

Notice of Meeting:

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

Date: Tuesday 9 March 2021
Time: 9.30am
Meeting Room: Council Chamber and Audio Visual link
Venue: Municipal Building, Garden Place, Hamilton

Richard Briggs
Chief Executive

Economic Development Committee

Komiti OOhanga Whakatupu

OPEN AGENDA

Membership

Chairperson Cr R Hamilton
Heamana

Deputy Chairperson Cr E Wilson
Heamana Tuarua

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

Quorum: A majority of members (including vacancies)

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

Becca Brooke
Governance Manager
Menetia Mana Whakahaere

2 March 2021

Telephone: 07 838 6727
Becca.Brooke@hcc.govt.nz
www.hamilton.govt.nz

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 Councils 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*

ITEM	TABLE OF CONTENTS	PAGE
1	Apologies – <i>Tono aroha</i>	5
2	Confirmation of Agenda – <i>Whakatau raarangi take</i>	5
3	Declarations of Interest – <i>Tauaakii whaipaanga</i>	5
4	Public Forum – <i>Aatea koorero</i>	5
5	Confirmation of the Economic Development Committee Open Minutes - 11 November 2020	6
6	Chair's Report	12
7	International Relations Update March 2021 (<i>Recommendation to the Council</i>)	14
8	Waikato Innovation Growth Ltd, NZ Food Innovation (Waikato) Ltd - Half Year Report 31 December 2020 and Statement of Intent 2021/22	58
9	Waikato Local Authority Shared Services Annual Report 30 June 2020, Half Year Report 31 December 2020 and Statement of Intent 2021/22	77
10	Hamilton and Waikato Tourism Limited - Six-Month Report to 31 December 2020	162
11	Waikato Regional Airport Limited - Half Year Report 31 December 2020 and Statement of Intent 2021/22	183
12	Civic Financial Services Limited - Statement of Intent 31 December 2021	196
13	Hamilton Central Business Association - Six-Monthly Update	202
14	New Lease - Two Degrees Limited - Raymond Street (cabinets) (<i>Recommendation to the Council</i>)	234
15	New Licence - Kordia Limited - FMG Waikato Stadium (<i>Recommendation to the Council</i>)	238
16	Policy Review - Appointment and Remuneration of Board Members of COs, CCOs and CCTOs (<i>Recommendation to the Council</i>)	243
17	Open Information Only Reports	254
18	Resolution to Exclude the Public	283

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: 09 March 2021
Author: Tyler Gaukrodger
Authoriser: Becca Brooke
Position: Governance Advisor
Position: Governance Manager
Report Name: Confirmation of the Economic Development Committee Open Minutes - 11 November 2020

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

Staff Recommendation - *Tuutohu-aa-kaimahi*

That the Economic Development Committee confirm the Open Minutes of the Economic Development Committee Meeting held on 11 November 2020 as a true and correct record.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Economic Development Committee Open Minutes - 11 November 2020

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 November 2020 at 9.31am.

PRESENT

Chairperson Cr R Hamilton

Heamana

Deputy Chairperson Cr E Wilson

Heamana Tuarua

Members

Deputy Mayor G Taylor

Cr M Gallagher

Cr R Pascoe

Cr M van Oosten

Mayor P Southgate (Ex Officio)

Maangai O Te Ua

Maangai T P Thompson-Evans

In Attendance: Cr S Thomson (via Audio Visual)

Cr D Macpherson

Sean Murray – General Manager Venues, Tourism and Major Events

Blair Bowcott – Executive Director Special Projects

Tracey Musty - Financial Controller

Wendy O'Neill – Strategic Property Team Leader

Mike Bennett - Key Account Manager, Growth Funding & Analytics

Stuart Gordon – Waikato Regional Airport Ltd

Mark Morgan – Waikato Regional Airport Ltd

Barry Harris - Waikato Regional Airport Ltd

Governance Team: Amy Viggers – Governance Team Leader

Tyler Gaukrodger and Carmen Fortin – Governance Advisors

1. Apologies – *Tono aroha*

Resolved: (Cr Wilson/Cr Hamilton)

That the apologies for partial attendance from Cr Gallagher (Council Business), Cr Macpherson (Council Business) and Cr Pascoe (Council Business) are accepted.

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

Resolved: (Cr Wilson/Cr Hamilton)

That the agenda is confirmed noting that:

- a) Item 7 (Waikato Regional Airport Limited - Year End Report 2019/20) will be taken after item 5 (Confirmation of the Open Economic Development Committee Minutes – 8 September 2020) to accommodate guest presenter availability; and
- b) Item 8 (Waikato Innovation Growth Ltd, New Zealand Food Innovation (Waikato) Ltd Annual Report 30 June 2020 and Letter of Expectation) will be taken after Item 7 (Waikato Regional Airport Limited - Year End Report 2019/20) to accommodate guest presenter availability.

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

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 8 September 2020**

Resolved: (Cr Wilson/Maangai Te Ua)

That the Economic Development Committee confirm the Open Minutes of the Economic Development Committee Meeting held on 8 September 2020 as a true and correct record.

7. **Waikato Regional Airport Limited - Year End Report 2019/20**

Guest presenters Mark Morgan and Barry Harris representing Waikato Regional Airport Ltd provided an update on the previous year at the Waikato Regional Airport. They spoke of passenger numbers, financial returns, investment, debt, future initiatives, 2021 forecasts and long term Covid recovery. They responded to questions from Members concerning international travel, isolation hotels, alternative energy investment, post Covid recovery, parking, staff changes due to Covid and health risks to staff.

Resolved: (Mayor Southgate/Cr Wilson)

That the Economic Development Committee receives the draft 2019/20 Annual Report from WRAL noting the final audit version will be circulated when available.

Cr Gallagher left the meeting (10:08am) during the above item. He was not present when the matter was voted on.

8. **Waikato Innovation Growth Ltd, New Zealand Food Innovation (Waikato) Ltd Annual Report 30 June 2020 and Letter of Expectation**

Guest presenters Stuart Gordon and Barry Harris provided an update on current projects, Covid-19 impact and financial forecasts. The Executive Director Special Projects outlined future business reviews and the letter of expectation. They responded to questions from Members concerning review timeline and scope.

Resolved: (Cr Hamilton/Cr Pascoe)

That the Economic Development Committee:

- a) receives the report;
- b) approves the Letter of Expectation 2021/22, subject to amendments to section 3 – HCC Shareholding and other minor amendments; and

- c) delegates authority to the Chair of the Economic Development Committee to finalise the wording and to sign the Letter of Expectation 2021/22.

6. Chair's Report – *Recommendation to Council*

The Chair and General Manager Venues, Tourism and Major Events took the report as read and responded to questions from Members concerning assessment criteria, risk profile of projects, the Long Term Plan and the endowment funds.

Resolved: (Cr Wilson/Deputy Mayor Taylor)

That the Economic Development Committee:

- a) receives the report;
- b) recommends the Council approves that delegation and oversight of the International Relations Policy move to the Economic Development Committee (from the Community Committee);
- c) recommends the Council approves the Municipal Endowment Fund Assessment criteria that will enable the development of the Action and Management Plan for the Municipal Endowment Fund;
- d) requests staff seek expressions of interest from suitably qualified personnel to continue to assist the Municipal Endowment Fund work noting this will be funded from the Municipal Endowment Fund;
- e) notes that council is to actively leverage the Municipal Endowment fund, though investment in a suitable property and development portfolio, to achieve Council's strategic intent; and
- f) recommends that Council approves that the value of the municipal endowment fund, not currently invested in property, and offset against debt, is treated as cash backed for the purposes of financial strategy measures; to be clear total debt will be increased by value of the municipal endowment fund, offset against debt, in "debt to revenue" reporting within financial strategy reporting effective immediately.

Mayor Southgate left the meeting (10:44am) during the above item. She was not present when the item was voted on.

The meeting was adjourned from 10:48am to 10:58am.

Mayor Southgate re-joined the meeting during the above adjournment.

Following the above adjournment Maangai Te Ua spoke of the Armistice day of November 11th, signalling the end of World War one and was followed by a moment of silence.

9. Civic Financial Services Ltd Half Year Report 30 June 2020

The Financial Controller took the report as read, noting that the full year report will be available after the Civic Financial Services Ltd financial year end in December 2020. She responded to questions from Members concerning staff financial literacy options.

Resolved: (Cr Hamilton/Cr Wilson)

That the Economic Development Committee receives the Civic Financial Services Ltd Half Year Report to 30 June 2020.

10. Draft Domain Endowment Fund Policy – Recommendation to Council

The Strategic Property Team Leader took the report as read and responded to questions from Members concerning debt, development options, reserve classification and the Long Term Plan.

Resolved: (Cr Hamilton/Maangai Te Ua)

That the Economic Development Committee:

- a) receives the report;
- b) recommends the Council approves the Draft Domain Endowment Fund Policy (previously the Municipal and Domain Endowment Fund Policy); and
- c) recommends the Council notes that the Draft Domain Endowment Fund Policy will be referred back to the Municipal Endowment Fund working group for further consideration and recommendation concerning the financial strategy reporting of the fund.

Cr Gallagher re-joined the meeting (11:16am) during the above item. He was present when the item was voted on.

11. H3 Group - Quarter 1 Activity Report 1 July to 30 September 2020

The General Manager Venues, Tourism and Major Events provided an update of the H3 Group activity during the Covid recovery period and upcoming events. He responded to questions from Members concerning additional events.

Resolved: (Mayor Southgate/Cr Gallagher)

That the Economic Development Committee receives the report.

12. Open Information only reports

The Chair took the reports as read. Staff responded to questions from Members concerning financial investment partnerships and business engagement.

Resolved: (Cr Hamilton/Cr Wilson)

That the Economic Development Committee receives the following information only reports:

- a) General Managers Report; and
- b) Economic Update 28 October 2020.

13. Resolution to Exclude the Public

Resolved: (Cr Hamilton/Cr van Oosten)

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 8 September 2020) Good reason to withhold information exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
C2. H3 Activity Report - Verbal Update)	
C3. Victoria Street Properties Options		

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)
Item C3.	to maintain legal professional privilege	Section 7 (2) (g)
	to enable Council to carry out commercial activities without disadvantage	Section 7 (2) (h)

The meeting went into a Public Excluded Session at 11:38am.

The meeting was declared closed at 1:07pm.

Council Report

Committee: Economic Development Committee

Date: 09 March 2021

Author: Tyler Gaukrodger

Authoriser: Becca Brooke

Position: Governance Advisor

Position: Governance Manager

Report Name: Chair's Report

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

Recommendation - *Tuutohu*

That the Economic Development Committee receives the report.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Chair's Report



Chair's Report

Kia ora and welcome.

Our economy seems to continue to be resilient and press on despite continued uncertainty and challenge across our world and more recent blips throughout our NZ Covid environment. Whilst uncertainty remains and we cannot become complacent it was pleasant to see in the NZ Herald recently 'this is the beginning of the end of the Pandemic in NZ as we have come to know it.'

The housing market remains overheated, unemployment although slightly up (4.9% Dec 20 quarter) from Dec 19 quarter of 4.1% has stayed much lower than virtually all Covid forecasts.

Sadly like L3, the impact on Pacific Aerospace has been unfortunate and its loss is another blow to our aviation sector and the 100 plus staff. Hamilton airport however, continues to do well with our domestic and regional activation and its direct flights to Palmerston and Nelson are encouraging.

I have been working with a group including Waikato University and Wintec, others and the Mayoral Office in an advocacy and proactive approach lead by Te Waka to see how we might as a region be 'game ready' for the intake of international students by implementing a pre-approved quarantine regime as Covid isolation protocols relax. The now empty but exceptional facilities at L3 may prove very useful for this approach and offering a satisfactory bubble type approach. Early days here but international students were a significant 280 million dollar annual contributor to our regional economy pre Covid.

You will recall this committee recently took 'ownership' of the International Relations Policy primarily because of the work we have instigated with our Sister City stocktake and reinvigoration. This work continues and is detailed in this agenda.

Our Municipal Endowment work is taking shape and is further outlined in the GM's report.

Given this meeting marks one year since our first formal meeting I would like to thank the committee for your support to date and that of my Deputy Ewan. We have started to put some roots into the ground and have momentum building now with a well thought out, sustainable and holistic approach to the economic arena of our city.

Whakatauki Mā te whiritahi, ka whakatutuki ai ngā pūmanawa ā tāngata

Together weaving the realisation of potential.

Chair's Recommendation

That the Economic Development Committee receives the report.

Councillor Ryan Hamilton
Chair, Economic Development Committee
Hamilton City Council

Council Report

Committee: Economic Development Committee

Date: 09 March 2021

Author: Amy Trigg

Authoriser: Jen Baird

Position: Senior Policy Analyst

Position: General Manager City Growth

Report Name: International Relations Update March 2021

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

Purpose - *Take*

1. To inform the Economic Development Committee on the work underway on the Council's international relations and sister city relationships.
2. To receive direction from the Economic Development Committee on the future work programme for international relations.
3. To inform the Economic Development Committee on the review of the International Relations Policy and to seek a recommendation to the council from the Economic Development Committee that the revised International Relations Policy is approved..

Staff Recommendation - *Tuutohu-aa-kaimahi* (Recommendation to the Council)

4. That the Economic Development Committee receives the report.
5. That the Economic Development Committee recommends that the Council approves the revised International Relations Policy (**Attachment 2**)

Executive Summary - *Whakaraapopototanga matua*

6. 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. This report provides an update on work over recent months to reinvigorate these relationships, and proposed actions for the next few months and recommended changes to the Council's International Relations Policy, which is due for review (refer **Attachment 2** and **Attachment 3**).
7. Council has recently re-established contact at staff and political level with each of the sister cities and engaged with those who have an interest in playing a role in our ongoing relationships through the work of the Economic Development Committee. This has helped pinpoint how each relationship can add value for Hamilton, be it economically, culturally, socially or environmentally.
8. Staff believe the existing International Relations Policy is broadly fit for purpose but have proposed some minor changes to align the policy with the Council's new vision for Hamilton Kirikiriroa.
9. Staff recommend that the Economic Development Committee recommends that the Council approves the revised International Relations Policy (**Attachment 2**).

10. Staff consider the decision in this report has low significance and that the recommendations comply with the Council's legal requirements.

Background - *Koorero whaimaarama*

11. The Council has four existing sister city relationships:
- Saitama, Japan – formalised 14 May 1984
 - Wuxi, People's Republic of China – formalised 15 July 1986
 - City of Sacramento, United States of America – formalised 25 May 1989
 - Chengdu, People's Republic of China – formalised 6 May 2015
12. The Council also has a friendship city relationship with Ieper (Ypres), Belgium that was formalised on 5 February 2015.
13. 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.
14. 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.
15. 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.
16. This report provides an update on work to date to examine and reinvigorate these relationships and establish a framework to manage and expand them.
17. 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*

What are sister city relationships?

19. Sister city relationships are place-based and operate between pairs of local government councils and their communities. There are distinct from central government country-to-country, and private business-to-business relationships.
20. Sister cities were developed in the post-WWII era as a way for cities to formally partner to exchange information and ideas in order to develop friendships and cultural understanding. They have been most predominant in Japan and China.
21. The relationships aim to stimulate cultural awareness and understanding, with a view to increasing the flow of ideas and promoting cultural, educational and sporting exchange, as well as increasing tourism and trade between the two cities. **Attachment 1** provides an investigation of sister city relationships in New Zealand, undertaken by the New Zealand Institute of Economic Research (NZIER).

Role of councils in sister city relationships

22. Councils can create a high-trust environment between pairs of local governments in different countries. Trust and cultural understanding are developed between the two local governments and their communities through cultural, arts, education and sporting exchange. This may also lead to business opportunities through lower risk, lower cost and more certainty for businesses seeking to engage in bilateral trade.
23. Mayoral visits strengthen the commitment between the sister cities through showing the relationship is valued and, more importantly, through personal, face-to-face commitment by each mayor to engage constructively whatever the circumstances or evolving political context.

Work to reinvigorate our sister city relationship 2020-2021

24. The following table summarises the work undertaken since mid-2020 to better understand the strategic opportunities the sister city relationships may bring for Hamilton and the outcomes from this work.
25. The work has largely focused on reconnecting with each city and relevant members of the community and rebuilding a strategic evidence base.

Description	Outcomes
Re-establishing contact with each sister city at the civic level through letters, email and virtual meetings.	Contact has been re-established. Meetings have been held with staff in Sacramento and Saitama. A meeting between Mayors was held with Saitama.
Engagement with New Zealand, Japanese, Chinese and US diplomats.	Meetings to discuss wider country-to-country trends and understand local perceptions of New Zealand.
Sister city steering group established consisting of local education providers, businesses, community groups and sister city experts.	The Council is connected to community stakeholders and has a better understanding of the cities. This information has been used to establish a strategic approach to engagement and identify areas of opportunity that steering group members recommend pursuing. Separate working groups for the two Chinese cities, Saitama and Sacramento have been established to enable focus on issues, topics and areas of interest.
Work to establish topics of interest and potential collaboration with each sister city. This work has been informed by staff research, the steering group and feedback from the sister cities.	Discussions with Saitama and Sacramento on potential topics of interest have identified some areas for engagement. For Saitama we have agreed to work to establish football and rugby exchanges as well as continuing to support the student visits to Melville Intermediate. We are also exploring options to bring together our creative sectors, and to tap into Saitama's experience showcasing cherry blossom trees.

	For Sacramento, we have agreed to investigate knowledge sharing regarding CBD revitalisation and enhancing our point of difference as river cities. Further engagement is anticipated to focus on facilitating tertiary education and business-to-business opportunities.
Chinese New Year and Promotional Videos	Hamilton was selected by Wuxi (amongst its numerous sister cities) to develop a short video on our relationship to celebrate Chinese New Year. This video was played on local television, in shopping malls and at train stations in Wuxi. We are now working on a wider video showcasing Hamilton more broadly, to share with each of our sister cities.
Staff engagement with other New Zealand councils' international relations teams	Knowledge sharing and collaborating on areas on mutual opportunities – for example working with other New Zealand cities with sister cities in southwest China.
Beginning to map each relationship against the four wellbeings	Targeted approach to engage on topics that are mutually beneficial for Hamilton and our sister cities that align with the four wellbeings.

Next steps

26. The ongoing restrictions on international travel present us with an opportunity over the course of 2021 to continue our strategic work establishing what we want from our sister city relationships, whilst continuing to enhance those relationships via digital means.
27. We will continue to work with our steering group and working groups to establish how we can maximise our sister city relationships while enhancing the economic, social, cultural and environmental wellbeing of our city. We will also work together to ensure we are able to 'sell' Hamilton Kirikiriroa to our international partners.
28. Meanwhile, our engagement with our sister cities will continue to be focused on building our relationships (e.g. via Zoom). Through this engagement we will be able to understand what our sister cities want from these relationships, and gradually focus our own priority areas.
29. We expect that the four sister city relationships will evolve in different directions. For example, we expect the relationship with Saitama to be focused on social and cultural exchanges, whereas we think there is scope for business-to-business interaction with Sacramento. With Chengdu and Wuxi, our focus for now is on re-building the relationship at a civic level to accompany some of the interaction already underway between our communities, as we consider how the relationships can evolve in the future.
30. Our intention is that, by the time international travel is possible again, we will be in a position for enhanced face-to-face interaction at a civic, business and community level.
31. In response to feedback from our steering group, we will also work to ensure that visitors from our sister cities will have a positive experience of Hamilton, in keeping with how Hamilton delegations have been received on visits to our sister cities. We will do this by Council and stakeholders working as a team to showcase everything that Hamilton Kirikiriroa has to offer.

International Relations Policy update

32. The International Relations Policy ("the policy") outlines the mechanisms with which the Council engages in international relationships. It covers existing relationships as well as the criteria considered in engaging in new relationships.
33. Staff believe the existing policy is largely fit for purpose. The policy provides a clear framework for the types of international relationships and clear criteria for entering new relationships.
34. The proposed changes to the policy shown in **Attachment 2** (clean version) and **Attachment 3** (tracked changes version) are simply to update the strategic alignment section to reflect Council's vision for Hamilton Kirikiriroa and to recognise the amended scope of local government to achieve the four wellbeings.

Options

35. The Economic Development Committee has two options to consider regarding the updated International Relations Policy:
 - **Option One:** To recommend the revised policy be approved by the Council.
 - **Option Two:** To not recommend the revised policy be approved by the Council.
36. If the revised policy is not recommended for approval, Council will continue to have a policy that no longer reflects its current strategic framework and which does not take a four wellbeings approach to our international relations. Therefore, staff recommend Option One.

Financial Considerations - *Whaiwhakaaro Puutea*

37. There are no costs associated with this decision or the matters discussed in this report.
38. The sister city work is currently being conducted from existing resources, undertaken by two staff members in addition to their business-as-usual roles.
39. In addition, there is a budget of \$5,200 for flights, accommodation and other expenses.
40. The review of the International Relations Policy was budgeted as part of the operational budget in the 2018-28 Long Term plan.

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

41. Staff confirm that the approval of the International Relations Policy complies with Council's legal and policy requirements.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

42. 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').
43. 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. The recommendations set out in this report are consistent with that purpose.

Social

44. 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

45. 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.
46. Some examples of the types of benefits that can arise from these relationships are:
 - establishing business contacts
 - providing a gateway into new markets and product lines
 - enhancing the overseas reputation of both individual firms, and New Zealand as a whole – giving businesses a competitive edge
 - reducing transactions and search costs in business negotiations
 - attracting foreign-fee-paying students
 - facilitating knowledge and technology sharing and joint research
 - increasing tourism.

Environmental

47. 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 possible topic, to look at ways we might adopt, incentivise or leverage other municipal mechanisms to support transition. Other potential topics include primary sector knowledge sharing and the increase in farm-to-table food sourcing.

Cultural

48. Cultural relations underpin all sister city relationships. They build trust between the cities and show the genuine commitment to an enduring relationship.
49. 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*

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

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

Significance

51. 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

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

Attachments - *Ngaa taapirihanga*

Attachment 1 - From Sister to Global Cities - NZIER Report 2019

Attachment 2 - International Relations Policy - clean version

Attachment 3 - International Relations Policy - tracked changes version



From Sister to Global Cities

The economics of New Zealand's Sister Cities

NZIER report to Sister Cities New Zealand
March 2019

About NZIER

NZIER is a specialist consulting firm that uses applied economic research and analysis to provide a wide range of strategic advice to clients in the public and private sectors throughout New Zealand and Australia and further afield.

NZIER is also known for its long-established Quarterly Survey of Business Opinion and Quarterly Predictions.

Our aim is to be the premier centre of applied economic research in New Zealand. We pride ourselves on our reputation for independence and delivering quality analysis in the right form and at the right time for our clients. We ensure quality through teamwork on individual projects, critical review at internal seminars and peer review at various stages through a project by a senior staff member otherwise not involved in the project.

Each year, NZIER devotes resources to undertake and make freely available economic research and thinking aimed at promoting a better understanding of New Zealand's important economic challenges.

NZIER was established in 1958.

Authorship

This paper was prepared at NZIER by James Hogan. It was quality approved by John Yeabsley.

We gratefully acknowledge the valuable contributions of:

- Toni Grace and Hiromi Morris (Sister Cities New Zealand)
- Alistair Crozier (Christchurch City Council)
- Dougal McGowan (Otago Chamber of Commerce)
- Janet Andrews (Wellington Xiamen Association)
- John Christie (Enterprise Dunedin)
- Kimberley Wu (Auckland Council)
- Matthew Nichols (Christchurch City Council)
- Rob Jeffrey (Jeffco International Ltd).



L13 22–28 Willeston St | PO Box 3479, Wellington 6140
Tel +64 4 472 1880 | econ@nzier.org.nz

© NZ Institute of Economic Research (Inc). Cover image © Dreamstime.com
NZIER's standard terms of engagement for contract research can be found at www.nzier.org.nz.

While NZIER will use all reasonable endeavours in undertaking contract research and producing reports to ensure the information is as accurate as practicable, the Institute, its contributors, employees and Board shall not be liable (whether in contract, tort (including negligence), equity or on any other basis) for any loss or damage sustained by any person relying on such work whatever the cause of such loss or damage.

Key points

Sister City relationships sit neither in the central government country-to-country space nor in the private space of business to business. They occupy an odd middle ground, where they are neither influenced by geopolitics and international law (like country to country) nor contract law, the law of torts and conflicts of laws (like business to business).

For international relationships, they strangely respond to regional ratepayer political drivers. They do not involve selling goods and services to other cities. In between the large macro-level drivers of geopolitics and the small micro-level drivers of comparative advantage, the economics of trust explain their function and role.

Sister City relationships operate between pairs of local government councils and their communities. They produce two types of trust-generating economic outputs:

- **Bilateral cultural-enhancing activity between city communities that creates and enhances community trust.** The cultural-enhancing activity is visible and objectively perceived by the overseas Sister City and credibly signals commitment to a personal-level relationship between cultures.
- **Trust and assurance between cities that reduce transaction cost at the international level.** Council entities provide assurance that the international relationships are long duration and will last, the relationship is important, the rules of engagement between cities are within the control of the parties and each party will engage constructively whatever the circumstances.

It is because councils are long-term enduring bodies that are elected by a collective of people and make law that they have a capability to create trust between cities.

Councils can create a high-trust environment between international local governments that opens up economic opportunities for business and lowers risk, cost and uncertainty for business seeking to engage in bilateral trade.

Mayoral visits strengthen the commitment between the Sister Cities through showing the relationship is still valued and, more importantly, through personal in-presence face-to-face commitment by each mayor to engage constructively whatever the circumstances or evolving political context.

Positive experiences

1. Personal relationships are important

Without exception, all interviewees emphasised the fundamental and paramount importance of keeping the relationships between Sister Cities alive through regular contact and communication. Successful Sister City relationships or trading relationships require a lot of effort and commitment to maintain regular working-level operational contact between cities and regular civic-level mayoral visits.

Maintaining relationships helps the parties keep up with the ever-changing global economic environment and growing social concerns, for example, climate change, consumer trends and geopolitical changes.

2. Cultural outputs matter

Cultural, art and sporting exchanges are all forms of gift sharing, which builds trust visible to the other party and shows a genuine commitment to an

enduring relationship. The overseas city can observe the strength of the cultural relationship between the cities, and that impacts on the credibility of the trust built between the cities.

3. Trade happens through business, and business networks matter

Councils are not businesses, and they cannot engage in meaningful bilateral economic trade. The best councils can do is provide assurance and promote trust. Trade between businesses still needs to be conducted by business and comes with its own risks and uncertainties. Chambers of Commerce, with their networks into their overseas counterparts, can further reduce risk through maintaining a trusted network at the business level.

4. Culture happens through communities, and Sister City Society networks matter

Just as business networks can make businesses operate more efficiently, so to can community networks make cultural relations efficient. Their costs are minimal, but their ability to signal credibility to the Sister City is high. They are tangible demonstrations of the interest one city's community has in understanding the culture of another.

5. Focus on marketing regional comparative advantage

The most successful Sister Cities have taken a **strategic** approach to tapping the economic potential of their city relationships through actively promoting the industries and sectors they are regionally best at. Once trade became established, they looked for opportunities to increase the value of the relationships through providing higher-value services.

Overseas delegations need to be strategic. The temptation to take a large mayoral-led business delegation overseas can result in an unfocused visit that is unable to meet all of the participants' needs. Business and trade is ideally facilitated one on one, tailored to the business. It is less effective with a big delegation at a civic level.

6. Bring a team and pitch to each member's comparative strengths

The most successful cities have taken a collective approach when seeking to open overseas markets, recognising interdependency between members. Councils can provide assurance needed for foreign business commitment but can neither enter into business nor expertly represent a sector. Likewise, business and sectors approaching overseas markets might find bureaucratic doors are closed without the prestige and mana of a mayor.

Bottlenecks to progress

1. Signalling commitment and maintaining trust

Trust is like a renewable resource that atrophies with disuse and multiplies with use. For signalling commitment to a relationship and maintaining trust, there is no substitute for face-to-face meetings. Without face-to-face engagement, relationships needed to maintain strong business connections will not develop. Economic opportunity will disappear if relationships are not maintained.

2. Limits of city-based economic production

The scale of opportunity in some international markets can be overwhelming. The pairing between New Zealand and Chinese cities, for example, can have New Zealand populations of 10,000–15,000 matched with cities of several millions of people. Even if a negotiation is successful, the inability to deliver Chinese-level volumes may prevent successful trade relationships. This highlights an opportunity for taking a regional or New Zealand-wide approach to potential business opportunities rather than focusing only on what can be done between the two cities.

3. Council bandwidth

A number of councils maintain several Sister City relationships with a ratepayer-funded staffing base. While the benefits and activities are varied, not all Sister City relationships can (or should) be commercialised. Creating an expectation of economic co-operation but not having the capacity to deliver may lead to loss of relationship and trust for some.

An across-council strategy for which overseas cities ought to be engaged by councils collectively and for which specific economic opportunities could help make best use of limited council resource. An across-council strategy should also include criteria for establishing new relationships – especially new markets of emerging importance for New Zealand – and how these can be effectively prioritised and balanced against existing relationships and resource commitments.

4. Brand New Zealand

New Zealand's brand in an international market is either relatively unknown to some cities or viewed as having a relatively narrow offering. Within this narrow offering, New Zealand cities are constantly seeking to explain both New Zealand's uniqueness and their regional New Zealand difference. Some interviewees saw this as just one aspect of the overseas marketing job, but there may be opportunities to deliver the New Zealand Inc. brand message more consistently via Sister Cities.

5. Communicating opportunity to a wider audience

Some Sister Cities struggle when the opportunities and benefits are not communicated regularly and effectively to their local stakeholders and communities. Promoting trade opportunities from Sister Cities back to the local region can be difficult. Regions have struggled to get business involved and commit to entering overseas markets. The people-to-people exchanges and bilateral cultural-enhancing activity (as described in section 4.1.6) also need to be more prominent and communicated to the community.

6. Business skills and becoming export ready

Many New Zealand businesses lack real knowledge of how to do international business contracts, especially in a culturally different environment.

Firms looking to enter overseas market need to be market ready and have the financial ability to get up into market multiple times before agreements occur. Sister City visits may be able to provide a useful window for market familiarisation, but businesses should make an effort to source other forms of advice via business or export networks, consultants, Economic Development Agencies or New Zealand Trade and Enterprise. This level of managerial requirement and financial capability may be a limiting factor for many businesses seeking to commercially benefit through Sister City relationships and visits alone.

Contents

1. Introduction	1
1.1. What are Sister Cities?	1
1.2. What we did	1
1.3. What we found	2
2. Meet the interviewees	3
2.1. Kimberley Wu – Auckland Tripartite Economic Alliance	3
2.2. Dunedin	3
2.3. Rob Jeffrey – Jeffco International Ltd	4
2.4. Janet Andrews – Wellington Xiamen Association	5
2.5. Alistair Crozier – Christchurch City Council	5
2.6. Matthew Nichols – Christchurch City Council	5
3. Theoretical economic foundations	7
3.1. Trust economic theory	7
4. Sister City outputs	10
5. Learning from the coalface	16
5.1. The three Rs: relationships, relationships, relationships	16
5.2. “Fuzzy-wuzzy” outputs are fundamental to success	17
5.3. Approaching cities with a focus	17
5.4. Focus on sectors with comparative advantage	18
5.5. Bring a team and pitch to each member’s strengths	18
6. Bottlenecks to progress	19
6.1. Signalling commitment and maintaining trust	19
6.2. Unable to scale city-level production	19
6.3. Council bandwidth	19
6.4. Brand New Zealand	20
6.5. Locally getting the message out	20
6.6. Not everybody is ready for this	20
7. Bibliography	22

Appendices

Appendix A Lessons from 2003 report – extracts	23
--	----

Figures

Figure 1 Sister cities sit between public and private spheres	10
Figure 2 Two outputs: public sector goodwill, private sector trade promotion	12

1. Introduction

NZIER has been commissioned by Sister Cities New Zealand to investigate Sister City relationships. In 2003, we wrote a report about the economic benefits of Sister Cities and their potential for supporting regional economic development. The report featured interviews with a number of businesses and councils, and its key recommendations are contained in Appendix A to this report.

Now, 16 years after our first report, NZIER has been recommissioned to:

- follow up with the original interviewees and find out how their businesses have changed
- explore what have been the learnings from successful attempts by some Sister Cities to commercialise their relationships.

To develop an analytical framework, we also wanted to:

- wrap an economic framework around Sister City relationships that explains their function and their drivers of success
- within that economic framework, consider why some cities relationships have been more successful than others
- support some initial policy thinking using the economic framework and the knowledge of what works for commercialising Sister Cities and what areas or bottlenecks need to be addressed for Sister City relationships to become regional engines of economic growth.

1.1. What are Sister Cities?

Created in 1956 by American President Eisenhower, Sister Cities were to be a network that championed peace and prosperity through fostering bonds between people from different communities around the world. If people from different cultures could understand, appreciate and celebrate their differences while building partnerships, the chance of new conflicts would lessen.

Ever since, Sister Cities use volunteer resources in pairs of Sister Cities to foster cross-border communications, exchanging ideas and experiences between countries through promoting cultural, educational, youth, sports, municipal, professional and technical project exchange.

Promoting cross-border trade between cities was a natural progression for the Sister City relationship. Now, one of Sister Cities New Zealand's aims is to foster international understanding and friendship, encourage an exchange of education and culture and, where possible, use tourism and trade as catalysts for mutual economic growth.

1.2. What we did

Only one business interviewed in 2003 was available for re-interviewing in 2019. Two businesses had gone out of business, two had been sold to other companies, one did not do significant trade post-2003 and the owners of six others had gone off to do different activities or retire. Turnover in the councils meant none of the 2003 interviewees were still employed in 2019.

We were able to interview two previous respondents: John Christie who was with the Otago Chamber of Commerce and is now is with Enterprise Dunedin and Rob Jeffrey

who owned Jeffco International Ltd in 2003 but has since retired. Both Rob and John provided valuable reflections on what has changed in Sister Cities over the last 16 years.

We also interviewed a number of councils who are engaged in Sister Cities to find out how they approached this area, what advice they would provide to other councils and what they did operationally in cities that had successfully commercialised the relationship.

1.3. What we found

Sister Cities are best explained as relationships between pairs of councils and their communities as described by trust economics, where trust effects open up economic opportunities to regional businesses by lowering transaction costs.

Sister Cities are not the same as councils per se but rather describe a relationship between councils plus their communities. Councils and the Sister City Societies (or something similar) engage in gift giving between the international cities that, over a long period of time, establishes goodwill trust between the cities.

With goodwill trust established, cities can move the conversation with their overseas partners beyond the exchange of cultural gifts to explore a commercial direction without being seen to be exploitative or insensitive to the overseas culture. The trust formed between the cities because of the “fuzzy-wuzzy” cultural relationships (as one interviewee described them) is the relationship “stuff” that enables more commercial conversations to occur. “Fuzzy-wuzzy” cultural relationships widen the relationship by trading in culture and establishes a commitment to a long-term enduring relationship based on respect as much as commercial success.

The trust relationships help correct expectation differences between the parties, open opportunities to business that would otherwise not occur and ultimately lead to stronger trust relationships between cities.

2. Meet the interviewees

2.1. Kimberley Wu – Auckland Tripartite Economic Alliance

Kimberley manages the International Relations team in Auckland Council. Existing sub-cities in the Auckland region were amalgamated into a single unit in 2010, reducing the 30 partnerships with cities around the world to the current number of 19.

The Auckland Tripartite Economic Alliance is an economic agreement between Auckland, Los Angeles and Guangzhou who are all Sister Cities with each other. Formed in 2014 by the three mayors for 3 years, the alliance was renewed in 2017 for another 3 years.

In each of the first 3 years, each city held an economic summit in turn. When the alliance was renewed, the cities agreed to align local events to the Tripartite to attract a high level of international attention to the event.

This year is the 30th anniversary of the relationship between Auckland and Guangzhou and the 48th anniversary for Auckland and Los Angeles. These are very long-standing relationships between the cities. The International Relations team keeps in regular contact with their international counterparts.

2.2. Dunedin

Dunedin's approach to Sister Cities differs from most other New Zealand cities. Dunedin has a strong focus on its economic strategy developed in 2013. When the strategy was developed, Shanghai had been a Sister City for more than 20 years, with extensive bilateral civic engagement around education and culture. However, the strategy catalysed the city to focus on how Dunedin might commercialise its Shanghai relationship.

Now, Dunedin strategically engages with Shanghai as a collective of five prominent Dunedin institutions:

- Dunedin City Council
- Otago Chamber of Commerce
- The University of Otago
- Otago Polytechnic
- Te Rūnanga o Ngāi Tahu.

The collective members support each other and present a whole-of-city approach when engaging in bilateral activity.

2.2.1. Dougal McGowan – Otago Chamber of Commerce

As Chamber Chief Executive Officer (CEO), Dougal works closely with the other four institutions that engage with Shanghai. The Chamber has a very strong relationship with its counterpart Shanghai Chamber of Commerce. Dougal talks with Shanghai on a weekly basis, making sure the connections are being maintained as well as looking at

the future. The Chamber offers a range of services, including certificates of origin and international business training to its members wishing to engage in international trade.

The Chamber realises the strength of the contact is about the strength of the delegation, not about the individual parties that go. They try to have a combined approach to the trade delegation to maximise potential opportunities.

2.2.2. John Christie – Enterprise Dunedin

John came into Enterprise Dunedin, Dunedin's regional Economic Development Agency, 4 years ago having previously been CEO of the Otago Chamber of Commerce for 20 years. John first went to China in 1995 and has had about 50 trips into China in the last 25 years.

John was an interviewee in the 2003 NZIER report as the Chamber CEO. Re-reading the report, John thinks a lot has changed since that report was written. One of the significant opportunities coming from Dunedin's economic strategy was its focused thinking about how Dunedin could commercialise its relationship with Shanghai in particular. Shanghai is a test case for testing whether Sister Cities could be more than just civic by nature.

2.3. Rob Jeffrey – Jeffco International Ltd

Rob was an interviewee in the 2003 NZIER report. Rob started exporting back in 1960 when he was a pig breeder. He got involved in Sister Cities when the then mayor held a public meeting soliciting business interest in a trade delegation. Rob was the only attendee who put his hand up to put money on the table to pursue the relationship further. As a result, he was invited to join the first mayoral visit in 1990.

In 1990, Rob had already traded for 15 years with mainland China through Singapore, and the experience taught him a great deal about trading within Asia and the customs associated with doing business in China. Jeffco International successfully operated in Shandong, China, and did business in many other provinces in China until Rob retired in 2006.

Rob's family were engaged in international trade through Jeffco International. The management and entrepreneurial skills they learned through trading in an international environment have given them the managerial capability to operate across the world. Prime Consulting International¹ is one example of a company that now provides consulting services to the agricultural, agri-food, primary industry and technology sectors throughout the world.

The success of Prime Consulting International started from work Jeffco International did in China. It has an indirect connection with the Sister City relationship, but it is directly connected to the skills the company developed.

The transition from primary sector commodity trading in Jeffco International into high-value/high-knowledge export services in Prime Consulting International is an example of how the Productivity Commission's critique of New Zealand's low productivity has been addressed through export-focused entrepreneurialism.²

What Rob and his family learned through capitalising on the initial opportunity offered from a Sister Cities connection has moved a regionally based agricultural commodity

¹ www.primeconsultants.net

² www.productivity.govt.nz/news/low-innovation-and-weak-international-connections-limit-productivity

business high up into the economic service value chain where transport costs and the tyranny of distance no longer limit export success.

“It’s the knowledge transfer that you have as a result of the Sister City connection that allows these opportunities to build on top of one another and transfer to other endeavours.” – Rob Jeffrey

2.4. Janet Andrews – Wellington Xiamen Association

Janet is President of the Wellington Xiamen Association – a Sister City Society operated by citizen volunteers and formed 32 years ago by Wellington City Council to take on the friendship/cultural/goodwill relationship with Wellington’s Sister City Xiamen, China. Janet got involved in the Association over 10 years ago through being a recipient of an art-exchange relationship with Xiamen.

The Association’s purpose is to foster goodwill and friendship between the two cities through citizen diplomacy. The Association deals in the “softer stuff” around Sister City relationships. They do cultural/art/education exchanges. They host Xiamen visitors, but they also have an extensive programme of initiatives.

Sister City Societies are very good at doing the “fuzzy-wuzzy stuff”. Janet thinks of it as trade, and they’re trading in a lot of things that are different from goods and services:

“We’re trading in philosophies, we’re trading in respect for each other’s cultures.” – Janet Andrews

2.5. Alistair Crozier – Christchurch City Council

Alistair is the Director of the Office of the Mayor in Christchurch City Council (CCC). However, Alistair previously worked for the Ministry of Foreign Affairs and Trade (MFAT). At MFAT, Alistair set up New Zealand’s Consulate-General and was Consul-General in Chengdu, Southwest China, from 2014 until the end of 2018.

Alistair has seen the evolution of city relationships in a China context. Things have moved from the symbolic/cultural/civic visits to cities thinking strategically about how to derive maximum benefits from city-level relationships. Having worked to support in-country trade delegations, Alistair has experience-based ideas about what works and the pitfalls to be avoided.

2.6. Matthew Nichols – Christchurch City Council

Matthew is the CCC’s Manager, Civic and International Relations. Like Alistair, he comes to CCC from MFAT. CCC has a unique Sister City arrangement in that it isn’t at the coalface of the Sister City operation. Sister City committees – citizen volunteers – are the ones who do the low-level co-operation to maintain the Sister City relationships.

Christchurch is reconsidering its international strategic relations direction. Historically, the city’s international relations have focused on Sister City relationships that consist mainly of cultural exchange activities of little appeal to the wider city stakeholders with international connections such as the Chamber of Commerce.

The new direction is intended to make the city's international relations activity better reflect the full breadth of Christchurch's international interests, which will involve economic development and commercial strands in addition to Sister Cities co-operation.

3. Theoretical economic foundations

3.1. Trust economic theory

3.1.1. Background to trust economics

Trust economics emerged in the 1990s as its own theoretical economic branch explaining both the effects of trust and its absence – distrust. Trust eliminates the need for detailed contracts that cover all possible contingencies and are costly to write, monitor and enforce. Trust lowers transaction costs and increases information sharing, reducing the total costs of business and increasing joint profitability between trusting parties.

Researchers wondered why:

- organisations with high levels of internal trust were more successful than others
- trust was elusive and fragile – it seemed hard won, easily lost and not every manager was able to create it
- trust seemed to have community effects – in 1964, 75 percent of Americans trusted the federal government, but by the end of the 1990s, public trust had fallen to 25 percent (Kramer 2006).

Breaches of trust by major public institutions or private trustees eroded public trust. Enron, WorldCom and the global financial crisis showed how credit rating agencies, accountancy companies and officials could either be asleep at the wheel or worse, had their hand out and their eyes averted. Naïve trust in public institutions, well-known companies or high-profile individuals had been shown to be misplaced.

Some scholars claim that national economic efficiency was highly correlated with high-trust institutional environments. A country's economic success as well as its ability to compete in a world market depended on inherent levels of societal trust.

3.1.2. Literature definitions of trust

Trust is an expectation held by one agent that a second agent will behave in a mutually acceptable manner, including an expectation that neither partner will exploit the other's vulnerability (Sako 2006).

Trust implies the second agent has an opportunity to exploit the first's vulnerability. When trust exists, it narrows the range of possible actions the second agent can make and reduces uncertainty of exploitative behaviour occurring.

Sako (2006) describes a hierarchy of trust as follows:

- **Contractual trust:** Will the other party carry out its contractual agreements? Contractual trust rests on a shared moral norm of honesty and promise keeping.
- **Competency Trust:** Is the other party capable of doing what they say they will do? Competency trust requires a shared understanding of professional conduct and technical and managerial standards.

- **Goodwill trust:** Will the other party make an open-ended commitment to take initiatives for mutual benefit while refraining from taking unfair advantage? Goodwill trust only exists when there is a consensus of the principles of fairness.

Conceptually, organisations are not able to trust each other (Dyer and Chu 2006). Trust has its basis in individual people. Inter-organisational trust describes the extent organisational members have a collectively held trust towards another party.

3.1.3. Trust and transaction costs

Transaction costs explained

Costs, in economic production and exchange, include both production costs and the transaction costs associated with exchange.

Transaction costs are costs associated with searching for trading partners, entering into agreements, monitoring contract performance and product quality and enforcing breaches of contract. Transaction costs take many everyday forms – meetings, sales calls, bidding rituals. They are all aspects of the transaction costs of doing business.

3.1.4. The economic effects of trust

When trust exists, transaction costs reduce.

- The parties will spend less time writing complicated contracts that address every issue that may potentially occur. Trusting parties are confident that, in the event of an issue, the other party will treat them equitably and fairly.
- The parties will negotiate more efficiently and flexibly because:
 - there is a shared expectation of reciprocation in the future – the parties achieve serial equity (equity over a long time period) rather than just spot equity (equity now)
 - there is confidence that shared information is not misrepresented – trust reduces the need to guard against opportunistic behaviour.
- Each party will spend less time and resources monitoring the other party's performance or whether they are fulfilling the spirit of the agreement. It is this aspect of trust that enables practices like just-in-time delivery and no-quality inspection on delivery. Without trust, monitoring performance and enforcing contracts becomes expensive.
- Each party will assume the other is acting in good faith and will interpret behaviour accordingly.
- The parties will share valuable and potentially confidential information. Distrust may cause parties to suppress potentially relevant information that would be useful for problem solving.

Trust leads to value-creating behaviour (information sharing), and these value-creating behaviours in turn lead to higher levels of trust.

Trust can quicken innovation and learning and gives that something extra: positive motivational force that enhances X-efficiencies and dynamic efficiency through orienting the partners towards joint problem solving.

Parties in high-trust relationships are likely to explore opportunities for mutual benefit. Those same opportunities may not have been explored if the relationship solely depended on contract or incentives.

Trusted collaboration between parties leads to learning by transaction. Even after trust is built and established, trading partners in a relationship that is performing well are likely to interact intensely.

Low trust generates less-open communication, potentially leading to misunderstandings and tighter controls placed on each party's discretion. The tighter controls, in turn, reinforce the low-trust environment. The mutually reinforced nature of low trust makes both parties reluctant to take the first courageous step to break the cycle (Fox 1973).

3.1.5. Creating trust (Sako 2006)

Trust is built up through the display of trust over time. The historical duration and the relationship experience matter. The longer the duration of the relationship, the higher the typical levels of trust between the parties.

Trust, particularly goodwill trust, is built up through things like gift exchange. A long drawn-out imbalance of favours done and returned sustains the relationship of interdependence. Gift exchange is based on broad reciprocity over time – swings and roundabouts – rather than exact accounting.

Sharing information is another form of gift exchange. It also helps co-ordinate the parties. A two-way flow of information reduces information asymmetries and reduces scope for opportunism.

Cultural similarity and subscribing to shared norms is one way to foster trust. Societal culture, politics, regulation, professionalism and national institutions are said to be a relevant set of attributes in which bilateral relationships are embedded.

Strong networks are one way through which trust is learned and embedded between firms in countries.

4. Sister City outputs

4.1.1. Relationships positioned in an unusual place

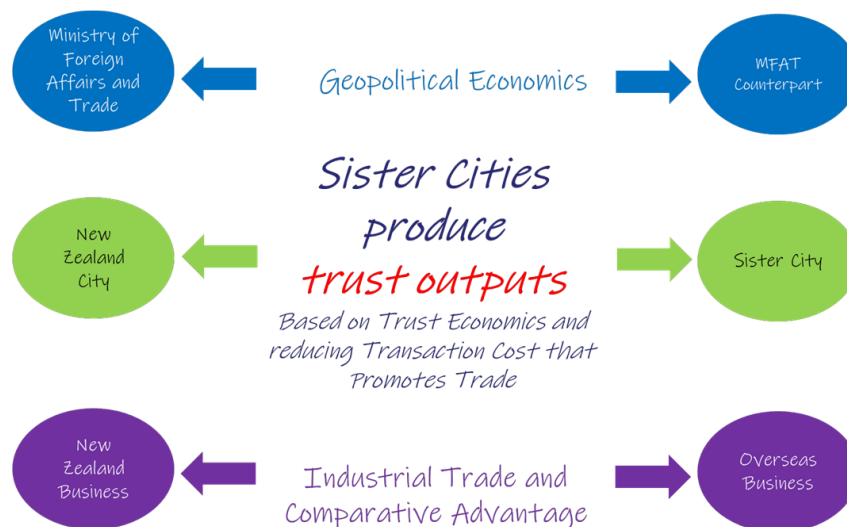
Sitting neither in the central government space of state-to-state engagement nor in the completely private space of business to business, Sister City relationships between cities have an odd middle-ground position (Figure 1).

Geopolitics, international treaties, public law and international law govern how sovereign states engage with each other. In the private sphere, private foreign investment, corporate law, contract law, the law of torts and conflict of laws govern how private firms engage with each other.

Sister Cities are neither sovereign states, although they respond to political drivers and are publicly funded through taxation, nor private businesses with an international service for sale. Their commercial business is mainly ratepayer services or limited commercial activity within their geographic areas. They do not sell goods and services to other cities.

Figure 1 Sister cities sit between public and private spheres

Not country to country or business to business but in between



Source: NZIER

4.1.2. Sister Cities' economic production

Sister Cities are not councils

Sister Cities are not single entities, and councils are not Sister Cities although they have an important role. Sister Cities are a relationship between two cities and their communities to do two specific culture-related things:

- ***Engage in bilateral cultural-enhancing activity that creates and enhances community trust (cultural relations)***

The bilateral cultural-enhancing activity:

- is visible and objectively perceived by the overseas Sister City
- credibly signals commitment to a personal relationship between cultures.

