

There are a number of key initiatives underway to support the Waikato's tourism and events sector which includes tourism businesses, activities and attractions, accommodation providers, retail and hospitality, transport operators, conferences and business events, major events and venues, educational institutions, plus the many suppliers who partner and provide services to the sector.

Tourism Communities: Support, Recovery and Reset Plan

In addition to the \$20.2 million in grants that was allocated to RTOs through the Strategic Tourism Assets Protection Programme (STAPP) by the Government in 2020/2021, the \$26 million Tourism Communities: Support, Recovery and Re-set Plan was announced in May 2021 for RTOs to manage, plan, promote, and market tourism activities in their regions. This funding is for the 2021/2022 financial year.

As a medium-large RTOs with a local government contribution of \$1 million to \$3 million, HWT were eligible to receive up to \$1 million.

This funding support was made available for a programme of activity across three categories and appropriately scaled to the RTO's needs, priorities and agreed investment plan;

1. **Destination Management & Planning**
2. **Industry Capacity Building and Product Development**
 - Engaging specialist support to assist with planning, industry capability building and product development;
 - To provide capacity to implement the work programme across the three categories;
 - RTO capability building including participation in MBIE-RTNZ forums and events; and
 - Feasibility and business case development (please specify the specific opportunities).
3. **Domestic and International Marketing.**
 - Tactical domestic marketing activity including creative development, enhancing digital platforms, media buying, and PR activity;
 - Tactical international marketing activity that complements Tourism New Zealand's marketing activities including creative development, enhancing digital platforms, media buying, and PR activity;
 - Event and business event promotion (eg. promotion of venues, events, marketing);

This work can only be completed by using RTO staff, or by external capability.

On 17 August 2021, Minister of Tourism, Hon Stuart Nash, visited the Waikato and announced our Reset Investment Plan application was successful and we received \$1million to undertake the activities listed above and implement the new regional Destination Management Plan.

Adopting a destination management approach for Waikato

Destination management brings together different stakeholders to achieve the common goal of developing a well-managed, sustainable visitor destination. It is an ongoing process that requires destinations to plan for the future and considers the social, economic, cultural and environmental risks and opportunities.

Adopting a destination management approach enables communities and destinations to respond to changing conditions and determine the type of tourism they would like to have and the benefits they would like to receive, taking an active role in managing these.

Destination management requires a holistic and integrated approach with three interdependent components:

1. **Visitor Experience:** the Waikato's experience offering, including activities, attractions, supporting infrastructure, services and amenities.
2. **Marketing and Promotion:** the destination's marketing and promotional activity, creating demand and enabling the destination to be competitive, productive and sustainable.
3. **Resource Management:** the region's strategy, policy and regulatory frameworks, Te Tiriti o Waitangi, co-governance arrangements, organisational structures and the investments that support the destination.

We successfully attracted funding from the Tourism Communities: Support, Recovery and Reset Plan to undertake this work. After the first round of stakeholder consultation, a Draft Waikato Destination Management Plan will be released for a second engagement round in February/March 2022.

Regional Events Fund – Thermal Explorer Highway

The four regions of the Thermal Explorer Highway collective including Waikato, Rotorua, Taupō and Ruapehu were approved \$3.75 million for regional events by Tourism Minister Stuart Nash on 18 December 2020.

The Regional Tourism Organisations (RTOs) from Waikato, Rotorua, Taupō and Ruapehu, alongside their council partners, worked together on developing a collaborative regional events investment plan for the next 2-3 years to drive additional domestic visitation into their regions.

This was the first investment from the \$50 million Regional Events Fund to stimulate domestic tourism and travel between regions through holding events. The fund is intended to support the tourism and events sector, while replacing some of the spend from international tourists as a result of COVID-19.

Hamilton & Waikato Tourism were selected as the Lead Entity for the Regional Events Fund across the four regions. We see the collaboration between Waikato, Rotorua, Taupō and Ruapehu will lead to a strong and compelling event proposition for our four regions, who also partnered together for the Domestic Events Fund.

The bulk of the \$3.75 million fund will be used to create a contestable fund with successful events being supported over a three-year period. The focus will be on the development of iconic or anchor events, with a mix of new and expansion of existing events. Another portion of the funding will be used to run capability building workshops and training for event organisers and suppliers, plus develop or update existing regional event strategies; with the remainder to cover administration, legal and event measurement.

The first round of contestable funding was allocated in May 2021 with seven Waikato events successful. Two industry capability workshops have been held and the second round of contestable funding will open shortly.

Conclusion

As we continue to lead the sector in managing the ongoing impacts of COVID-19, our key focus areas for the coming six months include:

- continuing to work with our industry to develop capability and prepare for the reopening of international borders;
- support the development of the Regional Workforce Plan and the Workforce Development Council for the services sector as we tackle the current staffing shortages;
- undertake a second round of consultation and community engagement for our Draft Destination Management Plan;
- deliver new Ambassador programmes for Waipa, Otorohanga/Waitomo, Waikato and Matamata-Piako districts;
- support event organisers, venues and suppliers with the ongoing challenges with hosting events, plus lobbying for additional Govt support;
- deliver a second round of the Regional Events Fund for Waikato, Rotorua, Ruapehu and Taupō;
- deliver the remaining programmes of work funded under STAPP/Reset to boost our economic and social recovery; and
- continue to lobby and advocate for the tourism sector with Government.

On behalf of the board and management of Hamilton & Waikato Tourism, we would like to thank Hamilton City Council, our local government partners and the industry for their continued support, especially as we continue to work our way through the long-term impacts of COVID-19. Your proactive and supportive approach during COVID-19 has been greatly appreciated by the tourism sector and our community.

Jason Dawson
Chief Executive
Hamilton & Waikato Tourism
January 2022

Nicola Greenwell
Interim General Manager
Hamilton & Waikato Tourism
February 2022

Council Report

Item 9

Committee: Economic Development Committee

Date: 01 March 2022

Author: Tilly Murcott

Authoriser: Blair Bowcott

Position: Programme Manager

Position: General Manager Growth

Report Name: Hamilton Central Business Association - Six-monthly update

Report Status	<i>Open</i>
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Purpose - *Take*

1. To inform the Economic Development Committee on the Hamilton Central Business Association (HCBA) six-monthly update (July to December 2021).

Staff Recommendation - *Tuutohu-aa-kaimahi*

2. That the Economic Development Committee receives the HCBA six-monthly report to 31 December 2021.

Executive Summary - *Whakaraapopototanga matua*

3. This report is required under the Business Improvement District (BID) Policy.
4. Vanessa Williams (HCBA General Manager) will attend the meeting and present the regular six-monthly report covering July to December 2021 (**Attachment 1**).
5. Hamilton's Central City has continued to benefit from new businesses opening in the second half of 2021, with commercial enquiry continuing to be strong.
6. HCBA garnered a large amount of positive publicity for the Central City on TVNZ, TV3, Radio NZ, The Herald, Stuff and general media in the last six months of the year, particularly during Covid-19 alert levels 4 and 3.
7. The impact of Covid-19 alert levels has been significantly felt in the close contact sectors of retail, hospitality, health, and wellness; earning capacity was severely reduced over this time.
8. In response to Covid-19 alert settings and the Covid-19 Protection Framework, many activation events from July - December 2021 were unable to proceed or were significantly modified.
9. HCBA will present an Annual Programme and Budget for the following financial year (2023/2024) at the Economic Development Committee on 24 May 2022, following endorsement from the Central City River Plan Advisory Group on 5 May 2022.
10. Staff consider the matters in this report to have a low significance and that the recommendations comply with the Council's legal requirements.

Background - *Koorero whaimaarama*

11. A Business Improvement District (BID) works on behalf of its members to improve a defined commercial area, funded by a levy charged on all business rate payers in the area. The Hamilton City Council BID Policy sets the process for establishing a BID and related association in return for setting the targeted rate within the defined BID area.
12. The HCBA has been established as the BID for Hamilton's Central City, in accordance with the BID Policy.
13. The HCBA represents the Central City business voice on issues of strategic importance to the Central City, promotes the Central City as a bustling, active, innovative, vibrant place that offers exceptional business and experiences, and contributes and collaborates on projects that support the central city business economy.
14. The HCBA is a key partner to enable the Central City to become 'a place where people love to be'.
15. As approved in the 2021-31 Long Term Plan, HCBA receives BID Funding of \$315,000 per annum, which is fully funded by targeted rates and is paid in quarterly instalments to support the operations of the HCBA.
16. In addition to the BID Funding, Council has provided funding to HCBA of \$100,000 per annum since 2018 for the delivery of CBD Activation Plan. This fund is paid annually in one instalment upon acceptance of the budget and CBD Activation Plan. The continuation of this funding for the CBD Activation Plan was recently approved in the 2021-31 Long Term Plan and includes \$100,000 per annum for the period 2021-2024.
17. A Service Level Agreement (SLA) between Hamilton City Council and HCBA to deliver the Activation Plan and associated funding is in place for the period 2021-2024.
18. The BID Policy and associated HCBA rules require the HCBA Executive Committee to regularly report to Council, which includes six-monthly updates to Hamilton City Council as a requirement under the BID Policy.

Discussion – *Matapaki*

HCBA Six-monthly Report

19. As required under the BID Policy, HCBA has provided a regular six-monthly update for the period July to December 2021 (**Attachment 1**).
20. The previous six-monthly update was reported to the Economic Development Committee on [11 August 2021](#) (Item 9).
21. Hamilton's Central City has continued to benefit from new businesses opening in the second half of 2021, with commercial enquiry continuing to be strong, particularly with professional services.
22. There is a demand for smaller spaces to accommodate single person office space, which is encouraging for shared space commercial leases and buildings with multiple tenancies. Hospitality and retail enquiry is still high and make up a large portion of new businesses that have recently opened.
23. HCBA, in partnership with Hamilton Waikato Tourism, ran a successful promotion to 'Win a Kirikiriroa Hamilton getaway for two', to support shopping, eating, and experiencing local. This included a giveaway of a weekend in Hamilton, which received enormous traction with the public particularly in Auckland and Wellington.

24. HCBA garnered a large amount of positive publicity for the Central City on TVNZ, TV3, Radio NZ, The Herald, Stuff, and general media in the last six months of 2021, particularly during COVID-19 alert levels 4 and 3 (see examples in **Attachment 1**).
25. Despite interruption to businesses over levels 4 and 3, there was a resurgence of foot traffic in the Central City over weekends, particularly on Saturdays. HCBA was heartened to see Hamiltonians supporting local businesses.
26. According to Marketview, Quarter 4 electronic card spending in the Central City was down 12.5% on same time last year (STLY), and down 9.7% when compared to the same quarter in 2019.

COVID-19 Impacts

27. In response to COVID-19 alert settings and the COVID-19 Protection Framework, many activation events from July 2021-December 2021 were unable to proceed including:

Relocated

- i. VOTR Christmas Carols

Virtual

- i. Boon Street Art Festival
- ii. Gumboot Friday

Postponed

- i. Embassy Park Finale
- ii. Film Festival
- iii. Round the Bridges

Cancelled

- i. Christmas Movies at VOTR
- ii. Christmas Parade
- iii. Christmas Tree Lighting
- iv. Columbian Dia de las Velitas Night of Candles
- v. Closing Boon After Dark Activation
- vi. Heart for Heart Charity Fashion Show
- vii. Pasko So Nayan Filipino Christmas Celebration
- viii. Weave Cultural Markets.

28. Whilst New Zealand is under 'red' in the Covid-19 Protection Framework, cancellation and postponement of events is set to continue for the next six months.
29. The Omicron variant of Covid-19 could have significant impact on the business community at both strategic and operational levels, with major concern around staffing levels, supply chain and continuity of business operations, particularly for smaller businesses.
30. Covid-19 disruptions have caused and continue to cause mental health impacts to business owners and their staff.
31. High customer contact businesses have anecdotally reported a significant drop in customers under 'red', particularly in day-time hospitality, with many larger businesses immediately implementing work from home strategies and limiting office staff numbers.

Financial Considerations - *Whaiwhakaaro Puutea*

32. The budget for HCBA BID Funding for the HCBA has been approved in the 2021-31 Long Term Plan and includes \$315,000 per annum that is fully funded by a targeted rate.

33. As per the BID Policy, payment is made in quarterly instalments. The payment for Q3 of the 2021-22 financial year has been paid.

Legal and Policy Considerations - *Whaiwhakaaro-aa-ture*

34. Staff confirm that the recommendation to approve funding complies with the Council's legal and policy requirements.

Wellbeing Considerations- *Whaiwhakaaro-aa-oranga tonutanga*

35. The purpose of Local Government changed on 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
36. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report as outlined below.
37. The recommendations set out in this report are consistent with that purpose.

Social

38. HCBA supports people to be healthy and happy through the activities in the Central City to, helping to make Hamilton a great place to play and be active.
39. Many elements of HCBA's work ensures that Hamilton is a place where people feel safe. This includes:
- i. conducting an annual city safety survey of the Central City business community;
 - ii. actively supporting City Safe and distributing information to new businesses;
 - iii. partnering in Safe Zone provided to students during Orientation Week;
 - iv. providing submissions to Council on projects and policies impacting the Central City;
 - v. initiating monthly drop-in sessions with the Police to support businesses.
40. HCBA supports making the central city inclusive and accessible to all and has supported initiatives from community groups to advance this including iBeacon, Emerge Aotearoa, Age Concern and Rotary.

Economic

41. Hamilton has a strong and diverse business sector, and the city is built on true partnerships, helped in part by HCBA hosting an elected member tour of Central City commercial activity.
42. Activities undertaken by HCBA to help Hamilton have a thriving, sustainable business sector include networking events, central city promotion and social media marketing to support economic activity.
43. HCBA supports technology initiatives and helping Hamilton become a hub for innovation via their Cultivate IT partnership.
44. Enabling individuals and businesses to prosper is achieved by HCBA's promotion and support of commercial activity in the Central City.

Environmental

45. HCBA's efforts are part of wider initiatives to restore and protect the health and wellbeing of the Waikato River. They have actively pursued river activations through the CBD Activation Priorities and activities supporting environmental initiatives.

46. HCBA has purposefully selected awards venues for the CBD Celebration Awards facing the river to honour, enhance and protect our environmental treasures like the Waikato River and have included a sustainability award to recognise businesses successfully implementing sustainable initiatives.

Cultural

47. Our city values, respects, protects, and promotes the treasured status of tangata whenua, acknowledges our shared history and celebrates our cultural identity and heritage, underscored by HCBA's support and promotion of culture initiatives in the Central City including the Te Ahurei Maaori Tourism CBD heritage walk.
48. Vibrant and attractive public spaces are part of the CBD Activation Priorities, which is supported by HCBA.
49. HCBA supports and promotes the central city through promotion, media, and initiatives.
50. Hamilton's rich history and heritage are valued, protected, and celebrated by HCBA's support of cultural initiatives and a diverse range of activations through the CBD Activation Priorities and their promotion of Central City businesses supports local communities.
51. Efforts to have a thriving arts and events scene are supported by HCBA's collaboration with organisations to support the implementation of arts and events in the Central City, most notably, actively lobbying in support of the Waikato Regional Theatre and for the establishment of the Waikato Film Hub.
52. To ensure Hamilton continues to be a place to be proud of, HCBA collaborated to create the Hamilton Ambassador Programme, implemented visual branding on empty shop sites in the Central City and wrote articles and gave interviews to support Shopping, Dining, Eating, Experiencing local businesses.

Risks - *Tuuraru*

53. There are no known risks associated with the decisions required for this matter.

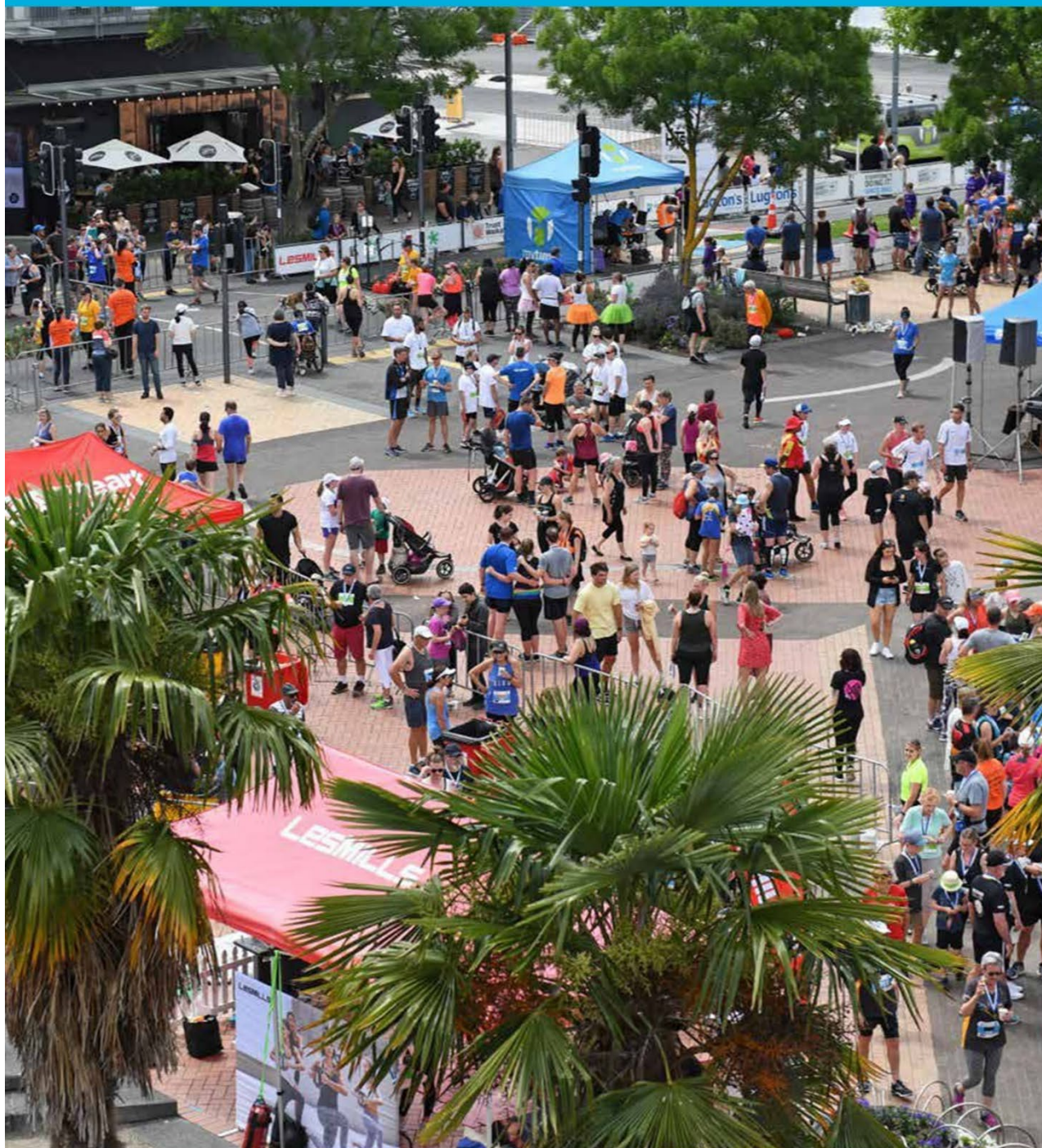
Significance & Engagement Policy - *Kaupapa here whakahira/anganui*

54. Staff have considered the key considerations under the Significance and Engagement Policy and have assessed that the recommendation(s) in this report has/have a low level of significance and no engagement is required.

Attachments - *Ngaa taapirihanga*

Attachment 1 - HCBA Board Report July-December 2021

Hamilton Central Business Association (HCBA) SIX MONTHLY UPDATE JULY – DECEMBER 2021



Hamilton Central
Business Association

1.0 INTRODUCTION

The impact of lockdown through most of the third and fourth quarters of 2021 were significantly felt in the close customer contact sectors of retail, hospitality and health & wellness. With the fourth quarter of the year usually offering the highest potential for sales for these sectors, being restricted to Level 3 trading conditions until the 16th November saw the earning capacity severely reduced during this time. However, from reopening under level 2, in time for Black Friday on 25th November, businesses were well supported by the local community with some businesses in these sectors recording record days of trading on Black Friday and into the lead up to Christmas and again on Boxing Day.

The CBD spend figures are not yet available for this quarter, however based on anecdotal feedback the expectation is that these will show favourably for the CBD in the last six weeks of the year. Overall however, according to Marketview, Q4 electronic card spending in the CBD was down 12.5% on same time last year, and down 9.7% when compared to the same quarter in 2019.

There continues to be concern about the ongoing threat of alert level changes within the new framework and inconsistencies with some businesses around the vaccine pass requirements. With the potential disruption of the Omicron variant, this will continue for the foreseeable future. In the first week of the 'Red' framework in January, high customer contact businesses anecdotally reported a significant drop in customers, particularly in day-time hospitality, with many larger businesses immediately implementing 'Work from Home' strategies and limited in-office staff numbers.

At this stage there have not been significant business closures due to lockdown, although January is traditionally a lean month for the CBD, with many businesses closed or operating at limited capacity during this period. There have been some general discussions with businesses who are considering future changes to commercial space requirements, with some businesses choosing to revert to month by month leases.

It is worth noting that for the next six months the Omicron variant of Covid-19 is expected to be rampant throughout NZ. This will have significant impact on the business community at both strategic and operational levels, with major concern around staffing levels, supply chain and continuity of business operations, particularly for smaller businesses. In addition, it has been highlighted the toll that Covid disruptions have caused and increasingly continue to cause to the mental health of both business owners and their staff.

2.0 ADVOCACY

To represent the central city business voice on issues and projects of strategic importance to the central city.

2.1 General

HCBA have provided ongoing updates to the business community, particularly during the two lockdown periods, communicating alert level changes, framework requirements and availability of Government support. HCBA has continued to be available to businesses to help with information, promotion and advocacy opportunities.

HCBA sent 23 newsletter updates to 1141 CBD business subscribers between July and December 2021.

2.2 Submissions

Innovating Streets

HCBA attended two public forum meetings to support the Ward Street businesses during the Innovating Streets project.

Waikato Regional Theatre

HCBA hosted a Waikato Regional Theatre drop-in session with South End of town businesses and attended the formal sod turning event.

Public Furniture

HCBA proposed an increase in public space street furniture to support the hospitality sector and the Government advice on socialising outdoors. HCBA pitched to Central City Advisory Group to relocate some unused planter boxes from the Ward Street trial. Eight seats were revamped and installed in Garden Place at the end of November. These have been well received and used extensively by the public.

Outdoor Dining

HCBA proposed to Council to extend outdoor dining areas into public spaces to include support for a change in the Sale & Supply of Alcohol Act, allowing this extension to include licensed premises. A full proposal was put forward to the Ministry of Justice by the Restaurant Association of NZ, Hospitality NZ and Heart of the City Auckland with endorsement from Auckland City Council. HCBA endorsed this proposal in writing to the Ministry of Justice and worked with Hamilton City Council to support the proposal. Although the Ministry of Justice considered the proposal, unfortunately the required amendment to the Sale and Supply of Alcohol Act was not implemented by Government. HCBA is continuing to work with the proposal contributors and Hamilton City Council to lobby for the required change to support the ongoing challenges faced by the hospitality sector.

HCBA worked with Hamilton City Council on the proposal to implement outdoor dining extensions for hospitality businesses, free of charge for a year. This has been of benefit to non-licensed hospitality businesses and positive feedback has been received from cafes on how easy it was to work through the process with Hamilton City Council.

2.3 CBD trends

CBD trends immediately prior to the August lockdown were showing extremely favourably in terms of CBD spend. The first six months results (January – June 2021) showed high levels of spend, with the second quarter the highest on record compared over the past 10 years.

The third quarter CBD spend was significantly impacted by the August snap lockdown. This quarter saw a drop in CBD spend when comparing quarters from \$171m in 2020 to \$158 in 2021. The impact of the lockdown in October and November 2021 is expected to be far more significant. The quarter October to December is the usually the highest trading quarter with both Black Friday in November and Christmas contributing to high spend rates.

The ongoing lockdown will severely impact these statistics and the effects will likely be far reaching, with many not being able to be open enough to recoup what they would need to see them clear for January, traditionally the quietest spend month. Unfortunately, there will most likely be businesses who are unable to sustain the losses and may be forced to close.

CBD pedestrian trends have been slowly coming back over the past few months, not quite to pre COVID-19 levels, but certainly indicating a significant upward spike in Saturdays pedestrian numbers in the CBD, outside of lockdown periods. It is expected that weekday pedestrian numbers will be permanently impacted with the more significant implementation of the 'Work From Home' model.

2.4 Commercial and Residential Development

In July NAI Harcourts released the retail vacancy rates for the CBD which saw a significant drop from 8.3% to 5.8% contributing to the positive development landscape of the central city.

Hamilton's CBD has continued to benefit from new businesses opening in the second half of the year with commercial enquiry continuing to be strong particularly with professional services. There is a demand for smaller office spaces to accommodate individuals or smaller teams, which is particularly encouraging for shared space commercial leases and buildings with multiple tenancies. Hospitality and retail enquiry is still relatively high and makes up a large portion of the new businesses that have recently opened (New Businesses appendix 1).

There continues to be a significant amount of development and redevelopment underway in the CBD:

- The Waikato Regional Theatre development has commenced with hoardings erected, demolition completed and the Riff Raff statue moved to outside the Museum.
- Union Square has welcomed Rabobank, AA Insurance and Sentinel Outpost and construction is well underway on the next two buildings, including the car park building.
- The former LINZ building on the corner of Victoria & Rostrevor Streets has been demolished and development underway for the new Government tenant.
- The ACC development by Tainui Group Holdings is well underway on the corner of Collingwood & Tristram Streets.
- The Blood Donor Centre by Stark Property on the corner of London & Anglesea Streets is also under construction.
- While construction projects have been able to continue in the CBD throughout the two lockdowns, there has been increasing talk of limitations on building supplies. This is likely to become an increasingly significant issue.
- HCBA continues to work with the development sector to showcase and support new builds and renovations in the CBD.

3.0 COLLABORATION

To contribute and collaborate on projects that support the CBD business economy.

3.1 Economic development initiatives

Kitchen Incubator Project

HCBA have confirmed a partnership with Soda to create an entrepreneurial Kitchen Hub project in 2022. It envisaged individuals looking to open a business in the hospitality sector will be able to attend a 20-week course, guiding them through how to start-up a business and how to sustain being in business. HCBA, Soda and Council will be surveying the community in early 2022 to establish demand for the project. In the interim funding opportunities and business partner collaborations are being explored.

Collingwood Street Cultural Hub

HCBA has put forward a proposal to turn Collingwood Street into a cultural hub, in a similar style to Chinatown but with an overarching brand encompassing all cultures currently represented by businesses on the street. HCBA presented to the Collingwood Street businesses and property owners a potential brand design proposed by Designwell and the response has been enormously positive. HCBA is now working with Council on the next steps to progress this project.

General

- HCBA spoke at the Grow Waikato event on commercial developments and construction in the CBD along with key city developers Rob Dol (Greenstone Group), Leonard Gardiner (Fosters), Tainui Group Holdings and Waipa Deputy Mayor.
- HCBA is working with the Design Factory on the proposal 'How to make the CBD a desirable place for under 30 working professionals'.
- HCBA supported Angelsea Pharmacy to reach out to vulnerable communities with the Covid vaccination via the Peoples Project, Men's Shelter and Women's Shelter.
- HCBA worked with Rabobank through media introductions and promotions around the head office moving into Hamilton's CBD.
- HCBA provided feedback to the Councils Growth and Analytics Team around supportive information for the CBD.
- HCBA spoke at the Central City and Fairfield Rotary Clubs on CBD businesses.
- HCBA has joined the Food Tourism Advisory Group hosted by Hamilton Waikato Tourism.
- HCBA is continuing to hold discussions with potential collaborators around the creation of an interactive CBD.

3.2 Central City Safety and Wellbeing

HCBA has continued to meet with the local police each month and provided retailers with practical tips to reduce incidences of shop lifting, particularly in the lead up to Christmas. HCBA worked with the police to provide a retail awareness piece that was distributed to the retail sector about keeping business as safe as possible.

HCBA collaborated with the Police, City Safe and the Chamber of Commerce to put together an evening for businesses in response to ongoing ram raids in the CBD and the greater Waikato area. Unfortunately, this evening was put on hold due to lockdown, however it is envisaged this will be held when gathering restrictions are eased.

HCBA continued to stay in touch with the City Safety unit during lockdowns.

HCBA conducted the annual City Safety Centre survey to CBD businesses in July.

3.3 Buying Local

HCBA in partnership with Hamilton Waikato Tourism ran a successful promotion to 'Win a Kirikiriroa Hamilton getaway for two', to highlight shopping, eating and experiencing local. This received enormous traction with the public, particularly in the Auckland and Wellington regions. The campaign was put together with Neat Places and consisted of an over-arching campaign that promoted Hamilton and its businesses. In addition further promotions have been put together including 'Dine Around the World in Hamilton' and 'A Guide to Shopping and Arts in Hamilton'.

The fifth edition of the Neat Places Guide was released in November and significantly promoted via social media. Distribution of the guide was via contributing businesses, i-Sites, Hamilton Waikato Tourism, CBD hotels, H3 and HCBA.

3.4 Soda Panel

HCBA has continued to be an active member of the Soda Panel, working with entrepreneurs on business pitches. HCBA attended the Soda Rise-up Entrepreneurial event.

3.5 BIDs

HCBA has been attending weekly meetings with the Auckland BID's to support one another during the changing alert levels and lockdowns. This has provided a great forum for idea generation and sharing through the challenges of conducting business at this time.

HCBA has supported Palmerston North as they set up a BID in their region. The Palmerston North Chamber of Commerce will be running the BID during its establishment period.

3.6 Ambassador Programme

A course designed for people engaging with visitors who come to Hamilton and the wider Waikato. The purpose is to help provide storytellers and ambassadors who can connect with people and authentically engage with what all New Zealanders understand as 'manaakitanga' and 'kaitiakitanga'. Courses have continued throughout the year, although lockdowns and alert levels have impacted on overall delivery. HCBA will work with Hamilton Waikato Tourism on the provision of these courses in 2022.

3.7 AGM & HCBA Executive Committee & HCBA Governance

The HCBA AGM was successfully held on 29 September at Gothenburg Function Space. The 2021 Executive Committee were confirmed as:

- Dwight Egelhof (Chair) – Craigs Investment Partners
- Mike Neale (Treasurer) – NAI Harcourts
- Connie Chittick – Waikato Regional Council
- Julie Ashby – Wintec
- Pat Chaimontree – Banh Mi Caphe
- Hailey Max – Hamilton i-SITE Visitor Information Centre
- Lucy Bird – ASB
- Abby Camp – Novotel
- Alicia Platje – Precious Metals

HCBA Governance:

- People's Project
- Safe Zone
- Embassy Park Working Group

Contributor to:

- Governor of People's Project, Safe Zone, Embassy Park Group
- Contributor to Waikato Film Office, Boon Street Festival and Waikato Food Inc
- Contributor to Council plans for safety, transportation and CCTP revitalisation.
- NZ Mentor
- Soda Inc panel member

4.0 PROMOTION

To promote the CBD as a bustling, active, innovative, vibrant place that offers exceptional businesses and experiences.

4.1 Social Media Engagement

47,000 people follow HCBA Facebook and Instagram to provide ongoing promotion of businesses, specials and events in the CBD. HCBA's social channels were well utilised during lockdowns to promote the business community and run voucher prize draws for CBD businesses.

4.2 Marketing Initiatives

- The Breeze Radio Station ran a Christmas promotion for participating businesses, including promotional trailers, live draws and social media posts during December.
- HCBA facilitated a photoshoot for Rebel Sport held at Victoria on the River.
- HCBA ran a number of promotional voucher campaigns to support the local business community during the lockdowns.

