

## Notice of Meeting:

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

**Date:** Tuesday 23 November 2021  
**Time:** 9.30am  
**Meeting Room:** Council Chamber and Audio Visual Link  
**Venue:** Municipal Building, Garden Place, Hamilton

Lance Vervoort  
Chief Executive

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## Economic Development Committee

### *Komiti OOhanga Whakatupu*

### OPEN AGENDA

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#### Membership

**Chairperson** Cr R Hamilton  
*Heamana*

**Deputy Chairperson** Cr E Wilson  
*Heamana Tuarua*

<b>Members</b>	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.

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Becca Brooke  
Governance Manager  
*Menetia Mana Whakahaere*

**15 November 2021**

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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:** 23 November 2021  
**Author:** Tyler Gaukrodger  
**Authoriser:** Becca Brooke  
**Position:** Governance Advisor  
**Position:** Governance Manager  
**Report Name:** Confirmation of the Economic Development Committee Open Minutes of 11 August 2021

<b>Report Status</b>	<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 11 August 2021 as a true and correct record.

## Attachments - *Ngaa taapirihanga*

Attachment 1 - Economic Development Unconfirmed Open Minutes - 11 August 2021

## Economic Development Committee Komiti OOhanga Whakatupu OPEN MINUTES

Minutes of a meeting of the Economic Development Committee held in Council Chamber, Municipal Building, Garden Place, Hamilton and via Audio Visual link on Wednesday 11 August 2021 at 9.32am.

### PRESENT

<b>Chairperson</b>	Cr R Hamilton
<b><i>Heamana</i></b>	
<b>Deputy Chairperson</b>	Cr E Wilson
<b><i>Heamana Tuarua</i></b>	
<b>Members</b>	Mayor P Southgate (exclusively via Audio Visual link) Deputy Mayor G Taylor (exclusively via Audio Visual link) Cr M Gallagher (partially via Audio Visual link) Cr R Pascoe Cr M van Oosten Maangai O Te Ua (exclusively via Audio Visual link) Maangai T P Thompson-Evans (exclusively via Audio Visual link)

<b>In Attendance</b>	Cr D Macpherson Blair Bowcott – General Manager Growth Sean Murray – General Manager Venues, Tourism and Major Events James Clarke – Director of the Mayor's Office Tilly Murcott - Programme Manager City Growth Tracey Musty - Financial Controller Candice Swanepoel - Business Performance Accountant Amy Trigg - Senior Policy Analyst Nicolas Wells - Strategic Property Manager Mike Bennett - Key Account Manager Jason Dawson – Hamilton and Waikato Tourism Limited Mark Morgan - Waikato Regional Airport Limited Scott Kendall - Waikato Regional Airport Limited Vanessa Williams – Hamilton Central Business Association
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<b>Governance Staff:</b>	Amy Viggers – Governance Team Leader Narelle Waite and Tyler Gaukrodger – Governance Advisors
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### 1. Apologies – *Tono aroha*

**Resolved:** (Cr Hamilton/Cr Wilson)

That the apologies for lateness from Cr Gallagher, and for partial attendance from Mayor Southgate are accepted.

**2. Confirmation of Agenda – *Whakatau raarangi take***

**Resolved:** (Cr Hamilton/Cr Wilson)

That the agenda is confirmed noting:

- a) that item 11 (Civic Financial Services Limited - Annual Report 31 December 2020) and item 12 (Waikato Innovation Growth Ltd, New Zealand Food Innovation Waikato Ltd - Annual Report 30 June 2019) is to be taken after item 6 (Chair's Report) to accommodate availability; and
- b) that late verbal report item C4 (General Manager Venues, Tourism and Major Events Verbal Update) is accepted. This is to be taken as the first item in the public excluded session of the meeting as per section (7)(2)(i) to enable Council to carry out commercial negotiations without disadvantage and per section (7)(2)(j) to prevent the disclosure or use of official information for improper gain or improper advantage.

**3. Declarations of Interest – *Tauaakii whaipaaanga***

No members of the Council declared a Conflict of Interest.

**4. Public Forum – *Aatea koorero***

No members of the public wished to speak.

**5. Confirmation of the Economic Development Committee Open Minutes of 3 June 2021**

**Resolved:** (Cr Wilson/Cr van Oosten)

That the Economic Development Committee confirm the Open Minutes of the Economic Development Committee Meeting held on 3 June 2021 as a true and correct record.

*Item 11 (Civic Financial Services Limited - Annual Report 31 December 2020) and Item 12 (Waikato Innovation Growth Ltd, New Zealand Food Innovation Waikato Ltd - Annual Report 30 June 2019) were taken after Item 5 (Confirmation of the Economic Development Committee Open Minutes of 3 June 2021) to accommodate availability.*

**11. Civic Financial Services Limited - Annual Report 31 December 2020**

The Financial Controller took the report as read.

**Resolved:** (Cr Wilson/Cr Hamilton)

That the Economic Development Committee receives the report.

**12. Waikato Innovation Growth Ltd, New Zealand Food Innovation Waikato Ltd - Annual Report 30 June 2019**

The Financial Controller took the report as read, noting that the purpose of the report was to verify a previously missed audited report.

**Resolved:** (Cr Wilson/Cr van Oosten)

That the Economic Development Committee receives the report.

**6. Chair's Report**

The Chair took the report as read, noting the work to date on the Municipal Endowment Fund and the need for a working group to be created to ensure better utilisation of the fund.

**Resolved:** (Cr Hamilton/Cr Wilson)

That the Economic Development Committee:

- a) receives the report; and
- b) approves the Municipal Endowment Fund (MEF) Working Group, made up of Deputy Mayor

Taylor, Cr Hamilton, Cr Wilson and Cr Pascoe, to continue to work with staff on matters relating to the Municipal Endowment Fund and Council's strategic property assets.

**7. Hamilton and Waikato Tourism Limited - Year End Report 2020/21**

Jason Dawson (Hamilton and Waikato Tourism Ltd) took the report as read and provided Members with a presentation on the performance of Hamilton and Waikato Tourism areas, the effect of Covid-19, and commercial accommodation and domestic marketing. He responded to questions from Members concerning non-commercial accommodation rates and availability, He Pou Manawa Ora considerations, collaboration, accommodation shortages and development, organisation of Matariki events, the current I-site location, development of attractions, economic opportunities, the Te Huia train service, and reporting timelines.

**Resolved:** (Cr Wilson/Cr Gallagher)  
That the Economic Development Committee receives the report.

*Cr Gallagher left the audio visual meeting and joined the meeting in person during the discussion of the above item.*

**8. Waikato Regional Airport Limited - Year End Report 2020/21**

Mark Morgan and Scott Kendall (Waikato Regional Airport Ltd) spoke to the report, in particular present and future financial performance, the effect of Covid-19, addition of new flight paths, increase in assets, their 10 year strategy, key initiatives, hotel use as quarantine facilities, terminal upgrades, sustainability and property initiatives. They responded to questions from Members concerning land holdings, Aerospace ownership, dividend payments to shareholders, shareholdings, runway designation, runway development, and Southern Links connections.

**Resolved:** (Cr Wilson/Cr Hamilton)  
That the Economic Development Committee receives the draft year-end report from WRAL for 1 July 2020 to 30 June 2021, noting the final audited version will be circulated to Members when it is available.

**9. Hamilton Central Business Association - Six-monthly update**

The Programme Manager City Growth, Vanessa Williams and Mike Neale (Hamilton Central Business Association) took the report as read and provided a presentation regarding collaboration between businesses, new CBD developments, business advocacy, business promotion, and CBD activation. They responded to questions from Members concerning public space sponsorship areas, play spaces, and changes to the NPS-UD.

**Resolved:** (Deputy Mayor Taylor/Cr Wilson)

That the Economic Development Committee:

- a) receives the following HCBA reports, which are attached to this staff report:
  - i. 6-monthly report to 30 June 2021;
  - ii. Annual audited accounts for the year ending 30 June 2021;
  - iii. CBD Activation Plan 2022-2024.
- b) receives the HCBA Strategic Plan and Action Plan, as required by the Business Improvement District Policy and Rules, that was approved by the HCBA Executive Committee;
- c) receives the CBD Activation Plan 2022-2024, noting that it was supported by the Central City River Plan Advisory Group at its 23 June 2021 meeting; and

- d) delegates authority to the General Manager Growth Group, in consultation with the Chair and Deputy Chair of the Economic Development Committee and the Chair of the Central City River Plan Advisory Group, to enter into a Service Level Agreement between HCBA and Hamilton City Council for the delivery of the CBD Activation Plan and release of the annual \$100,000 CBD Activation Fund payment to HCBA.

**The meeting was adjourned from 11.19am to 11.37am.**

*Mayor Southgate left the meeting during the above adjournment.*

**13. International Relations Update**

The Director of the Mayor's Office and Senior Policy Analyst outlined the report in particular the re-establishment of relationships with sister cities, celebrating sister city anniversaries, and potential collaboration with the Gold Coast. They responded to questions from Members concerning opportunities in Australia, collaboration with the Gold Coast, Elected Member participation with Sister Cities, Sacramento collaboration, and economic opportunities.

**Resolved:** (Cr Hamilton/Cr Wilson)  
That the Economic Development Committee receives the report.

**14. General Managers Report**

The General Manager Growth and Key Account Manager spoke to the report noting the work undertaken by the tech sector working group, Ruakura economic opportunities, the provincial growth fund, and upcoming economic opportunities. They responded to questions from Members concerning He Pou Manawa Ora and the status of the 2 Brooklyn Road property disposal.

**Staff Action:** *Staff undertook to include information on how He Pou Manawa Ora was being included in Economic Development work in the General Managers Report to the Economic Development Committee meeting of 23 November 2021.*

**Resolved:** (Cr Hamilton/Cr Wilson)  
That the Economic Development Committee receives the report.

**15. Policy Review - Freeholding of Council Endowment Land Policy (Recommendation to the Council)**

The Strategic Property Manager took the report as read.

**Resolved:** (Cr Wilson/Cr Gallagher)  
That the Economic Development Committee recommends that the Council approves amendments to the Freeholding of Council Endowment Land Policy as detailed in **Attachment 1** of the staff report.

**16. Municipal Endowment Fund - Quarterly Report - Q4 2020/21 FY**

The Strategic Property Manager spoke to the report noting the financial details of the fund and the increase in fund value. He responded to questions from Members concerning fund use, Municipal Endowment Fund principles, uplift in property value, return on investment, and external professional advice.

**Resolved:** (Cr Wilson/Cr Pascoe)  
That the Economic Development Committee receives the report.



Mayor Southgate re-joined the meeting (12.30am) during the discussion of the above item. She was present when the matter was voted on.

**10. H3 Group - Year End Activity Report 30 June 2021**

The General Manager Venues, Tourism and Major Events spoke to the report in particular the effect of Covid-19, conference activity, future financial expectations, and major events run by the H3 group. He responded to questions from Members concerning economic and social impact of hosting events.

**Resolved:** (Cr Hamilton/Cr Wilson)  
That the Economic Development Committee receives the report.

Mayor Southgate retired from the meeting (12.43pm) during the discussion of the above item. She was not present when the matter was voted on.

**17. Resolution to Exclude the Public**

**Resolved:** (Cr Hamilton/Cr Wilson)  
**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 3 June 2021	) Good reason to withhold information exists under Section 7 Local Government	Section 48(1)(a)
C2. 242 to 266 Victoria Street Redevelopment	) Official Information and Meetings Act 1987	
C3. Municipal Endowment Fund - Quarterly Report - Q4 2020/21 FY	)	
C4. General Manager Venues, Tourism and Major Events Verbal Update		

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)
Item C4.	to enable Council to carry out negotiations to enable Council to carry out negotiations to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (i) Section 7 (2) (j)

**The meeting moved into a Public Excluded session at 12.50pm.**

**The meeting was declared closed at 2.05pm.**

# Council Report

Item 6

**Committee:** Economic Development Committee

**Date:** 23 November 2021

**Author:** Tyler Gaukrodger

**Authoriser:** Becca Brooke

**Position:** Governance Advisor

**Position:** Governance Manager

**Report Name:** Chair's Report

<b>Report Status</b>	<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

Whilst the world battle with the effects of lockdowns across the globe, local exporters and offshore importers deal with up to 10x container shipping costs, power shortages in China, rising inflation and constrained labour markets it is hard to know what impacts these have on our local economy and region and specifically the micro effects on Hamilton City Kirikiriroa. Ultimately we must put our efforts into the things we *can* control and have influence over with our roles as Elected Members.

To that end I draw your attention to some of the highlights over the last few months that this committee and staff with the wider support of Council are doing to create impact in support of our economic wellbeing.

We are now transitioning from a programme of planning and positioning mode to a production and delivery mode and executing on the Economic agenda.

- Resourcing:
  - Our economic development team is now fully resourced, with a Programme Manager supported by a Business Relationship Advisor and a Research Analyst.
- Education Sector:
  - Strengthening Council's partnerships within the education sector and to position Hamilton as the home of a future Centre of Vocational Excellence (CoVE) for technology.
- Investment promotion:
  - Core function of our programme
  - HCC team is coordinating a showcase of our region to international economic development guests in March 2021 alongside Te Waka and the Ministry of Foreign Affairs.
- Outreach, enabling growth:
  - Updated content to our existing website is nearing completion
  - A long-term solution included as part of a wider HCC website overhaul being led by Council's Communications team
  - Bi-monthly economic development will showcase key industries, businesses, important initiatives
- Inclusive Economic Development
  - As request at our last meeting, staff are working with Te Waka to shape how He Pou Manawa Ora can take effect within our economic development programme

An Update from Dep Chair Ewan Wilson and his role on the Governance Working Group on the Te Huia Train service;

"We know from feedback / surveys that a number of additional people would use the service if it went to the heart of the city of Auckland and that Auckland originating traffic could travel to Hamilton and return in the same day.

previous service was not optimised and these critical shortfalls where a significant barrier to the success of the service.

Passengers originating from Auckland needing to travel to Hamilton for a brief meeting and return on the same day can now do so and all travels will now have the option of the two Auckland stations. (Papakura and the Strand). We will also be adding Puhinui station in early 2022 which will provide a great connection to Auckland International airport.

These much needed improvements will be a significant economic enabler both in terms of business development and tourism but also it now opens the real possibility of people living in Hamilton and commuting to Auckland daily for work. The more sociable hours of service and the two stops in Auckland will be the catalyst for significant passenger uptake.

Following the lockdown, the service is planned to restart on 24<sup>th</sup> January, taking into account a period the Auckland rail lines are shut for maintenance over the Xmas period.

New and Improved features will include:

- All services going right into central Auckland city, terminating at The Strand station, meaning no change of trains required at Papakura;
- An extra daytime return service, suiting travellers not wanting to spend an entire day in Auckland;
- Slightly later morning departures from the Waikato stations;
- Availability of Super Gold Card discounts on some of the weekday services;
- The ability for Auckland passengers to travel to Hamilton during the day;
- New family passes to make family group travel more affordable.

A likely stop at Puhinui station for connections to Auckland Airport will also be added, subject to final electronic ticketing connections being available.”



From Deputy Mayor Geoff Taylor and the CBD Advisory Committee;

“Mayor Paula and deputy mayor Geoff have been working alongside HCBA general manager Vanessa Williams to help hospitality operators. Even once hospitality reopens in Hamilton, social distancing rules make it impossible for those will smaller venues to serve sufficient customers to be profitable.

The plan is to spread some venues’ outdoor seating wider on to some of our wider pavements and into public spaces such as Garden Place, Civic Square and VOTR. At the same time the council is seeking a temporary relaxation of liquor licensing requirements from the Government so liquor can be served at these outside locations.”

### Recommendation

That the Economic Development Committee receives the report.

Ngaa Mihi,  
Ryan Hamilton

**Chair Economic Development Committee**

# Council Report

**Committee:** Economic Development Committee  
**Date:** 23 November 2021  
**Author:** Mike Bennett  
**Authoriser:** Blair Bowcott  
**Position:** Key Account Manager  
**Position:** General Manager Growth  
**Report Name:** Te Waka 6-monthly Update

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

1. To inform the Economic Development Committee about Te Waka's 6-monthly report for the period January to June 2021, as required by the Partnership Agreement Schedule of Functions and Services.

## Staff Recommendation - *Tuutohu-aa-kaimahi*

2. That the Economic Development Committee receives the report.
3. Alongside their January-July 2021 6-monthly report (**Attachment 1**) and Quarterly Stakeholder Update covering July-September 2021 (**Attachment 2**), Te Waka will be giving an update on their organisational reformation and operational path forward as part of the 2021-2024 Partnership Agreement period with Councils that began in July 2021.
4. William Durning, Partnerships and Investment Manager, will attend the meeting and speak to Te Waka's current operations and initiatives.
5. Staff consider the matters in this report have low significance and that the recommendation complies with the Council's legal requirements.

## Background - *Koorero whaimaarama*

6. Te Waka, which was established in July 2018, is the Economic Development Agency for the Waikato Region, serving as a champion for and the collective voice of the Region's economic and business needs and opportunities.
7. Te Waka exists to:
  - i. Lift economic performance across the Waikato region;
  - ii. Support and enable business and industry growth; and
  - iii. Attract business and investment.

8. At the 3 June 2021 Economic Development Committee meeting, it was resolved that the Committee:
  - a) *receives the report; and*
  - b) *recommends the Council delegates the Chair of Economic Development Committee, Deputy Chair of Economic Development Committee, and the CE to work with staff to finalise and sign the 2021-2024 Partnership Agreement and 2021-2022 Service Level Agreement with Te Waka.'*
9. This delegation was exercised on 7 July 2021 as it relates to the 2021-2024 Partnership Agreement. The use of a separate Service Level Agreement was phased out and incorporated into the Partnership Agreement as a commitment that Council would be informed on a regular basis as to Te Waka's work programme, progress, and successes at committee meetings and through the CE's and Mayoral Forums.

### **Financial Considerations - *Whaiwhakaaro Puutea***

10. This is a regular operating activity funded through the Long-Term Plan.
11. The 2021-2031 Long Term Plan has budgeted funding of \$140,000 per annum for Te Waka to support Council's economic development efforts.

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

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

### **Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga***

13. 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').
14. 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.
15. The recommendations set out in this report are consistent with that purpose.

### **Social**

16. Social wellbeing can be linked to economic wellbeing, and Te Waka's work to lift economic performance across the Waikato will improve the social and cultural outcomes in Hamilton and our wider region.
17. Te Waka's Impact Project work has developed a list of impact ready projects such as house insulation that supports people to be healthy and happy.

### **Economic**

18. Supporting and enabling business and industry growth in Hamilton generates income to provide present and future financial security.
19. Creating employment opportunities for Hamiltonians will facilitate economic activity for the city including housing and consumption.
20. Economic growth attracts new people to Hamilton, further expanding our economic base.

### **Environmental**

21. Te Waka's Impact Project work has developed a list of shovel ready projects that include riparian planting work which protects and enhances our natural taonga, green spaces and biodiversity.

## Cultural

22. The Maaori Economic Development work programme, delivered by Te Waka in collaboration with Maaori collectives, regional government, Maaori business support agencies and leaders, and whanau enterprise, delivers outcomes for employment, enterprise growth and capability. This supports the values, aspirations, and growth of our tangata whenua.
23. Te Waka works to facilitate commercial growth in Hamilton, which can be a catalyst for the arts and events scene, protecting and celebrating our rich history and heritage.

## Risks - *Tuuraru*

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

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

### Significance

25. 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

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

## Attachments - *Ngaa taapirihanga*

Attachment 1 - Te Waka 6 Monthly Update January - July 2021

Attachment 2 - Quarterly Stakeholder Update July - September 2021





## Executive Summary

As another six-month period transitions Te Waka to the end of the 2020/2021 financial year, efforts have continued to facilitate and advance economic wellbeing across the region.

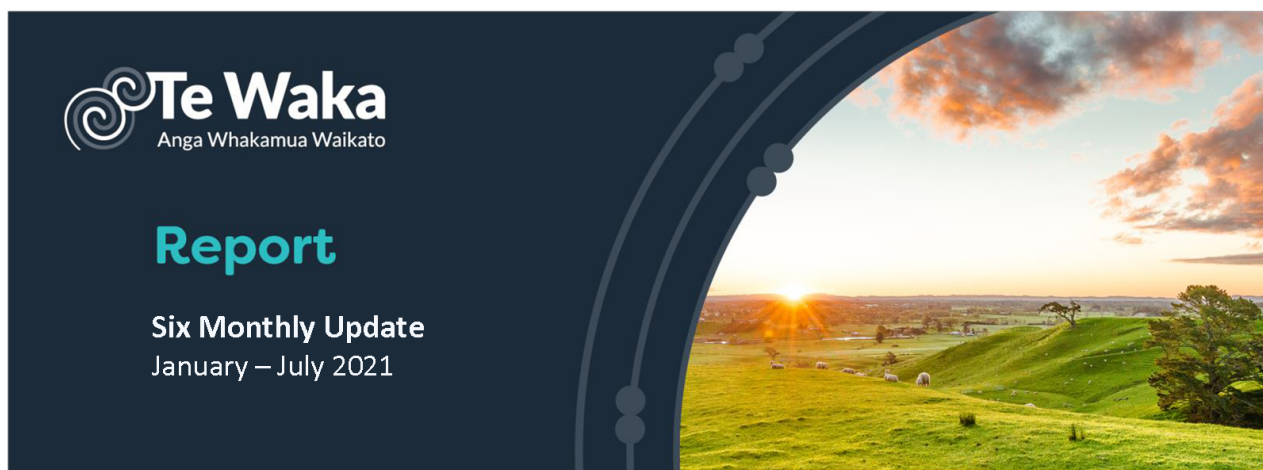
This year has seen Te Waka kaupapa focus on developing a new structure and approach to enact a stronger and more responsive partnership model with key stakeholders. Critical to this has been the continued commitment of Waikato Councils, identified through their Long-Term Plan processes. Central government has also provided avenues to activate investment across our communities and the creation of a strategic partners advisory group will support Te Waka's drive for regional collaboration going forward.

Sector work programmes designed in conjunction with industry leaders continue to focus on a collective response to reduce barriers for Construction, Logistics & Distribution, Innovation, and International Education, in order to fully realise growth opportunities.

Our business support offerings have continued to tautoko the region's business community after COVID's national lockdown response with \$10.2 million being issued this year to build resilience and capability. The Regional Business Partners programme (RBP) has opened the door to over 2000 enterprises in the last 12 months. While the contract to deliver the RBP has extended for another six months until the end of 2021, the team are looking forward to expanding its reach and impact in the Waikato.

Te Waka's grassroot approach to bring education opportunities to businesses in each district, saw a partnership with the Ministry of Business, Innovation and Employment to coordinate the Digital Boost programme locally which hosted 11 workshops with over 260 business leaders participating.

The Waikato's Business Mentor NZ programme continues to be held up as the premium example of enterprise matches with 108 businesses now signed up and paired with a mentor since July 2020.



January brought a significant milestone for Te Waka with a Memorandum of Understanding being signed with Waikato Tainui, a solid workplan is now progressing to enhance social procurement models in the region and to identify collective trade responses to opportunities.

Intelligence and data collection has been a strong foundation for telling the Waikato Story, while highlighting key sector opportunities and barriers. The first Business Sentiment Survey was conducted in August 2020 and later followed with the second survey in February 2021 showing a significant increase in confidence in the Waikato economy with a net confident score of -14% moving to 11%. The support of Waikato Regional Council to gather and collate intelligence in partnership with Te Waka continues to be appreciated.

While Te Waka's focus has been outward facing, it is important to note that internal changes have also occurred, and recruitment has been a focus to resource and deliver upon Te Waka's strategy and to create meaningful impact for the region. Most recently we have created a new position to support operations with Suzanne Lorenz starting in July 2021 as Operations Manager and Rosie Spragg is due to start on 1 September as the Industry & Sector Manager. We are also continuing our search for a Regional Engagement Manager to lead our sub regional engagement program.

**Hamish Bell**

[Board Chair](#)

Outlined below is a summary activity report aligned to Te Waka's strategy

Sector Development
<p><b>Logistics and Distribution</b></p> <p>A report has been commissioned by Te Waka on behalf of industry within Waikato and Bay of Plenty. The purpose of the report to better define the issues and opportunities in the sector and summarise those in a concise way, the report by Ernst Young is now in the final stages with a draft report due 5 August after completing all stakeholder interviews, this report will be sent to the Advisory Group for review and feedback before being finalised and circulated, with the process planned to be completed by early September.</p> <p>It is worth noting that the Ministry of Transport is now planning to conduct regional workshops from mid-August to the end of September to develop a NZ Freight and Supply Chain Strategy, in which Te Waka has been invited to participate and contribute insights from our own sector work.</p>
<p><b>Construction</b></p> <p>The last forum meeting recommended investigating existing initiatives around sector skills development and financing to help inform and shape planned workstreams.</p> <p>A workshop facilitated by Doug Wilson (Deloitte) will now take place in August to define the problem areas around infrastructure investment and investigate potential solutions.</p> <p>A further workstream around the promotion of the region as desirable destination for skilled labour is planned for September and will coordinate with MBIE and RSLG members who are focused on workplace skills in the Waikato labour market.</p>
<p><b>International Education</b></p> <p>Te Waka continues to deliver on the International Education Strategy, recently completing a draft of the Sustainable Model report.</p> <p>Members from the Advisory Group and representatives from Te Waka attended an Education NZ mini fair held in Auckland on 9 &amp; 10 June, with collateral for promoting the Waikato being developed.</p> <p>The Destination Waikato pillar of the strategy is progressing with a formal written brief and RFP document is being finalised for Hamilton agencies relating to campaign collateral development for 'Destination Waikato'.</p> <p>Along with this funding has been received from ENZ for Te Waka to work with their PR agency for the creation of Regional Stories to support positive public perception of international students.</p> <p>There has been ongoing communication with ENZ to discuss the status of International Education Plan initiatives and potential ongoing funding.</p> <p>We are now beginning a small project to quantify the current value of international education to the Waikato region, which can be used to inform discussion and decision-making, especially around investment and resourcing.</p>

### IT/Innovation

The Tech and Innovation Sector survey was conducted in partnerships with Hamilton City Council, Gallagher and Cultivate IT with results published in March 2021. The purpose of the survey is to understand the size and shape of the sector along with a perspective on the opportunities and challenges facing business in a COVID-19 environment. Survey results painted a positive picture with 92 percent of participants expecting their business to improve over the next three years.

A meeting of key stakeholders held on 25 May agreed that the region required an industry body to own and lead industry activity, it was proposed that Cultivate IT is repurposed and reinvigorated, being relaunched with a fresh definition of what it covers without losing the brand equity already created and utilising any value of the existing framework.