- ***Maintain a council-to-council relationship (usually) between mayors that promotes goodwill trust between cities, which reduces transaction cost for business seeking bilateral trade (trade relations)***

Council entities provide assurance that:

- the international relationships are long duration and will endure because both government entities will endure
- the international relationship is important
- the rules of engagement between cities are within the control of the parties
- neither party will exploit the other's vulnerability created from trading relationships through changing the rules of engagement or as a result of evolving circumstances.

It works because councils:

- are long-term enduring bodies
- are selected locally by a collective of people
- make law.

From these attributes, councils have a capability to create trust between cities, which opens up economic trust opportunities for business (as described in section 3.1.4). Councils can create a high-trust environment between international local governments that helps lower the risk, cost and uncertainty for business seeking to engage in bilateral trade. This basis for meeting and opening up economic opportunities in the overseas city reduces the search costs for New Zealand businesses seeking opportunities and is an example for how transaction costs are lowered through Sister City relationships.

The Otago Chamber of Commerce attended a Shanghai expo last year on behalf of Dunedin City Council (DCC) and business. There were 3,200 patrons passing the stall every hour for 3 days running. The prominence of the Otago Chamber of Commerce position and the promotional help they received was support that the Shanghai Council extended because of the trust relationship.

Mayoral visits strengthen the commitment between the cities through showing the relationship is valued and, more importantly, through personal face-to-face commitment by each mayor to not exploit the relationship built up between each

other. This includes not changing the rules of engagement or citing an evolving political context.

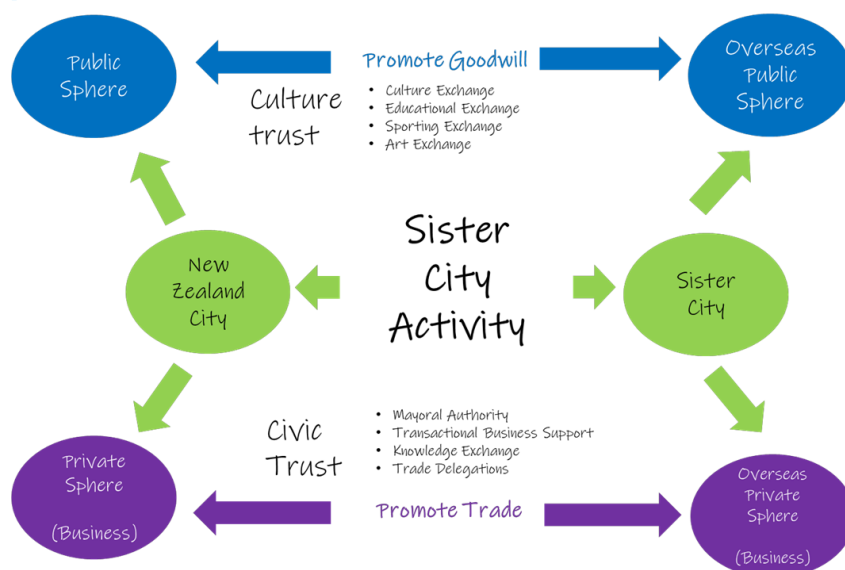
4.1.3. Interaction between cultural and trade outputs

Cultural, art and sporting exchanges are all forms of gift sharing that build trust (as described in section 3.1.5). The quantity and visibility of the cultural relations fostered within the community is important. Additional to their trust-promoting role, bilateral cultural relations also improve the wellbeing and liveability of each city, making them more interesting and desirable places to live.

The overseas city can observe the strength of the cultural relationship growing between the cities, and that impacts on the credibility of the trust built between the cities.

“If it looks like you’re out to get everything you can from a relationship without any give and take or genuine willingness to understand the other party, then it starts to look a bit mercenary and will turn partners off.” – Alistair Crozier

Figure 2 Two outputs: public sector goodwill, private sector trade promotion



Source: NZIER

From contractual trust to long-term enduring goodwill trust

Short-term trust relationships operate within the contractual and competency trust domains (as defined in section 3.1.2).

In the early stage of a trust relationship, each party is testing the other to see whether:

- it will do what it says it will do (contractual trust)
- it is capable of delivering what it says it can deliver (capability trust).

At the council level, at the start of a relationship, this manifests in testing whether the cities will engage in bilateral cultural exchanges and regular visits. Delivering cultural exchanges and publicising delivery to the other city helps establish both contractual and capability trust.

A move from contractual trust to goodwill trust involves “a gradual expansion in the congruence in beliefs about what is acceptable behaviour” (Sako 2006, 269).

The cultural relationship outputs are a mechanism for Sister Cities, their communities and their businesses to form a congruence in belief about each other’s cultures, practices and norms.

In turn, a cross-cultural shared understanding teaches what is “acceptable behaviour” and enables goodwill trust to form and support effective trade relations.

“New Zealand needs to understand the overseas business culture. You’ve got to understand the business culture of the country you’re trading in, especially the Asian countries, and you’ve got to be able to work that through with your own business culture. Understand it and work within it.

On one side of the Sister City programme is this cultural-generation process, where Sister City organisations are bringing culture to New Zealand and vice versa. And then on the other side of the equation is the absolute need to understand business culture within the Asian environment in order to successfully do business. The two are complements.

People who engage with Sister Cities on the cultural side are better placed. That is because they understand the way their social systems work. In so many cases, their social systems are ingrained in their business culture as well.” – Rob Jeffrey

Goodwill trust a prerequisite for commercialisation

Goodwill trust, built up through the display of contractual and capability trust over time, provides the foundation for commercialising the Sister City relationships.

Auckland’s Tripartite Economic Alliance between Sister Cities of 30 years and 48 years and Dunedin’s relationship with Shanghai of 20 years are not coincidental. These cities have developed goodwill trust through delivering consistently via exchange programmes (gift giving) and regular communication that their relationship has moved beyond competency trust. Now, doors open for mayoral delegations, reflecting that something extra that theory suggests is brought to trusted relationships.

4.1.4. Role for business networks

Councils are not businesses, and they cannot engage in meaningful bilateral economic trade. The best councils can do is build the setting – provide assurance and promote trust.

Trade between businesses is commerce – it still needs to be conducted by businesses and comes with its own risks and uncertainties. Chambers of Commerce, with their networks into their overseas counterparts, can further reduce risk through maintaining a trusted network at the business level.

Through verifying the authenticity and bona fides of an overseas business counterparty, networked Chambers working together can further reduce the risks of trusting a new trading partner. The Otago Chamber of Commerce, with its networks through into the Shanghai Chamber of Commerce, provides an excellent example for

how business networks can strengthen business trust, helping reduce the risk associated with international trade.

Shift from sourcing information to resolving issues and confirming legitimacy

In Dougal McGowan's view, 20 years ago, the only way New Zealand companies could find an overseas trading partner was through network organisations such as Trade New Zealand, New Zealand Trade and Enterprise or Chambers of Commerce. Now, technology has enabled businesses and customers to buy and sell into China through platforms like Alibaba.

As a consequence, the Otago Chamber of Commerce was finding itself only dealing with issues that had become a problem.

The other part of the relationship is that the Otago Chamber can ask questions of the Shanghai Chamber around the legitimacy of any potential trade. If the Shanghai Chamber recommends the trade, they stand behind the transaction. If there are issues between Dunedin companies and Chinese companies, the Otago Chamber engages with the Shanghai Chamber, and more often than not, the Dunedin business gets their money back.

4.1.5. Role for community networks

Most Sister City Societies are staffed by volunteers and receive in-kind or financial support from their councils. Some, like the Wellington Xiamen Association, sit separately at arm's length from Wellington City Council and have their own constitution. Their costs are minimal, but their signalling credibility to their Sister City is high. They are tangible demonstrations of the interest one city's community has in understanding the culture of another.

The business model for delivering bilateral cultural-related activity differs between New Zealand cities:

- **Independent and separate:** Sister City Societies like Wellington's Xiamen Association are separate incorporated entities with their own constitution and funding streams from the council.
- **Separate but activity funded:** Auckland's Sister City Societies are not incorporated entities but are volunteer community-based societies funded on a case-by-case activity basis.
- **Within council and council funded:** Christchurch's Sister Cities committees are volunteer-staffed committees within the council, delivering projects that are funded by councils.
- **Not occurring:** Some Sister City relationships do not have bilateral culture-related activity associated with the relationship.

Sister City Societies of community members may have more signalling efficiency for demonstrating genuine commitment to learning the culture and behaviours of another culture. However, with volunteer staffing and without the financial and managerial capability of a committed enduring council, Sister City Societies too far removed from the council might not have a business capability to deliver on the required level of exchange commitments.

Conversely, bilateral activity undertaken solely through councils puts the relationship's enduring success into a 3-year election cycle with only a limited certainty that cultural relationships will endure between cities. Council "flip-flopping" between different

mayoral support for Sister City relations is a factor that can erode long-term trust with counterparts. Community-based Sister City Societies can, to some extent, maintain relationship connections outside of the shorter-term political drivers that can affect local government.

Christchurch has a unique – and potentially strong from a signalling perspective – Sister City arrangement. Sister City committees of citizen volunteers report to the council and do the cross-country co-operation to maintain the Sister City relationships. The volunteer committees organise cultural exchanges and art exchanges. Even bigger events such as Christchurch's Chinese Lantern Festival are also within their purview.

4.1.6. Bilateral activity as gift giving

The Wellington Xiamen Association is a Sister City Society that promotes cultural exchange between Wellington and Xiamen by:

- co-sponsoring cultural events
- operating a medical training exchange between Xiamen and Wellington
- supporting delegations through meeting them at the airport and showing them around the area
- having a youth dance collaboration with a professional dance college in Xiamen
- organising school exchanges and culture events at Chinese New Year
- arranging citizen delegations to Xiamen for a week semi-officially
- having an artist exchange programme operating with an art college in Xiamen
- taking runners from Wellington to compete in marathons in Xiamen
- looking to organise a museum exchange.

These are visible representations of Wellington and Xiamen gift giving to each other and are symbols of the maintenance of continued development of trust.

It was through this trust-building activity that Xiamen City offered Wellington an opportunity to retail New Zealand product through Xiamen's Sunshine Supermarkets – a chain of 70 supermarkets throughout Xiamen.

5. Learning from the coalface

5.1. The three Rs: relationships, relationships, relationships

Without exception, all interviewees emphasised the fundamental and paramount importance of keeping the relationships between cities alive. Successful city relationships plus trading relationships put a lot of effort into the relationship through regular working-level contact and regular visits.

Maintaining relationships helps the parties keep up with the ever-changing global economic environment and growing social concerns, for example, climate change, consumer trends and geopolitical changes.

Delivering to commitments was identified as one of the most important factors the Dunedin interviewees noted about the relationships' enduring success. The relationships between Dunedin and Shanghai have gone on for 25 years now, and there's a strong basis in trust that things get done.

From the Auckland Tripartite Economic Alliance's perspective, long enduring relationships have created trust at the operational level. Kimberley Wu's counterpart in Los Angeles operates a team smaller than Auckland's, but they are very responsive to communications with Auckland because of the relationships built between the teams.

Strong relationships that develop trust helps overcome cultural ambiguities or differences in expectations. Problems occur around different expectations of the relationship, some of which come back to business culture and cultural norms, but otherwise awkward conversations have been easily resolved through the strength of the relationship.

For example, one interviewee described differences in expectations between sister schools in New Zealand and China. China schools had been looking for penpals and training opportunities for their teachers, while New Zealand schools were focused on foreign fee-paying students. Resolving cultural/expectational ambiguity was made easier through close relationships between cities at an operational level.

5.1.1. Face time is important

Economic opportunities were regularly presented to Dunedin because its whole-of-city group visited Shanghai at least twice a year – not necessarily involving a full mayoral delegation. Regular formal and informal communication with Shanghai occurred at the operational level to set up a work plan of areas of common opportunity between cities. These details were worked out well below the mayoral level.

However, regular mayoral visits were also needed to maintain the legitimacy of these operational-level contacts and to confirm that the relationship between the parties and associated activity was indeed valued and important. Without the mayoral visits to lock in the importance of the overall relationship, organising a work plan for common opportunity would be difficult.

5.2. “Fuzzy-wuzzy” outputs are fundamental to success

Asked whether the cultural dimensions are less important compared to the strategic-focused business dimension, the majority of interviewees did not agree. The arts and culture side remains a crucial element of the Dunedin-Shanghai relationship. The connection to the early Chinese settlers during the gold rush establishes a shared heritage.

It is very important to Dunedin’s Shanghai relationship that it connects on the business and sporting and cultural dimensions. Bilateral school exchanges for sporting activities reinforce understanding and show commitment to the relationship.

Dunedin also has a gardens-based relationship with Shanghai, which is valued by both cities. Shanghai gifted buildings to the Dunedin Chinese Garden, which is now a major tourism attraction.

Every year, models and designers from the Shanghai universities exhibit at the Otago Polytechnic fashion show, which creates a feeling of globalism.

“We don’t live in a small society, and we’ve got to be global. But it’s across the board, and it’s about how we think global as a people. It’s not all about business and money. It’s about investing in those relationships. And just like *Married at First Sight*, those relationships all fail if you don’t know everything about the other person.” –
Dougal McGowan

5.3. Approaching cities with a focus

An important success factor is to understand the opportunities and ensure the right parts of the local economy that stand to benefit are involved. The Dunedin all-of-city group reflects Dunedin’s comparative advantage in research and education and approaches China strategically. The purpose of any visit is well understood beforehand.

Enterprise Dunedin has developed a strategic work programme around China. It has a strong focus on the way DCC sees it is going to deliver benefit from its Sister City relationships with China.

DCC focuses on:

- creating political credibility (civic engagement)
- providing assurance
- planning activity and identifying economic opportunities
- providing transactional support
- maintaining and developing relationships.

DCC supports its plan through funding a co-ordinator to work on Project China. That person engages at an operational level with the Otago Chamber and others to work up a list of projects DCC believes are beneficial to the city.

The Project China co-ordinator is in regular contact with the Ministry of Foreign Affairs and Trade. Everything is informal.

5.4. Focus on sectors with comparative advantage

Auckland is hosting this year's Auckland Tripartite Economic Alliance event to coincide with Techweek 2019, a nationwide event hosted by NZTech.³ Kimberley Wu is expecting business delegations from both the Los Angeles and Guangzhou Sister Cities. Structuring the Auckland Tripartite event around Techweek was a deliberate strategic decision to promote an aspect of Auckland's economy and showcase Auckland's technology sector to an international audience.

Similarly, education and research are Dunedin's regional comparative advantage and the focus of the Dunedin all-of-city delegation, but it is aiming to move up the value chain. As well as seeking foreign fee-paying students, the delegation looks for collaborative research opportunities with China universities and organisations.

5.5. Bring a team and pitch to each member's strengths

The Dunedin delegation thinks strategically about which organisation is best placed to maximise the combined efforts of the collective. For example, in Southern China, DCC asked what it could do to help Dunedin high schools approach the education market. It decided it was DCC's ability to provide assurance to Chinese parents and students that:

- if they are choosing tertiary education in New Zealand, Dunedin is a good option
- when the mayor's office has come to China to tell you that your children will be looked after in New Zealand, that is coming from the highest (local) levels of political credibility and is comforting.

Another example was signing an agreement with a Chinese science and technology commission. The agreement was with a body that could provide joint research funding with a New Zealand university. A memorandum of understanding at the city level was needed before the University of Otago could access the research opportunity. Only DCC could have facilitated and signed the memorandum, which opened an opportunity for the university.

DCC goes jointly into market with the Otago Chamber of Commerce – neither DCC nor the Otago Chamber can go into market with the skills and credibility of the other. The credibility is complementary. DCC is needed, but they cannot do business. The Chamber can do business, but without the local government support coming through DCC, no doors will open. DCC and delegates play to each other's strengths.

³ www.techweek.co.nz

6. Bottlenecks to progress

6.1. Signalling commitment and maintaining trust

Trust is like a renewable resource that atrophies with disuse and multiplies with use. (Sako 2006). There is no substitute for face-to-face meetings. Technology is no substitute for face-to-face business connections. Without face-to-face meetings, the relationships needed to maintain strong business connections will not develop.

Rob Jeffrey makes the point that trust relations can be lost very quickly – especially with a change in personnel. Trust also takes a lot to build up. Performance is important: one bad performance against the other party's expectations or one bad relationship experience and trust decreases.

With trust, the customer will say, "Yes, that's fine. That delivery is under spec, but we trust you've done the best you can to supply what we wanted." Resorting to legal sanctions in an international context is unlikely to be effective.

6.2. Unable to scale city-level production

Delivering to Chinese-sized volume levels from companies based around New Zealand city-level delegations is a barrier to commercialising a successful opportunity from a Sister City relationship. New Zealand companies are often unable to deliver the scale of volume desired by some Chinese customers.

Where an opportunity greater than the New Zealand company's capability to deliver presents itself, the obligation is on the individual New Zealand company to use its business connection networks to determine whether it can deliver to the customer's expectations from other suppliers in the same industry.

Some Sister City relationships have value to other cities. When offered an opportunity to promote New Zealand goods through Xiamen Sunshine Supermarkets, Wellington City Council used its networks to source appropriate products from around New Zealand.

Co-ordinating between cities to maximise the collective value of the individual opportunities that strategic cities may unlock is potentially a challenging task. While each city needs to strategically approach the relationship they have with each partner Sister City, there is no strategic plan between different New Zealand cities for how New Zealand as a whole is maximising its Sister City opportunities.

The current market-based mechanism where individuals use their networks to secure production capability might be the most efficient mechanism for maximising the collective benefits from the individual opportunities.

6.3. Council bandwidth

Despite New Zealand's western-looking history, the most active Sister Cities seem to be with China.

Alistair Crozier has served as a New Zealand diplomat in Viet Nam (2009–14). Cities there are rapidly growing and becoming economic powerhouses in their own right.

However, few if any New Zealand cities had links with cities in Viet Nam, and embassy support was seldom required. However, many New Zealand cities had relationships with partners in China or Japan.

One of the reasons for New Zealand cities focusing on Chinese Sister Cities is that councils have small and constrained international relations resources that are thinly spread across Sister Cities.

Councils seem to lack bandwidth to capitalise on opportunities beyond their existing relationships. This bottleneck is partially structural, reflecting councils' tight funding sourced from local ratepayers who may not appreciate the connection between their rates and successfully commercialised opportunities achieved by someone else.

The most active city relationships are with China. Considering whether there are opportunities for consolidating efforts between councils to maximise the scope for improved engagement with China as a collective seems worthwhile.

6.4. Brand New Zealand

New Zealand's brand in an international market is either relatively unknown to some cities or viewed as having a relatively narrow offering. Within this narrow offering, New Zealand cities are constantly seeking to explain both New Zealand's uniqueness and their regional differences within New Zealand.

Some interviewees saw this as just one aspect of the overseas marketing job, but there may be opportunities to deliver the brand message more consistently. Some interviewees felt that some cities do not present their brand in the best light, and while the fundamental Brand New Zealand presented may not be wrong, it might not be expressed in a consistent way across councils.

Approaching Sister Cities with a concrete strategy for both the messaging of Brand New Zealand and the place of the specific city in New Zealand is part of a strategic approach to Sister City engagement.

6.5. Locally getting the message out

Promoting trade opportunities from Sister Cities to the local region can be difficult. Regions have struggled to get business involved and committed to entering overseas markets. Communication from councils could be improved to better disseminate the activity of Sister Cities and activity of trade delegations to ratepayers.

The people-to-people exchanges and bilateral cultural-enhancing activity (as described in section 4.1.6) need to be more prominent and communicated to the community.

6.6. Not everybody is ready for this

Promoting trade to new business is difficult. Dougal McGowan and John Christie have both worked hard to get new business involved and committed to entering the Chinese market. The opportunity to take businesses into an overseas market with the mayor often translates into something like a guided tour of China with the mayor.

Scattergun delegations do not work

It is impractical to take companies from a range of industries into an overseas market expecting to be able to meet all their needs. Business-to-business dealings in China are

hugely complex, and conversations have got to be one on one, tailored to each business. Successful overseas engagement with a large delegation at a civil level is not a reasonable target.

Managerial and financial strength needed first

Businesses may lack practical knowledge of how to make business contracts in an overseas environment. From the Otago Chamber's perspective, it is very hard to provide good advice to businesses on how to lessen their risk when the Chamber's role is to advise rather than make the business decisions.

If a Dunedin company seeks to enter an overseas market, Enterprise Dunedin and the Otago Chamber of Commerce do a lot of work before the visit to make sure the business has appropriate expectations for a delegation and the necessary internal capability. Firms looking to enter into the Chinese market need the financial strength to go to the market several times before an agreement might be reached. Not every region has those levels of business infrastructural support and expertise in their region – at least not among businesses with the financial capability to enter an overseas market.

7. Bibliography

- Dyer, Jeffrey H., and Wujin Chu. 2006. "The role of trustworthiness in reducing transaction costs and improving performance: Empirical evidence from the United States, Japan, and Korea." In *Organizational Trust: A Reader*, edited by Roderick M. Kramer, 207–228. Oxford: Oxford University Press.
- Fox, A. 1973. *Beyond Contract: Work, Power and Trust Relationships*. London: Faber and Faber.
- Kramer, Roderick M., ed. 2006. *Organizational Trust: A Reader*. Oxford: Oxford University Press.
- Sako, Mari. 2006. "Does trust improve business performance?" In *Organizational Trust: A Reader*, edited by Roderick M. Kramer, 267–292. Oxford: Oxford University Press.

Appendix A Lessons from 2003 report – extracts

Best-practice guidelines

Our case studies of successful Sister City relationships highlighted a number of critical success factors, both for business and for councils. By considering and implementing these suggestions, councils will be able to improve the number of economic success stories resulting from their relationships. Businesses can improve their chances of using a Sister City relationship effectively if they examine how other firms have succeeded.

Guidelines for councils

- **Identify your targets** – exploit the comparative advantage of your locality.
- **Planning is vital** – have a strategic plan for each relationship. Build in regular reviews, and ensure that changing objectives can be accommodated.
- **Define the roles** – councils are not always the best agency to conduct business negotiations, and roles should be delineated accordingly. Internal politics can be offset by using outside agencies for some activities.
- **It's a two-way thing** – include local businesses in trade promotion activities. But by the same token, know when to back off and let the business partners negotiate the deal.
- **Don't rush things** – Sister City relationships thrive on continuity of contact and the building of trust between local and overseas local bodies. Ensure that continuity of contact is not over-reliant on individuals.
- **Evaluation is essential** – evaluating council activities and keeping track of business successes helps demonstrate accountability and contributes valuable information regarding best practice.
- **Savings are benefits too** – information and technology exchange can be a valuable, low-cost source of information.
- **Make use of technology** – the internet provides an effective, low-cost vehicle for advertising your region and its comparative advantages.
- **Details matter** – councils can help business by providing important cultural and background information.

Guidelines for business

Sister City relationships represent another tool in a business's toolbox. While they shouldn't be relied upon as the only way for a firm to achieve growth overseas, they can be an important part of any strategic business plan. In this respect, putting time and resources into Sister City relationships should be regarded in the same way as any other investment. Building successful business relationships with Sister City contacts requires upfront expenditure and effort and will not generate immediate benefits. It can take time – sometimes years – for these efforts to bear fruit. Continuity of contact, and time spent establishing trust and building personal relationships is vital to maximising the economic benefits from Sister City relationships.

- **Use the Sister City relationship as a springboard** – Sister City contacts can open the doors to new markets.
- **Planning is vital** – Sister City links work best as part of a business plan. Details matter, and market research is essential to getting the details right.
- **Treat it like any other investment** – don't expect to reap the rewards straight away. Take the time to develop personal relationships and establish trust.
- **Savings are benefits too** – contacts made through Sister City relationships and delegations can reduce transactions and search costs.
- **It's a two-way thing** – don't expect councils to do all the legwork; be proactive in following up contacts and seeking out the information you need.

International Relations Policy

Purpose and scope

1. The purpose of this Policy is to outline the mechanisms with which Council engages international relationships for the benefit of the economic, cultural, social and environmental wellbeing of the city.
2. Hamilton City Council has forged relationships with a number of international cities with the aim of delivering strategic benefits for the city. Council seeks to establish new links with international cities to maximise economic development opportunities for business.
3. This policy sets out the types of international relationships Hamilton will have with international cities and the criteria considered in engaging in international relationships.

Strategic alignment

4. One of the Council's objectives – as set out in legislation – is to improve the economic cultural, social and environmental wellbeing of Hamiltonians. This Policy helps to achieve that. It also helps to achieve Council's five priorities, as set out in Our Vision for Hamilton Kirikiriroa:
 - Shaping a city that's easy to live in
 - Shaping a city where our people thrive
 - Shaping a central city where people love to be
 - Shaping a fun city with lots to do
 - Shaping a green city – sharing best practice
5. It does this through creating opportunities for economic growth internationally; through facilitating cultural, educational and sporting exchanges; and through sharing of best practice.

Item 7

Attachment 2

Principles

6. The guiding principles for this Policy are:
 - a. Council recognises the importance of international relations to the economic, cultural, social and environmental wellbeing of the city.
 - b. Effective international relationships will support the Council's strategic vision, outcomes and goals.
 - c. The Mayor will play a lead role in the development of international relationships.

Policy

International Relationships

7. Hamilton City Council will pursue a range of relationships to ensure international opportunities are harnessed and maximised. This will be a combination of proactively identifying cities that present Hamilton and city businesses with good opportunities and cities expressing an interest in partnering with Hamilton.
8. Decisions to enter into international relationships will be made by Council, with the exception of fee-paying delegations.
9. Relationships will only be entered into if they are sustainable and adequately resourced.
10. The following factors will be used to guide decisions when entering into or reviewing international relationships:
 - a. Ability to **enhance understanding and idea sharing** based on student/teacher exchange programmes, educational institutions linkages, people-to-people interest, energy and commitment.
 - b. Ability to add to Hamilton's sense of place and the vitality/diversity of the city based on similar geographic features, similar social infrastructure and history of cooperation in political, economic, commercial and cultural fields.
 - c. Ability to realise opportunities for growing the local economy through comparative key industries, economic climate, and trade and investment linkages.
 - d. Ability to promote Hamilton based on tourism potential.
11. Review periods will be incorporated into all new relationships with an opportunity to exit the relationship should it no longer meet its objectives.
12. Records of all relationships will be maintained including an International Visits Register.

Relationship categories

13. Four different types of relationships have been identified:

Sister City relationships

14. Council has forged a number of Sister City relationships with a primary focus to foster and enhance economic, cultural, social and environmental wellbeing.
15. Sister City relationships will be formalised in a Sister City Agreement.

City to City Strategic partnerships

16. This relationship is a strategic partnership with the targeted purpose of fostering and enhancing economic development.
17. These relationships may be led by other people from the city and may be entered into to support private sector relationships, such as those in the education sector.
18. There may be times when a City to City strategic partnership is established for strengthening cultural and social connections.
19. City to City relationships will be formalised in a Memorandum of Understanding (MoU).

Friendship City relationships

20. These relationships may be a starting point to a more formal relationship and are focused on social and cultural engagement.

Fee Paying Delegations

21. Parties or individuals who do not qualify as Sister City relationships, City to City strategic partnerships or Friendship City relationships may be required to pay a fee to Hamilton City Council for visits or functions hosted at their request.

Monitoring and implementation

22. The Director of the Mayor's Office will monitor the implementation of this Policy.
23. The Policy will be reviewed every three years or at the request of Council or in response to changed legislative and statutory requirements or in response to any issues that may arise.

References

- ☐ MoU guidelines
- ☐ International relationship protocols.
- ☐ Guidelines for Fee-Paying Delegations. Page 3

International Relations Policy

Purpose and scope

1. The purpose of this Policy is to outline the mechanisms with which Council engages international relationships for the benefit of the economic and, cultural, social and environmental benefit wellbeing of the city.
2. Hamilton City Council has forged relationships with a number of international cities with the aim of delivering a goal to strategic, economic and cultural benefits for the city. Council seeks to establish new links with international cities in order to maximise economic development opportunities for business.
- 3.2.
- 4.3. This policy sets out the types of international relationships Hamilton will have with international cities and the criteria considered in engaging in international relationships.

Strategic alignment

4. ~~4. The objective of~~One of the Council's objectives ~~Council~~ as set out ~~in~~ legislation – is to improve the economic cultural, social and environmental wellbeing of Hamiltonians. This Policy helps to achieve that. ~~It This policy also helps – to varying extents – to achieve Council's five priorities, as set out in Our Vision for Hamilton~~
~~Kirikiriroa assists in the delivery of Council's outcomes and goals as follows:~~

- Shaping a city that's easy to live in
- Shaping a city where our people thrive
- Shaping a central city where people love to be
- Shaping a fun city with lots to do
- Shaping a green city – sharing best practice

5. It does this through creating opportunities for economic growth internationally; through facilitating cultural, educational and sporting exchanges; and through sharing of best practice.

Prosperous and Innovative

- ~~Hamilton has a strong, productive economy and we build on our economic strengths.~~
- ~~We have a thriving Central Business District (CBD).~~
- ~~It's easy to do business here.~~
- ~~Our city grows and prospers in a sustainable way.~~

Outstanding City Leadership

- ~~The city is led by effective, open and responsive governance.~~
- ~~Council's finances are sustainable for the long term.~~
- ~~We operate efficiently and provide exceptional service.~~
- ~~The city takes a leadership role regionally and nationally.~~

People Love Living Here

- ~~Hamilton embraces the Waikato River and it is the focal point of our city.~~
- ~~We value, preserve and protect Hamilton's natural, green environment.~~
- ~~Our city is attractive, well-designed and compact with outstanding architecture and distinctive public spaces.~~
- ~~Our city is a fun place to live with a vibrant arts scene.~~
- ~~Hamilton is a safe city.~~
- ~~It's easy to get around.~~

■ We celebrate our people and many cultures.

Principles

~~5.6.~~ The guiding principles for this Policy are:

- ~~a.~~ Council recognises the importance of international relations to the economic, ~~and~~ cultural, ~~social and environmental wellbeing growth~~ of the city.
- ~~a.~~ Effective international relationships will support the Council's strategic vision, outcomes and goals.
- b.
- c. The Mayor will play a lead role in the development of international relationships.

Policy

International Relationships

~~6.7.~~ Hamilton City Council will pursue a range of relationships to ensure international opportunities are harnessed and maximised. This will be a combination of proactively identifying cities that present Hamilton and city businesses with good opportunities and cities expressing an interest in partnering with Hamilton.

~~7.8.~~ Decisions to enter into international relationships will be made by Council, with the exception of fee-paying delegations.

~~8.9.~~ Relationships will only be entered into if they are sustainable and adequately resourced.

~~9.10.~~ The following factors will be used to guide decisions when entering into or reviewing international relationships:

- a. Ability to **enhance understanding and idea sharing** based on student/teacher exchange programmes, educational institutions linkages, people-to-people interest, energy and commitment.
- b. Ability to add to Hamilton's sense of place and the vitality/diversity of the city based on similar geographic features, similar social infrastructure and history of cooperation in political, economic, commercial and cultural fields.
- c. Ability to realise opportunities for growing the local economy through comparative key industries, economic climate, and trade and investment linkages.
- d. Ability to promote Hamilton based on tourism potential.

~~10.11.~~ Review periods will be incorporated into all new relationships with an opportunity to exit the relationship should it no longer meet its objectives.

~~11.12.~~ Records of all relationships will be maintained including an International Visits Register.

Relationship categories

~~12.13.~~ Four different types of relationships have been identified:

Sister City relationships

~~13.14.~~ Council has forged a number of Sister City relationships with a primary focus to foster and enhance economic, ~~opportunities and/or~~ cultural, ~~historical and~~ social ~~and environmental environmental wellbeing linkages.~~

~~14.15.~~ Sister City relationships will be formalised in a Sister City Agreement.

City to City Strategic partnerships

15,16. This relationship is a strategic partnership with the targeted purpose of fostering and enhancing economic development.

16,17. These relationships may be led by other people from the city and may be entered into to support private sector relationships, such as those in the education sector.

17,18. There may be times when a City to City [relationship-strategic partnership](#) is established for strengthening cultural and social connections.

18,19. City to City relationships will be formalised in a Memorandum of Understanding (MoU).

Friendship City relationships

19,20. These relationships may be a starting point to a more formal relationship and are focused on social and cultural engagement.

Fee Paying Delegations

20,21. Parties or individuals who do not qualify as Sister City relationships, City to City [strategic partnerships](#) or Friendship City relationships may be required to pay a fee to Hamilton City Council for visits or functions hosted at their request.

Monitoring and implementation

21,22. The ~~General Manager, Corporate~~[Director of the Mayor's Office](#) will monitor the implementation of this Policy.

22,23. The Policy will be reviewed every three years or at the request of Council or in response to changed legislative and statutory requirements or in response to any issues that may arise.

References

- ☐ MoU guidelines
- ☐ International relationship protocols.
- ☐ Guidelines for Fee-Paying Delegations. Page 3

Council Report

Committee: Economic Development Committee

Date: 09 March 2021

Author: Candice Swanepoel

Authoriser: Blair Bowcott

Position: Business Performance Accountant

Position: Executive Director Special Projects

Report Name: Waikato Innovation Growth Ltd, NZ Food Innovation (Waikato) Ltd - Half Year Report 31 December 2020 and Statement of Intent 2021/22

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

Purpose - *Take*

1. To inform the Economic Development Committee on the Waikato Innovation Growth Ltd (WIGL) and Group of Companies Half Year Report to 31 December 2020.
2. To seek approval from the Economic Development Committee of the Statement of Intent 2021/22.
3. To inform the Economic Development Committee of the process to appoint a replacement director to the Board of Waikato Innovation Growth Ltd/New Zealand Food Innovation (Waikato) Ltd.

Staff Recommendation - *Tuutohu-aa-kaimahi*

4. That the Economic Development Committee:
 - a) receives the report;
 - b) approves the Waikato Innovation Group Ltd and Group of Companies draft Statement of Intent 2021/22; and
 - c) notes the process to appoint a replacement director to Waikato Innovation Growth Limited/ New Zealand Food Innovation (Waikato) Limited will be managed by Barry Harris, Chair of WIGL/ NZFIWL, with a preferred candidate to be recommended to the Economic Development Committee seeking a recommendation to the Council for approval.

Executive Summary - *Whakaraapopototanga matua*

5. The Half Year Report shows the companies to be profitable and cashflow positive despite the impact of COVID-19 on export trading.
6. The draft Statement of Intent 2021/22 (SOI) reaffirms the direction of business and outlines an improvement in financial projections from the current year.
7. A director of WIGL/ NZFIWL is due for rotation, and this report outlines the process to appoint a replacement.

8. Stuart Gordon, Chief Executive, will present a verbal update at the meeting.
9. Staff consider the matters in this report have a low significance and that the recommendations comply with the Council's legal requirements.

Background - *Koorero whaimaarama*

10. WIGL has a 70% shareholding in New Zealand Food Innovation (Waikato) Limited (NZFIWL), the remaining 30% is held by Callaghan Innovation.
11. NZFIW D2, which is 100% owned by NZFIWL, has an 11% shareholding in Melody Dairies Limited Partnership.
12. The Melody Plant (Dryer 2) was completed, within budget, in July 2020.

Discussion – *Matapaki*

Statement of Intent

13. The Statement of Intent sets out the Board's intentions for the WIGL group of companies for years 2022, 2023 and 2024.
14. Key points to note in the draft Statement of Intent:
 - Corporate intent remains in line with the prior year's SOI.
 - Key performance targets are tracking lower than in the prior year's SOI and are reflective of the impact that covid-19 has had. However, net profit remains positive with a clear upward trend in future years.
 - Reference under Health and Safety to NZFIWL having a certified Risk Management Programme with the Ministry for Primary Industries under the Animal Products Act 1999.
15. As noted in the previous reports to this Committee, HCC and Callaghan will commence a strategic review of NZFIWL during 2021.

Director Rotation/ Appointment Process

16. In accordance with the Company Constitution, one director of WIGL/ NZFIWL is due for rotation, creating a vacancy that needs to be filled in an agreed director appointment process.
17. The process for the appointment of directors to the Board is being managed by Barry Harris, Chair of WIGL/ NZFIWL.
18. A Board skills and capability assessment will be conducted to identify any particular areas of focus to target in the Board membership.
19. A shortlist of suitable candidates will be identified by the Chair for interviewing and a preferred candidate will be reported to the Economic Development Committee later this year seeking a recommendation to the Council for approval.
20. This is in accordance with the requirements set out in the Appointment and Remuneration of Board Members policy and the CCOs constitution. There is a separate report concerning the policy being reported to this Committee meeting.

Financial Considerations - *Whaiwhakaaro Puutea*

21. The financial impact of covid-19 continues to be felt by NZFIWL with budgeted production days dropping from 150 days to 123 days YTD at 31 December 2020.

22. NZFIWL budgeted a net profit of \$461k at 31 December 2020, however \$23k was achieved. This is \$438k below budget. This is reflective of the slowdown in production days.
23. A positive cash surplus remains forecast for NZFIWL. This is intended to reduce a bank loan with BNZ.

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

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

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

25. 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').
26. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report.
27. The recommendations set out in this report are consistent with that purpose.
28. There were no Environment, Economic, Environmental, or Cultural wellbeing's identified in the development of this report.

Risks - *Tuuraru*

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

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

Significance

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

Engagement

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

Attachments - *Ngaa taapirihanga*

Attachment 1 - WIGL/ NZFWL - Half Year Report 30 December 2020

Attachment 2 - WIGL/ NZFIWL - Statement of Intent 2021/22

Half Yearly Report

Waikato Innovation Growth Limited
New Zealand Food Innovation (Waikato) Limited

Financial Results (Unaudited YTD Dec 2020 For the Year Ending 30 June 2021)

Cash Operating Surplus	YTD Actual \$000	YTD Budget \$000	YE Forecast \$000	YE Budget \$000
WIGL	na	na	na	na
NZFIW	339	747	674	1459
Group cash operating surplus	339	747	674	1459

Net Profit

WIGL	na	na	na	na
NZFIW	23	461	10	655
Group net profit	23	461	10	655

KPI's	Actual	Budget	YE Forecast	BNZ Covenant
Interest Cover— NZFIW	4.1	7.1	3.5	2.0
Shareholder Funds/Tangible Assets — NZFIW	54.5%	58.1%	56.5%	20.0%

Debt/Assets	As at 31 Dec 2010 \$000	YE Jun 2021 \$000		
Secured debt	4,875	4,511		
Total Assets	25,369	24,641		

Operations Figures (For the half Year Ended 31 Dec 2019)

	Act/For	Budget
NZFIW Production Days (Dryer YTD)	123	150
NZFIW Production Days Full Year forecast	223	275

Management Commentary

NZ Food Innovation (Waikato) Ltd Spray Dryer Plant

NZFIW has had a difficult year due to covert-19 pandemic. Production days (dryer) to-date has dropped from the budgeted 150 days to 123 days actual achieved YTD. Customers have reduced expectations around Goat milk production due to the Diagou system collapsing with no tourists or overseas students in Australian and NZ. Our production mix has shifted from producing Nutritional powders to using Fresh Milks for our production due to changes in market demand.



NZFIW D2 Limited, a 100% owned limited company by NZFIW, has increased its 10% shareholding in Melody Dairies Limited Partnership to about 11% in FY19.

The Melody Plant (Dryer 2) has been completed in July 2020 and within budget (\$54m). Commercial production commenced in Sep 2020. NZFIW have the management contract to manage the plant; with all key products and customers now certified.

The Pandemic has also affected Melody Dairies in causing a delay in its completion by three months; as such, customers certification were delayed. Cash-flow were also impacted, and a government subsidized loan was obtained from BNZ at 2.24% interest pa. Because a major customer is based in Melbourne Australia, without its technical staff availability due to the pandemic lockdown, business development progress was delayed.



Financial Results

- NZFIW net profit year to date December achieved significantly below budget by \$439k from \$461k budgeted to \$23k actual.
- Our forecast year-end results will achieved breakeven but will underperform the budget by \$645k from \$655k budgeted to \$10k forecasted.
- NZFIW is forecasted to have a cash operating surplus of \$674K. This Cash surplus will reduce the Bank loan to \$4,511k. This means we are operating at a conservatively geared ratio of 57%. This reflects the risks associated with the business as exemplified by the adverse impact on the business due to the pandemic and the movement of sheep milk production from NZFIW to Melody Dairies.



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

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

Statement of Intent

1st March 2021

Draft Approved by NZFIW Board

10 Melody Lane, Hamilton East, P.O. Box 9466, Waikato Mail Centre, Hamilton 3240. Phone +64 07 857 0500
Email: enquiries@nzfiw.co.nz www.nzfiw.co.nz

1. Introduction

- a. This statement is presented by the Directors NZFIW in accordance with s.64 (1) Local Government Act 2002 and sets out the Board's intentions for the Companies for the year ending 30 June 2021 plus estimates for the years ending 30th June 2022 and 2023. It covers Waikato Innovation Growth Limited (WIG), New Zealand Food innovation (Waikato) Limited (NZFIW) and NZFIW D2 Limited (D2) collectively called the NZFIW Group in this report. NZFIW D2 Limited owns 11% in both Melody Dairies Limited Partnership (MDLP) and Melody Dairies GP Limited (MDGPL).

2. Corporate Intent

- a. NZFIW Group. The core purpose of NZFIW Group is to promote and enable innovation in the food industry, both in the Waikato region and nationally, including:
 - i. providing facilities on an open access basis in which food processing companies and those entering new markets can develop new or improved food and food ingredient products,
 - ii. providing on an open access basis a small-scale spray drying facility capable of producing powders for market development as well as commercial supply, which is to be self-sustaining in the medium to long term,
 - iii. participating in and promoting a national network of similarly focussed food innovation organisations as a shareholder in a food innovation network
 - iv. providing an independent and secure facility to ensure that the intellectual property and know-how of the Company and its customers are protected,
 - v. providing a centre of learning for food technology, catering primarily to the pastoral product value chain, in cooperation with tertiary education institutions; and
 - vi. providing one of several tangible centres and organisations throughout New Zealand around which networks of food processors and exporters, food equipment manufacturers and other partners can develop.

Achievements to date

- The spray dryer was successfully commissioned in July 2012 and initially met Dairy Goat Cooperative's customer requirements to allow it to expand its sales and supply. As a result, Dairy Goat Cooperative made an investment of \$68million in a plant on its own site.
- A further \$3million investment by Callaghan Innovation allowed \$5.7 million of extra equipment and buildings which equipped the factory to manufacture powdered infant formula. It allows specialty ingredients such as vitamins, minerals, and oils to be 'wet blended' with milk or potentially other liquid ingredients prior to being spray dried to powder in the facility. The upgrade, has enabled a significant increase in goat and sheep fresh milk production and product exports.
- In November 2017, Hamilton city Council and Callaghan approved NZFIW to promote a privately funded second Spray Dryer which NZFIW would have a Minority 10% holding through a \$1.67m investment.
- On 1 December 2017, HCC and Callaghan injected a further capital of \$4m (cash) into NZFIW through the sale of WIPL property. This money was used to retire debt. Shareholding of NZFIW between HCC and Callaghan remains at a ratio of 70:30.
- NZFIW incepted a 100% owned subsidiary NZFIW D2 Limited (D2) in September 2018 solely for the purpose of investing \$1.67m for a 10% ownership (subsequently increased to 11%) in a second spray dryer: Melody Dairies Limited Partnership.
- NZFIW in December 2018 signed a management agreement with Melody Dairies LP to manage 100% of the operations of the LP.



10 Melody Lane, Hamilton East, P O Box 9466, Waikato Mail Centre, Hamilton 3240. Phone +64 07 857 0500
 Email: enquiries@nzfiw.co.nz www.nzfiw.co.nz

- NZFIW has proven itself as a growth engine, contributing to the New Zealand economy through innovation and being a facilitator in product and business development. In the 2020/21 season \$42m of exports were achieved as a result of manufacture in the Food Waikato Plant. Since its inception we estimate total exports manufactured by Food Waikato to be \$344m up to June 2021. We also estimate the total capital expenditure in the form of farms, genetics etc, in the Waikato region, to be \$300 million
- NZFIW has helped in established a new industry by manufacturing the following volumes of sheep milk; The size of the NZFIW dryer at 500 kg and hour is particularly suited to undertaking this task.
 - 2015/16: 66 MT
 - 2016/17: 105 MT
 - 2017/18: 156 MT
 - 2018/19: 261 MT
 - 2019/2020 277 MT
 - 2020/21(forecast): 549 MT
- Despite a 3 month delay due to Covid-19 The construction of the Melody Partnership Dairy plant was completed in June 2020 on budget at \$54m.
- Commercial production from Melody Dairies spray dryer commenced in September 2020 after MPI verification.
- Melody Dairies will contribute \$1.1m per annum to NZFIW in cash, in the form of management fees.

3. Key assumptions

Food Waikato will continue its toll processing dairy activities plus manage Melody Dairies spray dryer while holding about \$2.01m as a 11% minority shareholder in a Melody Dairies Limited Partnership.

4. Nature and Scope of Activities to be Undertaken

Key Objectives

The key objectives that can be achieved during the years ending June 2022 to 2024:

New Zealand Food Innovation Waikato Limited 2021- 2022

1. 253 days of product development and small-scale commercial powder production via the spray dryer thereby contributing >\$40 million to the regional economy.
2. An 11% minority interest in a second new spray dryer will increase open access space for the sheep industry customers. Total sheep milk production increasing by 70% to 938 tonnes.

10 Melody Lane, Hamilton East, P O Box 9466, Waikato Mail Centre, Hamilton 3240. Phone +64 07 857 0500
Email: enquiries@nzfiw.co.nz www.nzfiw.co.nz

3. Assist with the development of new valued added sheep milk industry products.
4. Income receiving from managing Melody Dairies expects to amount to gross of \$1.1m.

2022-2023

1. 265 days of product development and small-scale commercial powder production via the spray dryer contributing >\$45 million to the regional economy.
2. Sheep milk production growing by 70% to 1,595 tonnes.
3. Continued management of Melody Dairies by NZFIW management.

2023-2024

1. 273 days of product development and small-scale commercial powder production via the spray dryer contributing >\$50 million to the regional economy.
2. Sheep milk production increasing by 70% to 2,711 tonnes
3. Income receiving from management fees and dividends expects to maintain \$1.3m by 20 Jun 2024.
4. Launch of one new value-added products within the sheep milk dairy industry.

5. Key Performance Targets (\$,000)

Key Performance Indicators	2022	2023	2024
NZFIW EBITDA	1,379	1,482	1,618
NZFIW Cash from operating activities	859	1,219	1,099
Net Profit After Tax	88	107	193

Shareholders' funds / Total assets¹ 57% 60% 62%

¹ per bank covenant requirement

6. Capital Expenditure (\$,000)

Capital Expenditure	2022	2023	2024
Food Waikato	712	600	600
Investment in Melody Dairies	-	-	-

Melody Dairies LP plant was completed in July 2020. Construction costs within budget.

7. Financial Disclosure

1. REPORTING ENTITY

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

b. NZFIW D2 Limited is wholly owned by New Zealand Food Innovation (Waikato) Limited. It is a Council-Controlled Organisation under the Local Government Act 2002 with effect from 20th Sep 2018.

c. The forecast financial statements of NZFIW are for the year ending 30 June 2021. The audited financial statements will be authorised for issue by the Board of Directors on the 22nd August 2020. The owners and/or others do not have the power to amend the financial statements after issue.

2. BASIS OF PREPARATION

a. Statement of Compliance

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

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

b. Basis of Measurement

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

c. Functional and Presentational currency

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

d. Use of Estimates and Judgements

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

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

- e. Change in Accounting Policies
nil

3. SIGNIFICANT ACCOUNTING POLICIES

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

a. Accounting for Associates

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

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

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

b. Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates or similar allowances. Revenue comprises the amounts received and receivable for goods and services supplied to customers in the ordinary course of business.

Interest income is accounted for on an accrual basis.

Grants received are recognised in the Statement of Comprehensive Income when the requirements under the grant agreement have been met. Any grants for which the requirements under the grant agreement have not been completed are carried as liabilities until all the conditions have been fulfilled.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the Statement of Financial Position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

c. Foreign Currency Translation

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

d. Finance Costs

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

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

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

e. Cash and Cash Equivalents

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

f. Inventories

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

g. Trade and Other Receivables

Trade and other receivables are stated initially at fair value then at estimated realisable value after providing against debts where collection is doubtful. Bad debts are written off during the period in which they are identified. Trade and Other Receivables are classed as 'Trade and other receivables' financial instruments.

h. Property, Plant & Equipment

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

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

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

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

Revaluation

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

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

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

The net revaluation results are credited or debited to other comprehensive income and are accumulated to an asset revaluation reserve in equity for that class

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

- i. Work in progress
Work in progress is valued at cost.
- j. Intangible Assets
Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.
Trademarks 10 years
- k. Trade and Other Payables
Trade and other payables are stated at cost.

- l. Goods and Services Tax (GST)
All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.
The net amount of GST receivable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the balance sheet.

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

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

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

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

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

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

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

n. Short-term Employee Benefits

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

o. Provisions

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

p. Impairment

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

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

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

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

is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

q. Dividend Policy

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

r. Compensation from local authority. No compensation has been sought from any local authority by any director.

s. The Directors have deemed the commercial value of the business is the same as the carry values expressed in the accounts.