- HCBA collaborated with Hamilton Waikato Tourism on a Mighty Local campaign.

4.3 Advantage Club

The CBD advantage club newsletter is a fortnightly update that includes events, CBD news, special deals and the latest business openings. There is a monthly draw where two lucky subscribers each win a \$50 voucher from a central city businesses.

Businesses included:

- Ernest
- Pompaddomz
- Gails Florist
- Madam Woo
- Hello Sunshine Coffee & Eatery
- Marklye's Cafe
- On A Roll
- Mystic Den
- The Pottery Studio
- The Breeze Indian Restaurant

4.4 HCBA Brand Refresh

HCBA worked with Designwell on refreshing the HCBA brand and corporate identity. The new look brand has been implemented across all brand material.

4.4 CBD Celebration awards

The 2021 CBD Awards have been postponed from 3 November 2021 to 2 March 2022. The judging for the awards was able to happen in November with a series of recorded interviews that applicants provided to the judges. Contingency plans are underway in the event that the CBD Awards event is unable to happen in March 2022.

4.3 CBD Profile Raising Activities

HCBA garnered a large amount of positive publicity for the CBD businesses in the lead up to Christmas. TVNZ, TV3, Radio Live, Talkback, Stuff, Free FM, Radio NZ and the NZ Herald have all been involved in profiling business activity. These included:

- HCBA promoted the opening of three hospitality venues on 4 weeks which was picked up by Stuff.
- HCBA spoke with Stuff on the August and September lockdowns and the devastating impact on businesses.
- HCBA was interviewed live on TVNZ News, TV3 News, Radio NZ, Radio Talkback, The Breeze during lockdowns to talk about the impact to the CBD.
- HCBA provide an opinion piece to Stuff on shopping local.
- HCBA interviewed by Waikato Business News on the CBD Awards.
- HCBA participated in a number of articles for the media during lockdown, specifically looking at businesses operating in level 3 & 4.
- HCBA interviewed on crime statistics in Hamilton and ram raids.
- HCBA has been profiled in the NZ Business + Management Magazine for the CBD Awards.
- HCBA interviewed monthly on Free FM for a CBD update.
- HCBA interviewed by Waikato Business News on developments in the CBD.
- HCBA holds regular meetings with Stuff reporters to discuss CBD happenings.

4.4 Public space activation

Due to the two lockdowns in the second half of 2021, there are a number of activations that have been unable to proceed or significantly modified between July and December 2021, these include:

- Christmas Parade (cancelled)

- Christmas Tree Lighting (cancelled)
- Weave Cultural Markets (cancelled)
- Pasko So Nayan Filipino Christmas Celebration (cancelled)
- Columbian Dia de las Velitas Night of Candles (cancelled)
- VOTR Christmas Carols (relocated)
- Christmas Movies at VOTR (cancelled)
- Boon Street Art Festival (went online)
- Round the Bridges (postponed)
- Embassy Park Finale (postponed)
- Gumboot Friday (went online)
- Closing Boon After Dark Activation (cancelled)
- Pecha Kucha on CBD Cities (cancelled)
- Heart for Heart Charity Fashion Show (cancelled)
- Film Festival (postponed)

Activations

- HCBA ran a successful CBD photo competition in collaboration with Snapshot resulting in three beautiful images from the first, second and third prize winners.
- Boon After Dark (September/October 2021) had three installations put into Garden Place and Victoria on the River. Full Spectrum by Anthony van Dorsten and Octopedia by the artists known as Amigo & Amigo both in Garden Place; while the third sculpture, Deep Thought by the artist known as Hybycozo, was positioned in the stage area at Victoria on the River. Three very different – but equally intriguing – interactive, illuminated sculptures which turned central Hamilton into an environment of mystery and wonderment after dark and was incredibly well received by the public, including teenagers for the selfie backdrop.
- HCBA supported the Boon Festival to take their street art painting live online, including videos, podcasts and artist promotion.
- HCBA was able to have Santa in the CBD via a golf cart donated by Waikato University decorated as Santa's sleigh. Santa was driven around the CBD throughout December by an Elf and received fantastic promotion from local media and the general public. Santa and his sleigh also visited the Curious Cubs early learning centre on Tristram Street.
- HCBA continues to work with the Hamilton Garden Arts Festival to support a programme of activity in the CBD in February 2022.
- HCBA is working with Waikato Food Inc on Programme of activity during for 2022.
- HCBA is continuing to work with H3 on the 2022 Cricket World Cup and 2023 FIFA World Cup. There have been a number of amendments to plans due to COVID-19 restrictions, however HCBA will continue to provide support to these major events.
- HCBA met with Tainui Waka Tourism to look at opportunities for the Waka Festival to incorporate the CBD into their programming.
- HCBA in collaboration with The Breeze radio station and the Good Day Matrix held Gumboot Friday as an online event raising over \$1,000 for the charity supporting mental health. It has provided a great framework for hosting the event in the future.

Activation Fund Request

In light of the ongoing COVID-19 response, cancellation and postponement of events is set to continue for the next six months. HCBA is continuing to work with event organisers on potential activations over the coming year, however it is expected that disruption of events will continue to happen for some time yet.

As this will potentially impact the ability for HCBA to spend the allocated \$100,000 for the 2021-2022 year, HCBA would like to request to be able to use surplus funds to invest in Garden Place street furniture, namely upgrading the additional three planter boxes on the Victoria Street side, to replicate the same look as the repurposed planter box which HCBA completed earlier in the year.

Appendix 1 – New Businesses July – December 2021

1.	Cameron Realty – 408 Anglesea St	Professional Services
2.	K Square Tech – 27 Collingwood St	Professional Services
3.	Amari Fashions – 1a Collingwood St	Retail
4.	L’Floral – 1 Ward St	Retail
5.	Hair Right Now – 641 Victoria St	Health & Beauty
6.	Kushi – 20 Alma St	Hospitality
7.	Hanrad Bespoke Rugs – Alexandra St	Retail
8.	Tui Fashion– 260 Victoria St	Retail
9.	Fit Stop – 116a London St	Trade Services
10.	Lawson Conveni & Café – 9 Worley Pl	Hospitality
11.	Blush n Blondes – Casabella Ln	Health & Beauty
12.	Heidi Christian Hair – Casabella Ln	Health & Beauty
13.	Unlimited Air Soft Shop – 657 Victoria St	Retail
14.	Doon Tandoor – 39 Ward St	Hospitality
15.	Rako Science – 941 Victoria St	Professional Services
16.	Red Cross – 31 Harwood St	Charity (office)
17.	Soccer Football Supplies – 137 Alexandra St	Retail
18.	Last Place Bar – 54 Collingwood St	Hospitality
19.	Bull & Bear – 127 Victoria St	Hospitality
20.	Vapo – Centre Pl	Retail
21.	Ernest – 30 Alexandra St	Hospitality
22.	Sketchers – Centre Pl	Retail
23.	Cotton on Kids – Centre Place	Retail
24.	Rabo Bank – Cnr Hood & Anglesea St	Professional Services
25.	AA Insurance – Cnr Hood & Anglesea St	Professional Services

Council Report

Item 10

Committee: Economic Development Committee

Date: 01 March 2022

Author: Candice Swanepoel

Authoriser: Tracey Musty

Position: Business Performance Accountant

Position: Financial Controller

Report Name: Waikato Innovation Growth Ltd, NZ Food Innovation (Waikato) Ltd - Half Year Report 31 December 2021 and Statement of Intent 2022/23

Report Status

Open

Purpose - *Take*

1. To inform the Economic Development Committee of the Waikato Innovation Growth Ltd (WIGL) and Group of Companies Half Year Report to 31 December 2021.
2. To seek approval from the Economic Development Committee of the draft Statement of Intent 2022/23.

Staff Recommendation - *Tuutohu-aa-kaimahi*

3. That the Economic Development Committee:
 - a) receives the report; and
 - b) approves the Waikato Innovation Group Ltd and Group of Companies draft Statement of Intent 2022/23.

Executive Summary - *Whakaraapopototanga matua*

4. Council has received the Half Year Report and draft Statement of Intent 2022/23 from the WIGL Group of Companies.
5. The Half Year Report (**Attachment 1**) shows a net loss at 31 December 2021. NZ Food Innovation Waikato Ltd (NZFIWL) remains cash flow positive.
6. The draft Statement of Intent 2022/23 (SOI) (**Attachment 2**) reaffirms the direction of business and outlines an improvement in financial projections from the current year.
7. The NZFIWL Board has appointed a new Chief Executive, Tony Giles. Tony replaced Stuart Gordon, who decided to retire, on 1 December 2021.
8. Tony Giles, Chief Executive, will present a verbal update at the meeting.
9. Staff consider the matters in this report have a low significance and that the recommendations comply with the Council's legal requirements.

Discussion – *Matapaki*

10. WIGL has a 70% shareholding in New Zealand Food Innovation (Waikato) Limited (NZFIWL), the remaining 30% is held by Callaghan Innovation.

11. NZFIW D2, which is 100% owned by NZFIWL, has an 11% shareholding in Melody Dairies Limited Partnership.

Half Year Report

12. The financial impact of Covid-19 continues to be a challenge faced by NZFIWL. Budgeted Dryer production days have dropped from 126 days to 106 days at 31 December 2021.
13. NZFIWL budgeted a net profit of \$52k at 31 December 2021, however a \$529k loss was recognised. This is \$581k below budget. This is reflective of the slowdown in production days.
14. The Melody Plant (Dryer 2) has experienced increased production volumes this year. Forecasts for future seasons indicate consistent growth.
15. A positive cash surplus remains forecast for NZFIWL.
16. Covid-19 continues to pose a risk to the full-year forecast, in particular the effect of attendance of manufacturing staff. This would negatively impact NZFIWL's ability to process mil products.

Statement of Intent

17. The Statement of Intent sets out the Board's intentions for the WIGL group of companies for years 2023, 2024 and 2025.
18. Key points to note in the draft Statement of Intent:
 - i. Corporate intent remains in line with the prior year's SOI.
 - ii. Key performance targets are tracking lower than in the prior year's SOI and are reflective of the impact that Covid-19 has had. However, net profit remains positive with a clear upward trend in future years.
19. Achievements to date are outlined on pages 2 to 4, **attachment 2**.
20. As noted in the 23 November 2021 Economic Development Committee meeting, HCC and Callaghan Innovation will commence a strategic review of NZFIWL in 2022.
21. This review process has commenced as noted in the separate General Managers report on this agenda. HCC staff will work alongside Barry Harris, Chair of WIGL and NZFIWL, Tony Giles, CEO of WIGL and NZFIWL, and Stefan Korn, GM of Markets, Engagement, Experience & Sectors for Callaghan Innovation. The review will be conducted in the first 6 months of 2022.

Legal and Policy Considerations - *Whaiwhakaaro-aa-ture*

22. Staff confirm that the matters in this report complies with the Council's legal and policy requirements.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

23. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
24. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report.
25. The recommendations set out in this report are consistent with that purpose.
26. There were no Environment, Social or Cultural wellbeing's identified in the development of this report.

Economic

27. Economic wellbeing is defined as the capacity of the economy to generate employment and wealth necessary for present and future financial security. The core purpose of the NZFIW Group is to promote and enable innovation in the food industry, both in the Waikato region and nationally.

Risks - *Tuuraru*

28. There are no known risks associated with the decisions required for this matter.

Significance & Engagement Policy - *Kaupapa here whakahira/anganui*

Significance

29. Having considered the Significance and Engagement Policy, staff have assessed that the matters in this report have a low level of significance.

Engagement

30. Given the low level of significance determined, the engagement level is low. No engagement is required.

Attachments - *Ngaa taapirihanga*

Attachment 1 - NZFIWL - Half Year Report 31 December 2021

Attachment 2 - WIGL/ NWFIWL - Statement of Intent 2022/23

Half Yearly Report

Waikato Innovation Growth Limited
New Zealand Food Innovation Waikato Limited

Financial Results (6 months to December 2021)

Cash Operating Surplus	YTD Actual \$000	YTD Budget \$000	YE Forecast \$000	YE Budget \$000
WIGL	n/a	n/a	n/a	n/a
NZFIW	144	344	263	859
Group cash operating surplus	144	344	263	859
Net Profit				
WIGL	n/a	n/a	n/a	n/a
NZFIW	(529)	52	(824)	123
Group net profit	(529)	52	(824)	123
KPI's				
	Actual	Budget	YE Forecast	BNZ Covenant
Interest Cover— NZFIW	2.9	6.5	2.0	2.0
Shareholder Funds/Tangible Assets — NZFIW	55.8%	56.7%	55.4%	20.0%
Debt/Assets				
	As at 31 Dec 2021 \$000	YE Jun 2022 \$000		
Secured Bank debt	3,875	4,203		
Total Assets	23,878	23,541		

Operations Figures (For the 6 months ended 31 Dec 2021)

	Act/For	Budget
NZFIW Production Days (Dryer YTD)	106	126
NZFIW Production Days Full Year forecast	191	253

Management Commentary

NZ Food Innovation Waikato Ltd

NZFIW is experiencing a challenging year in 2021/22. Over the last 18 months, some of its customers have moved their production to the Melody dryer; while Covid-related factors have impacted other customers, particularly in the dairy goat industry. Dryer production days have dropped from the YTD budgeted 126 days to 106 days actual. The dryer continues to make a mix of products (nutritional powders, skim milk & whole milk powders) for a variety of species—cow, sheep, goat and deer.



NZFIW D2 Limited, a 100% owned limited company of NZFIW, continues its 11% shareholding in Melody Dairies Limited Partnership, and operates the management contract for this dryer.

The Melody Plant (Dryer 2) has experienced increased production volumes in 2021/22, and is expected to utilise about 170 dryer days this season. Forecasts for future seasons indicate consistent growth.

CEO Stuart Gordon stepped down in November, after 7 years in the role, and was replaced by Tony Giles—formerly from Dairy Goat Co-operative.

The NZFIW Board is undertaking a strategic review in the February-June period, in conjunction with its shareholders Hamilton City Council and Callaghan Innovation.



Financial Results

- NZFIW net loss for the 6 months to December was \$529k, which is below the budgeted profit of \$52k, by \$581k.
- NZFIW is forecast to achieve a year-end loss of \$824k due to reduced dryer days. This is unfavourable to the full-year budgeted profit of \$123k by \$947k.
- NZFIW is forecasted to have a cash operating surplus of \$263k. The Bank loan to is expected to be \$4,203k at year end, similar to last year.
- There is still potential downside risk to the full-year forecasts given the expected effect of Covid/Omicron, in particular the effect on attendance of manufacturing staff & therefore NZFIW's ability to process milk products.



Item 10

Attachment 2

**Waikato Innovation Growth Limited
New Zealand Food Innovation (Waikato) limited
NZFIW D2 Limited and**

**11% ownership in Melody Dairies Limited Partnership
11% ownership in Melody Dairies GP Limited**

Statement of Intent

15th February 2022

Draft

1. Introduction

This statement is presented by the Directors of NZFIW in accordance with s.64 (1) of the Local Government Act 2002, and sets out the Board's intentions for the Companies for the year ending 30th June 2023 and estimates for the years ending 30th June 2024 and 2025. It covers Waikato Innovation Growth Limited (WIG), New Zealand Food innovation (Waikato) Limited (NZFIW) and NZFIW D2 Limited (D2) collectively called the NZFIW Group in this report. NZFIW D2 Limited owns 11% in both Melody Dairies Limited Partnership (MDLP) and Melody Dairies GP Limited (MDGPL).

2. Corporate Intent

The core purpose of NZFIW Group is to promote and enable innovation in the food industry, both in the Waikato region and nationally. This purpose is recorded in its Constitution as follows:

- i. providing facilities on an open access basis in which food processing companies and those entering new markets can develop new or improved food and food ingredient products;
- ii. providing on an open access basis a small-scale production plant capable of producing samples for market development which is to be self-sustaining in the medium to long term;
- iii. participating in and promoting a national network of similarly focussed food innovation organisations as a shareholder in a food innovation network;
- iv. providing an independent and secure facility to ensure that the intellectual property and know-how of the Company and its customers are protected;
- v. providing a centre of learning for food technology, catering primarily to the pastoral product value chain, in co-operation with tertiary education institutions; and
- vi. providing one of several tangible centres and organisations throughout New Zealand around which networks of food processors and exporters, food equipment manufacturers and other partners can develop.

3. Achievements to date

- The spray dryer was successfully commissioned in July 2012 with Dairy Goat Co-operative the initial cornerstone customer. This allowed Dairy Goat Co-operative to grow and defer investment of \$68 million in its 2nd dryer.
- A further \$3 million investment by Callaghan Innovation allowed \$5.7 million of extra equipment and buildings which equipped the factory to manufacture powdered infant formula. It allows specialty ingredients such as vitamins, minerals, and oils to be 'wet blended' with milk or potentially other liquid ingredients prior to being spray

dried to powder in the facility. The upgrade has enabled a significant increase in goat and sheep fresh milk production.

- In November 2017, Hamilton City Council and Callaghan approved NZFIW to promote a privately funded second spray dryer, which NZFIW would have a minority 10% holding through a \$1.67m investment.
- On 1 December 2017, HCC and Callaghan injected a further capital of \$4m (cash) into NZFIW through the sale of WIPL property. This money was used to retire debt. Shareholding of NZFIW between HCC and Callaghan remains at a ratio of 70:30.
- NZFIW created a 100% owned subsidiary NZFIW D2 Limited (D2) in September 2018 solely for the purpose of investing \$1.67m for a 11% ownership in a second spray dryer: Melody Dairies Limited Partnership.
- In December 2018 NZFIW signed a management agreement with Melody Dairies LP to manage 100% of the operations of the LP.
- NZFIW has proven itself as a growth enabler, contributing to the New Zealand economy through facilities which enable growing companies to scale-up, and being a facilitator in product and market development. In the 2020/21 season \$30m of exports were achieved as a result of manufacture in the Food Waikato Plant. Since its inception we estimate total exports manufactured by Food Waikato to be \$330m up to June 2021. We also estimate the total capital expenditure in the form of farms, genetics etc, in the Waikato region, to be \$220 million.
- NZFIW has helped to establish the sheep milk industry in its role as manufacturing partner. The following volumes have been processed:

• 2015/16	66 MT
• 2016/17	105 MT
• 2017/18	156 MT
• 2018/19	261 MT
• 2019/20	277 MT
• 2020/21	191MT FIW / 333MT Melody
• 2021/22 (forecast)	96 MT FIW / 845 MT Melody
- Despite a 3 month delay due to Covid-19, the construction of the Melody Partnership Dairy plant was completed in June 2020 on budget at \$54m.
- Commercial production from Melody Dairies spray dryer commenced in September 2020 after MPI verification.
- Melody Dairies contribute \$1.1m per annum to NZFIW in the form of management fees, as well as sharing the costs of labour on the plants.

4. Current Status

The 2021/22 season has been more challenging for FIW for several reasons. Some of its customers have moved their production to the Melody dryer, while Covid-related events have impacted some of its other customers, particularly in the dairy goat industry where a number of players have been adversely affected by declining sales and milk prices.

NZFIW CEO Stuart Gordon stepped down after 7 years in the role, in November 2021. He was replaced by Tony Giles, who commenced as CEO on 1 December 2021. Tony worked for Dairy Goat Co-operative for 19 years, in Marketing & customer roles, as Deputy CEO and then CEO from 2014-2018.

The NZFIW Board is undertaking a strategic review in the first half of 2022. This review will be focused on re-assessing the Company's core purpose and vision, and re-setting the direction and objectives for the business for the next 5 years. This is a timely review given the current stage of the business cycle, and business model of the Company. This strategic review is expected to have an effect on the future 3-year objectives which are set out in Sections 6-9 of this document.

It is proposed that the NZFIW Board strategic review will take place in a co-ordinated manner with its two shareholders – Hamilton City Council and Callaghan Innovation. In its Letter of Expectation, HCC has indicated its "intention to review its investment in WIGL (specifically NZ Food)" and that they "anticipate working with the Board and Callaghan to conduct this review during the 2022 calendar year".

5. Nature and Scope of Activities to be Undertaken

Food Waikato will continue its toll processing dairy activities, as well as managing Melody Dairies spray dryer while holding about \$3.5m as a 11% minority shareholder in a Melody Dairies Limited Partnership. It should be noted that DNIL (a partner in MDLP) has become a defaulted partner in 2021 and Partners are in the process of acquiring DNIL's shares in the partnership. The NZFIW Board has elected not to purchase additional shares as a result of DNIL's default.

NZFIW will aim to maintain its financial self-sustainability. In order to achieve a Net Profit breakeven position, NZFIW needs to utilise the dryer for around 240-250 days per year. To achieve a neutral cash position, dryer utilisation needs to be about 190-200 days. Despite its stated objectives of assisting companies with growth, product & market development, and innovation opportunities, NZFIW needs volume throughput to achieve financial sustainability. Consequently, the over-riding objective is to achieve 240-250 days of production per year on the plant, even if the individual customer future uptake cannot be specified at this time.

6. Key Objectives

The key objectives for the financial years ending June 2023 to 2025:

New Zealand Food Innovation Waikato Limited 2022-2023

1. 240 days of product development and small-scale commercial powder production on the FIW spray dryer thereby enabling exports of >\$40 million.
2. Management of the Melody spray dryer to support the growth of the Melody partners; attracting other customers to the Melody dryer; undertaking support services (e.g., audits) to support the partners. 230 days production estimated.
3. Develop new customers for the business, and assist customers with the development of new valued added milk products.

- The Board will complete and execute a Strategic review in conjunction with its shareholders. Subject to HCC's agreement, the Constitution and Shareholder Agreement will be updated.

2023-2024

- 250 days of product development and small-scale commercial powder production on the FIW spray dryer contributing >\$45 million to the regional economy.
- Continued management and support of the Melody spray-dryer to support the Melody partners business aspirations. 250 days production estimated.
- Strategic optimisation of FIW and Melody dryers to benefit both dryers and their customers.

2024-2025

- 250 days of product development and small-scale commercial powder production on the FIW spray dryer contributing >\$45 million to the regional economy.
- Continued management and support of the Melody spray-dryer. 270 days production estimated.

7. Key Performance Targets (\$,000)

Key Performance Indicators	2023	2024	2025
NZFIW EBITDA	1,298	1,606	1,767
NZFIW Cash from Operating activities	834	1,104	1,259
Net Profit after tax	36	282	410
Shareholders' fund/Total Asset	73.6%	75.3%	77.8%

8. Capital Expenditure (\$,000)

7. Capital Expenditure	2023	2024	2025
Food Waikato	(400)	(400)	(400)

9. Financial Forecasts (\$000)

NZFIW Ltd - Income Statements

All in \$000	2023	2024	2025
NZFIW Income	7,844	8,417	8,783
Income from Melody	1,147	1,170	1,194
Total Income NZFIW Group	8,991	9,587	9,977
Expenses			
Direct Expenses	4,324	4,496	4,605
Overhead	3,370	3,485	3,606
Total Expenses	7,694	7,981	8,210
Other Overhead			
Depreciation	1,018	1,067	1,088
Interest	245	257	269
Total Other Overhead	1,262	1,324	1,357
Net Profit before tax	36	282	410
Tax			
Net Profit after tax	36	282	410

New Zealand Food Innovation (Waikato) Limited Financial Positions

All in \$000	2023	2024	2025
Current Assets			
Accounts Receivable	664	722	750
Bank Accounts	200	200	200
Inventories	30	30	30
Other Current Assets	144	144	144
Total Current Assets	1,038	1,096	1,124
Non Current Assets			
Plant & Equipment	14,570	14,068	13,565
Buildings	2,919	2,769	2,619
Other Non-Current Assets	4,416	4,416	4,416
Total Non-current Assets	21,904	21,252	20,600
Total Assets	22,942	22,349	21,725
Current Liabilities			
Accounts Payable	325	325	325
Bank Overdraft			
Other Current Liabilities	333	340	344
Total Current Liabilities	658	665	669
Non Current Liabilities			
Bank Loans	3,780	3,075	2,216
Deferred Grant Income	1,828	1,650	1,471
Other non-Current Liabilities	3,612	3,612	3,612
Total Non-Current Liabilities	9,220	8,337	7,299
Total Liabilities	9,878	9,002	7,968
Equity			
Paid up Capital	7,333	7,333	7,333
Revaluation Reserve	5,343	5,343	5,343
Retained Earnings	351	387	669
Current Year's Profit	36	282	410
Total Equity	13,064	13,346	13,756

10. Information to be provided to Shareholders

The company will deliver the following Reports or Statements to the Shareholder:

- Unaudited Half Year Report within two months of the end of the first half of the financial year (28 February); commenting on the operations and results for the six months.
- Statement of Intent
 - By 1 March of each year a Draft Statement of Intent for the consideration of the shareholders
 - Final Statement of Intent to the shareholders by 30 June.
- Financial Statements
 - Draft financial statements by 31 July.
 - Audited Annual Accounts by 30 September.

11. Governance

Board of Directors

NZFIW Board, whose members except Mr Stefan Korn (appointed by Callaghan Innovation) are also members of Waikato Innovation Growth Limited and NZFIW D2 Limited. The board is a skill-based board that must govern in the best interests of the company.

The Directors of the NZFIW Board are:

- **Barry Harris - Chair.** Being the former Chief Executive Officer of the Hamilton City Council, Barry has had many years of Chief Executive roles in regional local bodies including Environment Waikato and the Greater Wellington Regional Council. He was also the Group Director of Fonterra Milk Supply. Barry over the years has served and is serving in numerous varied Governance roles, with a mix of commercial, industry good and research organisations including WEL Networks, Niwa and Ospri.
- **Stefan Korn** has launched and developed numerous successful business ventures, many of which are now operating in Australia, the US and Europe. In his prior role as CEO of Creative HQ, Stefan led a team that launched accelerators for start-ups, government and corporates, including innovation initiatives such as the Korero Maturanga (NZ's Education Summits), and international innovation training programmes. Stefan has a PhD in Neural Networks/Artificial Intelligence and an MBA in International Business. He has also authored a range of books on early-stage venture development as well as parenting for dads. In 2010 Stefan was recognised as a New Zealander of the Year by North & South Magazine for innovation in parenting education.
- **Peter Hobman.** Peter has had a life-long career in Food & Health related R & D, Sales and Marketing of specialised dairy products and in senior management, including wide-ranging company governance experience in NZ, Australia, and Japan, particularly in the dairy industries. Peter holds a Bachelor of Technology (Biotech) (Hons) degree from Massey University. He is a Fellow of the New Zealand Institute of Food Science and Technology, an author of numerous publications and inventor of patents.
- **Dave Stanley.** Dave has been Chair and/or Director of several companies. As CEO of Dairy Goat Co-operative for 21 years, and subsequently MD of DGC's European subsidiary for 2 years, he has extensive experience in the manufacture and marketing of infant formula.
- **Janie Elrick.** Janie has had extensive experience at senior management level with several large corporations including Synlait, Livestock Improvement Corporation Ltd, Zespri and NZ Dairy Group/Fonterra. Qualified as a Chartered Accountant, Janie is also a member of the Institute of Directors NZ and a director of several organisations.

12. Health and Safety

- a. The NZFIW Group is committed to providing and maintaining a safe and healthy working environment for its employees, visitors, contractors, and others. This commitment is achieved by board governance, management leadership, the provision of appropriate resources to administer its legislative responsibilities, and to pursue best practice in health and safety management.
- b. Every member of the NZFIW group has a responsibility for health and safety which is appropriate to their role and designation, and to promote the health and safety of themselves and others involved in or affected by Food Innovation Waikato activities.
- c. NZFIW undertakes to be compliant with all food safety legislations. NZFIW has a certified RMP with MPI under the Animal Products Act and its regulations.

13. Financial Disclosure

1. REPORTING ENTITY

- a. New Zealand Food Innovation (Waikato) Limited (NZFIW) is a company domiciled and incorporated in New Zealand under the Companies Act 1993, and a Council-Controlled Organisation under the Local Government Act 2002 with effect from the 9th October 2013. The Company's parent entity is Waikato Innovation Growth Limited, and the ultimate parent entity is Hamilton City Council.
- b. NZFIW D2 Limited is wholly owned by New Zealand Food Innovation (Waikato) Limited. It is a Council-Controlled Organisation under the Local Government Act 2002 with effect from 20th Sep 2018.

2. BASIS OF PREPARATION

a. Statement of Compliance

The financial statements for the Company have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Local Government Act 2002.

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards - Reduced Disclosure Regime ("NZ IFRS RDR"), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The Company qualifies for NZ IFRS (RDR) as it does not have public accountability and it is not a large for-profit public-sector entity. The Company has elected to apply NZ IFRS (RDR) and has applied disclosure concessions. The Company early adopted the Reduced Disclosure regime framework for the financial year ended 30 June 2015.

b. Basis of Measurement

The financial statements have been prepared on an historical basis except for property, plant and equipment which is measured to fair value.

c. Functional and Presentational currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

d. Use of Estimates and Judgements

The preparation of the financial statements in conformity with NZ IFRS RDR requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

e. Change in Accounting Policies

Nil

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently to all periods presented in these financial statements.

a. Accounting for Associates

An associate is an investee, not being a subsidiary or joint venture arrangement, over which the group has the capacity to exercise significant influence through participation in the financial and operating policy decisions of the investee.

Associates are recognised using the equity method which recognises the Group's share of the associate's net surplus or deficit in the profit or loss and its share of other comprehensive income.

Under IFRS 11 the investment in D2 (by NZFIW) will be recognised as a joint venture. IFRS 11 states that "A joint venture shall recognise its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with NZ IAS 28 Investments in Associates and Joint Ventures

b. Revenue

- i. Revenue is measured at the fair value of the consideration received or receivable.
- ii. Revenue is reduced for estimated customer returns, rebates or similar allowances.
- iii. Revenue comprises the amounts received and receivable for goods and services supplied to customers in the ordinary course of business.
- iv. Interest income is accounted for on an accrual basis.

- v. Grants received are recognised in the Statement of Comprehensive Income when the requirements under the grant agreement have been met. Any grants for which the requirements under the grant agreement have not been completed are carried as liabilities until all the conditions have been fulfilled.
- vi. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the Statement of Financial Position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.
- vii. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

c. Foreign Currency Translation

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the date of the transactions.

d. Finance Costs

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other finance costs are recognised in profit or loss in the period in which they are incurred.

e. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

f. Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

g. Trade and Other Receivables

Trade and other receivables are stated initially at fair value then at estimated realisable value after providing against debts where collection is doubtful. Bad debts

are written off during the period in which they are identified. Trade and Other Receivables are classed as 'Trade and other receivables' financial instruments.

h. Property, Plant & Equipment

Property, plant & equipment is measured at fair value less subsequent depreciation. Computer and office equipment is recognised at cost price less depreciation and impairment losses.

Depreciation is calculated on a straight-line basis to allocate the cost or revalued amounts over the estimated useful lives, as follows:

Buildings	25 years
Plant & Equipment	20 years
Computer & Office Equipment	3-5 years

The assets' residual values, depreciation method and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

i. Revaluation

Property, plant & equipment is revalued regularly and at least every three years to ensure that its carrying amount does not differ materially from fair value.

The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from fair value. If there is evidence supporting a material difference, then the off-cycle asset classes are revalued.

Property, plant and equipment revaluation movements are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive income and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive income but is recognised in the profit or loss. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the profit or loss will be recognised first in the profit or loss up to the amount previously expensed, and then recognised in other comprehensive income.

j. Work in progress

Work in progress is valued at cost.

k. Intangible Assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Trademarks	10 years
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l. Trade and Other Payables

Trade and other payables are stated at cost.

m. Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST receivable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the balance sheet.

n. Income Tax

Income tax expense includes components relating to both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, and any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is measured at tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the profit or loss for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive income or directly in equity.

o. Short-term Employee Benefits

Short-term (settled within 12 months) employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to

pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

p. Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

q. Impairment

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

r. Dividend Policy

In view of the risks associated with the business and future market development need, the Directors propose to recommend that no dividend be paid for the next three years and that the dividend payment decisions for subsequent years are determined annually at the annual general meeting each year.