The agreed purpose of this new entity:

- Align messaging about Waikato's tech sector to increase awareness, participation, and investment
- Our points of difference are authenticity, making a difference, collaboration and thinking big

It is planned to create a Trust entity that would be named "Cultivate", targeted for September formation, with a remit to:

- Promote tech as a field of study
- Coordinate government and education actions
- Create investment
- Do anything else to promote technology
- Not intended to do charitable endeavours

### Other sector activities:

Looking Ahead:

Industry & Sector Manager position being filled by Rosie Spragg from 1 September.

### Māori Economic Development

Te Waka's goal to work alongside Iwi, Hapu and Māori enterprises to realise economic aspirations for all Māori within the Waikato rohe continues, with working partnerships developed with Tainui Waka affiliated Iwi, local and central government agencies as well as key Māori lead organisations across the region.

The last 6 months has seen a transition from a strategy development phase to an implementation one. The signed MOU with Waikato Tainui in January has seen the development and implementation of an agreed work plan, with an emphasis on supporting the capacity building of businesses lead by Tainui tribal members, to a level that would allow them to participate within the central government developed supplier diversity framework. A secondary consideration is the development of a live database that will identify businesses owned by Tainui tribal members

A focus on providing pre and post treaty settlement support has allowed the opportunity to introduce the various networks and services available to Te Waka across the rohe, with Ngāti Hinerangi in particular taking advantage of this support as they have looked to develop their economic aspirations post settlement.

Activities to date:

- Supporting the development of the construction collective “Waikato Trade Collective”, a collective of approximately 40 Māori owned trades who are looking to participate within the Tier 3 housing development arena.
- Supporting Te Riu o Waikato’s economic aspirations across Rāhui Pōkeka by facilitating funding applications with Te Puni Kōkiri.
- Supporting Nikau Constructions \$2.9 million application for MFE funding for the installation of a concrete recycling plant at the old power station site in Meremere.
- Received continued support from Kanoa to support our Māori Economic Development programme of work.

Looking ahead:

Continued discussion to formalize partnerships and creation of agreed work plans with Tainui Waka affiliated Iwi.

Development of further Māori led collectives that can participate within the government supplier diversity framework.

Continued creation and identification of frameworks and expertise that can support the economic aspiration of pre and post settlement Iwi.

**Regional Business Support Network**

Te Waka is the delivery agency for the Waikato Region of the Ministry of Business Innovation and Employment (MBIE) Regional Business Programme (RBP), Callaghan Innovation programmes and Business Mentors.

The second half of 2020 saw a further extension of Government’s Covid-19 business support package and by the end of October 2020, the COVID-19 support, and Tourism Transition funding was fully allocated in the Waikato region. This resulted in a huge profile rise for the Regional Business Partner Network.

The first half of 2021 saw the Business Growth team exceptionally busy, with a lot of re-engagement from new and existing businesses to see where Te Waka could next support them in their business journey, whether it be mentoring, R&D, capability building, or connections and support to further grow their business or mitigate challenges that COVID-19 brought.

Activities to date over the previous 12 months

- Over 2000 businesses were met, and the majority received some level of funding or further connections.
- A total of \$10.2m of support was provided to Waikato businesses. This was made up of RBP, Management Capability; \$500k, Tourism Transition \$560k, COVID Advisory \$5.1m, Callaghan Innovation \$4.1m.

- Callaghan Innovation activities across Waikato businesses continues at twice the pace of any previous year with project grants, student support and the R&D loan package all being delivered through this period.
  - 108 Mentees were matched with Business Mentors.
  - In partnership with Digital Boost, 11 workshops were delivered across the region in June 2021.
  - Hubs across the Waikato region, in 16 different locations, have regained consistency with resumed face-to-face meetings. However, virtual meetings continue to be an efficient delivery method as business owners gained more confidence in going digital.
  - Business trends shows that Digital Enablement, Growth Strategies, R&D, and HR/Leadership development are current key needs
- Looking ahead:  
 Re-secure the Regional Business Partner contract for the next 5 years

#### Gather Intelligence Share Insights and Advocate

Economic Radar & Quarterly Report publications have continued with the support of Waikato Regional Council, Principal Economist Blair Keenan

Waikato Business Sentiment Survey April 2021 results published, the second survey was conducted by Te Waka in partnership with local authorities, chambers of commerce, regional tourism operators, business associations and other economic development organisations. The March 2021 sentiment survey shows business owners and managers are significantly more optimistic about their sector and the region's economic performance than they were six months ago, but remain less confident in the country's economic performance.

#### Looking Ahead:

Te Waka will complete the Waikato Business Sentiment Survey as an annual survey with both the Economic Radar and Quarterly updates by Blair Keenan to be completed every 3 months.

#### The Waikato Story

Te Waka continues to manage and maintain the Waikato.com platform as a one-stop-shop of information for business in the Waikato.

Over 30 stories have been published to the site from various stakeholders in the Jan-June 2021 period.

#### Looking Ahead:

Continue to develop content for the Waikato Story aligned to the sector activities and in collaboration with partners to meet the needs of industry in profiling the Waikato.

**Build Connections and Partnerships; and Drive Collaboration**

Te Waka continues to partner with Waikato Regional Council as they lead the Regional Economic Development Strategy, a refreshed version of the original Waikato Means Business. As part of this process District Profiles have been created to fully recognise opportunities, strengths, and alignment across sub-regions

Communication with the Economic Development community across the region continues to be free flowing and highlights the commitment, vibrancy and policy making enabling both business development and economic wellbeing occurring in the Waikato.

Economic Development Manager forums have been held quarterly with a continued focus on a joint regional strategy and investigations into Central Government investment opportunities. This process has also seen an Opportunities List created to advance regional discussions with Kanoa.

District visits through the Business Growth Team have expanded to incorporate targeted district events showcasing the services of Te Waka and these are expected to continue with more frequency in the coming months.

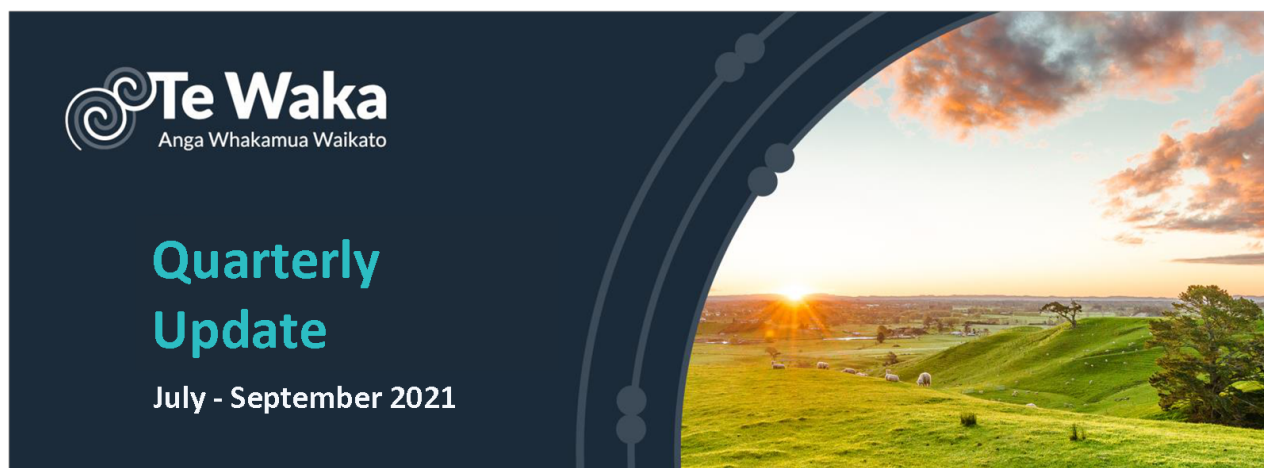
The Regional Engagement Strategy developed in November 2020 has now been adopted by the Board and stage one of the Outreach Plan is now being implemented through the Business Growth Team. A regional engagement schedule has also been crafted to advance district visits and profile Te Waka services

In addition to a Regional Project assessment tool being created to identify the value of opportunities and the support level required by Te Waka, a draft Terms of Reference for a Te Waka Business Advisory Group has been crafted and options presented for Board consideration.

**Looking Ahead:**

- Continue to develop region-wide engagement
- Appointment of a Regional Engagement Manager
- Co-located regional services headed up Te Waka to create a collaborative working space for regional entities.





## Te Waka | Stakeholder Update | Q1 July – September 2021

### Executive Summary

Te Waka marked its first 3 years in existence at the end of June. As with any new organisation, we've learnt a lot along the way – with some successes to celebrate as well as some learnings to incorporate.

#### Changes to our Team

We would not be here without the passion and commitment of those who contributed to Waikato Means Business strategy - and in particular our establishment Board members – Dallas Fisher, Kiri Goulter, Les Roa, Chris Joblin and Kim Hill, who alongside advisors Blair Bowcott and Rob Williams and Kaumatua Tame Pokaia shepherded the organisation through what has proved to be three years of change. My thanks in particular to Dallas, Kiri, Chris & Kim, who have all stepped down from the Board over the last year.

I'm pleased to note that we have made 3 appointments – with Leesah Murray, Cam Bagrie and Andrew West joining the Board in September. They collectively bring additional skills, expertise and networks, and join existing Directors Craig Barrett, Les Roa and me, alongside Blair, Rob and Matua Tame.

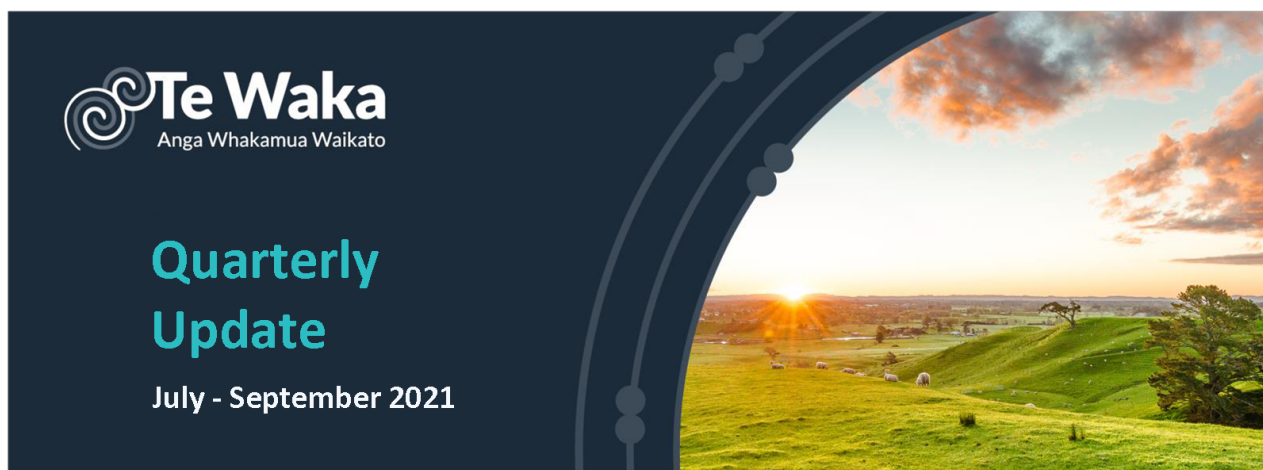
As noted below, we've also rebuilt our leadership team, with the appointment of Susanne Lorenz, Rosie Spragg and William Durning to lead the business. We also expect to commence a search for a new CEO for Te Waka in the near future.

#### Our Funding & Strategy

As I've touched on previously, funding has always been a challenge for Te Waka. As a small, independent organisation, we are reliant on local Government funding, business sponsorship and contract revenue to support our existence. We are grateful to the Waikato Regional Council for more than doubling their funding commitment over the next three years, and to the 10 other councils in the broader Waikato region for continuing their existing support at current levels. Likewise, we are hugely appreciative of the businesses who have chosen to support us and our programs.

Despite that support however, we remain the lowest funded Economic Development Agency in NZ when measured against GDP or population. Absent any central Government support, this means we must be ruthlessly focussed on where we direct our resources to achieve impact. This constraint led us to review our strategy towards the end of 2020, and to again refresh our strategic workplan over the last month to ensure its focussed and achievable. This refresh is shared below.





### Our Delivery

It's been a busy first quarter for our small team, with a focus on delivering against that strategic workplan. I'm pleased to say that we have continued to make real progress against that workplan, as detailed by the team below.

Our sector initiatives are gaining momentum, and we are looking at how that focus might evolve in the new year. Our Māori economic development program continues, and we are looking at how we work more closely with the Waikato Pacific Business Network to extend our focus to include Pacifica business.

Our regional engagement and business growth support continues via proactive engagement across the region, and we have now made a solid start to a more focussed strategy around investment attraction and the development of a vibrant investment ecosystem in the region.

The team is now focussed on delivery of a clear set of priorities to Christmas – amidst the ever-changing landscape forced upon us by Covid-19.

We released our Quarterly Waikato Economic Radar at the beginning of November. It suggests that while the Waikato region is better off than most, that it's time to be bold and embrace change as pressures consolidate. It also highlights the growing talent shortage, the looming impact of supply chain constraints, and growing upward pressure on inflation on interest rates. It also notes the growing attractiveness of the Waikato region to businesses and workers looking to flee Auckland in particular in search of better jobs, education and quality of life. You can read the [full report here](#).

**Hamish Bell. Board Chair**

## Highlights of the past quarter

### Senior Team in Place

As reported in our last stakeholder update, we have now completed onboarding two new members to our leadership team. In early September, while we were still in an alert level 4 situation, Rosie Spragg joined us as our new Industry & Sector Development Manager. Shortly after, William Durning completed our senior leadership team as Partnership and Investment Manager. Rosie and William joined Susanne Lorenz, our Operations Manager, who started with us in mid-July.



Despite a rather turbulent onboarding period during the lockdown and beyond, the leadership team has come together as a strong unit and have made great progress in their respective areas.

### Sector and Industry Leadership

- **Logistics & Distribution:** Ernst & Young submitted the full draft of the Freight Action Plan at the end of October. This industry-funded report has been circulated to the industry working group for review and discussion in early November to finalise and publish the report before the end of the year.
- **Construction:** We have been engaging with industry stakeholders to develop a Construction talent attraction campaign for the region. Initial costing and a high-level proposal for a pilot has been sent to key industry stakeholders. We are awaiting confirmation of their willingness to fund the initiative.
- **Education:** Three core workstreams are ongoing:
  - *Destination Waikato* – working with an agency partner (King St) to develop a campaign concept and collateral for Waikato education providers to use when they are ready to promote their international education services again (pending Government decisions on allowing international students into the country). The discovery phase of this project is near completion.
  - *Student Retention & Pathways* – supporting Priority One as lead delivery agency for a series of initiatives to support the retention and pathway opportunities for international students in the region.
  - *Regional Stories* – working with a PR agency (Anthem) to support the creation of regional stories about international education in the region. The first story was published in mid-September.
- **Tech & Innovation:** Te Waka has helped lead the establishment of the Cultivate Trust, a collective of private businesses, education providers, and public entities who are passionate about growing the Waikato's tech ecosystem and reaffirming the region as a centre for investment and education in the technology and innovation sector. This collective meets monthly and is currently at a formative stage. In partnership with the Cultivate Trust, we will continue to support networking events for the sector. We are also engaging closely with NZTech to support their upcoming launch of the NZ Tech Story. We will be providing regional content to promote the strengths and opportunities for the Waikato Innovation & Tech sector to an international audience.

#### **Māori & Pasifika Business**

- *Social Procurement* – we are engaging with Iwi across the region to understand their readiness to pursue supplier diversity opportunities and are engaging with Te Puni Kōkiri to encourage investment in an FTE resource to develop capability development pathways that would enable more Māori businesses to pursue social procurement opportunities.
- *Collective Models* – we have been engaging closely with the Waikato Trade Collective (WTC), including facilitating engagement with Kāinga Ora to explore opportunities for the WTC to bid for substantial housing build projects.
- *Māori Data* – we have brought together a working group to develop a Māori Economic Dashboard for the region, including Waikato Regional Council, Te Puni Kōkiri, Statistics New Zealand, Waikato Tainui, the Waikato Regional Skills Leadership Group (RSLG), MSD and IRD.
- *Impact Projects* – we are supporting Nikau Group for their intended investment in a concrete recycling plant in Meremere, including coordinating engagement with central and local agencies to explore support options (funding, consent, employment).
- *Pasifika Business* – we have been engaging with the Waikato Pacific Business Network (WPBN) to establish a formal partnership, including the opportunity for WPBN to join Te Waka's shared working space at Perry House. We are awaiting confirmation from WPBN on their funding to proceed with the shared working proposal.

#### **Regional Business Growth**

- The Regional Business Advisory Team continues to see a strong rise in demand for Callaghan Innovation and Regional Business Partner Capability funding across the Waikato Region.
- We are mindful of the recently announced Auckland Business Support funding to assist with the difficult trading conditions that Auckland businesses are experiencing. We have plans to quickly advise the region's business community and process inquiries should additional funding be allocated to the Waikato.
- Business Mentors continues to grow under the care of Tony Kane our regional coordinator. Currently the Waikato sits as the 2<sup>nd</sup> best performing agency in the country. A little-known fact about Business Mentors New Zealand is that it started here in the Waikato 30 years ago, by local businessmen Dr Grahame Craig & Bill Hall, who had founded the successful business Woolrest New Zealand and were looking for a way to give back.
- Peter Davey and Hayley Smith, two of our Regional Business Advisers, were involved as judges in the recent Hauraki Coromandel Business Awards. We congratulate the Coromandel Distilling Company for taking out the Supreme Winner award.
- The Regional Business Network contract is again open for tender. Te Waka is currently finalising our proposal to retain the regional agency contract, allowing us to continue the work that we started over a decade ago of providing SMEs a 'one stop shop' for building business management capability for business growth and productivity inclusivity and sustainability.

#### **Business Attraction & Investment Facilitation**

- Following research and stakeholder engagement a clear set of actions has been defined for us to better articulate and support business attraction across the region, complementing the great work already underway like that of South Waikato's The Space to Grow campaign.

### Connections & Partnerships

- *Sub-regional engagement* – Working with our Local and Central Government Partners Te Waka has been reviewing various Regional Projects and how they contribute to the economic themes of our region being; location advantage, growing global industries, making business easier, maximising value from primary production, and leveraging the Māori economy.
- *Government connector* – Ongoing liaison with officials across key Ministries (MBIE, NZTE, TPK, MSD, MPP, Kanoa); ongoing involvement in regional initiatives (Kanoa Regional Strategic Partnership Fund); and ongoing liaison with Waikato region MPs (across Parliament) and with key Ministers.

### Regional Voice

- *Intelligence & Insights* – our Q3-21 Economic Radar, produced in partnership with the Waikato Regional Council, was recently published. This is the first in our new quarterly insights reporting framework.
- *Regional Projects* – Te Waka continues to be an active participant on several key regional forums, including the Waikato Regional Skills Leadership Group, the Waikato Plan (Strategic Partners Forum and Leadership Committee), the Waikato Wellbeing Project, and the Waikato Housing Initiative.

### Refresh of our Strategy

As we entered the new financial year, we have reviewed our strategy to ensure it is fit for purpose in a changing landscape, and to ensure we are able to consistently communicate our focus to all stakeholders. Our aim has been to be able to display our strategy in a clear and easy-to-read format.

Our strategy has four Pou (pillars) and four Tumu (foundations). While we have renamed and reorganised some of the Pou and Tumu, the content of the overall plan on a page has not materially changed from the previous strategy document.

## Our Plan on a Page



### Key points of focus for the upcoming quarter

As an organisation with a small team and finite resources it is important that we stay focussed to maximise our impact and support for the region. We do this by ensuring we operate within our four Pou and have clear priorities in place. With the end of year approaching fast and the added challenges of the Covid environment, clear prioritisation is critical for the organisation.

Below are our key priorities that will see us through to the end of the year:

### Key Priorities to Christmas

<b>Business &amp; Industry Growth</b> <b>Sector &amp; Industry Leadership:</b> <ul style="list-style-type: none"> <li>Finalising and executing on sector plans for existing priority sectors (Construction, Education, Technology, Logistics/Distribution)</li> <li>Plan for next priority sectors</li> </ul> <b>Regional Business Growth:</b> <ul style="list-style-type: none"> <li>Submit RFP tender for Regional Business Network</li> <li>Submit tender for Business Mentors Regional representation</li> </ul> <b>Māori &amp; Pasifika Business:</b> <ul style="list-style-type: none"> <li>Delivery against Māori Economic Development plan</li> <li>Implementing partnership with Waikato Pacific Business Network</li> </ul>	<b>Business Attraction &amp; Investment Facilitation</b> <b>Business &amp; Investment Attraction:</b> <ul style="list-style-type: none"> <li>Establish InvestWaikato (Including web presence and promotion)</li> <li>Form an Investment Advisory Group and identify other ecosystem connections</li> </ul> <b>Vibrant Investment Ecosystem:</b> <ul style="list-style-type: none"> <li>Develop simplified 'Why the Waikato' collateral</li> </ul>	<b>Connections &amp; Partnerships</b> <b>Connected Business Networks:</b> <ul style="list-style-type: none"> <li>Build / enable networks and people connectivity in priority sectors</li> </ul> <b>Sub-Regional Engagement:</b> <ul style="list-style-type: none"> <li>Quarterly Economic Development Managers (EDMs) Forums</li> <li>Sub-regional Stakeholder Forums</li> </ul> <b>Government Connector:</b> <ul style="list-style-type: none"> <li>Ongoing liaison with central Government – MPs and Ministers</li> <li>Develop clear plan for managing Government agency relationships</li> <li>Representation on the Regional Strategic Partners Group (Kānoa) looking at regional investment</li> </ul>	<b>Regional Voice</b> <b>Gather Intelligence &amp; Share Insights:</b> <ul style="list-style-type: none"> <li>Quarterly Radar (Oct)</li> <li>Preparing for sentiment survey</li> </ul> <b>Regional Advocate:</b> <ul style="list-style-type: none"> <li>Ongoing development of the Waikato Story</li> <li>Sector advocacy and lockdown response issues as they arise</li> </ul> <b>Contribute to Regional Projects:</b> <ul style="list-style-type: none"> <li>Waikato Regional Skills Leadership Group (RSLG)</li> <li>Waikato Plan</li> <li>Waikato Wellbeing Project</li> <li>Waikato Housing Initiative</li> </ul>
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# Council Report

**Committee:** Economic Development Committee

**Date:** 23 November 2021

**Author:** Candice Swanepoel

**Authoriser:** Tracey Musty

**Position:** Business Performance Accountant

**Position:** Financial Controller

**Report Name:** Waikato Innovation Growth Limited - Letter of Expectation 2022/23

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

1. To seek approval from the Economic Development Committee of the Waikato Innovation Growth Limited (WIGL), and its subsidiaries, Letter of Expectation 2022/23.

## Staff Recommendation - *Tuutohu-aa-kaimahi*

2. That the Economic Development Committee:
  - a) receives the report;
  - b) approves the Waikato Innovation Growth Limited (WIGL) Letter of Expectation 2022/23; and
  - c) delegates authority to the Chair of the Economic Development Committee to sign the WIGL Letter of Expectation 2022/23.

## Executive Summary - *Whakaraapopototanga matua*

3. The Letter of Expectation sets out Hamilton City Council's (Council's) expectations of WIGL, and its subsidiaries, for consideration in WIGL's business planning and the development of its 2022/23 Statement of Intent.
4. The Letter of Expectation serves as notice to the WIGL Board that it, the Board, accepts and understands its powers, responsibilities and obligations as placed upon it by its shareholders.
5. WIGL has a 70% shareholding in New Zealand Food Innovation Waikato Limited (NZFIWL), the remaining 30% is held by Callaghan Innovation.
6. NZFIW, which is 100% owned by WIGL, has an 11% shareholding in both Melody Dairies Limited Partnership and Melody Dairies GP Limited.
7. The audit of WIGL's Annual Report 2021 has been postponed to early next year. This is due to resource shortages at Audit NZ, which has seen the need for reprioritisation of their audit obligations.
8. Staff consider the matters in this report have a low significance and that the recommendations comply with the Council's legal requirements.

## Discussion – *Matapaki*

### Letter of Expectation

9. Section 65 of the Local Government Act 2002 requires that a local authority that is a shareholder in a Council organisation must regularly undertake performance monitoring of that organisation to evaluate its contribution to the achievement of:
  - a) the local authority's objectives for the organisation; and (if applicable)
  - b) the desired results, as set out in the organisation's statement of intent; and
  - c) the overall aims and outcomes of the local authority.
10. The Letter of Expectation is sent on a yearly basis.
11. The Letter of Expectation (**attachment 1**) addresses 5 key areas:
  - i. Statement of Intent
  - ii. Principle of good governance relationships with shareholders, information flows and no surprises
  - iii. HCC Shareholding
  - iv. Consistency with wider objectives of HCC
  - v. HCC Aspirations for WIGL and its subsidiaries

### Strategic Review

12. On 7 November 2017, the Council passed a resolution to undertake a strategic review of the shareholding in WIGL.
13. 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.
14. The review will provide Council with options that include the status quo, a dilution of shareholdings, or a sale of Council's position in the business, with all options recognising the importance of the business continuing its operations.
15. The review is anticipated to begin in early 2022, with staff working alongside Barry Harris, Chair of WIGL and NZFIWL, and Stefan Korn, GM of Markets, Engagement, Experience & Sectors for Callaghan Innovation.
16. Staff will keep the Economic Development Committee apprised as the work proceeds.

### **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.
18. The Letter of Expectation for 2022/23 remains aligned and consistent with the Council's expectations of the WIGL Group. We require the WIGL Group's Statement of Intent (SOI) in advance of the next financial year, in accordance with the Local Government Act 2002.

### **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. There were no Environment, Economic, Environmental, or Cultural wellbeing's identified in the development of this report.

**Risks - *Tuuraru***

23. The Letter of Expectation is submitted to CCOs in anticipation of the CCOs annual Statement of Intent. The absence of the Letter of Expectation may impact the content and timing of receipt of the Statement of Intent.

**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 - Letter of Expectation 2022/23



23 November 2021

Mr Barry Harris (Chair)  
Waikato Innovation Growth Ltd and  
NZ Food Innovation (Waikato) Ltd  
9 Melody Lane  
Ruakura  
Hamilton

Dear Barry

**Letter of Expectation (2022/23) for:**

- **Waikato Innovation Growth Ltd (WIGL), and its subsidiaries**
  - **New Zealand Food Innovation (Waikato) Ltd (NZ Food)**
  - **Melody Dairies Limited Partnership (Melody Dairies)**

This letter sets out Hamilton City Council's (HCC) expectations of Waikato Innovation Growth Ltd (Group) (WIGL) for consideration in WIGL's business planning and the development of its 2022/23 Statement of Intent (SOI).

**1. Statement of Intent**

In accordance with the Local Government Act 2002, HCC expects the Board of WIGL to submit its SOI in advance of the next financial year. Council reviews all WIGL reports and accountability documents and we request that your draft SOI 2022/23 be provided as early as possible and no later than 4 March 2022.