8. Information to be provided to Shareholders

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

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



10 Melody Lane, Hamilton East, P O Box 9466, Waikato Mail Centre, Hamilton 3240. Phone +64 07 857 0500
Email: enquiries@nzfiw.co.nz www.nzfiw.co.nz

9. Governance Statements

Board of Directors

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

The NZFIW Board currently includes the following Directors

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

10 Melody Lane, Hamilton East, P O Box 9466, Waikato Mail Centre, Hamilton 3240. Phone +64 07 857 0500
Email: enquiries@nzfiw.co.nz www.nzfiw.co.nz

10. Health and Safety

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

11. Risk Management

The NZFIW Group maintains and governance annually review its risk register. The Risk register covers key risk parameters including Physical, Product, Revenue, Biosecurity, Environment, Key people, Competition, Counterparty default.

12. Environment

The NZFIW Group is committed to minimise and/or mitigate the adverse impact of the company's operations on the environment.

13. Financials:

New Zealand Food Innovation Limited Income Statements

All in \$000	FY22	FY23	FY24
NZFIW Income	7,101	7,321	7,582
Income From Melody	1,147	1,170	1,194
Total Income NZFIW Group	8,248	8,491	8,776
Expenses			
Direct Expenses	3,731	3,824	3,925
Overhead	3,139	3,186	3,234
Total Expenses	6,869	7,010	7,158
EBITDA	1,379	1,482	1,618
Other Overhead			
Depreciation	1,039	1,119	1,133
Interest	217	213	216
Total Other Overheads	1,256	1,332	1,349
Net Profit before tax	123	149	269
Tax	(34)	(42)	(75)
Net Profit after tax	88	107	193

**New Zealand Food Innovation (Waikato) Limited
Financial Positions**

\$ '000	Jun-22	Jun-23	Jun-24
Current Assets			
Accounts Receivable	1,041	489	498
Bank Accounts	200	200	200
Inventories	230	480	480
Other Current Assets	130	130	130
Total Current Assets	1,600	1,299	1,308
Non Current Assets			
Plant & Equipment	15,499	15,157	14,815
Buildings	3,446	3,297	3,148
Other Non-Current Assets	3,880	3,880	3,880
Total Non-current Assets	22,825	22,334	21,843
Total Assets	24,426	23,633	23,150
Current Liabilities			
Accounts Payable	284	250	250
Bank Overdraft			
Other Current Liabilities	474	406	407
Total Current Liabilities	758	656	657
Non Current Liabilities			
Bank Loans	4,157	3,537	3,039
Deferred Grant Income	2,007	1,828	1,650
Other non-Current Liabilities	3,497	3,497	3,497
Total Non-Current Liabilities	9,662	8,863	8,186
Total Liabilities	10,420	9,519	8,843
Total Equity	14,006	14,113	14,307



10 Melody Lane, Hamilton East, P.O. Box 9466, Waikato Mail Centre, Hamilton 3240. Phone +64 07 857 0500
Email: enquiries@nzfiw.co.nz www.nzfiw.co.nz

Council Report

Item 9

Committee: Economic Development Committee

Date: 09 March 2021

Author: Candice Swanepoel

Authoriser: Tracey Musty

Position: Business Performance Accountant

Position: Financial Controller

Report Name: Waikato Local Authority Shared Services Annual Report 30 June 2020, Half Year Report 31 December 2020 and Statement of Intent 2021/22

Report Status

Open

Purpose - *Take*

1. To inform the Economic Development Committee on the Waikato Local Authority Shared Services (WLASS) Annual Report at 30 June 2020, Half Year Report to 31 December 2020 and the draft Statement of Intent 2021/22.

Staff Recommendation - *Tuutohu-aa-kaimahi*

2. That the Economic Development Committee:
 - a) receives the report; and
 - b) receives the Waikato Local Authority Shared Services draft Statement of Intent 2021/22.

Executive Summary - *Whakaraapopototanga matua*

3. The Annual Report for WLASS was received by the Council on 2 December 2020. The unusual delay was as a result of audits reprioritisation due to the impact of covid-19 on annual deadlines as well as new disclosure requirements.
4. The Half Year Report shows WLASS to be profitable and cashflow positive.
5. The draft Statement of Intent 2021/22 reaffirms the direction of business and financial projections.
6. Kelvin French, Chief Executive, will present a verbal report.
7. Staff consider the matters in this report have a low significance and that the recommendations comply with the Council's legal requirements.

Background - *Koorero whaimaarama*

8. WLASS was established to provide local authorities in the Waikato Region with a vehicle to procure shared services. WLASS now drives collaboration between councils and aims to improve customer service and performance, and to reduce costs.
9. WLASS is owned, in equal portion, by the 12 Waikato local authorities.

Discussion – *Matapaki*

Item 9

Annual Report

10. WLASS budgeted a deficit before tax of \$0.3M and was in line with this budget.
11. Cash reserves closed on \$1.1M. This included an amount of \$0.8M, that has since been paid to Waikato Regional Council, for administering the Future Proof and Waikato Plan initiatives.
12. WLASS was able to continue with little direct impact from covid-19 and remains in a strong position.

Half Year Report

13. WLASS has a net surplus before tax of \$0.7M. This is unfavourable to forecast by \$0.7M. This is as a result of two projects occurring slightly later than anticipated. While the net surplus is currently less than forecast, this is expected to reverse over the remainder of the year.
14. A decrease in expenditure has improved the cash position to \$1.3M at 31 December 2020. This is expected to reduce by year end.
15. Some of the six-month highlights:
 - i. In September 2020, the Board approved the establishment of WLASS Water Services. This arrangement will see the previous partnership between Hamilton City, Waikato District and Waipa District Councils subsumed into WLASS. Hamilton City Council and Waipa District Council will transfer directly from the existing partnership to become a customer of the new WLASS service.
 - ii. The Coordinated L&D programme aims to improved training opportunities for council staff and cost efficiencies as a result of collaboration. A project team has been established with representation from councils along with support from the WLASS People and Capability Managers Working Party.
 - iii. Waikato OneView will see the alignment of key data from different councils through a common data schema and presentation of that data via a Web Map Viewer. Phase one has been completed.
 - iv. The most significant opportunity development during the period was the Building Consent Shared Services project. The issue and monitoring of building consents is a critical function of councils. It is important that this function is delivered with the customer in mind and in the most efficient way. Development of the opportunity culminated in the delivery of an indicative business case to the Board in December.

Statement of Intent

16. The Statement of Intent sets out the Board's intentions for WLASS for years 2022, 2023 and 2024. The final draft will be available for shareholder comment.
17. Key points to note in the draft Statement of Intent:
 - i. Financial performance targets for 2022 are tracking lower than in the prior year's SOI as WLASS continues to use cash reserves to fund some project activity. However, net profit is forecast to be favourable in future years and WLASS remains cashflow positive.
 - ii. Substantial progress has been made in either completing or significantly advancing the priority projects set out in the prior SOI, as summarised in paragraph 17 of this report.

- iii. Priority projects for the coming year are:
 - a. Shifting landscapes: refining how and where WLASS can add most value;
 - b. Digital enablement: creating an omnichannel for your communities;
 - c. Establishing a GIS centre of excellence; and
 - d. Establishing an Asset Management centre of excellence.

These are addressed in more detail on pages 6 to 8 of **attachment 3**.

- iv. WLASS are committed to advancing a transformational agenda with a focus on better communication and building compelling business cases.

- 18. A separate report in the public excluded agenda of this committee meeting provides further information on the strategic approach for Hamilton City Council on shared services.

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

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

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

- 20. 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').
- 21. 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.
- 22. The recommendations set out in this report are consistent with that purpose.

Risks - *Tuuraru*

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

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

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

Engagement

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

Attachments - *Ngaa taapirihanga*

Attachment 1 - WLASS - Annual Report 30 June 2020

Attachment 2 - WLASS - Half Year Report 31 December 2020

Attachment 3 - WLASS - Statement of Intent 2021/22



Annual report 2020

Waikato councils are working together in the best way possible, for the collective benefit of them and their communities - which means less burden on ratepayers, happier communities and council staff and more effective councils

Contents

Chair & CEO report	3
WLASS outcomes & objectives	5
WLASS achievements	5
The WLASS transformation project	5
Priority project: Building consent shared services (including L&D and HR support)	6
Priority project: Water Shared Services integration	6
Priority project: Coordinated Infrastructure Procurement (CIP)	6
Waikato OneView	7
Regional Asset Technical Accord ("RATA")	7
Waikato Regional Transport Model ("WRTM")	8
LiDAR	8
Waikato Building Consent Group	8
Health & Safety pre-qualification	8
Procurement - Professional services panel	9
Shared Valuation Data System ("SVDS")	9
Future proof	9
Energy management	9
By the numbers	10
Performance measures	10
Independent auditor's report	19
Financial statements	23
Directory	46



Chair & CEO report

2020 will not be a year any of us forget anytime soon. While the company has been able to continue with little direct impact from Covid-19, we recognise the significant pressure the pandemic has placed on our shareholders. We are grateful for their continued support. We believe that pressure only serves to reinforce the need for councils to use WLASS to work together in the best way possible to achieve greater value for ratepayers. Our Waikato communities will expect it – they too are feeling the pain.

Transformation of the company to a service delivery agent and strategic partner to its shareholding councils has steered the activity of the company during the year. The structural changes to that transformation have been bedded in with a smaller Board in place, chaired by an independent director.

During 2019 we consulted with shareholders to identify a long list of ideas and in the second half of the year the board approved, as priority projects, the development of some of these. The prioritised ideas are all driven by the outcomes we are seeking:

- Reducing council costs, or improving performance without increasing cost;
- Improving the experiences councils' communities have with the councils;
- Increasing central government's investment into, and engagement with, Waikato.

The board is committed to progressing opportunities as hard and as fast as possible. With the support of our shareholders, this has seen significant progress during the year across several initiatives:

- The project to consider how infrastructure procurement could be coordinated regionally was completed. An outcome from that project will be the appointment of a strategic procurement role to work with councils' procurement and contract delivery managers;
- From the prioritised ideas referred to earlier, we commenced work looking at how building consent services could be improved. We also looked at how the existing Shared Services Partnership, which provides water-related services to three of our shareholders, could be integrated into the company and the offering extended to others;
- The board approved expanding RATA to include water services and a Waters Lead Manager has been appointed;
- The business case to progress Waikato OneView was approved. That project commenced on 1 July 2020 and looks at establishing Waikato-wide geospatial data sets and a simple way for customers to view that data; and
- A new professional services panel was established, involving more than 150 suppliers and eight councils.

Our success this year is in no small part due to the support of our shareholding councils. As a small team it is critical that we can leverage resources from within the councils to help progress initiatives. While we have always done so, this year we took this further, offering secondment opportunities to council staff to get involved in WLASS projects. This allows WLASS to consider more opportunities, and progress those more quickly than it otherwise could. For councils and their staff, it provides a great opportunity for staff development. The feedback we have received on this approach has been positive.



As a small team it is also critical that we focus only on those areas where we can add the most value. We have reviewed where we believe we do not do this. From that review, the board agreed, with support from participating councils, to cease our involvement with the Future Proof and Waikato Plan initiatives.

We have improved our performance reporting framework. This framework, and the new performance measures, better align with the outcomes we are looking for.

Financially, WLASS remains in a strong position. While there was a deficit before tax of \$341k, this was in line with budget. Cash reserves are \$1.1m and equity, \$942k. Of the cash reserves, ~\$800k relates to Future Proof and Waikato Plan and has since been paid across to Waikato Regional Council who are now administering these initiatives.

We would like to take this opportunity to thank Dawn Inglis. Dawn has been the RATA Manager since the unit's inception in 2015. She has been instrumental in the development of the services WLASS offers in this area and has shown great leadership of what is the largest part of our team. Dawn accepted a role within Waipa DC and remains a key stakeholder for WLASS. Dawn, we wish you all the very best.

The year ahead will continue to be challenging for our shareholding councils: Covid-19, water reforms and changes to the RMA confront you. We, also, will continue to challenge you, to help you reduce costs, improve performance and create happier staff and communities.



Peter Stubbs
WLASS Chair



Kelvin French
Chief Executive



WLASS outcomes & objectives

We want to ensure that Waikato councils are working together the best way possible, for the collective benefit of them and their communities. We want to do this because we believe it is the right thing to do for Waikato. If we achieve this, it will mean a relatively lesser burden on ratepayers, happier communities and council staff and more impactful councils.

Given the evolution of the company, during the year we revisited how we will measure success. This is encapsulated in a new performance framework below.

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

While the assessment of our performance in this annual report is considered against the previous measures, these have been refreshed. The new measures, which are set out in the 2020 Statement of Intent, directly link to, and will provide a better gauge of how we are progressing toward, the outcomes we seek.

WLASS achievements

The WLASS transformation project

Structural changes

The WLASS transformation project has been well advanced during the year. This is the first year the company has operated under the governance of a smaller Board, with an independent Chair. This



was the last structural change as part of the transformation, following employment of a small core team in the previous year.

Opportunity development

Management consulted with shareholding councils to establish a long list of ideas. The feedback received culminated in a recommendation that several of these should be the focus of WLASS' effort, having regard to the outcomes we are seeking for our shareholders and their communities. In line with that recommendation, late last year the board approved five priority projects to develop those ideas. Ultimately, well founded business cases are critical to councils taking up the recommendations flowing from them. Therefore, a robust 'opportunity development' process has been established with Stop|Go points along the way. This allows ideas to progress in a considered way and to ensure that ideas that do not warrant further consideration are stopped early on.

How those opportunities are developed has also changed. While WLASS, as a small company, has always relied on council staff, this year the company started seconding council staff to lead the opportunity development. This approach provides a greater level of committed resource to the company to allow projects to progress as hard and as fast as possible. It also provides a great opportunity for council staff development by being involved in a region-wide project and having exposure to different people and different ways of thinking.

A focus on value

When considering which projects should be a focus for WLASS, the company also considered where it was currently providing services that either did not help achieve the outcomes we were seeking or did not add value. Following that review, the Board, with support of the participating councils, agreed to cease its involvement with the Future Proof and Waikato Plan initiatives. The company's role with these initiatives, which was limited to contract management and financial administration support, has passed to Waikato Regional Council.

Priority project: Building consent shared services (including L&D and HR support)

The issue and monitoring of building consents is a critical function of councils. It is also an area where councils do not always receive great feedback. This project considers how this function can be delivered in the most efficient way, and in a way that improves the customer experience. During the year, the Board approved progressing development of the opportunity to the second phase. That phase commenced on 1 July 2020.

Priority project: Water Shared Services integration

Currently, Hamilton City, Waikato District and Waipa District Councils are party to an agreement under which Hamilton City host a business unit delivering trade waste management, water sampling and analysis and "Smart Waters" services to these councils. The project is to explore whether the existing service could be integrated into WLASS and the services offered to other councils in the region. In April, the board approved progressing this project to business case.

Priority project: Coordinated Infrastructure Procurement (CIP)

The CIP project was completed during the year. The objectives of the project were to:

- Consider opportunities to create savings by being 'smarter' at scheduling infrastructure work;
- Minimise situations where councils are competing for the same suppliers;
- Provide suppliers with scale and consistency of activity, giving them greater confidence to invest in staff and equipment and improve economic activity; and
- Improve councils' ability to budget for and deliver on their capital works programmes.



Several opportunities were identified. To crystallise the benefits the Board approved appointing a senior procurement manager focused solely on infrastructure procurement and how the councils could work together to deliver their infrastructure programmes. Recruitment is underway.

Waikato OneView

In November 2019, the Board approved the business case to establish “Waikato OneView”. Waikato OneView is the next phase of developing a regional geospatial service and follows the successful launch of the WLASS Waikato Data Portal (WDP) in the first half of 2019.

Waikato OneView will see the alignment of key data from different councils through a common data schema and presentation of that data via a Web Map Viewer. It will improve the customer experience by reducing the time required to gather data and increasing the data’s accessibility because it covers the whole region and is always available.

For the councils, a key investment objective is to increase the visibility and accessibility of data with the resulting benefit of improved ability to report across council boundaries. Other objectives include reducing the number of enquiries of council staff (because users can self-serve), and the cost-benefit of collective buying power. The project launched in July 2020.

Regional Asset Technical Accord (“RATA”)

Waters collaboration

The latter half of the 2019/20 financial year saw progress towards water reform with the establishment of a new Crown agency, Taumata Arowai, as the regulator who will administer and enforce the new drinking water regulatory system (from July 2020). WLASS’s business unit, RATA, expanded into water-related services in the latter half of 2019 in response to the expected changes, with Rachael Casey appointed as the RATA Water Collaboration Lead in March 2020.

A Water Business Plan has been developed to deliver on the strategy underpinning the Waters Collaboration Business Case (approved in July 2019). From surveying councils’ Asset Managers, we have developed a range of potential activities and priorities to establish an indicative forward works programme through to 2023.

The Kahorekau Rural Water Supply Upgrade commenced. This is an upgrade of a rural water supply scheme in Otorohanga. The project will pilot an upgrade to meet the new drinking water standards, with an output being a framework to work with DIA to ensure future compliance for similar schemes across the Waikato region.

Data collection

The end of the financial year was targeted to be a milestone with the delivery of the high-speed data for pavement condition across the region. The adopted multi-year data collection strategy manages the collection of traffic counts, high speed laser surveys, pavement impact testing (for residual strength), and visual pavement surveys. The milestone in question is the completion of the high-speed data component where the full road network was to be completed in advance of a one-year break. Unfortunately, COVID-19 restricted access to the road network meaning that, while a large proportion of the data collection was completed, for four councils data collection is now delayed to the new financial year.



Staff changes

After being at the helm since RATA's inception, Dawn Inglis stepped down as RATA Manager in October last year. WLASS is grateful to Dawn for the tremendous amount of work she has done for the company in developing the business unit from its inception in 2015, into a nationally recognised model.

Two new staff members have joined the team in the final half of the year. Shaun Lion-Cachet commenced as the new RATA Manager from January and as noted earlier, Rachael Casey commenced as the Water Collaboration Lead in March. Further staff appointments will be made in the new financial year, including a new Transport Collaboration Lead and a new Water Asset Information Engineer.

Waikato Regional Transport Model ("WRTM")

Development of the business case to upgrade the WRTM is underway. We will be working with the NZTA to determine their level of funding for the new WRTM. It is anticipated that the future WRTM will comprise a suite of models – a strategic model component covering the Waikato region and one or more meso model components representing the high growth areas to a higher level of detail.

LiDAR

In February 2019, the Board approved the procurement of a regional Light Detection and Ranging (LiDAR) data set as part of a Land Information NZ nation-wide initiative. That initiative is supported by funding from the Provincial Growth Fund and additional third-party partners. LiDAR is essential to decisions involving the physical world. It helps to drive regional economic growth and spur new investment across the region by enabling councils and businesses to more efficiently plan and develop housing, road and water infrastructure, as well as better prepare for hazards such as flooding, landslides and erosion.

During the year WLASS engaged ixBlue to undertake the work. While we had hoped that some data would be captured before the end of the last flying season, the lockdown in response to Covid-19 prevented this from occurring.

Waikato Building Consent Group

For the first six months of the 2019/20 financial year the WBCG had been limited in its ability to make progress. It was constrained by a lack of resource while a replacement manager was found. The last six months of the year saw the recruitment of the new Strategic Development Manager, Natalie Allam, and a Quality Assurance Coordinator. These appointments allowed for the delivery of the discovery work for the Building Consent Shared Services (BCSS) priority project referred to earlier. It also enabled the transition of IQP and Producer Statement registers from HCC to WLASS, with effect from 1 July 2020.

The coming financial year will require a review of the WBCG's strategic plan in light of the outcomes of the BCSS project.

Health & Safety pre-qualification

SHE Software (SHE) is engaged by WLASS to provide health & safety pre-qualification services to Waikato councils. During the period WLASS, council staff and SHE worked together to complete a review of the pre-qualification question set and to make that tool on-line. The tool went live in early December and is expected to make the pre-qualification process significantly easier to complete for councils' contractors.



Procurement - Professional services panel

A new Professional Services Panel (PSP) was established from 1 August 2019. The panel is significantly expanded from the previous arrangement, involving more than three times the suppliers and eight councils (previously four). The principle purpose of establishing the panel is to provide value to councils in two key ways:

- Securing discounted rates from consultants; and
- Eliminating the time, cost and effort otherwise required of councils to procure services for each piece of work.

Shared Valuation Data System ("SVDS")

The SVDS system was replaced by a Software as a Service arrangement with Cubetec. Participating councils were migrated to the new platform by the end of April. The previous SVDS system has been decommissioned. The project to replace the system has been a success: the expected reduction in operating costs is being achieved and significant capital costs to replace SVDS on a broadly like-for-like basis were avoided.

Covid-19 has had some negative impact on the level of bulk data sales, reflected in the revenue generated for the year.

Future proof

Future Proof's key areas of focus over the past 12 months have been:

- Developing and implementing the Hamilton to Auckland Corridor Plan;
- Establishing and maintaining key relationships with central and local government, iwi and major developers in the sub-region; and
- Lodging submissions advocating Future Proof's position.

The Hamilton to Auckland Corridor Plan is now in implementation phase. Future Proof has been heavily involved in the Hamilton-Waikato Metro Spatial Plan and the Sub-Regional Three Waters Study. The Future Proof Implementation Advisor and Independent Chair have been key conduits between the partners and groups.

Future Proof has commissioned two technical reports including a sub-regional industrial land study and housing preference study. These reports will provide a valuable evidence base for the Future Proof councils.

Future Proof has also lodged numerous submissions over the past 12 months, including the NPS-UD, NPS-Highly Productive Land, Waikato 2070, GPS on Land Transport, Ohinewai rezonings, RMA Issues and Options paper, Cambridge Wastewater Treatment Plant consents, Action for Healthy Waterways, Arataki, Urban Development Bill, NZ Rail Plan.

Energy management

Following the previous successful collaborative arrangement with the EECA, from 1 July last year WLASS and councils entered a new energy and carbon management programme. The programme aims at:

- 1) Extending the programme scope to include tariff validation, monitoring and reporting of all electricity and gas connections with carbon emissions reporting;
- 2) Increasing the skills and capability within councils;
- 3) Improving the visibility of energy-saving possibilities within and across councils; and
- 4) Extending the programme to include a focus on carbon mitigation and carbon reporting.



While council engagement on elective work has been slower than we would have liked, this has improved in recent months. Work that is being undertaken at the moment has generally focused on establishing a carbon inventory for a council.

By the numbers

Summary financial results for the year:

	2020 (000s)	2019 (000s)	Change
Total income	5,328	4,513	18%
Net surplus before tax	(341)	253	
Cash on hand	1,127	1,460	(23%)

The net deficit before tax is in line with budget. It reflects a decision to minimise member charges in relation to SVDS and instead use cash reserves carried forward from the prior years.

Performance measures

The following performance measures were included in the Statement of Intent for the 2019/20 financial year.

Key:

- Achieved
- Partially achieved: Activity remains in progress
- Not achieved

Target	Measure	Outcome	
Procurement Joint procurement initiatives for goods and services for WCLASS councils will be investigated and implemented. <i>Method: Procurement is from sources offering best value, service, continuity of supply, and/or opportunities for integration.</i>	New suppliers are awarded contracts through a competitive tender process.	Achieved: Supply contracts are tendered in line with WCLASS procurement policy (which in turn is consistent with the regional procurement framework developed last year). For substantial contracts (e.g. LiDAR, insurance and risk management services, Professional Services Panel), a public tender process has been undertaken. Other contracts have been renegotiated with existing suppliers where it is appropriate to do so.	●
	Professional Services Panel contracts are successfully negotiated.	Achieved: Contracts have been negotiated on time with the panel in place from 1 August 2019, as planned.	●

Target	Measure	Outcome	
Collaborative Projects Priorities for collaboration are identified, business cases are developed for the highest priority projects, and the projects are implemented. <i>Method:</i> <i>The focus is on shared services which will benefit all councils.</i>	A minimum of six priority projects for collaboration are identified per annum.	Achieved: A new Professional Services Panel was established from 1 August 2019 with eight councils participating (previously four). Five priority projects to develop opportunities were approved by the Board in November and development of the opportunities commenced prior to year-end. The legal services group is also in early deliberations on a joint procurement for a tool to support legislative compliance. The Coordinated Infrastructure Procurement project was approved by the Board and recommendations from that project made to the Board in June. The business case to expand RATA into waters asset management services was approved by the Board in July last year. The Waters Lead Manager has since been appointed. The business case for Waikato OneView was approved by the Board in November last year. Due to capacity constraints the Board agreed to defer commencing the project until July 2020.	●
	If considered of value, business cases are developed for approval by the Board, and the projects are implemented. Savings to Councils identified in developed business cases exceeds \$300k.	Achieved: The development of any opportunity is subject to a phased approach involving discovery (validating why we would investigate the opportunity, or the problem being solved), opportunity assessment (a light business case), and business case (if required). The Board approves each phase before progression to the next stage. Achieved: Business cases or opportunity assessments delivered during the period related to: • RATA – Waters collaboration: Benefits are not quantified but based on investment objectives they are considered substantial • Waikato OneView: From surveys undertaken, users of OneView estimate that it will save them time, conservatively estimated at ~\$500k p.a. – which should translate to reduced fees to councils. In addition, it is estimated that there will be software savings of ~\$20k p.a. and council staff	● ●



Handwritten initials: *2/24* and *AB*

Target	Measure	Outcome
SVDS The SVDS is reliable, well maintained and available to all users. <i>Method: A Contract Manager is appointed for SVDS.</i> <i>The Contract Manager monitors performance of the contractors and reports quarterly to the SVDS Advisory Group.</i> <i>Risks associated with the SVDS are well managed.</i>	<p>The SVDS is available to users at least 99% of normal working hours.</p> <p>The SVDS Advisory Group meets at least 6-monthly.</p> <p>The Annual Business Plan is accepted by the Advisory Group by 31 March 2020.</p>	<p>Achieved: the SVDS has been available 99.95% for users during normal business hours.</p> <p>Achieved: Four meetings held in August, November, March & June</p> <p>Achieved: Accepted by the Advisory Group on 5 March</p>
Insurance Achieve the relevant KPIs in Appendix 4 of the Insurance Brokerage contract with Aon. <i>Method: The Insurance Broker delivers on the terms of their contract and provides value to the participating councils.</i>	<p>Strategic advice provided by Aon on the insurance programme structure is assessed as satisfactory in the annual WLASS Shareholders' survey by the participating councils.</p> <p>The day-to-day service provided by Aon is assessed as satisfactory in the annual WLASS Shareholders' survey by the participating councils.</p>	<p>Not measured: Formal feedback from shareholders by way of annual survey is not being undertaken this year and therefore we are unable to measure performance against this measure. WLASS notes however that the collaborative insurance programme continues to deliver significant benefit to councils. Premium savings are estimated at \$1m- \$1.5m per annum. During the year, insurance and risk management services retendered with Aon re-appointed as the successful participant.</p> <p>The 2020 SOI sets out a new performance framework for the company which puts in place performance measures that better reflect the outcomes we are seeking. For that reason, we are not intending on undertaking a survey of shareholders this year as we have historically done. We will instead be meeting with council CEOs on a 1x1 basis and soliciting feedback on performance by this means.</p> <p>Not measured: Refer comment above.</p>
RATA Deliver better data for decision making across the Waikato Region, enabling	Reports are presented to stakeholders in October/January/ April and July each year.	<p>Achieved: All reports supplied to stakeholders. Improved reporting through Power BI was successfully trialled.</p>

Target	Measure	Outcome	
more consistent best practice	Reports on progress presented to WCLASS Board as at 30 December and 30 June.	Achieved: Reports to WCLASS Board presented to required deadlines.	●
<i>Method: Quarterly update reports are provided to all stakeholders participating in the Data Collection contracts.</i>			
Data supplied by contractors is of good quality and meets all of the participating councils' requirements.	All data are reviewed for compliance and all good practice requirements are met.	Achieved: All data received was reviewed for quality requirements and approved.	●
<i>Method: Innovation: Identify opportunities to modify standard approaches and/or develop new approaches that will lead to optimal asset management.</i>	Procurement of services complies with WCLASS and NZTA's procurement requirements.	Achieved: Procurement of services is in line with WCLASS procurement policy and NZTA requirements.	●
Leadership: Lead engagement and increase capability within the sector.	Present to a national conference on RATA innovations at least once per year.	Not achieved: RATA presented the Waters Collaboration business case to the Mayoral Forum in August 2019. However, conferences were delayed due to COVID-19 meaning the opportunity to present did not arise. An application to the WaterNZ conference has been submitted for a poster presentation in August 2020.	●
	At least two RATA guidance documents detailing good practice are produced each year.	Achieved: Issues and Options report prepared for Traffic management Coordinators investigating operational improvements. Stock Underpass business case investigated improvements for management of the assets across the region. RATA is supporting Waters Collaboration investigation work for seven participating councils. This is ongoing.	●
	RATA Forums are held 2-monthly to share learnings and experience.	Not achieved: RATA forums were significantly disrupted during the financial year with the departure of the previous RATA Manager and the COVID-19 lockdown. These have now recommenced.	●
WRTM The WRTM is reliable, well maintained and available to all users.	All modelling reports requested from the model supplier are actioned within		●

Handwritten signatures and initials

Target	Measure	Outcome
<p><i>Method: RATA manages the WRTM on behalf of the participating councils, and monitors the performance of the model supplier (currently Traffic Design Group).</i></p> <p><i>RATA reports quarterly to the WRTM Project Advisory Group.</i></p>	<p>the agreed timeframe, scope and budget</p>	<p>On track: Stantec continues to provide Service Reports. Ad hoc reporting is provided as requested.</p>
	<p>A report from RATA on any new developments and on the status of the model is provided to the WCLASS Board at least every six months.</p> <p>The quality of the base model complies with NZTA guidelines (as set out in the NZTA's Economic Evaluation Manual), and is independently peer reviewed each time the model is updated.</p>	<p>Achieved: Report for the six months to 30 June 2020 is being prepared. The report to 31 December 2019 was presented to the board meeting in February 2020.</p> <p>Achieved Model complies with guidelines but there are issues with modelling accuracy in some areas. Development of business case is underway to consider upgrading the model.</p>
<p>Waikato Building Consent Group</p> <p>Provide strategic direction and actively pursue improvements in Building Control across the Waikato region.</p> <p><i>Method: Implement the strategic priorities detailed in the "Build Waikato" May 2017 strategic review document.</i></p>	<p>Milestones for the five strategic review work streams are achieved for:</p> <ul style="list-style-type: none"> Digital experience and technology: a common online customer experience. Success is defined as user friendly, convenient, quick, end-to-end management and communication, measured by customer surveys and systems comparisons. People capability. Success is defined as a successful recruitment and training programme, measured by compliance with BCA Reg. 8 -11. 	<p>The activity of the Waikato Building Consent Group has been heavily impacted throughout the year by a lack of resource (refer commentary under "Key Achievements" section above) and more recently, the WCLASS Building Consent Shared Services (BCSS) project.</p> <p>On track: Thames-Coromandel, Waipa and Waitomo DCs have successfully implemented the preferred online Alpha One System. Matamata-Piako DC is transitioning to Alpha One in July 2020 and Hauraki DC in September 2020. Hamilton CC and Waikato DC will initiate a transition plan for implementation in the 2021/22 financial year. Otorohanga DC are not planning on changing to Alpha One.</p> <p>The Build Waikato website redesign has been put on hold until a clear direction from the BCSS project is reached. This decision was made to avoid costs being incurred on the redesign which may quickly become redundant.</p> <p>On track: WCLASS has completed discovery work on a collaborative cadet programme. Discovery has highlighted that the immediate benefits of such a scheme are minimal until the BCSS project outcomes are clear. Councils agreed that the post-COVID environment has produced a level of uncertainty in the next financial year as to building consent</p>

Target	Measure	Outcome	
		numbers which may impact on the success of any programme. Such a programme is being considered as part of the BCSS project.	
	<ul style="list-style-type: none"> Quality assurance. Success is defined as continued accreditation and increased service consistency, measured by accreditation outcomes, BCA annual audits, and customer surveys. Lift industry competency and compliance. Success is measured by increased industry compliance, with reduced RFIs, and reducing percentages of application or building consent rejection. Central government: engagement and legislative influence. Success is measured by legislative submissions and outcomes. 	<p>On track: There have been successful IANZ audits with good feedback on the cluster QA overall. A new Quality Assurance Coordinator has been appointed and work will commence in the next twelve months on the quality manual and internal audit regime.</p> <p>Partially achieved: This is an area requiring continuous improvement. The Technical Committee is continuing to work on consistency across councils on RFI's to improve the customer experience. The BCSS project also has this work in scope.</p> <p>On track: Submissions are made when appropriate. Importantly, engagement with Central Government (MBIE) has been targeted and is improving.</p>	<p>●</p> <p>●</p> <p>●</p>
<p><i>Method:</i> Fulfil the roles and responsibilities set out in clause 9 of the WBCG's Memorandum of Understanding, 2016.</p>	<p>There is a common understanding and buy-in by all BCAs for the WBCG vision and actions that are taken to achieve this vision, measured by:</p> <ul style="list-style-type: none"> Full participation in WBCG projects and programmes Audits demonstrating implementation and compliance with the agreed QA systems Consistency in service delivery, measured by customer surveys 	<p>Achieved: Good participation of all in projects when required but an area where we strive for continuous improvement.</p> <p>Achieved: Audits are demonstrating compliance with QA systems.</p> <p>Not measured: No customer survey was undertaken this year. However, customers were engaged as part of the discovery phase of the BCSS project, which reinforced that consistency could be improved. Customers are being engaged via a stakeholder reference group as part of that project which has improving "customer experience" as a critical success factor.</p>	<p>●</p> <p>●</p> <p>●</p>

Handwritten signatures and initials

Target	Measure	Outcome	
	Risk management is visible through regular reviews of the Risk Register.	On track: Risk register implemented and reported on quarterly to Advisory Group	●
	All funding requirements are met by each of the participating councils.	On track: All funding commitments met.	●
	Minimum of two reports presented to the WLASS Board on the Group's activities.	Achieved: Reporting on performance measures received and presented to board as part of the annual report. In addition, the Advisory Group Chair has provided the Board with verbal updates on progress recruiting a new group manager (which has now occurred). Monthly reporting to the WLASS CE on delivery of the annual workplan, a summary of which is included in the monthly portfolio reporting to board.	●
Future Proof Planning for growth in the sub-region is co-ordinated and collaborative. <i>Method:</i> <i>Joint preparation and input into Phase 2 of the Strategy update</i>	Phase 2 of the Future Proof Strategy is adopted by the Future Proof Implementation Committee no later than December 2020.	Not achieved: Phase 2 of the Future Proof Strategy update has been on hold to allow other projects to sufficiently progress, including the H2A. Work has commenced again on Phase 2. It is anticipated that a draft will be completed early 2021.	●
The Future Proof budget is well managed and monitored. <i>Method:</i> <i>Bi-monthly reports presented to the Future Proof Chief Executives Advisory Group, and six monthly and annual reports to the WLASS Board.</i>	The overall Future Proof work programme is delivered within the approved budget.	Achieved: the Future Proof work programme to end June 2020 was on budget; however several line items were significantly over budget due to high activity associated with the H2A. This was balanced by unspent items. Government funding for the Sub-Regional Three Waters Study has not yet been successful.	●
Future Proof influences and inputs into District Plan, Regional Plan, growth strategy and any other planning processes which manage growth within the sub-region and neighbouring regions. <i>Method:</i>	Future Proof makes submissions (using RMA and Local Government processes), on District Plans, LTPs, growth management planning documents, and any central government initiatives which have the potential to impact growth management planning in the sub-region.	Achieved: Future Proof has lodged 11 submissions over the past 12 months	●



Target	Measure	Outcome	
<i>Future Proof works collaboratively and provides input into the planning work undertaken by all FP partners and any other relevant planning authorities.</i>			
Shareholder Survey Shareholders are satisfied with the performance of WLASS. <i>Method:</i> An annual survey of shareholders is undertaken to assess satisfaction levels with WLASS.	A survey of shareholders is undertaken each year, and the results are reported to all shareholders.	Not achieved: The 2020 SOI sets out a new performance framework for the company which puts in place performance measures that better reflect the outcomes we are seeking. For that reason, we have not undertaken a survey of shareholders this year as we have historically done. However, we remain connected, and are listening, to what councils are looking for through regular contact with CEs and other senior management, and attending council meetings upon invitation.	●
Review of Benefits Shareholders are informed of the benefits being provided to shareholding councils by WLASS. <i>Method:</i> The benefits of WLASS (including financial and non-financial achievements) are regularly analysed and reported to shareholders.	Information on the financial and non-financial benefits being achieved by WLASS are included in the 6-monthly and Annual Report to shareholders. The WLASS website is regularly maintained and updated.	Achieved: WLASS achievements are included in the half-yearly report and in the 2019 Annual Report. Not achieved: Some, but not all areas of the website have been updated. This remains a work in progress. We are also working on enhancing the WLASS website to include additional information for councils on what the company is doing.	● ●

Handwritten signatures and initials in blue ink.

Independent Auditor's Report

To the readers of Waikato Local Authority Shared Services Limited's financial statements and performance measures for the year ended 30 June 2020

The Auditor-General is the auditor of Waikato Local Authority Shared Services Limited (the company). The Auditor-General has appointed me, David Walker, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance measures of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company on pages 23 to 45, that comprise the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance measures of the company on pages 10 to 18.

In our opinion:

- the financial statements of the company on pages 23 to 45:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2020; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards Reduced Disclosure Regime; and
- the performance measures of the company on pages 10 to 18 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2020.

Our audit was completed on 11 November 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the impact of Covid-19 on the company. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance measures, and we explain our independence.

Emphasis of matter – impact of Covid-19

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the Company as set out in note 20 to the financial statements.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements and the performance measures

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance measures for the company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance measures that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance measures, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance measures

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance measures, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance measures.

For the budget measures reported in the financial statements and the performance measures, our procedures were limited to checking that the measures agreed to the company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance measures.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance measures, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance measures within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance measures or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance measures, including the disclosures, and whether the financial statements and the performance measures represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 9 and page 46, but does not include the financial statements and the performance measures, and our auditor's report thereon.

Our opinion on the financial statements and the performance measures does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance measures, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance measures or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the company.



David Walker
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand



**Financial Statements
for the year ended 30 June 2020**

[Handwritten signature]

Waikato Local Authority Shared Services Limited Financial statements - 30 June 2020

Contents

	Page
Financial statements	
Statement of comprehensive revenue and expenditure	25
Statement of changes in equity	26
Statement of financial position	27
Statement of cashflows	28
Notes to the financial statements	
1 Statement of accounting policies	29
2 Summary of significant accounting policies	29
3 Critical accounting estimates and assumptions	30
4 Revenue	31
5 Other expenses	32
6 Personnel costs	32
7 Receivables	33
8 Cash and cash equivalents	33
9 Income tax	34
10 Property, plant and equipment	35
11 Intangible assets	36
12 Payables and deferred revenue	37
13 Current liabilities - Employee Entitlements	38
14 Reconciliation of equity	39
15 Commitments	40
16 Contingencies	40
17 Related party transactions	41
18 Director and executive disclosures	42
19 Events occurring after the balance date	42
21 Financial instruments	43
22 Explanation of major variances against budget	44

Waikato Local Authority Shared Services Limited
Statement of comprehensive revenue and expenditure
For the year ended 30 June 2020

Statement of comprehensive revenue and expenditure

For the year ended 30 June 2020

	Note	Actual 2020 \$	Budget 2020 \$	Actual 2019 \$
Revenue				
Data sales		456,975	466,926	508,912
Grants		-	-	31,418
Interest		2,369	5,000	13,134
Other revenue	4	4,868,551	5,200,985	3,962,335
Total revenue		5,327,895	5,672,911	4,515,799
Expenditure				
Personnel costs	6	467,588	385,342	149,459
Depreciation and amortisation expense	10,11	56,258	3,712	67,314
Other expenses	5	5,144,584	5,608,587	4,043,366
Total expenditure		5,668,430	5,997,641	4,260,139
Surplus/(deficit) before tax		(340,535)	(324,730)	255,660
Income tax expense	9	-	-	-
Surplus/(deficit) after tax		(340,535)	(324,730)	255,660
Total comprehensive income		(340,535)	(324,730)	255,660

The accompanying notes form part of these financial statements

Explanations of major variances against budget, not stated elsewhere, are provided in note 22

-25-

B
12/03

Waikato Local Authority Shared Services Limited
Statement of changes in equity
For the year ended 30 June 2020

Statement of changes in equity

For the year ended 30 June 2020

		Actual 2020 \$	Budget 2020 \$	Actual 2019 \$
	Note			
Balance at 1 July		1,282,191	414,940	1,026,530
Total comprehensive revenue and expense		<u>(340,535)</u>	<u>(324,730)</u>	<u>255,660</u>
Balance at 30 June	14	<u>941,656</u>	<u>90,209</u>	<u>1,282,191</u>
Total equity attributable to:				
Equity holders of Waikato Local Authority Shared Services Limited		<u>941,656</u>	<u>90,209</u>	<u>1,282,191</u>
Balance at 30 June		<u>941,656</u>	<u>90,209</u>	<u>1,282,191</u>

The accompanying notes form part of these financial statements
Explanations of major variances against budget are provided in note 22

-26-

Waikato Local Authority Shared Services Limited
Statement of Financial Position
As at 30 June 2020

Statement of financial position

As at 30 June 2020

	Note	Actual 2020 \$	Budget 2020 \$	Actual 2019 \$
ASSETS				
Current assets				
Cash and cash equivalents	8	1,127,987	96,216	1,459,803
Exchange trade and other receivables	7	1,343,605	401,116	793,750
Non-exchange trade and other receivables	7	147,394	-	76,126
Prepayments		-	153,145	212,087
Total current assets		2,618,986	650,477	2,541,766
Non-current assets				
Property, plant and equipment	10	14,965	739	4,799
Intangible assets	11	43,750	-	97,071
Total non-current assets		58,715	739	101,870
Total assets		2,677,701	651,216	2,643,636
LIABILITIES				
Current liabilities				
Payables and deferred revenue	12	1,683,693	561,007	1,338,889
Employee benefits	13	52,352	-	22,556
		1,736,045	561,007	1,361,445
Total current liabilities		1,736,045	561,007	1,361,445
Non-current liabilities				
Total non-current liabilities		-	-	-
Total liabilities		1,736,045	561,007	1,361,445
Net assets		941,656	90,209	1,282,191
EQUITY				
Contributed capital	14	2,957,001	2,957,001	2,957,001
Retained earnings	14	(2,015,345)	(2,866,792)	(1,674,810)
Total equity		941,656	90,209	1,282,191

These financial statements have been authorised for issue by the Board of Directors on 11 November 2020.



Director
11 November 2020



Director
11 November 2020

The accompanying notes form part of these financial statements
Explanations of major variances against budget are provided in note 22

-27-



Waikato Local Authority Shared Services Limited
Cash flow statement
For the year ended 30 June 2020

Statement of cashflows

For the year ended 30 June 2020

	Note	Actual 2020 \$	Budget 2020 \$	Actual 2019 \$
Cash flows from operating activities				
Interest Received		2,369	14,308	16,114
Receipts from other revenue		5,289,918	6,559,977	4,031,703
Payments to suppliers and employees		(5,725,847)	(6,800,489)	(4,241,295)
Taxes received / (paid)		998	-	5,746
Goods and services tax received / (paid)		113,849	56,103	2,123
Net cash flow from operating activities		<u>(318,713)</u>	<u>(170,101)</u>	<u>(185,609)</u>
 Purchase of property, plant and equipment		<u>(13,103)</u>	-	(5,592)
Settlement of term deposits with maturities greater than 3 months		<u>-</u>	-	81,000
		<u>(13,103)</u>	-	75,408
Net cash flow from investing activities		<u>(13,103)</u>	-	75,408
Net (decrease)/increase in cash and cash equivalents		<u>(331,816)</u>	<u>(170,101)</u>	<u>(110,201)</u>
Cash and cash equivalents at the beginning of the year		<u>1,459,802</u>	<u>266,317</u>	<u>1,570,003</u>
Cash and cash equivalents at the end of the year	8	<u>1,127,986</u>	<u>96,216</u>	<u>1,459,802</u>

The accompanying notes form part of these financial statements
Explanations of major variances against budget are provided in note 22
 -28-

1 Statement of accounting policies

1.1 Reporting entity

Waikato Local Authority Shared Services Limited ("the Company") is a Company incorporated in New Zealand under the Companies Act 1993 and is domiciled in New Zealand. The Company is controlled by the councils listed on the directory page of these accounts. The company is a Council Controlled Organisation as defined under section 6 of the Local Government Act 2002 (LGA), by virtue of each of the shareholding Council's right to appoint the Board of Directors.

The company seeks the following outcomes for its shareholding councils:

- i) Council costs are reduced / performance is improved, without increased cost;
- ii) The experience of councils' communities is improved; and
- iii) Central Government investment into, and engagement with, Waikato is increased.

It has the roles of developing opportunities which achieve one or more of these outcomes, and of providing any resulting services to councils, or organising someone else to do so.

The Company has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The financial statements of the Company are for the year ended 30 June 2020. The financial statements were authorised for issue by the Board of Directors on the 11 November 2020.

2 Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of compliance

The financial statements of the Company have been prepared in accordance with the requirements of the LGA, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The financial statements have been prepared in accordance and comply with Tier 2 PBE Standards reduced disclosure regime (RDR).

WLASS is eligible to report in accordance with the Tier 2 PBE accounting standards RDR as it:

- is not publicly accountable;
- has expenses more than \$2 million, but less than \$30 million.

The accounting policies set out below are consistent with the prior year.

Measurement base

The financial statements have been prepared on a historical cost basis.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar unless otherwise stated. The functional currency of the Company is New Zealand dollars.

Budget figures

The budget figures are those approved by the Board of Directors in the 2019/20 Statement of Intent. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Company in preparing the financial statements.

2.2 Goods and services tax

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

2 Summary of significant accounting policies (continued)

The net amount of GST recoverable from, or payable to, the Inland Revenue is included as part of receivables or payables in the statement of financial position.

The net GST paid, or received, including the GST relating to investing and financing activities, is classified as an operating cash flow in the cash flow statement.

Commitments and contingencies are disclosed exclusive of GST.

3 Critical accounting estimates and assumptions

In preparing the financial statements the Company has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year have been included below.

3.1 Intangible assets

Useful lives and residual values

At each balance date the Company reviews the useful lives and residual values of its intangible assets. Assessing the appropriateness of useful life and residual value estimates of intangible assets requires the Company to consider a number of factors such as the expected period of use of the asset by the Company, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact the amortisation expense recognised in the income statement, and carrying amount of the asset in the balance sheet. The Company minimises the risk of this estimation uncertainty by reviewing that the asset technology is still relevant and there is no alternative options to recreate the asset at a lower price.

Impairment of intangible assets

Intangible assets measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell, and value in use.

If an assets carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

Waikato Local Authority Shared Services Limited
Notes to the financial statements
30 June 2020
(continued)

4 Revenue

Accounting policy

(i) Revenue

Revenue comprises the fair value of the considerations received or receivable for the sale of goods and services, excluding Goods and Services Tax, rebates and discounts and after eliminating sales within the Company. No provisions have been recorded as all revenue and trade receivables are expected to be received.

(ii) Other Revenue

Member charges for all activities are recognised when invoiced to the user, i.e. Councils. The recorded revenue is the net amounts of the member charges payable for the transaction. Contributions received for projects that were not completed in a financial year are recognised when the Company provides, or is able to provide, the service for which the contribution was charged. To the extent the service has not been delivered, contributions for that service are recorded as revenue in advance.

	Actual 2020 \$	Actual 2019 \$
<u>Non-exchange revenue</u>		
Member Charges	<u>2,753,760</u>	<u>2,110,470</u>
<u>Exchange revenue</u>		
Working Parties	520,253	437,781
Information Technology	133,869	106,613
Energy Management	126,155	116,800
Shared Valuation Data Services	-	80,189
Regional Asset Technical Accord*	921,369	567,405
Waikato Regional Transport Model	9,270	5,011
Waikato Plan**	-	371,940
Waikato Building Consent Group	28,000	85,205
Future Proof***	302,219	25,765
Waikato Mayoral Forum	12,406	51,406
RITS	61,250	3,750
Total exchange revenue	<u>2,114,791</u>	<u>1,851,865</u>
Total other revenue	<u>4,868,551</u>	<u>3,962,335</u>

Explanation of variance to last year:

* During the year shareholders approved the expansion of the Regional Asset Technical Accord ("RATA") into water related services.

** All revenue received for Waikato Plan has been transferred to deferred revenue as this workstream is being transferred to Waikato Regional Council in the 2020/21 financial year.

*** Phase 1 of the Sub Regional Three Waters Study was in the beginning stages in 2018/19 year with the project completed in the 2019/20 year.

5 Other expenses

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

	Actual 2020 \$	Actual 2019 \$
Audit fees	24,857	21,220
Company Administration	183,934	266,310
Working Parties	537,420	553,251
Information Technology	154,613	106,267
Energy Management	124,952	123,519
Shared Valuation Data Services*	1,044,487	510,919
Road Asset Technical Accord**	1,641,953	1,155,313
Waikato Regional Transport Model	153,286	70,041
Waikato Building Consent Group***	110,551	391,912
Future Proof****	931,156	557,377
Waikato Mayoral Forum	37,159	39,406
Waikato Plan	129,433	225,044
Rental expense relating to operating leases	32,287	3,215
RITS	38,496	22,080
Total Other Expenses	5,144,584	4,045,874

Explanation of variance to last year:

* The increased expenditure reflects costs associated with the transition to the new 'software-as-a-service' arrangement. While this transition took place, costs to manage the now decommissioned SVDS software were also incurred.