- s. Compensation from local authority. No compensation has been sought from any local authority by any director.
- t. The Directors have deemed the commercial value of the business is the same as the carry values expressed in the accounts.



Council Report

Item 11

Committee: Economic Development Committee

Date: 01 March 2022

Author: Candice Swanepoel

Authoriser: Tracey Musty

Position: Business Performance Accountant

Position: Financial Controller

Report Name: Waikato Local Authority Shared Services/ Co-Lab - Half Year Report 31 December 2021 and Statement of Intent 2022/23

Report Status

Open

Purpose - *Take*

1. To inform the Economic Development Committee of the Co-Lab Half Year Report to 31 December 2021 and the draft Statement of Intent 2022/23.

Staff Recommendation - *Tuutohu-aa-kaimahi*

2. That the Economic Development Committee:
 - a) receives the report; and
 - b) approves the Co-Lab draft Statement of Intent 2022/23.

Executive Summary - *Whakaraapopototanga matua*

3. Council has received the Half Year Report and draft Statement of Intent 2022/23 from Waikato Local Authority Shared Services Ltd, trading as Co-Lab.
4. The Half Year Report shows WLASS to be profitable and cashflow positive, **attachment 1**.
5. The draft Statement of Intent 2022/23 reaffirms the direction of business and financial projections, **attachment 2**.
6. Kelvin French, Chief Executive, will present a verbal report.
7. Staff consider the matters in this report have a low significance and that the recommendations comply with the Council's legal requirements.

Background - *Koorero whaimaarama*

8. Co-Lab, previously known as Waikato Local Authority Shared Services (WLASS), was established in 2005 as a vehicle through which Waikato councils could collaborate and identify opportunities for undertaking activity on a shared basis.
9. Co-Lab is owned, in equal portion, by the 12 Waikato local authorities.

Discussion – *Matapaki*

Half Year Report

10. Co-Lab has a net surplus before tax of \$2.4M. This is favourable to forecast by \$0.1M. Revenue and expenditure are both higher than anticipated. This is expected to trend closer to budget over the second half of the financial year.
11. The cash position is \$2.1M at 31 December 2021. Reforecasting is set to occur in March 2022 and will assess the likely year-end cash position.
12. Some of the six-month highlights:
 - i. The Company rebranded to better reflect what they are about. Values statements have been established.
 - ii. Co-Lab Water Services officially started servicing four of the nine participating councils prior to 1 July 2021, the remaining participating councils commenced receiving service from that date.
 - iii. Waikato OneView went live in August 2021. This Web Map viewer presents aligned data from different councils through a common data schema. The tool has launched with three 'maps' (3 Waters, Property, Community & Recreation). Waikato OneView is a finalist for the Association of Local Government Information Management's "GIS project of the year" award.
 - iv. A community needs analysis project has seen eight Councils engaging with Co-Lab to bring data together on what Waikato communities need and how the public sector as a whole is, and has historically been, meeting those needs. The project has progressed well throughout the period with output from the work undertaken presented to the councils in February 2022.
 - v. Collaboration on Covid-19 vaccinations has allowed Councils to leverage the work of others around challenges of vaccination requirements, policy and other communications. This was facilitated by Co-Lab through fortnightly meetings with Councils People & Capability Managers.
 - vi. The Learning & Development Shared Services (LDSS) project, which looks at how council learning and development programmes can be aligned so that a regional approach to training can be established, was largely completed during the second half of 2021. Final proposals to Councils will be sent in the first quarter of 2022.
 - vii. The priority project of Building Consent Shared Services remains a significant opportunity under development during the period. Stage one commenced in October, looking at how councils and customers are currently performing to identify the root-cause of pain points throughout the process.
 - viii. Co-Lab is working with Councils to identify whether it can extend how it can assist them with the various stages of the asset management lifecycle, beyond its current remit.

Statement of Intent

13. The Statement of Intent (SOI) sets out the Board's intentions for Co-Lab for years 2023, 2024 and 2025. The draft is available for shareholder comment.
14. Co-Lab have identified two challenges they are facing during these extraordinary times:
 - i. The ability of councils to make staff available to work with Co-Lab in progressing opportunities at a pace that meets Councils' expectations; and

- ii. Ensuring that, even as a small team, they are set up to continue to serve Council as seamlessly as possible when their staff are impacted by Covid-19.
- 15. Key points to note in the draft Statement of Intent:
 - i. The vision was modified following the Board's strategy day in December 2021. The company has also introduced a 'purpose statement'. While these have changed, the outcomes sought, and Co-Lab's specific objectives, remain as they have done for the past few years.
 - ii. Focus areas beyond business as usual include learning and development shared services, procurement services, communication and engagement, and reporting on value added.
 - iii. Priority projects for the coming year are:
 - a) Shifting landscapes: refining how and where Co-Lab can add most value;
 - b) Digital enablement: an ongoing programme of work;
 - c) Establishing an Asset Management centre of excellence;
 - d) Regional policy and by-law development; and
 - e) Customer building journey: building consent shared services.
 These are addressed in more detail on page 7 of **attachment 2**.
 - iv. Revenue from service levels significantly increases in 2022. There is a further increase in 2023 with the planned launch of Co-Lab Learning and procurement support services. Co-Lab remains cash flow positive.
 - v. How Co-Lab intends to measure performance remains the same.
- 16. Co-Lab's targets are for a three year forecast period and form the baseline from which they will continually seek to improve.

Legal and Policy Considerations - *Whaiwhakaaro-aa-ture*

- 17. Staff confirm that the matters in this report complies with the Council's legal and policy requirements.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

- 18. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
- 19. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report. No culture, environmental, social, or economic wellbeing were identified.
- 20. The recommendations set out in this report are consistent with that purpose.
- 21. There are no social, environmental or cultural wellbeing considerations specific to this report.
- 22. Economic wellbeing is defined as the capacity of the economy to generate employment and wealth necessary for present and future financial security. The vision of Co-Lab is: "*Our Councils are maximising the value they provide to their communities*".

Risks - *Tuuraru*

- 23. There are no known risks associated with the decisions required for this matter.

Significance & Engagement Policy - *Kaupapa here whakahira/anganui*

Significance

24. Staff have considered the key considerations under the Significance and Engagement Policy and have assessed that the recommendation(s) in this report has/have a low level of significance.

Engagement

25. Given the low level of significance determined, the engagement level is low. No engagement is required.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Co-Lab - Half Year Report 31 December 2021

Attachment 2 - Co-Lab - Statement of Intent 2022/23



Half-yearly report (un-audited)

1 July 2021 to 31 December 2021

Our councils are maximising the value they provide to their communities. We support them in doing so by making it easier for councils to identify and realise shared opportunities.

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Overview of Co-Lab

Co-Lab¹ is owned in equal portion by the 12 Waikato Local Authorities:

- Hamilton City
- Rotorua Lakes
- Waikato District
- Hauraki District
- South Waikato District
- Waikato Regional
- Matamata-Piako District
- Taupo District
- Waipa District
- Ōtorohanga District
- Thames-Coromandel District
- Waitomo District

The company has two fundamental roles:

- 1) It is a laboratory for developing opportunities that create value to councils, either by improving the experience of their communities or by making the councils themselves, collectively, more efficient and effective; and
- 2) It provides services to councils.

Statement of service performance

Vision and purpose

At a meeting in December 2021, the Board revisited the company's vision. Co-Lab's updated **vision** is for our councils to be maximising the value they provide to their communities. Co-Lab's **purpose** is to support councils to achieve this vision, by making it easier for them to identify and realise shared opportunities. The **outcomes** we are seeking remain unchanged and are encapsulated in the company's performance framework (see following page).

Six-month highlights

The second half of 2021 saw Co-Lab progress several new initiatives, bed in a new service offering, and launch a new product to Waikato communities.

The company also re-branded to better reflect what we are about, established value statements, and moved into new premises in Cambridge.

This was against a backdrop of significant uncertainty with the continuing impact of COVID-19 and central government reforms. It has been challenging for the company. We recognise the significant pressures our councils face. Increasingly that is impacting the company, with council staff capacity to support the progression of opportunities constrained. However, we have flexed to respond to our councils' needs.

While opportunities are not being developed at the pace we would like, we know from engaging with our councils that it is the right pace for now. Similarly, given the significant central government reform programme impacting the sector, we have committed to councils not to pursue opportunities that will result in structural change. Instead, following engagement with Chief Executives and other senior council staff, we embarked on the Shifting Landscapes project and during the period this evolved into two workstreams.

One of these workstreams, "Stranded Overheads Assessment", remains in the planning phase and we are engaging with the Department of Internal Affairs on how we can work with them to support councils to identify and quantify the overheads left stranded following the water reforms. The second workstream, "Community Needs Analysis", is highlighted further below.

¹ Co-Lab is the newly established trading name of Waikato Local Authority Shared Services Ltd

Co-Lab's Performance Framework

Our vision	Our councils are maximising the value they provide to their communities					
Our purpose	We support them in doing so by making it easier for councils to identify and realise shared opportunities					
Outcomes we are seeking	Council costs are reduced / performance is improved, without increase cost	The experiences of councils' communities are improved		Central government investment into and engagement with Waikato councils is increased		
Our specific objectives	<ul style="list-style-type: none"> ➤ Achieve effectiveness and efficiency gains ➤ Reduce duplication of effort and eliminate waste through repetition ➤ Helping the councils achieve an appropriate balance in risk and return 	<ul style="list-style-type: none"> ➤ Promote and contribute to the development of best practice ➤ Make it easier for communities to engage with councils in the Waikato region on a consistent basis ➤ Promote business transformation to improve communities' experiences 		<ul style="list-style-type: none"> ➤ Enable the Waikato councils to collectively be more effective as a region on the national stage ➤ Contribute to building central government's confidence in the Waikato region, and to encourage central government investment 		
Priorities: How we will achieve our outcomes	Investigate the right opportunities	Develop opportunities on time and within budget	Ensure opportunity benefits are realised	Provide services that meet the needs of councils	Foster cross-council collaboration	
What we must manage well	Our relationships	Our services	Our projects	Our people	Our resources	Our reputation

Co-Lab Water Services

Co-Lab Water Services officially started servicing four of the nine participating councils prior to 1 July 2021, the remaining participating councils commenced receiving service from that date. The water sampling and analysis, trade waste management and "Smart Waters" services teams have been working effectively with councils, managing expectations and balancing service delivery during the extended periods of uncertainty cause by changing COVID-19 alert levels. South Waikato have been very flexible and have agreed to defer the commencement of one of their services (sampling & analysis) until early 2022 (due to covid-19 impacts).

Waikato OneView

Waikato OneView went live in August 2021. It is a great example of collaboration in action, involving council technical specialists from across the region. This Web Map viewer presents aligned data from different councils through a common data schema. It will improve the customer experience by reducing the time required to gather data and increasing the data's accessibility because it covers the whole

region and is always available. It will also reduce council staff time required to respond to queries and requests for information that can now be readily accessed.

The tool has launched with three 'maps' (3 Waters, Property, Community & Recreation).

Waikato OneView is a finalist for the Association of Local Government Information Management's "GIS project of the year" award.

Shifting Landscapes – Community Needs Analysis

Eight councils have been engaging with Co-Lab to bring data together on what Waikato communities need and how the public sector as a whole is, and has historically been, meeting those needs. We will then present that data back to participating councils in a coherent way to equip them with the facts they need to effectively engage with central government and advocate for what they consider to be the right 'future for local government'. The project has progressed well throughout the period with output from the work undertaken presented to the councils in February 2022.

Collaboration on COVID-19 vaccinations

A great example of collaboration in action, and how Co-Lab can make that easier for councils, was evident as councils came together to address the challenges of vaccination requirements. The company stood up fortnightly meetings with the councils' People & Capability Managers, where those challenges and possible solutions were discussed, and policy and other communication documentation shared. Councils saved time from being able to leverage the work of others. The forums also provided the basis for better decision-making and the managers themselves, undoubtedly, benefited from the support they provided one another at a particularly testing time.

Learning & Development Shared Service

The Learning & Development Shared Services (LDSS) project is looking at how council learning and development programmes can be aligned so that a regional approach to training can be established. From work undertaken in developing the business case, it is estimated that the investment in training by councils across the region is \$15m p.a. Ultimately, the project aims to increase the quantity and quality of staff development opportunities and standardize training in the region where it makes sense to do so. The estimated benefits accruing to the Waikato councils is \$2.4m in the first three years. Those benefits reflect reduced spend on external training providers, a reduction in the sunk cost of council staff delivering training to colleagues, the value of additional training that is expected to occur, and the value of council staff having access to the training they need, when they need it.

The investigation to date has considered how councils can collaborate on the development of learning and development programmes and analysed opportunities to jointly deliver learning events and online learning content.

The project was largely completed during the second half of 2021 with final proposals to councils to be sent in the first quarter of 2022.

Customer Digital Enablement

Following foundational workshops in the first half of 2021, in the second half of the year councils agreed the first initiative for development under the "Customer Digital Enablement" (CDE) banner. At its heart, CDE is about councils working together to collaborate on customer strategies and leverage investment into digital channels to support this.

With the working title of "SR4"², the first initiative is looking at a digital solution to engage with communities on all things related to rubbish, recycling and sustainability. A council product team worked

² Sustainability, Rubbish, Recycling, Reducing and Rethinking

with Datacom for an intensive 10-day #Rapidprototyping workshop to establish a prototype MLP: Minimum Loveable Product. We will be approaching the market in the first half of 2022 to identify a preferred supplier to develop the product.

Customer Building Journey – the Building Consent Shared Services project

The priority project of Building Consent Shared Services remains a significant opportunity under development during the period. The issue and monitoring of building consents is a critical function of councils. It is important that this function is delivered with the customer in mind and in the most efficient way. Councils continue to lack capacity, and this issue is exacerbated by unprecedented demand from the building sector for consents in high-growth districts.


Development of the opportunity changed scope in July 2021, with the project focusing on the end-to-end process of a build, including the application and issue of land use consents. Stage one commenced in October, looking at how councils and customers are currently performing to identify the root-cause of pain points throughout the process. While it continues to progress, the project timelines have slipped, ironically, due to the very problem the project can solve – a lack of council capacity.

Asset Management Centre of Excellence



Co-Lab is working with councils to identify whether it can extend how it can assist them with the various stages of the asset management lifecycle, beyond its current remit. This is a wide-ranging consideration across life-cycle stages and asset types. At this early stage of the investigation, there appears to be a range of opportunities for Co-Lab. The next focus for the project is to offer an asset management assessment to those councils that have not done this recently.


Assessment of performance against targets

The following performance measures were included in the 2021 Statement of Intent covering the financial years ended 30 June 2022-2024. An update on performance against target, as at 31 December 2021, is shown in the table below.

Priority	Performance measure	Target	Outcome (progress toward target)
<p>Prioritise and develop business cases for opportunities that, if implemented, add value to councils by achieving one or more of our objectives</p> <div> <div>Link to outcomes in the performance framework</div>  </div>	<p>➤ Business cases will include measurable benefits linked to one or more of the outcomes sought</p>	<p>Projected savings/increased revenue to councils of at least \$300k</p>	<p>➤ Various opportunities continued to advance during the first six months of the financial year. Those opportunities included:</p> <ul style="list-style-type: none"> - The first initiative under the Customer Digital Enablement programme of work - The Asset Management Centre of Expertise - Learning & Development Shared Services (LDSS) implementation (following the Board's approval of the business case in June 2021) - Shifting Landscapes – Community Needs Analysis - BCSS – the Customer Building Journey <p>➤ By their nature, some of these opportunities do not lend to readily quantifiable benefits. An</p>

Priority	Performance measure	Target	Outcome (progress toward target)
			<p>example of this is the Community Needs Analysis: a project supporting eight of the councils by providing learnings grounded in stories of past successes and failures, that can be used by councils in their discussion with stakeholders relating to the Future for Local Government review</p> <ul style="list-style-type: none"> ➤ The other projects are under development and yet to be finalised with a determination of quantifiable benefits (LDSS benefits were reported in the 2021 Annual Report) ➤ Business cases are also be established for some more significant joint procurements
	➤ Businesses cases are supported by councils (evidenced by take up of the opportunity)	75% of councils	➤ Unable to measure: No proposals have been put to councils during the period
Develop opportunities and deliver projects within agreed budgets and timelines	➤ Opportunities / projects are developed / delivered within agreed timelines	80%	17%: Various externalities have impacted our ability to develop opportunities within the timelines originally anticipated. The single greatest impact has been the capacity of council staff to work with Co-Lab on opportunity development. COVID-19 is the root cause of those capacity constraints, and we see the risk of staff availability increasing over the coming months with the community spread of Omicron. We have regularly communicated with councils to keep them informed of timing and the reason(s) for delays. We have also regularly engaged with Council Executives to ensure the pace of delivery is appropriate having regard to their staffs' capacity
<div> <div>Link to outcomes in the performance framework</div> <div></div> </div>	➤ Opportunities / projects are developed / delivered, within approved budget	90%	No projects were concluded during the six-month period. However, those opportunities under development all remain on track to come within budget
	➤ Overall, Company Management / Support functions will be undertaken within budget,		Actual expenditure for Company Management and Support functions is slightly favourable to that budgeted for the period

Priority	Performance measure	Target	Outcome (progress toward target)
	unless additional expenditure has board pre-approval		
Ensure projects realise their expected benefits Link to outcomes in the performance framework 	<ul style="list-style-type: none"> ➤ Measurable benefits are actively monitored and reported against 	Six-monthly	Management presented two "Project Benefit Assessments" to the Audit & Risk Committee during the period. One of these is being resubmitted following further consultation with council staff
	<ul style="list-style-type: none"> ➤ Audit & Risk Committee undertake an assessment of projects following implementation (which will include an assessment of whether projected benefits have been realised) 	For \$200k+ Projects (based on cost of opportunity development and ongoing investment) Assessment within 15 months 90% of projected quantifiable benefits are realised	The Audit & Risk Committee assessed the performance of the Professional Services Panel as presented by Management Overall, five of the seven benefits are considered to have been realised, and given the significant time and cost savings, the target of 90% achieved. During the first 19 months, the estimated council spend with PSP contractors is ~\$83m, with estimated savings across the councils of \$14m
Ensure existing services are meeting the needs of councils Link to outcomes in the performance framework 	<ul style="list-style-type: none"> ➤ The services we provide (below) are considered by councils who use that service to meet or exceed their expectations (evidenced by an annual survey): <ul style="list-style-type: none"> ○ RATA – roading & waters ○ Waikato Building Cluster ○ Regional Infrastructure Technical Specifications ○ Energy & Carbon Management ○ Professional Services Panel ○ Health & Safety pre-qualification 	80% of councils	Not currently measurable: As in the prior year we will be undertaking a survey of council staff in the first half of 2022 to ensure each service offering is continuing to meet the needs of councils – the feedback in 2021 was that they were.
Foster and promote cross-council collaboration and networking to share ideas on improving efficiencies and best practice	<ul style="list-style-type: none"> ➤ Across these groups, ideas for future consideration and/or initiatives are identified each year 	Four per annum	The Insurance Advisory Group agreed to engage Aon to undertake an assessment of potential losses to Waikato councils' three-waters reticulation networks and flood protection assets due to earthquake damage. This work will be undertaken in the first half of 2022

Priority	Performance measure	Target	Outcome (progress toward target)
Link to outcomes in the performance framework 			<p>Co-Lab facilitated fortnightly sessions with the council People & Capability Managers in response to the rollout of vaccine passes. Members collaborated to share thinking and leverage policy and other documentation relating to mandatory (or otherwise) vaccination policies</p> <p>Procurement Managers have been involved in a few joint procurements. Some councils have also expressed interest in access to a central procurement resource (that would be provided by Co-Lab). This initiative is being developed and a proposal will be presented to councils in the first quarter of 2022</p>

Co-Lab's Financial Position

Summary

Summary financial results for the six months to 31 December 2021 are:

	2022 actual	2022 forecast	Variance (Actual v Budget)	2022 budget (Full Year)
Total income	5,408,667	4,972,147	436,520	12,000,340
Total operating expenditure	3,029,708	2,660,318	369,390	12,336,176
Net surplus before tax	2,378,959	2,311,830	67,129	(335,836)
Cash on hand	2,130,196	n/a	n/a	1,080,452

Revenue and expenditure are both higher than anticipated. While this is expected to trend closer to budget over the second half of the financial year, we are now forecasting a full-year profit of \$104k (against a budgeted loss of \$336k).

The cash position is:

	Cash balance @ 1/07/2021	Cash surplus / (deficit)	Cash balance @ 31/12/2021
Company Management & Support	86,228	208,872	295,100
RITS	56,869	20,860	77,729
Working Parties Projects	137,334	240,351	377,685
Information Technology	9,712	13,088	22,800
Energy Management	89,635	70,524	160,159
Shared Valuation Data Service (SVDS)	338,779	46,684	385,463
Road Asset Technical Accord (RATA) & Waters Collaboration	176,969	614,937	791,906
Waikato Regional Transport Model (WRTM)	139,100	679,141	818,241
Waikato Building Consent Group (WBCG)	270,084	199,151	469,235
Mayoral Forum	(21,128)	5,004	(16,124)
Co-Lab Water Services	101,564	279,048	380,612
Accounts Receivables	(1,976,745)	(1,000,106)	(2,976,851)
Accounts Payables	2,393,856	(1,049,615)	1,344,242
Total	1,802,257	327,939	2,130,196

Note: Cash balances for each workstream vary from the actual cash position as a result of accounts receivable / payable which are not tracked on an activity by activity basis.

Invariably the cash balance has arisen because actual expenditure has been less than anticipated. It is expected to reduce over the coming six months. We will be reforecasting in March and will assess the likely year-end cash position for each workstream. The cash "surplus" within Company Management and Support surplus reflects member charges being invoiced at the beginning of the financial year.

Statement of Financial Performance

Co-Lab

Statement of Financial Performance

For the six months ending 31 December 2021

	Financial year 2022 YTD Actuals	Financial year 2022 YTD Forecast	Financial year 2022 YTD Budget	Financial year 2020 YTD Actuals
Revenue				
SVDS Data & Software Sales	179,809	193,994	193,996	266,751
Interest	7	6	250	7
Other Revenue				
User Charges	5,228,851	4,778,147	5,132,573	2,048,689
Total Other Revenue	5,228,851	4,778,147	5,132,573	2,048,689
Total Revenue	5,408,667	4,972,147	5,326,819	2,315,447
Expenditure				
Depreciation and amortisation expense	13,761	14,562	10,027	10,868
Personnel costs	404,373	452,887	662,769	321,198
Other expenses	2,611,574	2,192,869	4,764,309	1,285,762
Total Expenditure	3,029,708	2,660,318	5,437,105	1,617,828
Net Profit	2,378,959	2,311,830	(110,286)	697,619

Statement of Cashflows

Co-Lab

As at 31 December 2021

For the six months ending 31 December 2021

	Financial year 2022 YTD Actuals	Financial year 2021 YTD Actuals
Cashflows from Operating Activities		
Interest Received	(16)	7
Receipts from Other Revenue	4,199,560	2,059,188
Payments to Suppliers and Employees	(3,786,763)	(1,898,160)
Taxes Paid	0	0
Goods & Services tax (net)	(69,783)	35,150
Net cash from operating activities	342,999	196,184
Cashflows from Investing Activities		
Capital enhancements	0	0
Purchase of PPE	(15,060)	(13,611)
Purchase of investments	0	0
Net cash from investing activities	(15,060)	(13,611)
Net increase in cash, cash equivalents and bank accounts	327,939	172,730
Opening cash and cash equivalents and bank overdrafts	1,802,263	1,127,986
Closing cash, cash equivalents and bank accounts	2,130,202	1,300,716

Statement of Financial Position

Co-Lab Statement of Financial Position As at 31 December 2021		
	Financial year 2022 Actual at 31/12/2021	Financial year 2021 Actual at 31/12/2020
Assets		
Current Assets		
Bank		
Call Account	28,989	28,921
Transaction Account	2,101,214	1,271,796
Total Bank	2,130,203	1,300,717
Accounts Receivable		
Accounts Receivable	765,740	897,371
Accounts Receivable Accruals	2,208,020	710,705
Total Accounts Receivable	2,973,760	1,608,075
Prepayments	0	0
Deferred Tax Asset	3,091	0
Total Current Assets	5,107,054	2,908,792
Non-current Assets		
SVDS - Original Cost	0	3,065,316
WRTM - Original Cost	2,296,855	2,296,855
MoneyWorks Software	1,195	1,195
IT equipment	40,455	24,350
Accumulated Depreciation	(2,294,613)	(5,334,214)
Office Furniture	11,821	7,956
Total Non-current Assets	55,713	61,458
Total Assets	5,162,768	2,970,250
Liabilities		
Current Liabilities		
Accounts Payable		
Accounts Payable	561,345	147,341
Accounts Payable Accrual	709	5,000
Total Accounts Payable	562,054	152,341
RWT on Payments	1,513	0
Credit Card Balance	2,962	2,472
Revenue in Advance	722,563	1,093,486
Employee Entitlements	21,967	1
GST	33,184	92,518
Total Current Liabilities	1,344,242	1,340,819
Total Liabilities	1,344,242	1,340,819
Net Assets	3,818,526	1,629,432
Equity		
Contributed Capital	2,957,001	2,957,001
Retained Earnings	861,525	(1,327,569)
Total Equity	3,818,526	1,629,432

Policies

The accounting policies on which the preceding financial statements have been prepared are consistent with those used in preparing the Financial Statements for the year ended 30 June 2021, included in the company's Annual Report.

Governance arrangements

During the period, the Directors of Co-Lab were:

Director	Representing
Peter Stubbs	Independent Chair
David Bryant	Hamilton City Council
Gareth Green (resigned 08 December 2021)	Ōtorohanga, Rotorua, Taupo, South Waikato and Waitomo District Councils
Gavin Ion	Waikato and Waipa District Councils
Chris McLay	Waikato Regional Council
Ben Smit (appointed 08 December 2021)	Ōtorohanga, Rotorua, Taupo, South Waikato and Waitomo District Councils
Rob Williams	Hauraki, Matamata-Piako and Thames-Coromandel District Councils

Financial forecasts

Latest financial forecasts are contained in the company's 2022 Statement of Intent issued for shareholder comment in February 2022.

Nature & scope of activities

The principal initiatives operating under the Co-Lab umbrella are:

- Energy management
- Health & safety pre-qualification
- Joint procurement initiatives
- LiDAR
- Regional Asset Technical Accord (RATA)
- Regional Infrastructure Technical Specifications
- Waikato GIS tools: the Waikato Data Portal and Waikato One View
- Shared Valuation Data Services (SVDS)
- Waikato Building Consent Group (WBCG)
- Waikato Regional Aerial Photography Service (WRAPS)
- Waikato Regional Transportation Model (WRTM)
- Co-Lab Water Services (CWS)

Information on these activities is included in the company's Statement of Intent.



2022 Statement of intent

For the year ended 30 June 2023

Supporting councils to maximise the value they provide to their communities

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This SOI is a public declaration of the activities and intentions of the Council Controlled Organisation, Waikato Local Authority Shared Services Ltd (WLASS). It outlines the nature and scope of the work it will undertake, the Directors' accountabilities to the shareholders for corporate performance and financial forecasts, as required by Schedule 8 of the Local Government Act 2002. This information is provided in relation to the financial years ended 30 June 2022 to 30 June 2024.

Message from the Chair

These are extraordinary times: a perfect storm of central government driven reforms, global pandemic, and unprecedented growth in the region. All place an incredible strain on our shareholding councils. We acknowledge that.

For Co-Lab, the future is exciting but, as for our shareholders, increasingly challenging.

Our challenges are largely two-fold:

- 1) The ability of councils to make staff available to work with Co-Lab in progressing opportunities at a pace that meets councils' expectations; and
- 2) Ensuring that, even though we are small team, we are set up to continue to serve you as seamlessly as possible when our staff are undoubtedly impacted by COVID-19 – something we know councils are addressing also.

On the first of these challenges, last year I spoke of the need for councils to actively support the company if it is to achieve its potential. I spoke of the need for that support to come from the top down and of the importance, in my mind, of council staff giving sufficient priority to the opportunities Co-Lab is working on. I don't resile from those messages. I do recognise that the macro-environment we operate in means that having access to the council resources Co-Lab would like to see is even harder than when I gave those messages last year.

We are seeing the implications of this in practice. Some, but certainly not all, opportunities are taking longer to develop than we would like and what we believe councils need. Our challenge therefore is progressing them, with less-than-ideal resources available, as fast as possible – to meet your expectations. The most striking example of this is the Customer Building Journey priority project. It is a conundrum: building consenting is an area within councils that is hugely constrained by capacity, meaning councils struggle to make staff available to work with Co-Lab on this project – even though the main purpose of the project is to identify and implement changes that will improve the customer experience while also saving council staff time and effort that can be reinvested into staff training or additional value add services to the industry.

Conversely, we have had great engagement with councils on some of our other priority projects – Shifting Landscapes: Community Needs Analysis (CNA), Customer Digital Enablement and Learning & Development Shared Services (LDSS), are examples of that. And it is the success of those engagements that is cause for excitement over the coming year:

- The LDSS project is in its latter stages at the time of writing. From this project we expect to be able to launch Co-Lab Learning in the second half of 2022. This is a great opportunity to leverage council investment to improve the capability of your staff – we estimate the benefit to be \$2.4m across the region over the first three years.
- We anticipate providing on-going support to councils on the central government reforms through the Shifting Landscapes project, building on the CNA work undertaken late 2021/early 2022.
- We also plan to start providing procurement support services in response to a need identified within some of the smaller councils.

These are all great examples of the value Co-Lab can add by working with councils.

Communication is central to acknowledging and helping address the challenges and ensuring we meet your expectations. My greatest concern is that we “don't go fast enough” and therefore we regularly ‘check in’ with councils on the pace at which opportunities are being developed – we are being told it is about right. More generally we have improved how we communicate with you in recent times and plan to have this as a continued focus. Part of that communication will be conveying our “value-add”. We have already started to do that – councils now receive updates on their relationship with the company and the benefits that flow from it. However, we want to get better at articulating the real value.

As with our shareholding councils, ensuring our staff's safety through the ongoing pandemic will also be front of mind.

We refined our vision late last year:

"Our councils are maximising the value they provide to their communities"

The only reference to Co-Lab is acknowledging our relationship to you. That is deliberate, because everything we do is for your benefit – not ours. We are you – and you are us. Our purpose is to support councils in achieving that vision by making it easier to identify and realise shared opportunities. We believe we are fulfilling our purpose – and we want to know if you think we are not.

I want to finish by acknowledging two servants of the company who in the past 12 months have stepped down from the Board. Rob, Gareth – my sincere thanks to you both for your time supporting the company. Your wisdom around the board table has been invaluable in successfully steering the company over the past 2 ½ years while it has embarked on its own transformational journey. Beyond that, you have each extended your devotion and efforts by taking up the mantle of project sponsor on one of our priority projects. I have no doubt that your fellow Chief Executives at the councils you represent on the Board, and the Chief Executives across the region generally, share my gratitude towards you both. I wish you all the very best.

Stay safe.

Peter Stubbs
Chair

Overview of Co-Lab

Co-Lab¹ is owned in equal portion by the 12 Waikato Local Authorities²:

- Hamilton City
- Rotorua Lakes
- Waikato District
- Hauraki District
- South Waikato District
- Waikato Regional
- Matamata-Piako District
- Taupo District
- Waipa District
- Otorohanga District
- Thames-Coromandel District
- Waitomo District

The company has two fundamental roles:

- 1) It is a laboratory for developing opportunities that create value to councils, either by improving the experience of their communities or by making the councils themselves, collectively, more efficient and effective; and
- 2) It provides services to councils.