In developing the SOI, Council welcomes discussion on the content of this letter and the Board's views on its priorities in drafting the SOI 2022/23. We expect the Company's strategic direction, as set out in its current SOI 2021/22 will continue in the SOI 2022/23 and beyond.

HCC expects this Letter of Expectation (LOE) to give the Board a clear sense of WIGL's purpose, strategic direction and its business outcomes. This LOE serves as notice to the Board that it, the Board, accepts and understands its powers, responsibilities and obligations as placed upon it by its shareholders.

**2. Principle of good governance relationships with shareholders, information flows and no surprises**

As a local government entity largely funded by ratepayers, HCC, as shareholder, can face more rigorous scrutiny in the conduct of its business and performance of its investments than private shareholders.

It is vital the Board of WIGL directly, or through its Executive team, keeps the shareholder(s) fully informed on matters material to the business and/or of public interest.

Where there are commercial sensitivities involved WIGL should communicate directly with the Chief Executive of HCC or the shareholder representative (General Manager

Growth - Blair Bowcott) and can have total confidence that those matters will be handled appropriately and in confidence.

Board members should be aware of the major transactions thresholds that apply for the company and each subsidiary. These may be set out in the shareholder agreement or the constitution, rather than solely in the Companies Act. It is also expected the Board will notify other major transactions even if not specified or required in the forgoing.

In summary with regards to major transactions:

- Major transactions should be signalled via the SOI and identified as such. Approval of an SOI is not approval of a major transaction by the shareholder.
- Council staff will engage with you to assist in preparing necessary reports for HCC to facilitate consideration by Elected Members.
- Adequate time should be allowed for HCC approval, once your board approves the transaction for presentation to the Shareholder, prior to signing contracts for the major transaction.

As a minimum each SOI must clearly state the company's definition of a major transaction and whether there are major transactions planned during the SOI period.

HCC takes health and safety matters seriously. To ensure that HCC and the group as a whole are adequately addressing health and safety risks, the draft SOI should outline how the Board manage and monitor health and safety risks.

### 3. HCC Shareholding

HCC has an intention to review its investment in WIGL (specifically NZ Food) now that certain legal obligations relating to the Callaghan shareholding in NZ Food have concluded. We anticipate working with the Board and Callaghan to conduct this review during the 2022 calendar year and will be in touch to scope up this project. HCC therefore expects the Board to take measures to protect and maximise the value HCC would receive from any sell down (up to and including 100%) in its investment.

Council passed a resolution to undertake this review on 7 November 2017 when it divested its shareholding of Waikato innovation Park Ltd:

- e) that the CE (of HCC) investigate and report to council an exit strategy for NZ Food Innovation (Waikato) Ltd noting that this strategy is unable to be executed until 2020 at the earliest due to the legal contractual considerations.*

### 4. Consistency with wider objectives of HCC

It is important that the Board and Executive of WIGL be familiar with the relevant strategies and policies of Council that have a bearing on the WIGL operation.

Section 59 of the Local Government Act sets out the principle objectives of a Council Controlled Organisation (CCO). HCC sets out its own objective, in accordance with s59 (1)(a), in the 2021-31 Long-Term Plan through Our Community Outcomes, and this should be considered when developing the SOI.

- A City Where Our People Thrive – HCC sees its investment in WIGL enabling business activity and economic growth. WIGL has a material impact upon the city's and the surrounding region's economic activity. HCC expect the Board to report on those initiatives and outcomes where it has played a role in facilitating new business opportunities.

HCC also sets its own policy, in accordance with Section 57 of the Local Government Act which requires that a local authority adopt a policy that sets out an objective and transparent process for the appointment and remuneration of Board Members of a CO, CCO and CCTO.

HCC will activate and monitor this policy and, as per its terms of reference, has the power to approve the appointment and remuneration of directors to the Boards of the CO, CCO, CCTO.

HCC Officers will advise the CCOs as to the HCC's strategic direction, requirements of Statements of Intent and other relevant matters.

## 5. HCC Aspirations for WIGL and its subsidiaries

Council considers the following specific objectives and aspirations apply:

- **Core operation** – operate in full accordance with the terms of its agreements with third parties, lease and conditions as per relevant statutory requirements.
- **Diversification of revenue** – the Board should preserve its capacity to diversify its business base to add value to the WIGL operation.
- **Continue to develop and grow manufacturing revenues** – maximise utilisation and revenue diversification on the spray dryer facilities to ensure that the Callaghan investment requirements are achieved for NZ Food, the 11% investment in Melody Dairies aligns and supports the NZ Food activities, and that both subsidiaries are profitable.
- **Payment of Dividends** – subject to Board strategy, HCC expects a dividend from its investment in WIGL if possible and sustainable. Where no dividend is paid, HCC expects any trading surpluses to be invested back into the business or offset debt at the Board's direction. This will be a matter for ongoing review.

We recognise the significant achievements of WIGL over the last year including the completion of the Melody Dairy spray dryer project and the commencement of commercial production in July 2020. We thank you for your diligence on behalf of Hamilton City Council and the company.

If you have any queries or comments, please don't hesitate to contact Blair Bowcott, General Manager Growth on 021 775 640, or myself on 027 278 8813.

Yours sincerely

## **Attachment 1**

**Ryan Hamilton**  
**Chair**  
**Economic Development Committee**  
**Hamilton City Council**

## **Item 8**

# Council Report

Item 9

**Committee:** Economic Development Committee

**Date:** 23 November 2021

**Author:** Candice Swanepoel

**Authoriser:** Tracey Musty

**Position:** Business Performance Accountant

**Position:** Financial Controller

**Report Name:** Civic Financial Services Limited - Half Year Report 30 June 2021

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

1. To inform the Economic Development Committee of the Civic Financial Services Limited Half Year Report to 30 June 2021.

## **Staff Recommendation - *Tuutohu-aa-kaimahi***

2. That the Economic Development Committee receives the report.

## **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's income is derived from administration services and investment income.
6. In addition to administering Riskpool, Civic Liability Pool and the LAPP Fund, Civic administers the SuperEasy and SuperEasy KiwiSaver Superannuation Schemes which are offered to local government on an exclusive basis.
7. John Melville has recently been elected Chair of Civic, having been a director of the company and Chair of the Risk and Audit Committee for several years. He has taken over this position from Tony Marryatt who continues to serve as a director.
8. The Civic Board has appointed Charlie Howe to the position of Civic CEO from 1 September 2021. He has taken this position over from Ian Brown, who is staying on as an Executive Consultant until his retirement early next year.
9. Staff consider the matters in this report to have low significance and the recommendations comply with the Council's legal requirements.

## **Discussion - *Matapaki***

10. Civic has achieved a before-tax profit of \$0.4m for the first half of 2021 and is tracking above budget.

11. There have been no significant events since the reporting date that affect the results disclosed in the half year financial statements.
12. Civic had no capital commitments at balance date.

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

13. Staff confirm that the recommendation to receive the 30 June 2021 Half Year Report complies with the Council's legal and policy requirements.

**Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga***

14. 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').
15. 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.
16. The recommendations set out in this report are consistent with that purpose.

**Risks - *Tuuraru***

17. There are no known risks associated with this matter.

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

**Significance**

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

**Engagement**

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

**Attachments - *Ngaa taapirihanga***

Attachment 1 - Civic - Half Year Report 30 June 2021

Attachment 2 - Civic - Letter to Shareholders

## CIVIC FINANCIAL SERVICES LTD

STATEMENT OF COMPREHENSIVE INCOME (Unaudited)  
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six Months		Full Year
	Note	2021 \$000	2020 \$000
<b>REVENUE</b>			
Administration Fees		1,533	1,469
Income from Investments		55	75
<b>TOTAL REVENUE</b>		<u>1,587</u>	<u>1,543</u>
<b>EXPENDITURE</b>			
Depreciation & Amortisation		9	9
Employee Remuneration		340	348
Other Expenses		839	872
<b>TOTAL EXPENDITURE</b>		<u>1,188</u>	<u>1,229</u>
<b>NET SURPLUS BEFORE TAXATION</b>		<u>399</u>	<u>315</u>
Less Taxation Expense	6	88	88
<b>NET SURPLUS AFTER TAXATION</b>		<u>311</u>	<u>227</u>

STATEMENT OF MOVEMENTS IN EQUITY (Unaudited)  
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six Months		Full Year
	2021 \$000	2020 \$000	2020 \$000
Equity as at 1 January	10,822	10,477	10,477
Net Surplus After Taxation	311	227	345
<b>EQUITY AS AT 30 JUNE</b>	<u>11,133</u>	<u>10,704</u>	<u>10,822</u>

STATEMENT OF FINANCIAL POSITION (Unaudited)  
AS AT 30 JUNE 2020

	2021 \$000	2020 \$000	2020 \$000
<b>EQUITY</b>			
Capital	10,764	10,764	10,764
Retained Earnings	369	(60)	58
<b>TOTAL EQUITY</b>	<u>11,133</u>	<u>10,704</u>	<u>10,822</u>
Represented By:			
<b>Current Assets</b>			
Bank & Cash Equivalents	975	124	897
Term Deposits	5,335	4,935	4,735
Receivables	497	457	526
Loans	2,119	2,877	2,588
<b>TOTAL CURRENT ASSETS</b>	<u>8,925</u>	<u>8,393</u>	<u>8,747</u>
<b>Non-Current Assets</b>			
Property, Plant & Equipment & Intangible Assets	202	155	200
Deferred Tax Asset	2,262	2,398	2,350
<b>TOTAL NON CURRENT ASSETS</b>	<u>2,465</u>	<u>2,553</u>	<u>2,550</u>
<b>TOTAL ASSETS</b>	<u>11,390</u>	<u>10,946</u>	<u>11,297</u>
<b>Current Liabilities</b>			
Sundry Creditors & Accrued Charges	241	226	449
<b>TOTAL CURRENT LIABILITIES</b>	<u>241</u>	<u>226</u>	<u>449</u>
<b>Non Current Liabilities</b>			
CLP/ Riskpool Admin Fee Reserve	16	16	26
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>16</u>	<u>16</u>	<u>26</u>
<b>TOTAL LIABILITIES</b>	<u>258</u>	<u>242</u>	<u>475</u>
<b>EXCESS OF ASSETS OVER LIABILITIES</b>	<u>11,133</u>	<u>10,704</u>	<u>10,822</u>

The notes to the accounts on page 3 form part of and are to be read in conjunction with these Statements.

**CIVIC FINANCIAL SERVICES LTD**  
**STATEMENT OF CASH FLOWS (Unaudited)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2021**

	<b>Six Months</b>		<b>FULL YEAR</b>
	<b>Notes</b>	<b>2021</b>	<b>2020</b>
		<b>\$000</b>	<b>\$000</b>
<b>Cash Flows from Operating Activities</b>			
Cash from operating activities:		1,522	1,525
Cash applied to operating activities:		1,346	1,185
<b>Net Cashflow from Operating Activities</b>	<b>5</b>	<b>178</b>	<b>341</b>
<b>Cash Flows from Investing Activities</b>			
Cash provided from investing activities:		(577)	409
Cash applied to investing activities:		(459)	921
<b>Net Cashflow from Investing Activities</b>		<b>(118)</b>	<b>(512)</b>
<b>Cash Flows from Financing Activities</b>			
Cash was provided from financing activities:		31	21
Cash applied to financing activities:		12	-
<b>Net Cashflow from Financing Activities</b>		<b>19</b>	<b>21</b>
Net Decrease in Cash Held		78	(150)
Opening Cash Balance as at 1 January		897	274
<b>Closing Cash Balance as at 30 June</b>		<b>975</b>	<b>124</b>
<b>Being:</b>			
Bank & Cash Equivalents		975	124

The notes to the accounts on page 3 form part of and are to be read in conjunction with this statement.



**CIVIC FINANCIAL SERVICES LTD**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2021**

**Notes to the Financial Statements**

**1 Statement of Compliance**

The Group is a Tier 1 Public Sector Public Benefit Entity and the financial statements have been prepared in accordance with and comply with Tier 1 Public Sector Public Benefit Entity (PBE) Standards.

**2 Accounting policies**

The accounting policies applied in the preparation of the half year financial statements are consistent with those disclosed in the 2020 annual report.

**3 Basis of Preparation**

These interim financial statements have been prepared in accordance with PBE IAS 34 - Interim Financial Reporting, and should be read in conjunction with the Company's annual financial report for the year ended 31 December 2020. Disclosures in these interim financial statements are less extensive than those in the annual financial report.

**4 Comparative figures.**

The comparative figures are for the six months ended 30 June 2020 and the year ended 31 December 2020.

**5 Reconciliation of net surplus after tax with cash flow from operating activity.**

	<b>Six Months</b>		<b>Full Year</b>
	<b>2021</b>	<b>2020</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Reported Surplus After Taxation</b>	311	227	345
<b>Add/(less) non cash items</b>			
Loan Interest	(30)	(20)	(51)
Depreciation	10	10	16
Deferred Tax Liability	88	88	136
Movement in CLP/ Riskpool Admin Fee Reserve	(10)	(10)	(19)
	<u>58</u>	<u>68</u>	<u>82</u>
<b>Add/(less) movements in other working capital items</b>			
Accounts Receivable	28	96	28
Accounts Payable	(208)	4	246
	<u>(180)</u>	<u>100</u>	<u>274</u>
<b>Less Items Classified as investing activity</b>	(23)	(54)	(90)
<b>Less Items Classified as financing activity</b>	12	-	-
	<u>178</u>	<u>341</u>	<u>611</u>
<b>Net Cash Outflow from Operating Activities</b>	<u>178</u>	<u>341</u>	<u>611</u>

**6 Income Tax**

The income tax liability for June 2021 is nil as the Company has unused tax credits with which it will use to offset any income tax expense .

- 7** Secured loan agreements between the Company and Local Government Mutual Funds Trustee Limited on behalf of New Zealand Mutual Liability Riskpool ("Riskpool") were entered into in February 2017 and August 2017 for \$2,250,000 each to assist with Riskpool's cashflow. Both loans are arm's length and on commercial terms. Any loan may be repaid by Riskpool at any time without penalty and the agreement terminated by either party with six months' notice.

**8 Contingent liabilities.**

The contingent liabilities are:

- i) 100,000 uncalled shares in the wholly owned subsidiary, Local Government Superannuation Trustee Limited.
- ii) 1,000 uncalled shares in the wholly owned subsidiary, Local Government Mutual Funds Trustee Limited.
- iii) 100 uncalled shares in the wholly owned subsidiary, SuperEasy Limited.
- iv) 100 uncalled shares in the wholly owned subsidiary, Local Government Finance Corporation Limited.

**9 Events occurring after reporting date**

- ii) There have been no significant events since the reporting date that affect the results disclosed in the half year financial statements.

Richard Briggs  
 Chief Executive  
 Hamilton City Council  
 Private Bag 3010  
 HAMILTON 3240

21 September 2021

Dear Richard,

**New Appointments and Half-Yearly Accounts to 30 June 2021**

**Board Chair:** I have been elected Chair of Civic Financial Services Limited, having been a director of the company and chair of the Risk and Audit Committee for several years. I feel privileged to take over this position from Tony Marryatt who continues to serve as a director. During his time as Chairman Tony successfully led Civic as the company settled claims relating to the Canterbury earthquakes, restructured and rebranded the company and sold Civic Assurance House to allow payment of the net proceeds to shareholders. I look forward to continuing the Board's work for you and the sector.

**Chief Executive Officer:** The Board has received notice from Ian Brown about his intention to retire from Civic. Following a rigorous process, the Board has appointed Charlie Howe to the position of Civic CEO from 1 September 2021, with Ian taking the role of Executive Consultant until his retirement early next year. Charlie brings to Civic a wealth of experience in leadership roles at the Ministry of Social Development following extensive business and retail banking experience with ANZ Bank. The Board has acknowledged Ian's service to the company and is pleased to welcome Charlie to the role of CEO. Charlie is looking forward to meeting with you in person when lock-down conditions ease.

**Half-Yearly Accounts to 30 June 2021:** Enclosed is your copy of the half-yearly accounts for Civic Financial Services Limited to 30 June 2021. As reflected in the accounts, Civic's income is derived from administration services and investment income. In addition to administering Riskpool, Civic Liability Pool and the LAPP Fund, Civic administers the SuperEasy and SuperEasy KiwiSaver Superannuation Schemes which are offered to local government on an exclusive basis. I am pleased to note that the company is tracking above budget and has returned an (unaudited) pre-tax profit of \$0.399 million for the first half of 2021 while continuing to maintain a strong financial position.

Civic provides superannuation services to 76 councils, through administration of the SuperEasy and the SuperEasy KiwiSaver Schemes, which have some \$530 million funds under management. Over 11,000 members use those superannuation services, and it is noteworthy that 69 Councils have appointed Civic as their preferred KiwiSaver provider. The Board policies are aimed at continuing to improve those services to members, councils and the local government sector.

Yours sincerely



John Melville  
 Chair

# Council Report

Item 10

**Committee:** Economic Development Committee

**Date:** 23 November 2021

**Author:** Amy Trigg

**Authoriser:** Blair Bowcott

**Position:** Senior Policy Analyst

**Position:** General Manager Growth

**Report Name:** International Relations Update

<b>Report Status</b>	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. our proposed engagement with Eastern Bridge, an international relations consultancy with particular expertise and links in China;
  - ii. an approach from Zibo, China, seeking to re-establish contact and explore the possibility of a more formal partnership; and
  - iii. an approach from The New Zealand Museum Trust - Le Quesnoy France, seeking a contribution towards the establishment of the museum.
7. Staff consider the matters in this report have low significance and that the recommendation complies with the Council's legal requirements.

## Background - *Koorero whaimaarama*

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. The sister city relationships have each generated various interactions and exchanges since their formation, including school exchanges, civic delegations and sports exchanges. In some instances, there have also been business-to-business relationships.
  11. The type of engagement with each sister city has been influenced by each city's culture and their approach to sister city relationships. The involvement of Hamilton community groups, education providers and businesses has also shaped each relationship. Some have traditionally focused on cultural and educational exchange while others have resulted in more commercial relationships.
  12. In mid-2020 Cr Hamilton, as Chair of the Economic Development Committee, began work with staff to examine our sister city relationships with the aim of better understanding the strategic opportunities these relationships may bring for Hamilton, following a period where the Council had not proactively engaged with our sister cities for several years.
  13. This report provides an update on our work to examine and reinvigorate these relationships and establish a framework to manage and expand them, following our initial report to Economic Development Committee in March 2021 and a further update in August 2021.
  14. The work has focused on the four formal sister city relationships, as these have a broad potential scope for engagement. In contrast, our friendship city relationship with Ieper is more tightly defined around ANZAC Day and remembrance.

## Discussion – *Matapaki*

### General update on activities

#### Eastern Bridge

15. Now that we have re-established relationships with our four sister cities and done initial work thinking through the opportunities each one offers Hamilton, staff, supported by Cr Hamilton, have been considering ways of increasing our ability to leverage these relationships.
16. There are two issues staff have been trying to address through this:
  - i. increasing our capacity to focus on international relations/sister cities, given that our work to date has been achieved (and limited) by two staff members as an 'add on' to their busy workloads; and
  - ii. building our expertise, given that Council does not currently employ any international relations specialists.
17. Staff are in advanced negotiations 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.
18. We believe there is significant opportunity to leverage Eastern Bridge's experience in this field, and in particular its knowledge of and business contacts in China, to help drive forward our international relations work.
19. Eastern Bridge would add to our existing architecture – namely the work of Cr Hamilton, James Clarke and Amy Trigg, and our steering group of local stakeholders with an interest in international relations. They would help to drive forward our work and provide strategic advice

on the opportunities ahead of us, leveraging their contacts and expertise. It would also build on our wider economic development work, on which consistent messaging is important.

20. Our initial partnership with Eastern Bridge would be for the remainder of 2021-22. This will allow us to take tentative steps, to enable us to evaluate the benefits that working with Eastern Bridge brings. Given the unique nature of this work, there is an element of risk in whoever we engage in assessing the value they provide.
21. We can directly appoint Eastern Bridge within our existing procurement rules as the quantum of spend is below the level at which we would be required to go to tender. Direct appointment is also appropriate due to the unique nature of the work.

#### **Sister City Request from Zibo, China**

22. In early September 2021, staff were contacted by an official in Zibo, a city of 4.5m people located between Shanghai and Beijing, seeking to re-establish contact and explore the possibility of a more formal partnership.
23. In October 2002, during a visit by Zibo City delegates, Hamilton City Council and Zibo City signed a "Friendly Cooperative Agreement" regarding cooperation on a wide range of matters including economic, cultural, sporting and education.
24. Interaction between Hamilton City and Zibo City has been limited since the signing. However, in recent years there have been student exchanges between Shandong University of Technology and the University of Waikato and WINTEC.
25. As part of their work programme Eastern Bridge will examine the potential benefits of reinvigorating this relationship.

#### **Funding for Le Quesnoy War Memorial**

26. The New Zealand Museum Trust - Le Quesnoy France is raising funds to establish a war memorial, based in Le Quesnoy France. This would be the first permanent New Zealand war memorial in Europe.
27. The Trust is seeking overall funding of \$15M. To date they have raised \$9M which has been sufficient to purchase a historic former Mayor's residence and Gendarmerie. They are now raising further funds to repurpose the mansion into a permanent museum. The museum will exhibit interactive and historic collections, focusing on New Zealand's military involvement in Europe and our significant contributions in both World Wars.
28. The Trust has approached Hamilton City Council, seeking a contribution towards the establishment of the museum.
29. As noted above, Hamilton City Council has an existing relationship with Ypres, Belgium, which focuses on ANZAC commemorations. We do not have a similar relationship with Le Quesnoy; however, New Zealand generally has a strong connection to the town as it was liberated by New Zealand forces in WWI.
30. The Trust suggested a starting point for a contribution as \$1 per resident, spread over three years. The 2021 estimated resident population for Hamilton is 178,500, which at \$1 resident would equate to a contribution of \$178,500 spread over three years.
31. The item was brought to an Elected Member briefing on 31 August 2021. It was decided at the briefing that the item will be considered through the 2022/2023 Annual Plan process. The outcome of the funding decision will be reported to this Committee as part of the quarterly report following the decision.

#### **Diplomatic Study Tour**

32. Staff, led by Mike Bennett, have been working with Ministry of Foreign Affairs and Trade (MFAT) to coordinate a study tour in Hamilton for Heads of Diplomatic Missions representing

approximately 50 countries. An update on this work is provided in the General Manager's Report.

### **Armistice Day Ceremony**

33. In honour of our relationship with Ypres, Mayor Southgate invited the honorary Belgian Consul to participate in the recent Armistice Day ceremony. We will be sending a video of the ceremony to the Mayor of Ypres.

### **Update on Sister City Engagement**

#### **Saitama**

34. 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.
35. Several activities between Saitama and Hamilton were planned for August to October 2021 including an online exchange between Melville Intermediate and Saitama school students and a Saitama and Hamilton citizens' online exchange.
36. The student exchange was cancelled for 2021 due to an increase in Covid alert levels making in-class participation impossible for the New Zealand students. The citizens' online exchange has been postponed, with a new date to be confirmed.
30. In addition, a renewal of the signing of the Saitama and Hamilton sister city agreement has been proposed to mark the 35<sup>th</sup> anniversary, which took place in 2020. This was originally scheduled for October 2021 via an online ceremony; however, this has also been postponed, with a new date to be confirmed.
37. We have also discussed with Saitama the potential for establishing sports exchanges. This work is ongoing, with staff working with Sport Waikato, and Wuxi staff working with their local rugby association.
38. A further common theme that we have identified with Saitama is a mutual love of cherry blossom trees. We worked with the New Zealand Cherry Blossom Tree Festival to invite the Deputy Head of Mission at the Japanese Embassy in Wellington, Mr Tatsushi Nishioka, to the recent event and hope to invite representatives of Saitama in future years. Mr Nishioka was impressed by the event and intends to return to Hamilton soon to explore how we can maximise our relationship with Saitama. This builds on our previous engagement with Mr Shinichi Hamada, the Japanese Consul General in Auckland.
39. We are also discussing COVID-19 policy with our Saitama counterparts, after hearing that the Japanese have been successful in opening up their hospitality venues while controlling case numbers.

#### **Wuxi and Chengdu**

40. 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.
41. Hamilton and Wuxi celebrated the 35<sup>th</sup> anniversary of our sister city relationship on 15 July 2021. Mayor Southgate wrote to the Mayor of Wuxi on the day. We intend to mark the occasion later this year. Work is ongoing with Wuxi to determine an appropriate commemoration, which may include a renewal of the signing of the sister city agreement.
42. Wuxi is hosting a virtual sister city conference in the next few months to enable discussion on a range of key topics such as trade, commerce, and agriculture. Hamilton is intending to attend the virtual conference, which will also provide opportunities to meet with Wuxi's other sister cities. Staff are waiting on an update from Wuxi regarding the conference.

43. Another key interest area identified by Wuxi is online school exchanges. Establishing these relationships between schools is ongoing and staff have engaged with local principals and will be engaging with Education NZ, following a further conversation with Wuxi regarding the exchanges.
44. Staff had an introductory meeting with officials in Chengdu on 31 August 2021. The meeting included discussion on the opportunity for a tripartite relationship between Chengdu, Brisbane and Hamilton. Chengdu has expressed interest in this arrangement, and Eastern Bridge will be looking into this as part of their work for us.

#### **Sacramento**

45. 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.
46. 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***

47. Our engagement with Eastern Bridge is being funded from within the General Manager of Growth's delegation.
48. This is a relatively modest cost for 2021-22 as we consider the potential for a more substantive ongoing relationship in future years. There will be an opportunity to discuss this further through the Annual Plan process.
49. There are no other costs associated with the matters discussed in this report.

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

50. There are no legal or policy considerations in relation to this report.

#### **Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga***

51. 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').
52. 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.
53. The recommendations set out in this report are consistent with that purpose.

#### **Social**

54. 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**

55. 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.
56. 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**

- 57. 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.
- 58. Other potential topics include primary sector knowledge sharing and the increase in farm-to-table food sourcing.

### **Cultural**

- 59. Cultural relations underpin all sister city relationships. They build trust between the cities and show the genuine commitment to an enduring relationship.
- 60. 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***

- 61. There are no known risks associated with this matter.

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

- 62. 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 11

**Committee:** Economic Development Committee

**Date:** 23 November 2021

**Author:** Nicolas Wells

**Authoriser:** Blair Bowcott

**Position:** Strategic Property Manager

**Position:** General Manager Growth

**Report Name:** Municipal Endowment Fund - Quarterly Report - Q1 2021/22 FY

<b>Report Status</b>	<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 30 September 2021 (Q1 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 first quarter (Q1) of the 2021/22 financial year from 1 July 2021 to 30 September 2021.
5. A profit and loss statement has been completed and is included as **Attachment 1**.
6. The MEF has a current value of \$56.4M comprised of property assets totalling \$24.73M and reserves of \$31.7M.
7. The overall value of the MEF has increased by \$157K from \$56.304M to \$56.461M 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 small group of three suburban shops.
  - iii. The Municipal Endowment Reserve is held as a debt offset returning a nominal interest rate. It is intended to place the reserve in higher-yielding investments. A separate report on this matter is included elsewhere on this agenda.
10. Since the last quarterly update, the overall value of the MEF has increased slightly due to the interest income which accumulated in the prior financial year (2020/21) which is credited to the MEF as part of the year end processes.