** The increased expenditure reflects the expansion into waters asset management services and increased data collection services.

*** The decrease in expenditure reflects the extended period required to replace the WBCG Manager which resulted in a period of reduced activity and employment costs.

**** The increased expenditure reflects the investment into a sub-regional Three Waters study and the Hamilton to Auckland Corridor plan.

6 Personnel costs

Accounting policy

Defined contribution schemes

Employer contributions to KiwiSaver, the Government Superannuation Fund, and other defined contribution superannuation schemes are accounted for as defined contribution schemes and are recognised as an expense in the surplus or deficit when incurred.

	Actual 2020 \$	Actual 2019 \$
Salaries and wages*	454,487	145,357
Defined contribution plan employer contributions	13,101	4,102
Total personnel costs	467,588	149,459

The total remuneration (including any non-financial benefits) paid or payable for the year to the Chief Executive was \$221,692.

* The increase in salary and wages reflects the first full-year impact of the change in operating model which saw the appointment of a small core team (5 staff, 1 staff (2019)). Previously, part time contracted resource had been used to advance the company's activities.

Waikato Local Authority Shared Services Limited
Notes to the financial statements
30 June 2020
(continued)

7 Receivables

Accounting policy

Short-term receivables are recorded at the amount due, less any provision for uncollectability.

Receivables are initially measured at nominal or face value. Receivables are subsequently adjusted for penalties and interest as they are charged and impairment losses. Non-current receivables are measured at the present value of the expected future cash inflows.

Debtors are amounts due from customers. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

	Actual 2020 \$	Actual 2019 \$
Gross trade and other receivables	253,147	179,247
Related Party Receivables (note 17)	1,237,852	633,150
Accrued Interest on Short Term Deposits and Call Accounts	-	-
GST Refund Due	-	56,481
IRD - RWT Tax	-	998
Total debtors and other receivables	1,490,999	869,876
Exchange		
Receivables from exchange transactions	1,343,605	793,750
Non-exchange		
Receivables from non-exchange transactions	147,394	76,126
Total debtors and other receivables	1,490,999	869,876

8 Cash and cash equivalents

Accounting policy

Cash and cash equivalents include cash on hand, deposits held at call with banks, with original maturities of three months or less, and bank overdrafts.

	Actual 2020 \$	Actual 2019 \$
Cash at bank	1,127,987	1,459,803

The carrying value of cash and cash equivalents approximates their fair value.

The cash reserves principally relate to less than anticipated spend in the Future Proof and Waikato Plan initiatives. Funds on hand for these initiatives were transferred to Waikato Regional Council after balance date.

9 Income tax

Accounting policy

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

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

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

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

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

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

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

	Actual 2020 \$	Actual 2019 \$
Components of income tax expense:		
Current tax expense	-	-
Adjustments to current tax in prior years	-	-
Deferred tax expense	-	-
Tax expense	-	-
Relationship between tax expense and accounting profit:		
Net surplus (deficit) before tax	(340,535)	255,660
Tax at 28%	(95,350)	71,585
Non-taxable in calculating taxable income	-	-
Non-deductible expenditure	-	444
Other timing adjustments	5,860	-
Non-taxable income	-	-
Prior year adjustment	-	-
Deferred tax adjustment	(766)	-
Tax losses not recognised	90,256	(72,029)
Tax expense	-	-

Deferred tax asset (liability)

	PPE & Intangible assets	Employee entitlements	Provisions	Tax losses	Total
Balance at 1 July 2018	(45,812)	-	-	45,812	-
Charged to surplus or deficit	18,557	-	-	(18,557)	-
Balance at 30 June 2019	(27,255)	-	-	27,255	-
Charged to surplus or deficit	21,445	-	-	(21,445)	-
Balance at 30 June 2020	(5,810)	-	-	5,810	-

A deferred tax asset of \$601,911 (2019: \$509,531) has not been recognised in relation to tax losses carried forward of \$2,149,681 (2019: \$1,819,752).

10 Property, plant and equipment

Accounting policy

Property, plant, and equipment consist of:

(i) Operational assets

Operational assets include land, buildings, plant and equipment, motor vehicles, computer equipment and furniture.

Additions

The cost of an item of property, plant, and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, at rates that will write-off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Class of PP&E	Estimated useful life	Depreciation rates
IT equipment	3 years	33%
Office Furniture	8 1/2 years	12%

The residual value and useful life of an asset is reviewed and adjusted, if applicable, at each financial year end.

	Carrying amount 1 Jul 2019 \$	Current year additions \$	Current year depreciation \$	Accumulated depreciation and impairment charges 30 Jun 2020 \$	Carrying amount 30 Jun 2020 \$
2020					
Operating assets					
IT equipment	4,799	9,930	(2,874)	(3,667)	11,855
Office furniture and fittings	-	3,173	(63)	(63)	3,110
Total	4,799	13,103	(2,937)	(3,730)	14,965

	Carrying amount 1 Jul 2018 \$	Current year additions \$	Current year depreciation \$	Accumulated depreciation and impairment charges 30 Jun 2019 \$	Carrying amount 30 Jun 2019 \$
2019					
Operating assets					
IT equipment	-	5,592	(793)	(793)	4,799
Office furniture and fittings	-	-	-	-	-
Total	-	5,592	(793)	(793)	4,799

11 Intangible assets

Accounting policy

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software are recognised as an intangible asset.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life.

Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Class of intangible asset	Estimated useful life	Amortisation rates	
Computer software	5 to 7 years	14 to 25%	
		Actual 2020 \$	Actual 2019 \$
Computer Software			
Balance at 1 July		5,363,366	5,363,366
Disposals/asset write-offs		(3,065,316)	-
Balance at 30 June		<u>2,298,050</u>	<u>5,363,366</u>
Accumulated amortisation and impairment losses			
Balance at 1 July		5,266,295	5,199,774
Amortisation as per Income statement		53,321	66,521
Asset write-offs		(3,065,316)	-
Balance at 30 June		<u>2,254,300</u>	<u>5,266,295</u>
Carrying Amounts			
Balance at 1 July		97,071	163,592
Balance at 30 June		<u>43,750</u>	<u>97,071</u>

Intangible assets include the Shared Value Data Services (SVDS) computer software, and the Waikato Regional Transport Model (WRTM).

The carrying amount of the SVDS asset as at 30 June 2020 is \$0 (2019: \$38,738). During the year councils who were using the SVDS software entered into a new services arrangement, making the SVDS obsolete.

The carrying amount of the WRTM asset as at 30 June 2020 is \$43,750 (2019: \$58,333).

Waikato Local Authority Shared Services Limited
Notes to the financial statements
30 June 2020
(continued)

12 Payables and deferred revenue

Accounting policy

Short-term creditors and other payables are recorded at their face value.

	Actual 2020 \$	Actual 2019 \$
Current		
Trade payables	159,333	633,279
Related party payables (note 17)	202,603	118,450
Accrued expenses	31,481	-
Deferred revenue	1,232,662	587,160
RWT on Payments	246	-
GST payable	57,368	-
Total creditors and other payables	1,683,693	1,338,889
Exchange		
Trade payables	361,936	611,547
Accrued expenses	31,481	140,182
Deferred revenue*	1,232,662	587,160
RWT on payments	246	-
GST payable	57,368	-
Total creditors and other payables from exchange transactions	1,683,693	1,338,889
Non-exchange		
Total creditors and other payables from non-exchange transactions	-	-

Trade and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payable approximates their fair value.

Contributions received for projects that were not completed in a financial year are recognised as deferred revenue until the Company provides, or is able to provide, the service for which the contribution was charged.

* The increase in deferred revenue reflects funds received from councils participating in Future Proof and Waikato Plan that remained unspent at balance date. These funds were transferred to Waikato Regional Council post balance date.

13 Current liabilities - Employee Entitlements

Accounting policy

Short-term employee entitlements

Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent it will be used by staff to cover those future absences.

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation.

Presentation of employee entitlements

Sick leave, annual leave, vested long service leave, and non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date, are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit when incurred.

	Actual 2020 \$	Actual 2019 \$
Current portion		
Annual leave	24,004	8,635
Salaries	<u>28,348</u>	<u>13,921</u>
Total current portion	<u>52,352</u>	<u>22,556</u>

Waikato Local Authority Shared Services Limited
Notes to the financial statements
30 June 2020
(continued)

14 Reconciliation of equity

Accounting policy

Equity is the shareholders' interest in WLASS and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

Contributed equity

Contributed equity is the net asset and liability position at the time the company was formed. The allocation of capital amongst shareholders is explained in this note.

Retained earnings

Retained earnings is the company's accumulated surplus or deficit since formation.

	Actual 2020 \$	Actual 2019 \$
Total equity		
Contributed equity	2,957,001	2,957,001
Retained earnings	<u>(2,015,345)</u>	<u>(1,674,810)</u>
Balance at 30 June	<u>941,656</u>	<u>1,282,191</u>
(a) Contributed equity		
Shares on Issue	3,413,569	3,413,569
Uncalled capital	<u>(456,568)</u>	<u>(456,568)</u>
Balance 30 June	<u>2,957,001</u>	<u>2,957,001</u>
Balance at 1 July 2018	-	-
Shares Issued	-	-
Balance 30 June	<u>-</u>	<u>-</u>
(b) Retained earnings		
Balance at 1 July 2019	(1,674,810)	(1,930,470)
Surplus/(deficit) for the year	<u>(340,535)</u>	<u>255,660</u>
Balance 30 June	<u>(2,015,345)</u>	<u>(1,674,810)</u>

The Company has issued 2,186,581 (2019 - 2,186,581) shares.

Shares are called when notice is given to shareholders by the Board of Directors.

Income	Ordinary Shares	SVDS Shares	WRAPS Shares	WRTM Shares
Hamilton City Council	1	220,514	79,152	50,625
Hauraki District Council	1	40,215	2,864	-
Matamata Piako District Council	1	56,380	4,708	4,500
Otorohanga District Council	1	-	5,716	-
Rotorua Lakes Council	1	126,703	7,516	-
South Waikato District Council	1	42,571	4,916	-
Taupo District Council	1	-	21,652	4,500
Thames Coromandel District Council	1	108,015	6,476	2,250
Waikato District Council	1	106,674	9,376	11,250
Waikato Regional Council	1	803,500	287,872	50,625
Waipa District Council	1	78,748	3,780	11,250
Waitomo District Council	1	23,681	10,540	-
	12	1,607,001	444,568	135,000
	1,000	1	1	10
	12,000	1,607,001	444,568	1,350,000
	<u>(12,000)</u>	<u>-</u>	<u>(444,568)</u>	<u>-</u>
	<u>-</u>	<u>1,607,001</u>	<u>-</u>	<u>1,350,000</u>

14 Reconciliation of equity (continued)

SVDS, and WRAPS Shares (Service Shares)

In relation to the service shares:

- (a) the holders are entitled to participate in certain services to be provided by the Company, on terms that reflect their investment.
- (b) the holders do not have any right to share in the distribution of the surplus assets of the Company except to the extent provided for in Schedule 1 of the Company's constitution or in accordance with the terms of issue of those shares pursuant to Clause 6 of the Company's constitution.
- (c) Except as provided in section 177 of the Act and Clause 6.1 of the Company's constitution, the holders do not have any voting rights.

During the year the SVDS software, for which the SVDS Service Shares were originally issued, was fully amortised. The initial SVDS shareholders agreed to share the costs of development and ongoing maintenance of the asset. With the asset no longer in use, the rights and obligations conferred on the shareholders are now redundant.

WRTM shares

Holders of WRTM shares have:

- (a) A right to one vote prior to further WRTM shares being issued;
- (b) A right to one vote on the application of any surpluses arising from the WRTM service;
- (c) The right to any surplus from the sale of outputs of the WRTM service;
- (d) No right to share in the distribution of the surplus assets of the Company except to the extent provided for in (c) above;
- (e) No right to share in dividends authorised by the Company except to the extent provided for in (c) above.

15 Commitments

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Non-cancellable operating expenses

	Actual 2020 \$	Actual 2019 \$
Not later than one year	37,356	322,989
Later than one year and not later than five years	5,500	-
Total non-cancellable operating leases	42,856	322,989

16 Contingencies

As at 30 June 2020 the Company had no contingent liabilities or assets (2019 - \$0)

Waikato Local Authority Shared Services Limited
Notes to the financial statements
30 June 2020
 (continued)

17 Related party transactions

The Company is controlled by the councils listed on the directory page.

Transactions with key management personnel

Key management personnel include the Chief Executive and directors. WLASS has one independent director who receives remuneration.

	Actual 2020 \$	Actual 2019 \$
KRF Consulting - WLASS Chief Executive (June 2018 - March 2019)	-	144,404
Chief Executive Remuneration	221,692	74,540
Independent Director	45,833	-
Total key management personnel compensation	267,525	218,944

Related party disclosures have been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances.

Related parties have been limited to the directors, shareholders and company related roles. The following transactions were carried out with related parties:

	Actual 2020 \$	Actual 2019 \$
Income		
Hamilton City Council	1,009,597	684,485
Hauraki District Council	291,040	242,217
Matamata Piako District Council	430,604	265,565
Otorohanga District Council	258,905	146,490
Rotorua Lakes Council	84,821	69,138
South Waikato District Council	241,961	202,851
Taupo District Council	236,550	115,592
Thames Coromandel District Council	301,831	268,865
Waikato District Council	615,259	583,011
Waikato Regional Council	496,091	490,506
Waipa District Council	840,840	471,646
Waitomo District Council	264,232	182,225
	5,071,731	3,722,591

The income disclosed above includes revenue received relating to the 2018/19 financial year and revenue received which has been transferred to deferred revenue for 2019/20.

	Actual 2020 \$	Actual 2019 \$
Expenses		
Hamilton City Council	154,951	71,800
Hauraki District Council	821	-
Taupo District Council	-	4,240
Waikato District Council	114,241	364,889
Waikato Regional Council	178,676	142,432
Waipa District Council	591,206	632,990
Waitomo District Council	-	-
	1,039,895	1,216,351

Expenses are related to services provided by the related parties.

Actual 2020	Actual 2019
----------------	----------------

Waikato Local Authority Shared Services Limited
Notes to the financial statements
30 June 2020
 (continued)

17 Related party transactions (continued)

	Note	\$	\$
Advances			
<i>Trade & Other Receivables</i>	7	-	-
Hamilton City Council		384,343	79,572
Hauraki District Council		67,449	23,770
Matamata Piako District Council		193,421	72,455
Otorohanga District Council		40,120	10,271
Rotorua Lakes Council		27,879	-
South Waikato District Council		69,839	31,643
Taupo District Council		113,066	7,422
Thames Coromandel District Council		81,826	20,091
Waikato District Council		135,138	236,373
Waikato Regional Council		19,545	20,518
Waipa District Council		65,926	95,688
Waitomo District Council		45,590	35,347
		<u>1,244,142</u>	<u>633,150</u>
 <i>Amounts outstanding at year end:</i>			
Hauraki District Council		441	-
Waikato District Council		-	85,199
Waikato Regional Council		17,970	32,939
Waipa District Council		184,192	312
		<u>202,603</u>	<u>118,450</u>

18 Director and executive disclosures

\$45,833 in remuneration was paid to Directors during the year (2019: \$0).

19 Events occurring after the balance date

In the Board of Directors meeting held 9 April 2020 the Board approved the transfer of the WLASS role of contract and financial management related to the Waikato Plan and Future Proof workstreams to Waikato Regional Council. It was agreed between WLASS and Waikato Regional Council that any funds held at year end for these two workstreams be transferred to Waikato Regional Council. \$609,766 was transferred for Future Proof and \$225,743 for Waikato Plan in September 2020.

20 Covid-19 impact

On March 11, 2020, the World Health Organisation declared the outbreak of a coronavirus (Covid-19) a pandemic and two weeks later the New Zealand Government declared a State of National Emergency. The global Covid-19 pandemic has had a significant impact on the majority of organisations and their people across the globe. New Zealand was at Alert Level 4 from late March 2020, resulting in a four-week nation wide lockdown. The country has gradually moved to Alert Level 1. The lockdown caused economic uncertainties in many industries.

Management assessed the impact of Covid-19 on the company on a line by line basis and concluded the impact of the Covid-19 pandemic on operations is minimal. The main factors for this conclusion are:

- the financial forecast position and forecasted results show a strong position at 30 June 2021
- from an operational perspective, for the most part, services remain unaffected
- receivables relate mostly to the shareholding councils. There are no indicators for impairment

Where operations have been impacted this has similarly reduced expenditure and the recovery of costs from councils, meaning there has been little impact on net profit.

21 Financial instruments

The Company has policies to manage the risks associated with financial instruments. The Company is risk averse and seeks to minimise exposure from its treasury activities.

(a) Market risk

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to fair value interest rate risk is limited to short-term bank deposits.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose the Company to cashflow interest rate risk.

The Company currently has no variable interest rate debt or investments.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not exposed to currency risk, as it does not enter into foreign currency transactions.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to fair value interest rate risk is limited to short-term bank deposits.

(b) Credit risk

Credit risk is the risk that a third party will default on its obligation to the Company, causing the Company to incur a loss.

Due to the timing of its cash inflows and outflows, the Company invests surplus cash with registered banks.

The Company has processes in place to review the credit quality of customers prior to the granting of credit.

The Company's maximum credit exposure for each class of financial instruments is represented by the total carrying amount of cash equivalents (note 7), investments (note 10), and trade receivables (note 8). There is no collateral held as security against these financial instruments, including these instruments that are overdue or impaired.

The Company has no significant concentrations of credit risk, as it has a large number of credit customers and only invests funds with registered banks with specified credit ratings.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty raising funds to meet commitments as they fall due.

Prudent liquidity risk management implies maintaining sufficient cash and liquid assets, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, the Company maintains a target level of investments that must mature within specified timeframes.

The maturity profiles of the Company's interest bearing investments and borrowings would be disclosed in the notes, if the Company had any.

(d) Financial instrument categories

	Note	2020 \$	2019 \$
FINANCIAL ASSETS			
Loans and receivables			
Cash and cash equivalents	8	1,127,987	1,459,803
Receivables	7	1,490,999	869,876
Other financial assets		-	-

21 Financial instruments (continued)

(d) Financial instrument categories(continued)

Total loans and receivables		<u>2,618,986</u>	<u>2,329,679</u>
FINANCIAL LIABILITIES			
Financial liabilities at amortised cost			
Payables and deferred revenue	12	<u>1,683,693</u>	<u>1,341,397</u>
Total financial liabilities at amortised cost		<u>1,683,693</u>	<u>1,341,397</u>

22 Explanation of major variances against budget

Statement of comprehensive revenue and expenditure

Other Revenue

Member charges were higher principally due to the expansion of RATA into waters asset management.

Working Parties revenue was higher than budgeted due to the recovery of increased 3rd party costs (\$63k) and funding unbudgeted projects that had not been costed at the time the budget was prepared (\$126k).

IT revenue was lower due to delayed start of LiDAR project (~\$355k) and the expenditure for other projects being lower than expected meaning lower revenue recovery (~\$64k).

RATA revenue was lower due to interruptions to the data collection work (~\$195k).

Future Proof received unbudgeted revenue to fund the Sub-Waters Three Waters Study Phase 1 (\$229k) and other projects (\$68k).

Waikato Plan projects were delayed and therefore all revenue received was transferred to deferred revenue (~\$229k).

Personnel Costs were spent due to the employment of Waikato LASS staff, however this is offset by savings in the WBCG workstream.

Other Expenses

Working Parties expenditure was higher due to increased 3rd party costs (\$63k) and expenditure on unbudgeted projects (\$126k).

IT expenditure was lower due to delayed start for LiDAR project (~\$355k) and lower than expected expenditure for the Waikato data portal and collaboration portal (~\$64k).

RATA expenditure was lower due to interruptions to data collection (~\$195k). This was offset in part by the unbudgeted expenditure for Waters Collaboration (\$161k).

WBCG expenditure was lower than expected due to delays in recruitment and therefore salaries.

Future Proof expenditure was greater than budget due to the Sub-Waters Three Waters Study Phase 1 (\$251k) and the H2A corridor plan being over budget (\$100k). Note that the prior year cash surplus was used to fund expenditure.

Waikato Plan expenditure was less as project advisors worked to reduce costs (~\$142k) and there was a delayed start for two projects (~\$75k).

Statement of Financial Position

Cash and cash equivalents is higher than budget with less than anticipated expenditure across various workstreams and/or advanced funding requests for Future Proof.

Receivables budget is based on a percentage of total budgeted revenue, however \$1.4m of the receivables balance was invoiced in June 2020.

Current liabilities are higher than budgeted due to deferred revenue increasing with the transfer of Future Proof and Waikato Plan activities to Waikato Regional Council.

The budgeted prepayment was received in July 2020 and therefore no prepayment was required.

Waikato Local Authority Shared Services Limited
Notes to the financial statements
30 June 2020
(continued)

22 Explanation of major variances against budget (continued)

Intangible assets are higher than budget due to the useful lives of the SVDS and WRTM intangible assets being revised, at the end of last financial year, to March 2020 and June 2023 respectively.

Employee benefits are not budgeted for.

Statement of Cash Flows

Payment to suppliers and employees were less than budgeted due to the reasons noted in this and earlier notes to these accounts.



Directory

Company number	1730380
Registered office	15 Wilson Street Cambridge 3434 Waikato
Directors	ION, Gavin BRYANT, David (appointed 10 March 2020) BOWCOTT, Blair (resigned 10 March 2020) GREEN, Gareth PAYNE, Vaughan STUBBS, Peter (appointed 1 September 2019) WILLIAMS, Rob
Bankers	Bank of New Zealand Hamilton Banking Centre Victoria Street Hamilton
Auditors	Audit New Zealand (on behalf of the Auditor General)





Half-yearly report to Shareholders

1 July 2020 to 31 December 2020

Table of Contents

1	Overview of WCLASS.....	3
2	Statement of service performance.....	4
2.1	Our value.....	4
2.2	Six-month highlights	5
2.3	Assessment of performance against targets.....	6
3	WCLASS Financial Position.....	9
3.1	Summary	9
3.2	Statement of Financial Performance.....	10
3.3	Statement of Cashflows.....	10
3.4	Statement of Financial Position	11
3.5	Policies	11
4	Governance arrangements.....	12
5	Financial forecasts	12
6	Nature & scope of activities.....	12

1 Overview of WCLASS

WCLASS was established in December 2005. It is jointly owned (in equal portion) by the following councils:

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

The company has two fundamental roles:

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

Using WCLASS to explore opportunities for councils to be more effective will contribute to councils' section 17A obligation under the Local Government Act 2002 to periodically review the cost-effectiveness of the current arrangements for delivering services to their communities.

In the first half of 2020 the company revisited the way that it measures its success to reflect these roles. This is encapsulated in a performance framework.

WCLASS Performance Framework

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

WCLASS is acutely aware of the role it needs to play in reducing costs to its shareholding councils (or improving performance without an increase in cost). While improving the experience of councils' communities will always be front of mind as we develop ideas, we will not do this if it results in an unacceptable layer of additional, unrecoverable cost to councils. Similarly, we want to facilitate more

engagement between central government and Waikato councils, and build central government's confidence in councils in the region. However, we see this as a by-product of achieving the other two outcomes, through which we aspire to show Waikato councils to be the exemplar of how local government in a region can work.

2 Statement of service performance

2.1 Our value

The company continues to deliver value to its shareholding councils through enabling:

- Improved levels and quality of service;
- A more co-ordinated approach to the provision of services;
- Reductions in the cost of services (meeting Council's LGA obligation);
- The development of new initiatives;
- Standardisation of service levels;
- Opportunities for all Councils, irrespective of location or size, to benefit from joint initiatives; and
- Economies of scale resulting from a single entity representing all Councils and leveraging procurement opportunities.

The nature and scope of the activities WLASS undertakes is detailed in section 6. We believe that our fees reflect the value we provide for our core service offerings (RATA, the Energy & Carbon Management programme, the Waikato Regional Transport model, Shared Valuation Data Services, Waikato Building Consent Group and from 2021, WLASS Water Services).

However, the services themselves lead to additional benefits. For example, across RATA and the Energy & Carbon Management programme identified initiatives have led to savings of ~\$1.3m p.a., and the SVDS offering generates revenue from third parties which, for the first time, means that we are not requiring contributions from councils. More recently, last year's priority project "Coordinated Infrastructure Procurement" led to the appointment of a new role within the company to deliver the benefits laid out in the business case. That appointment late last year has had an immediate impact by working with Waikato Regional Council staff to secure savings of ~\$163k (17%) on a project.

We also know that the joint procurement of various services leads to a direct cost saving. This saving comes in the form of:

- Time savings for council staff by undertaking the procurement process once, collectively, rather than individually;
- Direct cost savings from undertaking a single procurement and strengthened negotiation positions;
- Reduced risk, in the case of insurance, which has led to a saving in insurance premiums estimated at between \$1.0m and \$1.5m p.a.

We want to ensure that our service offerings meet your expectations. That is why we have a specific measure of performance for this. While we regularly seek feedback from councils, we will be formally gauging how well we are meeting your needs via a shareholder survey in the first half of 2021. We welcome the opportunity to engage more with our shareholding councils at all levels, in a way that best works for each of you.

Beyond the direct time and cost savings councils receive from the work WLASS does, we make it a priority to add value in less tangible ways. We have started seconding council staff onto some of our projects where they have the capacity to be involved. We see this as a great way of helping develop your staff by exposing them to a more regional perspective and getting involved in an area that is not part of what they do on a day-to-day basis. We think providing this opportunity is significantly more valuable

than engaging consultants to help us develop ideas, at greater cost, and with the learnings taken with them at the end of the project.

We also foster collaboration across the councils. In the main we do this via working groups, which meet at least quarterly. The overarching purpose of these groups is to help WLASS achieve the outcomes we are seeking, and these groups facilitate this by coming up with ideas for improvement in their functional areas, as well as acting as a sounding board for initiatives as they are developed. They also play a critical role in helping their councils, particularly potentially impacted staff, prepare for change that might come from ideas once they are developed.

While the working groups are an important element to the success of the company, we also know from discussions with council staff involved that they value the opportunity to get together and talk with their peers about common challenges and share learnings on how to address them.

2.2 Six-month highlights

Of course, we want to continue to build on the value we are already providing. To that end, we are doing what we said we would do in our 2020 SOI and set out in this section what we have done during in the last six months, beyond the value we provide through our current offerings.

WLASS Water Services

In September 2020, the Board approved the establishment of WLASS Water Services. This arrangement will see the previous partnership between Hamilton City, Waikato District and Waipa District Councils subsumed into WLASS. The water sampling and analysis, trade waste management and "Smart Waters" services undertaken by the unit will be offered to other councils within the region.

Nine councils have indicated a desire to participate in at least one of the services. Hamilton City Council and Waipa District Council will transfer directly from the existing partnership to become a customer of the new WLASS service. Most of the other councils will commence the service in the new financial year, from 1 July 2021, although some have indicated a preference for a start date in early 2021.

This new service offering is a significant addition to the company, increasing revenue by ~40%.

Building consent shared services

The most significant opportunity development during the period was the Building Consent Shared Services project. The issue and monitoring of building consents is a critical function of councils. It is important that this function is delivered with the customer in mind and in the most efficient way. Councils are also facing a shortage in capacity in this area and this challenge is expected to increase with an aging workforce (not unique to building consent functions), and continuing demands on high-growth sub-regions.

Development of the opportunity culminated in the delivery of an indicative business case to the Board in December. We will be engaging further with senior staff within councils in the first half of 2021 with a view to progressing this transformational initiative to detailed business case. We believe it can add real value to Waikato communities.

Coordinated L&D programme

Waikato councils have the same functional responsibility and therefore the same capability needs (noting the WRC have some different requirements). This project will consider how the learning and development programmes and supporting material can be aligned and a regional approach to training can be established. Ultimately, the project aims to result in improved training opportunities for council staff and cost efficiencies as a result of collaboration. We see it having the potential to significantly lift the capabilities within councils in a cost-effective way.

A project team has been established with representation from councils along with support from the WLASS People and Capability Managers Working Party. The team have commenced analysis of the opportunity.

Waikato OneView

Phase 1 of the Waikato OneView project implementation was completed. Waikato OneView will see the alignment of key data from different councils through a common data schema and presentation of that data via a Web Map Viewer. It will improve the customer experience by reducing the time required to gather data and increasing the data's accessibility because it covers the whole region and is always available.

For the councils, a key investment objective is to increase the visibility and accessibility of data (in line with central Government's open data initiative), with the resulting benefit of improved ability to report across council boundaries. Other objectives include the aim of reducing council staff workloads (because users can self-serve) and the cost-benefit of collective buying power.

LiDAR

In February 2019, the Board approved the procurement of a regional Light Detection and Ranging (LiDAR) data set as part of a Land Information NZ nation-wide initiative. That initiative is supported by funding from the Provincial Growth Fund and other commercial partners, which has significantly reduced the investment required from councils. The project will create highly detailed 3D maps and models of the Waikato landscape. LiDAR is a foundational data asset essential to decisions involving the physical world. It has the potential to help drive regional economic growth and spur new investment by enabling councils and businesses to efficiently plan and develop housing, road, and water infrastructure, and better prepare for hazards such as flooding, landslides and erosion.

The supplier of the LiDAR services (iXblue Pty Ltd) is an Australian based company with a presence in NZ. Lockdown from COVID-19 meant flying did not start last season. Ongoing border restrictions created some challenges for the team as key staff (including pilots), were required to complete the mandatory 14-day isolation period. However, as of January 2021, there are two survey planes working in the region along with ground-based teams completing the ground survey operation. The survey operation is expected to continue until May 2021, while the fully processed LiDAR data is expected to be delivered to WLASS by October 2022.

The next suite of priority projects




Following consultation with council Chief Executives and other senior staff, the Board agreed the next suite of priority projects that the company will progress throughout 2021. Those projects will continue to push the transformational agenda our shareholders have asked for. They cover:



- The use of technology to 'enable' councils and to allow them to engage more effectively with their communities;
- The establishment of regional 'centres of excellence' in GIS and asset management;
- Policy and by-law development; and
- Considering how the company can add the most value to its shareholders given the significant changes in the local government landscape they are faced with.

More detail on these projects is included in the company's 2021 Statement of Intent.

2.3 Assessment of performance against targets

The following performance measures were included in the 2020 Statement of Intent covering the financial years ended 30 June 2021-2023. An update on performance against target, as at 31 December 2020, is shown in the table below.

Priority	Performance measure	Target	Outcome (progress toward target)
<p>Prioritise and develop business cases for opportunities that, if implemented, add value to councils by achieving one or more of our objectives</p> <p>Linked impact(s)</p> 	<p>➤ Business cases will include measurable benefits linked to one or more of the outcomes sought</p> <p>➤ Opportunity assessments are supported by councils (evidenced by Board minutes)</p>	<p>Projected savings to councils of \$300k+</p> <p>75% of councils</p>	<p>➤ The WLASS Water Services Business Case was built on non-monetary benefits</p> <p>➤ Several other projects are under development and yet to be finalised with a determination of quantifiable benefits.</p> <p>➤ Progression of the BCSS project has been deferred pending further engagement with councils</p> <p>➤ One or more of the service offerings contained in the WLASS Water Services business case were taken up, in principle (based on indicative proposals), by those councils able to participate</p>
<p>Develop opportunities and deliver projects within agreed budgets and timelines</p> <p>Linked impact(s)</p> 	<p>➤ Opportunities / projects are developed / delivered within agreed timelines</p> <p>➤ Opportunities / projects are developed / delivered, within approved budget</p>	<p>80%</p> <p>90%</p>	<p>50%: Three of the six projects under development that had a milestone during the period, had some delays in their progress. The most significant delay was a three-month lag in relation to the Building Consent Shared Services project, for which the Board agreed to extend beyond the original timeframe to allow greater time to engage with councils.</p> <p>100%: The two completed projects both came within budget. Those projects that are in progress are on track to also come within budget.</p>
<p>Ensure projects realise their expected benefits</p> <p>Linked impact(s)</p> 	<p>➤ Measurable benefits are actively monitored and reported against</p> <p>➤ Audit & Risk Committee undertake an assessment of projects following implementation (which will include an</p>	<p>Six-monthly</p> <p>For \$200k+ Projects (based on cost of opportunity development</p>	<p>Will commence June 2021 at which point there will have been a full six-month window following implementation of the Coordinated Infrastructure Procurement and WLASS Water Services projects.</p> <p>The Audit & Risk Committee have asked management to provide a list of projects for review in the first half of 2021.</p>

Priority	Performance measure	Target	Outcome (progress toward target)
	assessment of whether projected benefits have been realised)	and ongoing investment) Within 15 months 90% of projected quantifiable benefits are realised	
<p>Ensure existing services are meeting the needs of councils</p> <p>Linked impact(s)</p> 	<p>➤ The services we provide (below) are considered by councils who use that service to meet or exceed their expectations (evidenced by an annual survey):</p> <ul style="list-style-type: none"> ○ RATA – roading & waters ○ Waikato Building Cluster ○ Regional Infrastructure Technical Specifications ○ Energy & Carbon Management ○ Professional Services Panel ○ Health & Safety pre-qualification 	80% of councils	Not currently measurable: While management regularly meet with council Chief Executives (and other senior staff) and receive informal feedback as part of those meetings, a survey will be undertaken in the second half of the financial year to ensure each service offering is meeting the needs of councils.
<p>Foster and promote cross-council collaboration and networking to share ideas on improving efficiencies and best practice</p> <p>Linked impact(s)</p> 	<p>➤ Across these groups, ideas for future consideration and/or initiatives are identified each year</p>	Six per annum	<p>Two initiatives have arisen during the year to date, from the Transformational Focus and Legal Services groups.</p> <p>WLASS engages regularly with the Shared Services Working Party (comprising council Corporate Services Managers / Chief Financial Officers), and other functionally based working groups. The working groups fill an important role of helping WLASS develop opportunities, through providing resource, acting as a sounding board for ideas and helping manage the potential for change within their councils.</p>

3 WCLASS Financial Position

3.1 Summary

Summary financial results for the six months to 31 December 2020 are:

	2021 actual \$000	2021 forecast \$000	Variance \$000 (Actual v Budget)	2021 budget \$000 (Full Year)
Total income	2,315	3,919	(1,604)	6,205
Total operating expenditure	1,618	2,492	(874)	6,372
Net surplus before tax	698	1,427	(729)	(183)
Cash on hand	1,301	n/a	n/a	647

Revenue and expenditure are both less than anticipated, with two projects occurring slightly later than anticipated. Flying related to the LiDAR project was deferred at the end of last summer because of COVID-19 and this has had a flow-on effect. Similarly, flying related to the new regional aerial photography contracts is commencing at the start of 2021 rather than late 2020. Overall timing of both these projects remains in line with expectations. While the net surplus is currently less than forecast, this is expected to reverse over the remainder of the year with the latest forecast indicating a full-year profit of \$189k.

The cash position is:

	Cash balance @ 1/07/2020 \$000	Cash surplus / (deficit) \$000	Cash balance @ 31/12/2020 \$000
Company Administration	75	293	368
RITS	23	43	65
Working Parties Projects	20	91	111
Information Technology	10	22	32
Energy Management	133	10	143
Shared Valuation Data Service (SVDS)	233	47	280
Road Asset Technical Accord (RATA) & Waters Collaboration	145	-118	27
Waikato Regional Transport Model (WRTM)	19	258	277
Waikato Building Consents Group (WBCG)	236	59	295
Mayoral Forum	-23	4	-19
WCLASS Water Services	0	-12	-12
Accounts Receivables	-1,491	-117	-1,608
Accounts Payables	1,747	-406	1,341
Total	1,127	174	1,301

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

Invariably the cash balance has arisen because actual expenditure has been less than anticipated. It is expected to reduce over the coming six months. We will be reforecasting in March and will assess the likely year end cash position for each workstream. The Company Administration surplus is mainly due to the full year's membership charges being invoiced at the beginning of the financial year.

3.2 Statement of Financial Performance

Waikato Local Authority Shared Services Statement of Financial Performance For the six months ending 31 December 2020				
	Financial year 2021 YTD Actuals	Financial year 2021 YTD Forecast	Financial year 2021 YTD Budget	Financial year 2020 YTD Actuals
Revenue				
SVDS Data & Software Sales	266,751	270,295	235,955	246,630
Interest	7	6	1,000	15
Other Revenue				
User Charges	2,048,689	3,648,701	2,708,304	2,444,962
Total Other Revenue	2,048,689	3,648,701	2,708,304	2,444,962
Total Revenue	2,315,447	3,919,002	2,945,259	2,691,607
Expenditure				
Depreciation and amortisation expense	10,868	11,602	8,225	34,065
Personnel costs	321,198	287,864	353,525	183,498
Other expenses	1,285,762	2,192,869	2,454,671	2,227,745
Total Expenditure	1,617,828	2,492,335	2,816,421	2,445,308
Net Profit	697,619	1,426,667	128,838	246,299

3.3 Statement of Cashflows

Waikato Local Authority Shared Services As at 31 December 2020 For the six months ending 31 December 2020		
	Financial year 2021 YTD Actuals	Financial year 2020 YTD Actuals
Cashflows from Operating Activities		
Interest Received	7	2,369
Receipts from Other Revenue	2,059,188	5,289,918
Payments to Suppliers and Employees	(1,898,160)	(5,725,847)
Taxes Paid	0	998
Goods & Services tax (net)	35,150	113,849
Net cash from operating activities	196,184	694,474
Cashflows from Investing Activities		
Capital enhancements	0	0
Purchase of PPE	(13,611)	(13,103)
Purchase of investments	0	0
Net cash from investing activities	(13,611)	0
Net increase in cash, cash equivalents and bank accounts	172,730	(331,816)
Opening cash and cash equivalents and bank overdrafts	1,127,986	1,459,803
Closing cash, cash equivalents and bank accounts	1,300,716	1,127,986
Summary of Bank Accounts		
BNZ - Call a/c	28,921	0
BNZ - Transaction Account	1,271,795	1,127,986
Closing Balance of Bank	1,300,716	1,127,986

3.4 Statement of Financial Position

Waikato Local Authority Shared Services Statement of Financial Position As at 31 December 2020

	Financial year 2021 Actual at 31/12/2020	Financial year 2020 Actual at 31/12/2019
Assets		
Current Assets		
Bank		
Call Account	28,921	28,902
Transaction Account	1,271,796	2,111,764
Total Bank	1,300,717	2,140,667
Accounts Receivable		
Accounts Receivable	897,371	185,680
Accounts Receivable Accruals	710,705	170,704
GST	0	31,934
IRD - RWT Tax		
RWT On Interest	0	998
RWT On Payments	0	(2,584)
Total IRD - RWT Tax	0	(1,586)
Total Accounts Receivable	1,608,075	386,732
Prepayments	0	6,900
Total Current Assets	2,908,792	2,534,298
Non-current Assets		
SVDS - Original Cost	3,065,316	3,065,316
WRTM - Original Cost	2,296,855	2,296,855
MoneyWorks Software	1,195	1,195
IT equipment	24,350	5,592
Accumulated Depreciation	(5,334,214)	(5,301,152)
Office Furniture	7,956	0
Total Non-current Assets	61,458	67,806
Total Assets	2,970,250	2,602,104
Liabilities		
Current Liabilities		
Accounts Payable		
Accounts Payable	147,341	172,376
Accounts Payable Accrual	5,000	305,521
Total Accounts Payable	152,341	477,897
Credit Card Balance	2,472	0
Revenue in Advance	1,093,486	587,159
ACC Prepayments	0	(77)
Employee Entitlements	1	8,635
GST	92,518	0
Total Current Liabilities	1,340,819	1,073,615
Total Liabilities	1,340,819	1,073,615
Net Assets	1,629,432	1,528,490
Equity		
Contributed Capital	2,957,001	2,957,001
Retained Earnings	(1,327,569)	(1,428,511)
Total Equity	1,629,432	1,528,490

3.5 Policies

The accounting policies on which the preceding financial statements have been prepared are consistent with those used in preparing the Financial Statements for the year ended 30 June 2020, included in the company's [Annual report](#).

4 Governance arrangements

During the period, the Directors of WLASS were:

Director	Representing
Peter Stubbs	Independent Chair
David Bryant	Hamilton City Council
Gareth Green	Otorohanga, Rotorua, Taupo, South Waikato and Waitomo District Councils
Gavin Ion	Waikato and Waipa District Councils
Chris McLay (appointed 25 September 2020)	Waikato Regional Council
Vaughan Payne (resigned 25 September 2020)	Waikato Regional Council
Rob Williams	Hauraki, Matamata-Piako and Thames-Coromandel District Councils

5 Financial forecasts

Latest financial forecasts are contained in the company's 2021 Statement of Intent issued for shareholder comment in February 2021.

6 Nature & scope of activities

The principal initiatives operating under the WLASS umbrella are:

- Aligned resource consent planning
- Energy management
- Health & safety pre-qualification
- Joint procurement initiatives
- LiDAR
- Regional Asset Technical Accord (RATA)
- Regional Infrastructure Technical Specifications
- Shared Valuation Data Services (SVDS)
- Waikato Building Consent Group (WBCG)
- Waikato Regional Aerial Photography Service (WRAPS)
- Waikato Regional Transportation Model (WRTM)
- WLASS Water Services (WWS)

Aligned resource consent planning

This toolkit provides regional consistency and best practice processes in the administration of resource consenting. It is used by nine councils (Taupo and Otorohanga are not currently participating, and Waikato Regional Council processes different types of resource consents from the territorial local authorities). WLASS controls the documentation on the WLASS website, and the Waikato Resource Consent forum manages the process for making updates and amendments to the templates and documents in the toolkit.

Energy management

WLASS entered into a three-year Collaboration Agreement with the Energy Efficiency Conservation Authority (EECA) in February 2016. Across the programme EECA provided funding of \$210,000. Implemented projects have delivered 3.62m kWh in energy reduction annually (as against a target of 2.5m kWh), saved \$446,000 per annum.

From 1 July 2019 a new energy and carbon management programme was entered into between WLASS and the nine participating councils.

Health & safety pre-qualification

WLASS contracts with RJ Safety Consulting (previously SHE Software), to manage the Local Government Health & Safety Contractor Pre-qualification Scheme on behalf of councils. Twenty councils and one CCO are now using the scheme with approximately 1,600 contractors registered, which enables them to be pre-qualified to work for any of the participating councils.

Further detail on these activities and the councils involved in each can be found on the WLASS website at <http://www.waikatolass.co.nz/>.

Joint procurement initiatives

WLASS is a party to numerous joint procurement contracts between the company, shareholding councils and suppliers. Councils choose whether to be a party to a particular contract. Wherever possible we negotiate a syndicated contract with the supplier to allow additional councils to join later.

The most significant suite of contracts comprises the Professional Services Panel, involving eight councils and upwards of 150 suppliers. The current panel arrangement was established in August 2019.

In 2019 standard regional procurement policies, templates and procedures were developed for use by councils and procurement training provided to council staff.

LiDAR

WLASS is managing a project to create highly detailed 3D maps and models of the Waikato landscape using LiDAR (Light Detection and Ranging) technology. Ground survey commenced in December 2020 with aerial survey commencing in January 2021. The survey operations are expected to be complete by May 2021 and the full data set to be publicly available by October 2022. The project involves funding from ten councils plus several commercial companies and the Provincial Growth Fund (via LINZ).

Regional Asset Technical Accord (RATA)

RATA was initially established as a centre of excellence for road asset planning in 2014.

The original aim of RATA was to achieve best practice in road asset management by improving capability, capacity and outcomes through effective collaboration. This aim remains but in 2019 the business unit expanded its activity into waters asset management. By leading asset management best practice, RATA enables better decision-making through the effective collection and use of good quality data, and the implementation of good practice processes and systems for data collection, analysis and management.

Waipa District Council employs RATA staff who are then contracted to provide services to WLASS.

Regional Infrastructure Technical Specifications (RITS)

The RITS document sets out how to design and construct transportation, water supply, wastewater, stormwater and landscaping infrastructure. Prior to developing RITS, each Council had its own technical specifications for infrastructure resulting in different standards having to be met across the Waikato region. RITS provides a single regional guide, making business easier.

The RITS is published on the WLASS website (<http://www.waikatolass.co.nz/>), and ongoing maintenance of the document is the responsibility of a Project Co-ordinator, managed by WLASS.

Shared Valuation Data Service (SVDS)

This service provides timely and accurate valuation data to the participating councils. The SVDS has become the accepted valuation database for the region. Data sales significantly reduce the net cost to the participating councils. In the first half of 2020, the transition to a software-as-a-service arrangement with a new provider was completed further reducing cost to councils.

Waikato Building Consent Group (WBCG)

The WBCG was initially set up by five Waikato local authorities in 2004 to foster co-operation, collaboration and consistency in building functions, legislative interpretation and process documentation across the partnering councils. The activity transferred to WCLASS on 1 July 2016 and now comprises eight councils.

The WBCG has developed a common quality assurance system with associated supporting documentation that meet the legislative requirements of the Building Act 2004 and the Building (Accreditation of Building Consent Authorities) Regulations 2006. These regulations cover all aspects of the operational management and compliance of a Building Consent Authority (BCA).

On 1 July 2020, WCLASS assumed responsibility for managing the regions IQP and Producer Statement registers for the benefit of councils.

Waikato Regional Aerial Photography Service (WRAPS)

WRAPS was set up in the 1990s for the supply of colour, digital, ortho-rectified, aerial photography for the Waikato Region. Photographs are captured periodically (~every 5 years). Most recently contracts were executed in December 2020 to undertake the latest programme.

Waikato Regional Transportation Model (WRTM)

The WRTM became fully operational in February 2010. It provides accurate information to councils and to external users (for a charge) for their transport modelling requirements. The WRTM is the only recognised strategic transport modelling resource in the Waikato Region and is jointly funded by the NZTA.

WRTM is making a significant contribution to strategic planning surrounding land use and infrastructure within the region and has been involved in regionally and nationally significant investigations including the Waikato Expressway Network Plan, the Waikato Regional Land Transport Strategy and Regional Policy Statement and transport impact assessments in relation to the development of Ruakura.

WCLASS Water Services (WWS)

In the second half of 2020 the company agreed to subsume the previous Shared Services Partnership activity (involving Hamilton City and Waipa and Waikato District Councils), into its suite of services available to other councils. Eight councils accepted indicative proposals to take up one or more of the sampling and analysis, trade waste management and Smart Water services available. Onboarding the councils will occur in the first half of 2021.



2021 Statement of intent

For the year ended 30 June 2022

Table of Contents

MESSAGE FROM THE CHAIR	3
BACKGROUND	4
OUR VISION AND THE OUTCOMES WE ARE LOOKING FOR	4
PRIORITIES – DOING WHAT WE SAID WE WOULD DO	5
AS YOU ASKED, WE’VE CHANGED	8
Active council support remains critical.....	9
PERFORMANCE MEASURES	9
TRANSPARENCY AND REPORTING TO COUNCILS	11
GOVERNANCE ARRANGEMENTS	11
FINANCIALS	12
Overview	12
Statement of Financial Performance.....	13
Statement of Financial Position	14
Statement of Cashflows	14
APPENDIX I: WHAT WE DO - CURRENT ACTIVITIES	15
APPENDIX II: POLICY STATEMENTS	18

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

Message from the Chair

WLASS has made substantial progress in 2020. We aim to continue that in 2021.

We have been delivering what we said we would. The priority projects set out in last year's Statement of Intent have either been completed or significantly advanced. Some of those projects, notably the Building Consent Shared Services project, have challenged councils to think quite differently about how they deliver services (more on that shortly).

"At its heart WLASS exists to identify, and develop business cases, for ideas that have the potential to transform its shareholder councils."

Our priority projects have recently led to two new services. WLASS Water Services supports councils by providing water sampling and analysis, trade waste management and water conservation education services. Nine councils are participating in one or more of these services. Through the Coordinated Infrastructure Procurement service, we are working with councils to facilitate a better outcome for them, their communities and suppliers, by identifying opportunities to procure and sequence infrastructure work on a cross-council basis.

At its heart WLASS exists to identify, and develop business cases, for ideas that have the potential to transform its shareholder councils. The goal is to improve the experience of councils' communities and staff, improve performance, reduce costs, and build trust and confidence with central government.

In pursuing the goal in 2020 we did strike challenges.

A good example of these challenges was provided in December 2020, when the board was presented with an indicative business case for a building consent shared services approach with a request for funding to develop a detailed business case for a particular option. While our priority projects all can add significant value, this was the first project that was truly transformational – reimagining how building consent services are delivered and recommending this be delivered on a regional basis.

With this work we struck difficulty in developing the indicative business case, and the work took longer, because of opposition from some staff within councils. In addition, the commitment of chief executives to supporting the development of the detailed business case varied.

From this work WLASS has learned that transformation means different things to different council chief executives. That the pace at which those chief executives wish to move, differs. That some chief executives are excited by the prospect of substantial change within the sector and want the region to lead the thinking on that change, while others are worried by it and feel overburdened already. And that resistance to change is hard wired into the middle management of many of the shareholder councils - like just about every organisation.

WLASS has learned other valuable lessons from this work: the need for better communication, greater focus on helping council chief executives manage the potential for change within their organisation and building more compelling business cases.