Our main areas of activity are set out in Appendix I.

Our vision and the outcomes we are looking for

Our vision, purpose, and the outcomes we are looking for are set out in the company's performance framework. Our vision is not about Co-Lab as such – it is about the councils we exist to serve. However,

¹ Co-Lab is the newly established trading name of Waikato Local Authority Shared Services Ltd

² This is the ownership structure at the time of writing. The company is however, in discussion with Taupo District Council regarding their ongoing involvement as a shareholder, and with Western Bay of Plenty District Council, who have expressed interest in becoming involved

if we can achieve the outcomes we are seeking, we can have confidence that we are going a long way to realising our vision.

The vision was modified following the Board's strategy day in December 2021. The company has also introduced a 'purpose statement'. While these have changed, the outcomes we seek, and our specific objectives, remain as they have done for the past few years.

Unsurprisingly, we will therefore continue to work to fulfil the two fundamental roles of Co-Lab, noted above.

Co-Lab's Performance Framework

Our vision	Our councils are maximising the value they provide to their communities					
Our purpose	We support them in doing so by making it easier for councils to identify and realise shared opportunities					
Outcomes we are seeking	Council costs are reduced / performance is improved, without increase cost		The experiences of councils' communities are improved		Central government investment into and engagement with Waikato councils is increased	
Our specific objectives	<ul style="list-style-type: none"> ➤ Achieve effectiveness and efficiency gains ➤ Reduce duplication of effort and eliminate waste through repetition ➤ Helping the councils achieve an appropriate balance in risk and return 		<ul style="list-style-type: none"> ➤ Promote and contribute to the development of best practice ➤ Make it easier for communities to engage with councils in the Waikato region on a consistent basis ➤ Promote business transformation to improve communities' experiences 		<ul style="list-style-type: none"> ➤ Enable the Waikato councils to collectively be more effective as a region on the national stage ➤ Contribute to building central government's confidence in the Waikato region, and to encourage central government investment 	
Priorities: How we will achieve our outcomes	Investigate the right opportunities	Develop opportunities on time and within budget	Ensure opportunity benefits are realised	Provide services that meet the needs of councils	Foster cross-council collaboration	
What we must manage well	Our relationships	Our services	Our projects	Our people	Our resources	Our reputation

Intentions for the coming year

Focus areas beyond business as usual

Beyond the continuation of our priority projects and ensuring we deliver great services, there are four areas of particular focus for the company in the coming year, with work having commenced on these in the first half of 2022.

Learning and Development Shared Services

Learning & Development Shared Services is the first of two new service offerings planned. The idea had its genesis in a survey Co-Lab sent to the Councils' People & Capability (P&C) Managers. The purpose of the survey was to identify potential opportunities for us to collaborate with councils to improve outcomes for their people.

Several ideas were identified but the one that resonated most with the P&C Managers was looking to establish a means of creating common training material (including on-line modules) and a single platform to access it to leverage the investment required, and centrally coordinating the delivery of face-to-face training.

Co-Lab Learning will save councils on their training costs and perhaps more importantly, will mean that more of what council spend will be on their staff actually receiving training. Across Waikato councils the estimated benefit is \$2.4m over the first three years.

Procurement Services

In the second half of 2021 we engaged with councils who had expressed interest in having access to specialised procurement support. Most of those councils don't currently have – or need – full-time procurement resource. The opportunity to call on resource as and when required is therefore attractive. A formal proposal is being issued to councils in the first half of 2022, with a view to having the service in place at the start of the 2022-23 financial year.

Communication and engagement

Over the past 12 months we have increased how we engage with our shareholding councils. This has included extending key messages to council executive teams (not only the Chief Executives), and sharing with councils our "Project Benefit Assessments" – reports which consider whether we achieved the benefits set out in the business cases leading to new services. Coinciding with the change in the company's trading name to "Co-Lab", we have also established a LinkedIn page and will use this as another way of keeping our stakeholders informed of what we are up to. While we think we have done a lot to improve in this area, communication and engagement with our shareholding councils will be an increasing focus of the Co-Lab team in the coming year. Part of that engagement will be working with your People & Capability Managers to ensure the change impacts of any projects under development are well managed.

Reporting the value we add

Related to communication and engagement is how we convey the value we provide our shareholding councils. We have always been completely transparent with you. We are an extension to your council's teams and so if we are not meeting expectations then we want to know about it. In 2021 we provided each council with two documents setting out their relationship with the company – what you invested and where, the services you received, the savings you made (for example from joint procurements), and the other qualitative benefits from being in the relationship. We have committed to updating these documents at least six-monthly.

We think this is a great start but don't want to stop there. In the coming year we will be undertaking an internal project to establish robust methodologies for measuring benefits (recognising there will always be qualitative benefits as well), and use this as the basis for improved reporting on the value you receive from Co-Lab. And if we don't think an area is providing value, and doesn't have a reasonable prospect of doing so, we will stop it.

Priority projects

In the past we have engaged with our shareholding councils each year to help inform what opportunities the company should be focused on. In 2021 we did so again, but more with a view to ensuring that continuing the priority projects from the prior year remained appropriate in the current environment. We want to ensure we are focusing on those things our shareholders have told us can add the most value.

In the face of significant central government reform, we recognised that councils didn't need the prospect of further structural changes and therefore committed in our 2021 Annual Report to restrict the opportunities we would consider to those that didn't involve change of this nature. One of the priority projects identified last year was about the establishment of a GIS Centre of Excellence. This has the potential to involve structural change and we have therefore made the decision to pause the investigation of this opportunity.

That project aside, we will be continuing to develop the priority projects introduced in last year's Statement of Intent.

Shifting Landscapes

We see one of our most important roles at present being to support Waikato councils in addressing the significant central government reforms they face. Shifting Landscapes is the banner under which Co-Lab is doing this. We have already undertaken a significant amount of work with councils: The Community Needs Analysis workstream brings together stories of public sector successes, and failures, in meeting the needs of your communities, to support councils in their engagement with the Panel and other stakeholders involved in the Future for Local Government review. We will continue to work with Council executive teams to identify other ways we can help councils with responding to the review, and the RMA and 3-Water reforms.

Customer Digital Enablement

The Customer Digital Enablement project identified its first initiative, "SR4" – an opportunity for councils to better engage with their communities digitally on sustainability, rubbish, and recycling. Sourcing a supplier to 'build' the product is occurring in the first half of 2022. The coming year should see this product launched.

However, on the journey to selecting SR4 as the first initiative, council staff identified many other opportunities to add value through digital engagement with your communities. From that, a roadmap has been created and Customer Digital Enablement will become an ongoing programme of work.

Establishing an Asset Management Centre of Excellence

We are continuing work on where RATA can build on existing capability and establish an Asset Management Centre of Excellence to provide more value to councils.

Regional policy and by-law development

This opportunity considers the value of having a standard suite of policies across local authorities. It would include benchmarking the existing policies and by-laws and establishing a timetable for review to avoid duplication of effort wherever possible.

Customer Building Journey - Building Consent Shared Services

The Customer Building Journey - Building Consent Shared Services project is a significant project for Co-Lab and offers great potential for the region. The indicative business case presented to the Board estimated quantifiable benefits of ~\$26.8m over 10 years.

We continue to hear of the challenges the sector faces in the region and of the significant pressure council staff face with increasing consent applications. We know there is opportunity to improve in this area. We encourage councils to embrace the change required to do so.

The project continues to progress over the first half of 2022. Currently, the focus is on working with council staff to understand, in depth, the process customers go through from the start of the build process and the root cause of challenges encountered with that process. Findings from this will be presented to the Board and if approved to progress, the second stage will focus on redesigning a system that resolves the challenges that have been identified.

The critical risk to achieving ~~our~~ your goals

Co-Lab's vision is deliberately not about the company, but you – our shareholding councils. The company exists to serve and is guided by what our shareholders tell us. That doesn't mean we won't challenge status quo if we think there may be a better way to maximise the value you provide to your communities – that is part of our role as a laboratory for new ideas. However, we only fulfil our purpose if we pursue opportunities that we know councils will take up and capitalise on, even though they involve some change.


So, the critical risk to Co-Lab fulfilling its purpose and your goals is the willingness and capacity of council staff to help us do so.


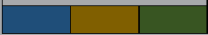


The current macro environment emphasises a need for change – the pressure councils are under is unsustainable. Helpfully, COVID-19 won't be with us forever – but it will be with us for a while longer yet and continues to place additional burden on council staff. COVID-19 aside, central government's reform programme will continue for the foreseeable future, as will growth in our communities.

We understand these macro-events mean capacity to devote resource to opportunity development becomes harder. We therefore accept that means Co-Lab's work will take longer than we would like. However, we continue to encourage councils to find a means of making opportunity development – to solve today's problems – a priority. Most of Co-Lab's priority projects have freeing up council capacity as one of their benefits: the Customer Building Journey project has that as its main focus. On the face of it, that suggests these projects have the potential for immense value to councils, if they are allowed. To coin a phrase – "short-term pain for long-term gain".

Performance measures

How we intend to measure our performance remains the same.

Priority	Performance measure	Target
Prioritise and develop business cases for opportunities that, if implemented, add value to councils by achieving one or more of our objectives <div> Link to outcomes in the performance framework  </div>	<ul style="list-style-type: none"> ➤ Business cases will include measurable benefits linked to one or more of the outcomes sought ➤ Businesses cases are supported by councils (evidenced by take up of the opportunity) 	Projected savings/increased revenue to Waikato councils, collectively, of at least \$300k 75% of councils

Priority	Performance measure	Target
Develop opportunities and deliver projects within agreed budgets and timelines Link to outcomes in the performance framework 	<ul style="list-style-type: none"> ➤ Opportunities / projects are developed / delivered within agreed timelines ➤ Opportunities / projects are developed / delivered, within approved budget ➤ Overall, Company Management / Support functions will be undertaken within budget, unless additional expenditure has board pre-approval 	80% 90%
Ensure projects realise their expected benefits Link to outcomes in the performance framework 	<ul style="list-style-type: none"> ➤ Measurable benefits are actively monitored and reported against ➤ Audit & Risk Committee undertake an assessment of projects following implementation (which will include an assessment of whether projected benefits have been realised) 	Six-monthly For \$200k+ Projects (based on cost of opportunity development and ongoing investment) Assessment within 15 months 90% of projected quantifiable benefits are realised
Ensure existing services are meeting the needs of councils Link to outcomes in the performance framework 	<ul style="list-style-type: none"> ➤ The services we provide (below) are considered by councils who use that service to meet or exceed their expectations (evidenced by an annual survey): <ul style="list-style-type: none"> ○ RATA – roading & waters ○ Waikato Building Cluster ○ Regional Infrastructure Technical Specifications ○ Energy & Carbon Management ○ Professional Services Panel ○ Health & Safety pre-qualification 	80% of councils
Foster and promote cross-council collaboration and networking to share ideas on improving efficiencies and best practice Link to outcomes in the performance framework 	<ul style="list-style-type: none"> ➤ Across these groups, ideas for future consideration and/or initiatives are identified each year 	Four per annum

- 1 Budgets and timelines for opportunity development will be those established following discovery and/or opportunity assessment. A business case will refine these parameters with respect to project delivery.
- 2 Time and cost targets for the development of opportunities and delivery of projects have been initially set based on what, in practical terms, are consider stretch goals, but achievable. However, we aspire to *always* better, or at least meet, timetables and budgets.

The targets noted above are for the three-year forecast period. They will form the baseline from which we will seek to continually improve.

Transparency and reporting to councils

The company will continue to deliver the following information to shareholders:

- Within two months of the end of the first half of the financial year, a half-yearly report, including Statements of Financial Performance, Financial Position, and Cashflows and commentary on service performance including an assessment of progress against performance measures; and
- Within three months of the end of the financial year, an audited Statement of Financial Performance, Statement of Changes in Equity, Statement of Financial Position, Statement of Cashflows and commentary on service performance.

Governance arrangements

Co-Lab conducts itself in accordance with its constitution, its annual Statement of Intent, the provisions of the LGA and Co-Lab policies.

The Board is made up five council representative directors and an independent Chair. There is also a standing Audit & Risk Committee.

The current Directors of WLASS are:

Director	Representing
Peter Stubbs	Independent Chair
Chris McLay	Waikato Regional Council
David Bryant	Hamilton City Council
Ben Smit	Otorohanga, Rotorua, Taupo, South Waikato and Waitomo District Councils
Gavin Ion	Waikato and Waipa District Councils
Rob Williams (resigning Feb. 2022 – replacement to be confirmed)	Hauraki, Matamata-Piako and Thames-Coromandel District

Under the constitution Peter Stubbs' appointment as Independent Chair is due for renewal. Management is engaging with shareholders on this matter. Rob Williams' resignation means no further election is required.

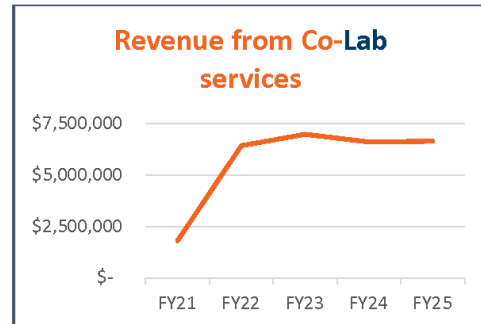
The independent Chair of Co-Lab receives director fees and reimbursed expenses. Directors representing the councils will not receive any fees or reimbursed expenses for work undertaken on behalf of the company.

Financials

Overview

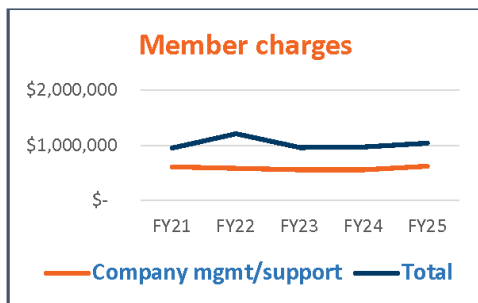
Service levels

Revenue from service levels significantly increases in the 2022 financial year (FY), being the first full year of activity for Co-Lab Water Services. There is a further increase in the FY23 with the planned launch of Co-Lab Learning and procurement support services.



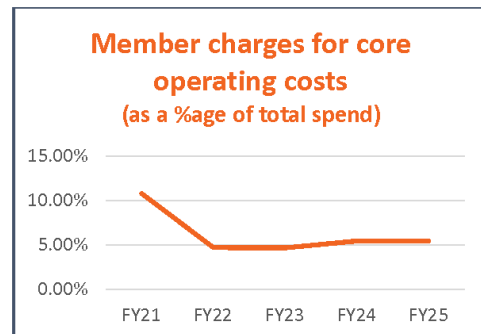
Member charges

Member charges are expected to remain flat throughout the forecast period.




Member charges to meet core operating costs (company management / support) remain largely flat throughout the forecast period (averaging ~5.1% of total expenditure). The drop from FY21 to FY22 in the graph below reflects the new Co-Lab Water Services offering.

While this offering increased the overall size of the company by revenue, it did not require additional company management. As we continue to gain momentum and bring new services on-line, we expect to see member charges continue to fall in percentage terms.




Statement of Financial Performance

Co-Lab Company Summary for the forecast financial years ended 30 June 2023-2025					
2021 SOI			2022 SOI		
	Budget 2021/22	Forecasted 2021/22	Budget 2022/23	Budget 2023/24	Budget 2024/25
Income					
Company Management / Support	1,391,159	1,342,664	1,419,684	1,429,293	1,458,488
Working parties projects	716,183	826,450	524,535	534,494	598,100
RITS	27,000	27,000	27,000	27,540	28,091
Information Technology	772,462	861,302	417,201	47,862	48,532
Energy Management	128,000	128,000	122,519	124,969	127,468
Shared Valuation Data Service (SVDS)	388,115	388,112	420,934	429,457	438,046
Road Asset Technical Accord (RATA)	2,231,000	2,235,611	2,102,055	1,713,376	1,649,671
Waikato Regional Transport Model (WRTM)	1,594,706	1,116,701	1,757,951	761,792	1,803,682
Waikato Building Consent Group	667,083	403,500	392,959	401,081	406,696
Waikato Mayoral Forum	5,000	5,000	5,000	5,000	5,000
Water Collaboration	752,500	540,000	682,400	644,074	660,789
WLASS Water Services	3,327,113	3,056,632	3,369,578	3,408,742	3,476,917
Learning and Development Shared Service (LDSS)	0		540,000	540,000	547,560
Procurement	0		176,150	190,018	195,718
Total Income	12,000,321	10,930,972	11,957,966	10,257,698	11,444,759
Operating Expenditure					
Company Management / Support	1,534,552	1,384,427	1,691,180	1,726,489	1,760,141
Working parties projects	979,195	957,510	525,035	534,626	598,234
RITS	27,000	27,000	27,000	27,540	28,091
Information Technology	847,833	832,804	414,455	43,962	44,578
Energy Management	127,900	126,679	122,519	124,969	127,468
Shared Valuation Data Service (SVDS)	351,195	281,345	325,893	335,045	344,459
Road Asset Technical Accord (RATA)	2,231,000	2,237,015	2,101,040	1,715,541	1,652,640
Waikato Regional Transport Model (WRTM)	1,594,706	1,102,118	1,757,951	761,792	1,803,682
Waikato Building Consent Group	617,083	391,168	392,959	401,081	409,863
Waikato Mayoral Forum	5,000	3,333	5,000	5,000	5,000
Water Collaboration	752,500	540,000	682,150	644,074	660,789
WLASS Water Services	3,268,219	2,973,351	3,159,485	3,197,954	3,261,913
Learning and Development Shared Service (LDSS)	0		503,000	503,060	510,121
Procurement	0		176,150	190,018	195,718
Total operating expenditure	12,336,183	10,856,749	11,883,817	10,211,152	11,402,698
Earnings before interest, tax and depreciation/ amortisation (EBITDA)	(335,862)	74,222	74,149	46,546	42,061
Depreciation / amortisation					
Company Management / Support	5,471	9,068	28,198	28,198	28,198
WBCG	0	405	-	-	-
WRTM	14,583	14,583	14,583	-	-
Total Depreciation / amortisation	20,054	24,056	42,781	28,198	28,198
Net Surplus (Deficit) before tax	(355,915)	50,166	31,368	18,348	13,863

We are budgeting a small profit in each year throughout the forecast period. As we have done in the past years, we will be reviewing our cash position prior to issuing the final Statement of Intent and if we are able to do so, will utilise any cash reserves to keep member charges to a minimum.

Statement of Financial Position

Co-Lab Financial Position for the forecast financial years ended 30 June 2022-2024					
	Budget 2021/22	Forecasted 2021/22	Budget 2022/23	Budget 2023/24	Budget 2024/25
CAPITAL					
Shares - SVDS	1,607,001	1,607,001	1,607,001	1,607,001	1,607,001
Shares - WRTM	1,350,000	1,350,000	1,350,000	1,350,000	1,350,000
Retained Earnings	(2,418,218)	(1,517,199)	(1,467,033)	(1,435,665)	(1,417,317)
Plus Current Year Operating Surplus/(Deficit)	(355,915)	50,166	31,368	18,348	13,863
TOTAL CAPITAL FUNDS	182,868	1,489,968	1,521,336	1,539,684	1,553,546
ASSETS					
CURRENT ASSETS					
Prepayments	178,900	134,000	134,000	136,680	139,414
Accounts Receivable	310,270	546,549	597,898	512,885	572,238
Bank	1,080,452	2,860,008	2,194,055	1,620,697	1,503,615
GST Receivable / (Payable)	124,224	(195,267)	7,827	8,671	8,761
TOTAL CURRENT ASSETS	1,693,846	3,345,289	2,933,780	2,278,933	2,224,028
NON-CURRENT ASSETS					
SVDS - Intangible Asset	0	0	0	0	0
WRTM - Intangible Asset	2,296,855	2,296,855	2,296,855	2,296,855	2,296,855
MoneyWorks Software	1,195	1,195	1,195	1,195	1,195
Accumulated Depreciation	(2,283,467)	(2,283,467)	(2,298,050)	(2,298,050)	(2,298,050)
IT Equipment & Office Furniture	19,000	92,469	140,065	140,065	140,065
Accumulated Depreciation - IT equipment & Office Furniture	(9,992)	(34,043)	(38,190)	(66,388)	(94,587)
TOTAL NON-CURRENT ASSETS	23,591	73,010	101,875	73,677	45,478
TOTAL ASSETS	1,717,438	3,418,299	3,035,655	2,352,610	2,269,506
LESS CURRENT LIABILITIES					
Accounts Payable	1,451,670	1,848,330	1,429,108	722,765	624,594
Accounts Payable Accrual	35,000	35,000	32,173	32,816	33,473
Employee Benefits	47,900	45,000	53,038	57,345	57,893
TOTAL CURRENT LIABILITIES	1,534,570	1,928,330	1,514,319	812,926	715,960
NET ASSETS	182,868	1,489,969	1,521,336	1,539,684	1,553,546

Statement of Cashflows

Co-Lab Statement of Cashflows for the forecast financial years ended 30 June 2022-2024		COLAB BETTER TOGETHER		
	Budget 2021/22	Budget 2022/23	Budget 2023/24	Budget 2024/25
Cashflows from Operating Activities				
Interest Received	500	2,000	2,040	2,081
Receipts from Other Revenue	11,937,767	11,904,616	10,340,671	11,383,325
Payments to Suppliers	(11,183,608)	(12,297,828)	(10,915,225)	(11,502,398)
Taxes Paid	0	0	0	0
Goods & Services tax (net)	(94,596)	(203,094)	(844)	(90)
Net cash from operating activities	660,063	(594,306)	(573,358)	(117,082)
Cashflows from Investing Activities				
Capital enhancements	0	0	0	0
Purchase of PPE	(13,408)	(71,647)	0	0
Purchase of investments	0	0	0	0
Net cash from investing activities	(13,408)	(71,647)	0	0
Net increase in cash, cash equivalents and bank accounts	646,655	(665,953)	(573,358)	(117,082)
Opening cash and cash equivalents and bank overdrafts	433,797	2,860,008	2,194,055	1,620,697
Closing cash, cash equivalents and bank accounts	1,080,452	2,194,055	1,620,697	1,503,615
Summary of Bank Accounts				
BNZ - Call a/c	1,080,452	2,194,055	1,620,697	1,503,615
Closing Balance of Bank	1,080,452	2,194,055	1,620,697	1,503,615

Appendix I: What we do - current activities

The principal initiatives operating under the Co-Lab umbrella are:

- Energy management
- Health & safety pre-qualification
- Joint procurement initiatives
- LiDAR
- Regional Asset Technical Accord (RATA)
- Regional Infrastructure Technical Specifications
- Waikato GIS tools: the Waikato Data Portal and Waikato One View
- Shared Valuation Data Services (SVDS)
- Waikato Building Consent Group (WBCG)
- Waikato Regional Aerial Photography Service (WRAPS)
- Waikato Regional Infrastructure Procurement (WRIP)
- Waikato Regional Transportation Model (WRTM)
- Co-Lab Water Services (CWS)

Energy management

WLASS entered into a three-year Collaboration Agreement with the Energy Efficiency Conservation Authority (EECA) in February 2016. Across the programme EECA provided funding of \$210,000. Implemented projects have delivered 3.62m kWh in energy reduction annually (as against a target of 2.5m kWh), saved \$446,000 per annum.

From 1 July 2019 a new energy and carbon management programme was entered into between WLASS and the nine participating councils. In the past 12 months there has been a shift in focus within the programme so that it now includes climate change initiatives.

The programme is currently being reviewed and a new programme of work presented to councils for implementation from 1 July 2022.

Health & safety pre-qualification

WLASS contracts with RJ Safety Consulting (previously SHE Software), to manage the Local Government Health & Safety Contractor Pre-qualification Scheme on behalf of councils. Twenty councils and one CCO are now using the scheme with approximately 1,600 contractors registered, which enables them to be pre-qualified to work for any of the participating councils.

Further detail on these activities and the councils involved in each can be found on the WLASS website at <http://www.waikatolass.co.nz/>.

Joint procurement initiatives

WLASS is a party to numerous joint procurement contracts between the company, shareholding councils and suppliers. Councils choose whether to be a party to a particular contract. Wherever possible we negotiate a syndicated contract with the supplier to allow additional councils to join later.

The most significant suite of contracts comprises the Professional Services Panel (PSP), involving eight councils and upwards of 150 suppliers. The current panel arrangement was established in August 2019. The PSP was reviewed by council Procurement Managers and Co-Lab in the second half of 2021 to assess how it was operating. Significant value is being realised by councils and the contractors – in time saved on procurement activity, and the cost of engagements. The review did identify areas for improvement and these will be progressed as projects in the first half of 2022.

In 2019 standard regional procurement policies, templates and procedures were developed for use by councils and procurement training provided to council staff.

LiDAR

WLASS is managing a project to create highly detailed 3D maps and models of the Waikato landscape using LiDAR (Light Detection and Ranging) technology. The project's start was delayed with Covid-19. However, flying commenced in January 2021. The project involves funding from ten councils plus several commercial companies and the Provincial Growth Fund (via LINZ). The project is expected to conclude with delivery of the final data sets is expected in FY23.

Regional Asset Technical Accord (RATA)

RATA was initially established as a centre of excellence for road asset planning in 2014. Waipa District Council employs RATA staff who are then contracted to provide services to WLASS.

The original aim of RATA was to achieve best practice in road asset management by improving capability, capacity and outcomes through effective collaboration.

The second half of 2021 saw the review of RATA's purpose, objectives and KPIs under the guidance of the RATA Advisory Group, and subsequently tested with council roading and water asset managers at an online RATA Forum. The updated RATA Purpose is to provide *"Good practice asset management to improve wellbeing of communities"*. Three updated objectives have been established:

- Alignment of asset management principles through COLLABORATION
- QUALITY OF DATA is trusted and is able to increase confidence in decision making by partner councils
- Increase SKILL and capability of partner council staff members.

Socialising these changes with council partners has indicated that Quality of Data is the most important of the RATA objectives. The RATA, Purpose, Objectives and KPIs have been established through a lens of both roading and waters.

The remainder of FY20/21 and FY22/23 will see the bedding in of these updated objectives together with new performance KPIs in partnership with member councils, as well as incorporating these principles into the renewed collaborative professional service contracts for Structure Asset Management Services (currently the bridge inspection professional service contracts).

Data collection and management activities will continue as before, assisting partner councils with management and support of their roading and waters asset management systems, and data cleansing activities. Knowledge sharing is planned to continue with the well supported RATA asset management forums across and beyond the Waikato. Strategic collaborations with REG, IPWEA and others will also continue, with RATA contributing to working and steering groups for the development and implementation of tools and initiatives aimed at improving asset management practice for our councils and nationally.

Key projects such as the Water Asset Data Quality Dashboard will continue, expanding and improving as the dashboard evolves. DATA collection collaborative contracts are nearing their final year and procurement activities will commence in mid 2022 for replacement contracts, looking to incorporate lessons learned from the current contracts and make improvements for our councils.

Regional Infrastructure Technical Specifications (RITS)

The RITS document sets out how to design and construct transportation, water supply, wastewater, stormwater and landscaping infrastructure. Prior to developing RITS, each Council had its own technical specifications for infrastructure resulting in different standards having to be met across the Waikato region. RITS provides a single regional guide, making business easier.

The RITS is published on the WLASS website (<http://www.waikatolass.co.nz/>), and ongoing maintenance of the document is the responsibility of a Project Co-ordinator, managed by WLASS.

Shared Valuation Data Service (SVDS)

This service provides timely and accurate valuation data to the participating councils. The SVDS has become the accepted valuation database for the region. Data sales significantly reduce the net cost to the participating councils. In the first half of 2020, the transition to a software-as-a-service arrangement with a new provider was completed further reducing cost to councils.

Waikato Building Consent Group (WBCG)

The WBCG was initially set up by five Waikato local authorities in 2004 to foster co-operation, collaboration and consistency in building functions, legislative interpretation and process documentation across the partnering councils. The activity transferred to WLASS on 1 July 2016 and now comprises eight councils.

The WBCG has developed a common quality assurance system with associated supporting documentation that meets the legislative requirements of the Building Act 2004 and the Building (Accreditation of Building Consent Authorities) Regulations 2006. These regulations cover all aspects of the operational management and compliance of a Building Consent Authority (BCA).

The Quality Manual underpinning each councils' processes and policies regarding compliance with BCA accreditation regulations was redesigned and implemented with each participating member.

Research and evaluation was completed on the accreditation assessment regime to assist councils with a submission to MBIE on proposed changes to the regime in order to increase value and ensure quality assurance practices aligns with the outcome of healthy and safe buildings.

Development opportunity was presented to the group on the integration of virtual inspections into their practices to free up capacity with critical staff.

Waikato Regional Aerial Photography Service (WRAPS)

WRAPS was set up in the 1990s for the supply of colour, digital, ortho-rectified, aerial photography for the Waikato Region. Photographs are captured periodically (~every 5 years). Most recently contracts were executed in December 2020 to undertake the latest programme, and urban photography was delivered in the second half of 2021.

Waikato Regional Infrastructure Procurement

WRIP is focussed on encouraging collaboration between the 12 Waikato councils for a regional, strategic approach to procurement and delivery of infrastructure and associated services. Councils have well-established contracts for roads and three waters so WRIP is focusing on specialist contractors that fall outside these contracts. WRIP is undertaking three joint procurements: the renewal of two RATA contracts for bridge inspections and other services, the establishment of a new contract for video inspection and condition analysis of waste and drinking water pipes, and structural bridge maintenance and minor upgrades. The rationale for joint procurement is more than cost savings, if the potential for savings exists, and includes administrative savings, cost certainty, cost visibility, efficiency, standardisation, and consistent supplier performance and risk management.

Waikato Regional Transportation Model (WRTM)

The WRTM became fully operational in February 2010. It provides accurate information to councils and to external users for their transport modelling requirements. The WRTM is the only recognised strategic transport modelling resource in the Waikato Region and is jointly funded by the Waka Kotahi.

The WRTM is entering an exciting new phase of expansion and improvement. The recently completed business case has set in motion a 9 year programme targeting more fit-for-purpose modelling tools for our region, leading to better informed decision-making for our infrastructure leaders. This future has a suite of complimentary tools rather than the current one-model-to-rule-them-all approach.

The current WRTM is subject to an improvement and update programme incorporating updated census information to create future planning scenarios for the Waikato. In parallel, procurement activities will commence in 2022 for a new Hamilton Transportation Model – a meso model covering the Hamilton metropolitan area and specifically designed to respond to the more detailed urban growth pressures experienced in one of our country's fastest growing metros.

Co-Lab Water Services (CWS)

Co-Lab Water Services are now providing one or more services to 9 Councils. These services are:

- **Sampling & Analysis** services to support the operation of three waters networks, treatment plants and Drinking Water Standards;
- **Trade Waste** management activities including assessing new applications, monitoring/auditing and providing invoicing data to Councils; and
- **Smart Water** drinking water education programmes to early childhood facilities and schools, commercial customers and the wider community.

Hamilton City Council employs CWS staff who are then contracted to provide services to Co-Lab.

Appendix II: Policy Statements

Statement of accounting policies

Reporting entity

Waikato Local Authority Shared Services Limited ("the Company") is a Company incorporated in New Zealand under the Companies Act 1993 and is domiciled in New Zealand. The company is a Council Controlled Organisation as defined under section 6 of the Local Government Act 2002 (LGA), by virtue of the shareholding councils' right to appoint the Board of Directors.

The primary objectives of the Company are to:

- Develop opportunities that benefit the Waikato region's local authorities; and
- Act as a vehicle to deliver value-added services to those local authorities.