#### **Financial Considerations - *Whaiwhakaaro Puutea***

- 11. This is a regular operating activity funded through the Long-Term Plan.
- 12. Further financial information is provided in **Attachment 1**.

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

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

#### **Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga***

- 14. 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').
- 15. 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.
- 16. The recommendations set out in this report are consistent with that purpose.

#### **Social**

- 17. 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**

- 18. 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**

- 19. 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**

- 20. The MEF endorses and embraces the cultural identity of the city.

#### **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 recommendation of this report has a low level of significance.

**Engagement**

23. Given the low level of significance no engagement is required.

**Attachments - *Ngaa taapirihanga***

Attachment 1 - Municipal Endowment Fund 2021/22 FY (Q1) - Profit and Loss Statement

	<b>STRATEGIC PROPERTIES</b>	Select Financial Year:				Select Month:												
		FY19	FY20	FY21	FY22	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
<b>ENDOWMENT FUND: PROFIT AND LOSS STATEMENT</b>																		
How much money is in the endowment fund today? <b>\$31,726,184</b>	▲	Resource	YTD Actuals	YTD Budgets	YTD Variance	Annual Bud...												
	INCOME	Rates Expense - Internal Charges	\$42,731	\$28,830	(\$13,901)	\$115,320												
		Operating Contributions	(\$38,712)		\$38,712													
		Rental Income	(\$288,114)	(\$258,685)	\$29,429	(\$1,034,740)												
	<b>Total</b>		<b>(\$284,095)</b>	<b>(\$229,855)</b>	<b>\$54,240</b>	<b>(\$919,420)</b>												
How much interest have we earned this year on the MEF fund? <b>\$20,156.26</b>	EXPENSES	Labour - Internal Charges	\$29,056	\$29,055	(\$1)	\$116,220												
		Interest Received Special Funds	(\$13,124)		\$13,124													
		Consultants	\$990	\$8,751	\$7,761	\$35,003												
		Legal Services	\$2,378	\$5,501	\$3,123	\$22,004												
		Insurance	\$5,280	\$6,814	\$1,534	\$27,256												
		Electricity			(\$65)													
		External Rates		\$2,599	\$2,599	\$10,396												
	<b>Total</b>		<b>\$24,645</b>	<b>\$52,720</b>	<b>\$28,075</b>	<b>\$210,879</b>												
Return on MEF Fund this year <b>0.06%</b>	GAIN/LOSS	Loss on Fair Value of Invstmnt Prop				(\$756,430)												
	<b>Total</b>					<b>(\$756,450)</b>												
What is the value of our MEF Properties? <b>\$24,735,000</b>	<b>Total (Surplus)/Deficit</b>		<b>(\$259,450)</b>	<b>(\$177,135)</b>	<b>\$82,315</b>	<b>(\$1,464,991)</b>												
<b>STRATEGIC INVESTMENT PROPERTIES: PROFIT AND LOSS STATEMENT</b>																		
▲	Resource	YTD Actuals	YTD Budgets	YTD Variance	Annual Bud...													
INCOME	Rates Expense - Internal Charges	\$22,055	\$22,691	\$636	\$87,970													
	Fees & User Charges	(\$80,752)	(\$55,430)	\$25,322	(\$249,265)													
	Operating Contributions	(\$14,365)		\$14,365														
	Rental Income	(\$119,403)	(\$89,107)	\$30,376	(\$356,420)													
	<b>Total</b>	<b>(\$192,545)</b>	<b>(\$121,846)</b>	<b>\$70,699</b>	<b>(\$517,723)</b>													
EXPENSES	Labour - Internal Charges	\$12,453	\$11,072	(\$1,381)	\$44,268													
	Service Providers		\$1,500	\$1,500	\$6,000													
	Management Fee	\$4,585	\$2,001	(\$2,584)	\$8,004													
	Consumables	\$5		(\$5)														
	Consultants		\$8,751	\$8,751	\$35,003													
	Legal Services	\$1,133	\$5,501	\$4,368	\$22,004													
	Insurance	\$2,410	\$3,214	\$804	\$12,856													
	Electricity	(\$16,355)	\$1,323	\$17,678	\$5,300													
	External Rates				\$1,200													
	<b>Total</b>	<b>\$4,233</b>	<b>\$33,362</b>	<b>\$29,129</b>	<b>\$134,655</b>													
<b>Total (Surplus)/Deficit</b>		<b>(\$188,312)</b>	<b>(\$88,484)</b>	<b>\$99,828</b>	<b>(\$383,068)</b>													
Total value of MEF assets: <b>\$56,461,184</b>	What is the value of our SIP Properties? <b>\$22,545,000</b>	Total Strategic Property asset value: <b>\$47,300,155</b>																

# Council Report

Item 12

**Committee:** Economic Development Committee

**Date:** 23 November 2021

**Author:** Nicolas Wells

**Authoriser:** Blair Bowcott

**Position:** Strategic Property Manager

**Position:** General Manager Growth

**Report Name:** Municipal Endowment Fund - Investment Strategy

<b>Report Status</b>	Open
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## Purpose - *Take*

1. To inform the Economic Development Committee on the investment strategy for the Municipal Endowment Fund (MEF) financial reserves.

## Staff Recommendation - *Tuutohu-aa-kaimahi*

2. 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.

## Executive Summary - *Whakaraapopototanga matua*

3. The Municipal Endowment Fund (MEF) has three parts (described in paragraph 9 below) and a current value of \$56.4M – comprised of property assets totalling \$24.73M and financial reserves of \$31.7M (**Attachment 1**).
4. The MEF is governed by the Municipal Endowment Fund Policy (MEF Policy) (see **Attachment 2**) and HCC Investment and Liability Management Policy (**Attachment 3**). The MEF Management and Action Plans guide the use of the MEF and provide a detailed pathway to achieve the principles set out in the MEF Policy.
5. Staff are implementing the plans. One component of the Action Plan is to deploy the \$31.7M MEF financial reserve in higher-yielding investments.
6. An MEF investment strategy has been prepared by the Council's treasury advisors PricewaterhouseCoopers (PwC) which recommends investing in a mix of balanced funds, fixed interest funds and term deposits (**Attachment 4**).
7. The recommendations of the PwC MEF investment strategy have been accepted by the Council's Financial Controller and will be implemented by the treasury team.

8. Staff consider the matters in this report have a low significance and that the recommendations comply with the Council's legal requirements.

### Discussion – *Matapaki*

9. Council's Municipal Endowment Fund (MEF) is divided into 3 parts:
  - i. The Municipal Endowment properties consisting of ground leases where Council owns the land only but the improvements and leasehold interest in the land are owned by the lessee.
  - ii. The Municipal Investment properties consisting of property assets purchased to generate the maximum possible yield.
  - iii. The Municipal Endowment financial reserve currently held as a debt offset returning a nominal interest rate. The current value of the reserve is \$31.726M. It is intended to place the reserve in higher-yielding investments. The MEF investment strategy (**Attachment 4**) deals exclusively with this category.
10. On 17 September 2020, the Council approved the Municipal Endowment Fund Policy (**Attachment 2**) which sets out the policy parameters for the MEF.
11. On 10 June 2021, Council approved the Municipal Endowment Fund Action and Management Plans for implementation from 1 July 2021. These plans set out the way in which the MEF is to be deployed – including utilising the MEF financial reserve by placing it in higher-yielding investments.
12. Council staff have authority to invest the funds in accordance with the MEF Management and Action Plans adopted by the Council, consistent with the PwC Investment Strategy and Investment and Liability Management Policy.
13. The purpose of the MEF is to establish a balanced property investment portfolio that provides a commercial return at or above market rate to the Council.
14. The MEF financial reserves serve a different purpose from the property assets. The purpose of the financial reserve is to preserve funds intended for future property investment when favourable opportunities arise.
15. The MEF investment strategy diversifies the investment portfolio, supports the MEF's liquidity and preserves capital over the long term.

### Financial Considerations - *Whaiwhakaaro Puutea*

16. The MEF investment strategy recommends investing in a mix of balanced funds, fixed interest funds, and 3-month, 6-month and 9-month term deposits – with no single investment exceeding 26% of the total financial reserve. The implementation strategy is detailed on page 18 of **Attachment 4**.
17. The current use of the MEF financial reserve as a debt offset currently returns a nominal 0.4% average in interest. Investing the MEF financial reserve in accordance with the recommendations of the MEF investment strategy should yield a higher return than that currently being achieved.

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

18. Staff confirm that the MEF investment strategy and the recommendation of this report comply with the Council's legal and policy requirements.

## 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.

### Social

22. The MEF investment strategy for the use of 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

23. 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

24. MEF developments align with the Council's Central City Transformation Plan Refresh, considering connections between the central city and the river to restore and protect the balance of the environment.

### Cultural

25. The MEF endorses and embraces the cultural identity of the city.

### Risks - *Tuuraru*

26. All investments carry risk, especially managed funds (balanced funds), and while investment of the MEF financial reserve is targeting high returns, there is also a risk that there could be capital reductions in any managed funds investment due to market movements. Risk profiles are provided in the relevant sections throughout the PwC Investment Strategy (**Attachment 4**).
27. The MEF investment strategy provides an appropriate level of risk mitigation by diversifying investment across asset sectors to spread risk. The proposed risk profile is consistent with Council's Investment and Liability Management Policy (**Attachment 3**).

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

### Significance

28. Having considered the Significance and Engagement Policy, staff have assessed that the recommendation of this report has a low level of significance.

### Engagement

29. Given the low level of significance no engagement is required.

## Attachments - *Ngaa taapirihanga*

Attachment 1 - MEF - Financial Position (2021/22FY Q1)

Attachment 2 - MEF Policy

Attachment 3 - HCC Investment and Liability Management Policy

Attachment 4 - MEF - PwC - Investment Strategy 15 October 2021

# STRATEGIC PROPERTIES

Select Financial Year:

FY19 FY20 FY21 FY22

Select Month:

Jul Aug Sep Oct Nov Dec Jan Feb Mar Apr May Jun

## ENDOWMENT FUND: PROFIT AND LOSS STATEMENT

	Resource	YTD Actuals	YTD Budgets	YTD Variance	Annual Bud...
INCOME	Rates Expense - Internal Charges	\$42,731	\$28,830	(\$13,901)	\$115,320
	Operating Contributions	(\$38,712)		\$38,712	
	Rental Income	(\$288,114)	(\$258,685)	\$29,429	(\$1,034,740)
	Total	(\$284,095)	(\$229,855)	\$54,240	(\$919,420)
	EXPENSES	Labour - Internal Charges	\$29,056	\$29,055	(\$1)
	Interest Received Special Funds	(\$13,124)		\$13,124	
	Consultants	\$990	\$8,751	\$7,761	\$35,003
	Legal Services	\$2,378	\$5,501	\$3,123	\$22,004
	Insurance	\$5,280	\$6,814	\$1,534	\$27,256
	Electricity	\$65		(\$65)	
	External Rates		\$2,599	\$2,599	\$10,396
Total		\$24,645	\$52,720	\$28,075	\$210,879
GAIN/LOSS	Loss on Fair Value of Invstmnt Prop				(\$756,430)
Total					(\$756,450)
Total (Surplus)/Deficit		(\$259,450)	(\$177,135)	\$82,315	(\$1,464,991)

## STRATEGIC INVESTMENT PROPERTIES: PROFIT AND LOSS STATEMENT

	Resource	YTD Actuals	YTD Budgets	YTD Variance	Annual Bud...
INCOME	Rates Expense - Internal Charges	\$22,055	\$22,691	\$636	\$87,970
	Fees & User Charges	(\$80,752)	(\$55,430)	\$25,322	(\$249,265)
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	Total	(\$192,545)	(\$121,846)	\$70,699	(\$517,723)
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	Management Fee	\$4,585	\$2,001	(\$2,584)	\$8,004
	Consumables	\$5		(\$5)	
	Consultants		\$8,751	\$8,751	\$35,003
	Legal Services	\$1,133	\$5,501	\$4,368	\$22,004
	Insurance	\$2,410	\$3,214	\$804	\$12,856
	Electricity	(\$16,555)	\$1,323	\$17,676	\$5,500
	External Rates				\$1,200
	Total	\$4,253	\$33,362	\$29,129	\$134,655
Total (Surplus)/Deficit		(\$188,312)	(\$88,484)	\$99,828	(\$383,058)

How much money is in the endowment fund today?

\$31,726,184

How much interest have we earned this year on the MEF fund?

\$20,156.26

Return on MEF Fund this year

0.06%

What is the value of our MEF Properties?

\$24,735,000

Total value of MEF assets:

\$56,461,184

What is the value of our SIP Properties?

\$22,545,000

Total Strategic Property asset value:

\$47,300,155



First adopted:	26 August 1998
Revision dates/version:	6 November 2002, 6 July 2005, 10 March 2008, 10 December 2008, 8 April 2009, 2 August 2016, 14 March 2019, 17 September 2020.
Next review date:	17 September 2023
Engagement required:	Not SCP
Document number:	D-3417298
Associated documents:	Appointment and Remuneration of Board Members of Council Controlled Trading Organisations (CCTOs) Policy; Freeholding of Council Endowment Land Policy; Sale and Disposal of Council Land Policy
Sponsor/Group:	General Manager City Growth

## Municipal Endowment Fund Policy

### Purpose and Scope

1. To provide principles and criteria for management of the Municipal Endowment Fund ("Fund") and its ongoing investment.

### Principles

2. The capital of the Fund must be preserved to comply with the common law principles of endowment.
3. Income earned from the Fund must be either accumulated and become part of the fund or applied for municipal purposes.
4. The Fund should be invested in property or property development where broader economic and social benefits can be secured in support of the Council's plans, city strategy, growth and liveability.
5. Investment should seek to increase and grow the capital value of the Fund.
6. The Fund shall be subject to authoritative governance and management oversight by regular reporting to the appropriate committee of Council on a quarterly basis.
7. All income and expenditure attributed to the Fund should be reported separately to ensure the complete financial performance of the fund is transparent.
8. The Fund should seek to generate medium and long-term net revenue at or above market norm where possible at the lowest risk to the Council.

### Policy

1. Management of the Fund is the responsibility of the Council. The responsibility for management may be delegated to a committee of Council, or to a Council Controlled Trading Organisation.
2. Where possible the Fund should be invested to support, advance and implement the Council's strategic plans and vision. The Council will identify priorities for investment within each 10-Year Plan.
3. To achieve the outcomes required in paragraph 6, the entity managing the Endowment Fund may:
  - a. Carry out feasibility studies and develop master plans on best options and timings for use of the Fund for Council's approval;

- b. Undertake new profitable medium- to long-term investments as cash flows allow which, over their life, will yield a substantially greater return than previously achieved;
  - c. Promote development of properties in a manner which will maximise the commercial value of the asset while supporting broader economic and social benefits for the City of Hamilton in line with Hamilton's strategies to support growth and liveability;
  - d. Encourage freeholding of remaining original endowment properties in accordance with the Council's existing freeholding policy to generate capital for investment in higher-yielding assets as soon as practicable;
  - e. Ensure connectivity of future developments with other key groups within the Council to drive success;
  - f. Undertake all appropriate due diligence and complete and assess business plans to mitigate risk in respect of all the Fund's investments and developments;
  - g. Enter into joint venture or turn-key developments to provide flexible options for the future with approved development partners.
- 4. The Council shall at all times manage the Fund on a prudent basis and in accordance with the Council's legal obligations. In the course of such management the Council shall:
  - a. Enter into and effectively administer service contracts with other public and private sector entities; and
  - b. Strive to minimise operating costs.
- 5. Where possible and appropriate any developments supported by the Fund should be undertaken in conjunction with a suitably experienced and qualified development partner (subject to appropriately documented and mutually beneficial partnership conditions).
- 6. All projects or proposals for investment by the Fund should include a proposed investment exit plan at a timeframe to be determined by the project needs (and partners).

Revision dates/version:	<b>1 July 2021</b>
Next review date:	By 30 June 2024
Document number:	D-363226
Associated documents:	Treasury Management Policy
<b>Sponsor/Group:</b>	Chief Financial Officer/Finance

## INVESTMENT AND LIABILITY MANAGEMENT POLICY

### Purpose and Scope

1. To comply with the Local Government Act 2002 in terms of a legislative requirement to adopt an investment policy and a liability management policy.
2. To provide the framework under which council operates investment and borrowing activities.
3. This policy supports council's Financial Strategy and Revenue and Financing Policy and is linked to the Treasury Management Policy which provides more detail for the day-to-day management of the treasury function.
4. The Council is responsible for:
  - a. Approving the financial strategy in the 10-Year Plan and Annual Plans
  - b. Approving new debt in the 10-year Plan, Annual Plans and specific council resolutions
  - c. Ensuring that a Treasury Management Policy is adopted as a management policy
  - d. Approval for one-off transactions falling outside Policy
  - e. Approve the appointment of the Trustee to the Debenture Trust Deed.

## INVESTMENT POLICY

### Principles

5. The Council will, when investing, ensure the protection of its investment capital and that a prudent approach to risk/return is always applied within the confines of this policy. Only approved creditworthy counterparties are acceptable.
6. The Council will act effectively and appropriately to:
  - a. Protect the Council's investments.
  - b. Ensure the investments benefit the Council's ratepayers.
  - c. Maintain a prudent level of liquidity and flexibility to meet both planned and unforeseen cash requirements.

### Policy

7. The Council's general policy on investments is that:
  - a. The Council may hold financial, property, forestry, and equity investments if there are strategic, commercial, economic, or other valid reasons (e.g. where it is the most appropriate way to administer a Council function).
  - b. The Council will keep under review its approach to all major investments and the credit rating of approved financial institutions.
  - c. The Council will review its policies on holding investments at least once every three years.

### Acquisition and Disposal of Investments

8. With the exception of financial investments, new investments are acquired if an opportunity arises and approval is given by the Council.
9. Before approving any new investments, Council gives due consideration to the contribution the investment will make in fulfilling Council's strategic objectives, and the financial risks of owning the investment.
10. The authority to acquire financial investments is delegated to the General Manager Corporate (GMC).
11. Proceeds from the sale of assets or investments will in the first instance be used to repay outstanding borrowings unless otherwise specifically authorised by Council. The exception to this is in relation to the sale of endowment properties where any surplus cash is held in the Municipal Endowment Fund to be used to reinvest on behalf of the fund.
12. If assets are subject to legislative restrictions, the proceeds are used in accordance with the provisions of the appropriate legislation.

### Investment Mix

#### Equity Investments

13. Equity investments, include investments held in Council Controlled Organisations (CCO), Council Controlled Trading Organisations (CCTO) and other shareholdings.
14. The Council maintains equity investments and other minor shareholdings. Council's equity investments fulfil various strategic, economic development and financial objectives as outlined in the 10-Year Plan. Equity investments may be held where the Council considers there to be strategic community value.
15. The Council seeks to achieve an acceptable rate of return on all its equity investments consistent with the nature of the investment and their stated philosophy on investments.
16. Any purchase or disposition of equity investments requires Council approval. Council may also acquire shares that are gifted or are a result of restructuring.
17. Dividends received from CCOs/CCTOs and unlisted companies are used firstly to repay debt in relation to that investment, and then used to reduce other Council debt unless otherwise directed by Council.
18. Any dividends received, and/or profit or loss arising from the sale of these investments must be recorded in accordance with appropriate accounting standards.
19. Unless otherwise directed by Council, the proceeds from the disposition of equity investments will be used firstly to repay any debt relating to the investment and then utilised to reduce other Council debt.
20. The Council recognises that there are risks associated with holding equity investments and to minimise these risks the Council, through the relevant Council committee, monitors the performance of its equity investments on a twice-yearly basis to ensure that the stated objectives are being achieved. Professional advice regarding Council's equity investments is obtained when appropriate.

### *New Zealand Local Government Funding Agency limited investments*

21. Despite anything earlier in this Policy, the Council may invest in shares and other financial instruments of the New Zealand Local Government Funding Agency Limited (LGFA), and may borrow to fund that investment to:
  - a. Obtain a return on the investment.
  - b. Ensure that the LGFA has sufficient capital to remain viable, meaning that it continues as a source of debt funding for the Council.
  - c. Because of these dual objectives, the Council may invest in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternative investments. In connection with the investment, Council subscribes for uncalled capital in the LGFA and is a Guarantor.

### *Property investments*

22. The Council will purchase property investments for strategic and commercial purposes.
23. The Council will review ownership through assessing the benefits, including financial returns, in comparison to other arrangements that could deliver similar results.
24. Surpluses generated from property investments are treated as income in the related Council activity.
25. The Council will ensure property disposals are managed to ensure compliance with statutory requirements and where appropriate consultation with the community.
26. The Council will ensure property purchases are supported by registered valuations and, where appropriate, a full business case analysis.
27. The Council will not purchase properties on a speculative basis.

### *Financial investments*

28. The Council's primary objectives when investing is the protection of its investment capital. Accordingly, Council may only invest in approved creditworthy counterparties. Creditworthy counterparties and investment restrictions are covered in Counterparty credit risk of this policy (para. 70-74). Credit ratings are monitored and any changes are reported to Council.
29. The Council may invest in approved financial instruments as set out in the Treasury Management Policy. These investments are aligned with Council's objective of investing in high credit quality and highly liquid assets.
30. The Council's investment portfolio will be arranged to provide sufficient funds for planned expenditures and allow for the payment of obligations as they fall due.
31. The Council prudently manages liquid financial investments as follows:
  - a. Any liquid investments must be restricted to a term that meets future cash flow and capital expenditure projections.
  - b. Council may choose to hold specific reserves in cash and direct what happens to that investment income. In effect the income from financial investments will be an interest income stream into general funds. Interest is paid to reserves from general funds.
  - c. Financial investments do not include shares.

### *Reserve funds*

32. Liquid assets are required to be held against reserve funds.

### *Trust funds*

- 33. Where the Council hold funds as a trustee, or manages funds for a trust, then such funds must be invested on the terms provided within the trust.
- 34. Where the trust's investment policy is not specified then this Policy should apply.

### *Loan Advances*

- 35. The Council may provide advances to CCOs, CCTOs, charitable trusts and community organisations for strategic and commercial purposes.
- 36. New loan advances must be made by Council Resolution only. The Council will not lend money, provide any other financial accommodation, to a CCO or CCTO on terms and conditions that are more favourable than those that would apply if Council were borrowing the money or obtaining the financial accommodation. (subject to the exemption as per Section 9 of the Local Government Borrowing Act 2011, lending and financial accommodation provided to the Local Government Funding Agency).
- 37. Advances to charitable trusts, and community organisations from the Council do not have to be on a fully commercial basis.
- 38. Where the Council makes advances to charitable trusts and community organisations at below Council's cost of borrowing, the additional cost is treated as an annual grant to the organisation.
- 39. The Council will review performance of its loan advances on a regular basis to ensure strategic and economic objectives are being achieved.

### *Investment management and reporting procedures*

- 40. The Council's investments are managed on a regular basis, with sufficient minimum immediate cash reserves and a cash buffer maintained.
- 41. To best manage funding gaps, Council's financial investment maturities are matched with Council's forecast cash flow requirements.
- 42. The performance of Council investments is regularly reviewed to ensure Council's strategic objectives are being met. Both performance and policy compliance are reviewed through regular reporting.
- 43. Details on the performance of investments will be reported to the Council, or the appropriate Council Committee, on a regular basis.
- 44. Monitoring of equity and property investments involves reviewing quarterly reports, annual reports, strategic plans, and statements of corporate intent. Members of these entities may be invited to attend and present to the appropriate Council Committee.
- 45. Monitoring of cash and other investments form part of the regular financial reporting to the Council and appropriate Council Committees.

## LIABILITY MANAGEMENT POLICY

### Introduction

46. The Council's liabilities will comprise of borrowings (external) and various other liabilities.
47. The Council maintains external borrowings in order to:
  - a. Raise specific debt associated with projects and capital expenditures.
  - b. Fund the balance sheet as a whole, including working capital requirements.
  - c. Fund assets where their useful lives extend over several generations of ratepayers.
  - d. Fund investments in CCOs,
  - e. Provide funding to CCOs,
  - f. Fund working capital requirements.
48. Borrowing provides a basis to achieve inter-generational equity by aligning long-term assets with long-term funding sources, and by ensuring that the costs are met by those ratepayers benefiting from the investment.
49. Borrowing is undertaken at a whole of Council level. That is, borrowing is made as and when it is required to fund the capital and operational activities of the Council.

### Borrowing Limits

50. The Council's Financial Strategy, adopted as part of the 10-Year Plan, includes borrowing limits which take account of the planning assumptions and circumstances of the City at the time the plan is adopted. The borrowing limits in this policy are the prudential limits which the Council's funders (including LGFA) and credit rating providers deem to appropriate for the City.
51. These limits are higher than the 10-Year Plan limits with the gap available for the Council to manage any unplanned events.
52. The Council will manage its debt with the following limits:

Item	Limit
Net External Debt / Total Revenue	<300%*
Net Interest on External Debt / Total Revenue	<20%
Net Interest on External Debt / Annual Rate Income	<30%
Liquidity ratio	>110%

\*For the financial years ending 30 June 2021 and 2022, 300% will apply; and for each of the next four years financial years, a decrease of 5% until 280% will apply for and from the financial year ending 30 June 2026.

- a. **Total revenue** is defined as total revenue less vested assets, gains and development contributions.
- b. **Total external debt** is all gross debt held externally by council less pre-funding.
- c. **Net external debt** is defined as total external debt less liquid funds and investments.
- d. **Liquidity** is defined as external term debt plus available committed external borrowing and available liquid funds, divided by current external debt.

- e. **Liquid funds** are defined as being:
    - Overnight bank cash deposits
    - Wholesale/retail bank term deposits no greater than 30 days
    - Bank issued RCD's less than 91 days
    - External debt funding and associated investment activity relating to pre-funding is excluded from the liquidity ratio calculation.
  - f. The liquidity ratio excludes encumbered cash investments, such as cash held within special / reserve funds.
  - g. **Net interest on external debt** is defined as the amount equal to all interest and financing costs (on external debt) less interest income for the relevant period.
  - h. **Annual rate income** is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 (including volumetric water charges levied) together with any revenue received from other local authorities for services provided (and for which the other local authorities rate).
53. Financial covenants are measured on Council only, not the consolidated group.
54. Disaster recovery requirements are to be met through the liquidity ratio and available debt capacity.