My key messages are these:

1. For WLASS to truly achieve its potential, council chief executives must actively support it to develop the best possible business case for each idea, as fast as practicable. And they must impress that support on their staff. The faster we can develop good business cases, the faster those councils who want to can implement the idea.
2. The central government's water and RMA reform agendas provide more, not less, reason to proactively show that, as a region, we are already embracing changes to create a more efficient and effective local government. In doing so, the councils of the region put themselves in a better position to control their destiny rather than have central government make it for them.

For these reasons, WLASS will continue to advance a transformational agenda. We will not shy away from challenging councils to think differently – to think regionally, but knowing that they are able to decide and then act locally, in a way that is best for their communities. Equally, we will continue to progress initiatives as hard and as fast as practicable.

I continue to believe that WLASS provides an excellent vehicle for councils to work together and share the costs of developing ideas to meet the goal, while retaining each council's right to proceed or not.

Peter Stubbs
Chair

Background

WLASS is owned in equal portion by the 12 Waikato local authorities:

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

It was established in 2005 as a vehicle through which these councils could collaborate and identify opportunities for undertaking activity on a shared basis. More recently, shareholders embarked on a transformation of the company. The purpose of that transformation was to move the company to a true service delivery agent for, and strategic partner of, the councils. The structural changes of that transformation were completed in late 2019 and bedded-in throughout 2020.

Our vision and the outcomes we are looking for

The 2020 SOI introduced a new performance reporting framework. That framework is set out on the following page.

The framework better reflects the outcomes the transformed company is seeking, for you and your communities, and how we will go about achieving those outcomes. It highlights the company's roles of:

- Ideas laboratory - taking ideas that have the potential to create value, from their genesis through to business case; and
- Service provider to councils.

WLASS is acutely aware of the challenging and changing environment within which councils currently operate. Given this environment it is also acutely aware of the role it needs to play in reducing costs to its shareholding councils (or improving performance without an increase in cost). While improving the

experience of councils' communities will always be front of mind as we develop ideas, we will not do this if it results in an unacceptable layer of additional, unrecoverable cost to councils. Similarly, we want to facilitate more engagement between central government and Waikato councils, and build central government's confidence in councils in the region. However, we see this as a by-product of achieving the other two outcomes, through which we aspire to show Waikato councils to be the exemplar of how local government in a region can work.

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

Priorities – doing what we said we would do

We want to ensure that Waikato councils are working together the best way possible, for the collective benefit of them and their communities. We want to do this because we believe it is the right thing to do for Waikato. If we achieve this, it will mean a relatively lesser burden on ratepayers, happier communities and council staff and more impactful councils.

In the 2020 Statement of Intent, we told you we had completed the structural changes required to transform the company into a service delivery agent and a true strategic partner to councils.

While we do not see the transformation as 'complete', the 2020/21 financial year has seen those changes embedded and our focus turn to ensuring we do what we said we would: And we have. All five of our priority projects set out in last year's Statement of Intent have either been completed or are under development. This has included:

- Commencing work looking at how building consent services could be improved, culminating in a recommendation that a detailed business case be developed at an estimated cost of ~\$440k;

- Expanding the service offering to include water sampling and analysis, trade waste management and water conservation services. This increases the size of the company, by revenue, by ~40%;
- Completing the project to consider how infrastructure procurement could be coordinated regionally - we have a strategic procurement manager in place, working with council staff to identify and deliver on opportunities; and
- Starting work on developing a regional approach to staff learning and development.

Beyond the priority projects, we have been managing the LiDAR project, which is now underway following a delayed start when the COVID-19 lockdown prevented flying toward the end of last summer. We have also commenced the Waikato OneView project. That project is the next phase of a roadmap toward a regional approach to Geographic Information Systems (GIS) and is looking at establishing Waikato-wide geospatial data sets and a simple way for customers to view that data.

Spotlight on WCLASS Water Services

In the second half of 2020 we agreed to integrate the services of the Shared Services Partnership (made up of Hamilton City and Waipa and Waikato District Councils) into the company's offerings. In doing so Sampling and Analysis, Trade Waste Management and "Smart Water" services will be taken up by eight councils across the region.



This initiative will provide high quality services, consistently, across the region, improve trade waste management practices and improve community wellbeing. It is a great example of how we can work together to benefit our communities in a cost-effective way.

Over the remainder of the financial year, we will be continuing to progress a number of these projects including the building consent shared services opportunity and Waikato OneView. We will be delivering on the coordinated infrastructure procurement and progressing the LiDAR project, with the intention of completing flying over the summer months to capture the data.

At the same time, we have had an eye to the future. With all our priority projects identified last year now either complete or underway, as noted above, the Board has considered and agreed on the next suite of projects, having had particular regard to the environment currently faced by the local government sector. Early development of some of these is already underway. The projects were conveyed to council chief executives in a letter of intent in the second half of 2020. The support received for the ideas confirms we are on the right track. The Board also agreed to add value for councils by undertaking the development of opportunities in a way that fulfils shareholding councils' obligations under section 17A of the Local Government Act 2002 (LGA) for the area being considered. Doing so will do away with each council's need to separately undertake these reviews.

Our priority projects for the coming year are:

1) Shifting landscapes: Refining how and where WCLASS can add most value

Waikato councils are faced with significant change: Expected reform on waters is now clearer and changes to the RMA have been signalled. Councils are grappling with what these changes will mean for their organisations in the future, and what will remain of them when the changes are complete.

WCLASS will continue to support Waikato councils to be the best they can be for their communities. It will also continue to think regionally and support councils to act locally. However, we need to be clear how councils think we best do that given the shifting landscape. How can we add the most value? What

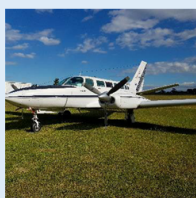
should we focus on that is achievable and actionable? How can we support councils to influence change, to get ahead of the game and create their own destiny?

For the board to answer these questions, it needs to understand from Waikato councils what services councils believe they should ensure are delivered to their communities, and what services they believe:

Spotlight on LiDAR

We are managing a project to create highly detailed 3D maps and models of the Waikato landscape using LiDAR (Light Detection and Ranging) technology. Ground survey commenced in December 2020 and aerial surveying in January 2021. The full data set will be publicly available by October 2022. LiDAR is a foundational data asset essential to decisions involving the physical world. It has the potential to help drive regional economic growth and spur new investment by enabling councils and businesses to efficiently plan and develop housing, road, and water infrastructure, and better prepare for hazards such as flooding, landslides and erosion.

The project involves funding from eleven councils plus several commercial companies and the Provincial Growth Fund (via LINZ).



- i. only the councils should deliver (noting that all councils are not the same);
- ii. could be delivered by service delivery agents (i.e. CCOs like WLASS);
- iii. could be delivered by third parties; and
- iv. central government should deliver.

This project will provide that understanding. In doing so, it will help clarify the future of local government, provide a touchstone for making better decisions on how councils can most effectively deliver their functions, and provide WLASS with clarity on its part in supporting councils to do so.

2) Digital enablement – creating an omnichannel for your communities

There are rising community expectations of:

- Self-service;
- Digital engagement;
- Instant service;
- Personalised service; and
- Falling costs.

With this, there is a risk of a growing gap between community expectations and council service delivery because each council, acting individually, has limited ability (both expertise and available capital) to:

- 1) 'go digital' and provide 21st century, customer focused, digitally-enabled services; or
- 2) use technology to transform the way they work, manage assets and deliver services.

[sourced (paraphrased) from McGredy Winder & Co Sept. 2017 report to WLASS]

Technology is interwoven to various degrees within each council's business and operational frameworks. Any changes to technology cannot therefore be considered in isolation. However, to address the expectation gap, councils can work together to:

- Provide consistent customer and community experiences across the region;
- Realise significant cost savings and mitigate risks;
- Leverage existing skills, knowledge and experience for better digital outcomes for all;
- Achieve systems and process efficiencies through standardisation, which could lay the groundwork for potential back office shared services;
- Make better use of vendors and influence the market;

- Leverage total IT spend and cross-council resources; and
- Get recognition from central government for generating sustainable value from technology investment.

This will help address perceived problems that:

- Customers are not always able to receive a resolution at their first point of contact with council;
- Staff are not always able to find the information they need to solve customer queries;
- Cross-council knowledge is not shared effectively; and
- Staff knowledge is not retained or captured.

3) Establishing a GIS centre of excellence

For most councils, there is limited ability/need for a full-time resource that has expertise in GIS. However, having access to that resource, as and when required, would be useful to meet internal needs and community enquiries in a timelier manner. There could therefore be value in the creation of a GIS centre of excellence (COE) that provides core data and GIS system management, as well as analytical work, to support the operation of councils.

This is currently planned as the last phase of the GIS roadmap and may be considered contemporaneously with the current Waikato OneView project.

4) Establishing an Asset Management centre of excellence

Waikato councils collectively are responsible for significant assets. They are accountable to the public for ensuring these assets are well managed. Some councils have difficulty in attracting and retaining appropriately skilled staff. Others may simply benefit from a lift toward best practice. Regardless, there is an opportunity to consider establishing a COE, likely reflecting an expansion of RATA's existing capability, to support councils in this area.

Beyond these priority projects we will continue to look at other initiatives that add value. The RATA Advisory Group have been prioritising a suite of ideas and will develop one or more of these over the next 12 months. The various WLASS working parties, comprising representatives from each of the councils, will also continue to look at ways in which their disciplines can be improved.

As you asked, we've changed

The company has changed significantly over the last 24 months. Up until the second half of 2018 it had no employees, and relied solely on a contracted, part-time resource. Today, through the transformation, it has grown to nine employees and a broader team of 35¹. That increase in resourcing reflects the small team engaged to identify initiatives and develop opportunities that are then presented to councils, and the establishment of new services (water sampling and analysis, trade waste management, water education, IQP/producer statement registrations and infrastructure procurement), as a result.

Our governance structure has also been streamlined to be more agile and independent, moving from a board of twelve, to six members including an independent chair.

Fundamentally we have matured. We have:

- Robust processes in place to develop opportunities through to business case;

¹ Including RATA and WLASS Waters Services staff who are employed by Waipa District and Hamilton City Councils respectively, but are wholly contracted to WLASS to provide services to other councils

- Introduced secondment arrangements for council staff to contribute to the development of opportunities, at the same time increasing their capability;
- Established a change management framework to support opportunity development;
- Started moving to a 'user pays' approach to service offerings; and
- Shifted the dial to projects that, while posing a greater challenge, are transformational and have the potential to add significant value.

Active council support remains critical

While WLASS has grown, it remains a small company. Council resources to support the company continues to be critical.

The WLASS working parties, comprising representatives from the councils, are an invaluable part of how we work and essential to the company being able to develop opportunities. They have a role in identifying problems to be solved. They have a role in supporting the development of opportunities, by:


- Providing resource;
- Acting as a sounding board; and
- Actively championing *the development* of ideas, including helping WLASS tell the story about why we are developing those ideas.



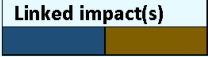

The working parties (and council chief executives and other senior leaders) also have a role in helping prepare their councils for change that might come from opportunities if the council chooses to adopt the solution. Any change management must be leader-led from within the councils themselves.

So, while we have changed, councils must also. WLASS will only be as successful as its shareholding councils allow it to be. You have asked us to go as hard and fast as possible. You have asked us to challenge you to transform how councils could operate. We are doing these things and will not shy away from continuing to promote a transformational agenda, but it will only work if councils, from the top down, embrace the opportunity to change, actively supporting the development of the best business cases possible. We said in last year's Statement of Intent that councils need to commit to accepting the challenge of changing the way things are done where there is a sound case for doing so. That remains the case. A change in mindset must precede transformation.

Performance measures

Last year's Statement of Intent introduced a new suite of performance measures. We will continue to track how well we are delivering on our strategic priorities using these.

Priority	Performance measure	Target
Prioritise and develop business cases for opportunities that, if implemented, add value to councils by achieving one or more of our objectives	<ul style="list-style-type: none"> ➤ Business cases will include measurable benefits linked to one or more of the outcomes sought ➤ Businesses cases are supported by councils (evidenced by take up of the opportunity) 	<p>Projected savings/increased revenue to councils of at least \$300k</p> <p>75% of councils</p>
<div>Linked impact(s)</div> 		

Priority	Performance measure	Target
Develop opportunities and deliver projects within agreed budgets and timelines ¹ Linked impact(s) 	<ul style="list-style-type: none"> ➤ Opportunities / projects are developed / delivered within agreed timelines ➤ Opportunities / projects are developed / delivered, within approved budget ➤ Overall, Company Management / Support functions will be undertaken within budget, unless additional expenditure has board pre-approval 	80% ² 90% ²
Ensure projects realise their expected benefits Linked impact(s) 	<ul style="list-style-type: none"> ➤ Measurable benefits are actively monitored and reported against ➤ Audit & Risk Committee undertake an assessment of projects following implementation (which will include an assessment of whether projected benefits have been realised) 	Six-monthly For \$200k+ Projects (based on cost of opportunity development and ongoing investment) Within 15 months 90% of projected quantifiable benefits are realised
Ensure existing services are meeting the needs of councils Linked impact(s) 	<ul style="list-style-type: none"> ➤ The services we provide (below) are considered by councils who use that service to meet or exceed their expectations (evidenced by an annual survey): <ul style="list-style-type: none"> ○ RATA – roading & waters ○ Waikato Building Cluster ○ Regional Infrastructure Technical Specifications ○ Energy & Carbon Management ○ Professional Services Panel ○ Health & Safety pre-qualification 	80% of councils
Foster and promote cross-council collaboration and networking to share ideas on improving efficiencies and best practice Linked impact(s) 	<ul style="list-style-type: none"> ➤ Across these groups, ideas for future consideration and/or initiatives are identified each year 	Four per annum

- 1 Budgets and timelines for opportunity development will be those established following discovery and/or opportunity assessment. A business case will refine these parameters with respect to project delivery.
- 2 Time and cost targets for the development of opportunities and delivery of projects have been initially set based on what, in practical terms, are considered stretch goals, but achievable. However, we aspire to *always* better, or at least meet, timetables and budgets.

The targets noted above are for the three-year forecast period. They will form the baseline from which we will seek to continually improve.

Transparency and reporting to councils

The company will continue to deliver the following information to shareholders:

- Within two months of the end of the first half of the financial year, a half-yearly report, including Statements of Financial Performance, Financial Position, and Cashflows and commentary on service performance including an assessment of progress against performance measures; and
- Within three months of the end of the financial year, an audited Statement of Financial Performance, Statement of Changes in Equity, Statement of Financial Position, Statement of Cashflows and commentary on service performance.

We will continue looking at ways of keeping you informed of how we are progressing. We are part of the Waikato Local Government team and know that we are not currently seen as such by some council staff. We need to work with councils to change that and will therefore be communicating more broadly, and frequently, with council staff.

Governance arrangements

WLASS conducts itself in accordance with its constitution, its annual Statement of Intent, the provisions of the LGA and WLASS policies.

The Board is made up five council representative directors and an independent Chair. There is also a standing Audit & Risk Committee.

The current Directors of WLASS are:

Director	Representing
Peter Stubbs	Independent Chair
Chris McLay	Waikato Regional Council
David Bryant	Hamilton City Council
Gareth Green	Otorohanga, Rotorua, Taupo, South Waikato and Waitomo District Councils
Gavin Ion	Waikato and Waipa District Councils
Rob Williams	Hauraki, Matamata-Piako and Thames-Coromandel District

Under the constitution Gavin Ion must resign his position on 30 June 2021, but may be reappointed by the councils he represents for a further 3-year term.

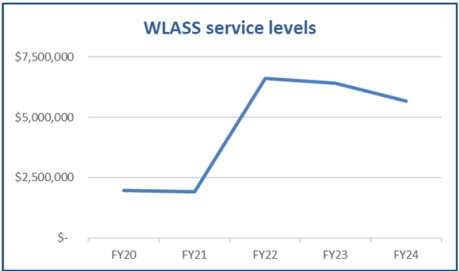
The independent Chair of WLASS receives director fees and reimbursed expenses. Directors representing the councils will not receive any fees or reimbursed expenses for work undertaken on behalf of the company.

Financials

Overview

Service levels

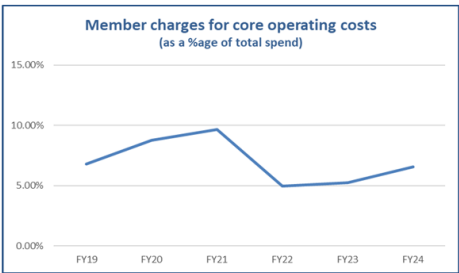
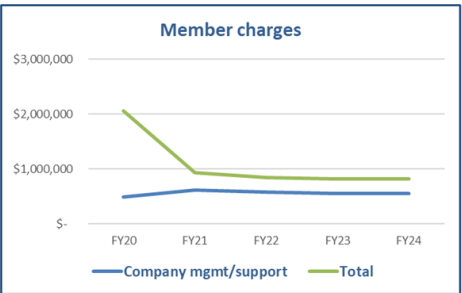
Revenue from service levels significantly increases in the 2022 financial year, being the first full year of activity for Coordinated Infrastructure Procurement and WLASS Water Services. RATA data collection projects commencing in that year also contribute to the increase. As the RATA data collection is completed, overall services fees taper off (although the other services are forecast to continue growing).




Member charges

While service levels are forecast to increase, we are conscious of mitigating the increase in member charges. This reflects the shift toward a user pays basis. Total member charges significantly reduced in the 2021 financial year with Future Proof and Waikato Plan being transitioned to Waikato Regional Council in that year. Charges are expected to remain flat throughout the forecast period.

Member charges to meet core operating costs (company management / support) remain largely flat throughout the forecast period (averaging ~5.6% of total expenditure).



Statement of Financial Performance

Waikato Local Authority Shared Services Company Summary for the forecast financial years ended 30 June 2022-2024				
				
	2020 SOI		2021 SOI	
	Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24
Income				
Company Management / Support	1,102,910	1,321,190	1,305,020	1,314,765
Working parties projects	1,145,858	716,183	527,879	535,012
RITS	31,616	27,000	27,378	27,761
Information Technology	1,007,000	725,835	77,201	47,862
Energy Management	70,000	128,000	133,000	134,862
Shared Valuation Data Service (SVDS)	379,761	388,115	396,654	402,207
Road Asset Technical Accord (RATA)	1,300,557	2,233,000	1,894,000	1,362,000
Waikato Regional Transport Model (WRTM)	389,456	1,594,706	1,893,812	454,344
Waikato Building Consent Group	333,250	654,530	588,438	596,957
Waikato Mayoral Forum	5,000	5,000	5,000	5,000
Water Collaboration	440,000	752,500	812,500	577,640
WLASS Water Services	-	3,038,380	3,082,616	3,121,253
Total Income	6,205,408	11,584,439	10,743,498	8,579,662
Operating Expenditure				
Company Management / Support	1,087,487	1,490,824	1,511,894	1,538,327
Working parties projects	1,165,858	979,195	529,738	536,430
RITS	31,616	27,000	27,378	27,761
Information Technology	1,108,531	741,424	61,955	43,962
Energy Management	124,900	127,900	132,264	134,115
Shared Valuation Data Service (SVDS)	384,993	351,195	359,899	364,938
Road Asset Technical Accord (RATA)	1,300,557	2,233,000	1,894,000	1,362,000
Waikato Regional Transport Model (WRTM)	389,456	1,594,706	1,893,812	454,344
Waikato Building Consent Group	333,250	563,426	587,334	595,957
Waikato Mayoral Forum	5,000	5,000	5,000	5,000
Water Collaboration	440,000	752,500	812,500	577,640
WLASS Water Services	-	2,878,970	2,827,970	2,903,691
Total operating expenditure	6,371,648	11,745,140	10,643,744	8,544,166
Earnings before interest, tax and depreciation/ amortisation (EBITDA)	(166,240)	(160,701)	99,754	35,497
Depreciation / amortisation				
Company Management / Support	1,864	5,471	5,471	-
WBCG	0	1,104	1,104	1,000
WRTM	14,583	14,583	14,583	-
Total Depreciation / amortisation	16,447	21,158	21,158	1,000
Earnings before interest and tax (EBIT)	(182,688)	(181,859)	78,596	34,497
Net Surplus (Deficit) before tax	(182,688)	(181,859)	78,596	34,497

As for the current financial year, we are budgeting a loss of ~\$181k in the coming year as we continue to use cash reserves to fund some project activity. In the outyears we maintain a small profit level.

Statement of Financial Position

Waikato Local Authority Shared Services Financial Position for the forecast financial years ended 30 June 2022-2024				
	Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24
CAPITAL				
Shares - SVDS	1,607,001	1,607,001	1,607,001	1,607,001
Shares - WRTM	1,350,000	1,350,000	1,350,000	1,350,000
Retained Earnings	(2,021,997)	(2,418,218)	(2,600,077)	(2,521,481)
Plus Current Year Operating Surplus/(Deficit)	(182,688)	(181,859)	78,596	34,497
TOTAL CAPITAL FUNDS	752,316	356,924	435,520	470,017
ASSETS				
CURRENT ASSETS				
Prepayments	253,342	178,900	181,405	183,944
Accounts Receivable	248,216	314,131	579,222	537,175
Bank	647,330	723,837	568,629	247,924
GST Receivable / (Payable)	29,628	22,472	21,668	22,901
TOTAL CURRENT ASSETS	1,178,516	1,239,340	1,350,923	991,945
NON-CURRENT ASSETS				
SVDS - Intangible Asset	3,065,316	0	0	0
WRTM - Intangible Asset	2,296,855	2,296,855	2,296,855	2,296,855
MoneyWorks Software	1,195	1,195	1,195	1,195
Accumulated Depreciation	(5,334,200)	(2,283,467)	(2,298,050)	(2,298,050)
IT Equipment	5,592	19,000	19,000	19,000
Accumulated Depreciation - IT equipment	(4,521)	(11,096)	(17,670)	(18,670)
TOTAL NON-CURRENT ASSETS	30,237	22,487	1,330	330
TOTAL ASSETS	1,208,754	1,261,828	1,352,253	992,274
LESS CURRENT LIABILITIES				
Accounts Payable	367,565	822,004	830,136	426,767
Accounts Payable Accrual	35,000	35,000	35,000	40,000
Employee Benefits	53,872	47,900	51,596	55,490
TOTAL CURRENT LIABILITIES	456,437	904,904	916,732	522,257
NET ASSETS	752,317	356,924	435,520	470,017

Statement of Cashflows

Waikato Local Authority Shared Services Statement of Cashflows for the forecast financial years ended 30 June 2022-2024				
	Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24
Cashflows from Operating Activities				
Interest Received	2,000	500	507	514
Receipts from Other Revenue	6,503,168	11,518,024	10,477,900	8,621,195
Payments to Suppliers	(6,484,401)	(11,222,232)	(10,634,420)	(8,941,180)
Taxes Paid	0	0	0	0
Goods & Services tax (net)	36,794	7,156	804	(1,233)
Net cash from operating activities	57,561	303,448	(155,208)	(320,704)
Cashflows from Investing Activities				
Capital enhancements	0	0	0	0
Purchase of PPE	0	(13,408)	0	0
Purchase of investments	0	0	0	0
Net cash from investing activities	0	(13,408)	0	0
Net increase in cash, cash equivalents and bank accounts	57,561	290,040	(155,208)	(320,704)
Opening cash and cash equivalents and bank overdrafts	589,770	433,797	723,837	568,629
Closing cash, cash equivalents and bank accounts	647,330	723,837	568,629	247,924
Summary of Bank Accounts				
BNZ - Call a/c	647,330	723,837	568,629	247,924
Closing Balance of Bank	647,330	723,837	568,629	247,924

Appendix I: What we do - current activities

The principal initiatives operating under the WLASS umbrella are:

- Aligned resource consent planning
- Energy management
- Health & safety pre-qualification
- Joint procurement initiatives
- LiDAR
- Regional Asset Technical Accord (RATA)
- Regional Infrastructure Technical Specifications
- Shared Valuation Data Services (SVDS)
- Waikato Building Consent Group (WBCG) – including IQP/Producer Statement registrations
- Waikato Regional Aerial Photography Service (WRAPS)
- Waikato Regional Transportation Model (WRTM)
- WLASS Water Services (WWS)

Aligned resource consent planning

This toolkit provides regional consistency and best practice processes in the administration of resource consenting. It is used by nine councils (Taupo and Otorohanga are not currently participating, and Waikato Regional Council processes different types of resource consents from the territorial local authorities). WLASS controls the documentation on the WLASS website, and the Waikato Resource Consent forum manages the process for making updates and amendments to the templates and documents in the toolkit.

Energy management

WLASS entered into a three-year Collaboration Agreement with the Energy Efficiency Conservation Authority (EECA) in February 2016. Across the programme EECA provided funding of \$210,000. Implemented projects have delivered 3.62m kWh in energy reduction annually (as against a target of 2.5m kWh), saved \$446,000 per annum.

From 1 July 2019 a new energy and carbon management programme was entered into between WLASS and the nine participating councils. Councils were slow to engage in the elective component of the new programme notwithstanding we know councils see climate change generally as a significant issue. A lack of engagement has meant that some councils have not gotten the value out of it that they otherwise might have. We will continue to drive this programme and encourage councils to support it. More recently, there has been some activity in undertaking carbon stocktakes which is encouraging.

Health & safety pre-qualification

WLASS contracts with RJ Safety Consulting (previously SHE Software), to manage the Local Government Health & Safety Contractor Pre-qualification Scheme on behalf of councils. Twenty councils and one CCO are now using the scheme with approximately 1,600 contractors registered, which enables them to be pre-qualified to work for any of the participating councils.

Further detail on these activities and the councils involved in each can be found on the WLASS website at <http://www.waikatolass.co.nz/>.

Joint procurement initiatives

WLASS is a party to numerous joint procurement contracts between the company, shareholding councils and suppliers. Councils choose whether to be a party to a particular contract. Wherever possible we negotiate a syndicated contract with the supplier to allow additional councils to join later.

The most significant suite of contracts comprises the Professional Services Panel, involving eight councils and upwards of 150 suppliers. The current panel arrangement was established in August 2019.

In 2019 standard regional procurement policies, templates and procedures were developed for use by councils and procurement training provided to council staff.

LiDAR

WLASS is managing a project to create highly detailed 3D maps and models of the Waikato landscape using LiDAR (Light Detection and Ranging) technology. The project's start was delayed with Covid-19. However, flying commenced in January 2021. The project involves funding from ten councils plus several commercial companies and the Provincial Growth Fund (via LINZ).

Regional Asset Technical Accord (RATA)

RATA was initially established as a centre of excellence for road asset planning in 2014.

The original aim of RATA was to achieve best practice in road asset management by improving capability, capacity and outcomes through effective collaboration. This aim remains but in 2019 the business unit expanded its activity into waters assets. By leading asset management best practice, RATA enables better decision-making through the effective collection and use of good quality data, and the implementation of good practice processes and systems for data collection, analysis and management.

Waipa District Council employs RATA staff who are then contracted to provide services to WLASS.

Regional Infrastructure Technical Specifications (RITS)

The RITS document sets out how to design and construct transportation, water supply, wastewater, stormwater and landscaping infrastructure. Prior to developing RITS, each Council had its own technical specifications for infrastructure resulting in different standards having to be met across the Waikato region. RITS provides a single regional guide, making business easier.

The RITS is published on the WLASS website (<http://www.waikatolass.co.nz/>), and ongoing maintenance of the document is the responsibility of a Project Co-ordinator, managed by WLASS.

Shared Valuation Data Service (SVDS)

This service provides timely and accurate valuation data to the participating councils. The SVDS has become the accepted valuation database for the region. Data sales significantly reduce the net cost to the participating councils. In the first half of 2020, the transition to a software-as-a-service arrangement with a new provider was completed further reducing cost to councils.

Waikato Building Consent Group (WBCG)

The WBCG was initially set up by five Waikato local authorities in 2004 to foster co-operation, collaboration and consistency in building functions, legislative interpretation and process documentation across the partnering councils. The activity transferred to WLASS on 1 July 2016 and now comprises eight councils.

The WBCG has developed a common quality assurance system with associated supporting documentation that meet the legislative requirements of the Building Act 2004 and the Building (Accreditation of Building Consent Authorities) Regulations 2006. These regulations cover all aspects of the operational management and compliance of a Building Consent Authority (BCA).

On 1 July 2020, WLASS assumed responsibility for managing the region's IQP and Producer Statement registers for the benefit of councils.

Waikato Regional Aerial Photography Service (WRAPS)

WRAPS was set up in the 1990s for the supply of colour, digital, ortho-rectified, aerial photography for the Waikato Region. Photographs are captured periodically (~every 5 years). Most recently contracts were executed in December 2020 to undertake the latest programme.

Waikato Regional Transportation Model (WRTM)

The WRTM became fully operational in February 2010. It provides accurate information to councils and to external users (for a charge) for their transport modelling requirements. The WRTM is the only recognised strategic transport modelling resource in the Waikato Region and is jointly funded by the NZTA.

WRTM is making a significant contribution to strategic planning surrounding land use and infrastructure within the region and has been involved in regionally and nationally significant investigations including the Waikato Expressway Network Plan, the Waikato Regional Land Transport Strategy and Regional Policy Statement and transport impact assessments in relation to the development of Ruakura.

WLAWS Water Services (WWS)

In the second half of 2020 the company agreed to subsume the previous Shared Services Partnership activity (involving Hamilton City and Waipa and Waikato District Councils), into its suite of services available to other councils. Six councils accepted indicative proposals to take up one or more of the sampling and analysis, trade waste management and Smart Water services available. Onboarding the councils will occur in the first half of 2021.

Appendix II: Policy Statements

Statement of accounting policies

Reporting entity

Waikato Local Authority Shared Services Limited ("the Company") is a Company incorporated in New Zealand under the Companies Act 1993 and is domiciled in New Zealand. The company is a Council Controlled Organisation as defined under section 6 of the Local Government Act 2002 (LGA), by virtue of the shareholding councils' right to appoint the Board of Directors.

The primary objectives of the Company are to:

- Develop opportunities that benefit the Waikato region's local authorities; and
- Act as a vehicle to deliver value-added services to those local authorities.

The Company has designated itself as a public benefit entity (PBE) for financial reporting purposes.

Summary of significant accounting policies

Basis of preparation

Financial statements are prepared on the going concern basis, and the accounting policies are applied consistently throughout the period.

Statement of Compliance

Financial statements are prepared in accordance with the requirements of the LGA, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

Financial statements are prepared in accordance with and comply with Tier 2 PBE Standards reduced disclosure regime (RDR). WLASS is eligible to report under the RDR as it:

- is not publicly accountable; and
- has expenses more than \$2 million, but less than \$30 million.

The accounting policies set out below are consistent with the prior year, other than the inclusion of policy:

- on operating leases, related to the lease of commercial premises;
- employees; and
- property, plant and equipment.

Measurement base

The financial statements are prepared on a historical cost basis.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar unless otherwise stated. The functional currency of the Company is New Zealand dollars.

Goods and services tax

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

The net amount of GST recoverable from, or payable to, the Inland Revenue (IR) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the cash flow statement.

Commitments and contingencies are disclosed exclusive of GST.

Critical accounting estimates and assumptions

In preparing the financial statements the Company makes estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no areas requiring estimate or assumptions made that are considered to carry a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Intangible assets

Useful lives and residual values

At each balance date the Company reviews the useful lives and residual values of its intangible assets. Assessing the appropriateness of useful life and residual value estimates of intangible assets requires the Company to consider a number of factors such as the expected period of use of the asset by the Company and expected disposal proceeds from the future sale of the future sale of the asset.

An incorrect estimate of the useful life of residual value will impact the amortisation expense recognised in the income statement and carrying amount of the asset in the balance sheet. The Company minimises the risk of this estimation uncertainty by reviewing that the asset technology is still relevant and there is no alternative options to recreate the asset at a lower price.

Impairment of intangible assets

Intangible assets measure at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is higher of an assets fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus deficit.

Revenue

Revenue

Revenue comprises the fair value of the considerations received or receivable for the sale of goods and services, excluding GST, rebates and discounts and after eliminating sales within the Company. No provisions have been recorded as all revenue and trade receivables are expected to be received.

Other Revenue

Member charges for all activities are recognised when invoiced to the user (i.e. councils). The recorded revenue is the net amount of the member charges payable for the transaction.

Contributions received for projects that were not completed in a financial year are recognised when the Company provides, or is able to provide, the service for which the contribution was charged. Until such time, contributions are recognised as liabilities.

Operating expenses

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Personnel costs

Defined contribution schemes

Employer contributions to KiwiSaver, the Government Superannuation Fund, and other defined contribution superannuation schemes are accounted for as defined contribution schemes and are recognised as an expense in the surplus or deficit when incurred.

Receivables

Short-term receivables are recorded at the amount due, less any provision for amounts not considered collectable.

Receivables are initially measured at nominal or face value. Receivables are subsequently adjusted for penalties and interest as they are charged and impairment losses. Non-current receivables are measured at the present value of the expected future cash inflows.

Debtors are amounts due from customers. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, with original maturities of three months or less, and bank overdrafts.

Income tax

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

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

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

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

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

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

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

Intangible assets Other financial assets

Investments in bank deposits are measured at fair value plus transaction costs.

At each balance date the Company assesses whether there is any objective evidence that an investment is impaired. Any impairment losses are recognised in the income statement.

Payables and deferred revenue

Short-term creditors and other payables are recorded at their face value

Trade and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payable approximates their fair value.

Contributions received for projects that were not completed in a financial year are recognised as deferred revenue until the Company provides, or is able to provide, the service for which the contribution was charged.

Employee benefits liabilities

Short-term employee entitlements

Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay.

These includes salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent it will be used by staff to cover those future absences.

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation.

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation.

Presentation of employee entitlements

Sick leave, annual leave, vested long service leave, and non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date, are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Reconciliation of equity

Equity is the shareholders interest in WLASS and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

Contributed equity

Contributed equity is the net asset and liability position at the time the company was formed. The allocation of capital amongst shareholders is explained in this note.

Retained earnings

Retained earnings is the company's accumulated surplus or deficit since formation.

Council Report

Committee: Economic Development Committee

Date: 09 March 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: Hamilton and Waikato Tourism Limited - Six-Month Report to 31 December 2020

Report Status

Open

Purpose - *Take*

1. To inform the Economic Development Committee of the Hamilton and Waikato Tourism (HWT) half year report to 31 December 2020.
2. Jason Dawson (Chief Executive, HWT) will attend the meeting to provide a verbal update to the Economic Development Committee.

Staff Recommendation - *Tuutohu-aa-kaimahi*

3. That the Economic Development Committee receives the report.

Executive Summary - *Whakaraapopototanga matua*

4. HWT will update the Committee on matters relating to its activity from 1 July to 31 December 2020.
5. HWT is a subsidiary company of Waikato Regional Airport Limited. HWT has a three-year service level agreement with Council for 2018-2021.
6. HWT is supported by six other councils with a total funding pool across all partner Councils of \$1,215,000 + CPI. The following table provides a contribution breakdown. HWT also raises funding contributions and leverages its partnerships with private sector interests of around \$400k annually.
7. Table 1: Council funding of Hamilton and Waikato Tourism

Council	Annual Funding
Hamilton City Council	\$585,000 + CPI
Waipa District Council	\$150,000 + CPI
Waikato District Council	\$150,000 + CPI
Matamata-Piako District Council	\$150,000 + CPI
Otorohanga District Council	\$ 60,000 + CPI
South Waikato District Council	\$ 60,000 + CPI
Waitomo District Council	\$ 60,000 + CPI
Total	\$1,215,000 + CPI

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

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

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

Financial Considerations - *Whaiwhakaaro Puutea*

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

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

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

Social

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

Economic

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

Environmental

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

Cultural

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

Risks - *Tuuraru*

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

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

Significance

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

Engagement

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

Attachments - *Ngaa taapirihanga*

Attachment 1 - Hamilton and Waikato Tourism Limited - half year report to 31 December 2020

Hamilton & Waikato TOURISM

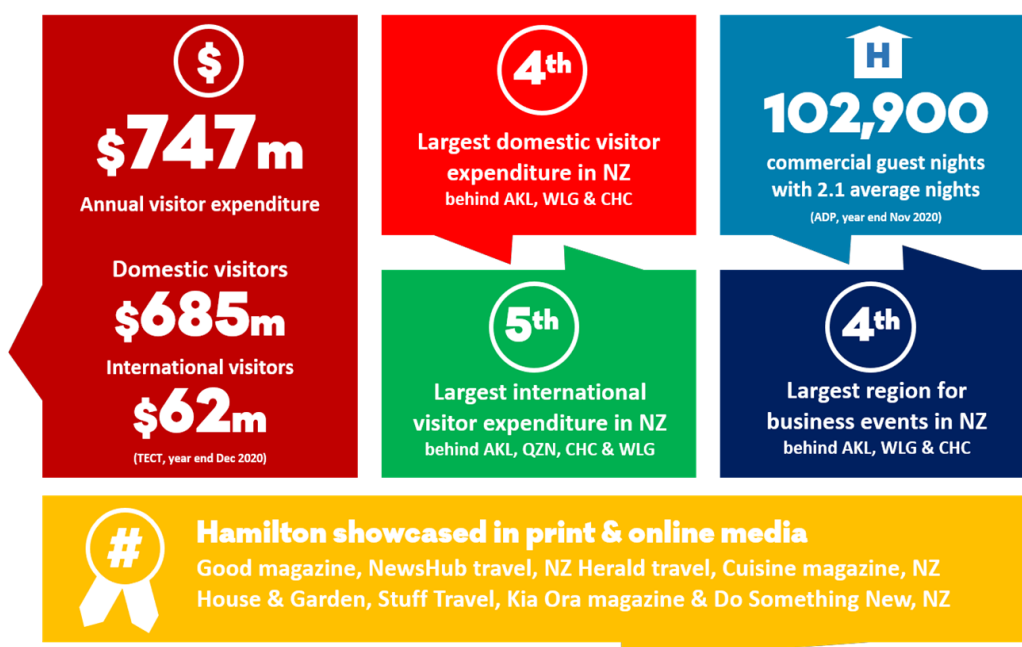
Six Monthly Report to Hamilton City Council 1 July – 31 December 2020

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

Hamilton & Waikato Tourism is a subsidiary company under the Council Controlled Organisation (CCO) of Waikato Regional Airport Limited. It has a commercial board with Annabel Cotton as its Chair.

HWT is funded through a public/private partnership with the region's tourism industry and seven local authorities including Hamilton City and Matamata-Piako, Ōtorohanga, Waikato, Waipā, Waitomo and South Waikato Districts. This is the six-monthly report from 1 July to 31 December 2020.

Key highlights (Jul – Dec 2020)



Executive summary

Hamilton & Waikato Tourism has been relentless in leading the restart and rebuild strategy for Waikato's visitor economy. From supporting our tourism and event businesses through the initial lockdown, lobbying for additional Government support and now working hard to attract domestic visitors back to the region post-COVID, we've launched a number of marketing campaigns targeting the leisure, business and events market in key 'drive and fly' markets.

Waikato residents positively responded and supported our 'Mighty Local' campaign during Alert Levels 3 & 4. We are now halfway through delivering the 'It's Just Magic' summer campaign in the leisure market for domestic travellers outside of the Waikato, the 'Mighty Welcome' campaign in the business events market and a new 'deals' section on our website www.waikatonz.com are helping to drive increased visitation and spend.

We have also partnered with Tourism New Zealand's 'Do Something New, New Zealand' campaign to successfully drive demand to our tourism sector. The campaign video has been viewed more than 16.2 million times. The Waikato also featured in the 'Do Something New, New Zealand' music video written by comedians Madeleine Sami and Jackie van Beek which appeared on television and social media throughout summer.

Prior to COVID-19, around 75% of visitors to the Waikato region were from domestic travellers. With around 2.6 million people living within a three-hour drive radius of Hamilton and the Waikato region, we were already a significant domestic drive market for the Upper North Island.

The Waikato also scored the second highest level of domestic visitors during the July school holidays (4 – 19 July 2020) across New Zealand in a recently published report by Data Ventures. This followed the success of domestic travel returning into the region during Queen's Birthday weekend.

According to the report, Waikato achieved 19% growth in domestic visitor numbers during the July 2020 school holidays compared to July 2019, with an average of 55,140 domestic travellers visiting during the holidays, compared to 46,350 visitors this time last year. We were only second in the country to Auckland who attracted 79,160 domestic visitors into their region.











August domestic visitor spend remained flat compared with last year, given Aucklanders were unable to travel for a large part of the month. Although, the September school holidays were softer with regards to demand it was actually an incredibly encouraging result given this was traditionally during our quietest travel period.

In October, an Industry Confidence Survey was undertaken by Tourism New Zealand. Key findings showed although we have seen an increase in domestic tourism, it's still not enough to off-set the loss of international spend for tourism operators. However, it was pleasing to see business confidence was stronger in the Hamilton & Waikato Tourism region compared to other parts of the country.

Economic impact for the tourism sector is ongoing, however it has been estimated that 42% of New Zealand's visitor economy comes from international tourism and there is an expected gap of \$12.9 billion in visitor expenditure. Tourism is vital to the region's recovery with every \$178,000 of tourism spend creates a job which equates to 40 international visitors or 480 domestic overnight trips. International visitors spend on average \$232 per day which is over three-times more than local residents at \$74 per day or domestic travellers at \$155 per day.

Performance targets

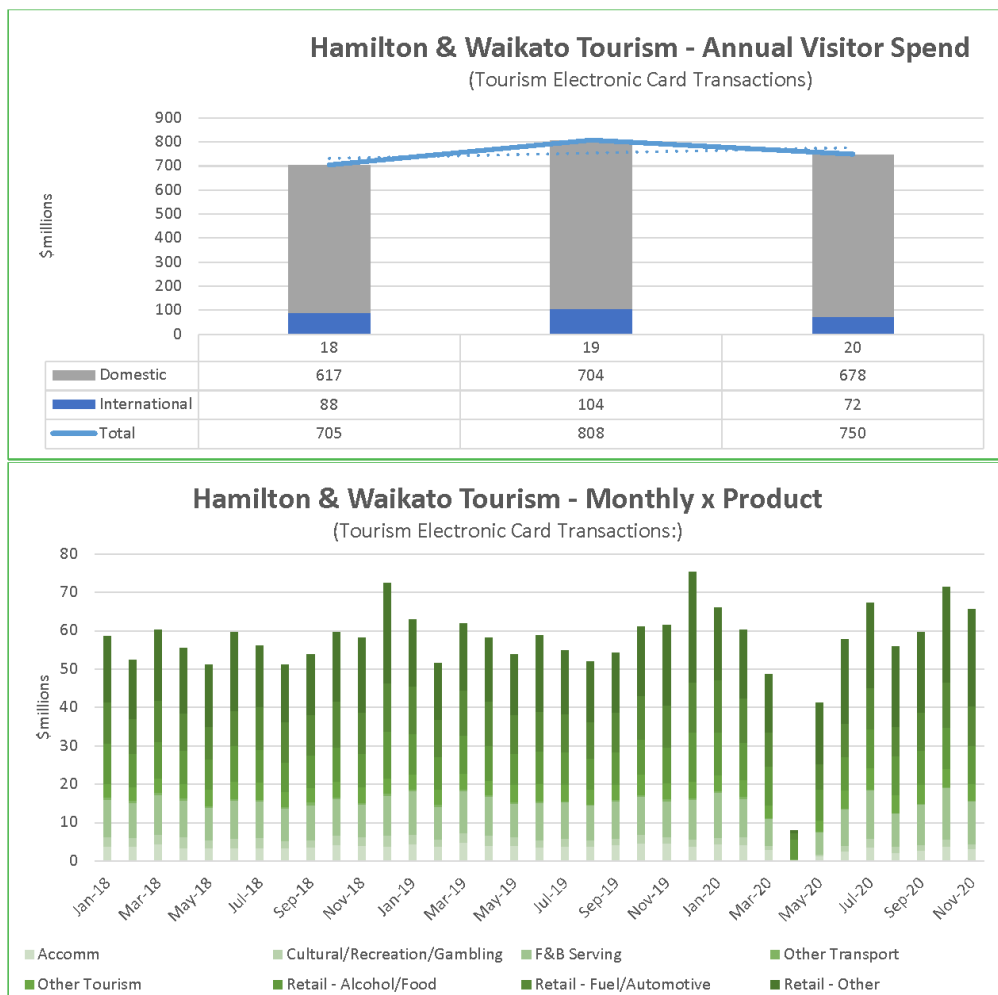
Given the restart journey for the visitor economy post-COVID, Hamilton & Waikato Tourism (HWT) revised five performance targets which are set in the 'Schedule of Services for Local Government 2020-2021'. The results are provided below.

Measure	Result
 Visitor nights 0% increase of total visitor nights' vs national compared to 2019-20	 4.1m guest nights (AA Traveller; Year ending November 2020)
 Visitor spend 0% increase in visitor spend across the region compared to 2019-20	 -7% down on previous year \$750million annual expenditure (MBIE; TECT; Year ending November 2020)
 Conventions, incentives & business events Rebuild & restore market share of total business events to 5%	 17% market share Fourth largest region behind Auckland, Wellington & Christchurch (Business Events Data Programme Q3 2020)
 Industry investment \$100,000 of industry contribution towards marketing activities & campaigns	 \$75,000 domestic campaigns, famil in-kind contributions & visitor guide sales (Year to date December 2020)
 Media & travel trade 10 media outlets hosted + 50 travel trade trained or hosted	 <div> 14 media outlets hosted 10 agents hosted 417 agents trained </div> (As at 31 December 2020)

Visitor statistics and expenditure

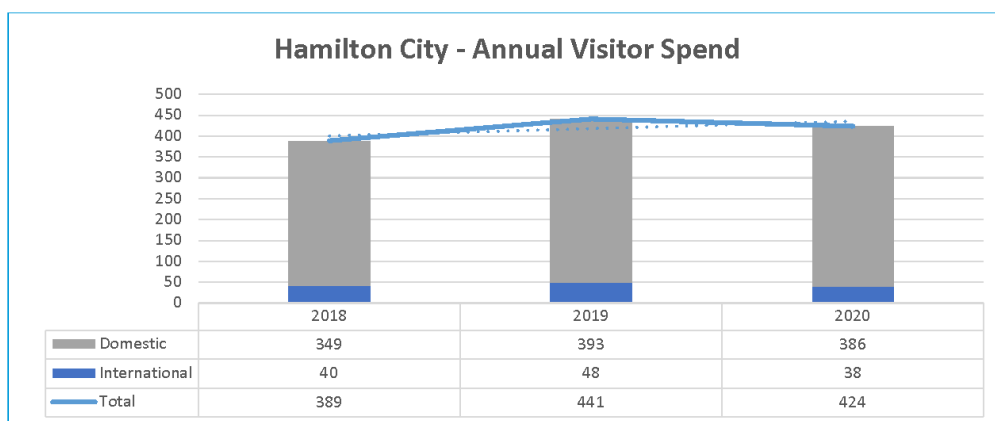
The Ministry of Business, Innovation and Employment (MBIE) have discontinued the Monthly Regional Tourism Estimates (MRTes) as they were becoming unreliable within the Covid-19 environment. They have replaced the data with an interim data set capturing electronic card transactions. The key difference is that this data does not make any estimates for online or cash spending. This interim data set provides some district level information but is more limited than the older MRTes. MBIE have provided three years of TECT data for comparisons.

Compared to 2019, tourism spending dropped 7% for Waikato for the year ended November 2020. In comparison with other regions, Fiordland was down 33%, Auckland decreased 26%, Queenstown contracted 25%, and Rotorua reduced by 19%.



Visitor expenditure in Hamilton

Annual visitor expenditure for Hamilton declined 4% to year end November 2020. For the year ending November 2020, the visitor economy injected \$424million into Hamilton's economy, with \$386 million generated by domestic visitors and \$38 million from international travellers.

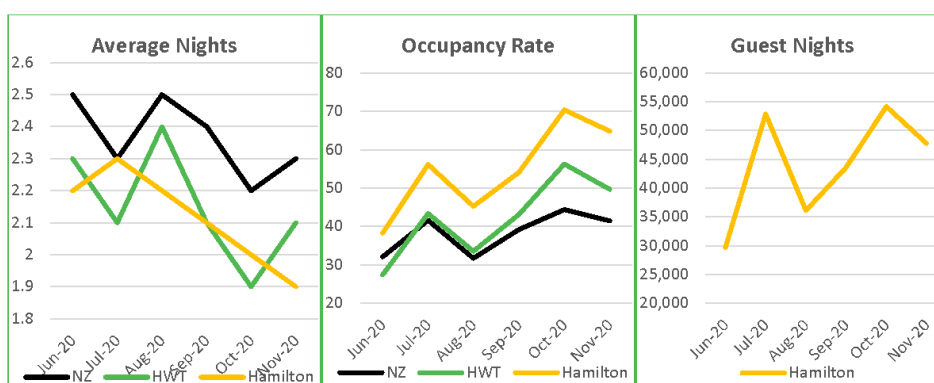


Source: Tourism Electronic Card Transactions, MBIE (November 2020)

Commercial accommodation in Hamilton

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

Hamilton has 53 commercial accommodation providers contributing data into this programme (unlike the old Commercial Accommodation Monitor, this is not a legal requirement). The Occupancy rate for Hamilton accommodation providers in November 2020 was 64.9% - this is the second highest occupancy for all districts/TA's across the country. People stayed an average of 1.9 nights per visit/stay. This resulted in 47,800 guest nights in November 2020.