The Company has designated itself as a public benefit entity (PBE) for financial reporting purposes.

Summary of significant accounting policies

Basis of preparation

Financial statements are prepared on the going concern basis, and the accounting policies are applied consistently throughout the period.

Statement of Compliance

Financial statements are prepared in accordance with the requirements of the LGA, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

Financial statements are prepared in accordance with and comply with Tier 2 PBE Standards reduced disclosure regime (RDR). WLASS is eligible to report under the RDR as it:

- is not publicly accountable; and
- has expenses more than \$2 million, but less than \$30 million.

The accounting policies set out below are consistent with the prior year, other than the inclusion of policy:

- on operating leases, related to the lease of commercial premises;
- employees; and
- property, plant and equipment.

Measurement base

The financial statements are prepared on a historical cost basis.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar unless otherwise stated. The functional currency of the Company is New Zealand dollars.

Goods and services tax

All items in the financial statements are stated exclusive of goods and services tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue (IR) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the cash flow statement.

Commitments and contingencies are disclosed exclusive of GST.

Critical accounting estimates and assumptions

In preparing the financial statements the Company makes estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no areas requiring estimate or assumptions made that are considered to carry a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Intangible assets

Useful lives and residual values

At each balance date the Company reviews the useful lives and residual values of its intangible assets. Assessing the appropriateness of useful life and residual value estimates of intangible assets requires the Company to consider a number of factors such as the expected period of use of the asset by the Company and expected disposal proceeds from the future sale of the future sale of the asset.

An incorrect estimate of the useful life of residual value will impact the amortisation expense recognised in the income statement and carrying amount of the asset in the balance sheet. The Company minimises the risk of this estimation uncertainty by reviewing that the asset technology is still relevant and there is no alternative options to recreate the asset at a lower price.

Impairment of intangible assets

Intangible assets measure at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is higher of an assets fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus deficit.

Revenue

Revenue

Revenue comprises the fair value of the considerations received or receivable for the sale of goods and services, excluding GST, rebates and discounts and after eliminating sales within the Company. No provisions have been recorded as all revenue and trade receivables are expected to be received.

Other Revenue

Member charges for all activities are recognised when invoiced to the user (i.e. councils). The recorded revenue is the net amount of the member charges payable for the transaction.

Contributions received for projects that were not completed in a financial year are recognised when the Company provides, or is able to provide, the service for which the contribution was charged. Until such time, contributions are recognised as liabilities.

Operating expenses

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Personnel costs

Defined contribution schemes

Employer contributions to KiwiSaver, the Government Superannuation Fund, and other defined contribution superannuation schemes are accounted for as defined contribution schemes and are recognised as an expense in the surplus or deficit when incurred.

Receivables

Short-term receivables are recorded at the amount due, less any provision for amounts not considered collectable.

Receivables are initially measured at nominal or face value. Receivables are subsequently adjusted for penalties and interest as they are charged and impairment losses. Non-current receivables are measured at the present value of the expected future cash inflows.

Debtors are amounts due from customers. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, with original maturities of three months or less, and bank overdrafts.

Income tax

Income tax expense includes components relating to both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable surplus for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable surpluses will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive income or directly in equity.

Intangible assets Other financial assets

Investments in bank deposits are measured at fair value plus transaction costs.

At each balance date the Company assesses whether there is any objective evidence that an investment is impaired. Any impairment losses are recognised in the income statement.

Payables and deferred revenue

Short-term creditors and other payables are recorded at their face value

Trade and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payable approximates their fair value.

Contributions received for projects that were not completed in a financial year are recognised as deferred revenue until the Company provides, or is able to provide, the service for which the contribution was charged.

Employee benefits liabilities

Short-term employee entitlements

Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay.

These includes salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent it will be used by staff to cover those future absences.

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation.

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation.

Presentation of employee entitlements

Sick leave, annual leave, vested long service leave, and non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date, are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Reconciliation of equity

Equity is the shareholders interest in WLASS and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

Contributed equity

Contributed equity is the net asset and liability position at the time the company was formed. The allocation of capital amongst shareholders is explained in this note.

Retained earnings

Retained earnings is the company's accumulated surplus or deficit since formation.

Council Report

Item 12

Committee: Economic Development Committee

Date: 01 March 2022

Author: David Bryant

Authoriser: Blair Bowcott

Position: General Manager People and Organisational Performance

Position: General Manager Growth

Report Name: WLASS/Co-Lab - additional shareholder and replacement HCC director on Co-Lab Board

Report Status

Open

Purpose - *Take*

1. To seek recommendations from the Economic Development Committee that the Council approves:
 - i. that Western Bay of Plenty becomes an additional shareholder in Waikato Local Authority Shared Services Ltd (trading as Co-Lab), and
 - ii. that the Council's director on the Co-Lab Board transitions from David Bryant to Lance Vervoort.

Staff Recommendation - *Tuutohu-aa-kaimahi* (Recommendation to the Council)

2. That the Economic Development Committee:
 - a) receives the report;
 - b) recommends that the Council approves that Western Bay of Plenty District Council (WBOP) becomes a shareholder of Co-Lab on the following basis:
 - i. WBOP is issued with one (1) ordinary share in the company, for a consideration of \$1,000, noting that the share will remain uncalled;
 - ii. WBOP signs a deed acceding to the Shareholders Agreement dated 5 October 2005;
 - iii. the constitution of the company is amended to reflect that WBOP will, together with Thames-Coromandel, Hauraki and Matamata-Piako District Councils, be entitled to appoint one representative to the company's Board;
 - iv. WBOP will contribute at the rate of 100% (as opposed to the 50% the other BOPLASS shareholding councils do, ie Rotorua and Taupo) to Company Management and Support costs, the Opportunity Development Fund and any other requests for funding in line with the formula previously agreed between the current shareholders; and
 - v. WBOP will contribute a proportionate share to the "value" of opportunities currently under development; and
 - vi. if the required 75% approval of the resolution details in paragraph 2. b) i. to v. above is received, authorise the Co-Lab Board and Chief Executive to:

- a. approach WBOP to establish whether they are willing to accept the offer on this basis; and
- b. if so, take the necessary actions to achieve the outcomes noted above; and
- c) recommends that the Council approves the transition of the Hamilton City Council-appointed director of Co-Lab from David Bryant, General Manager People & Organisational Performance to Lance Vervoort, Chief Executive Officer, by 31 March 2022.

Executive Summary - *Whakaraapopototanga matua*

- 3. Council has received a memo from Waikato Local Authority Shared Services Ltd trading as Co-Lab (Co-Lab) seeking a resolution from Hamilton City Council that Waikato Bay of Plenty District Council (WBOP) becomes a shareholder of Co-Lab (see **Attachment 1**).
- 4. The Chief Executive of Co-Lab, John Holyoake, notes that WBOP could simply participate in and contribute to Co-Lab; however, he believes it is fairer to existing councils that if WBOP is to participate in Co-Lab, then it should also contribute to the operational costs of the company.
- 5. WBOP would contribute towards 'Company Management and Support' and the 'Opportunity Development Fund', effectively decreasing the amount current councils pay.
- 6. The proposal requires 75% of existing shareholding councils, of which Hamilton City Council is one of twelve, to approve the resolution.
- 7. This report seeks a recommendation from the Economic Development Committee to Council to approve WBOP becoming a shareholder in Co-Lab.
- 8. This report also seeks Council approval for Hamilton City Council's appointed director of Co-Lab to transition from David Bryant to Lance Vervoort. David Bryant has been Council's director on Co-Lab since 30 June 2020, when he took over the role from Blair Bowcott.
- 9. The appointment to Co-Lab's Board enables Lance, as Council's new Chief Executive, to build strong regional relationships and influence transformational initiatives across the region and beyond.
- 10. A transition period up to 31 March 2022 is recommended to ensure a thorough transfer of information and that Co-Lab activities, the functioning of the Board, key relationships and Council's interests are maintained.
- 11. Staff consider the matters in this report have low significance and that the recommendations comply with the Council's legal requirements.

Background - *Koorero whaimaarama*

- 12. Co-Lab, previously known as Waikato Local Authority Shared Services (WLASS), was established in 2005 as a vehicle through which Waikato councils could collaborate and identify opportunities for undertaking activity on a shared basis. It is owned in equal portion by the 12 Waikato local authorities.
- 13. In recent years, Co-Lab has been going through changes to transform the company into a service delivery agent and strategic partner to the councils. This included changes to the board structure taking effect from 1 July 2019, reducing the board to six members – an independent chair, and five council directors representing:
 - i. Hamilton City Council;
 - ii. Otorohanga, Rotorua, Taupo, South Waikato and Waitomo District Councils;
 - iii. Waikato and Waipa District Councils;
 - iv. Waikato Regional Council;
 - v. Hauraki, Matamata-Piako and Thames-Coromandel District Councils.

14. Its focus is to identify, champion and drive new shared service delivery opportunities.

Discussion - *Matapaki*

Additional shareholder

15. Following a resolution at its November 2021 board meeting, Co-Lab, in its memo to Waikato council chief executives dated 15 December 2021 (**Attachment 1**), is now seeking a resolution from its shareholders that WBOP becomes an additional shareholder of Co-Lab.
16. The basis on which WBOP would become a shareholder is detailed in the staff recommendation (see 2. b) i–vi.)
17. Co-Lab's constitution and Stakeholders' Agreement allow for the introduction of a new shareholder. However, the Board structure would not change; rather, WBOP would be represented on the cluster currently made up of Hauraki, Matamata-Piako and Thames-Coromandel District Councils.
18. WBOP would contribute towards member charges for "Company Management and Support" and the "Opportunity Development Fund", just as the current councils do. However, WBOP becoming a shareholder does not increase the cost of running the company and so their contribution will decrease what the current councils pay.

Transition to new Council-appointed director

19. The proposed transition of the Council's director on the Co-Lab board to the Chief Executive Officer, Lance Vervoort, aligns with the company's focus on leading transformational change and driving new shared service delivery opportunities.
20. As current director, David Bryant would assist in the transition by ensuring a thorough transfer of information, and that Co-Lab activities, the functioning of the Board, key relationships and Council's interests are maintained.
21. It is recommended that the transition would be completed by 31 March 2022.

Options

22. The Committee has two options:
 - i. Approve the recommendations;
 - ii. Do not approve the recommendations.
23. Staff recommend option i.
24. If the Committee does not approve WBOP being added as a new shareholder, as long as 75% of shareholders approve, it will proceed; it does not require 100% shareholder approval. The Co-Lab Board recommends approving the additional shareholding, as do Council staff.
25. If the Committee does not approve the change in director, the status quo prevails, meaning that David Bryant remains as Hamilton City Council's director. All other directors on the Co-Lab Board are Council CEOs, apart from the independent chair, who is a non-council director. Co-Lab could appoint an independent director; however HCC needs to be represented, given that the work and outcomes of Co-Lab directly impact Council's organisational service delivery options.

Financial Considerations - *Whaiwhakaaro Puutea*

26. WBOP's becoming a shareholder will not increase the cost of running Co-Lab. As current councils do, WBOP would contribute towards 'Company Management and Support' and the 'Opportunity Development Fund', effectively decreasing the amount current councils pay.

27. As shown in **Attachment 1**, Q5 How would WBOP's introduction impact what I currently contribute to the company's operations?) if WBOP had been a shareholder from 1 July 2021, HCC's operational contribution would be \$10, 396.00 less for 'Company Management and Support' and \$4,438.00 less for the 'Opportunity Development Fund', for the current financial year.

Legal and Policy Considerations - *Whaiwhakaaro-aa-ture*

28. Staff confirm that the staff recommendations comply with the Council's legal and policy requirements.
29. The recommendation to transition to a new director representing Hamilton City Council is consistent with Clause 13.1 of the WLASS constitution.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

30. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
31. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report as outlined below.
32. The recommendations set out in this report are consistent with that purpose.
33. There are no social, environmental or cultural wellbeing considerations specific to this report.

Economic

34. Economic wellbeing is defined as the capacity of the economy to generate employment and wealth necessary for present and future financial security. The vision of Co-Lab is: "*Our Councils are maximising the value they provide to their communities*".

Risks - *Tuuraru*

35. There are no known risks associated with the decisions required for this matter.

Significance & Engagement Policy - *Kaupapa here whakahira/anganui*

Significance

36. Staff have considered the key considerations under the Significance and Engagement Policy and have assessed that the recommendation(s) in this report has/have a low level of significance.

Engagement

37. Given the low level of significance determined, the engagement level is low. No engagement is required.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Western Bay of Plenty shareholding in Co-Lab memo - 15 Dec 2021

To	Waikato council CEs
From	Kelvin French
Date	15 December 2021
Memo Title	WBOP Shareholding

CONTEXT

This memo follows a paper to the Board on the Western Bay of Plenty District Council's (WBOPs) expression of interest in becoming a shareholder of Waikato Local Authority Shared Services Ltd T/A Co-Lab (Co-Lab). That paper was shared with you at your most recent CE forum as the basis for a discussion on the matter.

At its November meeting the Co-Lab Board resolved to recommend to shareholders that WBOP become a shareholder.

RESOLUTIONS SOUGHT

By this memorandum, we are seeking shareholder resolution that:

- WBOP become a shareholder of Co-Lab on the following basis:
 - WBOP is issued with one (1) ordinary share in the company, for a consideration of \$1,000, noting that the share will remain uncalled;
 - WBOP signs a deed acceding to the Shareholders Agreement dated 5 October 2005;
 - The constitution of the company is amended to reflect that WBOP will, together with Thames-Coromandel, Hauraki and Matamata-Piako District Councils, be entitled to appoint one representative to the company's Board;
 - WBOP will contribute at the rate of 100%¹ to Company Management and Support costs, the Opportunity Development Fund and any other requests for funding in line with the formula previously agreed between the current shareholders; and
 - WBOP will contribute a proportionate share to the "value" of opportunities currently under development; and
- If the required 75% approval of the above resolution is received, authorise the Co-Lab Board and Chief Executive to:

¹ As opposed to the 50% the other BOPLASS shareholding councils (Rotorua and Taupo), do.

- Approach WBOP to establish whether they are willing to accept the offer on this basis; and
- If so, take the necessary actions to achieve the outcomes noted above.

ACTION REQUIRED

Can I ask that you please provide a response to the two resolutions sought by return email to me. If this is a matter that requires your Councillors' approval, can you please let me know when this matter will be presented to them so I can manage expectations.

As the matter was discussed at the last CE forum, I understand a further meeting of the shareholders is not required. However, if you feel one is necessary having considered this memo, please let me know and I will work with Tanya to arrange for that to happen.

QUESTIONS & ANSWERS

To facilitate your decision on whether to approve the introduction of WBOP as a shareholder in Co-Lab, I have provided additional information below in Q&A form. Also attached, for completeness are:

- The company constitution;
- The shareholders agreement.

Q1: Why does WBOP want to become a shareholder in the company?

John Holyoake (WBOP Chief Executive), sees real value in the opportunities we are developing. This is great news. WBOP could just participate in and contribute to the development of particular opportunities. However, John has said he thinks that it is fairer to existing councils that if he wants WBOP to participate, then it should also contribute to the operational costs of the company.

Q2: Do the company's Constitution and the Shareholders' Agreement allow for the introduction of a new shareholder?

Yes they do.

Under Clause 6.1 of the company's Constitution, ordinary shares may be issued by the Board if it has been approved by a special resolution of the ordinary shareholders (i.e. with 75% approval). The issue of 1 share will mean that WBOP will have the same entitlement as the current shareholders.

Clause 7 of the Shareholders' Agreement specifically contemplates the introduction of a new shareholder and requires that shareholder to execute a Deed of Accession agreeing to be bound by the Shareholders' Agreement.

Q3: Will WBOP's introduction change the Board structure?

No. Currently, each shareholder is represented on the Board by a Council Representative Director. The recommendation is that WBOP would join the Eastern cluster, currently made up of Thames-Coromandel, Hauraki and Matamata-Piako districts, and therefore would be represented on the Board by Rob initially.

Q4: Why should the ordinary share only be valued at \$1,000 – based on the 2021 annual report the net assets of the company are \$1.2m?

While we haven't sought a formal valuation of the company, we have discussed the value of the ordinary shares with the Corporate Finance Partner at PwC who considered \$1,000 an appropriate price (on the basis that it is the same price as the ordinary shares already on issue).

This share price is intuitively correct for the following reasons:

- Share value should reflect the current value of future dividend income. The company does not pay dividends and therefore you would expect the share to have only a nominal value. The company may pay dividends in the future, although that is not its purpose - budgets are set each year to ensure the company remains financially viable, but nothing more. Historically, we have reduced member charges to instead utilise cash reserves, where we have had the opportunity. Over time, we position the company to 'break even';
- While the company's net assets are ~ \$1.4m, this is represented by cash on hand – essentially funding provided by participating councils for specific activities which, at that point in time, had not been spent. Were the company to be wound up tomorrow, those funds would be rebated back to the councils who had provided the funds because they had not been used for the purpose intended. There would then be no surplus assets on wind up. WBOP would not be entitled to any of the funds reflected by the current financial position because it hasn't contributed anything to date;

Note that the ordinary share value is not reflective of the 'value' inherent in the work done to date on opportunities under development (refer Q7), nor on services we provide to councils (refer Q6).

Q5: How would WBOP's introduction impact what I currently contribute to the company's operations?

If WBOP becomes an ordinary shareholder of Co-Lab they would contribute towards member charges for "Company Management and Support" and the "Opportunity Development Fund", just as the current councils do. However, WBOP becoming a shareholder doesn't increase the cost of running the company and so their contribution will decrease what the current councils pay.

Shareholders have previously agreed that contributions to the company, in the absence of a more appropriate basis, would be determined using the following allocation basis:

- 25% fixed across all councils; and
- 75% allocated with reference to the size of the council (having regard to budgeted operating expenditure).

On that basis WBOP would contribute 8.3%. As an example, if WBOP had been a shareholder from 1 July 2021, the difference in operational contributions for the current financial year would be as follows:

Company Management and Support			
Council	Status Quo	With WBOP	Variance
Hamilton City	131,200	120,804	(10,396)
Waikato Regional Council	79,383	73,068	(6,315)
Hauraki District	29,046	26,697	(2,349)
Matamata-Piako District	35,479	32,624	(2,855)
Otorohanga District	23,875	21,934	(1,941)
Rotorua Lakes	33,911	31,209	(2,702)
South Waikato District	29,677	27,278	(2,399)
Taupo District	24,525	22,563	(1,962)
Thames-Coromandel District	53,652	49,365	(4,287)
Waikato District	65,432	60,217	(5,215)
Waipa District	53,028	48,790	(4,238)
Waitomo District	26,392	24,253	(2,139)
Western BOP District	-	46,799	46,799
Total	585,600	585,600	-

Opportunity Development Fund			
Council	Status Quo	With WBOP	Variance
Hamilton City	56,011	51,573	(4,438)
Waikato Regional Council	33,889	31,194	(2,696)
Hauraki District	12,400	11,397	(1,003)
Matamata-Piako District	15,147	13,927	(1,219)
Otorohanga District	10,193	9,364	(829)
Rotorua Lakes	14,477	13,323	(1,153)
South Waikato District	12,669	11,645	(1,024)
Taupo District	10,470	9,632	(838)
Thames-Coromandel District	22,905	21,075	(1,830)
Waikato District	27,934	25,707	(2,226)
Waipa District	22,638	20,829	(1,809)
Waitomo District	11,267	10,354	(913)
Western BOP District	-	19,979	19,979
Total	250,000	250,000	-

Q6: How would WBOP's introduction impact what I currently pay for services like RATA and Co-Lab Water Services?

Generally, there should be no impact on what you are charged for services you receive from Co-Lab. Certainly, the charges will not increase. They may go down if WBOP choose to take up a service offering and we are able to deliver that service to them without additional resources. If that is the case, then the recovery of existing costs could be spread across more councils, reducing what each needs to pay.

Q7: Waikato councils have contributed a lot of resource to get the company to where it is today, and to the development of opportunities. Shouldn't WBOP be charged in some way for that?

For initiatives/activities that WBOP become involved with which are 'in progress', we will be asking them to contribute an initial payment using an agreed mechanism to reflect the 'value' of the work to date. How that value is quantified will be a matter for negotiation between Co-Lab and WBOP. The example where this has occurred previously is with Rotorua Lakes Council (RLC) when they adopted RITS². In that case, because there was a completed 'product', RLC paid a 'joining fee' equal to what they would have contributed to the development of the RITS had they been involved from the outset – they are essentially "buying the product".

They would also contribute to other activities to the extent they are involved (e.g. if they become a member of the various working parties).

We do not propose they make an initial contribution to take up service offerings (such as RATA and Water Services). They were not part of the decision to establish those services and haven't received the benefit of them to date. They will however pay for the services like any other councils, should they take them up.

Q8: If we are looking to introduce WBOP as a shareholder, why don't we make the offer to other councils as well?

WBOP are interested in becoming a shareholder now. It would be unfortunate if they lost interest because the decision-making process became more protracted, which is a risk with considering a shareholding offer to other councils as well.

Of course, WBOP becoming a shareholder doesn't preclude that broader discussion and this is something the Board will be considering at its Strategy Day.

Q9: If WBOP become a shareholder that means that 3 of the 7 councils who have shares in BOPLASS will also be shareholders in Co-Lab. Why don't we just merge the two companies?

² RITS (Regional Infrastructure Technical Specifications) is a document that sets out how to design and construct transportation, water supply, wastewater, stormwater and landscaping infrastructure in the participating councils' areas

You will recall that merging the two entities was something councils were considering back in 2017-18. Those deliberations pre-dated my involvement with Co-Lab, although I understand that they didn't progress because it wasn't a priority at the time.

Merging the two entities *may* make sense, although the merits or otherwise are something that would need to be worked through and will take time. Like making a shareholding offer to other councils, the decision regarding WBOP obviously doesn't preclude a discussion on a possible merging of the entities in the future, if that is something you wish to progress. This is something the Board will be considering at its Strategy Day.

Q10: It can be difficult getting Waikato councils to unanimously agree on opportunities already – won't introducing another shareholder make this even harder?

No. The Board, as always, ultimately makes decisions on what opportunities to progress. They of course take shareholder feedback into consideration when making those decisions. Shareholders also agreed that *all* councils would contribute to the development of those opportunities the Board saw as being a priority – Co-Lab's "priority projects". More recently, that contribution is by way of the Opportunity Development Fund.

The change shareholders made to the board structure in 2019 means that shareholders are now represented by five Council Representative Directors. As noted in Q3 above, the recommendation is that the Board structure not change as a result of WBOP becoming a shareholder, so the number of "decision-makers" is unchanged.

While the Board decide what opportunities to progress, once the business case has been developed for that opportunity, it is entirely up to each individual council whether they wish to take up the product or service being proposed.

Council Report

Item 13

Committee: Economic Development Committee

Date: 01 March 2022

Author: Justin Wittstock

Authoriser: Tracey Musty

Position: Financial Accountant

Position: Financial Controller

Report Name: Civic Financial Services Limited - Statement of Intent 31 December 2022

Report Status	<i>Open</i>
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Purpose - *Take*

1. To inform the Economic Development Committee of personnel changes on the board of Civic Financial Services Limited and to approve the Statement of Intent 31 December 2022.

Staff Recommendation - *Tuutohu-aa-kaimahi*

2. That the Economic Development Committee:
 - a) receives the report; and
 - b) approves the Civic Financial Services Limited Statement of Intent 31 December 2022.

Executive Summary - *Whakaraapopototanga matua*

3. Civic Financial Services Limited (Civic) have 72 local authority shareholder members as well as TrustPower (holding 1.22%).
4. Local Government Superannuation Trustee Limited and Local Government Mutual Funds Trustee Limited are wholly owned subsidiaries of the Company.
5. Civic has advised Council of the recent retirement of two long standing directors and subsequent appointment of two new directors.
6. Tony Marryatt retired as director on 2 December 2021. Nicola Mills, General Manager, Financial & Business Performance, Auckland Council, has filled the vacancy created by Tony Marryatt's retirement and took up her appointment as a director with effect from 14 January 2022.
7. Tony Gray retired as director on 3 December 2021. Craig Stevenson, Chief Executive of New Plymouth District Council, has filled the vacancy created by Tony Gray's retirement and took up his appointment as a director with effect from 3 December 2021.
8. The Statement of Intent (SOI) sets out Civic's key performance targets and corporate goals at 31 December 2022.
9. The SOI requires the approval of the Economic Development Committee.
10. Staff consider the matters in this report to have low significance and the recommendations comply with the Council's legal requirements.

Discussion - *Matapaki*

11. Civic's corporate goals remain in line with those of the prior year's SOI:
 - i. To operate as a sound and successful business;
 - ii. To be the primary supplier of superannuation and risk-financing services to the local government sector; and
 - iii. To investigate and facilitate, as appropriate, new products and markets in superannuation and risk-financing and such other markets that it believes could prove beneficial to its shareholders and the local government sector.
12. The key performance targets are discussed under Financial Considerations.

Financial Considerations - *Whaiwhakaaro Puutea*

13. Financial projections for 2022 to 2024 continue to show a surplus after tax. This has decreased from the prior year's projections.
14. Performance targets and measures remain in line with the prior year's SOI:
 - i. To provide superannuation services to at least 90% of local authorities; and
 - ii. To continue to be an efficient and effective administration manager for LAPP, Riskpool, CLP and CPP.

Legal and Policy Considerations - *Whaiwhakaaro-aa-ture*

15. Staff confirm that the recommendation to approve the SOI complies with the Council's legal and policy requirements.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

16. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
17. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report.
18. The recommendations set out in this report are consistent with that purpose.
19. There are no social, environmental or cultural wellbeing considerations specific to this report.

Economic

20. Economic wellbeing is defined as the capacity of the economy to generate employment and wealth necessary for present and future financial security. A corporate goal of Civic is: "To investigate and facilitate, as appropriate, new products and markets in superannuation and risk-financing and such other markets that it believes could prove beneficial to its shareholders and the local government sector."

Risks - *Tuuraru*

21. There are no known risks associated with this matter.

Significance & Engagement Policy - *Kaupapa here whakahira/anganui*

Significance

22. Having considered the Significance and Engagement Policy, staff have assessed that the matters in this report have a low level of significance.

Engagement

23. Given the low level of significance determined, the engagement level is low. No engagement is required.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Letter to Shareholders

Attachment 2 - Statement of Intent 2022

Lance Vervoort
 Chief Executive
 Hamilton City Council
 Private Bag 3010
 HAMILTON 3240

09 December 2021

Kia ora Lance,

Civic Financial Services- Statement of Intent for 2022

Please find enclosed your copy of Civic's Statement of Intent for 2022.

Civics' income comes from two sources, providing administration services and investment income. The main income source from our administration services comes from supporting our two superannuation schemes (SuperEasy and SuperEasy KiwiSaver Superannuation Scheme) and additionally supported by administration services to LAPP, Riskpool, Civic Liability Pool and Civic Property Pool.

As stated in our 2021 Statement of Intent; to support and enhance Civic's primary source of income from providing administration services to its SuperEasy and SuperEasy KiwiSaver Superannuation Schemes, Civic will not be paying a dividend to its shareholders. We will be using the funds that would otherwise be provided as dividends by way of applying this as a reduction to the management fees for the members of these schemes.

We are very pleased to announce a further reduction in the schemes' base investment management fee from 1 April 2022 from a rate of 0.40% per annum to 0.37% per annum.

Civic (through its SuperEasy and/or SuperEasy KiwiSaver Scheme) provides superannuation services to 76 councils, has over 11,000 members and funds under management of over \$530 million. Of the councils that have a preferred provider for KiwiSaver, 69 out of 73 (94%) have appointed Civic.

Although I have managed to visit several Councils which has been awesome, it is my intention to meet with you all in person in the early part of next year.

Thank for your continued support and I look forward to working with you in 2022.

Ngā mihi



Charlie Howe
 Chief Executive
 Email: charlie.howe@civicfs.co.nz

CIVIC FINANCIAL SERVICES LIMITED

STATEMENT OF INTENT

FOR THE YEAR ENDED 31 DECEMBER 2022

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1.0 Mission Statement

Mission Statement of Civic Financial Services Ltd
To provide superannuation and risk-financing solutions to the local government sector

2.0 Corporate Goals

The specific goals of the Company are:

- 2.1 To operate as a sound and successful business.
- 2.2 To be the primary supplier of superannuation and risk-financing services to the local government sector.
- 2.3 To investigate and facilitate, as appropriate, new products and markets in superannuation and risk-financing and such other markets that it believes could prove beneficial to its shareholders and the local government sector.

3.0 Nature and Scope of Activities

- 3.1 The Company administers superannuation services for local government and local government staff via SuperEasy and the SuperEasy KiwiSaver Superannuation Scheme.
- 3.2 The Company provides administration, accounting, and a range of other services to LAPP, Riskpool, CLP (Civic Liability Pool) and CPP (Civic Property Pool).
- 3.3 The Company investigates and facilitates as appropriate such new superannuation and risk-financing services and/or markets that it believes will prove beneficial to its shareholders and the local government sector.
- 3.4 In a modest and selective way the Company provides sponsorship for a range of local government activities at regional and national level.

Civic Financial Services Ltd

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4.0 Financial Projections

Civics' projected profit outlook over the next three years is shown in the tables below.

Civics' main revenue streams will come from two sources: fees from providing administration services and investment income.

Profits from providing administration services: Civics' primary source of income in 2022 will come from providing superannuation services for local government and local government staff via the SuperEasy and the SuperEasy KiwiSaver Superannuation Schemes, supported by administration, accounting, and a range of other services to LAPP, Riskpool, Civic Liability Pool and Civic Property Pool.

Profits from investment income: Civics' income in 2022 other than from providing administration services will come solely from investment income.

Dividends: Civic with the support from the 2020 Special General Meeting has resolved not to pay any dividends to the shareholders. The funds that could otherwise be provided as dividends will be applied to affect a reduction to the Management fees for members of the SuperEasy and SuperEasy KiwiSaver Superannuation Schemes. That practice will in turn provide greater benefits for the Schemes members.

Fee reduction for our SuperEasy and SuperEasy KiwiSaver Superannuation Schemes: For the reasons described above we will be reducing the schemes' base investment management fee from 1 April 2022 from a rate of 0.40% per annum to 0.37% per annum. This reduced fee structure has been taken into consideration and is reflected in the projections below.

Financial projections for 2022 to 2024 are:

	2022	2023	2024
Administration Income	\$2,423,497	\$2,473,855	\$2,480,892
Investment Income	\$121,225	\$124,000	\$129,000
Revenue	\$2,544,722	\$2,597,855	\$2,609,892
Expenses	\$2,301,209	\$2,362,501	\$2,400,903
Surplus before tax	\$243,512	\$235,355	\$208,989
Surplus after tax	\$175,329	\$169,455	\$150,472

Please note that these are projections, not firm predictions.

5.0 Performance Targets and Measures

- 5.1 We aim to provide superannuation services to at least 90% of local authorities.
- 5.2 We plan to continue to be an efficient and effective administration manager for LAPP, Riskpool, CLP and CPP.

6.0 Reporting to Shareholders

- 6.1 We will provide an audited annual report for the 2021 year by 30 April 2022.
- 6.2 We will provide a report on the first half of 2022 by 30 September 2022. The report will contain a review of the Company's operations during the half year and unaudited half-yearly accounts.

7.0 Acquisitions/Disposals

Any acquisition or disposal that is equivalent to 50% or more of the Company's assets will constitute a "major transaction" under the Company's constitution and approval of the shareholders will be sought in accordance with the constitution. Any acquisition that is equivalent to 25% or more but less than half of the Company's assets will constitute a "minor transaction" under the Company's constitution and consultation with shareholders will take place.