#### Security

- 55. The Council's external borrowings and interest rate management instruments will generally be secured by way of a charge over rates and rates revenue offered through a Debenture Trust Deed.
- 56. Where appropriate the Council may seek project financing, which may have a charge over the project or a specific asset(s) rather than rates.
- 57. The Council's utilisation of special funds, reserve funds, internal borrowing of special funds/reserve funds and other funds will be on an unsecured basis.
- 58. Under a Debenture Trust Deed, The Council's borrowing is secured by a floating charge over all the Council rates levied under the Local Government Rating Act.
- 59. The security offered by Council ranks equally or pari passu with other lenders.
- 60. From time to time, and with the Council approval, debt may be undertaken on an unsecured basis, or security may be offered by providing a charge over one or more of Council's assets.
- 61. The Councils physical assets will be charged only where:
  - a. There is a direct relationship between the debt and the purchase or construction of the asset, which it funds (e.g. project finance)
  - b. Council considers a charge over physical assets to be appropriate
  - c. Any pledging of physical assets complies with the terms and conditions contained within the security arrangement

#### Borrowing mechanisms

- 62. The Council may externally borrow through a variety of market mechanisms including issuing stock/bonds, commercial paper (CP) and debentures, direct bank borrowing, Local Government Funding Agency (LGFA), Central Government Agencies (e.g. Housing Infrastructure Fund (HIF)) accessing the short and long-term wholesale/retail debt capital markets directly or indirectly, or internal borrowing of reserve funds.



63. In evaluating strategies for new borrowing (in relation to source, term, size and pricing) the following is considered:
- Available terms from lenders
  - The Council's overall debt maturity profile, to ensure concentration of debt is avoided at reissue/rollover time
  - Prevailing interest rates and margins relative to term for loan stock issuance, LGFA, debt capital markets and bank borrowing
  - The market's outlook on future interest rate and credit margin movements as well as its own
  - Legal documentation and financial covenants together with security and credit rating considerations
  - For internally funded projects, to ensure that finance terms for those projects are at least as equitable with those terms from external borrowing
  - Alternative funding mechanisms such as leasing should be evaluated with financial analysis in conjunction with traditional on-balance sheet funding. The evaluation should take into consideration, ownership, redemption value and effective cost of funds.
64. The Council's ability to readily attract cost effective borrowing will be determined by its ability to rate, maintain a strong financial standing and manage its relationships with its investors, LGFA, credit rating agencies and financial institutions/brokers.

#### **Borrowing mechanisms for council-controlled organisations and council-controlled trading organisations**

65. To better achieve its strategic and commercial objectives, Council may provide financial support in the form of debt funding directly or indirectly to CCO/CCTOs.
66. Guarantees of financial indebtedness to CCTOs are prohibited, but financial support may be provided by subscribing for shares as called or uncalled capital.
67. Any lending arrangement to a CCO or CCTO must be approved by Council. In recommending an arrangement for approval the Chief Executive considers the following:
- Credit risk profile of the borrowing entity, and the ability to repay interest and principal amount outstanding on due date.
  - Impact on Council's credit standing, debt cap amount (where applied), lending covenants with the LGFA and other lenders and Council's future borrowing capacity.
  - The form and quality of security arrangements provided.
  - The lending rate given factors such as; CCO or CCTO credit profile, external Council borrowing rates, borrower note and liquidity buffer requirements, term etc.
  - Lending arrangements to CCTO must be documented on a commercial arm's length basis. A term sheet, including matters such as borrowing costs, interest payment dates, principal payment dates, security and expiry date is agreed between the parties.
  - Accounting and taxation impact of on-lending arrangement.
68. All lending arrangements must be executed under legal documentation (e.g. loan, guarantee) reviewed and approved by Council's independent legal counsel.

### Debt repayment

69. The funds from all asset sales, operating surpluses, grants and subsidies will be applied to specific projects or the reduction of debt and/or a reduction in borrowing requirements, unless the Council specifically directs that the funds will be put to another use.
70. Debt will be repaid as it falls due in accordance with the applicable borrowing arrangement.
71. Subject to the appropriate approval and debt limits, a loan may be rolled over or re-negotiated as and when appropriate.
72. The Council will manage debt on a net portfolio basis and will only externally borrow when it is commercially prudent to do so.

### Interest rate risk

73. Risk recognition
  - a. Interest rate risk is the risk that funding costs (due to adverse movements in market wholesale interest rates) will materially exceed or fall short of projections included in the 10-Year Plan or Annual Plan so as to adversely impact revenue projections, cost control and capital investment decisions/returns/feasibilities.
  - b. The Council will ensure interest rate risk management to reduce uncertainty relating to interest rate movements through fixing/hedging of interest costs. Certainty around interest costs is to be achieved through the active management of underlying interest rate exposures.
74. Interest rate risk control limits
  - a. The exposure to interest rate risk is managed and mitigated through the risk control limits below. Council's gross external debt should be within the following fixed/floating interest rate risk control limit.
  - b. Forecast gross external debt is the amount of total external debt for a given period (12 month)
  - c. The Council's gross external debt will allow for pre-hedging in advance of projected physical drawdown of new debt.
  - d. When approved forecasts are changed (signed off by the CFO), the amount of fixed rate cover in place may have to be adjusted to ensure compliance with the Policy minimums and maximums as per the following table:

Debt Interest Rate Policy Parameters (calculated on rolling monthly basis)		
Debt Period Ending	Minimum Fixed	Maximum Fixed
0 – 1 Year	40%	95%
1 - 2 Years	35%	95%
2 - 3 Years	30%	90%
3 - 4 Years	20%	85%
4 - 5 Years	10%	80%
5 - 6 Years	0%	75%

6 - 7 Years	0%	70%
7 - 8 Years	0%	65%
8 - 9 Years	0%	60%
9 - 10 Years	0%	55%
10 - 11 Years	0%	50%
11 - 12 Years	0%	45%
12 - 13 Years	0%	40%
13 - 14 Years	0%	35%
14 - 15 Years	0%	30%

- e. A fixed rate maturity profile that is outside the above limits, but self corrects in less than 90 days is not in breach of this Policy.
- f. Maintaining a maturity profile outside of the above limits beyond 90 days requires Council resolution.
- g. "Fixed Rate" is defined as all known interest rate obligations on forecast gross external debt, including where debt is borrowed on a fixed interest rate basis and where hedging instruments have fixed movements in the applicable reset rate.
- h. "Floating Rate" is defined as any interest rate obligation subject to movements in the applicable reset rate.
- i. Fixed interest rate percentages are calculated monthly by the GMC based on the average amount of fixed interest rate obligations relative to the average forecast gross external debt amounts for the given period (as defined in the table above).
- j. Any interest rate fixing with a maturity beyond 15 years must be approved by the Chief Executive through a specific approval. The exception to this will be if Council raises LGFA funding as fixed rate or an interest rate swap is linked to floating rate LGFA debt and this is maturing beyond 15 years.
- k. Hedging outside the above risk parameters must be approved by Council.

#### Liquidity risk/funding risk

##### 75. Risk recognition

- a. Cash flow deficits in various future periods based on long term financial forecasts are reliant on the maturity structure of cash, short-term financial investments, loans and bank facilities. Liquidity risk management focuses on the ability to access committed funding at that future time to fund the gaps. Funding risk management centres on the ability to re-finance or raise new debt at a future time at the same or more favourable pricing (fees and borrowing margins) and maturity terms of existing loans and facilities.
- b. The Council will manage funding risks where there may be adverse movement in borrowing margins, term availability and general flexibility including:
  - Local Government risk is priced to a higher fee and margin level.
  - Council's own credit standing or financial strength as a borrower deteriorates due to financial, regulatory or other reasons.

- A large individual lender to Council experiences its own financial/exposure difficulties resulting in Council not being able to manage their debt portfolio as optimally as desired.
  - New Zealand investment community experiences a substantial “over supply” of Council investment assets.
  - Financial market shocks from domestic or global events.
- c. A key factor of funding risk management is to spread and control the risk to reduce the concentration of risk at one point in time so that if any of the above events occur, the overall borrowing cost is not unnecessarily increased and desired maturity profile compromised due to market conditions.

76. Liquidity/funding risk control limits

- a. The Council will ensure liquid funds (as defined in the Borrowing Limits section of this policy), term debt and committed debt facilities must be maintained at an amount exceeding 110% of existing external debt.
- b. The GMC has the discretionary authority to re-finance existing external debt on more favourable terms.
- c. Such action is to be reported to the Chief Executive and the appropriate Council Committee at the earliest opportunity.
- d. The maturity profile of the total committed funding in respect to all external debt / loans and committed debt facilities, is to be controlled by the following system:

Period	Minimum %	Maximum %
0 to 3 years	15%	60%
3 to 7 years	25%	85%
7 years plus	0%	60%

- e. A funding maturity profile that is outside the above risk parameters but self corrects within 90-days is not in breach of this policy. However, maintaining a maturity profile that is outside the above risk parameters for a period greater than 90-days requires specific approval by the Council.
- f. To minimise concentration risk the LGFA require that no more than the greater of NZD \$100 million or 33% of the Councils borrowings from the LGFA will mature in any 12-month period.
- g. The Council can pre-fund up to 18 months forecast debt requirements including re-financings. Debt refinancing that has been pre-funded will remain included within the funding maturity profile until the maturity date.

**Counterparty credit risk**

77. Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial instrument where the Council is a party. The credit risk to the Council in a default event will be weighted differently depending on the type of instrument entered.

78. Credit risk will be regularly reviewed by the appropriate Council Committee. Treasury related transactions would only be entered with organisations specifically approved by the (CE).
79. Counterparties and limits can only be approved based on long-term Standard & Poor's (S&P) credit ratings (or equivalent Fitch or Moody's rating) being A and above and/or short-term rating of A-1 or above.
80. Limits should be spread amongst several counterparties to avoid concentrations of credit exposure.
81. The following matrix guide will determine limits:

Counterparty/Issuer	Minimum S&P long term / short term credit rating	Total maximum per counterparty (\$m)
NZ Government	N/A	Unlimited
Local Government Funding Agency (LGFA)	N/A	Unlimited
NZ Registered Bank	AA- / A-1	75.0
NZ Registered Bank	A / A-1	30.0

#### Guarantees/contingent liabilities and other financial arrangements

82. The Council may act as guarantor to financial institutions on loans or enter into incidental arrangements for organisations, clubs, trusts, or business units, when the purposes of the loan are in line with Council's strategic objectives.
83. When resolving to act as a guarantor, Council will ensure appropriate processes are implemented to review and monitor the performance of guarantee.
84. The Council is not allowed to guarantee loans to Council-controlled trading organisations under Section 62 of the Local Government Act.
85. Other financial arrangements may include community loans and advances.
86. Conditions to financial arrangements will be set by the Council when the arrangement is approved.

#### Monitoring and Implementation

87. Implementation of this policy will be monitored by the General Manager Corporate.
88. This policy will be reviewed, at the request of the Council, in response to any relevant legislative amendment, or every three years (whichever comes first).

#### References

- Local Government Act 2002:
  - sections 102, 104, 105
  - sections 112 – 122
  - schedule 7, clause 32.

# MEF Investment Strategy

Alex Wondergem - Partner  
Tom Lawson - Director

15 October 2021



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Hamilton City Council  
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Attention: Nicolas Wells, Strategic Property Manager

15 October 2021

Dear Nicolas,

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The following presentation concludes PwC's analysis and recommendations with respect to the financial assets of the Municipal Endowment Fund (MEF). Our report has been completed as outlined within the scope of our Letter of Engagement dated 9 August 2021, and expanded per the scope agreed via email on 4 October 2021. The purpose of this paper is to provide a brief investment / cash management strategy that meets the objectives of the MEF and broader HCC Investment Policy.

Our principal findings and conclusions are set out in the Summary of Recommendations (pages 13 and 14). This should be read in conjunction with the balance of the report as well as the key terms of business and restrictions.

This report is strictly confidential. We will not accept any duty of care (whether in contract, tort, including negligence, or otherwise) to any person other than those addressed in connection with this report.

We look forward to discussing this report with you.

Yours sincerely,

**PricewaterhouseCoopers**



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## Summary of MEF investment mandate and objectives

The purpose of the Municipal Endowment Fund (MEF or the 'Fund') is to establish a balanced property investment portfolio that provides a commercial return at or above market rate to Hamilton City Council (Council). The Fund's objectives are briefly summarised as follows:

### The Fund's objectives



**Diversification** - diversifying investment across the property asset sector to spread risk.



**Returns** - achieve an overall portfolio return of 7% - 8%.



**Support and leverage strategic outcomes** - (where possible) strategic property investment shall provide broader economic and social outcomes for the city.



**Best practice** - continuously monitor investment policy and strategy to ensure it aligns with emerging practice.

**Implication:** Incorporating a financial investment framework into the MEF will help diversify the investment portfolio, support Fund liquidity and preserve capital over the long term.

### Key considerations to be addressed

- The MEF should consider the additional objectives for its *financial* asset investments within the fund.
- The primary elements of these relate to **capital protection, liquidity and returns**.
- How should the investment objectives best balance short, medium and long term liquidity trade offs?
- Should financial asset investments consider the Fund's return target?
- Should financial asset investments consider broader economic and social goals?

# Summary of HCC investment policy and applicability to the MEF

Below is a brief overview of the current asset classes current allowable and included under Council's Investment Policy (excluding LGFA and reserves). The table assesses each investment in the context of capital protection, liquidity and return (which has been split into capital growth and cash yield).

Asset Class	Use of Revenue	Capital Protection	Liquidity	Capital Growth	Cash Yield
Internal Loans	<ul style="list-style-type: none"> <li>• Offset general rates</li> <li>• Reduce external debt</li> <li>• Fund interest liability on reserves</li> </ul>	High	Low	Low	Low
Treasury investments	<ul style="list-style-type: none"> <li>• Fund council activities</li> <li>• Provide liquidity</li> <li>• Offset revenue</li> <li>• Offset external debt</li> </ul>	High	High	Low	Low/ Moderate
Equity investments	<ul style="list-style-type: none"> <li>• Offset general rates</li> </ul>	Low	Low	High	Moderate
Property	<ul style="list-style-type: none"> <li>• Offset general rates</li> <li>• Offset opex</li> </ul>	Moderate	Moderate	Moderate/ High	Moderate
Loans / advances for community development	<ul style="list-style-type: none"> <li>• Social and community – no required return</li> </ul>	Low	Low	Low	Low

**Implication:** There are no major investment categories missing or disallowed under the current HCC Investment policy that would create challenges or additional work in order to enable the MEF to effectively manage its financial assets.

## Desirable investment characteristics for financial assets in the MEF

As part of the MEF's investment portfolio, financial assets will serve a different purpose to the Fund's property assets. Below is an overview of the role and traits of each investment type below.

### Investment assets (property)

The primary objective of these investments, is to provide a strong commercial return through a diversified set of property and/or development property assets that meet the Fund's objectives. The long term time horizon associated with these investments increases Council's risk tolerance. A higher risk tolerance should over a longer time horizon result in higher portfolio values. On the right, we have outlined some investment attributes for Council to be aware of given these considerations.



#### Capital protection and returns

An explicit objective to generating higher returns that can be shared on a intergenerational equity basis means these investments need to focus on ensuring there is real capital protection and returns.



#### Volatility

Focus on intergenerational equity and capital growth may result in some asset value volatility. Council should be able to sustain this given its long term time horizon but must be aware this means it can place less short term reliance on investment income and liquidity.

### Financial assets

The purpose of its financial assets is to preserve funds intended for future property investment. They should be maintained to enable the MEF to invest in property when favourable opportunities arise. Due to this, there is uncertainty associated with when they will be required. These factors reduce the level of risk the MEF can afford to take with these investments.



#### Liquidity

The Fund's financial assets need to have strong liquidity. This is due to the uncertainty around when they will be required. This can be managed (in part) by holding some reserves in cash and a staggered profile of maturing investments.



#### Capital protection

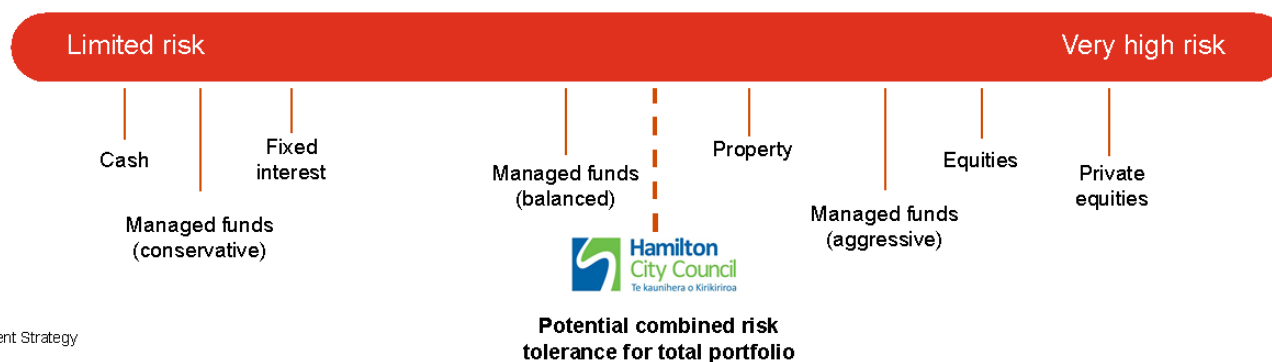
As the the Fund will at some point in the future rely on its financial assets to finance its property portfolio, it is important the real capital value is maintained protecting the assets' purchasing power.

## Investable assets considered for MEF

Property investments are considered moderate to high risk. These investments will demonstrate that the MEF is relatively higher on the risk tolerance spectrum than Council more generally.

Even so, the MEF's risk tolerance for financial assets (i.e. capital yet to be invested in qualifying, local property assets) should be lower due to a shorter investment horizon and increased need to ensure the availability of funds and liquidity to make these investments. If the MEF invests this capital in lower risk financial assets, such as cash and term deposits, this will moderate the overall risk profile of the MEF's portfolio, positioning it slightly lower on the spectrum.

	Cash	Fixed Interest	Managed Funds	Property	Equities	Private Equity
Investment Type	Direct/Indirect	Direct/Indirect	Indirect	Direct/Indirect	Direct/Indirect	Direct
Capital Protection	High	High	Moderate	Moderate	Low	Low
Volatility	Low	Low	Moderate	Low/ Moderate	High	High
Liquidity	High (excl TDs)	High	High	Moderate	High	Low
Capital Growth	Low	Low	Moderate	Moderate/ High	High	High

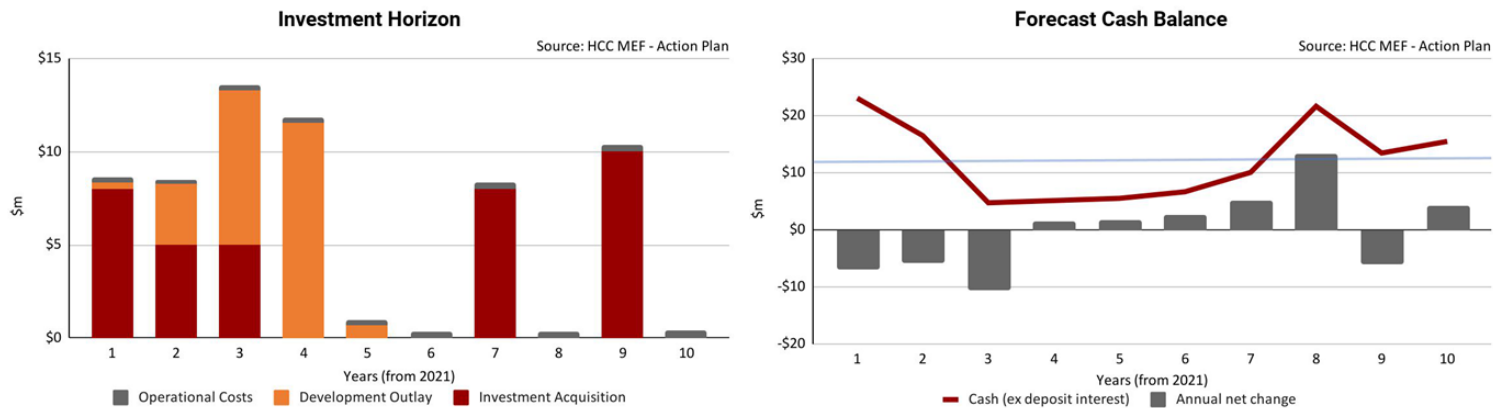


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## Liquidity considerations

An important consideration of the MEF's financial asset holdings is the time horizon and corresponding liquidity requirements of the capital not yet allocated towards investment in property or property development. Based on a forecast scenario provided in the MEF's Action Plan, the below charts demonstrate the Fund's expected investment activity and implied cash flow requirements over the next 10 years. One important element not directly captured in these charts is also that roughly half of the MEF's assets are already owned by HCC and will be transferred into the Fund without any upfront cash movement (and these will provide operating revenue into the Fund).



**Implications:** The investment horizon and forecast cash balance demonstrate that although there are a number of upfront investments, there will be a reasonable lead time on several of these major investments and that cash returns are expected to grow from Year 4 onwards. These help provide indicative parameters around which to set investment maturity limits and also demonstrate that there is a rationale for some of the portfolio to be invested in slightly more risky asset classes or vehicles (e.g. Balanced Funds with some capital risk and equity exposure).

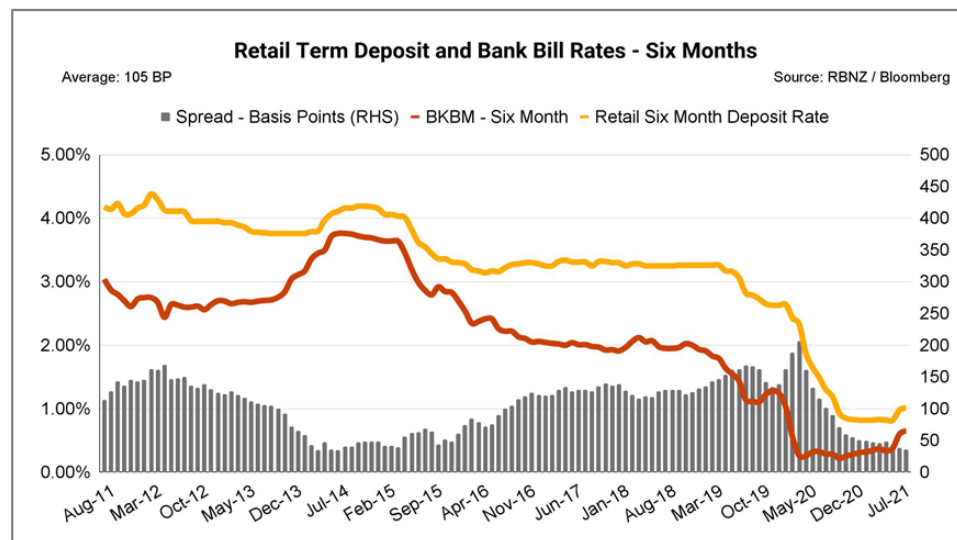
## Term deposit considerations

One important development over the past few years has been the increasingly tough conditions being placed on bank term deposits. While previously one could break a term deposit early (foregoing the interest), regulatory pressure on banks has meant that accessing term deposits early is now extremely difficult. While the spread over floating interest rates has generally improved over the past 5-6 years, this has changed behaviours for councils and corporates alike.

On top of that, since the onset of COVID-19, the level of wholesale interest rates has declined sharply, as has the premium paid (above bank bills, or BKBM) for term deposits. Even so, there is still a noticeable distinction in pricing between term deposits less than 90 days, and those greater than 180 days (with the latter getting much higher returns).

When the OCR (and BKBM) ultimately increases over the coming year(s), term deposit returns will follow higher, however there are implications for the MEF and its investment approach.

**Implication:** The need to have a high degree of capital protection, albeit at lower interest rates, combined with the rigidity of accessing term deposits, implies that the MEF should set parameters around the **maturity timeline** of investments to ensure that cash remains relatively liquid (and accessible) as well as highly protected.



## Observations on what other councils do

Many councils have ring-fenced reserve funds or more comprehensive investment funds. In many cases, these are predominantly financial investments, with some diversification into other asset classes, rather than specifically focused on property like the MEF.

	Southland District Council	BoPRC (Toi Moana Fund)	Northland Regional Council	Dunedin City Council
<b>Investment objectives and purpose</b>	Investment of Council reserves. Capital protection and liquidity objectives while balancing risk and return considerations.	Providing optimised long-term investment returns and protecting the capital value of the investment over the longer term.	Balance preservation of capital with expectations of returns and risk. Supply Council's liquidity requirements and consider ethical investment aspirations.	Optimise returns subject to maintaining an appropriate risk profile.
<b>Investment size</b>	\$42 million	\$43 million	\$65 million	\$212 million
<b>Risk tolerance</b>	Moderate	Moderate-High	Moderate	Moderate
<b>Characteristics and comments</b>	Includes treasury investments, internal loans and externally managed funds (Council has a preference for indirect investment in funds).	Managed by Quayside Holdings on behalf of Council alongside core investment portfolio (incl. Port). Ring-fenced for local priorities but widely invested.	Split into different tranches for different local priorities that carry different objectives. Largely managed by external funds.	Policy permitted investment instruments include bank deposits, commercial paper, fixed rate bonds and FRNs which have a maximum 365 days to maturity. It also allows shares and other financial instruments of the LGFA
<b>Relevance to the MEF</b>	Moderate	Low	Moderate	Moderate

**Implications:** The investment approach adopted by other councils is interesting but ultimately does not wholly assist in shaping the financial asset investment mandate of the MEF. Instead, focusing on achieving the specific objectives of the funds and catering to its unique characteristics is more valuable in our view.



## Summary of Policy approach (1/2)

### Allowable investment categories and philosophy

The below table sets out our recommended set of investment categories and allowable instruments for the MEF. In essence, this allows for the fund to retain all funds in high-grade bonds of term deposits, with some limited ability to modestly increase returns and take more risk for a portion of the portfolio (given the reasonable lead time and foresight into cash requirements). The overall structure of the framework places extremely high priority on capital protection and liquidity in favour of raising returns.

Investment Category	Minimum Long-Term & Short-Term Rating (S&P or equiv.)	Authorised Investments	Maximum Investment Category % of Financial Portfolio	Maximum Investment Single Issuer % of Financial Portfolio
<b>1. NZ Government</b>	N/A	NZ Government Bonds & Government Bond Funds	100%	100%
<b>2. NZ Registered Bank</b>	A+ / A-1	Cash, Term deposit, Certificate of Deposit, Bank Accepted Bill	100%	40%
<b>3. LGFA / Kainga Ora / Kauri / Local Government</b>	A+ / A-1	Commercial Paper, Bonds & Floating Rate Notes	50%	35%
<b>4. Corporate fixed interest</b>	A- / A-1	Corporate Bonds (incl. FRNs) and Corporate Bond Funds	50%	25%
	BBB (flat)	Corporate Bonds (incl. FRNs) and Corporate Bond Funds	25%	15%
<b>5. Balanced funds</b>	N/A	NZ registered, and FMA regulated, "balanced" investment funds,	25%	25%

## Summary of Policy approach (2/2)

### Investment maturity timeline

On top of the allowable investments categories and instruments, we recommend that the Fund adopts an investment maturity timeline to help ensure that liquidity is sufficiently managed. In effect, this forces the fund to consistently maintain at least 50% of its financial assets to be maturing within 6 months. While this might inhibit returns, we believe that it is prudent due to the restrictive nature of accessing term deposits.