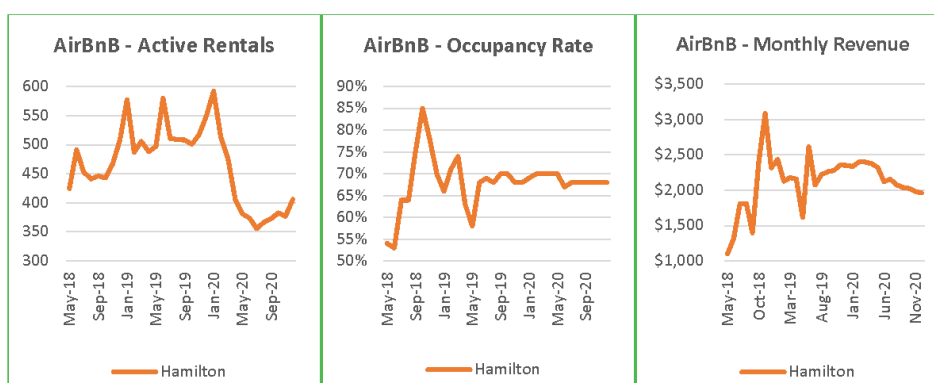


Source: Accommodation Data Plan, MBIE (November 2020)

Non-commercial accommodation in Hamilton

Hamilton also had 406 properties listed on AirBnB during December 2020 as alternative accommodation to the traditional commercial offerings. This has declined from 550 listings (down 144) in December 2019 due to the impacts of COVID-19.

These properties experienced 68% occupancy during December 2020. For the 12 months November 2019 to December 2020, the average occupancy rate for AirBnB properties in Hamilton was 68%.



Source: AirDNA (December 2020)

Trade & leisure marketing

Domestic marketing

External domestic markets: Open for Exploration Campaign

Our domestic marketing campaign, 'Open for Exploration', ran from June to August targeting the key drive markets for the Waikato (Auckland, Bay of Plenty, Rotorua, Taupo and Taranaki).

This campaign ran across Facebook, Instagram, Google Display & Search, YouTube and digital placements with NZ Herald, the campaign was designed to complement the 'Do something new, New Zealand' national campaign by encouraging visitors to see new things in familiar places, while also exploring the known and unknown adventures of the Waikato.

The campaign creative included user generated content (UGC) imagery, videos featuring our tourism operators welcoming visitors back and the 'Do Something New NZ' device.

External & internal domestic markets: School Holidays Promotions

Given the environment and the importance of the September school holidays for operators, HWT undertook a specific digital 'school holidays' campaign. The campaign targeted drive markets as well as Waikato residents to promote travel to and within the Waikato and channels included social media advertising and e-DMs.

Hot Deals Platform

We launched a free, user-generated platform designed to showcase operators' latest promotions, experiences, deals and information to HWT's consumer audience while optimising their Google My Business (GMB) posts at the same time.

The platform integrates a wide variety of Waikato businesses – from activities and accommodation to tour operators, as well as retail and hospitality providers. Operators are able to upload their own offer, experience, deal or upcoming event through the platform and the information displays on waikatoz.com as well as their GMB listing. HWT understands this to be the first platform in NZ that allows for this to happen, providing time and process-efficiencies for operators across the two channels.

External domestic markets: Summer 'It's just magic!' campaign

Our Summer inspiration campaign 'It's just magic,' targeting key drive markets inspiring them to visit the Mighty Waikato as part of their summer travel plans, was live from 18 November to 14 December. Like the rest of New Zealand, we have never had to promote the region to domestic visitors over the summer period as our tourism operators are normally busy with international visitors.

The Summer campaign was primarily video-led and focused on highlighting personal experiences of previous visitors to the region. We know the Waikato is well placed for a short break, so this campaign targeted this type of travel rather than the traditional week-long breaks taken over the summer period.

Internal domestic market: Christmas Campaign - Gift Guide

Our annual Christmas Gift Guide campaign launched into the local Waikato market on 30 November and concluded on 21 December. With the theme of 'Give the gift of Magic' the campaign encouraged Waikato residents to gift experiences from local tourism businesses or tickets to upcoming local events. This campaign targeted the internal domestic market for the Waikato through Facebook and Google adverts and advertising in local newspapers including the Cambridge Edition, Hamilton Press, Matamata Chronicle and Waikato Times.

Internal domestic market: Summer 'It's just magic!' Campaign

The Summer "Explore Your Own Backyard" campaign used the same personal concept as the external Summer campaign with video pieces from locals who had visited and loved Waikato various attractions. Aimed to encourage locals who weren't travelling out of the Waikato during this time to explore the region over the festive holiday season, this campaign launched in late December and ran through January. The online campaign featured domestic operator partners and the region's natural assets such as walks, waterfalls, beaches and cycleways as well as summer events and school holiday activities.

‘Get Out More NZ’ Domestic Campaign - Central North Island collective

For the first time, we partnered with our neighbouring regions Bay of Plenty, Rotorua, Taupō, Ruapehu and Tairāwhiti Gisborne in the domestic market. Targeting drive markets through online and print channels, the ‘Get out More NZ’ campaign ran from September until mid-December. A second phase is planned for 2021. As part of our collaborative activity, the group exhibited at the Motorhome & Caravan Show at Mystery Creek in the destination marquee. Using a life-size viewmaster and the theme of ‘view something new’ as the hook, the aim was to raise awareness and drive preference for holidays in the Central North Island.

Tourism New Zealand - Urban Experiences Campaign

As a region with a main metro, we worked with Tourism New Zealand and the other four main cities across the country (Auckland, Wellington, Christchurch and Dunedin) on an ‘Urban Experiences’ campaign to showcase urban short breaks and holidays and encourage city visitation. The first phase of the campaign launched in mid-October using the content platform Neat Places and showcased each city through five local experts’ guides of their favourite things. A second phase is planned for mid-January with a wider integrated and multi-channel approach.

Tourism New Zealand - Summer Campaign

Tourism New Zealand worked with Regional Tourism Organisations (RTOs) across the country to develop the content for their Summer campaign. The production crew visited the Waikato during early October filming in three locations to showcase different ways to ‘do something new’ in the region over summer. Surfing in Raglan was a key feature of the creative, as well as visiting Hamilton Gardens and kayaking with Lake District Adventures. This campaign launched into market late November to play off the back of their ‘firework’ song launch in early November in which the region also features.

Content Creators Project

We are working with Tourism New Zealand and social media agency Socialites on a content creation project. The programme matches micro-influencers around New Zealand with operators in each region who need assistance with creating visual content for their social media channel. The content created by the influencers when they visit the operator can be used by the operators, HWT and Tourism New Zealand as well.

Tourism New Zealand are funding five influencers per region and HWT is funding another five so the region will receive a total of ten content creation pieces. Matching is currently underway with all content to be created by the end of January. The project includes some workshops and resourcing to lift capability and upskill operators in their own social media content creation and utilisation as well.

Regional Events

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

Annual Visitor Guide

50,000 copies of the 2021 Official Regional Visitor Guide were distributed in late December 2020. This is a reduced number from the 2020 distribution due to the impacts of COVID-19. They have been distributed nationally through i-SITEs and airports, displayed at visitor attractions, used at trade shows, and conference delegate packs. This guide remained a cost-neutral project with cheaper advertising sales funding production and distribution.

Media

Post-lockdown, we have had a successful year for domestic travel media coverage with a number of media pitches, famils and hosting. Domestic media platforms and publications are hungry for content and we have been quick to take up this opportunity. Coverage so far includes content in NZ Herald Travel Supplements, NZ House & Garden, Cuisine Magazine, NewsHub, Good Magazine, AA Directions and coverage across the Stuff network in print and online.

International marketing

While no physical training or sales activity with international travel trade has been possible (on or offshore), we have continued to undertake virtual trade training and promotional activities over the last couple of months.

Webinars

HWT was selected to work with Tourism New Zealand on the following trade webinars:

- **TNZ North America – Relaxation & Romance webinar**
 - 180 agents from around North America tuned in for the NZ Relaxation & Romance webinar which featured a live cross to Waikato and the Hamilton Gardens along with five other destinations around the country.
- **TNZ Australia Virtual Famil**
 - This the first 'virtual famil' activation where six regions across New Zealand were selected as part of a Relaxation & Romance themed event. For Waikato, we featured Zealong Tea Estate where HWT and a representative from Zealong toured the plantation and took part in a tea tasting together.
- **TNZ UK/Europe – Wildlife webinar**
 - The Waikato was selected to be the only RTO to present to 140 travel sellers around the UK/Europe in TNZ's Wildlife webinar. HWT presented on the wildlife experiences available in the Waikato including Sanctuary Mountain Maungatautari and trade-ready experiences that showcase glowworms such as Waitomo operators and Lake District Adventures.

Accor Famil

We hosted an Accor-organised famil in November with 12 key Inbound Tour Operators (ITOs). During the visit, we showcased Zealong Tea Estate and Good George Brewery, including their tours and experiences. The itinerary included Novotel Tainui Hamilton to view the new executive rooms and we presented on what the wider region has to offer. As a result, several of the ITOs have reached out about follow-up opportunities and itinerary creation for their NZ-based clients and international clients when borders open.

Marketing activity for Hamilton City

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

Target market	Campaign or activity	Hamilton experiences profiled
Media – domestic & international famils	Media hosting and famils profiling Hamilton: <ul style="list-style-type: none"> • Good Magazine famil • NewsHub famil • Stuff.co.nz Roadie • Cuisine Magazine famil • Stuff.co.nz School Holidays • NZ Herald famil 	Camarosa, Hamilton Gardens, Waikato Museum, Good George brewery tour, Novotel Tainui Hamilton, Boon After Dark, Hamilton Zoo, Hayes Common, Gothenburg, Volare, Duck Island, Mr Pickles, Palate
Media - domestic	Hamilton was profiled as part of regional promotions in the following publications: <ul style="list-style-type: none"> • NZ Herald Travel Supplements • Avenues Magazine • NZME 'Where I'd Rather Be' column • Family Times • Stuff.co.nz • NZ House & Garden • Cuisine Magazine • NewsHub 	Camarosa, Hamilton Gardens, Waikato Museum, Good George brewery tour, Novotel Tainui Hamilton, Boon After Dark, Hamilton Zoo, Hayes Common, Gothenburg, Volare, Duck Island, Mr Pickles, Palate, Bearded Weasel, Bahn Mi Caphe, Sisterfields, Ramada Hamilton, FMG Stadium History Wall, Te Tatau ki Kirikiriroa, Waiwhakareke Natural Heritage Park, Lovegrove Lane, Bowl & Social, Scotts Epicurean, Classics Museum, Wonder Horse.
Travel Trade - famils	Hamilton profiled in following trade famils: <ul style="list-style-type: none"> • Accor Inbound Tour Operators 	Novotel Tainui Hamilton, Good George Brewery.
Travel Trade – webinars	International trade training webinars <ul style="list-style-type: none"> • TNZ North America 	Hamilton Gardens.
Travel Trade – Explore Central North Island Alliance	HWT are part of the Central North Island RTO alliance known as 'Explore Central North Island' which includes the two touring routes – The Thermal Explorer Highway and the Pacific Coast Highway. Trade training webinars Jul-Dec: <ul style="list-style-type: none"> • Thermal Explorer highlights • Waikato region update 	Hamilton Gardens, SkyCity Hamilton, Hamilton Zoo, Waikato Museum, Novotel Tainui Hamilton.

Target market	Campaign or activity	Hamilton experiences profiled
Domestic consumer - Local, Hamilton & Waikato	<ul style="list-style-type: none"> • School Holidays – Sept 2020 • Hot Deals – Oct 2020 • Christmas Gift Guide – Dec 2020 • Locals – It's just magic! – Dec 2020 – Jan 2021 	Hamilton Gardens, SkyCity Hamilton, Hamilton Zoo, Waikato Museum, Good George Brewing, Escapist, Bowl n Social, Banh Mi Caphe, Boon After Dark 2020, Taitua Arboretum.
Domestic consumer - External Drive & Fly Markets	<ul style="list-style-type: none"> • Open for Exploration Campaign – July - August 2020 • School Holidays – Sept 2020 • Hot Deals – Oct 2020 • It's just magic! – Nov – Dec 2020 	Hamilton Gardens, SkyCity Hamilton, Hamilton Zoo, Waikato Museum, Good George Brewing, Escapist, Bowl n Social, Banh Mi Caphe, Boon After Dark 2020.
Domestic consumer – Chinese New Zealanders	Ongoing campaign activity has continued through our Weibo social media channel, blogs, forums etc	Hamilton City, Taitua Arboretum, Hamilton Gardens, Waikato Museum, Boon After Dark 2020, Jansen Park, Hamilton Lake Domain Walkway, Jim Barnett Reserve, Duck Island Ice Cream, Hamilton Christmas Tree lighting event, Jubilee Park.
Domestic & International consumer and trade	2021 Hamilton & Waikato Regional Visitor Guide	Hamilton City profiled in 'Regional Highlights' section and 'Hamilton' section. Hamilton based tourism operators advertised in their respective sections. Events based in Hamilton have also been profiled in the 'Events' section.
Domestic & international consumer, travel trade and media	Quarterly e-newsletters distributed to our consumer, trade and media databases featuring: Surrealist Garden, Waikato Museum, The Cat In The Hat, Gallagher Chiefs Vs Hurricanes, Splice Construction Magic Home Games, Dinosaur Revolution Secrets Of Survival, Hamilton Gardens, Hayes Common, Good George Brewing, Duck Island Ice Cream, Lovegrove Lane, Tainui Waka Kapa Haka Festival 2020, Motorhome, Caravan & Leisure Show, Boon After Dark 2020, Tunes In The Shrooms, Good George Oktoberfest, Silver Ferns Vs England, Te Moana Glow Show!, Gourmet In The Gardens, Synthony 2020, Six60 Saturdays Tour , Blackcaps V West Indies 1st Test Match, Seddon Park , Crowded House - To The Island Tour, Blackcaps V Pakistan 2nd T20, Blackcaps V Bangladesh 3rd T20, Hamilton Gardens Arts Festival 2021, Hamilton Zoo, The Great Kiwi Beer Festival, Nature & Nosh Tours, Ramada Hamilton, Novotel Hamilton Tainui , Balloons Over Waikato 2021 , ICC Women's Cricket World Cup 2022, Galileo – Scientist, Astronomer, Visionary Exhibition.	

Target market	Activity and Hamilton experiences profiled
Domestic & International consumer	<p>Hamilton profiled through HWT's website and various social profiles including Facebook, Instagram, Twitter & YouTube, including:</p> <p>Waikato Museum, Kiwi Beer Festival, ICC Women's Cricket World Cup, Taitua Arboretum, Hamilton Gardens, Good George Brewing, Boon After Dark 2020 'Shrooms', Garden Place, Te Ruru Light Festival 2020, Collective Secret Tour Waikato Museum, Tainui Waka Kapa Haka Festival, Claudelands Arena, Behind the Scenes Hamilton Gardens Tour, Hamilton Airport, Hamilton city, Hamilton Lake Domain Walkway, Ferment Fest, Good George Octoberfest, Waikato Design & Lifestyle Market, Waikato Baby Expo, Te Moana Glow Show - Clarence St Theatre, The Show Must Go On, Duck Island Ice Cream, Jubilee Park, Gourmet in The Gardens, Waikato Home & Garden Show, Luxe + Local Fashion Show, Waikato V Bay Of Plenty Mitre 10 Cup - FMG Stadium, Hamilton Women's Lifestyle Expo, Floyd Live, Christmas Tree Lightning Event, Synthony 2020, Hamilton Christmas Parade, Waikato Museum Christmas Music, Maori All Blacks V Moana Pasifica, Blackcaps V West Indies 1st Test Match, Stories In The Garden, The Abba Show, Blackcaps V Pakistan 2nd T20 - Seddon Park, Fairfield Bridge, Chinese Scholars' Garden, Hamilton Lake, Surrealist Garden, Hamilton City's Central Library, Suffrage Pavilion And The Valley Walk In Hamilton Gardens, Waikato River Walk, Hamilton Christmas Tree, Turtle Lake, Dinosaur rEvolution Secrets of Survival, The Splice Construction Magic games, FMG Stadium Waikato History Wall, The Waikato Orchid Society winter show, Bold Experience: A Night of Musical Theatre at the Meteor, "Te Wiki o te Reo Maaori Hiikoi" Discovery Trail at the Waikato Museum, SIX60 Saturdays tour - Claudelands Oval, Silver Ferns netball games, Meyer Gouda Cheese Ltd, Zealong Tea Estate, Hamilton Christmas Tree lighting event, Hamilton iSite, Good George Dining Hall, Novotel Tainui Hamilton, Waikato Market Day at Riverlea Theatre.</p>

Conferences, incentives & business events

Conference leads and rehousing

During June through December 2020, Business Events Waikato managed 16 leads and 26 referrals. Our business events team successfully relocated 16 business events after Jet Park Hotel Hamilton Airport became a designated Managed Isolation Facility. We were able to re-house most of the events within the Waikato.

We are fortunate the Waikato is predominantly a domestic conference destination and easy to get to from key markets. Our marketing activity is focused on multi-day association and the corporate conference market.

Unfortunately, three of our largest commercial accommodation providers are now unavailable as they are Managed Isolation Facilities which has impacted on the conference market, significantly reducing our offer. Hosting some of the larger conferences is now very challenging due to limited accommodation availability.

In addition to our limited commercial accommodation inventory, the biggest threat to the conference market is uncertainty. Event organisers cannot confidently book conference venues and accommodation, plus they are afraid of the force majeure clauses in contracts. Currently venues are experiencing short lead-in times which brings its own challenges.

Business Events Waikato Showcase

The Business Events Waikato Showcase scheduled for 24th September 2020 had to be cancelled due to the change in COVID-19 alert levels. The business events team will look to hold an exhibition including Waikato business events partners within the 2021 calendar year. The target market for this event will be local organisers, meeting planners, EAs and PAs based within driving distance of the Waikato. We will predominantly target corporates who organise one day meetings through to multi-day conferences and events.

Convention Bureau activity

Summary of specific conference marketing activity (1 July 2020 to 31 Dec 2020)

Activity	Detail
Enquiries	50 enquiries managed
Buyers Hosted	<ul style="list-style-type: none"> September 2020: Five Waikato PCOs hosted to for International Hobbit Day December 2020: Six buyers hosted for a dinner before BE:Reconnected Tradeshow in Auckland
Trade Shows	<ul style="list-style-type: none"> November 2020: Regional Waikato stand and shared 'Meet North South' stand with Dunedin at Australasian Society of Association Executives (AuSAE) LINC Conference, Wellington December 2020: Regional stand at BE:Reconnected Tradeshow held in Auckland
Hosted Events	<ul style="list-style-type: none"> October 2019: Wellington Soiree, attended by over 50 buyers Co-hosted with six business events Waikato partners
AuSAE NZ Networking Activity	AuSAE – Australasian Society of Association Executives <ul style="list-style-type: none"> November 2020: AuSAE LINC Conference, Wellington December 2020: Networking Lunch, Auckland
Partner Communication & Development	<ul style="list-style-type: none"> July 29th: BE Waikato Partner Zoom October 22nd: HWT Symposium December 8: Christmas Partner Breakfast

	<p>74 Business Events Waikato Partners, including Hamilton city partners:</p> <p>Claudlands Conference & Exhibition Centre, Distinction Hotel Hamilton, Novotel Tainui Hotel Hamilton, Ramada by Wyndham, SkyCity Hamilton, University of Waikato, ForumPoint2, Hamilton Gardens, Leisure Time Tours, The Verandah, Wintec Venues, ACLX, Any Audio Visual, Classics Museum, Escape HQ, Essential Talent, FMG Stadium Waikato, Good George Group, Gothenburg, Hamilton Golf Club, Hamilton Taxis, Heartland Ambassador Hotel, Hinterland Adventures, Ibis Tainui Hamilton Hotel, Iguana, Interationz, Kerr & Ladbroke, Momento Group, Montana Food & Events, Panama House & Square, Park View Motor Lodge, Phoenix Decoration Hire, The Events Company, The Greenspace, The Lawrenson Group, Waikato Museum & Artspace, Waikato River Explorer.</p>
--	---

Rebuilding the Waikato visitor economy

Hamilton & Waikato Tourism has been instrumental in leading the response, restart and rebuilding of the regional tourism and events sector. The impacts of the COVID-19 pandemic were swift and severe for the entire visitor economy which includes tourism businesses, activities and attractions, accommodation providers, retail and hospitality, transport operators, conferences and business events, major events and venues, education institutions, plus the many suppliers who partner with the sector.

There are a number of key initiatives underway to support the rebuild and reimagining of Waikato's tourism sector.

Strategic Tourism Assets Protection Programme (STAPP)

The \$230m Strategic Tourism Assets Protection Programme (STAPP) was announced in the Government's budget in May to protect the assets in the tourism landscape that form the core of our essential tourism offerings to ensure their survival through the disruption caused by COVID-19. Grants and loans were allocated to tourism businesses, Inbound Tour Operators and Regional Tourism Organisations.

TOURISM BUSINESSES

130 tourism businesses received a total of \$261m in support comprised of a mix of grants and loans. The Waikato region were successful with initial funding support provided to the following tourism businesses:

- Discover Waitomo: up to \$4m over two years (year one will be a grant and year two will be a loan if required)
- Ōtorohanga Kiwi House: \$500,000
- Waitomo Adventures: \$500,000
- Spellbound Glowworm and Cave Tour, Waitomo: 401,440

- Caveworld Waitomo: \$290,000

REGIONAL TOURISM ORGANISATIONS

Hamilton & Waikato Tourism successfully applied for a maximum of \$700,000 to address the significant shortfall in industry investment. Their criteria for applying for the grant was to retain existing local government investment.

The financial support can only be used to enhance work from the Aotearoa New Zealand Government Tourism Strategy in the following three priority areas:

1. domestic marketing;
2. industry capability; and
3. adopting a destination management approach.

Out of the 27 programmes of work we are looking to undertake under the three tagged areas listed above, 11 are collaboration projects with other regions which border the Waikato.

Specific STAPP projects we will deliver for Hamilton City include:

- Review and refresh of touring routes (collaboration project with Visit Ruapehu and Destination Rotorua)
- Co-curate and development of food tourism experiences, including itineraries, marketing initiatives and product development (collaboration project with Destination Rotorua)
- Domestic marketing to build demand and attract visitation to the district, including event promotion and a joint Auckland drive market campaign with Auckland Unlimited (previously ATEED)
- Participation in the national and Central North Island domestic marketing campaigns driving visitation into the district
- Regional tourism marketing advisory services for tourism businesses
- Launching a regenerative tourism leadership programme to enhance sustainability initiatives for tourism operators

All other projects from participation with Tourism New Zealand's national domestic marketing campaign, partnerships with AA Traveller and the NZ Motor Caravan Association through to procurement of visitor travel data, will benefit the district and wider region as well.

Adopting a destination management approach for Waikato

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

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

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

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

We have successfully managed to attract funding from the Ministry for Business, Innovation and Employment to undertake this work.

Major and regional events

Hamilton & Waikato Tourism know that hosting major and business events are crucial to lead the economic and social recovery of the Waikato region. Tourism New Zealand research indicates that up to one-third of domestic travel is primarily driven by people looking to participate in events.

Post-COVID, the national funding made available has enabled us to activate our Regional Major Events Strategy.

Domestic Events Fund

The Domestic Events Fund was a \$10 million fund established to support the events sector which had been significantly impacted by the COVID-19 pandemic. It was a contestable fund to provide funding to events that deliver the greatest flow-on benefits to regional economies. This fund was designed to inject immediate cash-flow to the sector and the broader supply chain.

We were part of the regional evaluation panel and recommendations were made to Major Events NZ who approved the funding. Waikato worked with Rotorua, Taupō and Ruapehu. Collectively we had 12 events approved of funding, equating to \$1.25 million. Of these, six were events in our Waikato area.

Regional Events Fund – Thermal Explorer Highway

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

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

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

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

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

Expressions of Interest for the Contestable Fund opened on 2 February 2021 and will close on 12 March 2021.

Industry support

Five Kirikiriroa-Hamilton Ambassador Programme training workshops were held, including on-site training for the Friends of Hamilton Gardens and the University of Waikato. In total, we now have trained 183 people for the Kirikiriroa-Hamilton Ambassador programme.

We coordinated the Event Venues and Crowded Spaces Forum held in November. This forum is an opportunity for venues to share intel; for emergency services to talk with venues; for updates on health, safety and risk mitigation, including COVID-19 actions.

Regional Business Partner Network

The Government provided funding for subsidised business advice services under the COVID Business Recovery Programme. In the Waikato region, this was delivered through the Regional Business Partner (RBP) programme with Te Waka. Hamilton & Waikato Tourism were sub-contracted to Te Waka for three months to provide advice and support for tourism businesses. In total, 77 tourism businesses were supported through the RBP programme.

Tourism Futures Taskforce

In June 2020, the Minister of Tourism set up the New Zealand Tourism Futures Taskforce (the Taskforce) following the significant change to global travel and tourism in New Zealand as a result of COVID-19.

The main purpose of the Taskforce is to advise on what changes New Zealand can make to the tourism system, so that tourism enriches both New Zealand and the wellbeing of New Zealanders.

The Taskforce is co-chaired by Rotorua Mayor Steve Chadwick and Grant Webster from Tourism Holdings Limited. It will make recommendations to address the long-standing productivity, inclusivity and sustainability (environmental, social and economic) issues present in some parts of the tourism sector.

The Taskforce will use a design-thinking approach to draft recommendations, which will be aligned with the four capitals – economic, environmental, social and cultural – set out in the Treasury's Living Standards Framework.

The Taskforce provided an initial report on the future of tourism in New Zealand in December 2020 to the Minister of Tourism, Hon Stuart Nash, with final recommendations and steps for implementation in April 2021.

Conclusion

As we continue to lead the rebuilding and reimagining of our tourism industry post-COVID, our key focus areas for the coming six months include:

- continuing to work with our industry to stimulate domestic demand between now and through the autumn/winter season;
- support tourism businesses through the impacts of the COVID-19 and lead industry capability building;
- develop a destination management plan approach by merging our existing Visitor Strategy and Tourism Opportunities Plan;
- investigate, review and enhance existing and new touring routes around the region and across borders;
- support event organisers, venues and suppliers to restore our market share in the business events sector;
- support the development of large-scale commercial accommodation to increase average length of stay;
- assist new visitor experience development across the region;
- lead the implementation of the Regional Events Fund for Waikato, Rotorua, Ruapehu and Taupō;
- deliver the additional 27 programmes of work funded under STAPP to boost our economic and social recovery; and
- continue to lobby and advocate for the tourism sector with Government.

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

Jason Dawson

Chief Executive, Hamilton & Waikato Tourism

February 2021

Council Report

Item 11

Committee: Economic Development Committee

Date: 09 March 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: Waikato Regional Airport Limited - Half Year Report 31 December 2020 and Statement of Intent 2021/22

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

Purpose - *Take*

1. To inform the Economic Development Committee of the Waikato Regional Airport Limited (WRAL) half year report to 31 December 2020.
2. To seek approval from the Economic Development of the WRAL Statement of Intent for 2021/22.
3. WRAL representatives will provide a verbal update at the Economic Development Committee meeting.

Staff Recommendation - *Tuutohu-aa-kaimahi*

4. That the Economic Development Committee:
 - a) receives the half year report; and
 - b) approves the Waikato Regional Airport Limited draft Statement of Intent 2021/22.

Executive Summary - *Whakaraapopototanga matua*

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

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

5. The COVID-19 outbreak hitting New Zealand and the nationwide lockdown resulted in WRAL facing a range of very serious challenges to its operations and its short and medium-term financial performance.
6. As a result, the company instituted a range of measures to both respond to the challenge on the ground but also revised their future business projections for 2020/2021. This report will

provide an update on half year results and the WRAL board intentions for the company and group for the year ending 30 June 2022 and succeeding two financial years.

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

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

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

Financial Considerations - *Whaiwhakaaro Puutea*

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

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.
12. The recommendations set out in this report are consistent with that purpose.
13. WRAL's activity relates strongly to the economic wellbeing by its delivery of key objectives to operate an efficient and compliant airport, maximised revenue through diversification to protect the core aeronautical business and enhanced tourism growth within the region.
14. There are no environmental, social or cultural wellbeing implications identified in the development of this report.

Risks - *Tuuraru*

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

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

Significance

16. 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

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

Attachments - *Ngaa taapirihanga*

Attachment 1 - WRAL - Half Year Report 31 December 2020

Attachment 2 - WRAL - Statement of Intent 2021/22

INTERIM REPORT

WAIKATO REGIONAL AIRPORT LIMITED

For the six months ended 30 December 2020




Hamilton Airport

Item 11

Attachment 1

CHIEF EXECUTIVE’S REPORT



**KEY RESULTS
AT A GLANCE**

-24%	Passenger volume - 159,000 Decrease of 49,000
-18%	Aircraft movements - 50,000 Decrease of 11,000
+21%	Operating revenue - \$8.2m Growth of \$1.4m
+54%	EBITDA excluding land sales - \$3.2m Growth of \$1.1m
-56%	Net surplus after tax - \$1.1m Decrease of \$1.6m
+7%	Total shareholder funds - \$106.8m Growth of \$7.1m

* Growth is measured compared to the six months ended 31 December 2019

COMMENTARY

The first six months of the June 2021 financial year has seen a continuing positive recovery from the lows of the COVID-19 lockdown earlier in 2020.

WRAL’s achievements over the last almost 12 months have collectively highlighted the success of the diversification strategy implemented over the past few years, led by optimisation and acquisition of properties around the Airport precinct.

Whilst aeronautical activity had rebounded strongly compared to other domestic airports in New Zealand passenger numbers were still down 25% on last year, however with steady recovery and increases in capacity being scheduled in and out of Hamilton by Air New Zealand, the month of December 2020 saw an increase on December 2019.

Total aircraft movements down 18% primarily due to border restrictions prohibiting new pilots commencing flight training at the L3 Airline Academy who account for around 70% of our flight movement activity.

Overall, our aeronautical earnings (at the EBITDA level) were down \$0.3m on the same period last year.

Near the end of the period, Hamilton Airport welcomed a second regular scheduled service airline with the re-commencement of the Palmerston North route serviced by Nelson-based carrier Originair. There are plans to increase capacity and improve scheduling in the second half of the year and for Originair to introduce additional routes including re-starting a return Nelson direct service, a connection previously provided up until 2015. Whilst not financially significant to the airport these represent important milestones and reflect the strength of our airport and region such that we can foster new airline activity at a time where globally the air travel industry has been decimated.

The group’s financial success for 2021 will be underpinned by the performance of the airport’s Hotel. While originally the outlook for the hotel was expected to be grim, hotel manager Jet Park was able to secure the site as a COVID-19 managed isolation facility on the back of their Auckland Airport site operating as a quarantine hotel. The hotel has been highly occupied under its managed isolation facility contract, regularly maintaining physical occupancy rates above 80% and during this time the recently upgraded property infrastructure has performed well. Equally, the high quality of service we had seen delivered to hotel guests in normal trading times has continued under the managed isolation model with the hotel ranking at the very high end of guest satisfaction statistics for isolation guests across the New Zealand-wide network of these facilities. The current contract remains in place until at least April 2021, with the Crown having options to extend as far as December 2021.

The hotel’s earnings for the period contributed to about three quarters of the Group’s year to date net profit. Its comparison to last year is distorted somewhat by the fact the hotel operation late in 2019 was disrupted by the extensive upgrade works and costs of re-launching the property under WRAL and Jet Park’s operation resulting in around \$0.5m of non-recurring costs incurred in 2019.

The Group also includes the Regional Tourism Organisation, Hamilton & Waikato Tourism. Whilst continuing with the highly successful “Mighty Local” campaign to promote tourism and consumer spend in our home region as the country emerged from lockdown, the organisation has been successful in securing two major multi-year funding streams from central government to re-invest back into the heavily damaged industry. These will assist to develop new opportunities to drive domestic visitation. An initial grant of \$0.7m under the Strategic Tourism Asset Protection Partnership will fund tourism activation in our immediate region while Hamilton & Waikato Tourism has been appointed as the lead agency for an almost \$4m contestable fund that will offer grants to events across the Waikato, Rotorua, Taupo and Ruapehu regions over the next 3-5 years.

No land sale settlements took place in the first half of the 2021 financial year for Titanium Park, however over \$2.8m of construction was committed to complete the Southern Precinct Stage 2 and Central Precinct Stage 4 developments. Both precinct stages were delivered ahead of time and under budget. There is over \$7m of revenue expected to arise from nearly 4ha of land settlements taking place in the second half of the year, of which \$4m has settled at the time of writing.

The land sale proceeds will provide an important injection of capital enabling the Group to reduce its debt levels to their lowest in a decade at a time of continuing uncertainty due to the global resurgence of the virus and the potential economic impacts. In addition, the airport will encounter a period of emerging new challenges including news that the L3 CTS Airline Academy will close early in 2021 and the need to turn our attention to preparing the hotel for re-launch into the local accommodation market upon conclusion of the Managed Isolation Contract.

Mark Morgan - Chief Executive

FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income & Expense

For the six month period ended 31 December 2020 (unaudited)

	2020 \$ '000	2019 \$ '000
Revenue		
Operating revenue	8,156	6,751
Land sales	-	5,875
Other gains/(losses)	191	1,096
	8,347	13,722
Expenses		
Operating expenses	(2,815)	(2,740)
Cost of land sales	-	(3,500)
Employee benefits expense	(2,084)	(1,927)
Depreciation & amortisation	(1,683)	(1,602)
Finance costs	(304)	(299)
	(6,886)	(10,068)
Net surplus/(deficit) before tax	1,461	3,654
Tax expense	(403)	(923)
Net surplus/(deficit) after tax	1,058	2,731
Other comprehensive revenue & expense		
Revaluation of property, plant & equipment	-	-
Deferred tax	-	-
Total other comprehensive revenue & expense	-	-
Total comprehensive revenue & expense	1,058	2,731

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



FINANCIAL STATEMENTS

Consolidated Statement of Changes in Equity For the six month period ended 31 December 2020 (unaudited)

	Share Capital \$ '000	Retained Earnings \$ '000	Revaluation Reserves \$ '000	Total \$ '000
Opening Balance - 1 July 2019	14,860	25,323	57,102	97,285
Net profit/(loss) after tax	-	2,731	-	2,731
Other comprehensive income	-	-	-	-
Total comprehensive income	-	2,731	-	2,731
Dividends paid to shareholder	-	(300)	-	(300)
Closing Balance - 31 December 2019	14,860	27,752	57,102	99,714
Opening Balance - 1 July 2020	14,860	33,772	57,102	105,734
Net profit/(loss) after tax	-	1,058	-	1,058
Other comprehensive income	-	-	-	-
Total comprehensive income	-	1,058	-	1,058
Dividends paid to shareholder	-	-	-	-
Closing Balance - 31 December 2020	14,860	34,830	57,102	106,792



WAIKATO REGIONAL AIRPORT LTD - INTERIM REPORT - SIX MONTHS ENDED 31 DECEMBER 2020 - 4

FINANCIAL STATEMENTS

Consolidated Statement of Financial Position As at 31 December 2020 (unaudited)

	2020 \$ '000	2019 \$ '000
Current Assets		
Cash and cash equivalents	1,014	390
Trade and other receivables	2,121	1,228
Inventories	485	427
Development property	12,145	8,262
	15,765	10,307
Non Current Assets		
Property, plant and equipment	94,394	95,028
Investment property	26,305	18,942
Intangible & other non-current assets	1,156	1,566
	121,855	115,536
Total Assets	137,620	125,843
Current Liabilities		
Trade and other payables	2,676	2,131
Income received in advance	1,655	440
Employee entitlements	495	284
Borrowings	-	48
	4,826	2,903
Non Current Liabilities		
Provisions for Infrastructure Development	1,417	1,586
Borrowings	19,725	13,168
Deferred tax liability	4,860	8,472
	26,002	23,226
Total Liabilities	30,828	26,129
Net Assets	106,792	99,714
Equity		
Share capital	14,860	14,860
Retained earnings	34,830	27,752
Revaluation reserves	57,102	57,102
Total Equity	106,792	99,714

FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows For the six months ended 31 December 2020 (unaudited)

	2020 \$ '000	2019 \$ '000
Operating activities		
Receipts from operations	7,584	12,254
Payments to suppliers and employees	(4,694)	(4,707)
Payments for construction of development property	(2,836)	(1,022)
Payment of interest	(283)	(292)
Payment of income taxes	-	(812)
Net cash from/(used in) operations	(229)	5,421
Investing activities		
Receipts from sale of property, plant and equipment	-	4
Purchases of property, plant & equipment	(555)	(3,756)
Purchases of investment properties	(929)	-
Acquisition of business	-	(500)
Net cash from/(used in) investment activities	(1,484)	(4,252)
Financing activities		
Receipts from/(repayments of) borrowings	2,098	(1,290)
Payments of dividends	-	(300)
Net cash from/(used in) financing activities	2,098	(1,590)
Net change in cash for the period	385	(421)
Add opening cash and cash equivalents balance	629	811
Closing cash and cash equivalents	1,014	390

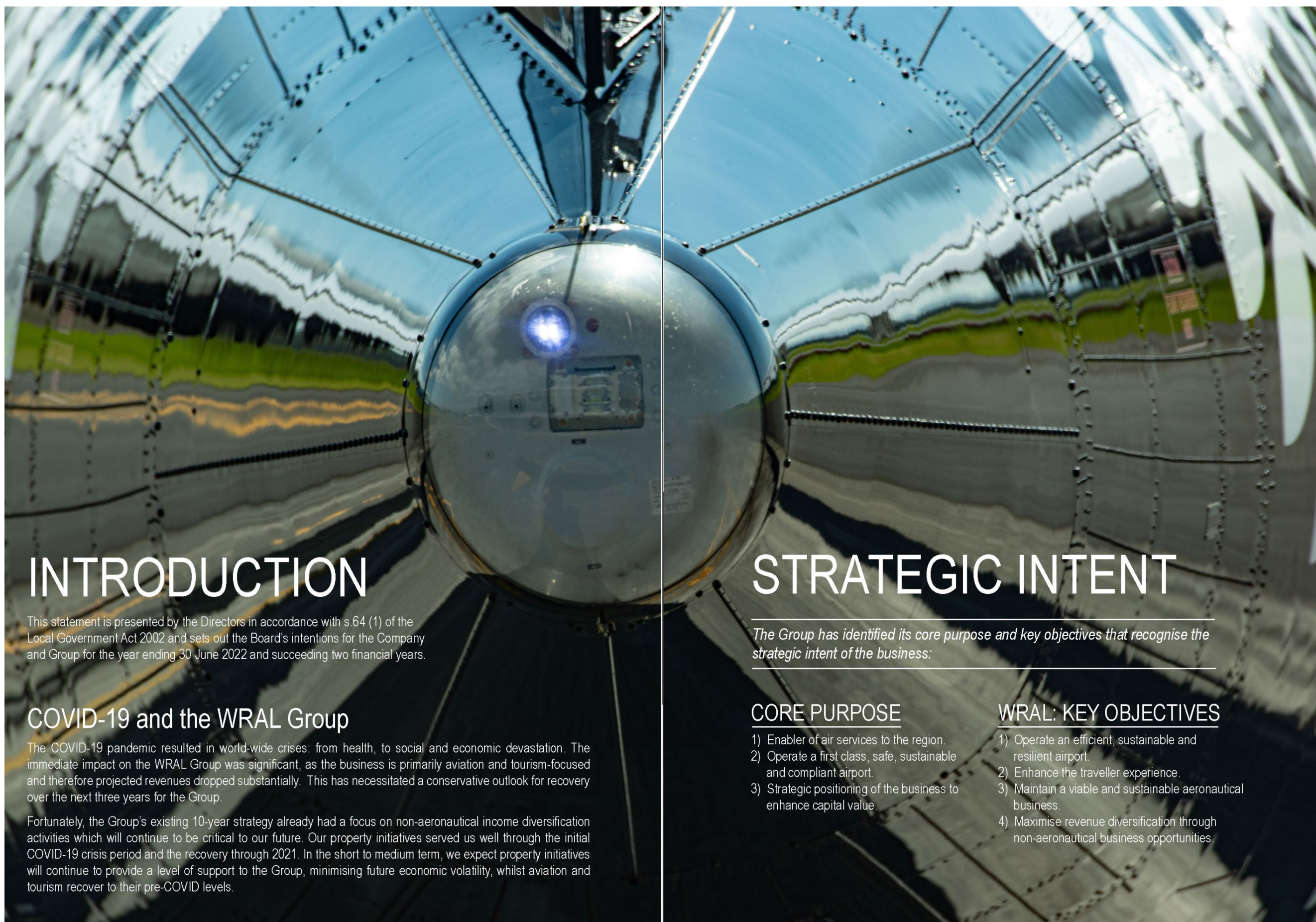
PERFORMANCE REPORTING

Performance against Statement of Intent For the six months ended 31 December 2020 (unaudited)

	SOI Full Year 30/6/21	Actual 6 months 31/12/20	Forecast Full Year 30/6/21
Financial Targets			
EBITDA excluding Land Sales	(\$0.5m)	\$3.2m ✓	\$3.9m ✓
EBITDA including Land Sales	\$0.3m	\$3.2m ✓	\$5.9m ✓
Net Profit before Tax	(\$3.7m)	\$1.5m ✓	\$2.5m ✓
Net Operating Cash Flow excl Land Sales	(\$1.5m)	(\$0.8m) ✓	\$3.9m ✓
Total Debt (not exceeding)	\$30.0m	\$19.7m ✓	\$12.0m ✓
Percentage of non-landing charges revenue	60%	77% ✓	78% ✓
Land Sales	\$4.0m	- ✓	\$7.3m ✓
Interest coverage	-4.0x	10.7x ✓	8.2 ✓







INTRODUCTION

This statement is presented by the Directors in accordance with s.64 (1) of the Local Government Act 2002 and sets out the Board's intentions for the Company and Group for the year ending 30 June 2022 and succeeding two financial years.

COVID-19 and the WRAL Group

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

Fortunately, the Group's existing 10-year strategy already had a focus on non-aeronautical income diversification activities which will continue to be critical to our future. Our property initiatives served us well through the initial COVID-19 crisis period and the recovery through 2021. In the short to medium term, we expect property initiatives will continue to provide a level of support to the Group, minimising future economic volatility, whilst aviation and tourism recover to their pre-COVID levels.

STRATEGIC INTENT

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

CORE PURPOSE

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

WRAL: KEY OBJECTIVES

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



KEY OBJECTIVES OF THE GROUP:

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

1. Operate an efficient, compliant and resilient airport.

2. Enhance the traveller experience.

3. Maintain a viable aeronautical business.

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

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

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

8. Grow the visitor economy through tourism development and destination management.

Nature and scope of activities to be undertaken:

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

2. **Enhance the traveller experience.**
Maximise traveller satisfaction and airport experience.

3. **Maintain a viable aeronautical business.**
The COVID-19 pandemic has painted a very different canvas for the aviation sector over the next few years.

We will:
 - Assist airlines to identify opportunities to increase flight schedules and passenger numbers.
 - Promote the recovery of the general aviation sector.
 - Develop and implement a five year plan to give effect to, or seek renewal of the runway extension designation.
 - Position and protect the airport as an efficient, cost effective international port of arrival.
 - Pursue all new international air service opportunities (both charter and scheduled services) as New Zealand international borders open up.
- Remain collaboarative with local authorities and central government agencies for joint infrastructure and transport initiatives.

4. **Maximise revenue diversification through non-aeronautical business opportunities.**
Support the development of land within the bounds of a sound, strategic approach to long-term planning for the airport precinct by its subsidiary Titanium Park Limited (TPL).
 - TPL will continue marketing for sale, development and optimised investment, all available non-aeronautically strategic land in a planned and co-ordinated approach.
 - In conjunction with the hotel manager, maximise the recovery plan and earnings of the recently acquired and upgraded airport hotel business upon completion of the Managed Isolation Facility contract.

5. **Ensure appropriate internal and external resource to enable a commercially driven and high performing organisation.**
Knowledgeable and capable, high performing and appropriately resourced personnel to ensure sound reporting and accountability, and delivery of the strategic plan.

In pursuing its goals, the Group will:

- At all times behave in a professional and ethical manner in all its business dealings with its customers and stakeholders.
- Be an employer of choice.
- Ensure a safe and healthy workplace environment that complies with legislation.
- Identify and recognise Shareholders' expectations, within the bounds of corporate prudence.







PERFORMANCE TARGETS

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

Based on Company forecasts	YEAR ENDING 30 JUNE		
	2022	2023	2024
EBITDA excluding land sales	\$3.6m	\$4.0m	\$4.2m
EBITDA including land sales	\$5.7m	\$6.1m	\$5.5m
Net profit after tax <i>no less than</i>	\$1.9m	\$2.0m	\$2.3m
Net operating cash flow (excluding land sales)	\$4.2m	\$5.2m	\$5.2m
Total debt <i>not exceeding</i>	\$29.0m	\$29.0m	\$29.0m
Percentage of non-landing charges revenue <i>at least</i>	60%	60%	60%
Land sales	\$3.7m	\$3.8m	\$2.8m
Interest cover <i>at least</i>	4.0x	4.0x	4.0x

NON-FINANCIAL PERFORMANCE TARGETS

	Health, safety and well-being
	Facilitate Health & Safety meetings every two months with representatives from each entity in the Group
	Zero Work Safe notifiable accidents/injuries
	Independently review and audit the Health & Safety system each year
	Operational compliance
	To achieve the Airport Certification Standards as required by the Civil Aviation Authority and as evidenced by Civil Aviation Authority audit reports.
	Ensure airport is operationally available for all scheduled passenger services (except for uncontrollable events)
	Monitor aeronautical noise and facilitate noise management meetings every four months in accordance with the Noise Management Plan.
	Property (Titanium Park Limited)
	Complete construction of the 5th Stage of Titanium Park's Central Precinct.
	Prepare a private plan change submission to Waipa District Council in relation to the future Northern Precinct Development.
	Hotel operation
	Implement a recovery plan to enable a steady return from a Managed Isolation Facility to normal trading as a hotel and achieve pre-COVID metrics such as occupancy, room rates and customer satisfaction in line with the expectations underlying the achievement of a Qualmark 4 Star rating.



Statement of accounting policies

The accounting policies adopted by the Group for the year ending 30 June 2022 and succeeding two years are those as adopted in the 2020 Annual Report prepared under Tier 2 Public Benefit Entity Standards Reduced Disclosure Regime (PBE Standards RDR). The impact of accounting standards changes is not expected to have a material impact on the Group's financial statements or their comparability with previous results.

Dividend policy

The Directors initially propose that no dividend be paid during the year ending 30 June 2022 given the impact of the COVID-19 pandemic. This will be reviewed in light of actual trading and changes in future outlook.

Information to be provided to Shareholders

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

Future investment proposals

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

Commercial value of the Shareholders' investment

No valuation of shares has been completed.

The consolidated balance sheet of WRAL as at 30 June 2020 shows shareholder equity of \$105m based on recent independent valuations of the Group's property, plant and equipment and investment properties.

Compensation from Local Authorities

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

Major transactions

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

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

There are no major transactions being contemplated in the 2021-22 financial year.

Health & Safety and Well-being

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

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





Council Report

Committee: Economic Development Committee

Date: 09 March 2021

Author: Candice Swanepoel

Authoriser: Tracey Musty

Position: Business Performance Accountant

Position: Financial Controller

Report Name: Civic Financial Services Limited - Statement of Intent 31 December 2021

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

Purpose - *Take*

1. To inform the Economic Development Committee on of the Civic Financial Services Limited Statement of Intent 31 December 2021.

Staff Recommendation - *Tuutohu-aa-kaimahi*

2. That the Economic Development Committee:
 - a) receives the report; and
 - b) approves the Civic Financial Services Limited draft Statement of Intent 31 December 2021.

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. The Statement of Intent (SOI) sets out Civic's key performance targets and corporate goals at 31 December 2021.
6. The draft SOI requires the approval of the Economic Development Committee.
7. Staff consider the matters in this report to have low significance and the recommendations comply with the Council's legal requirements.

Discussion - *Matapaki*

8. The Statement of Intent (SOI) sets out Civic's key performance targets and corporate goals at 31 December 2021.
9. Civic's corporate goals remain in line with those of the prior year's SOI.
10. The key performance targets are discussed under Financial Considerations.
11. The draft SOI requires the approval of the Economic Development Committee.

Financial Considerations - *Whaiwhakaaro Puutea*

12. Financial projections for 2021 to 2023 are tracking upwards with a surplus after tax increasing from the prior year's projections.
13. Performance targets and measure remain in line with the prior year's SOI:
 - To provide superannuation services to at least 90% of local authorities.
 - To continue to be an efficient and effective administration manager for LAPP, Riskpool, CLP and CPP.

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

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

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

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

Risks - *Tuuraru*

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

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

Significance

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

Engagement

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

Attachments - *Ngaa taapirihanga*

Attachment 1 - Statement of Intent 31 December 2021

CIVIC FINANCIAL SERVICES LIMITED
STATEMENT OF INTENT
FOR THE YEAR ENDED 31 DECEMBER 2021

TABLE OF CONTENTS

1.0	<i>Mission Statement</i> _____	2
2.0	<i>Corporate Goals</i> _____	2
3.0	<i>Nature and Scope of Activities</i> _____	2
4.0	<i>Financial Projections</i> _____	3
5.0	<i>Performance Targets & Measures</i> _____	4
6.0	<i>Reporting to Shareholders</i> _____	4
7.0	<i>Acquisitions/Disposals</i> _____	4
8.0	<i>Transactions with Related Parties</i> _____	4

1.0 Mission Statement

Mission Statement of Civic Financial Services Ltd
To provide superannuation and risk-financing solutions to the local government sector

2.0 Corporate Goals

The specific goals of the Company are:

- 2.1 To operate as a sound and successful business.
- 2.2 To be the primary supplier of superannuation and risk-financing services to the local government sector.
- 2.3 To investigate and facilitate, as appropriate, new products and markets in superannuation and risk-financing and such other markets that it believes could prove beneficial to its shareholders and the local government sector.