8.0 Transactions with Related Parties

The Company has 72 local authority shareholder members plus TrustPower (holding 1.22%). Local Government Superannuation Trustee Limited and Local Government Mutual Funds Trustee Limited are wholly owned subsidiaries of the Company. Because it is sharing management resources, the Local Authority Protection Programme (LAPP), Riskpool, CLP and CPP are also considered to be related parties. Transactions with shareholder members include risk-financing services and superannuation related financial services.

Charges to and from shareholder members will be made for services provided as part of the normal trading activities of the Company and its subsidiaries. Transactions with shareholder members are on a wholly commercial basis.

***** END *****

Civic Financial Services Ltd

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Council Report

Item 14

Committee: Economic Development Committee

Date: 01 March 2022

Author: Amy Trigg

Authoriser: Blair Bowcott

Position: Senior Policy Analyst

Position: General Manager Growth

Report Name: International Relations Update

Report Status	Open
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Purpose - *Take*

1. To update the Economic Development Committee on the latest work on the Council's international relations and sister city relationships.

Staff Recommendation - *Tuutohu-aa-kaimahi*

2. That the Economic Development Committee receives the report.

Executive Summary - *Whakaraapopototanga matua*

3. Hamilton Kirikiriroa has four sister cities – two in China, one in Japan and one in the United States – as well as a friendship city in Belgium.
4. This quarterly report provides an update on key actions to reinvigorate these relationships, and proposed actions for the next quarter.
5. The general purpose of our current engagement is to lay groundwork and build relationships ahead of the return of international travel. We have done this via online means including email and video conferencing as well as sharing video imagery of Hamilton with our counterparts.
6. This report also covers:
 - i. The appointment of Eastern Bridge to support our sister city relationships in China;
 - ii. an update on the diplomatic study tour; and
 - iii. a general update on our activity with each sister city since the last quarterly update in late-November 2021.
7. Staff consider the matters in this report have low significance and that the recommendation complies with the Council's legal requirements.

Discussion – *Matapaki*

8. The Council has four existing sister city relationships:
 - i. Saitama, Japan – formalised 14 May 1984
 - ii. Wuxi, People's Republic of China – formalised 15 July 1986
 - iii. City of Sacramento, United States of America – formalised 25 May 1989
 - iv. Chengdu, People's Republic of China – formalised 6 May 2015.

9. The Council also has a friendship city relationship with Ieper (Ypres), Belgium that was formalised on 5 February 2015.
10. This report provides an update on our work to examine and reinvigorate our four formal sister city relationships, as these have broad potential scope for engagement, as well as to establish a framework to manage and expand the relationships.

General update on activities

Eastern Bridge

11. In the November 2021 international relations report to the Economic Development Committee, staff outlined the opportunity to increase support for our sister city relationships in China through engaging with Eastern Bridge, an international relationships management and marketing company based in Hawke's Bay and with representation in the Waikato. Eastern Bridge was founded in 2014 to support local councils manage their sister-city partnerships and leverage economic opportunities from their Asian engagements.
12. This engagement commenced in early 2022 and will continue for the remainder of the 2021-22 financial year. They will help drive forward our engagement with our two Chinese sister cities and provide strategic advice on the various opportunities ahead of us, leveraging their significant expertise and contacts in China.
13. They will also engage with local partners and stakeholders with a connection to our sister cities, such as business groups, community organisations and our tertiary education institutions. Their work will also build on our wider economic development work, on which consistent messaging is important.

Diplomatic Study Tour

14. Staff, led by Mike Bennett, have been working with the Ministry of Foreign Affairs and Trade (MFAT) to coordinate a study tour in Hamilton for Heads of Diplomatic Missions representing approximately 50 countries.
15. Originally planned for November 2021, the tour was rescheduled for March 2022. Due to ongoing uncertainty and guidelines presented in the Covid-19 Protection Framework, MFAT has postponed the tour until later this year. More detail on this work is provided in the General Manager's Report.

Update on Sister City Engagement

Wuxi and Chengdu

16. Our engagement with Eastern Bridge could open up exciting opportunities in Chengdu and Wuxi. Eastern Bridge has an office in Wuxi and strong connections within the Chengdu business community.
17. Staff have connected Eastern Bridge to our sister city counterparts in Wuxi and Chengdu. Eastern Bridge is also working on a strategic analysis of key opportunities and strengths that can be built upon and leveraged between Hamilton, Wuxi and Chengdu.
18. Eastern Bridge will also continue to support actions that are already underway, including the commemoration of the 35th anniversary of our relationship with Wuxi, and the potential opportunity for a tripartite relationship between Chengdu, Gold Coast and Hamilton.
19. Mayor Southgate has been invited to give a keynote address at an online sister city conference hosted by Wuxi in the coming weeks. The conference theme is international cooperation in the post-pandemic era.

Saitama

20. In keeping with Japanese views on the role of sister cities, engagement with Saitama to date has been focused on cultural exchanges rather than economic interests.
21. Before Christmas 2021, Cr Hamilton and Amy Trigg met with representatives from Saitama to discuss the possibility for a regular online citizens exchange. The exchange will allow citizens from both cities to meet and discuss and share perspectives on different topics over video call, with the help of interpreters. Further planning to establish the exchange will occur.
22. This exchange complements the annual student exchange between Melville Intermediate and Saitama school students, which was set to be held online in August 2021 but was cancelled due to the Covid-19 lockdown.
23. Work is also ongoing to schedule a commemoration for the 35th anniversary of our relationship with Saitama and to investigate the potential for future sports exchanges.

Sacramento

24. Engagement with Sacramento to date has indicated the relationship is likely to focus on economic interests, including business-to-business relationships as well as connections between our tertiary education providers.
25. Staff have engaged with Sacramento, who have shared their electric vehicle (EV) progress report with us and have offered to meet to discuss the work they are doing on EVs. Staff are reviewing this and plan to meet with City of Sacramento staff to discuss the work.

Financial Considerations - *Whaiwhakaaro Puutea*

26. Our engagement with Eastern Bridge is being funded from within the General Manager of Growth's delegation.
27. This is a relatively modest cost for the 2021-22 financial year, as we consider the potential for a more substantive ongoing relationship in future years.
28. There will be an opportunity to discuss this further through the Annual Plan process.
29. There are no other costs associated with the matters discussed in this report.

Legal and Policy Considerations - *Whaiwhakaaro-aa-ture*

30. There are no legal or policy considerations in relation to this report.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

31. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
32. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report as outlined below.
33. The recommendations set out in this report are consistent with that purpose.

Social

34. Social interactions between the communities of each sister city build on the civic relationship between the local governments, leading to wider trust and understanding in the community. They often provide unique opportunities, such as the annual school visit of students from Saitama to Melville Intermediate.

Economic

35. Sister city relationships can generate economic benefits. The potential for these relationships to develop is typically built on a foundation of mutual trust developed at the civic level and strengthened by community interaction and exchange.
36. Some examples of the types of benefits that can arise from these relationships are:
 - i. establishing business contacts
 - ii. providing a gateway into new markets and product lines
 - iii. enhancing the overseas reputation of both individual firms, and New Zealand as a whole – giving businesses a competitive edge
 - iv. reducing transactions and search costs in business negotiations
 - v. attracting foreign-fee-paying students
 - vi. facilitating knowledge and technology sharing and joint research
 - vii. increasing tourism.

Environmental

37. Our current sister city relationships do not specifically focus on shared environmental outcomes, but this is an emerging area we are exploring. Knowledge sharing regarding electric vehicles is one topic we are exploring with Sacramento, to look at ways we might adopt, incentivise or leverage other municipal mechanisms to support transition.
38. Other potential topics include primary sector knowledge sharing and the increase in farm-to-table food sourcing.

Cultural

39. Cultural relations underpin all sister city relationships. They build trust between the cities and show the genuine commitment to an enduring relationship.
40. The relationships provide opportunities for Hamiltonians to understand, appreciate and celebrate other cultures as well as to share New Zealand culture with our sister cities.

Risks - *Tuuraru*

41. There are no known risks associated with this matter.

Significance & Engagement Policy - *Kaupapa here whakahira/anganui*

42. Having considered the Significance and Engagement Policy, staff have assessed that the matters in this report have low significance and no engagement is required.

Attachments - *Ngaa taapirihanga*

There are no attachments for this report.

Council Report

Item 15

Committee: Economic Development Committee

Date: 01 March 2022

Author: Sean Murray

Authoriser: Sean Murray

Position: General Manager Venues, Tourism and Major Events

Position: General Manager Venues, Tourism and Major Events

Report Name: Event Sponsorship Activity - Policy Review and Fund Update

Report Status	<i>Open</i>
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Purpose - *Take*

1. To seek the Economic Developments Committee recommendation that the Council approves the Event Sponsorship Policy, which has recently been reviewed by staff and includes some minor updates.
2. The report will also provide an update to the committee on the associated Event Sponsorship Fund for the 2021/22 financial year. The application of the fund is governed by the Event Sponsorship Policy.

Staff Recommendation - *Tuutohu-aa-kaimahi* (Recommendation to the Council)

3. That the Committee:
 - a) receives the report; and
 - b) recommends that the Council approves the draft Event Sponsorship Policy (as set out in **Attachment 1** of the staff report).

Executive Summary - *Whakaraapopototanga matua*

4. Council's Event Sponsorship Policy is due for a scheduled review in 2022.
5. It was fully reviewed in 2016, when the policy was updated to reflect the current operating and highly contestable environment for the application of Council's Event Sponsorship Fund.
6. Staff are proposing the policy is retained in its current state other than some minor text updates as it is seen as fit for purpose.
7. This report also provides a short update on related Event Sponsorship Fund (governed by the policy) in relation to Covid-19 for the current financial year. Some sponsored events have been impacted and there are processes in place to support event organisers, balanced against Council's sponsorship benefits received.
8. Staff consider the matters in this report have low significance and that the recommendations comply with the Council's legal requirements.

Discussion - *Matapaki*

9. The purpose of the Event Sponsorship Policy is to set the strategic alignment and operating framework for the Event Sponsorship Fund and the application and approval process.

10. The policy's main driver is to strengthen the use of the fund for broader economic development goals, notably Hamilton's profile building and subsequent new business attraction, while recognising that community benefits accrue as a result. In most recent times this has resulted in sponsorship decisions increasingly being made in favour of events that are more beneficial to the community via engagement and activation.

Policy Review

11. Staff have reviewed the policy and have concluded that the Event Sponsorship Policy is fit for purpose, working well and only requires minor updates.
12. The reviewed policy continues to reflect the current operating and highly contestable environment for the application of Council's Event Sponsorship fund. There is an added view that that current Covid-19 landscape further supports the minor updates, rather than any major changes to Council's approach to event sponsorship currently.
13. A tracked changed policy is attached as **Attachment 1**.
14. In the medium term this policy would require a review if Council wished to dramatically lift its sponsored investment funding, an extraordinary opportunity presented itself and / or the city benefited from a notable lift in commercial accommodation options.

Event Sponsorship Fund 2021/22: Covid-19 Update

15. Staff have been asked to give an update on the associated Event Sponsorship Fund for 2021/22 and the processes in place for application of Council's funding and Covid-19 related event interruptions.
16. As reported back to this committee 2020 and 2021, each year has seen an element of interruption due to the impact of Covid-19 on event organisers and their ability to plan, fund and execute their events.
17. Council's standard sponsorship agreement templates include:
 - i. *The provision of a cancellation clause – entitling council to a refund of monies paid as sponsorship compared to benefits received verses all costs associated with the event*
 - ii. *Payment scheduling of 80% of approved sponsorship upon execution with the 20% balance paid post event subject to the successful staging and outcome of the event as contracted and delivery of a satisfactory post event report.*
 - iii. *An agreement term within the relevant financial year*
18. In practice, staff have been talking with event organisers and entering into the sponsorship agreements based on resolved decisions to fund and the Covid-19 landscape at the time. All payments made are done so on the understanding the event can take place under guidelines.
19. When a change to the alert level (2020 & 2021) or traffic light (late 2021 - present) has resulted in an outright cancellation, a reduced format event or rescheduling the event from that financial year, event organisers and staff meet to discuss the benefits received and whether any refund of sponsorship funds (if the 80% funding has been paid) is achievable.
20. For 2021/22, as the financial year is still progressing, a number of these conversations are still underway.
21. At the writing of this report, due to confirmed and potential yet unconfirmed event cancellations (Dec 2021 – June 2022) this may result in budget underspend at 2021/22-year end of approximately \$100k.
22. A full update on will be provided to the 24 May 2022 Economic Development Committee meeting.

Financial Considerations - *Whaiwhakaaro Puutea*

- 23. This is a regular operating activity funded through the Long-Term Plan.
- 24. Council's Event Sponsorship Fund is budgeted at \$419K in 2022/23.

Legal and Policy Considerations - *Whaiwhakaaro-aa-ture*

- 25. Staff confirm that the staff recommendation complies with the Council's legal and policy requirements.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

- 26. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
- 27. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report as outlined below.
- 28. The recommendations set out in this report are consistent with that purpose.

Social

- 29. A policy that drives event activity helps promote social opportunities for Hamiltonians and visitors to the city to enjoy and participate in, creating a vibrant and diverse city.

Economic

- 30. A policy that drives event activity brings economic return to the city by way of new visitor expenditure that would not otherwise come to Hamilton and increased use of local business suppliers employed to provide services to support event activity.

Environmental

- 31. There are no known environmental impacts in relation to this activity.

Cultural

- 32. A policy that drives event activity helps promote cultural events and awareness of our heritage and history for Hamiltonians and visitors to the city to enjoy and participate in.

Risks - *Tuuraru*

- 33. There are no known risks associated with the decisions required for this matter.

Significance & Engagement Policy - *Kaupapa here whakahira/anganui*

Significance

- 34. Staff have considered the key considerations under the Significance and Engagement Policy and have assessed that the recommendation(s) in this report has/have a low level of significance.

Engagement

- 35. Given the low level of significance determined, the engagement level is low. No engagement is required.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Event Sponsorship Policy 2022 - Draft with track changes

First adopted:	April 2013
Revision dates/version:	2 April 2019 1 March 2022
Next review date:	2 April 2022 1 March 2025
Engagement required:	
Document number:	D-791069
Associated documents:	n/a
Sponsor/Group:	Venues, Tourism and Major Events Group

Event Sponsorship Policy

Purpose and scope

1. The purpose of this Policy is to provide guidelines and criteria for the [Community-Economic Development](#) Committee to allocate its funding resource.
2. This Policy seeks to ensure best value for Council's investments in event sponsorships by providing easy to understand, fair and transparent decision-making criteria.
3. The Event Sponsorship Policy is primarily aligned to Council's mission to help build a more vibrant, attractive and prosperous city with its partners.

Principles

4. The Events Sponsorship Fund is one part of a mix of core Council initiatives to generate, nurture and stage a portfolio of events within Hamilton to the benefit of visitors and residents of Hamilton and the wider Waikato region. The events strategies pursued by Council are best described as follows:
 - a. Promotion of Hamilton as a business and event visitor destination of note.
 - b. Council's capital and operating investment in a wide range of infrastructure and event facilities and supporting services.
 - c. Commercial event fixtures attracted through '[Hamilton Venues' H3](#) business development activity that are fully self-funded.
 - d. Events Leverage Fund (administered by the Venues, Tourism and Major Events Group).
 - e. The Events Sponsorship Fund.

Underpinning this is Council's [focus on embracing growth, promoting a river city and delivering best in business outcomes, vision for Hamilton and its priority to have a fun city with lots to do.](#)

Policy

5. The application of the Event Sponsorship Fund will focus on larger event opportunities where exposure will reach well beyond Hamilton, delivering high-profile coverage; and where it will attract significant numbers of visitors from outside Hamilton and the region, and great community [engagement and](#) participation.
6. All application assessments will be considered both collectively (with other applications) and independently upon their respective merit in order to ensure a balanced portfolio of event categories (types) and year-round weighting. There will be three primary categories considered:
 - a. **Emerging** events that are new and warrant a kick start sponsorship investment as they are seen to have significant long-term growth potential for the city.
 - b. **Cornerstone** long-standing events that have proven performance in delivering high profile for Hamilton, add to the city's value proposition and where Council's ongoing sponsorship support will drive incremental visitation and expansion opportunity.

- c. **Significant** one-off events that present an opportunity to deliver substantial benefits to Hamilton by way of profile, increased visitation and new business opportunities (economic outcome).
- 7. Principal criteria and guidance for sponsorship assessment include:
 - a. Aligned with the Hamilton City vision, profile and broader strategies.
 - b. Quantified/proven exposure benefits and distinctiveness for Hamilton nationally (and internationally) and across business at large.
 - c. Evidence of target audience/attendance at regional/national/international levels.
 - d. Generation of overnight visitation to the city.
 - e. Significant number of anticipated participants and future growth potential.
 - f. Utilisation of city facilities and assets.
 - g. Quality of organisational capability.
 - h. Strong leverage opportunities and community support.
 - i. Existing interests and relationships that may give rise to a potential conflict of interest.

Monitoring and implementation

Event sponsorship application requirements

- 8. Applicants must accept Council's decisions as final. Once approved, under terms of the sponsorship payment schedule, applicants may receive up to 80 percent in advance.
- 9. Applications will not be accepted to any past sponsored event organiser who has failed to supply a post event report to Council.

Monitoring and performance requirements

- 10. Successful applicants must adhere to event milestone reporting up until the event itself and post evaluation reporting as prescribed by Council through this policy and the deliberations of the [Economic Development Community](#) Committee
- 11. Successful applicants will present a final report on events outcomes and achievements against stated objectives within two months of the event.
- 12. Upon receipt of the post-event report, Council will release the balance of the sponsorship to the event organiser.
- 13. The [Economic Development Community](#) Committee will be responsible for the allocation of the Council's event sponsorship fund within the terms prescribed by this Policy.
- 14. Any decision by the [Economic Development Community](#) Committee to approve sponsorship in excess of the allocated event sponsorship fund must be recommended to Council to approve.

Fund allocation process

- 15. The [Economic Development Community](#) Committee will be supported by the Venues, Tourism and Major Events Group who will administer the sponsorship application, liaise with all applicants and successful event organisers receiving sponsorship.
- 16. The Venues, Tourism and Major Events Group will supply the [Economic Development Community](#) Committee with a copy of the cover sponsorship application form and for each a copy of management's assessment and recommendation for each application
- 17. The General Manager Venues, Tourism and Major Events Group may upon approval of the Chair call under urgency a special meeting of the Committee for any warranted urgent approval or issue requiring immediate attention.

18. The Committee will assess all applications both collectively and individually in order to ensure a balanced approach to all approvals is maintained.

Financial accountability

19. Upon advice to the applicant that funding is approved, they will be required to reconfirm that financial information presented with their application is unchanged or otherwise, and confirm that sufficient other funding sources for the event have been secured, before payment by Council will be made.

Transparency of information

20. Information about sponsored parties will be available to the public on request and the Council will maintain a register of sponsored parties and sponsorships but not the details of the sponsorship agreement itself.
21. Regular financial and performance audits will be conducted in relation to sponsorship arrangements.

Conflict of interest and personal benefits

22. Members of the Economic Development ~~Community~~ Committee, elected members of Council and Hamilton City Council staff must not benefit as a result of sponsorship and must not take, or seek to take, improper advantage of their position in order to obtain benefits for themselves, their family or any other person or organisation. The benefits of sponsorship must go directly to Hamilton City Council.
23. Hamilton City Council will not enter into sponsorship arrangements if members of the Economic Development ~~Community Committee~~ and/or the Venues, Tourism and Major Events Group deem the organisation to be in conflict with Hamilton City Council's business or core values.
24. Any sponsorship arrangement Hamilton City Council undertakes must not compromise Council's or Hamilton's reputation, public image, probity or its ability to fulfil its legal functions and duties.
25. Any sponsorship arrangement must not impose or imply conditions that would limit or be perceived to limit Hamilton City Council's ability to carry out its functions fully and impartially.
26. Conflicts arising from personal relationships or financial arrangements of members of the Economic Development ~~Community~~ Committee, elected members of Council or Hamilton City Council staff involved in sponsorship assessment, approval, administration or application, will be managed in accordance with the conflict of interest provision of Hamilton City Council's Code of Conduct.

Authority

27. The final authority over any sponsorship agreement ultimately rests with the Venues, Tourism and Major Events Group and it retains discretion not to accept a sponsorship application from any organisation for any reason.
28. When an application is not accepted the General Manager Venues, Tourism and Major Events will report that decision to the Economic Development ~~Community~~ Committee.

Council Report

Item 16

Committee: Economic Development Committee

Date: 01 March 2022

Author: Sean Murray

Authoriser: Sean Murray

Position: General Manager Venues, Tourism and Major Events

Position: General Manager Venues, Tourism and Major Events

Report Name: H3 Group - Quarter 2 Activity Report 1 October to 31 December 2021

Report Status	<i>Open</i>
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Purpose - *Take*

1. To inform the Economic Development Committee on the performance of H3 including financial and non-financial reporting, focusing on Quarter 2 results from 1 October to 31 December 2021.

Staff Recommendation - *Tuutohu-aa-kaimahi*

2. That the Economic Development Committee receives the report.

Executive Summary - *Whakaraapopototanga matua*

3. The intention of this report is to provide a more focused commentary on H3 (Council's Major Event Venues). This includes financial and non-financial activity for Claudelands, FMG Stadium Waikato and Seddon Park.
4. The financial reporting of H3 activity is also reported to Council's Finance Committee within the Financial Monitoring Report under "Venues, Tourism and Major Events" activity.
5. Staff consider the matters in this report to have low significance and the recommendation comply with the Council's legal requirements.

Discussion – *Matapaki*

6. This report provides detail on the impact of Covid-19 on H3's business. H3 venues held a small number of events in Q2, due to the Waikato region (including Hamilton) spending much of the time in Covid-19 Alert Level 3.
7. H3 has been able to partially shield its drop in revenue in Q2 due to a strong result in Q1, balanced out by a reduction in venue and event related costs and robust cost containment and conservative forecasting. Ongoing cost containment alongside significant customer care to retain and reschedule business to later in 2022/23 and future years is now H3's priority.
8. A full report providing H3's results for the Q2 2021/22 period is attached.

Legal and Policy Considerations - *Whaiwhakaaro-aa-ture*

9. Staff confirm that the recommendation complies with the Council's legal and policy requirements.

Financial Considerations - *Whaiwhakaaro Puutea*

10. This is a regular operating activity funded through the Long-Term Plan.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

11. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
12. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report as outlined below.
13. The recommendations set out in this report are consistent with that purpose.

Social

14. H3 venues and events are safe for people to attend;
15. H3 venues are a place where communities can meet, compete and perform;
16. H3 Venues are place Hamiltonians are proud of.

Economic

17. H3 venues attract events that have a positive economic impact to the city;
18. Events held at H3 venues attract people to the city;
19. H3 venue infrastructure is well maintained, and improvements align with industry needs and requirements;
20. H3 financial management and decision making is sound.

Environmental

21. H3 venues respond to climate change challenges through several operating and built in initiatives. However continuous improvement and attention to this responsibility remains a critical element of the operations reputation and competitiveness. Refer Section 5 of the activity report.
22. H3 venues are healthy environments;
23. H3 cares about reducing, recycling and reusing water, electricity and waste.

Cultural

24. H3 venues offer a range of events for people to attend;
25. The heritage of H3 venues and locations is valued;
26. Our community has trust in H3.

Risks - *Tuuraru*

27. There are no known risks associated with the decisions required for this matter.

Significance & Engagement Policy - *Kaupapa here whakahira/anganui*

Significance

28. Staff have considered the key considerations under the Significance and Engagement Policy and have assessed that the recommendation(s) in this report has/have a low level of significance.

Engagement

29. Given the low level of significance determined, the engagement level is low. No engagement is required.

Attachments - *Ngaa taapirihanga*

Attachment 1 - H3 Group Activity Report - Q2 2021/22

ACTIVITY REPORT Q2 2021/22



The Grandstand at Claudelands

Item 16

Attachment 1

GENERAL MANAGER COMMENT

H3 is a business unit within the Venues, Tourism and Major Events Group at Hamilton City Council responsible for overseeing the city's premier event venues. H3's purpose is to attract and deliver exceptional event experiences. This report is a summary of H3's Q2 activity for the 2021/22 financial year and was prepared for Council's Economic Development Committee meeting on 1 March 2022.

INTRODUCTION

Like our previous reports to this Committee, this report will provide ongoing detail on the impact of Covid-19 on H3's business. H3 venues held a small number of events in Q2, due to the Waikato region (including Hamilton) spending much of the time in Covid-19 Alert Level 3, step 1 and step 2. The continuation of the alert level from the prior quarter resulted in further rescheduling of events from 2021 to future years and the outright cancellation of events that were simply not able to withstand the ongoing uncertainties.

H3 has been able to partially shield its drop in revenue in Q2 due to a strong result in Q1, balanced out by a reduction in venue and event related costs and robust cost containment and conservative forecasting. A forward position to end of the financial year is detailed later in this report. Ongoing cost containment alongside significant customer care to retain and reschedule business to later in 2022/23 and future years is now H3's priority.

OPERATING UNDER THE COVID-19 PROTECTION FRAMEWORK

H3 took an early and firm view to ensure it could be ready to operate under the new Governmental guidelines. Through October and November, H3 executed a workplan to enable it to re-open venues under the Government's COVID-19 Protection Framework, also known as the traffic lights.

H3's immediate objective was to become fully operable under the framework. Ensuring H3 became a 100% vaccinated event space unlocked more freedoms and offered the stability required to plan for the return of event business. Operating in this way is essential for providing certainty for H3 business and clients, as it means H3 will be able to continue to operate under each level, with restrictions as required, instead of needing future venue closures.

The outcome was that H3 chose to implement a vaccination entry requirement under the framework. On 1 December 2021, all people visiting H3 venues and office locations were required to be fully vaccinated and able to supply proof of vaccination. This was extended to all staff, clients, customers, key partners, and contractors. Feedback has been overwhelming supportive and compliant, as the wider industry comes to terms with operating under the framework. That said the ability for much of our customer base to operate has been problematic, particularly for sporting and other impact (performance) events.

Sean Murray

GENERAL MANAGER
VENUES, TOURISM AND MAJOR
EVENTS GROUP

H3 GROUP | Q2 ACTIVITY REPORT 2021/22

1. VENUE HIGHLIGHTS

Item 16

1.1: Q2 SUMMARY FOR CLAUDELANDS, FMG STADIUM WAIKATO AND SEDDON PARK

- H3 venues held 136 events in Q2 across its venues due to most of the quarter being in alert level 3, before finally moving to alert level 2 on 16 November and then transitioning to the COVID-19 Protection Framework, also known as the traffic lights, on 2 December 2021.
- Hamilton moved into life in 'orange' from this date and focused on holding events under the required capacity limits and guidelines. Border restrictions in Auckland remained in place until 15 December 2021.
- The focus for the quarter has been to reschedule events to new dates wherever possible working closely with clients and venue partners to secure new dates for existing bookings. Several venue projects have been able to continue as planned, as venue asset maintenance remains a priority for H3.
- During the Alert Level periods, event activity has been reduced.
- From 1 October to 31 December period, 19,799 people attended events at H3 venues. Claudelands had 13,840 people attend events and our Stadia welcomed 5,959 patrons.
- An example of the events held in Q2 included the popular weekly Hamilton and Cambridge Farmers Market, Hotel California Eagles Experience, Ford Trophy cricket, Hamilton Collectables Market, Super Smash Cricket, numerous sports trainings and a number of end of year corporate functions and virtually hosted business events. The Waikato DHB also retained its Community Based Assessment Centre on site at Claudelands during the quarter, although this is due to vacate the venue in Q3.

**YEAR TO DATE
98,440
PEOPLE HAVE
ATTENDED
EVENTS AT H3
VENUES**

Attachment 1



H3 GROUP | Q2 ACTIVITY REPORT 2021/22

2. FINANCIAL SUMMARY

2.1: FINANCIAL SUMMARY 2021/22

TABLE 1: RESULT FOR THE PERIOD 1 JULY TO 31 DECEMBER 2021

Prior YTD Actual 2020-21		Actual YTD	Budget YTD	Variance favourable/ (unfavourable)	Annual Budget
\$000		\$000	\$000	\$000	\$000
	Revenue				
-	Subsidies and Grants	-	-	-	-
59	Capital Revenue	-	-	-	-
2,830	Revenue from Activities	2,264	2,984	(720)	6,064
2,890	Total Revenue	2,264	2,984	(720)	6,064
	Direct Operating Costs				
1,150	Cost of Sales	928	988	60	2,478
2,512	Personnel Costs	2,633	2,923	290	5,846
1,153	Operating and Maintenance costs	1,002	1,278	276	2,620
30	Professional Costs	29	82	53	164
445	Administrative Costs	275	374	99	722
781	Property Costs	782	933	150	1,874
6,071	Total Direct Operating Costs	5,649	6,577	928	13,705
(3,181)	Direct Operating Surplus/(Deficit)	(3,386)	(3,593)	208	(7,641)
	Indirect Revenue				
60	Interest Income	14	-	14	-
	Indirect Overhead Costs				
2,597	Depreciation and Amortisation	3,509	2,900	(610)	5,799
1,353	HCC Overhead Allocation	1,708	1,750	43	3,500
628	Finance Costs	442	831	389	1,663
4,578	Total Indirect Operating Costs	5,659	5,481	(178)	10,962
(4,518)	Net Indirect Costs	(5,644)	(5,481)	(163)	(10,962)
(7,699)	Net Surplus/(Deficit)	(9,030)	(9,074)	44	(18,603)
(160)	Gains and Losses	(14)	-	(14)	-
(160)	Total Gains and (Losses)	(14)	-	(14)	-
(7,860)	Surplus/(Deficit)	(9,044)	(9,074)	30	(18,603)

The financials presented exclude Founders Theatre for reporting purposes. Any prior year comparatives reflect this also

NOTES:

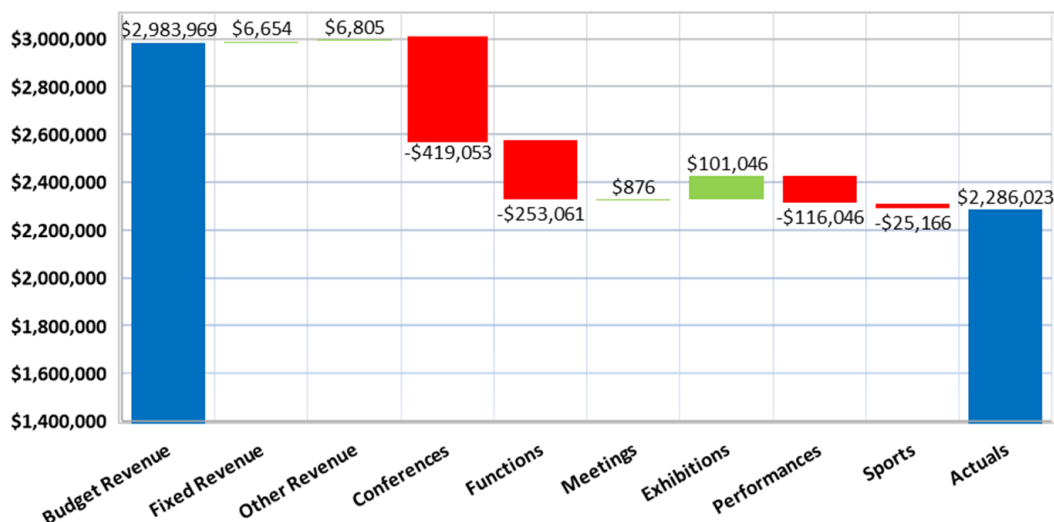
- REVENUE: Unfavourable due to the impact of Covid-19 restrictions impacting the ability to host events.
- OPERATING AND MAINTENANCE COSTS: Key maintenance costs and temporary stand hire are yet to occur. Forecasting to spend to budget in this area.
- PROPERTY COSTS: Favourable due to lower venue activity linked to Covid-19 levels. Forecasting to spend close to budget, depending on timing of events returning.
- DEPRECIATION: The imbalance of H3's depreciation budget vs actual costs relates to the assumptions made in the budget preparation. Forecasting for this variance to continue, due to asset revaluations.