Note that within this, we would consider Balanced and Bond Funds as falling within 0-6 months given that they can be liquidated at short notice.

Investment maturity	Minimum	Maximum
0 - 6 months	50%	100%
6 - 12 months	20%	50%
12 - 36 months	0%	25%

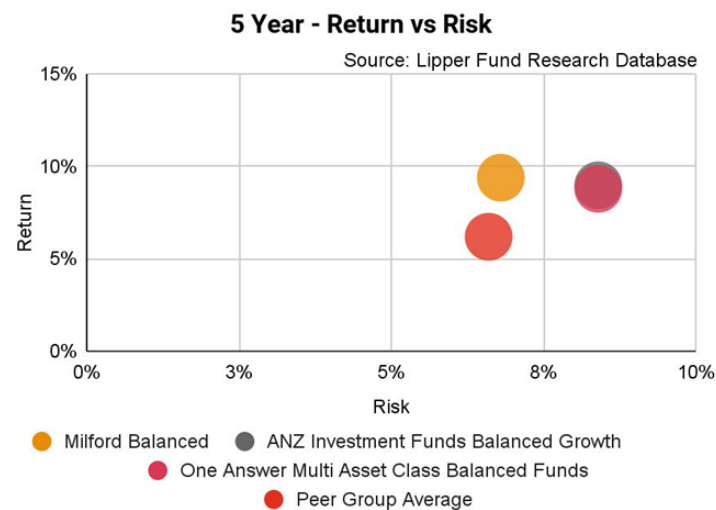
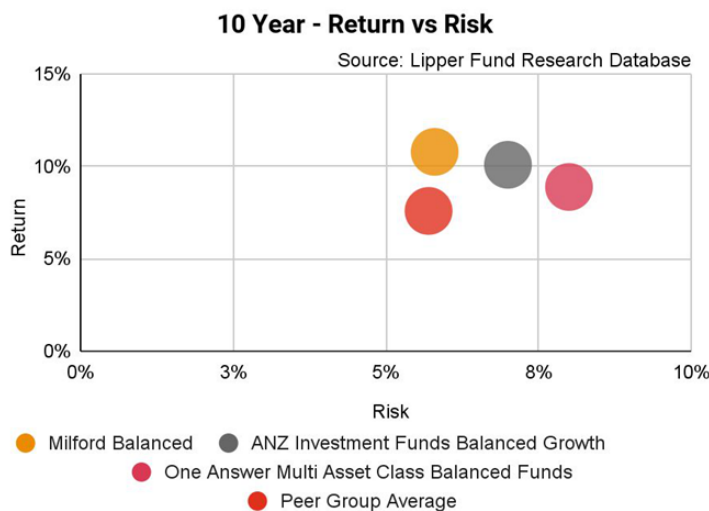
### Investment allocations and implementation

Following our initial review in September, we have completed additional analysis of both Balanced Funds and Bond Funds to benchmark the performance (and other key attributes) of qualifying funds. The summary results from this analysis is included on the following slides and more detailed analysis can also be found in the Appendices.

We have also included our recommended allocation of investment by category (included on page 18). It is important to note that while we have recommended an allocation to both Balanced Funds and Bond Funds - we have **not** recommended which *specific* funds HCC invests in. Instead, we have provided both quantitative analysis (based on historical performance) and qualitative characteristics for HCC to use in determining this decision.

## Balanced funds - performance

From a peer group analysis of 20 qualifying balanced funds domiciled in New Zealand (refer to Appendix C and D for full details), we have quantified the three top performing funds on a risk-adjusted net return basis across multiple periods: 13 years, 10 years, 7 years and 5 years. The charts below demonstrate the top three funds' 10 year and 5 year returns against their level of risk (relative to the peer group average). Please refer Appendix C for the top three funds' performance across all calculation periods.



<sup>1</sup> Performance is calculated using end of month valuations net of fees and gross of tax compliant with GIPS global reporting standard practise. Please note that past performance is not necessarily indicative of future returns.

<sup>2</sup> Simplicity did not meet the minimum selection criteria to be recommended as it does not have a five year track record (we have include it in the Appendix for comparison at HCC's request).

## Balanced funds - qualitative attributes

Further details of the identified top performing funds are provided below. It is at the discretion of HCC to choose the fund that is most appropriate based on its assessment criteria. PwC is able to assist HCC with executing and monitoring these investment funds if required.

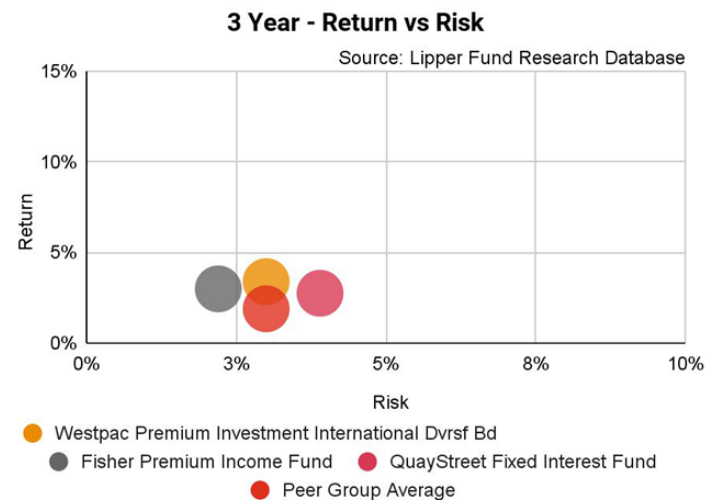
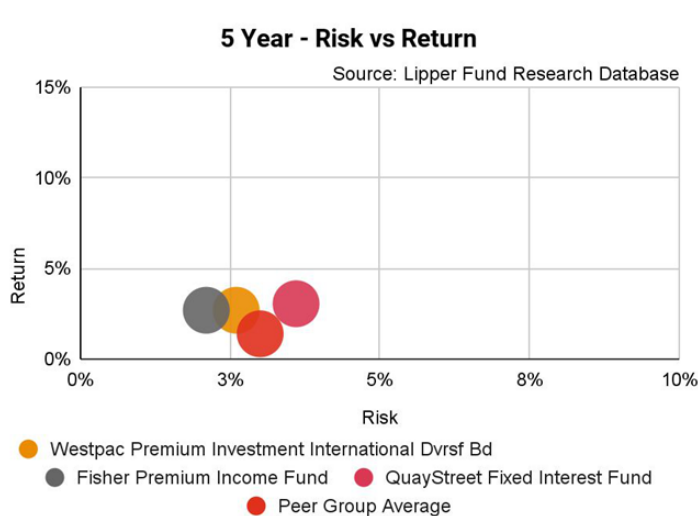
<b>Fund</b>	<b>ANZ Investment Funds-Balanced Growth</b>	<b>One Answer Multi Asset Class Balanced Funds (ANZ)</b>	<b>Milford Balanced</b>	<b>Simplicity Balanced<sup>2</sup></b>
<b>AUM (\$m)</b>	\$350	\$570	\$1,055	\$390
<b>Total expense ratio</b>	1.04%	1.04%	1.06%	0.27%
<b>Morningstar sustainability rating<sup>1</sup></b>	4 star	4 star	3 star	Not rated
<b>Morningstar carbon metric classification</b>	Low carbon	Low carbon	Low carbon	Not rated

<sup>1</sup> Sustainalytics provides company-level ESG Risk analysis used in the calculation of Morningstar's Sustainability Score. Sustainability Mandate information is derived from the investment prospectus. Score is out of a possible 5 stars

<sup>2</sup> Simplicity did not meet the minimum criteria to be recommended as they do not have a five year track record but we did include it for comparison as per request by the client.

## Bond funds - performance

Alongside the Balance Funds, we have also reviewed and analysed the performance of various bond funds, which would fall under the previously-discussed fixed income (or bond) investment categories. These funds are highly liquid, and hence qualify as investments within 0 - 6 months. From a peer group analysis of 21 bond funds domiciled in New Zealand (refer to Appendix E and F for full details), we have identified the three top performing funds on a risk-adjusted net basis across multiple periods: 5 years, 3 years, and 1 year. These periods are important for bonds due to the very low yield environment we have experienced in the last 5 years.



<sup>1</sup> Performance is calculated using end of month valuations net of fees and gross of tax compliant with GIPS global reporting standard practise. Please note that past performance is not necessarily indicative of future returns.

## Bond funds - qualitative attributes

Further details of the identified top performing funds are provided below. It is at the discretion of HCC to ultimately choose the fund that is most appropriate. PwC is able to assist HCC with executing and monitoring these investment funds if required.

Fund	Westpac Premium Investment International Dvrsf Bd	Fisher Premium Income Fund	QuayStreet Fixed Interest Fund
Investment objective	The International Diversified Bond Fund aims to provide capital growth over the short to medium term by investing primarily in a range of international fixed interest assets. The primary areas of investment are North America, United Kingdom, Europe and the Asia-Pacific region.	Fisher Premium Income Fund offers an alternative to bank deposits. Your money is invested throughout the world in a range of industries and sectors that are not available in Australasia, providing added diversification. You can also access your money at any time and there is a low minimum for investment.	The fund targets investment grade securities issued in New Zealand and internationally. The investments may be spread across multiple issuers, sectors, maturities and regions to provide an appropriate level of risk diversification.
AUM (\$m)	\$77	\$406	\$468
Total expense ratio	0.69%	0.87%	0.75%
Investment mix	Government securities Corporate Bonds Securitized Cash	Government securities Corporate Bonds Securitized Cash	Government securities Corporate Bonds Cash

## Implementation strategy

### Fund allocations

Of the \$31 million funds the MEF expects to receive, we recommend investing \$6 million into one of the top performing Balanced Funds of MEF's choosing, \$8 million in a MEF's choice of Fixed Interest Fund and spreading the remaining \$17 million across 3 month, 6 month, and 9 month term deposits (TDs).

Investment asset	\$ million	%	Indicative returns <sup>1</sup>
Balanced Fund	6.0	19%	8.2%
Fixed Interest Fund	8.0	26%	2.8%
Term Deposits	3 months	5.0	16%
	6 months	6.0	19%
	9 months	6.0	19%
<b>Total Financial Portfolio</b>	<b>31.0</b>	<b>100%</b>	<b>2.9%</b>

As TDs will make up 55% of the total Financial Portfolio, the MEF must also be conscious to spread its TDs between different NZ Registered Banks. This is to ensure it also meets the recommended Maximum Investment Single Issuer % criteria for the portfolio.

<sup>1</sup> Indicative returns are calculated as follows. Balanced Fund: simple average of top performing funds' 13-year return. Fixed Interest Fund: simple average of top performing funds' 5-year return. Term deposits: simple average of observed pricing. Total Financial Portfolio: weighted average rate of return on total portfolio.

### Rationale and approach

While the maximum investment percentage for balanced funds is 25%, we recommend only having 19% invested upfront. This is designed to enable the balanced fund holdings to remain relatively stable (and policy compliant) once the cash balance in the fund begins to fall (although we do anticipate some investments being liquidated to meet cash requirements over time).

At its October Monetary Policy Review, the RBNZ raised the OCR 25 basis points to 0.50%, beginning the normalisation of New Zealand monetary policy settings. We expect several further OCR hikes over the coming months, which is expected to push fixed income yields higher in the near term (i.e. causing prices to fall). To best protect against this, we have recommended the MEF invests over 50% in term deposits with relatively short tenors. As each TD rolls off, the MEF will be able to reinvest in TDs at higher rates or purchase other fixed income instruments, such as bonds or bond funds. Additionally, to comply with the recommended investment maturity timeline, a larger allocation towards shorter term investments is required.

To execute the recommended strategy, we proposed the ongoing rolling and monitoring of investments could sit with HCC's treasury team. Additionally, PwC's Private Wealth and Investment team is able to provide assistance with both executing and monitoring of fund performances. More details can be provided if required.

## Appendix A: Key terms of business and restrictions

This Report has been prepared solely for the purposes stated herein and should not be relied upon for any other purpose.

To the fullest extent permitted by law, PwC accepts no duty of care to any third party in connection with the provision of this Report and/or any related information or explanation (together, the "Information"). Accordingly, regardless of the form of action, whether in contract, tort (including without limitation, negligence) or otherwise, and to the extent permitted by applicable law, PwC accepts no liability of any kind to any third party and disclaims all responsibility for the consequences of any third party acting or refraining to act in reliance on the Information.

We have not independently verified the accuracy of information provided to us, and have not conducted any form of audit in respect of Council. Accordingly, we express no opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied.

The statements and opinions expressed herein have been made in good faith, and on the basis that all information relied upon is true and accurate in all material respects, and not misleading by reason of omission or otherwise.

The statements and opinions expressed in this report are based on information available as at the date of the report.

We reserve the right, but will be under no obligation, to review or amend our Report, if any additional information, which was in existence on the date of this report was not brought to our attention, or subsequently comes to light.

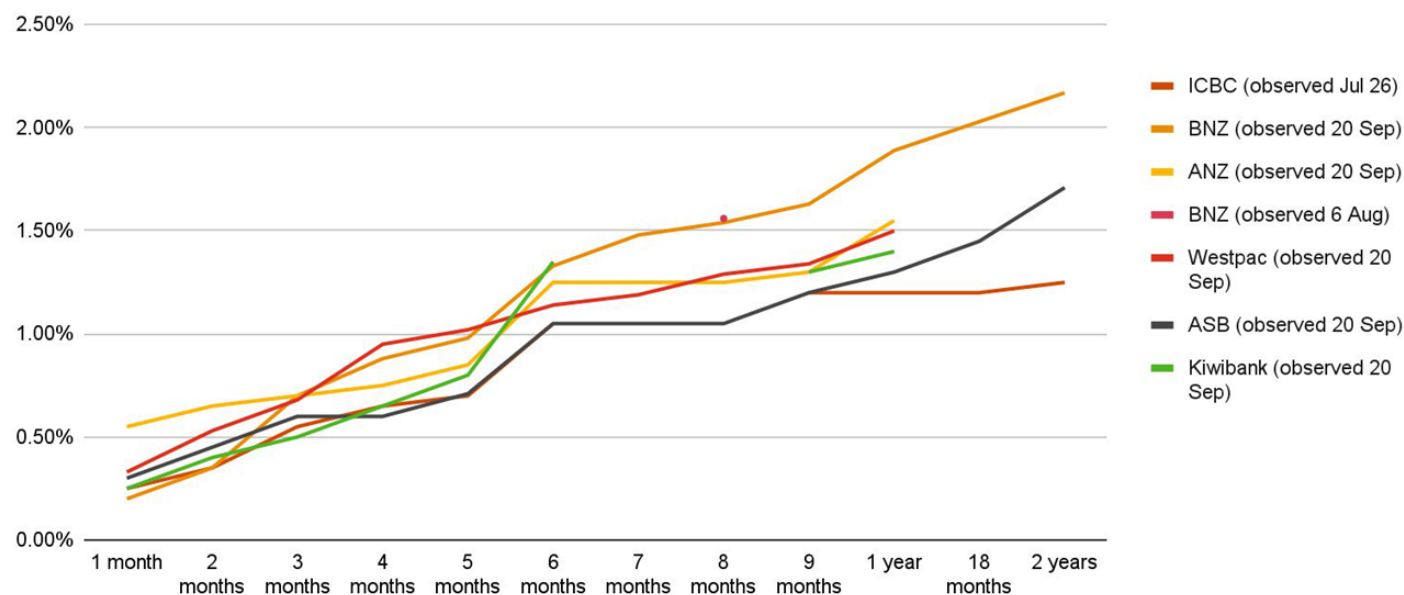
Certain numbers included in tables throughout this report have been rounded and therefore may not add exactly.

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This report is issued pursuant to the terms and conditions set out in our engagement letter dated 9 August 2021 and the Terms of Business attached thereto.



## Appendix B: recent term deposit pricing



## Appendix C: New Zealand Balanced Funds - Performance

Qualifying criteria to be included:

1. Active funds
2. Funds with no leverage
3. At least 5 year track record
4. Domiciled in New Zealand
5. Lipper Global Classification equal to 'Mixed Assets NZD Balanced' (indicatively classified as 60% equities, 40% bonds)

The above criteria yielded 20 qualifying funds (the full list is included over the page in Appendix D). The top performers were:

Top 3 performing funds, net of fees (+ Simplicity)	13 Years		10 Years		7 Years		5 Years		3 Years	
	Return	Risk	Return	Risk	Return	Risk	Return	Risk	Return	Risk
Milford Balanced	8.6%	5.7%	10.8%	5.8%	9.4%	6.4%	9.4%	6.8%	9.8%	8.4%
ANZ Investment Funds Balanced Growth	7.8%	7.1%	10.1%	7.0%	8.6%	7.9%	8.9%	8.4%	9.0%	10.5%
One Answer Multi Asset Class Balanced Funds	-	-	8.9%	8.0%	8.6%	7.9%	8.9%	8.4%	9.0%	10.5%
Simplicity Balanced	-	-	-	-	-	-	-	-	8.2%	8.2%
<b>Peer Group Average</b>	<b>6.7%</b>	<b>6.0%</b>	<b>7.6%</b>	<b>5.7%</b>	<b>6.3%</b>	<b>6.2%</b>	<b>6.2%</b>	<b>6.6%</b>	<b>6.4%</b>	<b>8.1%</b>

<sup>1</sup> Performance is calculated using end of month valuations net of fees and gross of tax compliant with GIPS global reporting standard practise. Please note that past performance is not necessarily indicative of future returns.

<sup>2</sup> Simplicity did not meet the minimum selection criteria to be recommended as it does not have a five year track record (we have include it for comparison at HCC's request).

## Appendix D: New Zealand Balanced Funds - Peer Group

1. Milford Balanced	11. OneAnswer Multi-Asset Class-Balanced
2. ANZ Investment Funds-Balanced Growth	12. QuayStreet Unit Trusts-Socially Responsible Inv
3. OneAnswer Multi-Asset Class-Balanced Growth	13. ANZ Investment Funds-Conservative Balanced
4. OneAnswer Single-Asset Class-Balanced Growth	14. OneAnswer Multi-Asset Class-Conservative Balanced
5. AMP Capital Ethical Leaders Balanced	15. Westpac Active Moderate Trust
6. ASB Investment Funds-Balanced	16. ASB Investment Funds-Moderate
7. QuayStreet Unit Trusts-Balanced	17. Milford Diversified Income
8. Fisher Funds Multi-Sector	18. AMP Capital Income Generator NZD
9. Westpac Active Balanced Trust	19. Nikko AM Income
10. ANZ Investment Funds-Balanced	20. Mint Diversified Income

Note, the above table is not ranked in order of performance.

We use Lipper Fund Research Database. Lipper has been a leading provider of independent fund content, analytics, and insight to the global investment community for over 45 years.

## Appendix E: New Zealand Bond Funds - Performance

Qualifying criteria to be included:

1. Active funds
2. Funds with no leverage
3. At least 5 year track record
4. Domicile in New Zealand
5. Asset Class equals to Bond

The above criteria yielded 21 qualifying funds (the full list is included over the page in Appendix F). The top performers were:

Top 3 performing funds, net of fees	5 Years		3 Years		1 Year	
	Return	Risk	Return	Risk	Return	Risk
Westpac Premium Investment International Dvrsf Bd	2.7%	2.6%	3.4%	3.0%	1.2%	1.6%
Fisher Premium Income Fund	2.7%	2.1%	3.0%	2.2%	0.1%	1.6%
QuayStreet Fixed Interest Fund	3.1%	3.6%	2.8%	3.9%	-0.2%	3.5%
<b>Peer Group Average</b>	<b>1.4%</b>	<b>3.0%</b>	<b>1.9%</b>	<b>3.0%</b>	<b>-3.1%</b>	<b>2.8%</b>

<sup>1</sup> Performance is calculated using end of month valuations net of fees and gross of tax compliant with GIPS global reporting standard practise. Please note that past performance is not necessarily indicative of future returns.

MEF Investment Strategy  
PwC

October 2021  
23

## Appendix F: New Zealand Bond Funds - Peer Group

1. Westpac Premium Investment International Dvrsf Bd	11. Harbour NZ Core Fixed Interest-Wholesale Unit
2. Nikko AM Global Bond	12. Nikko AM NZ Bond
3. OneAnswer Single-Asset Class-Intl Fixed Interest	13. Harbour NZ Core Fixed Interest-Retail Unit
4. Fisher Funds Income	14. Milford Trans-Tasman Bond
5. Smartshares Global Bond ETF	15. Westpac Premium Investment Corporate Bond
6. Fisher Funds BondPlus	16. AMP Capital NZ Fixed Interest
7. Fisher Premium Income Fund	17. OneAnswer Single-Asset Class-New Zealand Fix Int
8. QuayStreet Unit Trusts-Fixed Interest	18. Harbour NZ Corporate Bond-Retail Unit
9. Smartshares NZ Bond ETF	19. AMP Capital Global Short Duration NZD
10. Fisher Funds New Zealand Fixed Income Trust	20. Nikko AM NZ Corporate Bond

Note, the above table is not ranked in order of performance.

We use Lipper Fund Research Database. Lipper has been a leading provider of independent fund content, analytics, and insight to the global investment community for over 45 years.

## Appendix G: documents reviewed

In undertaking this engagement, the following documents have been reviewed:

- Veros MEF Action Plan
- Veros MEF Management Plan
- HCC Liability and Management Policy
- Municipal Endowment Fund Policy (D-3455758)

# Thank you

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# Council Report

**Committee:** Economic Development Committee  
**Date:** 23 November 2021  
**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 1 Activity Report 1 July - 30 September 2021

<b>Report Status</b>	<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 1 results from 1 July to 30 September 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).
4. This includes financial and non-financial activity for Claudelands, FMG Stadium Waikato, Seddon Park and residual activity related to the Founders Theatre.
5. A report providing the results for the Q1 2021/22 period is attached.
6. 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.
7. Staff consider the matters in this report to have low significance and the recommendation comply with the Council's legal requirements.

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

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

## Financial Considerations - *Whaiwhakaaro Puutea*

9. This is a regular operating activity funded through the Long-Term Plan.

## Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

10. 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').
11. 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.



12. The recommendations set out in this report are consistent with that purpose.

### **Social**

13. H3 venues and events are safe for people to attend;  
 14. H3 venues are a place where communities can meet, compete and perform;  
 15. H3 Venues are place Hamiltonians are proud of.

### **Economic**

16. H3 venues attract events that have a positive economic impact to the city;  
 17. Events held at H3 venues attract people to the city;  
 18. H3 venue infrastructure is well maintained, and improvements align with industry needs and requirements;  
 19. H3 financial management and decision making is sound.

### **Environmental**

20. 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.  
 21. H3 venues are healthy environments;  
 22. H3 cares about reducing, recycling and reusing water, electricity and waste.

### **Cultural**

23. H3 venues offer a range of events for people to attend;  
 24. The heritage of H3 venues and locations is valued;  
 25. Our community has trust in H3.

### **Risks - *Tuuraru***

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

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

#### **Significance**

27. 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**

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

### **Attachments - *Ngaa taapirihanga***

Attachment 1 - H3 Activity Report Quarter 1 2021/22

# ACTIVITY REPORT

## Q1

## 2021/22



*Te Pūmanawa O Te Whenua - Beat Connection at Claudelands*

# 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. This report is a summary of H3's Q1 activity for the 2021/22 financial year and was prepared for Council's Economic Development Committee meeting on 23 November 2021.

## INTRODUCTION

Like our previous reports to this Committee, this report provides ongoing detail of the impact of Covid-19 on H3's business. Prior to this reporting period, H3 was responding to past Covid-19 disruption at speed, with a very strong Q1 and busy Q2 planned. However, this stopped abruptly in August with the Covid-19 delta variant entering New Zealand. Irrespective of the alert level changes in Q1, H3 exceeded its forecast budget due to a strong result in early Q1, balanced out by a reduction in venue and event related costs. Strong cost containment enabled the operation to shield its drop in revenue in the month of September and October.

Ongoing cost containment alongside significant work to retain and reschedule business, now effectively into Q3, has become a priority. Assuming trading conditions normalise, Q3 and Q4 will be very busy for H3, although we do not anticipate performance and sports activity to bounce back until the next financial year.

## COVID-19 RISK MITIGATIONS

The safety and wellbeing of our staff, suppliers, clients and visitors is our number one priority. To support this H3 will be working towards providing a fully vaccinated venue space. We are aligning our management policies and processes to adhere to this. At the time of writing of this report, under the NZ Government's Covid-19 Protection Framework, H3 has advised all staff, suppliers, clients, contractors and key partners that as at 1 December 2021, in order to gain entry to H3 venues, all entrants must be fully vaccinated against Covid-19 and be able to provide evidence of a current vaccination status.

This will be rigorously managed using venue access controls and the official Covid-19 vaccination certification system. This will allow the maximum permissible activity onsite under the Covid-19 Protection Framework (traffic light system) and fully activate our risk mitigation under H3's Covid-19 health and safety assessments. This is instead of potentially needing to close under orange or red levels and applies equally to event and non-event days.

In order to get to this point, H3 has been communicating to all staff on considerations alongside our external partners, clients, suppliers and customers. It has been a long road of preparation and consultation and I know the team are looking forward to re-opening the business as soon as we are able.

Aside from the challenges for staff working under a lockdown environment I must acknowledge the H3 team's dedication and professionalism demonstrated throughout the past three months. All our customer facing staff have gone through especially challenging workloads and resolution of conflicting customer needs. Other members of the team have shifted their job focus to areas outside of their normal remit without hesitation and with enthusiasm.

**Sean Murray**

GENERAL MANAGER  
VENUES, TOURISM AND MAJOR  
EVENTS GROUP

# 1. VENUE HIGHLIGHTS

## 1.1: Q1 SUMMARY FOR CLAUDELANDS, FMG STADIUM WAIKATO AND SEDDON PARK

- H3 venues held 213 separate events in Q1. This includes the period in Alert Level 4, 3 and 2 in August and through September 2021. The alert level moves resulted in the rescheduling of many events into 2022.
- The business 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.
- Management worked closely with the NZ Events Association and Event Venues Association of NZ and key industry promoters and event organisers to give feedback on the Government's roadmap as it relates to locations of mass gatherings and the future of the wider industry.
- From July through to the August lockdown period start, 78,641 people attended events at H3 venues. Claudelands had 51,357 people attend events and our Stadia welcomed 27,284 patrons.
- An example of the events held in Q1 (outside of lockdown periods) include:
  - Tonga v Samoa and All Blacks vs Fiji, L.A.B in concert, Magic v Steel Netball, Tainui Secondary Schools Kapa Haka Festival, plus numerous meetings, conferences, functions and private or non-ticketed events.
  - During the Alert Level periods, event activity has been reduced. However, H3 has supported a Covid-19 testing centre at Claudelands (ongoing) and a Covid-19 vaccination centre on Beetham Park carpark.