3.0 Nature and Scope of Activities

- 3.1 The Company administers superannuation services for local government and local government staff via SuperEasy and the SuperEasy KiwiSaver Superannuation Scheme.
- 3.2 The Company provides administration, accounting, and a range of other services to LAPP, Riskpool, CLP (Civic Liability Pool) and CPP (Civic Property Pool).
- 3.3 The Company investigates and facilitates as appropriate such new superannuation and risk-financing services and/or markets that it believes will prove beneficial to its shareholders and the local government sector.
- 3.4 In a modest and selective way the Company provides sponsorship for a range of local government activities at regional and national level.

Civic Financial Services Ltd

-2-

4.0 Financial Projections

Civic's projected profit outlook over the next three years is shown in the tables below.

Civic's main revenue streams will come from two sources: fees from providing administration services and investment income.

Profits from providing administration services: Civic's primary source of income in 2021 will come from providing superannuation services for local government and local government staff via the SuperEasy and the SuperEasy KiwiSaver Superannuation Schemes, supported by administration, accounting, and a range of other services to LAPP, Riskpool, Civic Liability Pool and Civic Property Pool.

Profits from investment income: Civic's income in 2021 other than from providing administration services will come solely from investment income.

Dividends: Civic has resolved not to pay any dividends to its shareholders. Civic with overwhelming support from the 2020 Special General Meeting, will apply the funds that could otherwise be provided as dividends to effect a reduction to the management fees for the members of the SuperEasy and SuperEasy KiwiSaver Superannuation Schemes. The reason for this decision is to support and enhance Civic's primary source of income from providing administration services to these schemes.

Fee reduction for our SuperEasy and SuperEasy KiwiSaver Superannuation Schemes: For the reasons described above we will be reducing the schemes' base investment management fee from 1 April 2021 from a rate of 0.44% per annum to 0.40% per annum. This reduced fee structure has been taken into consideration and is reflected in the projections below.

Financial projections for 2021 to 2023 are:

	2021	2022	2023
Administration Income	\$2,443,312	\$2,525,085	\$2,537,487
Investment Income	\$103,175	\$107,000	\$112,000
Revenue	\$2,546,487	\$2,632,085	\$2,649,487
Expenses	\$2,197,367	\$2,216,512	\$2,251,994
Surplus before tax	\$349,120	\$415,573	\$397,493
Surplus after tax	\$251,367	\$299,213	\$286,195

Please note that these are projections, not firm predictions.

5.0 Performance Targets and Measures

- 5.1 We aim to provide superannuation services to at least 90% of local authorities.
- 5.2 We plan to continue to be an efficient and effective administration manager for LAPP, Riskpool, CLP and CPP.

6.0 Reporting to Shareholders

- 6.1 We will provide an audited annual report for the 2020 year by 30 April 2021.
- 6.2 We will provide a report on the first half of 2021 by 30 September 2021. The report will contain a review of the Company's operations during the half year and unaudited half-yearly accounts.

7.0 Acquisitions/Disposals

Any acquisition or disposal that is equivalent to 50% or more of the Company's assets will constitute a "major transaction" under the Company's constitution and approval of the shareholders will be sought in accordance with the constitution. Any acquisition that is equivalent to 25% or more but less than half of the Company's assets will constitute a "minor transaction" under the Company's constitution and consultation with shareholders will take place.

8.0 Transactions with Related Parties

The Company has 72 local authority shareholder members plus TrustPower (holding 1.22%). Local Government Superannuation Trustee Limited and Local Government Mutual Funds Trustee Limited are wholly owned subsidiaries of the Company. Because it is sharing management resources, the Local Authority Protection Programme (LAPP), Riskpool, CLP and CPP are also considered to be related parties. Transactions with shareholder members include risk-financing services and superannuation related financial services.

Charges to and from shareholder members will be made for services provided as part of the normal trading activities of the Company and its subsidiaries. Transactions with shareholder members are on a wholly commercial basis.

***** END *****

Civic Financial Services Ltd

-4-

Council Report

Committee: Economic Development Committee

Date: 09 March 2021

Author: Mike Bennett

Authoriser: Jen Baird

Position: Key Account Manager

Position: General Manager City Growth

Report Name: Hamilton Central Business Association - Six-Monthly Update

Report Status	Open
----------------------	------

Purpose - *Take*

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

Staff Recommendation - *Tuutohu-aa-kaimahi*

2. That the Economic Development Committee receives the report.

Executive Summary - *Whakaraapopototanga matua*

3. HCBA provide a six-monthly update to Council in line with the Business Improvement District (BID) Policy reporting requirements.
4. Staff consider the six-monthly update has low significance and that the recommendations comply with the Council's legal requirements.

Background - *Koorero whaimaarama*

5. The BID Policy sets the process for establishing a BID and the related association in return for setting the targeted rate within the defined BID area.
6. HCBA represents the central city business voice on issues of strategic importance to the central city, promoting the area as a bustling, active, innovative, vibrant place that offers exceptional businesses and experiences, and contributes and collaborates on projects that support the central city business economy.
7. The continued rejuvenation of the central city requires ongoing investment and commitment to create a dynamic environment for businesses to thrive.
8. Vanessa Williams (HCBA General Manager) and Mike Neale (HCBA Executive Committee member) will attend the meeting and will speak to the report.

Financial Considerations - *Whaiwhakaaro Puutea*

9. This is a regular operating activity funded through the 2018-28 10-Year Plan.

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

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

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

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

Social

14. HCBA supports people to be healthy and happy through the CBD Activation Plan, helping to make Hamilton's central city a great place to play and be active.
15. Many elements of HCBA's work ensures that Hamilton is a place where people feel safe. This includes:
 - Conducting an annual city safety survey of the CBD business community
 - Actively supporting City Safe and distributing information to new businesses
 - Partnering in Safe Zone to keep students safe during Orientation Week
 - Communicating and implementing public safety messaging to the business community
 - Initiating an 'anti-theft' presentations to support retail
16. Making our city inclusive and accessible to all, HCBA recognises business achievement in social wellbeings through a special category in the CBD Awards. Additionally, HCBA collaborates with community groups to help make the CBD more accessible including Age Concern, Emerge Aoteroa, Crohns & Colitis NZ and iBeacon/Blind Square.

Economic

17. Hamilton has a strong and diverse business sector built on true partnerships, helped in part by HCBA hosting tours of CBD commercial activity for interested parties including Members of Parliament and Elected Councillors.
18. Activities undertaken by HCBA to help Hamilton have a thriving, sustainable business sector include partnerships to support the business community, the development and implementation of promotion campaigns and ongoing voucher promotions for CBD workers.
19. HCBA supports technology initiatives and helping Hamilton become a hub for innovation via a partnership with Cultivate IT.
20. Enabling individuals and businesses to prosper is achieved by HCBA's promotion and support of commercial activity in the CBD.

Environmental

21. HCBA's efforts are part of wider initiatives to restore and protect the health and wellbeing of the Waikato River including supporting river based activations and transportation options.
22. HCBA has purposefully selected awards venues for the CBD Celebration Awards facing the river to honour, enhance and protect our environmental treasures like the Waikato River.

Cultural

23. Our city values, respects, protects and promotes the treasured status of tangata whenua, acknowledges our shared history and celebrates our cultural identity and heritage, underscored by HCBA's support and promotion of culture initiatives in the central city.
24. Vibrant and attractive public spaces are part of the CBD Activation Plan, which is supported by HCBA.
25. HCBA supports and promotes the central city through promotion, media and initiatives.
26. Our rich history and heritage are valued, protected and celebrated by HCBA's support of cultural initiatives and a diverse range of activations through the CBD Activation Plan and their promotion of central city businesses supports local communities.
27. Efforts to have a thriving arts and events scene are supported by HCBA's collaboration with organizations to support the implementation of arts and events in the central city. Most notably, actively lobbying in support of the Waikato Regional Theatre, the establishment of the Waikato Film Hub and support the arts community through events and activations.
28. To ensure Hamilton continues to be a place we are proud of, HCBA continues to support the Hamilton Ambassador Programme, and looks for opportunities to collaborate and support all who are shopping, dining, eating, and experiencing local businesses.

Risks - *Tuuraru*

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

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

30. Having considered the Significance and Engagement Policy, staff have assessed that the recommendation(s) in this report has/have low significance and no engagement is required.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Hamilton Central Business Association News Articles

Attachment 2 - Hamilton Central Business Association (HCBA)
Six-month report July-December 2020

New apartments and retail space on Hamilton's main street

Jo Lines-MacKenzie 11:53, Aug 19 2020



Apartment and retail space will replace the McKenzies building at 325 Victoria St.

Hamilton's central city will be adorned with new apartments and business space with the demolition of the McKenzies building.

The 1920s building at 325 Victoria Street is nearly completely demolished, making way for a two-levelled building which will have a restaurant and retail space on the ground level and three, three-bedroom apartments above.

The project started on June 22, but was halted soon after as asbestos was found, Watts & Hughes contracts manager, Jason Hills said.

"It was all buried amongst all the old ceiling and stuff, so it wasn't accessible until we started the demolition.

"There was a survey done but it was hidden away, so we had to deal with that. The actual demolition didn't really start until July 28."

These challenges aren't usual, Hills said.

"There is risk in the existing structure and what we do find when we do make a start. There's a risk in the ground once we pull the existing slab out as to what is underneath it, was it a dumping ground, even with the testing that has been done you aren't 100 per cent sure until you get into it."

Workers have also found concrete one and half metres below the existing level, which they are getting advice from engineers on how to deal with.

The site itself is nine metres wide by 60m long, and hemmed in by buildings on both sides and on the main street, with only one way in and out.

the new build will be made of pre-cast concrete panels with a steel framed interior.

"We've got to get cranes and steel, and it's also got a mid-floor in there for the level one apartments, so we've got to start at the back and work our way forward."

The property is owned by an Auckland-based family trust, and isn't expected to be finished until September 2021.

McKenzies was established by Australian Boer-war veteran John Robert McKenzie in 1909 and opened its first New Zealand store in Dunedin in 1910.

Its chain of 75 stores was bought by LD Nathan in 1980 and rebanded as Deka stores.

Waikato Times

Central city transformation on track

19 Aug 2020 +1 more Geoff Lewis



Harcourts Commercial managing director Mike Neale and Hamilton Central Business Association general manager Vanessa Williams.

The most recent survey into Hamilton's central city shows confidence that the Covid scare won't derail the CBD's continuing transformation.

As cities grow and expand outwards, the nature and purpose of their Central Business Districts has changed, leading to strenuous efforts in many older localities to repurpose and revitalise their central areas. The same process is happening in Hamilton.

The biannual Hamilton CBD Retail Occupancy Survey, undertaken between CBRE Research and NAI Harcourts, to the end of June, shows a slight decrease in retail vacancies and a continuing busy scene in refurbishment of existing space, much of it changing larger spaces into smaller spaces.

According to Harcourts Commercial managing director Mike Neale and Hamilton Central Business Association general manager Vanessa Williams, the trends illuminated in the survey indicate a continuing transformation that is making a profound difference to the nature, size, and style of the business activity and the population mix in the precinct.

Williams said the whole social environment of the CBD was changing with the continuing addition of apartments and townhouses in complexes only a

few minutes' walk from work places, eateries, supermarkets and key transport facilities.

The CBD experienced a surge of around 25,000 people during the Monday to Friday working week but during the weekends the situation changed.

Many people visited from outside the CBD, in particular from

Hamilton's southern suburbs.

Williams said for the central city to develop, it required numbers of people, and facilities to attract and keep those people.

As a response, many new commercial premises were putting in their own cafes and convenience stores to support their workforce.

Neale said the CBD was continuing to evolve. A lot of vacant property was being sold to owner-occupiers, including new immigrants who added to the variety and attractiveness of the area.

"We are seeing a fair amount of demolition of poorer buildings and hard-to-tenant space," Neale said.

"Niche operators and foodie destinations are creating an environment that enclosed malls struggle to provide, supported by surrounding bars, hospitality and accommodation, which is changing the whole character of the place."

The CBRE/NAI Harcourts survey stated that while there was no new-build construction recorded in the CBD, several large developments were under way, including the replacement of the former Munns Menswear in Victoria St, destroyed by fire late last year, and the long awaited Regional Theatre, where nearly 800 square metres of occupied space was taken out in the first half of the year, doubling the area currently under refurbishment as part of the project.

In its summary, the survey states the vacancy rate for prime retail space continues to drop, and lower-grade retail remains less attractive.

However, the detail of individual occupier moves – why operators are moving in or out of premises – indicates progress in the long-term transformation of the CBD retail market from one dominated by large retail spaces and occupiers reliant on plentiful parking, to one centred on a denser population core supported by a greater range and quality of retail.

While the CBRE NAI Harcourts December survey predicted the outlook for Hamilton retail as positive, the Juneend survey indicated the Covid pandemic would impact retailers and dent progress, but Hamilton's CBD retail market was expected to adapt to changing times.

Listen Page View Share Save More



Waikato-Tainui's \$50 million ACC build breaks ground

Ellen O'Dwyer 17:33, Sep 29 2020



The \$50 million modern, three-pavilion office complex will stand on the corner of Collingwood and Tristram Streets.

Construction of a sleek, \$50 million dollar office complex in Hamilton heralds the "changing face of the city", leaders say.

And Waikato-Tainui leaders say the development is significant, on land returned to the iwi 25 years ago in an historic settlement with the Crown. Kiingi Tuheitia turned the first sod where the ACC headquarters will stand in what is currently a parking lot on Collingwood and Tristram Streets.

Newly released photos shows the modern, four-storey glass panel offices, which will house 650 ACC staff.

Hamilton Mayor Paula Southgate said the design of the building was "fantastic".

"What we are seeing right now is the changing face of Hamilton."

The project was part of a "package" of new office developments, including the new regional council building in Ward Street and Rabobank offices in Union Square. "They are all really important office, living, and entertainment aspects to the city. "I think we are going to look like a completely new place."

Southgate said consolidating office workers in the central city would help other businesses and bring "vibrancy" to the CBD.

Tainui Group Holdings chief executive Chris Joblin said the 8,500 square metre building was "a big statement".

"Hamilton CBD is starting on a period of renaissance."

TGH commissioned architects Warren and Mahoney for the centre, the design "reflected the aspirations of Waikato-Tainui".

The building will be environmentally sound, Joblin said, meeting a four-star green building standard and including multiple charging stations for electric vehicles.

The site is on land returned to the iwi as part of the historic Treaty of Waitangi Raupatu Settlement with the Crown, which occurred 25 years ago. The land will remain in tribal ownership while the building will be leased to ACC.

Construction will involve "hundreds of jobs", and Hawkins is set to complete the build by October 2022, Joblin said.

The business case was a "good outcome" for the tribe, he said. "This is more than just business, this is a much wider relationship

"Yes there's a commercial component but it's creating employment and health and wellbeing outcomes for our people."

Waikato-Tainui Te Arataura Chair Rukumoana Schaafhausen said the development was set on historic vegetable gardens, or māra kai.

"Our Tūpuna settled this area over 400 years ago and established the Kirikiriroa Pā on the hill behind us.

"Soon we will see a modern, fit for purpose and environmentally sound complex which will rival all other buildings here in Kirikiriroa."

ACC and Waikato-Tainui want to work together to create employment opportunities, she said.

ACC chief executive Scott Pickering agreed.

"We already have the early stages of the employment pathway, and we are also working with the iwi on a graduate-style pathway," Pickering said.

He said Hamilton was an important site for the organisation, about 15 per cent of its total staff worked in the city.

"Our bases in Kirikiriroa-Hamilton provide the lifeblood to Aotearoa."

The 650 staff in the offices are not new jobs – they are relocating from ACC offices in Te Rapa and Victoria Street to the new hub.

Pickering said there was capacity to grow staff in the offices, and potential for retail below the offices.

"Who's to say we can't look at things such as a potential rehabilitation facility there?"

Staff were "tremendously excited" about moving to a central location close to parks, transport and cafes.

Initiative moves national holiday away from sale finding to job hunting

Sharnae Hope 05:00, Oct 24 2020



The One Job at a Time drive aims to connect employees with jobs on Labour Day- a holiday to commemorate the struggles of being paid for a nine-to-five working day.

The One Job at a Time drive aims to connect employees with jobs on Labour Day- a holiday to commemorate the struggles of being paid for a nine-to-five working day.

Labour weekend is normally a celebration of legal protections around an eight-hour working day, but this year for many it's slim pickings on what hours or work is available.

With wage subsidy extensions near the end and more jobs at risk, a group of organisations across the Waikato are putting a spin on the national holiday on Monday through an initiative aimed at linking workers and employers.

Dubbed One Job at a Time it's goal is to connect employers with people who have lost their jobs as a result of Covid-19 or those who are work-ready and looking for employment.

As of March 31, 2020, 3.8 per cent of people in the Waikato region reported that they were unemployed, below the national average of 4.1 percent, Nationally underutilisation (people not actively searching) rose to 12.0 percent and hours worked fell a record 10.3 percent.

Organisations including Cambridge Business Chamber, Hamilton Central Business Association, Tourism Waikato, MSD, Te Waka, and Waikato Chambers of Commerce, have been encouraging their networks of employers and HR companies to feed any and every job that is available in the Waikato onto a free regional job matching website www.waikato.nextstep.co.nz.

CEO of Cambridge Business Chamber, Kelly Bouzaid, said the idea was sparked from an initiative by American company, Red Wing Shoes, which decided to forgo promoting their footwear during their Labour Day to post job openings instead. And they called on all brands to do the same.

This initiative will do the same by steering people away from advertising retail sales and spending and focusing on labour instead. "It's definitely out of the ordinary to be doing this on a holiday, but we thought we would turn a day off into a day to help people find jobs," Bouzaid said. "We want to not only raise the visibility of unemployment in the region but also try to get people in work."

"We've already gone out to most of the businesses in the Waikato encouraging them to place their jobs in the very visible platform. We have something like 68 jobs on there and there's more coming." Job-seekers are also encouraged to post their CV's on the website, to connect with companies during the Labour Day Weekend.

"Waipa alone is up 70 percent on beneficiaries, so while we look quite busy on the surface there is a big impact and a bigger impact to come. "The timing is relevant, not just to remind ourselves of the history of Labour Day but also, as wage subsidy extensions end more jobs are at risk."

There's often the perception that because unemployment is high, there are no jobs on offer, Bouzaid said this isn't the case. "There are some employers who aren't brave enough to go full-time, so they are starting to look for part-timers, and certainly meat processing and harvesting companies are in dire need of more staff. "It doesn't matter if your skilled or just wanting hours there's plenty of options out there for work."

Hamilton CBD celebrates down by the river

Friday, 20 November 2020



Photo: Soul Gallery won Best Retail, People's Choice and Best of the Best

For one night only a memorable evening was created on the banks of the Waikato River, when Hamilton's best CBD businesses came together to celebrate a night of success, achievement and festivity at the annual CBD Celebration Awards.

Hosted by Hamilton Central Business Association (HCBA), guests were welcomed into a transparent marquee themed for the night by event design company Royal Laboratorie.

The major sponsors of the evening Spark NZ, were delighted to put their support behind this event, recognising and celebrating local business in the CBD. "It was such a great evening of true celebration and having the opportunity for Spark to get behind the local business community aligns well with our organisations values."

A number of Hamilton businesses contributed to the evening's success, from SBI Productions taking up the challenge of providing lighting and technology in a venue with no power, to Moving Media capturing the evening's magic on film.

Kerr & Ladbrook provided guests with delicious canapes, with dessert arriving halfway through the night on wheels from Duck Island's newly renovated food truck. Coral Pitcher struck a chord with the crowd, providing musical entertainment and Stu & Camille from The Breeze ensured the evening flowed to perfection as guest MCs.

The number of entrants in the 2020 Hamilton CBD Celebration Awards exceeded previous years and came as no surprise to HCBA General Manager Vanessa Williams. "This year has obviously been one like no other and has really highlighted the role local businesses play in being the backbone for the community. This is a time we need to be shouting from the rooftops, or in this case from

the riverside, about their fantastic achievements and their value to our society".

Local radio station The Breeze who were onsite as both sponsors and attendees of the evening couldn't agree more. "Local is where it is at. New Zealanders are wanting to support the people and businesses in their own town. 2020 has really shown us the importance of supporting and spending locally to keep our communities going," said Steve Rowe, GM Mediaworks.


Over 70 entrants were judged across 13 categories in the Best Awards. "The opportunity to hear their stories and successes of our businesses is a humbling experience. There is so much to be celebrated in our CBD and it is these businesses that are contributing to the creation of a dynamic, desirable CBD we can and should all be proud of," says Vanessa.

Connie Chittick, Chair of the HCBA agreed. "It is always a highlight to hear about our central city businesses and their unique achievements throughout the year and particularly in a year which has presented so many challenges. To be able to take the time to recognise and celebrate business success, is always a rewarding experience."

An additional highlight to the evening was an intimate music performance from renowned singer/songwriter Hollie Smith. It seemed only fitting with the venue that Hollie ended her set with her international acclaimed hit *Bathe in the River*.

The CBD Celebration Awards were sponsored by Spark NZ and The Breeze, with support from Kerr & Ladbrook catering, Moving Media for photos and video, sound and lighting by SBI Productions and venue design and decoration by Royal Laboratorie

Award winners are listed on the Hamilton Central Business Association Website:
<https://www.hamiltoncentral.co.nz/awards-winners>

<p>Helping hand for Hamilton businesses to get tech savvy</p> <p>Jo Lines-MacKenzie 18:02, Nov 22 2020</p>  <p>Rocketspark's CEO Grant Johnson and Hamilton Central Business Association's Vanessa Williams are behind the Digital Pop-up week</p> <p>A collaboration between tech company Rocketspark and Hamilton Central Business Association is aimed at getting Waikato businesses more digital savvy.</p> <p>Digital Pop-up Shop is being run between November 23 to 27 in Hamilton, which is an opportunity for businesses to up-skill in a wide range of Internet platforms and improve businesses digital performance.</p> <p>The disruption to businesses due to Covid-19 has seen a number of companies go on-line or enhance their online presence.</p> <p>"We've seen businesses adopt digital tools and done really well, risen above the hardship.</p> <p>"So we thought wouldn't it be cool to introduce people to a wide range of experts to help them," Rocketspark co-founder Grant Johnson said.</p> <p>Johnson admits those businesses that did engage with an expert on their digital business journey generally progressed a lot faster if they got the right advice.</p> <p>"But it's so crowded and cluttered because everyone is actually wanting to be really helpful but to actually know, who knows what they're talking about," Johnson said.</p>	<p>Having the benefit of dozens of clients around the region, Johnson, has the ability to see who is actually good at helping small businesses.</p> <p>He approached a number of them, asking if they'd be prepared to give up some of their time to do seminars and paid workshops.</p> <p>"We cherry-picked a few people that were experts in areas from growing with google, social media expertise, linkedin, for us we know the web inside out and don't claim to be experts in everything."</p> <p>The collaboration started back in the middle of the year and Hamilton Business Central Association, general manager Vanessa Williams said it is open to businesses in the Waikato region.</p> <p>"Each day we will have something different happening. As well as a drop-in opportunity, which doesn't require registration for people to drop in with their computers and have their digital world assessed."</p> <p>People will be working on their own business sites during the workshops.</p> <p>Hamilton City Council is donating the Smart Space for the Digital Pop-Up.</p> <p>Seats are still available.</p>
--	--

Dumpling House win brings sense of belonging

Jo Lines-MacKenzie 14:59, Nov 29 2020



Lei Wang, front with food alongside Lee Li, picked up best Hamilton CBD eatery award for Dumpling House. Back row l-r are: Shuqin Gao, Guohong Teng, Xingang Li, Shujie Yang, Changfu Ren, William Goh and Guangsheng Wang.

Lei Wang feels like her business is now part of the Hamilton community after picking up a Central Business Association award. The 41-year-old owns the popular Dumpling House, in Grey Street and Bryce Street, and won Best Eatery. A sixth generation dumpling maker, she opened the Dumpling House on Grey Street, 10 years ago with an aim to improve people's perception of Chinese food.

"When we first started the majority of customers were Chinese, it's a little place, but it's always busy, the local customers see how busy that restaurant is and see a lot of Chinese people there. And customers say to me because we see so many Chinese people the food must be good." So good that Wang was able to open a second bigger restaurant in Bryce Street in 2018.

The award was judged with more than just the food and service in mind. "We had five judges that came over, they have to look at the food and service of course, but also social responsibilities, business plan, how we did over covid, and sustainability."

Wang hopes she is changing people's expectations with Chinese food. "When you ask them what do you think of Chinese food, they think it's a cheap takeaway, the people who run the business have limited English, no customer service at all, some places are noisy and it's sweet and sour pork."

Wang and her family- her mother helped start the business, and her husband is a manager- have attempted to become part of the community. "I consider myself as a new generation food business owner, not like the old times when Cantonese people would work all the time, 364 days of the year.

"We want the people to see we are the new generation Chinese, we bring our culture to New Zealand, we want to be involved in the community."

Wang considers her staff as family and customers as friends. "I have made a lot of friends with customers, we say strangers became friends and friends became family. It's about building relationships with people and the community and being part of people's lives."

Wang who is from the city of Harbin, in north-east China near Russia, arrived in New Zealand 20 years ago to do a marketing and finance degree at Waikato University. This is also where she met her husband Lee Li, however it wasn't until she convinced her mum to move over that they opened the first Dumpling House.

"My mum is a fifth generation dumpling maker in China, my great grandfather was famous for the dumplings he made for the Chinese Royal family. "When my mum came over, and she didn't speak English, but she loved cooking and everyone said please open a restaurant, everyone will love your food."

When the CBD award winners were announced, Wang couldn't believe it. "It was such a huge honour. "There are so many restaurants and eating places in the CBD area, big ones, small ones and all types of nationalities, Japanese, Thai, India, Italian, French, and we became the winner. "I thought the best eatery would be given to a fancy restaurant with super 5-star service, or something big and I got this and you change people's impression of Chinese restaurants, so to me it's huge."

A Guide to Hip Hamilton

Lorna Thornber 05:00, Dec 22 2020



Gothenburg in Hamilton

Hamiltonians don't usually blow their own trumpets, so it can be hard for visitors to know where to head.

If you don't think the words "hip" and "Hamilton" belong in the same sentence, you're the one who's not up with the times. The city's stand-out dining scene, drinking dens, boutique shops and galleries have made it a hit with the cool kids for some time now.

STAY

Housed in a 144-year-old building in the heart of the CBD, the revamped Ramada Hotel is a stylish blend of old and new. With exposed brickwork and elegant modern furnishings, the rooms in the old section have a New York loft vibe and there's an excellent on-site restaurant – the Euro-focused Sisterfields – and gym. Even if you don't think you'll make use of the latter, you're likely to reconsider after taking full advantage of the excellent eating and drinking options nearby.

Riverbank Lane

This abandoned arcade turned Melbourne laneway-style development on the city's main drag houses a gallery, boutique shops, beloved second-hand bookstore Browsers, a barber, an outpost of artisan icecream parlour Duck Island and some of the most interesting eating options in town.

Head to Mr Pickles for gourmet charcuterie platters, sharing plates, creative cocktails and decadent desserts starring Duck Island icecream. Think strawberry, kaffir lime and coconut icecream sundae with whipped coconut and sesame caramel praline. If the weather's playing ball, pull up a pew on the terrace overlooking the Mighty Waikato.

In the mood for something more low key? Head to The Bearded Weasel in Mr Pickles' former loading dock for fried chicken by the plate or bucket, with sides such as cauliflower with tamarind and lime-infused salsa.

Hamilton East

It's one of the city's oldest suburbs, but Hamilton East is now home to some of its hippest hangouts and a photographer's dream to boot.

If you're a fan of street art or just want to do something good for body and soul, take a wander down Lovegrove Lane. You'll find a yoga studio, juice bar and GG's Cafe, which serves up locally roasted Rocket Coffee and standout savoury scones, toasties and vegan fare in a "shed" styled like an old-school bach.

Riverside Hayes Common is another good eating option. Included in *Cuisine* magazine's list of the top 100 restaurants in New Zealand for the past two years, it's famous for hearty, seasonally inspired fare. The weekend brunch menu includes goodies such as

Mexican-style avocado on sourdough with tequila-spiked tomatoes, sour cream, chilli and lime.

The 'hood is also home to Instagram superstar Hamilton Gardens: the Alice in Wonderland-style Surrealist Garden is a must-visit. On Sunday evenings between November and March, locals spread picnic blankets on the lawns for Gourmet in the Gardens, which features an eclectic selection of food vendors plus live music and kids' entertainment.

Victoria St art hub

Its best-known public artwork is probably the statue of *Rocky Horror Picture Show* misfit Riff Raff, but Hamilton's cultural repertoire is far broader than that.

Conveniently located in a heritage-listed former Post Office by Waikato Museum, ArtsPost fosters local artists, craftspeople and jewellers by exhibiting their work and offering it up for sale.

Also on Victoria St, Laree Payne Gallery (formerly Weasel Gallery) changes up its exhibitions of local and international works every few weeks, making it well worth repeat visits.

Head to the museum for a treasure chest of local taonga and world-class exhibitions such as the Galileo exhibition, set to run from February to June 2021.

EAT & DRINK

Hamilton's bar and dining scenes rival anything Auckland and Wellington have to offer and many top spots are located in Victoria St and its environs.

Overlooking the river, Gothenburg is popular with groups keen to order up large from the tapas menus. The internationally inspired dishes include the likes of pulled lamb salad; buttery crayfish on a warm brioche with lettuce, lemon and chives; and sundried tomato and mozzarella-stuffed arancini.

Classy Wonder Horse is a favourite with locals looking to catch up with mates over a quiet and quality alcoholic beverage. Choose between cocktails, craft beers, and fine wines and whiskeys.

Craft beer fans should also check out the aptly named Craft bar, especially now it houses a pop-up restaurant helmed by chef Lani, formerly of local restaurant institution Chim Choo Ree.

More information: waikatonz.com

With your help, we can help keep the spotlight on New Zealand's bright travel and tourism future.

Retail spend soars in Hamilton's CBD, reaching \$182m in last three months of 2020

Aaron Leaman 17:29, Jan 28 2021



The CBD experienced record sale figures between October and December, Hamilton Central Business Association general manager Vanessa Williams said.

Hamilton's bounce back from the Covid recession has hit another high, with many city retailers finishing the year with record sales.

New electronic card spending data shows shoppers spent \$182 million with CBD retailers between October and December – the strongest fourth quarter figures of the past decade.

While the impact of the Covid-19 pandemic is being felt across the economy, business leaders say shoppers' willingness to support local retailers is making a real difference.

"Hamilton's CBD, the city, and the wider Waikato is bouncing back so well and the latest spending figures reflect that," Hamilton Central Business Association general manager Vanessa Williams said. "Don't get me wrong, for the entire year we were down. But when you think two quarters were impacted by the lockdown, I think the growth we're seeing is very positive."

Overall, electronic card spending data shows \$619m was spent in Hamilton's CBD in 2020, down from \$648m in 2019, and \$659m in 2018. However, a breakdown of the spending figures show CBD shoppers are spending more when engaged in retail therapy, with the average spend per transaction increasing from \$108 in 2019 to \$112 last year.

Williams estimates about half a dozen CBD retailers closed their stores following the lockdown, but most of the sites have since been filled by new tenants. "We are definitely finding that speciality retailers with expansion plans have Hamilton high on their shopping list," she said.

Coming out of lockdown, many retailers didn't know what to expect as they weren't sure how comfortable people would be about spending. "We're not through this, we all know that, but there have been some really great recovery stories," Williams said.

Speciality shops, food and beverage outlets, and homeware and hardware stores all experienced strong sales during the final months of 2020.

Sales figures at specialty jean shop Texas Radio, on Ward Street, picked up soon after people came out of lockdown, owner Marcus Potroz said. Many people spent six to 12 weeks working from home, and were keen to update their wardrobes once lockdown restrictions lifted. "We went into lockdown in a summer situation and came out of lockdown in winter. When people stayed at home they just wore their old clothes but, when it came to going out in public again, people wanted to get something new," Potroz said.

"It is a big surprise how well things have bounced back after lockdown but it involved a lot of hard work. For a small team like us, it means being here every moment."

With overseas travel off the agenda for most, a growing interest among New Zealanders to explore their own backyards has translated into strong sales for Colin Hancock, owner of Trek 'n' Travel on Victoria Street. During one Sunday in November the store registered its best sale figures in 23 years. Although the store was largely unaffected by disruptions to imports coming into the country, it did strike supply issues with women's backpacks.

"A nice comment that we did hear quite a bit from people was they wanted to shop with us because they want us to still be around," Hancock said.

Williams said planning is under way to bring back some popular events to the central city, including the Chinese Lantern Festival and the New Zealand All Style Dance Championship.

"These events will just add to the positive feeling we're seeing in the CBD."

Major spruce-up planned for downtown Hamilton

Aaron Leaman 05:00, Feb 09 2021



The proposed Waikato Regional Theatre will be built on the corner of Victoria Street and Sapper Moore-Jones Place. The theatre will retain the facade of the old Hamilton Hotel.

The soon-to-be-built Waikato Regional Theatre is inspiring bold plans to dramatically reimagine downtown Hamilton.

A sod-turning ceremony for the \$74 million theatre is expected to be held in late March or early April, ahead of preparation work on the Victoria Street site. But plans to leverage off the theatre build are already well-advanced as city politicians look to shore up support for a suite of multimillion-dollar projects in and around downtown Hamilton.

Hamilton Mayor Paula Southgate said the world-class, 1300-seat theatre complex, has energised efforts to transform Hamilton into a great river city. "It will be a beautiful building on its own, and we could do nothing ... but why would we," Southgate said.

"It doesn't make any sense not to maximise this opportunity."

The council will open up its draft long-term plan for public consultation in March, with the document including a funding proposal for several key central city projects. The north end of the regional theatre is framed by Embassy Park, with the council proposing to spend \$5m on the creation of a plaza there and a promenade behind the theatre.

Deputy Mayor Geoff Taylor, who chairs the council's CBD and river plan advisory group, said the park upgrade builds on the great work of Riff Raff Public Art Trust chair Mark Servian and others. Hamilton Mayor Paula Southgate outside the site of the planned Waikato Regional Theatre. She says it makes sense for the city to leverage off the new theatre. Embassy Park is best known for its Riff Raff statue. "We want to create an amazing plaza and create a sense of arrival next to the theatre," Taylor said. "We want to build on the great work Momentum is doing around the theatre and put the cream on top of the cake."

Taylor also advocates for council funds to be invested in a proposed cycle and pedestrian bridge across the Waikato River, linking the Waikato Museum to Memorial Park. The council's draft long-term plan includes \$500,000 for a bridge feasibility study, \$1.5m for detailed design work and \$10m for capital expenditure.

Taylor is confident the bridge project could attract a significant subsidy from Waka Kotahi NZ Transport Agency, potentially in the range of 51 to 75 per cent, and is seeking funders to support the build. "If we build an iconic bridge there, for me, that and the theatre in particular will just transform Victoria Street and I think Hamilton," he said.

At the museum itself, \$6.6m has been budgeted in the draft LTP to open up the back of the building to the Waikato River while \$3.6m has been allocated to improving the museum's front entrance. The proposed upgrade of the museum's front includes the installation of an airlock.

Southgate said upgrading the museum's front is a priority as having an airlock and hence a controllable environment, will allow the venue to host top art exhibitions.

In 2018, the city council led by then mayor Andrew King bought four riverside buildings on Victoria Street, just north of the proposed regional theatre site. The four buildings cost ratepayers \$6.49m, with King using his casting vote to push the decision through.

Taylor said his advisory group is working on possible options for the site. His preference is to redevelop the properties alongside a developer. Southgate remains disappointed with how the 2018 deal was done but doesn't believe the council should sell the four properties.

"Right now, the council is fully focused on making ourselves a great river city so the time is right to do something."

It's anticipated construction of the theatre will begin in the third quarter of the year. Currently, the restaurant Paddock to Plate Waikato operates from the site. The restaurant, which is a venture by Leonard Gardner, will relocate once work on the theatre begins. Gardner, a former chair of Momentum Waikato, said the restaurant's aim is to maintain interest in the site while also showcasing local produce.

In 2018, Gardner set up the company VOTR 2 WRT Ltd, with property developer Matt Stark to buy buildings between the theatre site and Victoria on the River public park. In the two years since, the company has not purchased any properties near the theatre site. Gardner said his property development activities were always fully disclosed to ensure it didn't create any perceived conflict of interest with his past Momentum role.

Gardner, who is also chief executive of Fosters, is heartened by the council's proposed investments in the central city but believes CBD building owners have an important role to play. "All property owners have got a responsibility to participate in the redevelopment and upgrading of the building stock in that area," he said.

Vanessa Williams, general manager of the Hamilton Central Business Association, said the regional theatre will attract businesses to the CBD, as well as apartment developments. "I think it's fantastic that Hamilton's CBD is getting this sort of showpiece building. It's been said over and over again, but the theatre will be a game changer in that space," she said.

Taylor said Gardner and Stark deserve credit for having a vision for the CBD even when others didn't. "Can you imagine what things will look like in 2023 – 2024 when we've got a theatre in place, a plaza, and an impressive cycle and pedestrian bridge. We'll have Victoria on the River, the museum will be looking good, and we'll have a wonderful promenade linking it up."

Hamilton Central Business Association (HCBA)

Six-month report July-December 2020

Item 13

Attachment 2



HAMILTON CENTRAL
BUSINESS ASSOCIATION

OUR VISION – To be New Zealand’s premier CBD business destination.
OUR MISSION – Creating a dynamic CBD environment for business to thrive.

1.0 INTRODUCTION

Hamilton Central Business Association (HCBA) proudly works alongside Hamilton’s CBD businesses to support, strengthen and promote the central city and its offerings.

As COVID-19 hit NZ in early 2020, it became a year of great uncertainty and challenges to the business community, particularly in sectors that were already challenged with changing consumer expectations, online competition and increasing vacancy rates. It was impressive to see the number of businesses who were able to modify, adapt and change their business operations to cater to the changed buyer market with online, delivery, click & collect and safety practices quickly implemented.

Post the April lockdown, there was a nationwide rally cry to ‘spend local’ and HCBA collaborated on a number of campaigns to reiterate and promote this message and support the high customer focused sectors, in particular retail, hospitality, beauty & wellness and events.

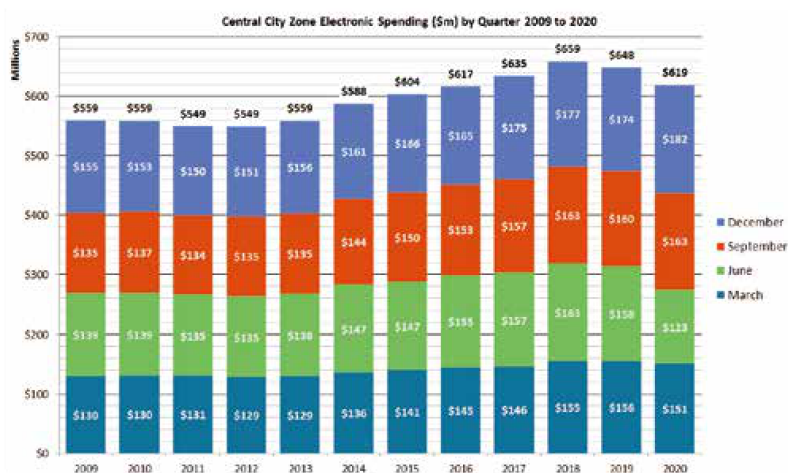
Momentum in local spending continued beyond the winter months with third quarter citywide statistics showing that although there were fewer transactions in the city, the transactions that were occurring, were of a higher dollar value. This resulted in a higher local spend with shopping stats showing a \$3 million spend increase in the CBD compared to the same quarter last year.

The final quarter of the year, October – December 2020 reinforced the positive uphill spending trend with some retail providers enjoying record days in the quarter. Black Friday in November continues to gain traction with retailers and shoppers alike, with some businesses naming this as their highest grossing shopping day of the year. Post-Christmas shopping also maintained high levels of spending, with the final quarter being the highest CBD spend on record, although overall annual results showed lower CBD spend than the previous year, however this included a two-month period of lockdown and limited trading ability (see graph below).

Some commercial impacts realised since the lockdown period have been higher vacancy rates, shorter lease terms and reduced tenancy space as businesses work through the changing working landscape. This has included incorporating more flexible working arrangements, reduced staff numbers and creative ways of using business space.

With a potential refresh of the district plan, it will be interesting to note some global trends for high streets. There are a many brands and retail landlords who are experimenting with different business models in an attempt to meet the changing needs of the consumer. Considerations include: decline in apparel spending, over supply of traditional retail space and acceleration of e-commerce (Can New Business Models Help Save the US Retail Marketplace? January 2021, John Ensminger).

Value of Hamilton CBD Electronic Spending by Quarter 2009 to Dec 2020



2.0 ADVOCACY

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

ANNUAL GENERAL MEETING

HCBA hosted its Annual General Meeting (AGM) at Panama Square, with the primary focus on the development of the central city. Deputy Mayor Geoff Taylor, project lead Paul Bowman and Lucy Ryan from Hamilton City Council provided insight into the refresh of the Central City Transformation Plan and the development of the CBD going forward. Rhys Harvey from Foster Group wowed the audience with the Union Square development that will include Rabobank and AA Insurance, and the positive impact it will have in the south end of town.

During the AGM formalities existing Executive Committee members were re-confirmed:

- Connie Chittick – Waikato Regional Council (Chairperson)
- Karlene Verryt – DV Bryant Trust
- Dwight Egelhof – Craigs Investment Partners
- Julie Ashby – Wintec
- Pat Chaimontree – Banh Mi Caphe
- Maureen Pearce – Kiwi Property
- Mike Neale – NAI Harcourts (Treasurer)

New committee members were welcomed:

- Perry De Jager – Days Hotel & Suites
- Hailey Max – i-SITE Hamilton
- Tipene Atama – Waikato Regional Council

INNOVATING STREETS (WARD STREET & ROSTREVOR STREET)

HCBA has attended a series of workshops around co-design for the above two streets and has agreed to be the business liaison for these two projects. Co-design workshops were scheduled throughout December and through early 2021.

GARDEN PLACE

HCBA has continued to advocate for the renewal of Garden Place furniture to upgrade the look and feel of the public space. HCBA continues to receive consistent negative feedback about the poor condition of the furniture and basic amenities in the space. This issue needs to be addressed.

PARKING

HCBA continues to support the two-hour free parking offering in the CBD which provides an enormous benefit to local retail and hospitality businesses. In a recent survey conducted by HCBA to the business community, there was overwhelming support for the offering to remain in place in the CBD. This is seen as one of the key initiatives from HCC to support businesses and their financial viability.

COMMERCIAL DEVELOPMENT

Enquiry levels from existing tenants in the CBD remains high post lockdown, as work continues with a number of businesses that are making decisions around their space requirements. New business enquiry also remains high, with many new leases underway. One theme worth noting is a continued desire from tenants to upgrade to higher quality spaces with more cost effective and efficient layouts.

A snapshot of moves in and around the CBD over the past six months includes:

- Off and On a beauty and hair treatment business have opened at 25 Ward Street
- 821 Victoria Street has been leased by national recruitment firm Trade Staff
- Haley Adele Photography has opened at 16 Casabella Lane
- Physio RX have established themselves in 108b Rostrevor Street
- Animone Graphic Design has leased 15 Casabella Lane
- 1 London Street (ground floor) has been leased by a Government tenant



- Victoria Kebabs has leased 237 Victoria Street
- Yogost has opened in their new premises at 575 Victoria Street
- Hamilton Central Business Association moved into 10 Garden Place
- Soul Images an Expressive Arts Studio - Casabella Lane
- Shallow Bakery have opened at 120 Alexandra Street
- Miss Cake has opened at 116 Alexandre Street
- Skin Depot have opened as a collab with Ktizo at 324 Tristram Street
- 164 London Street (front roadside unit) has been leased to a national insurance company
- A national financial advisory and funds management firm has leased space at 17 Grantham Street
- Vetro Mediterranean Foods have opened at 122 Rostrevor Street
- 595 Victoria Street has been leased to The Grumpy Baker
- Sports Safari have relocated from The Base to the corner of Victoria and Ulster Street
- Mavis & Mick – a Cambridge based European women's shoe shop is operating a pop-up shop in the Arcadia Building on Worley Place
- 919 Victoria Street has been leased to a local real estate agency Ultimate Properties
- Paddock to Plate restaurant has opened at 186 Victoria Street
- Home Brew Coffee has opened in the new Urban Homes office on the corner of London and Anglesea Streets
- Radio Tainui has opened at 509-511 Victoria Street
- Best Beds and Headboards have opened at 405 Victoria Street
- Appliance Star have opened at 118 Rostrevor Street
- Sisterfields a cafe/restaurant/bar has opened below the Ramada Hotel on the corner of Victoria & Collingwood Streets.
- Studio 801 Tattoo has opened in their newly fitted out premises at 541 Victoria Street
- Sports Fuel have leased 801 Victoria Street
- 807 Victoria Street has been leased by The Cave Nutrition Store
- Victoria Beauty Salon has opened at 130 Alexandra Street in Reid House
- Opteon (property valuation and advisory services) are moving into the recently refurbished modern ground floor space at 210 Collingwood Street
- Abbott Insurance Brokers have completed their fit out at 1/164 London Street
- Design Culture Architecture has relocated to level 1, 15 Hood Street (directly above Craft) with the premises having undergone a significant refurbishment
- Chemist Warehouse opened in Centre Place

UNDER CONSTRUCTION

325 Victoria Street known locally as the old McKenzie Building, Watts & Hughes Construction have been appointed as the main contractor for the demolition of this building and the construction of a new development in its place. This new development will include a ground floor retail/restaurant space with an upper floor consisting of three residential apartments.

Steel has emerged out of the ground for the first of the Union Square buildings on the corner of Hood & Anglesea Streets, this large scale master planned development will see Rabobank and AA Insurance occupy the first building.

646 Victoria Street (ex Munns Menswear) where demolition is underway and a new high quality mixed use development will soon begin.

The amount of construction and development underway is very evident in the CBD currently. Additionally, planned future development means this theme could continue for many years yet, subject to demand and financial viability.

3.0 SUPPORT

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

ECONOMIC DEVELOPMENT OPPORTUNITIES

BID CONFERENCE

HCBA attended a BID Conference in Orewa in October.

BUSINESS CONTRIBUTOR

- HCBA has joined Soda Inc as a member of their business start-up panel
- HCBA is continuing being a part of the Community of Leaders being led by Te Waka
- HCBA is a mentor under the NZ Mentor scheme

LABOUR INITIATIVE COLLABORATION

HCBA worked with Te Waka, Cambridge Chamber of Commerce and Smart Waikato on a labour initiative post lockdown to support employment. This was in the form of a social media campaign asking the business community to highlight job vacancies during Labour Weekend under the banner #labourday2020 with organisation support from Chambers of Commerce, business associations, Smart Waikato, Hamilton Waikato Tourism, MSD and Te Waka.

HCBA partnered with Te Waka and MSD in providing retail support via a Christmas casuals employment scheme.

COMMUNITY GROUPS

HCBA spoke at a local Rotary function and Age Concern on CBD development. Future speaking engagements include Probus and Alandale Retirement Village.

HCBA is discussing with HCC and Age Concern about hosting groups from Retirement Homes in the CBD.

HCBA met with Emerge Waikato to discuss implementing initiatives to help the hearing impaired community in the CBD.

PARTNERSHIP AND NETWORKING OPPORTUNITIES

SOCIAL BUSINESS

HCBA welcomed the opportunity to host Social Business events to provide networking and promotional occasions for the business community. Profiled businesses include:

- Cemac, Princess Street, in collaboration with the Waikato Chamber of Commerce
- Lilliputt Fun Zone, Centre Place, in collaboration with the Waikato Chamber of Commerce
- AGM, Panama Square
- Waikato River Explorer, CBD river cruise showcasing the commuter service
- HCBA office, 10 Garden Place

DESIGN FACTORY

HCBA completed a Design Factory project with Wintec solving the problem "How to attract people into the CBD". This project was undertaken to provide alternative thinking on CBD attraction and activation and resulted in four teams delivering innovative CBD drawcard solutions. The draft report was completed in December 2020 with the final report due for delivery in February 2021.

SAFETY INITIATIVES

- HCBA organised a retail shoplifting prevention session for retailers.
- HCBA completed the CBD safety survey in July showing little change in result from the previous year.

GOVERNANCE

HCBA holds a number of collaborative roles in the community:

- Governor of People's Project, Safe Zone, Riff Raff Trust, Embassy Park Working Group, Zeal
- Contributor to Central City Safety Action Strategy & Plan, Access Hamilton, Boon Street Festival, Smart City and CBD Masterplan
- NZ Mentor to business
- Soda Inc start-up business panel member

4.0 PROMOTION

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

MARKETING

CBD PACKAGES

HCBA trialed a 'CBD Special Getaway Family Deal' during the school holidays, after a suggestion from local businesses to create a CBD bundle offering. A day attraction package and an overnight attraction/accommodation package was created. Although click through rates were high, this did not translate into package bookings. Unfortunately the technology is not available to support multiple booking platforms which made the booking process inflexible and time consuming. HCBA will continue to seek opportunities to create visitor packages to the city.