REVENUE SUMMARY

Item 16

2.2: GRAPH 1 - 2021/22 H3 REVENUE VARIANCE TO BUDGET 1 JULY TO 31 DEC 2021



2.2.1 NOTES

- H3 revenue budgets were impacted by the Covid 19 lockdown restrictions enforced in Q1 and that continued in Q2. This chart clearly demonstrates the Covid-19 hit on business events (conferencing and functions) as that market segment began to move into a peak trading period. The loss of conference business will have had a major impact of supporting businesses across the city reliant on income from this sector.
- Functions revenue was \$253k below budget due to budgeted functions being delayed and cancelled due to Covid-19
- Sporting events revenue was \$25k below budget. Unbudgeted international rugby held in Q1 provided a buffer for the financial impact of Covid-19 on this event type.
- Performance revenue was \$116k below budget due to the impact of Covid.
- Exhibition revenue is \$101k above budget due to the facilitation of CBAC testing sites at Claudelands.

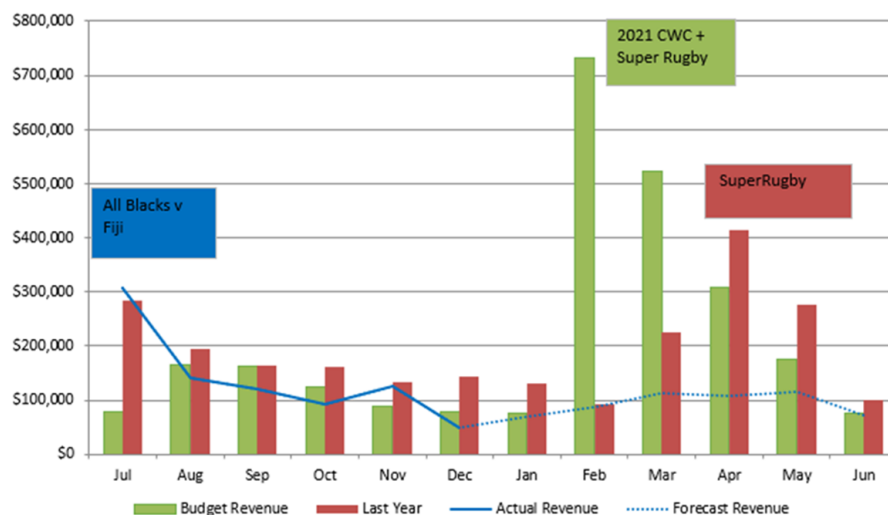
Attachment 1



H3 GROUP | Q2 ACTIVITY REPORT 2021/22

STADIA RESULT

2.3 - GRAPH 2: 2021/22 STADIA REVENUE FOR THE PERIOD 1 JULY - 31 DEC 2021



2.3.1 - TABLE 2: STADIA SUMMARY FOR THE PERIOD 1 JULY - 31 DEC 2021

	Actual YTD	Budget YTD	Variance Favourable/ (unfavourable)	Annual Budget
	\$000	\$000	\$000	\$000
Revenue				
Subsidies and Grants	-	-	-	-
Capital Revenue	-	-	-	-
Revenue from Activities	901	833	68	2,849
Total Revenue	901	833	68	2,849
Direct Operating Costs				
Cost of Sales	265	126	(139)	1,225
Personnel Costs	1,057	1,211	155	2,422
Operating and Maintenance Costs	531	880	350	1,811
Professional Costs	15	48	33	95
Administrative Costs	140	196	56	378
Property Costs	415	486	71	984
Total Direct Operating Costs	2,423	2,948	525	6,915
Direct Operating Surplus/(Deficit)	(1,522)	(2,115)	593	(4,066)

- Total Stadia revenue is 33% above budget driven by international rugby being held that was unbudgeted. This is partially offset by the negative impact of Covid-19 on domestic rugby, which will continue into the 2022 season.
- Cost of Sales additional costs are directly related to the revenue uplift
- Key maintenance activity at venues, and temporary stand hire for Seddon Park are yet to occur. Forecasting to spend to budget in this area.



H3 GROUP | Q2 ACTIVITY REPORT 2021/22

CLAUDELANDS RESULT

Item 16

2.4 - GRAPH 3: 2021/22 CLAUDELANDS REVENUE FOR THE PERIOD 1 JULY - 31 DEC 2021



2.4.1 - TABLE 3: CLAUDELANDS SUMMARY PERIOD 1 JULY - 31 DEC 2021

	Actual YTD	Budget YTD	Variance Favourable/ (unfavourable)	Annual Budget
	\$000	\$000	\$000	\$000
Revenue				
Subsidies and Grants	-	-	-	-
Capital Revenue	-	-	-	-
Revenue from Activities	1,363	2,150	(788)	3,214
Total Revenue	1,363	2,150	(788)	3,214
Direct Operating Costs				
Cost of Sales	663	861	198	1,253
Personnel Costs	1,576	1,712	135	3,424
Operating and Maintenance Costs	471	397	(74)	809
Professional Costs	14	34	20	69
Administrative Costs	135	178	43	345
Property Costs	367	446	79	890
Total Direct Operating Costs	3,227	3,629	403	6,790
Direct Operating Surplus/(Deficit)	(1,864)	(1,479)	(385)	(3,575)

- Total Claudelands revenue is 37% below budget, due to the impact of restrictions, resulting in the postponement and cancellations of booked events.
- This is partially offset by reduced costs related to the revenue decrease (Cost of Sales).
- Current forecast assumes significant revenue activity in conferences is pushed out into Q4, however this is reliant on some event restrictions being removed.



H3 GROUP | Q2 ACTIVITY REPORT 2021/22

Attachment 1

3. ACTIVITY SUMMARY

3.1: NUMBER OF EVENTS, HIRE DAYS AND ATTENDANCE IN Q2 - 1 OCT TO 31 DEC 2021



**136 Events at
H3 Venues**



**106 Hire Days
across H3 Venues**

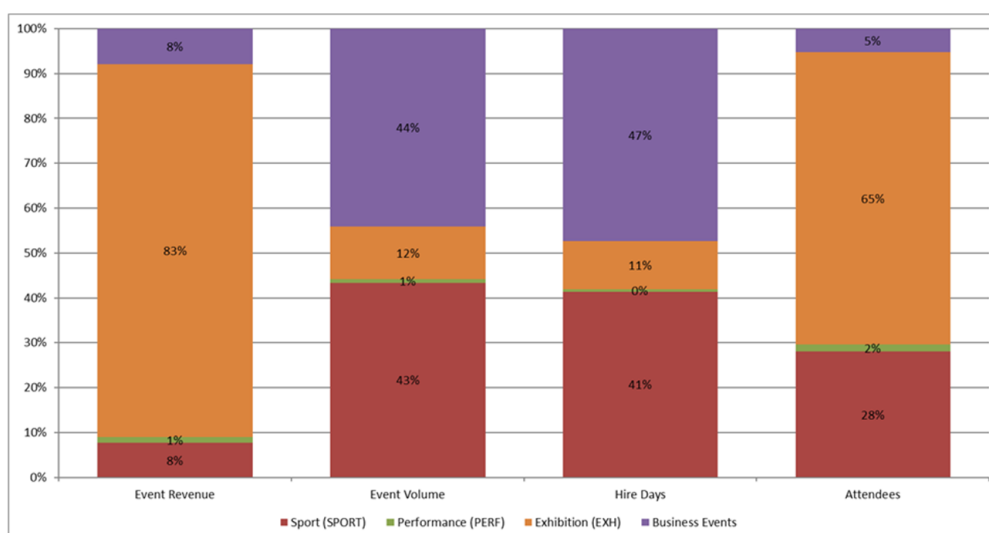


**19,799 attendees
at H3 Venues**

3.2: TABLE 4: BY EVENT TYPE FOR THE PERIOD YEAR TO DATE

Event Type	Number of Events			Hire Days			Attendance		
	Q1	Q2	Total	Q1	Q2	Total	Q1	Q2	Total
Business Events	127	60	187	88.5	50	138.5	9,077	1,041	10,118
Exhibition	14	16	30	44.25	11.5	55.75	29,629	12,905	42,534
Performance	4	1	5	9	0.5	9.5	12,728	301	13,029
Sport	68	59	127	54.75	43.75	98.5	27,207	5,552	32,759
Total	213	136	349	196.5	105.75	302.25	78,641	19,799	98,440
FY 2020/21 comparison	198	253	451	298.5	241.75	540.25	67,333	152,935	220,268

3.3 - GRAPH 4: BUSINESS MIX BY EVENT TYPE FOR THE PERIOD 1 OCT - 31 DEC 2021



H3 GROUP | Q2 ACTIVITY REPORT 2021/22

3.4: 2021-31 10-YEAR PLAN KPIS

TABLE 5: FOR THE PERIOD 1 JULY - 31 DEC 2021

Measure	Annual Target	Q1	Q2	Total
The number of people attending events at H3 Venues	375,000	78,641	19,799	98,440

- We remain conservative around any further impacts of COVID-19 and the market which also remains cautious. We do not expect to achieve the above target with a full year forecast of 330,000 attendees at year end.

3.5: OTHER NON-FINANCIAL KPIS CUSTOMER SATISFACTION

TABLE 6: FOR THE PERIOD 1 JULY - 31 DEC 2021

Survey Type	Q1	Q2	Total
Business Events Hire Survey (1-10)	9.2	9.0	9.2
Ticketed Events Attendee Survey (1-10)	8.6	N/A	8.6

3.6: KEY SUPPLIERS

- There were no contracts issued in Q2.

3.7: OUR PEOPLE

- H3's cumulative permanent staff turnover for the first six months of the year is 8.44% with a total of six staff leaving employment with H3. This is above the prior year period result (5.4%), due in part to a flourishing employment market across many industries.
- Recruitment is underway on key roles to ensure we remain a competitive market leader. The labour market remains a challenge across H3, with candidates harder to secure due to a highly competitive market.

3.8: HEALTH AND SAFETY

TABLE 7: INJURIES, MEDICAL TREATMENT & LOST TIME

INJURIES FOR THE PERIOD 1 JULY - 31 DEC 2021

	Q1	Q2	Details
Injuries	3	1	3 Contractors - burn, fall, cut / 1 staff – sprain
Medical Treatment	1	0	Contractor
Lost time Injuries	0	0	



H3 GROUP | Q2 ACTIVITY REPORT 2021/22



3.8: HEALTH AND SAFETY CONTINUED

Highlights across Q2:

COVID-19 RESPONSE

- Implemented vaccine requirements for all staff and visitors to H3 venues
- Planned for safe re-opening of venues and events under new Covid Protection Framework
- Adjusted ways of working to minimise interaction between staff

SAFETY PROCESS REVIEWS

- Review of a range of safety processes and update of documentation, eg, H&S event plans, safety monitoring checklists

VENUE IMPROVEMENTS TO ADDRESS SAFETY CONCERNS

- Installation of replacement bollards on Willoughby Park and Mill Street Field
- New lighting installation outside Claudelands precinct to improve public access and safety

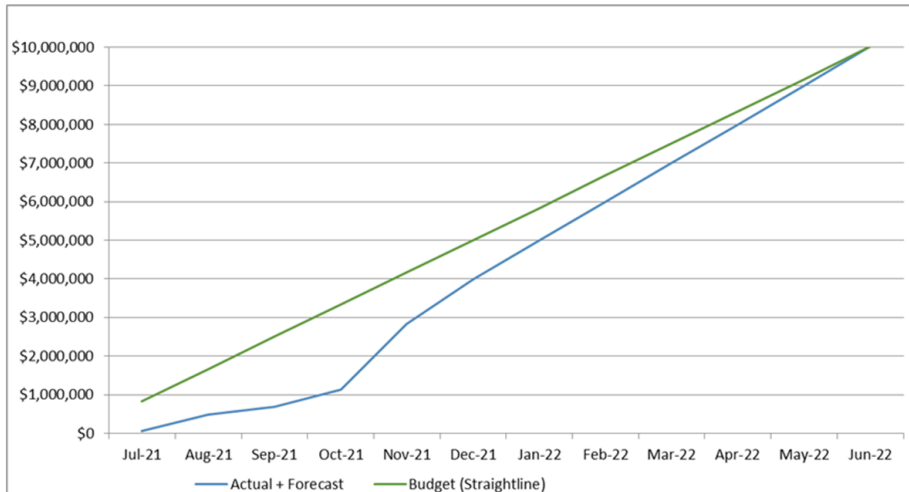


4. CAPEX & ASSET MANAGEMENT

Item 16

4.1: 2021/21 CAPEX SPEND ACTUALS VERSES BUDGET

GRAPH 5: FOR THE PERIOD 1 JULY - 31 DECEMBER 2021



- H3's capital programme is spent to budget at year end.

4.2: ASSET MANAGEMENT

FMG STADIUM WAIKATO WEL NETWORKS STAND

- The strengthening work to the East Stand (formerly WEL Networks Stand) is in final completion, despite facing challenges with delivery delays for some building materials. The works completion and final defects inspection is being closed out, at the time of writing this report, along with final costs completion reconciliation underway. This project will come in under budget and on time.

FMG STADIUM WAIKATO LIGHT TOWERS

- Tendering for the various components are underway at various stages and continuing to work to the project completion in Q2 of 2022/23.

CLAUDELANDS EXHIBITION HALLS HVAC & LIGHTING

- Equipment has been installed, and operating, with final costs and project closure underway.

WORKFORCE PLANNING

- As part of our transformation projects, H3 is implementing a toolset that works alongside our event management system to provide integrated staff scheduling and rostering. The pilot is near completion with deployment planning underway and the live rollout is underway in Q3.

Attachment 1



H3 GROUP | Q2 ACTIVITY REPORT 2021/22



4.2: ASSET MANAGEMENT - CONTINUED

OTHER PROJECTS UNDERWAY

- Venue Security – FMG Stadium and Seddon Park Cardex, Claudelands arena lighting
- Claudelands operational staff facility and roof stair access.
- Globox Arena – commercial partnership naming rights arena signage due to be in place early Q3 following an installation delay caused by Covid-19 interruptions.



H3 GROUP | Q2 ACTIVITY REPORT 2021/22

5. MAJOR EVENTS UPDATE

Hamilton will host two major events in 2022 and 2023. Both events are significant to the city and will have a flow on effect to the city's hospitality and supporting businesses. As we move closer to each event, we will commence regular reporting to Council.

5.1 ICC WOMEN'S CRICKET WORLD CUP – MARCH 2022

- H3 have been preparing for the ICC Women's Cricket World Cup, due to take place in March 2022. The 8-team tournament will be played across six New Zealand cities and Seddon Park will host seven matches, including two WHITE FERNS games.
- The Hamilton schedule information can be found [here](#).
- Event preparations are proceeding. H3's Major Events team has been working closely with Northern Districts Cricket on the planning and preparation stages of this event.
- Confirmed in Q2, the event will still proceed and will operate under government Covid-19 guidelines including all teams completing quarantine requirements in Christchurch and no public interactions (i.e., team welcomes or community events) planned. City dressing and small corporate hospitality pods of 100 of 6 in total at each game are still planned to take place.

5.2 FIFA WOMENS WORLD CUP – JULY AND AUGUST 2023

- The FIFA Women's World Cup is coming to New Zealand and Hamilton's Waikato Stadium was announced as one of the host venues for the tournament in July and August 2023. The tournament is being jointly hosted by New Zealand and Australia – the first time a FIFA tournament has been co-hosted across two football confederations – and will also for the first-time ever see the FIFA Women's World Cup expanded from 24 to 32 teams.
- Hamilton has previously hosted FIFA events including the FIFA Under-17 Women's World Cup (2008) and the FIFA Under-20 World Cup (2015), however this is event is the largest sporting event NZ has ever held.
- FIFA conducted in-person inspection visits in June 2021. They visited both the stadium and proposed training sites. After their visits, they officially selected the Hamilton training sites for the tournament to be Gower Park, Korikori Park and Porritt Stadium
- The city will also deliver a FIFA Fan Festival in the heart of Hamilton CBD. The FIFA Fan Festival is an important element for the overall success of the tournament. It is known as the "place to be" outside of the stadiums, and as the meeting point in the Host City.
- During Q2, Hamilton was confirmed to host five matches. The official draw will happen in Auckland in October 2022.
- Presently, a large focus is on venue and training site upgrades to meet FIFA requirements and securing the funding to make these happen. All three of the training sites will have upgraded lighting and upgrades to changing facilities to make them more general neutral.



H3 GROUP | Q2 ACTIVITY REPORT 2021/22

6. FORWARD POSITION

6.1 2021/22 FOCUS TO YEAR END

- H3 is conscious of the impact of the Covid-19 variant Omicron in the community and has implemented a working plan across all venues to ensure safety of event patrons and staff. This includes the creation of working team bubbles and increased safety protocols on site.
- Q3 and Q4 were to be very busy for H3. As noted in our Q1 report the move to 'orange' under the new Covid-19 Protection Framework meant a return to business events and exhibitions and activity was planned to be very strong from February 2022 onward.
- Due to the move to 'red' on 23 January 2022, regular trading through Q3 will be minimal although fixed income from leases and the like remain intact.
- Some event activity remains in Q4 and like the event organisers and hirers, we are eagerly awaiting a move back to orange to allow this activity to take place.
- We do not anticipate performance and sports activity to return until the next financial year at this stage.
- Cost containment, conservative forecasting, and redeployment of staff to assist future savings will continue.
- As H3 experienced in 2020 and 2021, as we return to business, availability of our suppliers to staff their own operations will remain challenging where their own staffing has been reduced. We are working very closely with our key partners on this.
- A relaunched 'back to business' marketing campaign is scheduled for June 2022.

6.2 2022/23 ANNUAL BUDGET

- H3's 2022/23 annual budget had factored in an encouraging return to business levels, however subsequent changes due to the recent phased response may prove this to be overly optimistic. Therefore, for annual plan and budgeting purposes, the business has chosen to hold to its original operating budget.



Council Report

Item 17

Committee: Economic Development Committee

Date: 01 March 2022

Author: Claire Foster

Authoriser: Blair Bowcott

Position: Property Officer

Position: General Manager Growth

Report Name: Licence to Occupy - Spark New Zealand - FMG Waikato Stadium

Report Status	Open
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Purpose - *Take*

1. To seek the Economic Development Committee's recommendation that the Council approves a new licence for Spark New Zealand for existing telecommunications equipment and antennae located at FMG Waikato Stadium.

Staff Recommendation - *Tuutohu-aa-kaimahi* (Recommendation to the Council)

2. That the Economic Development Committee:
 - a) receives the report; and
 - b) recommends that the Council approves a new licence for Spark New Zealand for existing telecommunications equipment and antennae located at FMG Waikato Stadium, subject to the following terms and conditions:
 - i. Term – 10 years, commencing 1 June 2022;
 - ii. Rental – Market value to be determined closer to commencement; and
 - iii. Rent Reviews – 3 yearly CPI.

Executive Summary - *Whakaraapopototanga matua*

3. Spark New Zealand (Spark) has existing telecommunications equipment and antennae located at FMG Waikato Stadium (see **Attachment 1**).
4. Spark has a licence for this equipment with Council for a 10-year term, due to expire 31 May 2022, and has requested a new licence for another 10 years from 1 June 2022.
5. The market rent is to be determined by a registered valuer prior to commencement. The rent will be reviewed every 3 years.
6. Staff recommend that the new licence be approved by the Council and confirm there are no risks associated with this recommendation.
7. Staff consider the decision in this report has low significance and that the recommendations comply with the Council's legal requirements.

Discussion - *Matapaki*

8. Spark wishes to continue the mobile phone service for their customers who attend any sporting and events at FMG Waikato Stadium.

9. Spark has requested to upgrade some of their equipment, including adding another antenna. Any upgrades and additions will be included in the new licence.
10. If the recommendation is not approved, Spark will not be able to provide the cell service to their customers who attend events at FMG Waikato Stadium.

Financial Considerations - *Whaiwhakaaro Puutea*

11. Market rental will be determined in accordance with standard commercial practice by a registered valuer, based on existing market rates.
12. The current rent up to 31 May 2022 is \$2,000 + GST per year.
13. The H3 group operates its own financial transactions; the revenue will be invoiced and collected directly by the H3 finance administration team.

Legal and Policy Considerations - *Whaiwhakaaro-aa-ture*

14. Staff confirm that the staff recommendation complies with the Council's legal and policy requirements.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

15. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
16. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report. The recommendations set out in this report are consistent with that purpose.
17. There were no social, environmental, or cultural wellbeings identified in the development of this report

Economic

18. The recommendation set out in this report shows Council supports the licensee's request for a new licence to be able to continue to provide cell coverage during any sporting and events at FMG Waikato Stadium.

Risks - *Tuuraru*

19. There are no known risks associated with the decisions required for this matter.

Significance & Engagement Policy - *Kaupapa here whakahira/anganui*

Significance

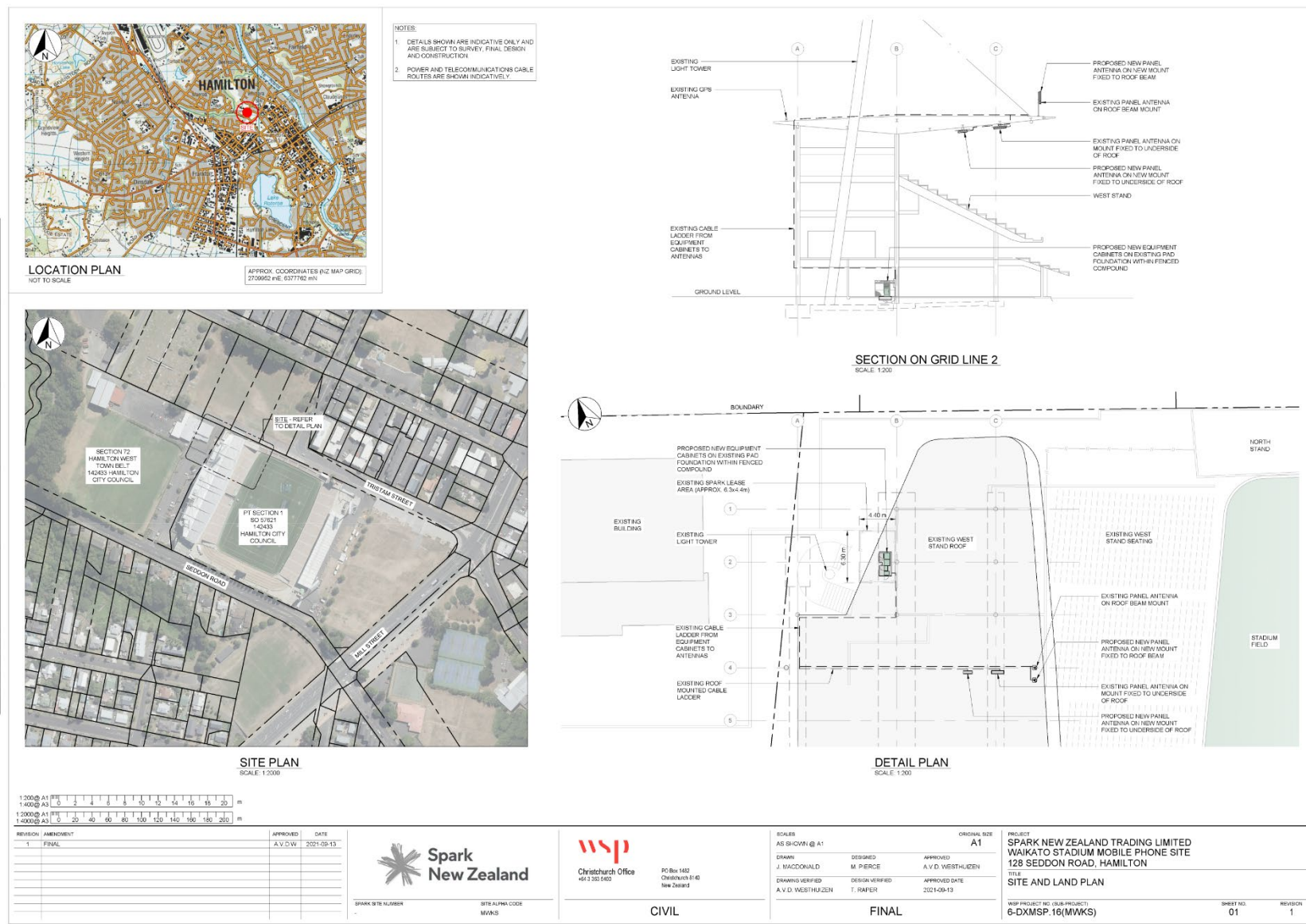
20. Staff have considered the key considerations under the Significance and Engagement Policy and have assessed that the recommendation(s) in this report has/have a low level of significance.

Engagement

21. Given the low level of significance determined, the engagement level is low. No engagement is required.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Site Plan - Spark New Zealand - FMG Waikato Stadium



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Council Report

Committee: Economic Development Committee
Date: 01 March 2022
Author: Nicolas Wells
Authoriser: Blair Bowcott
Position: Strategic Property Manager
Position: General Manager Growth
Report Name: Municipal Endowment Fund - Quarterly Report - Q2 2021/22 FY

Report Status	<i>Open</i>
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Purpose - *Take*

1. To inform the Economic Development Committee on the financial performance and position of the Municipal Endowment Fund at 31 December 2021 (Q2 2021/22 FY).

Staff Recommendation - *Tuutohu-aa-kaimahi*

2. That the Economic Development Committee receives the report.

Executive Summary - *Whakaraapopototanga matua*

3. This is a quarterly report to inform the Economic Development Committee on the financial performance and position of the assets of the Municipal Endowment Fund (MEF).
4. This report covers the second quarter (Q2) of the 2021/22 financial year from 1 October 2021 to 31 December 2021.
5. A profit and loss statement is included as **Attachment 1**.
6. The MEF has a current value of \$56.3M comprised of property assets totalling \$24.73M and reserves of \$31.6M.
7. The overall value of the MEF has increased by \$35,000 from \$56.324M to \$56.359M over the past quarter.
8. Staff consider the matters in this report have a low significance and that the recommendation complies with the Council's legal requirements.

Discussion – *Matapaki*

9. Council Municipal Endowment Fund is divided into 3 parts:
 - i. The Municipal Endowment properties consist of ground leases where Council owns the land only but the improvements and leasehold interest in the land are owned by the lessee. Typically, this asset class returns a low yield. Council has previously encouraged lessees to freehold these properties to free up Council's capital for investment in higher yielding property assets.
 - ii. The Municipal Investment properties consist of property assets purchased to generate the maximum possible yield. They include two industrial properties, and a group of three suburban shops.

- iii. The Municipal Endowment Reserve (\$31m) is invested in term deposits and mixed funds. The reserve is invested in accordance with an independently designed framework that is intended to diversify the investment portfolio, support liquidity, and preserve capital over the long term, as follows:

Term Deposits - \$20M

\$10m 3-month maturity (10 May 2022) actual return of 1.43% \$5m

6-month maturity (10 August 2022) actual return of 1.85%

\$5m 9-month maturity (10 November 2022) actual return of 2.3%

Mixed Funds - \$11M

\$6m - Simplicity Balanced Fund (3 years net average return 8.2% (volatility 8.2%), expense ratio 0.27%)

\$5m - Westpac Premium Investment International Bond Fund (5 years net average return 2.7% (volatility 2.6%), expense ratio 0.69%).

- 10. The investment profile is based on the assumed timeline for initial investments and a desire not to materially alter the investments in funds once the first few property investments are made.
- 11. The performance of the term deposits and mixed funds (including expiry dates, interest rates, interest earned and current value) will be reported in detail in subsequent regular quarterly updates.
- 12. Since the last quarterly update, the overall value of the MEF has increased slightly due to the interest income generated during the period (2020/21 FY Q2) which is credited to the MEF.

Financial Considerations - *Whaiwhakaaro Puutea*

- 13. This is a regular operating activity funded through the Long-Term Plan.
- 14. Further financial information is provided in **Attachment 1**.
- 15. There was an error calculating the year-end interest journal when the MEF balance sheet was prepared at the end of the 2020/21 financial year.
- 16. This resulted in the MEF balance being overstated by \$137K (the 2020/21 FY interest amount) in the last quarterly report to the Economic Development Committee. The report stated that the balance of the MEF was \$31.726M when the actual balance was \$31.589M.

Legal and Policy Considerations - *Whaiwhakaaro-aa-ture*

- 17. Staff confirm that recommendation complies with the Council's legal and policy requirements.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

- 18. The purpose of Local Government changed on 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
- 19. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report as outlined below.
- 20. The recommendations set out in this report are consistent with that purpose.

Social

- 21. The MEF allows the Council to promote better outcomes for the community at large, helping to create a more vibrant Hamilton with greater social interaction.

Economic

22. The MEF will fund key development opportunities to help attract business growth, grow the city's economy, aid potential public and private investment and help with prioritising future funding decisions and business cases.

Environmental

23. MEF developments align with the Council's Central City Transformation Plan Refresh, taking into account connections between the central city and the river to restore and protect the balance of the environment.

Cultural

24. The MEF endorses and embraces the cultural identity of the city.

Risks - *Tuuraru*

25. There are no known risks associated with this matter.

Significance & Engagement Policy - *Kaupapa here whakahira/anganui*

Significance


26. Having considered the Significance and Engagement Policy, staff have assessed that the recommendation of this report has a low level of significance.

Engagement

27. Given the low level of significance no engagement is required.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Municipal Endowment Fund 2021/22 FY (Q2) - Profit and Loss Statement



STRATEGIC PROPERTIES

Select Financial Year:

FY19

FY20

FY21

FY22

Select Month:

Jul

Aug

Sep

Oct

Nov

Dec

Jan

Feb

Mar

Apr

May

Jun

How much money is in the Endowment fund today?

\$31,629,133

How much interest have we earned this year on the MEF fund?

\$59,514

Return on MEF Fund this year

0.19%

What is the value of our MEF Properties?

\$24,735,000

Total value of MEF assets:

\$56,364,133

What is the value of our SIP Properties?