**DURING Q1  
78,641 PEOPLE  
ATTENDED  
EVENTS AT H3  
VENUES**



H3 GROUP | Q1 ACTIVITY REPORT 2021/22

## 2. FINANCIAL SUMMARY

Item 13

### 2.1: FINANCIAL SUMMARY 2021/22

TABLE 1: RESULT FOR THE PERIOD 1 JULY TO 30 SEPTEMBER 2021

Prior YTD Actual 2020-21		Actual YTD	Budget YTD	Variance favourable/ (unfavourable)	Annual Budget
\$000		\$000	\$000	\$000	\$000
	<b>Revenue</b>				
-	Subsidies and Grants	-	-	-	-
-	Capital Revenue	-	-	-	-
1,186	Revenue from Activities	1,514	1,784	(269)	6,064
<b>1,186</b>	<b>Total Revenue</b>	<b>1,514</b>	<b>1,784</b>	<b>(269)</b>	<b>6,064</b>
	<b>Direct Operating Costs</b>				
480	Cost of Sales	594	630	36	2,478
1,228	Personnel Costs	1,339	1,458	118	5,846
520	Operating and Maintenance costs	428	612	185	2,620
23	Professional Costs	26	41	15	164
178	Administrative Costs	150	171	21	722
405	Property Costs	351	467	116	1,874
<b>2,834</b>	<b>Total Direct Operating Costs</b>	<b>2,888</b>	<b>3,379</b>	<b>491</b>	<b>13,705</b>
<b>(1,649)</b>	<b>Direct Operating Surplus/(Deficit)</b>	<b>(1,374)</b>	<b>(1,596)</b>	<b>221</b>	<b>(7,641)</b>
	<b>Indirect Revenue</b>				
14	Interest Income	5	-	5	-
	<b>Indirect Overhead Costs</b>				
1,184	Depreciation and Amortisation	1,758	1,450	(308)	5,799
603	HCC Overhead Allocation	845	875	30	3,500
283	Finance Costs	265	416	151	1,663
<b>2,070</b>	<b>Total Indirect Operating Costs</b>	<b>2,868</b>	<b>2,740</b>	<b>(127)</b>	<b>10,962</b>
<b>(2,056)</b>	<b>Net Indirect Costs</b>	<b>(2,862)</b>	<b>(2,740)</b>	<b>(122)</b>	<b>(10,962)</b>
<b>(3,705)</b>	<b>Net Surplus/(Deficit)</b>	<b>(4,237)</b>	<b>(4,336)</b>	<b>99</b>	<b>(18,603)</b>
-	Gains and Losses	-	-	-	-
-	<b>Total Gains and (Losses)</b>	-	-	-	-
<b>(3,705)</b>	<b>Surplus/(Deficit)</b>	<b>(4,237)</b>	<b>(4,336)</b>	<b>99</b>	<b>(18,603)</b>

The financials presented exclude Founders Theatre for reporting purposes. Any prior year comparatives reflect this also

#### NOTES:

- REVENUE: Unfavorable 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: Favorable 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 continues to be of concern.

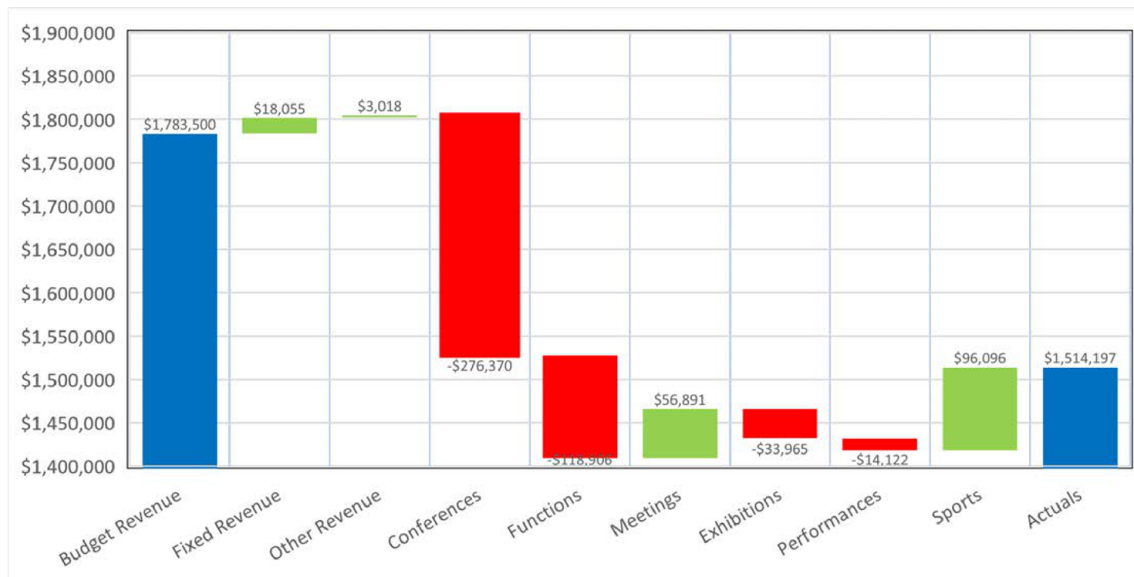


H3 GROUP | Q1 ACTIVITY REPORT 2021/22

Attachment 1

# REVENUE SUMMARY

**2.2: GRAPH 1: 2020/21 H3 REVENUE VARIANCE TO BUDGET (EXC. CAPITAL) FOR PERIOD 1 JULY TO 31 SEPTEMBER 2021**



## 2.2.1 NOTES

- H3 revenue budgets were impacted by the Covid-19 lockdown restrictions enforced in August and September. This chart clearly demonstrates the hit on business events (conferencing and functions) as that market segment began to move into a peak trading period. The loss of conference business in particular will have had a major impact on supporting businesses across the city reliant on income from this sector.
- Functions revenue was \$119k below budget due to budgeted functions being delayed and cancelled due to Covid-19.
- Sporting events revenue was \$96k above budget due to unbudgeted international rugby being held. This is offset by the negative impact of Covid-19 on domestic rugby and international netball.
- Meeting revenue was \$57k above budget due to high than expected levels of meeting occurring in the first half of Q1.



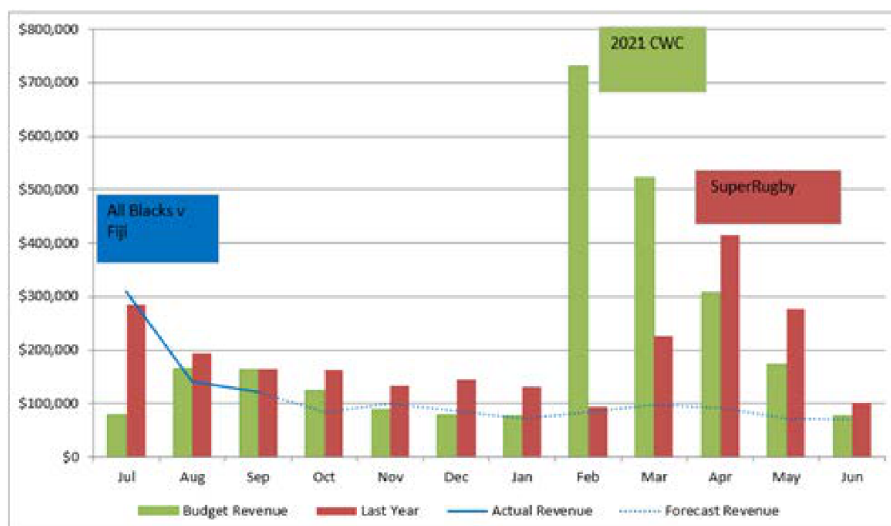
H3 GROUP | Q1 ACTIVITY REPORT 2021/22



# STADIA RESULT

Item 13

2.3 - GRAPH 2: 2021/22 STADIA REVENUE FOR THE PERIOD 1 JULY - 31 SEPT 2021



2.3.1 - TABLE 2: STADIA SUMMARY FOR THE PERIOD 1 JULY - 31 SEPT 2021

	Actual YTD	Budget YTD	Variance Favourable/ (unfavourable)	Annual Budget
	\$000	\$000	\$000	\$000
<b>Revenue</b>				
Subsidies and Grants	-	-	-	-
Capital Revenue	-	-	-	-
Revenue from Activities	636	479	156	2,849
<b>Total Revenue</b>	<b>636</b>	<b>479</b>	<b>156</b>	<b>2,849</b>
<b>Direct Operating Costs</b>				
Cost of Sales	224	92	(132)	1,225
Personnel Costs	531	604	73	2,422
Operating and Maintenance Costs	246	412	166	1,811
Professional Costs	14	24	10	95
Administrative Costs	78	89	11	378
Property Costs	162	244	82	984
<b>Total Direct Operating Costs</b>	<b>1,254</b>	<b>1,464</b>	<b>210</b>	<b>6,915</b>
<b>Direct Operating Surplus/(Deficit)</b>	<b>(618)</b>	<b>(985)</b>	<b>367</b>	<b>(4,066)</b>

- Total Stadia revenue is 33% above budget driven by unbudgeted international rugby being held. This is offset by the negative impact of Covid-19 on the 2021 domestic rugby season.
- This is offset by additional costs related to the revenue uplift (Cost of Sales).
- Key maintenance costs and temporary stand hire are yet to occur. Forecasting to spend to budget in this area.

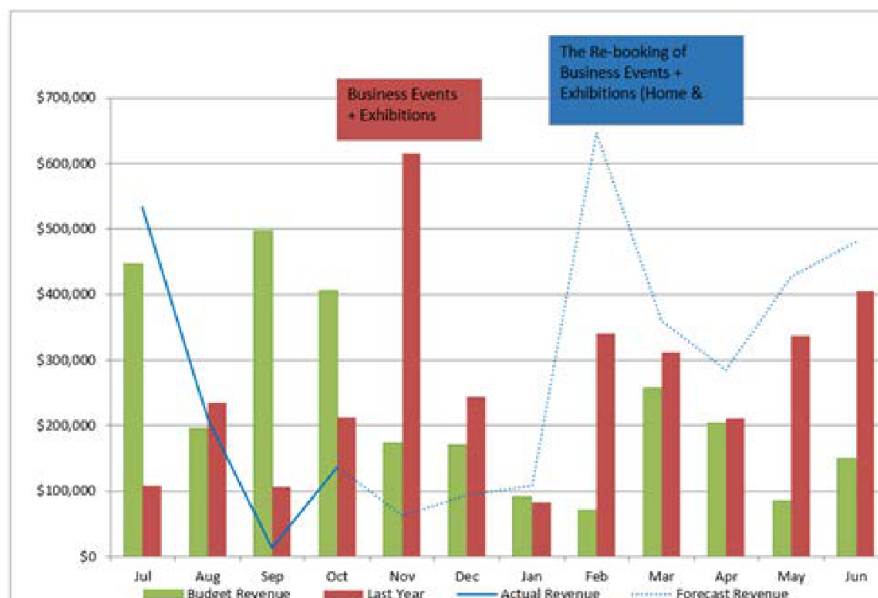


H3 GROUP | Q1 ACTIVITY REPORT 2021/22

Attachment 1

# CLAUDELANDS RESULT

2.4 - GRAPH 3: 2021/22 CLAUDELANDS REVENUE FOR THE PERIOD 1 JULY - 30 SEPT 2021



2.6.1 - TABLE 3: CLAUDELANDS SUMMARY PERIOD 1 JULY - 30 SEPT 2021

	Actual YTD	Budget YTD	Variance Favourable/ (unfavourable)	Annual Budget
	\$000	\$000	\$000	\$000
<b>Revenue</b>				
Subsidies and Grants	-	-	-	-
Capital Revenue	-	-	-	-
Revenue from Activities	879	1,304	(426)	3,214
<b>Total Revenue</b>	<b>879</b>	<b>1,304</b>	<b>(426)</b>	<b>3,214</b>
<b>Direct Operating Costs</b>				
Cost of Sales	370	538	168	1,253
Personnel Costs	808	854	46	3,424
Operating and Maintenance Costs	182	201	19	809
Professional Costs	13	17	4	69
Administrative Costs	72	82	9	345
Property Costs	189	223	34	890
<b>Total Direct Operating Costs</b>	<b>1,635</b>	<b>1,915</b>	<b>280</b>	<b>6,790</b>
<b>Direct Operating Surplus/(Deficit)</b>	<b>(756)</b>	<b>(611)</b>	<b>(145)</b>	<b>(3,575)</b>

- Total Claudelands revenue is 33% below budget, due to the impact of restrictions leading to the delaying and cancellations of booked events.
- This is offset by reduced costs related to the revenue decrease (Cost of Sales).
- Current forecast assumes significant revenue activity in conferences is pushed out into Q3 and Q4
- As stated in earlier commentary the loss of business event activity has hit hard in the month of September which ordinarily is a high revenue month for Claudelands.



H3 GROUP | Q1 ACTIVITY REPORT 2021/22



# 3. ACTIVITY SUMMARY

Item 13

## 3.1: NUMBER OF EVENTS, HIRE DAYS AND ATTENDANCE 1 JULY - 30 SEPT 2021



213 Events at  
H3 Venues



195.5 Hire Days  
across H3 Venues



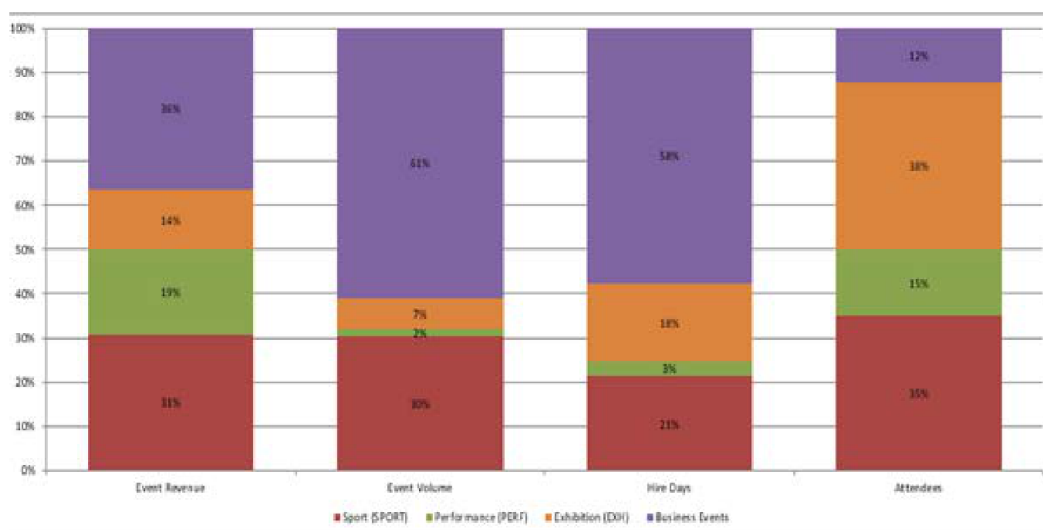
78,641 attendees  
at H3 Venues

## 3.2: TABLE 4: BY EVENT TYPE FOR THE PERIOD 1 JULY - 30 SEPT 2021

Event Type	Number of Events	Hire Days	Attendance
	Q1	Q1	Q1
Business Events	127	88.2	9,077
Exhibition	14	44.25	29,629
Performance	4	9	12,728
Sport	68	54.75	27,207
Total	213	196.50	78,641
FY 2020/21 comparison	198	298.5	67,333

Attachment 1

## 3.3 - GRAPH 4: BUSINESS MIX BY EVENT TYPE FOR THE PERIOD 1 JULY - 30 SEPT 2021



H3 GROUP | Q1 ACTIVITY REPORT 2021/22



### 3.4: 2021-31 10-YEAR PLAN KPIS

TABLE 5: FOR THE PERIOD 1 JULY - 30 SEPT 2021

Measure	Annual Target	Q1
The number of people attending events at H3 Venues	375,000	78,641

- We do not expect to exceed this target given recent Covid-19 lockdowns and the lag to follow once we are able to resume our activity. Otherwise it was a strong start to the operating year.

### 3.5: OTHER NON-FINANCIAL KPIS CUSTOMER SATISFACTION

TABLE 6: FOR THE PERIOD 1 JULY - 30 SEPT 2021

Survey Type	Q1
Business Events Hire Survey (1-10)	9.2
Ticketed Events Attendee Survey (1-10)	8.6

### 3.6: KEY SUPPLIERS

- There was one contract issued by H3 in Q1:
  - 738/2021 - WEL Networks Stand Seismic Strengthening

### 3.7: OUR PEOPLE

- H3's cumulative permanent staff turnover for the year was 4.22% with a total of three staff leaving against an average staff number of 71. This is above the prior year period result (0%), due to a flourishing employment market across many industries, including events.
- Recruitment is underway on key roles to ensure we remain a competitive market leader. The labour market remains a challenge across H3, with good 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 - 30 SEPT 2021

	Q1	Details
Injuries	3	3 Contractors - burn, fall, cut
Medical Treatment	1	Contractor
Lost time Injuries	0	





### 3.8: HEALTH AND SAFETY CONTINUED

#### Highlights across Q3:

##### Covid-19 Response:

- Operational procedures – Guidelines for operating at delta alert level 2 developed and shared with staff and contractors
- QR Process – Implemented a process for manual sign in that ensures security of personal information in accordance with the Privacy Act
- Vaccination – Commenced work on understanding the future requirements for vaccination of staff working in the event industry and people who attend events. This included conversations with industry bodies and leaders. The indication was that it would be mandatory for people attending events to be vaccinated against Covid-19 and that businesses needed to complete risk assessments for individual roles.
- Who's on Location – Implemented contactless scan in process for contractors visiting H3 venues. This reduces the need for face to face contact.
- Venue improvements implemented to address wellbeing and security concerns
  - Seddon Park Pavilion – installation of cardax
  - Seddon Park – removal of asbestos on the roof and other parts of the pavilion
  - Claudelands – commenced install of air condition system in Halls A&B
  - Claudelands – installation of electronic gate at the service entry
  - Claudelands – installation of additional lighting outside entrance plaza
- Location Certificate of Compliance for Claudelands – Commenced work on applying for certification due to exceeding 100kg of LPG at venues during events.

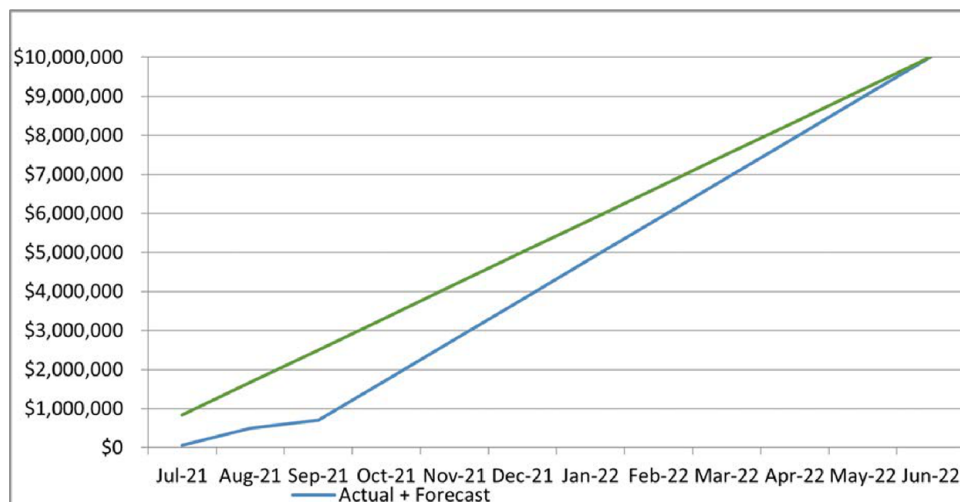


H3 GROUP | Q1 ACTIVITY REPORT 2021/22

## 4. CAPEX & ASSET MANAGEMENT

### 4.1: 2021/21 CAPEX SPEND ACTUALS VERSES BUDGET

GRAPH 5: FOR THE PERIOD 1 JULY - 30 SEPTEMBER 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 proceeding well with all demolition works complete, foundations currently being constructed and the wall framing for the new toilets being installed.
- Generally, things are progressing well, but we are facing some challenges with delivery delays for some building materials.



FMG Stadium Waikato – Seismic Strengthening

The works are scheduled for completion by February 2022 before the start of the Super Rugby season.

#### FMG STADIUM WAIKATO LIGHT TOWERS

- This project is going to tender in Q2 for the light fitting component. A separate tender will go out in the new year for the electrical install component of the project. The project is due to be completed by Q2 in 2022/23, with the early tender timeframe providing for the procurement of long lead time items.





#### 4.2: ASSET MANAGEMENT - CONTINUED

##### CLAUDELANDS EXHIBITION HALLS HVAC AND LIGHTING

- Project is underway with units ordered with expected delivery in Q2. New units to be installed in time for summer.

##### ALL VENUES - 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 to commence in Q4.

##### OTHER PROJECTS UNDERWAY

- Venue Security – FMG Stadium and Seddon Park Cardex
- Venue Improvements – Bollard upgrades at FMG Stadium Waikato, scoreboard, sight screens and pavilion re-roof at Seddon Park, Claudelands operational staff facility and roof stair access.
- Globox Arena – installation of some smaller signage including gate and interior arena with larger 'hero' pieces to be installed when restrictions ease due to product and installers being Auckland based.



Claudlands – Hall A&B Aircon Upgrade



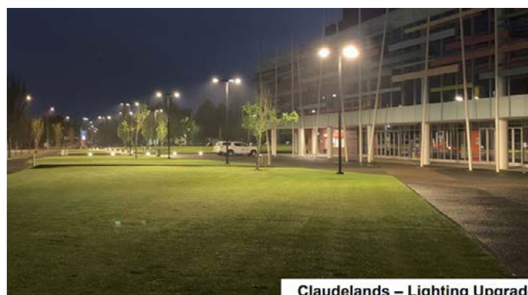
FMG Stadium Waikato – Bollard Upgrades



Seddon Park – Pavilion re-roof



Seddon Park – Sight Screens



Claudlands – Lighting Upgrade



Claudlands Globox Arena signage



H3 GROUP | Q1 ACTIVITY REPORT 2021/22

## 5. FORWARD POSITION

### 5.1 2021/22 FOCUS

- Regular trading for Q2 will be minimal although fixed income from leases and the like remain intact.
- As noted earlier, assuming a move to “orange” under the new Covid-19 Protection Framework, trading in business events and exhibitions will be very strong from February 2022 onward. Cost containment and redeployment of staff functions to assist future savings will continue.
- As H3 experienced in 2020, as we return to business, availability of our supplies 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.

### 5.2 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.

#### 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.
- H3's Major Events team has been working closely with Northern Districts Cricket on the planning and preparation stages of this event.
- A backyard cricket style event is planned for 24 November to celebrate “100 Days to Go” until the tournament begins. This event will also be used as a way to encourage residents to play ‘backyard cricket’ in their own yards using their recycling wheelie bins and CWC branded cricket stump stickers, which will be handed out at the event. This will be held at Grosvenor Park on 24 November from 5-7 pm.
- Hamilton has been allocated two teams for an official welcome:
  - Team India – Tuesday 8 March 2022, Hamilton Gardens
  - Qualifying Team (Likely to be Sri Lanka) – Friday 11 March, Victoria on the River
- The Hamilton schedule and ticket information can be found [here](#).



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## 7.2 MAJOR EVENTS UPDATE - CONTINUED

### 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 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.
- Match schedule announcement will take place shortly and we will then have confirmation on exactly how many matches we will hold and on what dates. The official draw will happen in Auckland in October 2022. The full match schedule of games will be confirmed by FIFA in due course.



H3 GROUP | Q1 ACTIVITY REPORT 2021/22

# Council Report

**Committee:** Economic Development Committee  
**Date:** 23 November 2021  
**Author:** Blair Bowcott  
**Authoriser:** Blair Bowcott  
**Position:** General Manager Growth  
**Position:** General Manager Growth  
**Report Name:** General Manager's Report

<b>Report Status</b>	<i>Open</i>
----------------------	-------------

## 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 \$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.

## 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 update;
  - iii. Strategic review of New Zealand Food Innovation Waikato Limited;
  - iv. Inclusive economic development based on He Pou Manawa Ora;
  - v. Economic update on the effect of Covid-19 lockdowns;
  - vi. Council sponsorship of the Kudos Scientist Awards;
  - vii. Strategic property update, including rent relief for Council tenants;
  - viii. Delay of audited accounts.
5. Staff consider the decisions in this report have low significance and that the recommendations comply with Council's legal requirements.



## Discussion

### 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.
7. Partnerships with education providers are reinforcing Hamilton's reputation as a hub for talent development, with Council's economic development staff joining a core steering group that is working with Te Pūkenga to finalise a pilot programme that will advance equitable opportunities for tech employment in the Waikato.
8. The programme is designed to be a replicable and scalable way to bridge the gap between tech education and tech careers for Māori, Pacific, women, immigrants, refugees, first generation, NEETS (Not in Education, Employment, or Training) and those with disabilities or neuro diverse challenges.
9. Potential learners and prospective employers are being identified for initial interviews that will help shape the programme and match supply with demand. A researcher working as part of the pilot programme is seeking ethics approval this month and will lead much of this work.
10. The framework for consultation and communication during the pilot programme is being established, as well as the creation of a larger working group that will expand the reach of employers beyond purely tech sector businesses.
11. Funding proposals to the Ministry of Social Development and private sector sources are progressing, and Web Access Waikato Trust has come on board to contribute funding.
12. The group will also be leveraging University of Waikato students to support project work during the summer break, such as mapping the tech ecosystem and cataloguing educational programmes.
13. Additional work in the education sector includes Council's vocal and direct pursuit of a Centre of Vocational Excellence (CoVE) for technology in Hamilton. This continues to be a focus of our education sector work, and staff recently supported outreach from Mayor Paula Southgate and Chair Ryan Hamilton to Hon. Grant Robinson, Hon. Chris Hipkins, Hon. Stuart Nash, and Hon. David Clark to this effect. A copy of the letter is attached to this report (see **Attachment 1**) and staff will inform the Chair of progress in this space.
14. As initially discussed in the previous General Manager's Report, economic development staff partnered with Tainui Group Holdings (TGH) as they pursued a business in the logistics sector that was seeking to grow in Aotearoa, voicing our strong support for the Ruakura superhub. At the time of this report the outcome of this opportunity has not been decided. Staff will continue to work with TGH on this opportunity as well as others that will add value and create employment and investment in Ruakura.