\$22,545,000

Total Strategic Property asset value:

\$78,909,133

ENDOWMENT FUND: PROFIT AND LOSS STATEMENT

	Resource	YTD Actuals	YTD Budgets	YTD Variance	Annual Bud...
INCOME	Rates Expense - Internal Charges	\$70,804	\$57,660	(\$13,144)	\$115,320
	Water Charges - Internal Charges	\$615		(\$615)	
	Operating Contributions	(\$64,493)		\$64,493	
	Rental Income	(\$549,552)	(\$517,370)	\$32,182	(\$1,034,740)
	Total	(\$542,627)	(\$459,710)	\$82,917	(\$919,420)
EXPENSES	Labour - Internal Charges	\$58,113	\$58,110	(\$3)	\$116,220
	Interest Received Special Funds	(\$52,483)		\$52,483	
	Contractors	\$0		\$0	
	Service Providers	\$15,750		(\$15,750)	
	Consultants	\$10,934	\$17,502	\$6,568	\$35,003
	Legal Services	\$4,766	\$11,002	\$6,236	\$22,004
	Insurance	\$10,772	\$13,628	\$2,856	\$27,256
	Electricity	\$243		(\$243)	
	External Rates	\$29,683	\$5,198	(\$24,485)	\$10,396
Total	\$77,778	\$105,440	\$27,662	\$210,879	
GAIN/LOSS	Loss on Fair Value of Invstmnt Prop				(\$756,450)
Total					(\$756,450)
Total (Surplus)/Deficit	(\$464,848)	(\$354,270)	\$110,578	(\$1,464,991)	

STRATEGIC INVESTMENT PROPERTIES: PROFIT AND LOSS STATEMENT

	Resource	YTD Actuals	YTD Budgets	YTD Variance	Annual Bud...
INCOME	Rates Expense - Internal Charges	\$44,714	\$45,382	\$668	\$87,970
	Water Charges - Internal Charges	\$2,857		(\$2,857)	
	Fees & User Charges	(\$133,714)	(\$122,101)	\$11,613	(\$249,265)
	Operating Contributions	(\$25,023)		\$25,023	
	Rental Income	(\$159,317)	(\$178,214)	(\$18,897)	(\$356,428)
Total	(\$270,484)	(\$254,933)	\$15,551	(\$517,723)	
EXPENSES	Labour - Internal Charges	\$24,906	\$22,144	(\$2,762)	\$44,288
	Contractors	\$434		(\$434)	
	Service Providers	\$0	\$3,000	\$3,000	\$6,000
	Management Fee	\$6,352	\$4,002	(\$2,350)	\$8,004
	Consumables	\$5		(\$5)	
	Consultants	\$0	\$17,502	\$17,502	\$35,003
	Legal Services	\$2,093	\$11,002	\$8,909	\$22,004
	Advertising & Marketing	\$0		\$0	
	Vehicle Lease and GPS	\$727		(\$727)	
	Insurance	\$4,917	\$6,428	\$1,511	\$12,856
	Electricity	(\$7,400)	\$2,697	\$10,097	\$5,300
	External Rates	\$1,324	\$1,200	(\$124)	\$1,200
Total	\$33,357	\$67,975	\$34,618	\$134,655	
Total (Surplus)/Deficit	(\$237,127)	(\$186,958)	\$50,169	(\$383,068)	

Council Report

Committee: Economic Development Committee

Date: 01 March 2022

Author: Blair Bowcott

Authoriser: Blair Bowcott

Position: General Manager Growth

Position: General Manager Growth

Report Name: General Manager's Report

Report Status	Open
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Purpose - *Take*

1. To inform the Economic Development Committee of topical issues, areas of concern and items that need to be brought to the Committee members' attention, but do not necessitate a separate report.

Staff Recommendation - *Tuutohu-aa-kaimahi* (Recommendation to the Council)

2. That the Economic Development Committee:
 - a) receives the report;
 - b) recommends that the Council approves \$138,000 to provide 50% rent relief for eligible Council tenants in the hospitality sector during the Covid Protection Framework effective from 3 December 2021 to 3 June 2022, in accordance with the following criteria:
 - i. tenants need to occupy Council-owned premises and operate in the hospitality sector;
 - ii. provide proof of financial hardship and a reduction of more than 50% normal revenue for the period;
 - iii. provide proof of any Government subsidies applied for and received; and
 - iv. provide proof of any relief funding received from other sources.

Executive Summary - *Whakaraapopototanga matua*

3. This report provides updates on activities, actions or projects for which this Committee and the relevant General Managers have responsibility, and for which significant progress has been made.
4. This report covers:
 - i. Economic Development Agenda update;
 - ii. Tech Sector Working Group/Cultivate Trust update;
 - iii. Strategic review of New Zealand Food Innovation Waikato Limited;
 - iv. Council sponsorship of the Kudos Scientist Awards;
 - v. Strategic property update, including rent relief for Council tenants; and
 - vi. Economic update on the effect of Covid-19 restrictions.

5. Staff consider the decisions in this report have low significance and that the recommendations comply with Council's legal requirements.

Discussion - *Matapaki*

Economic Development Agenda Update

6. Staff continue to deliver on the Economic Development Agenda that was approved by the Economic Development Committee in late 2020.

Business relationships

7. The economic development programme added a Business Relationship Advisor at the end of 2021, filling a critical role designed to increase our proactive and purposeful engagement with both existing and prospective Hamilton businesses, sharing market insights and building relationships with decision makers.
8. Kate Harris brings significant human resources management and customer-facing experience from the retail sector and has taken a proactive and purposeful approach to identify businesses within targeted sectors and has begun outreach despite some limitations brought on by Covid-19 protocols.
9. Kate's work will promote Hamilton's value proposition as part of our business attraction efforts, while also gathering market intelligence about the strengths, opportunities, challenges, and perceptions of doing business in Hamilton. The results will form the basis for wider Growth Group efforts to promote new investment and job creation in the city.
10. Additional work within the Business Relationship Advisor remit will be to support other investment promotion initiatives, including market tours for targeted individuals, industry events, and showcasing Hamilton alongside partners such as Te Waka and the Cultivate Trust (previously known as the tech sector working group).

Study tour of the region

11. To ensure Hamilton and the Waikato are considered for international investment projects, economic development and city events staff have been supporting Te Waka to host a study tour of the region alongside the Ministry of Foreign Affairs and Trade (MFAT).
12. Originally planned for November 2021, the tour was rescheduled for March 2022. Due to ongoing uncertainty and guidelines presented in the Covid-19 Protection Framework, MFAT has postponed the tour until later this year.
13. Staff will continue to plan for the event, which will allow our region to showcase economic development opportunities to New Zealand-based ambassadors and trade officials representing a wide range of foreign countries.

Education partnerships

14. A pilot programme that will advance equitable opportunities for tech employment in the Waikato was submitted to Te Pūkenga in late 2021. A verbal update on the programme will be provided at the meeting.

Update on revised website

15. A project has been undertaken to provide a best-in-class, long-term web presence for economic development and analytics. This is being developed as part of a wider website upgrade effort being led by Council's Communications team.
16. Communications and economic development staff are planning to engage with Committee members to provide updates and seek feedback as the design process progresses.

17. To provide an interim solution for economic development, staff have removed outdated and expired content on the existing website and replaced it with key information and current data.

External Economic development update document

18. An external economic development update has been developed to showcase key industries, businesses, important initiatives, and regionally relevant data trends.
19. The first issue showcased our growing agritech sector, Waikato Innovation Park, Gallagher Group, the planned integration of He Pou Manawa Ora into economic development context, and the recent Infrastructure Acceleration Fund bid put forth by Council (see **Attachment 1**).
20. A second issue is under development for a planned release in March 2022.

Tech sector working group / Cultivate Trust update

21. Now known as The Cultivate Trust, the group held a strategy session with PwC in mid-December 2021 and is finalising a set of goals and a supporting operational plan for 2022.
22. As a core function, the Trust will seek to accelerate the growth, development, and diversity of the Waikato's technology sector while inspiring future generations of innovators.
23. The overall approach of the Trust focuses on three activities:
 - i. Showcasing Waikato-based tech companies and people, celebrating their strength, diversity, and success;
 - ii. Connecting our tech ecosystem by increasing awareness, participation and investment through networking events and direct engagement with industry leaders; and
 - iii. Enabling the development, retention, and attraction of a wide range of innovative businesses and talented tech workers.
24. In 2022 the Trust aims to achieve four goals:
 - i. Labour Market Growth: to employ or relocate 500 skilled individuals and their families;
 - ii. Educate and Grow Talent: support the training of train 100 interns/graduates;
 - iii. Connect and showcase: deliver four tech-focused networking events (Covid permitting); develop and publish a Waikato Tech Showcase Report; and
 - iv. Build Cultivate Trust: create a financially viable and sustainable Trust with funding commitments through to year 2024; build and leverage necessary expertise to deliver results.
25. In order to leverage the expertise of its members from across private businesses, education providers, and public entities, the Trust is shifting towards a subcommittee structure with defined workstreams that regularly report to the trustees, and to the wider membership on a quarterly basis.
26. As members of the Trust, the General Manager Growth and Economic Development staff will update this Committee via this regular GM report.
27. Staff are fully engaged with the efforts of the Trust including in a governance role, ensuring that Council's economic development efforts complement and build on the work of the Trust.

Strategic review of New Zealand Food Innovation Waikato Limited

28. Waikato Innovation Growth Ltd (WIGL) is a holding company, 100% owned by the Council, and has a 70% shareholding in New Zealand Food Innovation Waikato (NZFIWL); the remaining 30% is held by Callaghan Innovation.
29. NZFIW D2, which is 100% owned by NZFIWL, has an 11% shareholding in Melody Dairies Limited Partnership. The Melody Plant (Dryer 2) was completed, within budget, in July 2020.

30. In keeping within good business practices, Council and Callaghan have agreed to commence a strategic review designed to examine NZFIWL's performance, assess the value it provides to the Waikato's agritech industry as an enabler of commercialisation and growth, and identify the overall value proposition for Council as a shareholder.
31. The review will be approached in a similar manner to the assessment of Council's position in Waikato Innovation Park and will acknowledge that NZFIWL is critical to the overall health and dynamism of the sector.
32. Staff and the General Manager have begun working with Tony Giles, the new chief executive of NZFIWL, who has embraced this approach as it aligns with an internal strategic review planned for the business.
33. Staff will keep the Economic Development Committee informed on the progress of the strategic review as the work proceeds.

Sponsorship of the Kudos Scientist Awards

34. The Kudos Science Trust (Hamilton Science Awards Trust) was established in 2007 to recognise the achievements of the region's top scientists, excite young people about science and its career opportunities, and raise the profile of science within the community.
35. Their annual Kudos Science Excellence Awards recognise and celebrate the achievements of the region's top scientists across multiple categories of science. A panel of expert judges review entries, identify finalists, and award a category winner at an annual dinner gala.
36. Council has been a sponsor of the awards in the past, managed by a variety of areas throughout Council, including approval by the City Development Committee using the then Economic Development Promotion Fund.
37. Sponsorship since at least 2019 has been funded from existing budgets, including Council's 2021 sponsorship of \$17,250 for the Emerging Scientist Award.
38. The awards event scheduled for 3 March 2021 was postponed in keeping with guidance from the Covid-19 Protection Framework. Finalists for the award sponsored by the Council have been advised.
39. At its meeting on 23 November 2021, the Economic Development Committee considered Council's commitment to the Kudos awards and the economic benefit to the city for the funds invested. The Committee [resolved](#) to continue sponsorship in 2022.
40. An agreement from the Trust detailing sponsorship benefits is pending and will be reviewed by the General Manager Growth and Economic Development staff to ensure Council's ability to use the event to reinforce economic development work in Hamilton.

Strategic Property update

ArtsPost Land

41. Physical works at the Museum and ArtsPost buildings to create fire-rated walls on the new boundary are complete and have been approved by HCC Building Control.
42. Tompkins Wake has cancelled the existing Unit Titles Plan. Harrison Grierson has prepared a new survey plan to allow a title to be created for the land behind the ArtsPost building (currently operating as a carpark).
43. Staff will now work with the Municipal Endowment Fund Working Party to consider options for the land.

Victoria on the River Buildings

44. The Council has approved a development concept for the 242-266 Victoria Street buildings and is seeking a Joint Venture Partner to redevelop the property as a five-storey mixed use (retail, commercial, residential) development that preserves and enhances heritage façades and features, activates the southern edge of the Victoria of the River Plaza, and gives practical effect to the aspirations of the Council's Central City Transformation Plan.
45. A public process calling for Expressions of Interest (EOI) started on 19 November 2021 and closed on 17 December 2021. Expressions of interest were received from five developers – three from Hamilton and two from Auckland.
46. Four developers have been selected to proceed to the Request for Proposal (RFP) stage starting on 28 January 2022 and closing on 18 March 2022.
47. After evaluation of the RFPs, a preferred development partner will be recommended to the Economic Development Committee for Council approval.

Municipal Endowment Fund (MEF)

48. A separate quarterly report (MEF Q2 2021/2022) is included in this agenda. This year, staff will focus on identifying strategic investment opportunities for the MEF.

Rent Relief

49. On 5 October 2021, the Council approved \$183K in funding to provide targeted support to Council tenants in the hospitality and retail sectors during the Covid-19 Levels 4, 3 and 2 lockdowns.
50. The Council resolution set out the eligibility criteria for rent relief:
 - i. tenants need to occupy Council-owned premises and operate in the hospitality, retail or community sectors;
 - ii. provide proof of financial hardship and a reduction of more than 50% normal revenue for the period;
 - iii. provide proof of any Government subsidies applied for and received; and
 - iv. provide proof of any relief funding received from other sources.
51. When the funding was approved, the level and duration of the lockdown was uncertain, as was the specific demand. Staff advised that further funding might be required in the future.
52. On 2 December 2021, the Council approved an additional \$100K in funding for tenants during the extended Covid-19 Levels 3 and 2 lockdowns from 1 November to 3 December 2021 – at which point the Covid Protection Framework ("traffic light" system) came into force.
53. A total of \$142K in relief has been provided to 24 of the Council's commercial tenants in the retail and hospitality sectors from 18 August to 3 December 2021.
54. In addition, the Council has provided a total of \$14K to 26 community tenants from 18 August to 3 December 2021. The relief package has been funded from existing budgets.
55. Tenants in the hospitality sector continue to struggle under the Protection Framework settings with significant reductions in revenue and patronage – a situation that will worsen as predicted Omicron case numbers increase, plateau and tail-out over the next three months.
56. Staff recommend that further relief be provided to Council's tenants in the hospitality sector.
57. It is recommended that rent payments for eligible tenants be reduced by 50% for a six-month period commencing from the introduction of the Covid Protection Framework on 3 December 2021 and extending until 3 June 2022. The effectiveness of the rent relief package will be monitored over this period.

58. It is proposed that the eligibility criteria for rent relief approved on 5 October 2021 are modified to more acutely respond to the trading realities observed over the past six months. Accordingly, staff propose tightening the eligibility criteria to only Council tenants in the hospitality sector – all other criteria remaining as approved on 5 October 2021.
59. Staff estimate that a further \$138k in rent relief will be required for the six-month period from 3 December 2021 to 3 June 2022.
60. This can be funded from existing Strategic Property Rental Income budgets– noting that \$141k of previously approved funding has not been spent.
61. Staff recommend that the Economic Development Committee recommends that Council approves this additional funding (Recommendation 2 b) of this report).

Economic Update

62. We can expect to see reductions in activity, services and spending due to the Omicron Covid-19 outbreak. As cases begin to increase in New Zealand there will inevitably be disruptions to supply chains and delays in many areas across the country as workers are required to quarantine, become ill or must look after family members. While hospitalisations are not expected to increase in the same way, hospital capacity will remain a concern.
63. Inflation continues to headline economic reporting. The annual Consumer Price Index (CPI) reached a new high of 5.9% in the year to December 2021. It has not been at this level in 30 years. Inflation is expected to remain high throughout 2022 with many commentators forecasting it to increase further.
64. Inflation has accelerated in many countries, with the rate across the OECD sitting at 5.9%, the USA at 6.7%, Canada at 4.7%, the UK at 4.4% and Australia at 3.5%. Inflation has been much lower in countries like Japan (0.5%) and China (1.8%), although this is still above normal levels.
65. To counter increasing inflation, the Reserve Bank increased the official cash rate (OCR) in 2021 from 0.25% in August to 0.5% in October and 0.75% in November. The Reserve Bank has indicated that it will continue incremental increases in 2022. The widely held view is that the OCR will increase past 2% in 2022, with the ANZ forecasting a rise to 3%. The OCR has sat under 2% since November 2016, so this is a significant move in a short period of time.
66. As the OCR increases, so do mortgage rates. After spending the first half of 2021 at record lows, the average rates have been increasing in anticipation of moves by the Reserve Bank. Looking at historical mortgage rates compared to the OCR, we could see average mortgage rates ranging from 5% to 6% by the end of the year. Banks have likely priced most of these increases into their lending, so mortgage rates can be expected to increase proportionately less than the OCR itself.
67. About 60% of existing loans will come up for refinancing in the next 12 months. Those who secured special rates of around 2.5% a year ago may see their rates nearly double when they refix in 2022. This is likely to see households rein in spending and be a little more careful about making large investments or increasing their borrowing.
68. The table below shows an example of changes that interests rates have on a \$500,000 mortgage with a 30-year loan length. The table clearly shows that there will be significant impacts on the disposable income of some borrowers. First home buyers are the most likely to have mortgages of this size and be earlier in their careers, and are therefore most vulnerable to these changes. It is likely that this increase will slow the economy and reduce demand for non-essential goods, though this is the intention of the Reserve Bank.

Mortgage interest rate	Fortnightly repayments	Monthly repayments
2.5%	\$911	\$1976
3.0%	\$973	\$2108
4.5%	\$1169	\$2533
5.0%	\$1238	\$2684
5.5%	\$1310	\$2839
6.0%	\$1383	\$2998

*Source ANZ mortgage repayment calculator

69. It is worth noting that when banks assess a mortgage application, they do assess the ability of the borrower to repay the loan using a higher interest rate than what may currently be on the market.
70. Historically high levels of employment and labour shortages coupled with high levels of inflation and increasing mortgage repayments is the perfect recipe for wage growth as employees can demand more. This dampens the real effect of inflation on consumers. With the borders remaining closed and only reopening slowly, the demand for both skilled and unskilled labour is higher than ever and 2022 is likely to see low unemployment levels continue.
71. Residential consenting in Hamilton has continued at pace with increases in consents granted, houses under construction and homes completed. Residential consenting has now rebounded to above pre-Covid levels while the number of Code Compliance Certificates (CCCs) has continued to increase year on year.
72. There is a strong pipeline of upcoming building work across the city too, with a 17% increase in residential building consents lodged in 2021 and continued high numbers of subdivision consents granted. However, there is a lag between the beginning of structural supply constraints and the number of homes being completed, which – if it happens – won't be seen until later this year.

Calendar year 2021		Vs 2020
Building consents lodged	1,701	17%
Building consents granted	1,688	28%
Homes under construction	1,178	12%
Homes completed	1,491	5%
Non-residential consents granted	80,000sqm	3%

73. The building sector continues to struggle with shortages of key building materials, for example plasterboard and cladding. The sector reports the need to pre-order supplies six months in advance in some cases. Larger building companies tend to have more certainty of their future demand and are able to order with more confidence and lock in better prices while also having the money (or credit) available prepurchase. Smaller players in the market are likely to be harder hit by delays and pricing volatility.

74. Supply chains continue to be impacted by Covid-19 and high demand. While it appears that production of many items has ramped up above pre-Covid levels, the lack of shipping capacity and delays at major ports continues to cause disruption. Omicron's high numbers of cases has also left many businesses overseas, including ports, grappling with staffing shortages during the outbreak. China, one of New Zealand's biggest trading partners and the location of major shipping ports, continues to pursue a "Zero Covid policy" meaning that snap lockdowns are still used when cases arise. On the positive side, broadly speaking Omicron appears to hit its peak around a month after outbreak begins, and falls sharply once it hits that peak, meaning that life seems to return to "normal" sooner.
75. Globally, the economic outlook is one of economic and political uncertainty with ongoing Covid-related challenges and political tensions rising between the US and China, and Russia, the Ukraine, and Europe. High debt and inflation brought about by large scale sovereign money printing is expected to exacerbate current economic instability.

Financial Considerations - *Whaiwhakaaro Puutea*

76. The work to upgrade the Hamilton Invest website is covered by existing Growth Funding & Analytics budgets.
77. Funding for both the sponsorship of the Kudos Scientist Awards and Council's contribution to the Heads of Diplomatic Missions study tour can come from existing Economic Development budgets.
78. A total of \$142K in relief has been provided to 24 of the Council's commercial tenants in the retail and hospitality sectors from 18 August to 3 December 2021. In addition, the Council has provided a total of \$14K to 26 community tenants from 18 August to 3 December 2021.
79. Staff estimate that a further \$138k in rent relief will be required for the six-month period from 3 December 2021 to 3 June 2022.
80. The additional rent relief for Council tenants requested in this report is currently unfunded and will be funded from the current operating surplus - noting that \$141k of previously approved funding has not been spent.

Legal and Policy Considerations - *Whaiwhakaaro-aa-ture*

81. Staff confirm that the matters in this report comply with the Council's legal and policy requirements.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

82. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
83. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report. The recommendations set out in this report are consistent with that purpose.

Social

84. The proposed rent relief will help the continued survival of businesses in the hospitality, retail and community sectors, which promote better outcomes for the community at large, helping to sustain a more vibrant Hamilton with greater social interaction.

Cultural

85. Businesses in the hospitality, retail and community sectors endorse and enhance the cultural identity of the city.

Economic

86. Promoting Hamilton's value proposition forms the basis of efforts to promote new investment and job creation in the city.

Environmental

87. There are no environmental wellbeings for consideration.

Risks - *Tuuraru*

88. There are no known risks associated with the decisions required for this matter.

Significance & Engagement Policy - *Kaupapa here whakahira/anganui*

Significance

89. Staff have considered the key considerations under the Significance and Engagement Policy and have assessed that the matter(s) in this report has/have a low level of significance.

Engagement

90. Given the low level of significance determined, the engagement level is low. No engagement is required.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Economic Development Update - December 2021

Economic development update

Hamilton - Kirikiriroa

DECEMBER 2021

Hamilton City Council is focused on delivering an economic development agenda that embraces regional growth, champions partnerships across industry ecosystems and proactively engages with businesses to enable new investment.

Our value proposition is grounded in fundamental strengths that can deliver long-term operational advantages to businesses.


This includes a young, diverse and innovative workforce; economic growth balanced across the tech, logistics, manufacturing and agritech sectors; and a welcoming business community with a culture of collaboration.

The pride we have in our heritage and history as a great river city is matched by a future-focused approach to collectively shape a more vibrant, attractive, and prosperous Hamilton Kirikiriroa.



Councillor Ryan Hamilton
Chair, Economic Development Committee
Hamilton City Council

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 [HamiltonCityCouncil](https://www.facebook.com/HamiltonCityCouncil)

Where agriculture and technology meet

Hamilton is the long-time home of the agricultural technology – agritech – sector in Aotearoa, with industry giants like Gallagher Group, Livestock Improvement Corporation and NDA Group based in the city. Our ambition is to attract and support emerging businesses to join these iconic agritech companies as they explore and implement new technologies that are advancing productivity, performance, and profitability.



Waikato's position as the country's leading agritech region is never more apparent than during the annual Fieldays event which brings over 100,000 attendees and 1,000 exhibitors together to celebrate our agricultural and primary sectors while showcasing home-grown innovation to the world.

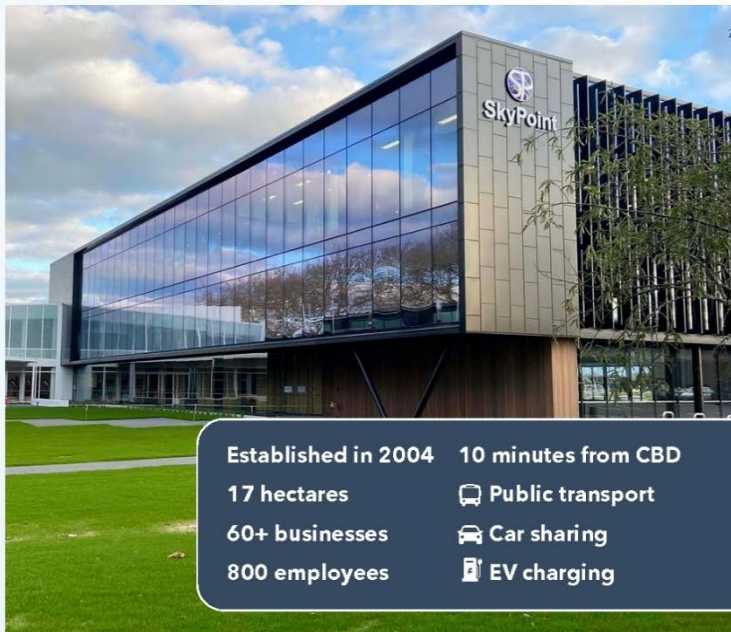


Hamilton City Council
Te kaunihera o Kirikiriroa

Industry focus | Agritech in Hamilton

Hamilton hub supports bright future of agritech

Home to over 60 businesses, Waikato Innovation Park is a hub of activity for research, collaboration, and commercialisation in Hamilton. Agritech is one of the key sectors the business campus is designed to support and grow, and the recent completion of a \$14 million building (pictured) has enabled the park to meet strong demand for operational space from local, regional and national tenants. The resulting increase in businesses activity and employment is strengthening Hamilton and the Waikato's position as the heart of innovation and future-focused activity for Aotearoa's agritech sector.



Established in 2004 10 minutes from CBD
 17 hectares 🚌 Public transport
 60+ businesses 🚗 Car sharing
 800 employees 🔌 EV charging



Gallagher Group headquarters on Kahikatea Drive.

Global growth supported by Waikato roots

Gallagher Group was founded in 1938 by the late Bill Gallagher Senior and has been headquartered in Hamilton ever since. Their 2020 revenue exceeded \$300 million making Hamilton home to New Zealand's top performing agritech company, according to Technology Investment Network's Agritech Insights Report. With over 700 employees based at the company's Kahikatea Drive campus, Gallagher is an example of how a global business that is driven by innovation can base their research and development efforts here in the Waikato and meet the needs of customers across Aotearoa and the world.



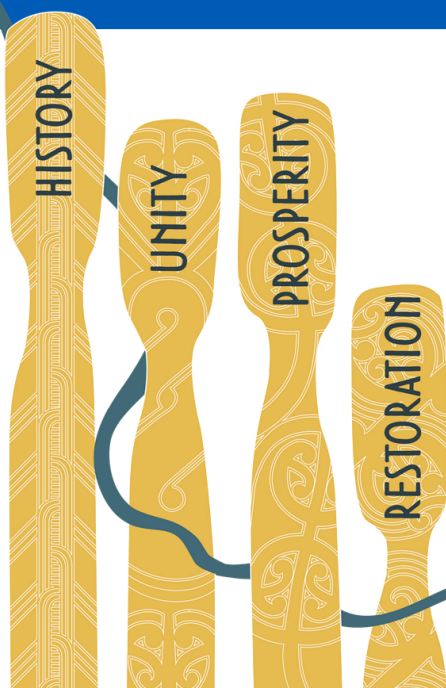
Central city growth

Proposed key projects in central city IAF bid

Hamilton's central city is one step closer to securing a piece of the government's \$1 billion Infrastructure Acceleration Fund (IAF) after Council's \$272 million (uninflated) bid has successfully passed the first hurdle. If successful, the funding will help unlock the central city for more inner-city housing, including high-rise apartments and mixed-use developments, that are supported by the appropriate infrastructure, amenities and services. Investment in Hamilton's central city will be a key factor in sustainable economic growth for the city at large.



Inclusive economic development



He Pou Manawa Ora - Pillars of Wellbeing is Council's strategy and vision for a city that celebrates its whole history, including its unique Maaori heritage, and ensures everyone has a voice in developing its future. Developed in consultation with Waikato-Tainui, Te Rūnanga Ō Kirikiriroa and mana whenua, this strategy discusses how Council will use the pillars of History, Unity, Prosperity and Restoration to build a proud and inclusive city for the wellbeing of all its people.

Work has begun to create an overview that will guide how He Pou Manawa Ora, and specifically He Pou Manawa Taurikura - the Pillar of Prosperity, is reflected in our economic development activity. This will include partnering with Te Waka, Waikato's economic development agency, and will recognise the importance of providing equitable support and opportunities for Maaori to improve their current and future economic wellbeing, measured in part by the percentage of young Maaori in employment, education or training.

Economic Development team

We have a passionate team that is dedicated to showcasing Hamilton Kirikiriroa as a hub of economic activity and opportunity. Our team can assist organisations and businesses looking for the right place to invest and grow.

Get in touch with our Economic Development team to learn more.

Mike Bennett

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Programme Manager

Sija Soman

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Economic Development Analyst

Kate Harris

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Business Relationship Advisor

Upcoming events

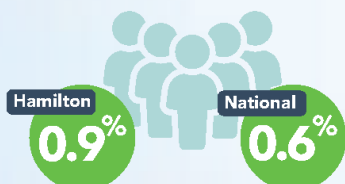
Given the uncertainty brought on by COVID-19 outbreaks, many business events have been postponed this year. In future issues, we'll share upcoming events such as forums, meet-ups, seminars and training sessions from across Hamilton's economic development ecosystem.



Economic and growth snapshot

Population

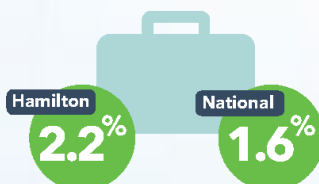
2021 = 178,500



Estimated annual growth 2021

Employment

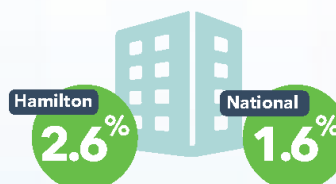
2020 = 99,089



Annual growth 2020

Business units

2020 = 15,924



Annual growth 2020

Residential development activity

October 2021 vs 2020

Sections granted
1,988 -22.5%

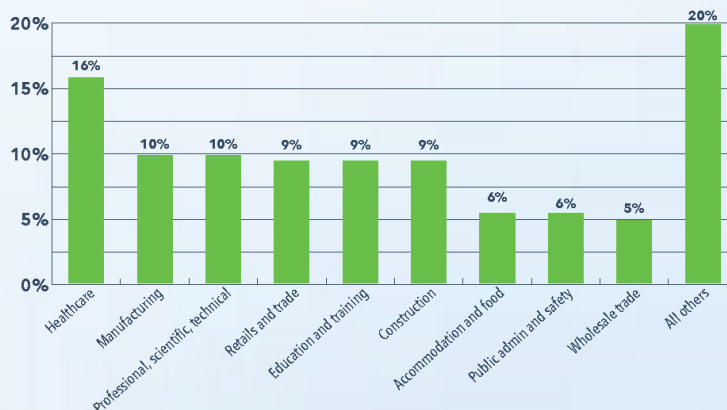
Houses consented
1,651 +22.8%

New titles issued
1,243 +3.1%

Under construction
1,123 +7.2%

Hamilton employment by sector

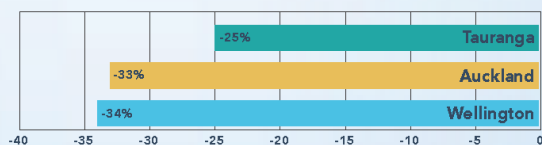
2020 filled jobs by ANZSIC-1 industries



Employment in Hamilton reflects our balanced economy, led by healthcare jobs and an evenly distributed workforce across major sectors.

Local purchasing power: Hamilton vs other cities

November 2021
Hamilton = baseline 0%



Local purchasing power measures the relative ability to buy goods and services using the average wage for that city. On average, wage earners in Tauranga, Auckland and Wellington can afford 25%, 34% and 35% less than workers in Hamilton.

Median house prices

October 2021

Waikato	\$805,000
Bay of Plenty	\$900,000
Wellington	\$995,000
Auckland	\$1,250,000

Sources: Infometrics, Numbeo, REINZ, StatsNZ and Hamilton City Council

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 HamiltonCityCouncil

Hamilton City Council
Te kaunihera o Kirikiriroa

Resolution to Exclude the Public

Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

That the public be excluded from the following parts of the proceedings of this meeting, namely consideration of the public excluded agenda.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Confirmation of the Economic Development Committee Public Excluded Minutes of 23 November 2021) Good reason to withhold) information exists under) Section 7 Local Government) Official Information and) Meetings Act 1987)	Section 48(1)(a)
C2. 778 Heaphy Terrace and 2D Brooklyn Road - Sale of Land		
C3. General Manager's Report		

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

Item C1.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C2.	to enable Council to carry out commercial activities without disadvantage	Section 7 (2) (h) Section 7 (2) (i)
Item C3.	to enable Council to carry out negotiations	
	to enable Council to carry out commercial activities without disadvantage	Section 7 (2) (h) Section 7 (2) (i)
	to enable Council to carry out negotiations	