### Study tour of the region

15. To ensure Hamilton and the Waikato are considered for international investment projects, economic development and city events staff have begun work in support of Te Waka to host a study tour of the region alongside the Ministry of Foreign Affairs and Trade (MFAT).
16. The study tour will see Heads of Diplomatic Missions (HOMs), including New Zealand-based ambassadors and trade officials representing a wide range of foreign countries, visit Hamilton and the Waikato on 25-26 March 2022.
17. The purpose of a study tour is for a regional entity to showcase economic development opportunities, establish or strengthen trade and investment relationships, and grow international linkages that include cultural and educational elements. A similar visit was hosted in Hamilton in 2013.

18. Initial registrations for the Waikato study tour include HOMs from Australia, Canada, European Union, Germany, India, Indonesia, Italy, Japan, Kuwait, Malaysia, Mexico, Netherlands, Samoa, Singapore, Switzerland and Turkey.
19. A regional approach is critical for the success of this visit as Hamilton is part of a wider economic development ecosystem. As such, Te Waka has been leading the programming efforts for the study tour, given their organisational mission to drive economic growth across the Waikato.
20. As overall tour coordinator, MFAT is directly responsible for elements of the tour including communications with HOMs, air travel, accommodation and transport.
21. Economic development and city events staff will continue to assist Te Waka as they liaise with MFAT and Waikato Tainui regarding the business and cultural elements for the visit. Staff will also coordinate Elected Member participation through the Governance team as Te Waka finalises the tour programme. The Council, along with other partners in the region, will contribute to the cost of the study tour through existing budgets.
22. The opportunity to participate in the study tour addresses key elements of our economic development agenda, including:
  - i. Boundaryless Approach: contribute to the economic goals of the Hamilton-Waikato Metro Spatial Plan; work to increase labour market interactions across sub-regional boundaries;
  - ii. In Partnership: meaningful engagement across our economic development ecosystem to create a culture of shared economic success; sector-based action planning to identify near-term opportunities for transformation and growth; collaborate with Waikato Tainui to improving wellbeings, socioeconomic outcomes, and the quality of life for all Hamiltonians;
  - iii. Proactive and Purposeful: share Hamilton's competitive advantages using authentic stories; align business attraction efforts with Te Waka to ensure our value proposition is considered by regional, national, and international investment projects.
23. In addition, the study tour aligns directly with the reinvigoration of Hamilton's Sister Cities programme and international relations efforts led by the Chair, noting that registered attendees include the HOM from Japan (Sister City: Saitama).

#### **Update on revised website**

24. The primary tool for creating a platform that enables economic growth in Hamilton will be a revised economic development and analytics website. It will be used to share Hamilton's competitive advantages using authentic stories told in a simple and clear way, as well as data, insights, tools and connections.
25. Economic development and analytics staff have completed site validation, key audience identification, and predicted use analysis with support from technical experts.
26. Staff are now working with advisors on the overall site design, functionality, and selecting suitable tools and features that will enhance the user experience.
27. Touchpoints with the Economic Development Committee are being scheduled in early and mid-2022 to seek guidance and input.
28. This approach will deliver a best-in-class, long-term solution, and has been included as part of a wider website effort being led by Council's Communications team.
29. At the direction of the Chair, an interim update of an existing web presence for economic development is being completed by staff. This work will remove outdated and expired content

and replace it with key information and current data. This is targeted for completion before year-end 2021.

#### **New newsletter**

30. A bi-monthly economic development newsletter is being developed to provide the overall Economic Development programme with the ability to showcase key industries, businesses, important initiatives, and regionally relevant data trends from Council's analytics team.
31. The first issue is currently being developed in conjunction with our Communications Unit and will be circulated as soon as it is available. It will include information that showcases 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.
32. At the time of writing this report, Economic Development and Communications staff were establishing various methods to disseminate the newsletter, including direct e-mail, social and business media postings, and direct download via our website. A planned archive location within the website is also being finalised.

#### **Tech sector working group update**

33. The tech sector working group is now formally established at The Cultivate Trust, and is a collective of private businesses, education providers, and public entities who are passionate about growing the Waikato's tech ecosystem and reaffirming the region as a centre for investment and education in the technology and innovation sector.
34. A launch event was postponed due to Covid-19 Alert Level restrictions; however, the Trust has remained active with monthly meetings continuing remotely.
35. At the time of writing this report, the trustees were preparing to share their vision of the key areas of focus for the coming year, likely to centre on tech talent.
36. This includes attracting and retaining world-class tech talent to the Waikato, as well as supporting the training and growth of existing talent from within the Waikato.
37. The Trust is also preparing to begin marketing efforts to promote narratives that celebrate our tech sector successes and showcase opportunities for growth.
38. Staff have played a key role in ensuring the working group, and now Cultivate Trust, remains focused and on-task as they establish more formal roles and allocate additional resources.

#### **Strategic review of New Zealand Food Innovation Waikato Limited**

39. The Council sold Waikato Innovation Park (WIPL) in December 2017. In accordance with historical legal and trust obligations, a portion of the proceeds from this sale was applied to Council's shareholding in New Zealand Food Innovation (Waikato) Limited (NZFIWL). Council's ownership of NZFIWL is separate from WIPL.
40. Waikato Innovation Growth Ltd (WIGL) is a holding company, 100% owned by the Council, and has a 70% shareholding in NZFIWL; the remaining 30% is held by Callaghan Innovation.
41. 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.
42. 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.

43. 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.
44. The review will provide Council with options that include the status quo, a dilution of shareholdings, or a sale of Council's position in the business, with all options recognising the importance of the business continuing its operations.
45. The review is anticipated to begin in early 2022, with staff working alongside Barry Harris, Chair of WIGL and NZFIWL, and Stefan Korn, GM of Markets, Engagement, Experience & Sectors for Callaghan Innovation. The timing for this initiative has been delayed due to workload challenges and Covid-19 prioritisations for economic development and NZFIWL staff. With additional resourcing now available, staff have capacity to support economic development work such as this.
46. Staff will keep the Economic Development Committee informed on the progress of the strategic review as the work proceeds.

### **Inclusive Economic Development**

47. Engagement with Te Waka 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 efforts.
48. This will include partnering with Te Waka, Waikato's economic development agency, and will recognise the importance of providing equitable support and opportunities for Māori to improve their current and future economic health, measured in part by the percentage of young Māori in employment, education, or training.

### **Economic update on the effect of Covid-19 lockdowns**

49. At the time of writing this report, Hamilton had spent two and a half months moving between heightened Covid-19 alert levels. In the September quarter (the 3 months to 30 September 2021), Hamilton spent two weeks at Level 4, one week at Level 3 and another three weeks at Level 2.
50. While local data is not yet available for the whole lockdown period, national data suggests that card spending falls by about 45% at Alert Level 4; 30% to 40% at Level 3 and 10% to 15% at Level 2.
51. This time around, many more businesses have been operating at levels 3 and 4 due to some changes in the rules and better preparation, meaning that the 60% fall in spending that we saw in the month of April 2020 has not eventuated. Overall, spending in Hamilton fell 9.3% across the quarter compared to September 2020. This figure hides the impact on the different sectors within our economy. Hospitality and Accommodation was down 38%; Department Stores, Furniture and Appliances was down 59%; and Other Retail was down 69%. Food and Liquor continues to be the main beneficiary of lockdowns, with people stocking up and cooking at home rather than eating out.
52. Looking forward, inflation and supply chain issues are expected to be ongoing challenges for our local economy. The annual Consumer Price Index (CPI) was 4.9% in September 2021 compared to an average of 1.5% over the last 5 years and is estimated to hit 6% in March 2022. The RBNZ target range for inflation is 1% to 3%.

53. Inflation is being driven by the 'perfect storm' of increased demand for products coupled with constrained supply and challenges moving product around the world. This demand is driven by several factors such as homeowners being able to leverage more against the increased value of their homes to undertake renovations; spending on overseas travel being redirected to durable goods like appliances, spa pools and cars; or people just wanting to support local businesses. Lockdowns both here and abroad have reduced both manufacturing output and the flow of products through international ports.
54. The construction sector is an example where huge demand and multiple supply issues are creating challenges and increased prices. About 90% of the materials used in construction are imported. Shipping costs have increased about seven-fold and many products are delayed, fuelling inflation. Construction products wholesaler James Hardie Ltd is only getting in about 25% of the shipping containers of the products needed to cope with current demand.
55. Meanwhile, local manufacturing was put on hold in the latest lockdown, and the movement of tradespeople between Auckland and the Waikato is heavily restricted. When the rest of New Zealand moved down levels, Auckland was still in lockdown and initially manufacturing was halted. As an example, in the space of 2 days, Tasman Insulation, one of New Zealand's main manufacturers of insulation (Pink Batts), ran out of supplies.
56. A presentation including national data is included as **Attachment 2**. At the meeting, the presentation will include up-to-date Hamilton data.

### **Sponsorship of the Kudos Scientist Awards**

57. 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.
58. 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.
59. 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.
60. Sponsorship since at least 2019 has been funded from existing budgets, including Council's 2021 sponsorship of \$17,250 for the Emerging Scientist Award.
61. H3 also provides sponsorship in the form of free room hire for the awards; the Kudos organisers are responsible for all other costs.
62. The direct benefits of sponsoring an award include recognition of Council on all marketing materials, public statements and at the awards ceremony as well as two tickets to the awards ceremony.
63. The indirect benefits are the support for the objectives of the Kudos Science Trust:
  - i. supporting excellence in the sciences;
  - ii. recognising the contributions of local scientists and raising the profile of their achievements;
  - iii. encouraging high school students to enter the sciences;
  - iv. creating awareness of the intellectual capacity inherent in the region.
64. Sponsorship funds go toward project management, video production, and marketing/PR costs as well as:
  - i. producing an award trophy for the category winner and a cash prize to assist with furthering their research;

- ii. production of all category finalist videos;
  - iii. providing all nominees in an awards category one complimentary event ticket;
  - iv. offering one high school science student a ticket to the awards event as a method of getting students more involved;
  - v. assistance in covering award event costs not covered by ticket sales.
65. It is timely to review our commitment to these awards and consider the economic benefit to the city for the funds invested.
66. The contract for each sponsorship year is typically requested in January and is therefore being brought to the attention of the Economic Development Committee at the November 2021 meeting to consider if Council should continue as a sponsor. The sponsorship would be funded from the Economic Development budget.
67. As part of any future sponsorship arrangement and facility usage, we will request the ability to include a table at the awards ceremony or a certain number of complimentary invitations for selected businesses, members of the community, or others who reinforce economic development work in Hamilton.

### **Strategic Property update**

#### **ArtsPost Land**

68. Physical works at the Museum and ArtsPost buildings to create fire-rated walls on the new boundary are complete and awaiting a final inspection by HCC Building Control. Tompkins Wake has cancelled the existing Unit Titles Plan. Harrison Grierson has been engaged to prepare a new survey plan which will allow a new title to be created for the land behind the ArtsPost building (currently operating as a carpark).
69. A period of exclusivity had been granted to a developer (Sky Garden New Zealand) who had been working to identify and secure suitable tenants and operators. On 5 November 2021, Sky Garden New Zealand advised that they are withdrawing from the site because *"Tourism will take a while to recover and our investors are wanting to see international flights return etc before moving forward. Can you please let everyone know that I'm very grateful for their time and effort put into date."* Accordingly, staff have cancelled the exclusivity agreement and will now work with the Municipal Endowment Fund Working Party to consider options for the land.

#### **Sonning Carpark**

70. A separate report is included in the public excluded part of this agenda.

#### **Victoria on the River Buildings**

71. The Council has approved a development concept for the 242-266 Victoria Street buildings. It provides a single building with basement parking, ground level hospitality, first floor offices and three levels of residential apartments above. Staff are currently developing projects plans, Information Memorandum (IM) and marketing collateral, and development agreements before direct marketing of the property to the development community. A verbal update will be provided at the meeting.

#### **778 Heaphy Terrace and 2D Brooklyn Road**

72. Sale of land subject to a comprehensive development plan incorporating short-stay accommodation (hotel) and hospitality (food and beverage) to support the Claudelands Events Centre is underway. Colliers International are marketing the property. Four parties are likely to submit offers. The first phase of the marketing campaign closes on 25 November 2021. Marketing information is available on the Council and Colliers webpages. A verbal update will be provided at the meeting.

## Municipal Endowment Fund (MEF)

73. Separate reports on the MEF are included in this agenda. An MEF Communications Plan is being prepared to include print and internet material outlining the MEF's purpose and strategy. An article featuring the MEF will appear in the Waikato Business News. Council's webpage includes the [MEF and links to development opportunities](#).

## Rent Relief

74. On 5 October 2020, the Council approved \$183K in funding to provide rent relief to Council tenants during the Covid-19 Levels 4, 3 and 2 lockdowns. The Council made the following resolution:
- i. approves up to \$122,000 of immediate funding for 100% rent relief for eligible Council tenants in the Covid-19 Level 4 and Level 3 lockdown from 18 August to 7 September 2021;*
  - ii. approves up to \$61,000 of operating funding for 50% rent relief for eligible Council tenants in the Covid-19 Level 2 lockdown from 7 to 29 September 2021 to be calculated and applied retrospectively when Level 1 is confirmed by the Government;*
  - iii. approves the following criteria for assessing eligibility for rent relief:*
    - a. tenants need to occupy Council-owned premises and operate in the hospitality, retail or community sectors;*
    - b. provide proof of financial hardship and a reduction of more than 50% normal revenue for the period;*
    - c. provide proof of any Government subsidies applied for and received; and*
    - d. provide proof of any relief funding received from other sources.*
75. The funding was targeted to support tenants in the hospitality and retail sectors based on a total of three weeks at Levels 4 and 3 and three weeks at level 2. 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.
76. A total of \$125K in relief has been provided to 22 tenants from 18 August to 1 November 2021.
77. Level 3 has lasted longer than anticipated and is set to continue for the foreseeable future. Based on the actual payments to date, staff estimate that a further \$100K in rent relief will be required for the period from 1 November to 31 December 2021.
78. Staff recommend that the Economic Development Committee recommends that Council approves this additional funding (Recommendation 2 b) of this report).

## Delay of audited accounts

79. Usually, the audited accounts of Waikato Local Authority Shared Services, Hamilton Airport and Waikato Innovation Growth Limited would come to the November Economic Development Committee meeting. However, staff have recently received confirmation from these Council-controlled organisations (CCOs) that the audit of their 30 June 2021 accounts has been delayed.
80. Audit NZ has advised of resourcing constraints and the Office of the Auditor General has had to further prioritise their audits. The annual accounts for the three CCOs will be audited early next year (date to be confirmed). Reporting deadlines have not been extended; however, Audit NZ has informed the relevant offices of the situation.
81. While this delay is frustrating for the CCOs concerned, it does not pose a significant risk to Council.

### **Financial Considerations - *Whaiwhakaaro Puutea***

- 82. The work to upgrade the Hamilton Invest website is covered by existing Growth Funding & Analytics budgets.
- 83. The additional rent relief for Council tenants requested in this report is currently unfunded and will be funded from the current operating surplus.
- 84. 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.

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

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

### **Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga***

- 86. 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').
- 87. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report.
- 88. The recommendations set out in this report are consistent with that purpose.
- 89. There were no social, economic, environmental or cultural wellbeings identified in the development of this report.

### **Risks - *Tuuraru***

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

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

#### **Significance**

- 91. 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**

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

### **Attachments - *Ngaa taapirihanga***

Attachment 1 - Cultivate Trust Letter to Minister Robertson

Attachment 2 - Economic update presentation 23 Nov 2021





OFFICE OF THE MAYOR  
HAMILTON

8 October 2021

Hon. Grant Robertson  
Deputy Prime Minister  
Parliament

[g.robertson@ministers.govt.nz](mailto:g.robertson@ministers.govt.nz)

Dear Deputy Prime Minister

We are writing to you as part of The Cultivate Trust, a collective of private businesses, education providers, and public entities who are passionate about growing Aotearoa's tech ecosystem.

The Trust would like to request the opportunity to meet with you and your ministerial colleagues to work proactively on ideas and policies that will establish our region as the epicentre for investment and education in the technology and innovation sector, including the creation of a Centre of Vocational Excellence (CoVE) for technology.

As you will know, five percent of kiwis are already employed in tech with median salaries of nearly \$100,000. The sector is a valuable part of the diversification of our national economy and is responsible for eight percent of GDP. Last year alone, the top 200 kiwi tech companies earned \$12.7 billion in revenue.

The Waikato has played a significant role in Aotearoa's tech ecosystem for many years. 80 percent of our tech firms have offshore customers, and a survey showed that 95 percent have expressed the need to continue to hire staff in our region.

For these growing businesses, attracting and retaining world-class tech talent has become a significant challenge. While we celebrate the recent announcement to address immigration and travel constraints brought on by the pandemic, the Cultivate Trust is asking to partner with the Government on new ways to attract overseas talent and address immediate needs for key skills.

We must also strengthen efforts to grow work-ready tech talent here at home. Tertiary education has long been a signature part of the Waikato's ecosystem, which was reinforced when Te Pūkenga – New Zealand Institute of Skills and Technology selected Hamilton for their headquarters. In addition, Aotearoa's only Artificial Intelligence Institute is now part of the University of Waikato.

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As mentioned, the Cultivate Trust enthusiastically supports the creation of CoVE for technology here in the Waikato, and we are seeking clarity on the next steps for how this can be achieved.

Improving talent attraction and development as well as establishing a CoVE for technology in the Waikato are examples of the initiatives that the businesses, organisations, and public entities of the Cultivate Trust would like to work alongside the Government to support and implement. We look forward to direct engagement with you and welcome all opportunities to share our ideas.

Yours sincerely



Paula Southgate  
Mayor of Hamilton



Ryan Hamilton  
Chair, Economic Development Committee

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## The Cultivate Trust

**Aware Group:** Aware Group is a global provider of emerging technology with a focus on Artificial Intelligence, Machine learning, Internet of Things, advanced analytics, and robotics. Our mission is to provide our clients with ethical and sustainable technologies and solutions that deliver ongoing value to the organisation and inspire innovation.

**Company-X:** multi-award-winning software specialist. Its nearly 60-strong world-leading team delivers technical due diligence, software development services and expertise in augmented and virtual reality technologies to domestic and international clients

**Gallagher Group:** New Zealand's top performing privately owned exporter of high tech agricultural and security solutions. With over \$300M in 2020 revenue and on a strong growth trajectory, this privately owned business is headquartered in Hamilton and employs over 800 people throughout New Zealand.

**Hamilton City Council:** local government authority working to ensure Hamiltonians enjoy a connected, vibrant, attractive, and prosperous city.

**Hillfarrance Venture Capital:** an Auckland and Hamilton-based seed stage venture capital fund, Hillfarrance invests in entrepreneurs who are change-makers and future world creators. Building sustainable and defensive business models, that democratise through new frontier technologies, and extract unique value from proprietary solutions. We are committed to the pursuit of creating prosperity for all.

**The Instillery:** founded by Mike Jenkins, proudly Ngāti Raukawa, born in Wellington and raised in the mighty Waikato, The Instillery is widely recognised as Aotearoa's leader in Public Cloud, Data, Next Generation IT Managed Services & Privacy. The Instillery has enjoyed rapid growth supported by the execution of a strategic merger & acquisition plan including Vo2, Origin IT & most recently TwoBlackLabs.

**LayerX Group:** collection of companies working on embedded systems, software development, and cloud services for New Zealand businesses.

**Livestock Improvement Corporation:** a herd improvement and agri-technology co-operative that empowers farmers through the delivery of superior genetics and technology.

**ModuSense:** a subsidiary of LayerX, ModuSense enables primary industries to monitor real-time data and external variables in order to be more effective, efficient, and productive.

**Momentum Waikato:** an independently established community foundation working to simplify and enable local philanthropy and initiate transformational projects.

**The Pam Fergusson Charitable Trust:** Established in 2014 by Vend founder Vaughan Fergusson and his partner Zoe Timbrell to teach communities and their kids how to use technology to become innovators and leaders.

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**Prolife Foods:** employing over 1,500 people in Hamilton, Prolife Foods manufactures brands such as Mother Earth and Donovans Chocolate with global turnover exceeding \$300M.

**Soda Inc.:** Soda helps NZ businesses to grow. Soda supports start-ups, emerging and established businesses to achieve their growth goals by leveraging its broad business network, and applying its depth of experience in business rigour, structure, and process. Soda is one of Callaghan Innovation's five NZ Founder Incubation service providers.

**Te Waka:** Te Waka is a business-led and governed organisation established to drive economic growth in the Waikato and function as the lead economic development agency for the region.

**Tompkins Wake:** Tompkins Wake delivers specialised legal services across New Zealand from offices in Hamilton, Auckland, Tauranga and Rotorua.

**Ultrafast Fibre:** provider of wholesale, fibre broadband services to broader Waikato, Bay of Plenty, Whanganui, and Taranaki. UFF has a direct staff of approximately 200 and engages around 250 contractors across the region, the bulk of these being in the Waikato.

**The University of Waikato:** world-class university with over 10,000 full-time students, and a reputation for future-focused international education and research. Home to Te Ipu o te Mahara, New Zealand's Artificial Intelligence Institute.

**Web Access Waikato Trust:** a charitable trust established in 2014 to deliver of a range of programmes that bridge the digital divide in the Waikato with a focus on infrastructure as well as enablement.

**Wintec:** The Waikato Institute of Technology Limited, a subsidiary of Te Pūkenga, is one of New Zealand's largest institutes of technology and polytechnics. Based in Hamilton and servicing the greater Waikato region, Wintec's mission is to build stronger communities through education, research, and career development - mā te mātauranga, te rangahau, me te whai mahi e ora ai te iwi. Wintec delivers technical, vocational, and professional education across a broad range from certificates through to master's-level programmes.

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23 November 2021

# Economic Update



**Hamilton  
City Council**  
Te kaunihera o Kirikiriroa

Item 14

Attachment 2



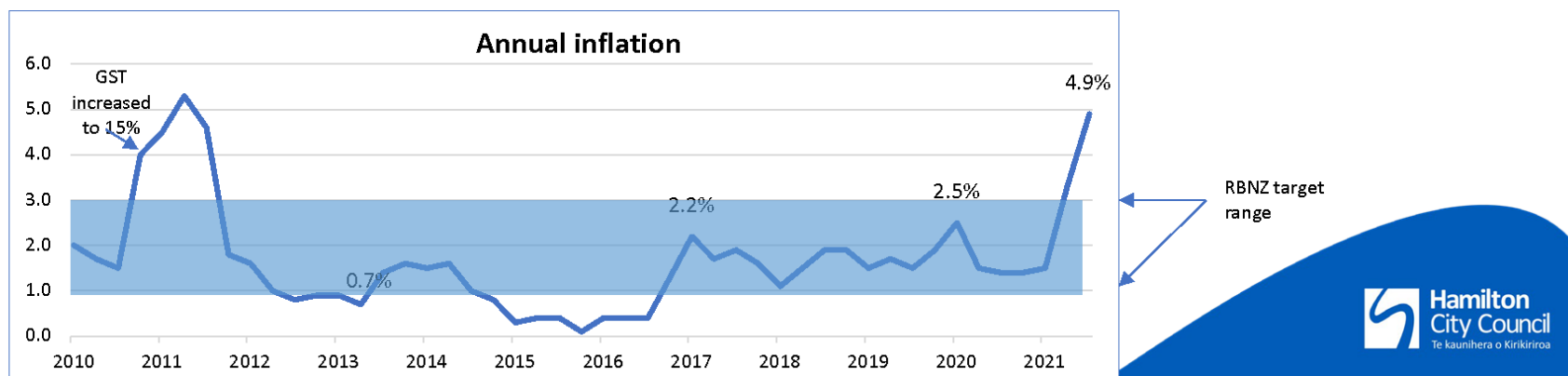
## Purpose

To outline key economic indicators and how the economy is impacted by Covid-19 lockdowns including:

- The New Zealand context
- Hamilton specific economic data
- The economic outlook

# New Zealand context

- Inflation measures the increase in average prices across the economy.
  - Annual inflation was 4.9% at the end of September 2021
  - RBNZ target range for inflation is 1-3% to maintain price stability, provide economic certainty and create an environment for economic growth.
  - Inflation tends to increase when the overall demand exceeds the capacity to supply.
  - The annual Food Price Index increased 4.4% in Hamilton (September 2021) compared to 4.0% across NZ and 2.7% in Christchurch.
  - The cost to build a house has increased 12% in the last 12 months.





## New Zealand context continued

- The Official Cash Rate (OCR) increased to 0.5% in October resulting in increased mortgage rates.
- RBNZ trying to reign in house prices and inflation without substantially slowing economic growth.
- Ongoing supply chain issues hampering imports and exports
  - International ports are bottle necked, changes to manufacturing made in anticipation of changes in demand (e.g. microchips) but demand was higher than expected, global demand outweighs supply, and global shipping routes have been disrupted by Covid.
  - New Zealand lockdowns have effected local manufacturing and port movements.
- Migration drove economic growth in 5 years to 2019, now it has slowed completely





## Lockdowns in Hamilton

- Infometrics estimate that 63% of the Hamilton economy can operate at Level 4 and 80% at Level 3.
- Spending dropped by around 60% at Level 4 and in 2020 and about 45% at Level 3. In 2021 more businesses were able to operate and many were ready to pivot to online ordering and click & collect.
  - Spending dropped 9.3% across the September 2021 quarter.
  - Hospitality and retail sectors were the worst hit, down between 38% and 69%.

## Hamilton Economy

- The economy is doing well on an annual basis, but took a hit in the September quarter with the lockdown.
- We have returned to pre-Covid levels or higher for all indicators of the below indicators

12mths to Sept 2021 compared to 12mths to Sept 2020	Hamilton	Waikato	New Zealand
GDP	6.6% ↑	4.5% ↑	3.7% ↑
Spending	11.5% ↑	7.9% ↑	4.7% ↑
Employment (residents)	2.5% ↑	1.8% ↑	0.6% ↑
Tourism Expenditure	12.5% ↑	9.6% ↑	4.2% ↑

Source: Infometrics

## Item 14

- ## Attachment 2

**1,133**  
Residential Dwellings



## The outlook

- Uncertainty remains
- Supply chain issues will continue
- Inflation >6% by 2022
- OCR >2% by mid 2022 and increased mortgage rates
- Tight labour market

# Questions?

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 [@hamilton\\_city\\_nz](https://www.instagram.com/hamilton_city_nz)

 [ourhamilton.co.nz](http://ourhamilton.co.nz)

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 [hamilton-city-council](https://www.linkedin.com/company/hamilton-city-council)

[hamilton.govt.nz/extension](http://hamilton.govt.nz/extension)

## 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 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)