MEDIA

HCBA continues to provide commentary to the media on the CBD post lockdown, with a number of positive articles written on the business community, see attached.

HCBA completed an article for the Waikato Business News special 25 year edition, highlighting businesses, developments and achievements over the past 12 years of HCBA's involvement in the central city.

AMBASSADOR PROGRAMME

Kirikiriōa – Hamilton Ambassador Programme is a course designed for people engaging with both New Zealand as well as international visitors who come to Hamilton and the wider Waikato. The purpose is to help create storytellers and ambassadors who can connect with people and authentically engage with what all New Zealanders understand as 'manaakitanga' and 'kaitiakitanga'.

Participants engage in a three-hour workshop delving into the history and unique stories surrounding the backbone of the city- the Waikato river, including early Māori history and legends, experience of early explorers and European settlers, the Waikato land wars right through to the exciting regional growth and economy of today.

The Ambassador Training Programme has continued to have strong numbers of business attendees and an increased demand in additional courses put on specifically for businesses requesting an exclusive training event.

ADVANTAGE CLUB

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

Profiled businesses in the last six months include:

- | | |
|---------------------------------|--------------------|
| • Tudo Bem Brazilian restaurant | • Chilli House |
| • Home Brew Coffee | • Found Store |
| • Paddock to Plate | • Sol Studio |
| • Sisterfields | • Skin Depot |
| • Vetro Mediterranean Foods | • Le Fleur Florist |
| • Burger Bros | |

NEATPLACES

HCBA co-ordinated and supported the fourth edition of the Neat Places directory completed in November profiling 24 local businesses.

SECTOR SUPPORT

DIGITAL POP-UP SERIES

HCBA worked in partnership with Cultivate IT and Rocketspark, to create a week long digital pop-up series in the CBD using the Council Smart Space, in collaboration with Council and Modern Office. This was well attended from businesses throughout the Waikato and received positive publicity via a number of media. This was a post lockdown initiative to assist CBD businesses with their online strategies and to ensure they are making the most of their digital presence. Attendees were welcomed from around the Waikato into workshops and one-on-one sessions to make the most of this resource.

HOSPITALITY

HCBA sponsored the postponed Feast Waikato event, the CBD Progressive Dinner. A slightly modified offering due to Covid-19, but never the less enjoyed good participation from the public and profiling from contributing hospitality businesses.

HCBA hosted a lunch on behalf of Waikato Food Inc with Councillor Ryan Hamilton, Hospitality Association, Hamilton Waikato Tourism and Te Waka to work on strengthening engagement between the organisations in support of the hospitality sector in the Waikato.

HCBA supported the hospitality awards hosted by Waikato food Inc at Sky City.

HCBA participated in a collaborative forum for the hospitality sector hosted by Hamilton Waikato Tourism.

ARTS

HCBA is continuing to work with Creative Waikato and the Boon Arts Trust looking for opportunities to create events and activations to bring people into the CBD.

RETAIL & BEAUTY

HCBA supported retail with ongoing promotions and contact support including a Christmas cracker promotion in collaboration with local radio station The Breeze and giveaways from local businesses.

HCBA supported and promoted the Luxe Fashion event held in the CBD. There is the potential to grow this into an ongoing event for the CBD.

FILM

HCBA has provided feedback and support to progress the formal recognition process and status for the Waikato Film Hub. HCBA participated in the further development of the Film Hub establishment with Hamilton Waikato Tourism and Te Waka.

EVENTS

CBD ACTIVATION PLAN

HCBA worked with 2020 postponed activations to reschedule and continued with implementation of the CBD Activation Plan. Activation highlights included:

- The light activation Shrooms, a huge hit in the CBD, attracting a good number of people from around the region into the central city. Unfortunately the exhibit sustained ongoing damage from vandals, however the popularity of the exhibit was a big success.
- HCBA supported Tunes in the Shrooms as an event to close the exhibit.
- The Factory hosted the inaugural Luxe & Local event showcasing the latest in retail trends modelled by many local favourite personalities. Fashion, food, hair and beauty was all on show throughout the evening with plans underway to make this a regular event on the activity calendar.

- HCBA attended the Hilda Ross statue unveiling in Garden Place in November.
- HCBA supported and participated in the 75th Round the Bridges event in the CBD.
- HCBA participated in a Melbourne Cup event with the local hospitality sector.
- HCBA co-ordinated with elected members and Council on an electric vehicle exhibit to lead the Christmas Parade. HCBA secured the Mercury Evie car for the event and a number of businesses who participated with electric transport.
- HCBA supported the Christmas Tree event in Garden Place.
- HCBA welcomed the Red Cross and the Weave Cultural Market for the third year into Garden Place.
- HCBA provided Christmas Movies at Victoria on the River and supported the Riverbank Lane Christmas Market.

SOCIAL MEDIA DEVELOPMENT

FOLLOWERS

HCBA followers + 43,000

CASABELLA LANE

HCBA ran an extremely successful Casabella Lane promotion profiling individual businesses across social media platforms and offering a \$500 shopping spree in the Lane. This generated a large number of additional followers for Casabella Lane social media channels, in addition to positive profile received by the businesses. HCBA continues to run the Casabella Lane channels in addition to the HCBA social media.

HCBA continues to receive offerings from the retail, beauty, events and hospitality sectors promoted via HCBA Facebook.

HCBA had a University intern in training on social media and promotional opportunities for the CBD business community.

AWARDS

CBD CELEBRATION AWARDS

HCBA hosted the annual CBD Celebration Awards on the 18 November in a transparent marquee by the river. A transparent marquee on the banks of the river provided a beautiful backdrop for an evening dedicated to celebrating the businesses in the central city. Highlights of the evening included an intimate performance by Hollie Smith and Duck Island ice-cream served from their recently renovated ice-cream truck. An all-star cast of Hamilton businesses who participated in creating the evening and a record number of business who entered the awards. After the challenges of 2020, it was wonderful to be able to celebrate with an evening dedicated to recognising and rewarding our CBD businesses. A significant amount of post event publicity was received.

5.0 GOING FORWARD

HCBA continues to look at new and innovative ways to advocate, promote and support the CBD. HCBA will be supporting the business community in the coming months by profiling new builds in the city and promoting new businesses.

HCBA will be implementing the next six months of the activation plan for the CBD, providing support to the Innovating Streets project and advocating for the CBD in the Long Term Plan submission process.

Moving Away from Pure Consumerism, 11th February 2021 Christoph Berendes

So, what might the future look like? I am thinking of aspirational places in which people can live, work, play and shop. Yes, shop. It is the relative priority that shopping receives vis-à-vis other elements that makes all the difference. While today shopping is the primary objective on most city-centre shopping streets, it may be much less important in the future.

In fact, the mix could and should allow social life to re-enter these areas, instead of the current on/off times that depend on shopping hours. It is about finding a mix of offices, homes, theatres, hotels etc. that support around-the-clock life. It is not about the uniformity of offers, but about the right mix to turn shopping streets into places with a life and soul that deserve to be called a city centre.

Brought to you by

HAMILTON
— BUSINESS ASSOCIATION —
CENTRAL

www.hamiltoncentral.co.nz www.facebook.com/HamiltonCentral

In The News

New apartments and retail space on Hamilton's main street

Jo Lines-MacKenzie 11:53, Aug 19 2020

**Apartments and retail space will replace the McKenzies building at 325 Victoria St.**

Hamilton's central city will be adorned with new apartments and business space with the demolition of the McKenzies building.

The 1920s building at 325 Victoria Street is nearly completely demolished, making way for a two-levelled building which will have a restaurant and retail space on the ground level and three, three-bedroom apartments above.

The project started on June 22, but was halted soon after as asbestos was found, Watts & Hughes contracts manager, Jason Hills said.

"It was all buried amongst all the old ceiling and stuff, so it wasn't accessible until we started the demolition.

"There was a survey done but it was hidden away, so we had to deal with that. The actual demolition didn't really start until July 28."

These challenges aren't usual, Hills said.

"There is risk in the existing structure and what we do find when we do make a start. There's a risk in the ground once we pull the existing slab out as to what is in underneath it, was it a dumping ground, even with the testing that has been done you aren't 100 per cent sure until you get into it."

Workers have also found concrete one and half metres below the existing level, which they are getting advice from engineers on how to deal with.

The site itself is nine metres wide by 60m long, and hemmed in by buildings on both sides and on the main street, with only one way in and out.

the new build will be made of pre-cast concrete panels with a steel framed interior.

"We've got to get cranes and steel, and it's also got a mid-floor in there for the level one apartments, so we've got to start at the back and work our way forward."

The property is owned by an Auckland-based family trust, and isn't expected to be finished until September 2021.

McKenzies was established by Australian Boer-war veteran John Robert McKenzie in 1909 and opened its first New Zealand store in Dunedin in 1910.

Its chain of 75 stores was bought by LD Nathan in 1980 and rebanded as Deka stores.

Waikato Times

Central city transformation on track

19 Aug 2020 [+1 more](#) Geoff Lewis



Harcourts Commercial managing director Mike Neale and Hamilton Central Business Association general manager Vanessa Williams.

The most recent survey into Hamilton's central city shows confidence that the Covid scare won't derail the CBD's continuing transformation.

As cities grow and expand outwards, the nature and purpose of their Central Business Districts has changed, leading to strenuous efforts in many older localities to repurpose and revitalise their central areas. The same process is happening in Hamilton.

The biannual Hamilton CBD Retail Occupancy Survey, undertaken between CBRE Research and NAI Harcourts, to the end of June, shows a slight decrease in retail vacancies and a continuing busy scene in refurbishment of existing space, much of it changing larger spaces into smaller spaces.

According to Harcourts Commercial managing director Mike Neale and Hamilton Central Business Association general manager Vanessa Williams, the trends illuminated in the survey indicate a continuing transformation that is making a profound difference to the nature, size, and style of the business activity and the population mix in the precinct.

Williams said the whole social environment of the CBD was changing with the continuing addition of apartments and townhouses in complexes only a

few minutes' walk from work places, eateries, supermarkets and key transport facilities.

The CBD experienced a surge of around 25,000 people during the Monday to Friday working week but during the weekends the situation changed.

Many people visited from outside the CBD, in particular from

Hamilton's southern suburbs.

Williams said for the central city to develop, it required numbers of people, and facilities to attract and keep those people.

As a response, many new commercial premises were putting in their own cafes and convenience stores to support their workforce.

Neale said the CBD was continuing to evolve. A lot of vacant property was being sold to owner-occupiers, including new immigrants who added to the variety and attractiveness of the area.

"We are seeing a fair amount of demolition of poorer buildings and hard-to-tenant space," Neale said.

"Niche operators and foodie destinations are creating an environment that enclosed malls struggle to provide, supported by surrounding bars, hospitality and accommodation, which is changing the whole character of the place."

The CBRE/NAI Harcourts survey stated that while there was no new-build construction recorded in the CBD, several large developments were under way, including the replacement of the former Munns Menswear in Victoria St, destroyed by fire late last year, and the long awaited Regional Theatre, where nearly 800 square metres of occupied space was taken out in the first half of the year, doubling the area currently under refurbishment as part of the project.


In its summary, the survey states the vacancy rate for prime retail space continues to drop, and lower-grade retail remains less attractive.

However, the detail of individual occupier moves – why operators are moving in or out of premises – indicates progress in the long-term transformation of the CBD retail market from one dominated by large retail spaces and occupiers reliant on plentiful parking, to one centred on a denser population core supported by a greater range and quality of retail.

While the CBRE NAI Harcourts December survey predicted the outlook for Hamilton retail as positive, the Juneend survey indicated the Covid pandemic would impact retailers and dent progress, but Hamilton's CBD retail market was expected to adapt to changing times.

Listen Page View Share Save More



<p>Waikato-Tainui's \$50 million ACC build breaks ground</p> <p>Ellen O'Dwyer 17:33, Sep 29 2020</p>  <p>The \$50 million modern, three-pavilion office complex will stand on the corner of Collingwood and Tristram Streets.</p> <p>Construction of a sleek, \$50 million dollar office complex in Hamilton heralds the "changing face of the city", leaders say.</p> <p>And Waikato-Tainui leaders say the development is significant, on land returned to the iwi 25 years ago in an historic settlement with the Crown. Kiingi Tuheitia turned the first sod where the ACC headquarters will stand in what is currently a parking lot on Collingwood and Tristram Streets.</p> <p>Newly released photos shows the modern, four-storey glass panel offices, which will house 650 ACC staff.</p> <p>Hamilton Mayor Paula Southgate said the design of the building was "fantastic".</p> <p>"What we are seeing right now is the changing face of Hamilton."</p> <p>The project was part of a "package" of new office developments, including the new regional council building in Ward Street and Rabobank offices in Union Square. "They are all really important office, living, and entertainment aspects to the city. "I think we are going to look like a completely new place."</p> <p>Southgate said consolidating office workers in the central city would help other businesses and bring "vibrancy" to the CBD.</p> <p>Tainui Group Holdings chief executive Chris Joblin said the 8,500 square metre building was "a big statement".</p> <p>"Hamilton CBD is starting on a period of renaissance."</p> <p>TGH commissioned architects Warren and Mahoney for the centre, the design "reflected the aspirations of Waikato-Tainui".</p> <p>The building will be environmentally sound, Joblin said, meeting a four-star green building standard and including multiple charging stations for electric vehicles.</p> <p>The site is on land returned to the iwi as part of the historic Treaty of Waitangi Raupatu Settlement with the Crown, which occurred 25 years ago. The land will remain in tribal ownership while the building will be leased to ACC.</p> <p>Construction will involve "hundreds of jobs", and Hawkins is set to complete the build by October 2022, Joblin said.</p>	<p>The business case was a "good outcome" for the tribe, he said. "This is more than just business, this is a much wider relationship</p> <p>"Yes there's a commercial component but it's creating employment and health and wellbeing outcomes for our people."</p> <p>Waikato-Tainui Te Arataura Chair Rukumoana Schaafhausen said the development was set on historic vegetable gardens, or māra kai.</p> <p>"Our Tūpuna settled this area over 400 years ago and established the Kirikiriroa Pā on the hill behind us.</p> <p>"Soon we will see a modern, fit for purpose and environmentally sound complex which will rival all other buildings here in Kirikiriroa."</p> <p>ACC and Waikato-Tainui want to work together to create employment opportunities, she said.</p> <p>ACC chief executive Scott Pickering agreed.</p> <p>"We already have the early stages of the employment pathway, and we are also working with the iwi on a graduate-style pathway," Pickering said.</p> <p>He said Hamilton was an important site for the organisation, about 15 per cent of its total staff worked in the city.</p> <p>"Our bases in Kirikiriroa-Hamilton provide the lifeblood to Aotearoa."</p> <p>The 650 staff in the offices are not new jobs – they are relocating from ACC offices in Te Rapa and Victoria Street to the new hub.</p> <p>Pickering said there was capacity to grow staff in the offices, and potential for retail below the offices.</p> <p>"Who's to say we can't look at things such as a potential rehabilitation facility there?"</p> <p>Staff were "tremendously excited" about moving to a central location close to parks, transport and cafes.</p>
---	---

Initiative moves national holiday away from sale finding to job hunting

Sharnae Hope 05:00, Oct 24 2020



The One Job at a Time drive aims to connect employees with jobs on Labour Day- a holiday to commemorate the struggles of being paid for a nine-to-five working day.

The One Job at a Time drive aims to connect employees with jobs on Labour Day- a holiday to commemorate the struggles of being paid for a nine-to-five working day.

Labour weekend is normally a celebration of legal protections around an eight-hour working day, but this year for many it's slim pickings on what hours or work is available.

With wage subsidy extensions near the end and more jobs at risk, a group of organisations across the Waikato are putting a spin on the national holiday on Monday through an initiative aimed at linking workers and employers.

Dubbed One Job at a Time it's goal is to connect employers with people who have lost their jobs as a result of Covid-19 or those who are work-ready and looking for employment.

As of March 31, 2020, 3.8 per cent of people in the Waikato region reported that they were unemployed, below the national average of 4.1 percent, Nationally underutilisation (people not actively searching) rose to 12.0 percent and hours worked fell a record 10.3 percent.

Organisations including Cambridge Business Chamber, Hamilton Central Business Association, Tourism Waikato, MSD, Te Waka, and Waikato Chambers of Commerce, have been encouraging their networks of employers and HR companies to feed any and every job that is available in the Waikato onto a free regional job matching website www.waikato.nextstep.co.nz.


CEO of Cambridge Business Chamber, Kelly Bouzaid, said the idea was sparked from an initiative by American company, Red Wing Shoes, which decided to forgo promoting their footwear during their Labour Day to post job openings instead. And they called on all brands to do the same.

This initiative will do the same by steering people away from advertising retail sales and spending and focusing on labour instead. "It's definitely out of the ordinary to be doing this on a holiday, but we thought we would turn a day off into a day to help people find jobs," Bouzaid said. "We want to not only raise the visibility of unemployment in the region but also try to get people in work."

"We've already gone out to most of the businesses in the Waikato encouraging them to place their jobs in the very visible platform. We have something like 68 jobs on there and there's more coming." Job-seekers are also encouraged to post their CV's on the website, to connect with companies during the Labour Day Weekend.

"Waipa alone is up 70 percent on beneficiaries, so while we look quite busy on the surface there is a big impact and a bigger impact to come. "The timing is relevant, not just to remind ourselves of the history of Labour Day but also, as wage subsidy extensions end more jobs are at risk."

There's often the perception that because unemployment is high, there are no jobs on offer, Bouzaid said this isn't the case. "There are some employers who aren't brave enough to go full-time, so they are starting to look for part-timers, and certainly meat processing and harvesting companies are in dire need of more staff. "It doesn't matter if your skilled or just wanting hours there's plenty of options out there for work."

<p>NZ Business</p> <p>NZBusiness Magazine The Business Magazine For NZ SME</p> <p>Hamilton CBD celebrates down by the river Friday, 20 November 2020</p>  <p><i>Photo: Soul Gallery won Best Retail, People's Choice and Best of the Best</i></p> <p>For one night only a memorable evening was created on the banks of the Waikato River, when Hamilton's best CBD businesses came together to celebrate a night of success, achievement and festivity at the annual CBD Celebration Awards.</p> <p>Hosted by Hamilton Central Business Association (HCBA), guests were welcomed into a transparent marquee themed for the night by event design company Royal Laboratorie.</p> <p>The major sponsors of the evening Spark NZ, were delighted to put their support behind this event, recognising and celebrating local business in the CBD. "It was such a great evening of true celebration and having the opportunity for Spark to get behind the local business community aligns well with our organisations values."</p> <p>A number of Hamilton businesses contributed to the evening's success, from SBI Productions taking up the challenge of providing lighting and technology in a venue with no power, to Moving Media capturing the evening's magic on film.</p> <p>Kerr & Ladbrook provided guests with delicious canapes, with dessert arriving halfway through the night on wheels from Duck Island's newly renovated food truck. Coral Pitcher struck a chord with the crowd, providing musical entertainment and Stu & Camille from The Breeze ensured the evening flowed to perfection as guest MCs.</p> <p>The number of entrants in the 2020 Hamilton CBD Celebration Awards exceeded previous years and came as no surprise to HCBA General Manager Vanessa Williams. "This year has obviously been one like no other and has really highlighted the role local businesses play in being the backbone for the community. This is a time we need to be shouting from the rooftops, or in this case from</p>	<p>the riverside, about their fantastic achievements and their value to our society".</p> <p>Local radio station The Breeze who were onsite as both sponsors and attendees of the evening couldn't agree more. "Local is where it is at. New Zealanders are wanting to support the people and businesses in their own town. 2020 has really shown us the importance of supporting and spending locally to keep our communities going," said Steve Rowe, GM Mediaworks.</p> <p>Over 70 entrants were judged across 13 categories in the Best Awards. "The opportunity to hear their stories and successes of our businesses is a humbling experience. There is so much to be celebrated in our CBD and it is these businesses that are contributing to the creation of a dynamic, desirable CBD we can and should all be proud of," says Vanessa.</p> <p>Connie Chittick, Chair of the HCBA agreed. "It is always a highlight to hear about our central city businesses and their unique achievements throughout the year and particularly in a year which has presented so many challenges. To be able to take the time to recognise and celebrate business success, is always a rewarding experience."</p> <p>An additional highlight to the evening was an intimate music performance from renowned singer/songwriter Hollie Smith. It seemed only fitting with the venue that Hollie ended her set with her international acclaimed hit <i>Bathe in the River</i>.</p> <p><i>The CBD Celebration Awards were sponsored by Spark NZ and The Breeze, with support from Kerr & Ladbrook catering, Moving Media for photos and video, sound and lighting by SBI Productions and venue design and decoration by Royal Laboratorie</i></p> <p>Award winners are listed on the Hamilton Central Business Association Website: https://www.hamiltoncentral.co.nz/awards-winners</p>
--	--

Helping hand for Hamilton businesses to get tech savvy

Jo Lines-MacKenzie 18:02, Nov 22 2020



Rocketspark's CEO Grant Johnson and Hamilton Central Business Association's Vanessa Williams are behind the Digital Pop-up week

A collaboration between tech company Rocketspark and Hamilton Central Business Association is aimed at getting Waikato businesses more digital savvy.

[Digital Pop-up Shop](#) is being run between November 23 to 27 in Hamilton, which is an opportunity for businesses to up-skill in a wide range of internet platforms and improve businesses digital performance.

The disruption to businesses due to Covid-19 has seen a number of companies go on-line or enhance their online presence.

"We've seen businesses adopt digital tools and done really well, risen above the hardship.

"So we thought wouldn't it be cool to introduce people to a wide range of experts to help them," Rocketspark co-founder Grant Johnson said.

Johnson admits those businesses that did engage with an expert on their digital business journey generally progressed a lot faster if they got the right advice.

"But it's so crowded and cluttered because everyone is actually wanting to be really helpful but to actually know, who knows what they're talking about," Johnson said.

Having the benefit of dozens of clients around the region, Johnson, has the ability to see who is actually good at helping small businesses.

He approached a number of them, asking if they'd be prepared to give up some of their time to do seminars and paid workshops.

"We cherry-picked a few people that were experts in areas from growing with google, social media expertise, linkedin, for us we know the web inside out and don't claim to be experts in everything."


The collaboration started back in the middle of the year and Hamilton Business Central Association, general manager Vanessa Williams said it is open to businesses in the Waikato region.

"Each day we will have something different happening. As well as a drop-in opportunity, which doesn't require registration for people to drop in with their computers and have their digital world assessed."

People will be working on their own business sites during the workshops.

Hamilton City Council is donating the Smart Space for the Digital Pop-Up.

Seats are still available.

<p>Dumpling House win brings sense of belonging</p> <p>Jo Lines-MacKenzie 14:59, Nov 29 2020</p>  <p>Lei Wang, front with food alongside Lee Li, picked up best Hamilton CBD eatery award for Dumpling House. Back row l-r are: Shuqin Gao, Guohong Teng, Xingang Li, Shujie Yang, Changfu Ren, William Goh and Guangsheng Wang.</p> <p>Lei Wang feels like her business is now part of the Hamilton community after picking up a Central Business Association award. The 41-year-old owns the popular Dumpling House, in Grey Street and Bryce Street, and won Best Eatery. A sixth generation dumpling maker, she opened the Dumpling House on Grey Street, 10 years ago with an aim to improve people's perception of Chinese food.</p> <p>"When we first started the majority of customers were Chinese, it's a little place, but it's always busy, the local customers see how busy that restaurant is and see a lot of Chinese people there. And customers say to me because we see so many Chinese people the food must be good." So good that Wang was able to open a second bigger restaurant in Bryce Street in 2018.</p> <p>The award was judged with more than just the food and service in mind. "We had five judges that came over, they have to look at the food and service of course, but also social responsibilities, business plan, how we did over covid, and sustainability."</p> <p>Wang hopes she is changing people's expectations with Chinese food. "When you ask them what do you think of Chinese food, they think it's a cheap takeaway, the people who run the business have limited English, no customer service at all, some places are noisy and it's sweet and sour pork."</p> <p>Wang and her family- her mother helped start the business, and her husband is a manager- have attempted to become part of the community. "I consider myself as a new generation food business owner, not like the old times when Cantonese people would work all the time, 364 days of the year."</p>	<p>"We want the people to see we are the new generation Chinese, we bring our culture to New Zealand, we want to be involved in the community."</p> <p>Wang considers her staff as family and customers as friends. "I have made a lot of friends with customers, we say strangers became friends and friends became family. It's about building relationships with people and the community and being part of people's lives."</p> <p>Wang who is from the city of Harbin, in north-east China near Russia, arrived in New Zealand 20 years ago to do a marketing and finance degree at Waikato University. This is also where she met her husband Lee Li, however it wasn't until she convinced her mum to move over that they opened the first Dumpling House.</p> <p>"My mum is a fifth generation dumpling maker in China, my great grandfather was famous for the dumplings he made for the Chinese Royal family. "When my mum came over, and she didn't speak English, but she loved cooking and everyone said please open a restaurant, everyone will love your food."</p> <p>When the CBD award winners were announced, Wang couldn't believe it. "It was such a huge honour. "There are so many restaurants and eating places in the CBD area, big ones, small ones and all types of nationalities, Japanese, Thai, India, Italian, French, and we became the winner. "I thought the best eatery would be given to a fancy restaurant with super 5-star service, or something big and I got this and you change people's impression of Chinese restaurants, so to me it's huge."</p>
---	--

A Guide to Hip Hamilton

Lorna Thornber 05:00, Dec 22 2020



Gothenburg in Hamilton

Hamiltonians don't usually blow their own trumpets, so it can be hard for visitors to know where to head.

If you don't think the words "hip" and "Hamilton" belong in the same sentence, you're the one who's not up with the times. The city's stand-out dining scene, drinking dens, boutique shops and galleries have made it a hit with the cool kids for some time now.

STAY

Housed in a 144-year-old building in the heart of the CBD, the revamped Ramada Hotel is a stylish blend of old and new. With exposed brickwork and elegant modern furnishings, the rooms in the old section have a New York loft vibe and there's an excellent on-site restaurant – the Euro-focused Sisterfields – and gym. Even if you don't think you'll make use of the latter, you're likely to reconsider after taking full advantage of the excellent eating and drinking options nearby.

Riverbank Lane

This abandoned arcade turned Melbourne laneway-style development on the city's main drag houses a gallery, boutique shops, beloved second-hand bookstore Browsers, a barber, an outpost of artisan icecream parlour Duck Island and some of the most interesting eating options in town.

Head to Mr Pickles for gourmet charcuterie platters, sharing plates, creative cocktails and decadent desserts starring Duck Island icecream. Think strawberry, kaffir lime and coconut icecream sundae with whipped coconut and sesame caramel praline. If the weather's playing ball, pull up a pew on the terrace overlooking the Mighty Waikato.

In the mood for something more low key? Head to The Bearded Weasel in Mr Pickles' former loading dock for fried chicken by the plate or bucket, with sides such as cauliflower with tamarind and lime-infused salsa.

Hamilton East

It's one of the city's oldest suburbs, but Hamilton East is now home to some of its hippest hangouts and a photographer's dream to boot.

If you're a fan of street art or just want to do something good for body and soul, take a wander down Lovegrove Lane. You'll find a yoga studio, juice bar and GG's Cafe, which serves up locally roasted Rocket Coffee and standout savoury scones, toasties and vegan fare in a "shed" styled like an old-school bach.

Riverside Hayes Common is another good eating option. Included in *Cuisine* magazine's list of the top 100 restaurants in New Zealand for the past two years, it's famous for hearty, seasonally inspired fare. The weekend brunch menu includes goodies such as

Mexican-style avocado on sourdough with tequila-spiked tomatoes, sour cream, chilli and lime.

The 'hood is also home to Instagram superstar Hamilton Gardens: the Alice in Wonderland-style Surrealist Garden is a must-visit. On Sunday evenings between November and March, locals spread picnic blankets on the lawns for Gourmet in the Gardens, which features an eclectic selection of food vendors plus live music and kids' entertainment.

Victoria St art hub

Its best-known public artwork is probably the statue of *Rocky Horror Picture Show* misfit Riff Raff, but Hamilton's cultural repertoire is far broader than that.

Conveniently located in a heritage-listed former Post Office by Waikato Museum, ArtsPost fosters local artists, craftspeople and jewellers by exhibiting their work and offering it up for sale.

Also on Victoria St, Laree Payne Gallery (formerly Weasel Gallery) changes up its exhibitions of local and international works every few weeks, making it well worth repeat visits.

Head to the museum for a treasure chest of local taonga and world-class exhibitions such as the Galileo exhibition, set to run from February to June 2021.

EAT & DRINK

Hamilton's bar and dining scenes rival anything Auckland and Wellington have to offer and many top spots are located in Victoria St and its environs.

Overlooking the river, Gothenburg is popular with groups keen to order up large from the tapas menus. The internationally inspired dishes include the likes of pulled lamb salad; buttery crayfish on a warm brioche with lettuce, lemon and chives; and sundried tomato and mozzarella-stuffed arancini.

Classy Wonder Horse is a favourite with locals looking to catch up with mates over a quiet and quality alcoholic beverage. Choose between cocktails, craft beers, and fine wines and whiskeys.

Craft beer fans should also check out the aptly named Craft bar, especially now it houses a pop-up restaurant helmed by chef Lani, formerly of local restaurant institution Chim Choo Ree.

More information: waikatoz.com

With your help, we can help keep the spotlight on New Zealand's bright travel and tourism future.

<p>Retail spend soars in Hamilton's CBD, reaching \$182m in last three months of 2020</p> <p>Aaron Leaman 17:29, Jan 28 2021</p>  <p>The CBD experienced record sale figures between October and December, Hamilton Central Business Association general manager Vanessa Williams said.</p> <p>Hamilton's bounce back from the Covid recession has hit another high, with many city retailers finishing the year with record sales.</p> <p>New electronic card spending data shows shoppers spent \$182 million with CBD retailers between October and December – the strongest fourth quarter figures of the past decade.</p> <p>While the impact of the Covid-19 pandemic is being felt across the economy, business leaders say shoppers' willingness to support local retailers is making a real difference.</p> <p>"Hamilton's CBD, the city, and the wider Waikato is bouncing back so well and the latest spending figures reflect that," Hamilton Central Business Association general manager Vanessa Williams said. "Don't get me wrong, for the entire year we were down. But when you think two quarters were impacted by the lockdown, I think the growth we're seeing is very positive."</p> <p>Overall, electronic card spending data shows \$619m was spent in Hamilton's CBD in 2020, down from \$648m in 2019, and \$659m in 2018. However, a breakdown of the spending figures show CBD shoppers are spending more when engaged in retail therapy, with the average spend per transaction increasing from \$108 in 2019 to \$112 last year.</p> <p>Williams estimates about half a dozen CBD retailers closed their stores following the lockdown, but most of the sites have since been filled by new tenants. "We are definitely finding that speciality retailers with expansion plans have Hamilton high on their shopping list," she said.</p> <p>Coming out of lockdown, many retailers didn't know what to expect as they weren't sure how comfortable people would be about spending. "We're not through this, we all know that, but there have been some really great recovery stories," Williams said.</p>	<p>Speciality shops, food and beverage outlets, and homeware and hardware stores all experienced strong sales during the final months of 2020.</p> <p>Sales figures at specialty jean shop Texas Radio, on Ward Street, picked up soon after people came out of lockdown, owner Marcus Potroz said. Many people spent six to 12 weeks working from home, and were keen to update their wardrobes once lockdown restrictions lifted. "We went into lockdown in a summer situation and came out of lockdown in winter. When people stayed at home they just wore their old clothes but, when it came to going out in public again, people wanted to get something new," Potroz said.</p> <p>"It is a big surprise how well things have bounced back after lockdown but it involved a lot of hard work. For a small team like us, it means being here every moment."</p> <p>With overseas travel off the agenda for most, a growing interest among New Zealanders to explore their own backyards has translated into strong sales for Colin Hancock, owner of Trek 'n' Travel on Victoria Street. During one Sunday in November the store registered its best sale figures in 23 years. Although the store was largely unaffected by disruptions to imports coming into the country, it did strike supply issues with women's backpacks.</p> <p>"A nice comment that we did hear quite a bit from people was they wanted to shop with us because they want us to still be around," Hancock said.</p> <p>Williams said planning is under way to bring back some popular events to the central city, including the Chinese Lantern Festival and the New Zealand All Style Dance Championship.</p> <p>"These events will just add to the positive feeling we're seeing in the CBD."</p>
--	---

Major spruce-up planned for downtown Hamilton

Aaron Leaman 05:00, Feb 09 2021



The proposed Waikato Regional Theatre will be built on the corner of Victoria Street and Sapper Moore-Jones Place. The theatre will retain the facade of the old Hamilton Hotel.

The soon-to-be-built Waikato Regional Theatre is inspiring bold plans to dramatically reimagine downtown Hamilton.

A sod-turning ceremony for the \$74 million theatre is expected to be held in late March or early April, ahead of preparation work on the Victoria Street site. But plans to leverage off the theatre build are already well-advanced as city politicians look to shore up support for a suite of multimillion-dollar projects in and around downtown Hamilton.

Hamilton Mayor Paula Southgate said the world-class, 1300-seat theatre complex, has energised efforts to transform Hamilton into a great river city. "It will be a beautiful building on its own, and we could do nothing ... but why would we," Southgate said.

"It doesn't make any sense not to maximise this opportunity."

The council will open up its draft long-term plan for public consultation in March, with the document including a funding proposal for several key central city projects. The north end of the regional theatre is framed by Embassy Park, with the council proposing to spend \$5m on the creation of a plaza there and a promenade behind the theatre.

Deputy Mayor Geoff Taylor, who chairs the council's CBD and river plan advisory group, said the park upgrade builds on the great work of Riff Raff Public Art Trust chair Mark Servian and others. Hamilton Mayor Paula Southgate outside the site of the planned Waikato Regional Theatre. She says it makes sense for the city to leverage off the new theatre. Embassy Park is best known for its Riff Raff statue. "We want to create an amazing plaza and create a sense of arrival next to the theatre," Taylor said. "We want to build on the great work Momentum is doing around the theatre and put the cream on top of the cake."

Taylor also advocates for council funds to be invested in a proposed cycle and pedestrian bridge across the Waikato River, linking the Waikato Museum to Memorial Park. The council's draft long-term plan includes \$500,000 for a bridge feasibility study, \$1.5m for detailed design work and \$10m for capital expenditure.

Taylor is confident the bridge project could attract a significant subsidy from Waka Kotahi NZ Transport Agency, potentially in the range of 51 to 75 per cent, and is seeking funders to support the build. "If we build an iconic bridge there, for me, that and the theatre in particular will just transform Victoria Street and I think Hamilton," he said.

At the museum itself, \$6.6m has been budgeted in the draft LTP to open up the back of the building to the Waikato River while \$3.6m has been allocated to improving the museum's front entrance. The proposed upgrade of the museum's front includes the installation of an airlock.

Southgate said upgrading the museum's front is a priority as having an airlock and hence a controllable environment, will allow the venue to host top art exhibitions.

In 2018, the city council led by then mayor Andrew King bought four riverside buildings on Victoria Street, just north of the proposed regional theatre site. The four buildings cost ratepayers \$6.49m, with King using his casting vote to push the decision through.

Taylor said his advisory group is working on possible options for the site. His preference is to redevelop the properties alongside a developer. Southgate remains disappointed with how the 2018 deal was done but doesn't believe the council should sell the four properties.

"Right now, the council is fully focused on making ourselves a great river city so the time is right to do something."

It's anticipated construction of the theatre will begin in the third quarter of the year. Currently, the restaurant Paddock to Plate Waikato operates from the site. The restaurant, which is a venture by Leonard Gardner, will relocate once work on the theatre begins. Gardner, a former chair of Momentum Waikato, said the restaurant's aim is to maintain interest in the site while also showcasing local produce.

In 2018, Gardner set up the company VOTR 2 WRT Ltd, with property developer Matt Stark to buy buildings between the theatre site and Victoria on the River public park. In the two years since, the company has not purchased any properties near the theatre site. Gardner said his property development activities were always fully disclosed to ensure it didn't create any perceived conflict of interest with his past Momentum role.

Gardner, who is also chief executive of Fosters, is heartened by the council's proposed investments in the central city but believes CBD building owners have an important role to play. "All property owners have got a responsibility to participate in the redevelopment and upgrading of the building stock in that area," he said.

Vanessa Williams, general manager of the Hamilton Central Business Association, said the regional theatre will attract businesses to the CBD, as well as apartment developments. "I think it's fantastic that Hamilton's CBD is getting this sort of showpiece building. It's been said over and over again, but the theatre will be a game changer in that space," she said.

Taylor said Gardner and Stark deserve credit for having a vision for the CBD even when others didn't. "Can you imagine what things will look like in 2023 – 2024 when we've got a theatre in place, a plaza, and an impressive cycle and pedestrian bridge. We'll have Victoria on the River, the museum will be looking good, and we'll have a wonderful promenade linking it up."

Council Report

Committee: Economic Development Committee

Date: 09 March 2021

Author: Claire Foster

Authoriser: Jen Baird

Position: Property Officer

Position: General Manager City Growth

Report Name: New Lease - Two Degrees Limited - Raymond Street (cabinets)

Report Status	Open
----------------------	------

Purpose - *Take*

1. To seek the Economic Development Committee's recommendation to that Council to approve a new lease for Two Degrees Limited for telecommunications cabinets located on land adjacent to Raymond Park.

Staff Recommendation - *Tuutohu-aa-kaimahi* (Recommendation to the Council)

2. That the Economic Development Committee recommends that the Council approves the new lease for Two Degrees Limited for telecommunications cabinets located on land adjacent to Raymond Park, subject to the following terms and conditions:
 - a) Term – 10 years, commencing 1 March 2021;
 - b) Rental – \$4,000 plus GST per annum; and
 - c) Rent reviews – 3-yearly market review.

Executive Summary - *Whakaraapopototanga matua*

3. Two Degrees Limited has telecommunications cabinets located on land adjacent to Raymond Park [and equipment attached to a nearby light pole], to provide cell coverage for their customers (see **Attachment 1**).
4. Two Degrees has a lease with Council for a 10-year term, which expired on 28 February 2021. They have requested a new lease from 1 March 2021.
5. The term will be for 10 years (no rights of renewal) commencing 1 March 2021.
6. The current market rent was valued at \$4,000.00 plus GST per annum by a registered valuer. Rent will be reviewed every 3 years.
7. Staff recommend that the new lease be approved by the Council and confirm there are no risks associated with this recommendation.
8. Staff consider the matters in the report have low significance and that the recommendations comply with the Council's legal requirements.

Background - *Koorero whaimaarama*

9. Two Degrees has had telecommunications equipment at the Raymond Street site for 10 years to provide services for its customers.

10. Two Degrees Limited has requested the new lease to be able to continue these services.

Discussion - *Matapaki*

11. If the recommendation is not approved, Two Degrees will need to remove the telecommunications equipment and the ability to provide cell coverage to their customers will be at risk.

Financial Considerations - *Whaiwhakaaro Puutea*

12. Rental was determined in accordance with standard commercial practice by a registered valuer, based on existing market rates.
13. Two Degrees Limited have agreed to the rental of \$4,000.00 plus GST per annum, plus costs.

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

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

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

15. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').

The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report. The recommendations set out in this report are consistent with that purpose. There were no social, environmental or cultural wellbeings identified in the development of this report. **Economic**

18. The recommendation set out in this report shows Council supports the lessee's request for a new lease to be able to continue to provide cell coverage for their customers.

Risks - *Tuuraru*

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

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

Significance

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

Engagement

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

Attachments - *Ngaa taapirihanga*

Attachment 1 - Aerial - Raymond Street - Telecommunications cabinets



Print Size: A4 Portrait

Raymond Street - Cabinets



Scale: 1 : 250

0 12.5 25 Meters

Cadastral Information is from Land Information New Zealand, Crown Copyright Reserved.
Disclaimer: Hamilton City Council does not guarantee that the data shown on this map is 100% correct.
Use of this information is in conjunction with the GIS Conditions of Use Agreement.
Please visit www.hamilton.govt.nz for details.
Cadastral Information is from Land Information New Zealand, Crown Copyright Reserved.

Print Date: 14-02-2021



Council Report

Committee: Economic Development Committee

Date: 09 March 2021

Author: Claire Foster

Authoriser: Jen Baird

Position: Property Officer

Position: General Manager City Growth

Report Name: New Licence - Kordia Limited - FMG Waikato Stadium

Report Status	Open
----------------------	------

Purpose - *Take*

1. To seek the Economic Development Committee's recommendation to the Council to approve a new licence for Kordia Limited for a telecommunications cabinet located in the communications room at FMG Waikato Stadium.

Staff Recommendation - *Tuutohu-aa-kaimahi* (Recommendation to the Council)

2. That the Economic Development Committee recommends that the Council approves a new licence for Kordia Limited for a telecommunications cabinet located in the communications room at FMG Waikato Stadium, subject to the following terms and conditions:
 - i. Term – 4 years, commencing 1 July 2021;
 - ii. Renewals – 1 x 5 years (1 July 2025);
 - iii. Rental – \$1,000 plus GST per annum; and
 - iv. Rent reviews – market review on renewal (1 July 2025).

Executive Summary - *Whakaraapopototanga matua*

3. Kordia Limited has a telecommunications cabinet located within the communications room at FMG Waikato Stadium (see **Attachment 1**).
4. Kordia has a licence with Council for a 10-year term, due to expire 30 June 2021 and has requested a new licence from 1 July 2021.
5. The term will be for 4 years, with a right of renewal of 5 years (9 years total) commencing 1 July 2021.
6. The current market rent was valued at \$1,000.00 plus GST per annum by a registered valuer.
7. Staff recommend that the new licence be approved by the Council and confirm there are no risks associated with this recommendation.
8. Staff consider the matters in the report have low significance and that the recommendations comply with the Council's legal requirements.

Discussion - *Matapaki*

9. FMG Waikato Stadium is a Sky broadcasting site for sporting and events for Kordia, who wish to continue this service.
10. Kordia has requested the new licence to line up with their contract with Sky Broadcasting.
11. If the recommendation is not approved, Kordia will remove the telecommunications equipment and the ability for sky broadcasting for sporting and events will cease, putting their contract with Sky at risk.

Financial Considerations - *Whaiwhakaaro Puutea*

12. Rental was determined in accordance with standard commercial practice by a registered valuer, based on existing market rates.
13. Kordia has agreed to the rental of \$1,000.00 plus GST per annum, plus costs.
14. The H3 group operates its own financial transactions; the revenue will be invoiced and collected directly by the H3 finance administration team.

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

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

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

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

Economic

19. The recommendation set out in this report shows Council supports the licensee's request for a new licence to be able to support Sky broadcasting of sporting and events at FMG Waikato Stadium.

Risks - *Tuuraru*

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

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

Significance

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

Engagement

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

Attachments - *Ngaa taapirihanga*

Attachment 1 - Communications room layout and Kordia cabinet



Council Report

Item 16

Committee: Economic Development Committee

Date: 09 March 2021

Author: Candice Swanepoel

Authoriser: Blair Bowcott

Position: Business Performance Accountant

Position: Executive Director Special Projects

Report Name: Policy Review - Appointment and Remuneration of Board Members of COs, CCOs and CCTOs

Report Status

Open

Purpose - *Take*

1. To inform the Economic Development Committee on the recommended changes to the Appointment and Remuneration of Board Members of COs, CCOs and CCTOs Policy.
2. To seek a recommendation from the Economic Development Committee to the Council of the Draft Appointment and Remuneration of Board Members of COs, CCOs and CCTOs Policy.

Staff Recommendation - *Tuutohu-aa-kaimahi* (Recommendation to the Council)

3. That the Economic Development Committee:
 - a) receives the report; and
 - b) recommends that the Council approves the draft Appointment and Remuneration of Board Members of COs, CCOs and CCTOs Policy (**Attachment 1**).

Executive Summary - *Whakaraapopototanga matua*

4. The Policy regarding the Appointment and Remuneration of Board Members of COs, CCOs and CCTOs (all referred to as CCOs in this report) has been reviewed by staff as part of the 2021-31 Long-Term Plan process.
5. This Policy is required by Section 57 of the Local Government Act 2002 (LGA) and assists Hamilton City Council (HCC) to implement satisfactory governance over Council Controlled Organisations.
6. This Policy sets out the appointment process, remuneration and tenure of board members of CCOs.
7. The main themes around the recommended changes to the Policy are:
 - covering issues of diversity, in various contexts, as it would apply to CCOs through the appointment process
 - noting, within the Policy, that each CCO is governed by its own Constitution and that this needs to be considered alongside the Policy

- emphasising that the appointment process is to be a collaboration between the Economic Development Committee and the Chair, Board and other stakeholders of the CCO
8. Staff consider the matters in this report low significance and that the recommendations comply with the Council's legal requirements.

Discussion – *Matapaki*

Recommended amendments to the Policy

9. Principles
- additional Principle to address demographic diversity when making appointments to the Board; and
 - additional Principle to ensure that both this policy and the CCOs constitution are considered through the appointment process.
10. Appointments and Performance Management
- additional paragraph to emphasis diversity requirements in terms of skills, demographics and perspectives when making appointments to the Board; and
 - amendments to ensure consistency in referencing other areas of the Policy.
11. Appointment Process
- additional paragraph to highlight that the appointment process is to be a collaboration between the Economic Development Committee and the stakeholders of the CCO.
12. General clean, such as referencing the Economic Development Committee rather than the Finance Committee.

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

13. Staff confirm that the matters in this 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.

The recommendations set out in this report are consistent with that purpose.17. There were no social, environmental or cultural wellbeings identified in the development of this report.

Risks - *Tuuraru*

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

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

Significance

19. 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

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

Attachments - *Ngaa taapirihanga*

Attachment 1 - Clean Version - Appointment and Remuneration of Board Members of COs, CCOs and CCTOs Policy

Attachment 2 - Tracked Changes - Appointment and Remuneration of Board Members of COs, CCOs and CCTOs Policy

<i>First adopted:</i>	March 2014
<i>Revision dates/version:</i>	March 2021
<i>Next review date:</i>	June 2024
<i>Engagement required:</i>	
<i>Document number:</i>	
<i>Associated documents:</i>	
<i>Sponsor/Group:</i>	Corporate

Appointment and Remuneration of Board Members of:

- **Council Organisations (COs)**
- **Council Controlled Organisations (CCOs)**
- **Council Controlled Trading Organisations (CCTOs)**

Purpose and Scope

1. This Policy is required by Section 57 of the Local Government Act 2002 (LGA). This Policy assists Hamilton City Council (the Council) to implement satisfactory governance over Council Controlled Organisations. This Policy applies to all CCOs, COs and CCTOs (all referred to as CCOs in this Policy document) as defined in Section 6 of the LGA. The Council's current CCO and COs are listed in Schedule 1.

Definitions

Definition	Detail
CO	A CO is an organisation in which Council has a voting interest and/or the right to appoint a director, trustee or manager.
CCO	A CCO is CO in which one or more local authorities control, directly or indirectly, 50 percent or more of the voting rights and/or have the right, directly or indirectly, to appoint 50 percent or more of the directors, trustees or managers.
CCTO	A CCO which operates a trading undertaking for which making a profit is one of its purposes.

Principles

2. The Council must be transparent and objective in its appointment of competent and professional individuals to the governance bodies of Council's CCOs.
3. The Council should appoint independent directors. Elected Members and/or Council officers should only be appointed in exceptional circumstances.
4. The Council will actively work to ensure that appointments made under this policy will help to deliver boards of CCO's that reflect the diverse demographics of our city.
5. Where Council has a minority interest in a CCO (i.e. where a CCO is controlled by a number of councils and Hamilton City Council does not have a majority stake) then the process for the appointment and remuneration of directors will be agreed with the other shareholders in the CCO. As far as practicable, Council's involvement in the process will be consistent with the application of this policy and the Constitution of the entity, whichever is more relevant to the circumstances.

Policy Guidelines

Appointments and Performance Management

6. Appointees should have the appropriate balance of skills, knowledge, integrity and governance experience.
7. Appointees should complement and bring diversity of skills, demographics and perspectives to the membership of boards of CCOs.
8. All positions require a formal position description which all appointees must formally acknowledge and accept.
9. An annual review of appointees' delivery against the position description should be undertaken by the respective CCOs Chair.
10. Subject to the principle in clause 3 of this policy, no more than two Elected Members may be appointed to any particular CCO.
11. Except under exceptional circumstances, Elected Members may not hold the position of Chair. This is subject to the principle in clause 3 of this policy.

Tenure and remuneration

12. All Council appointments to the boards of CCOs are at the Economic Development Committee's discretion.
13. It is expected that, other than in exceptional circumstances, appointments are for two full and consecutive terms. A former appointee becomes eligible again after at least one full-term absence.
14. Remuneration of appointees is a matter of public interest and will be approved by resolution at the CCO's Annual General Meeting.
15. Unless otherwise determined, Elected Members and Council officers appointed to the board of a CCO shall not be entitled to any remuneration.

Appointment Process

16. As per its delegated authority, the Economic Development Committee, will approve all Hamilton City Council appointees.
17. For each appointee the Economic Development Committee shall:
 - a. collaborate with the Chair, Board and other stakeholders of CCOs to ensure an agreed approach is followed that meets the policy requirements and the entity's Constitution;
 - b. confirm the formal position description and, subject to the process set out in paragraph 17a. of the appointment process, instruct Hamilton City Council officers to compile a shortlist of candidates;
 - c. determine, in a public excluded meeting, the appointee most suitable for the position;
 - d. gain acceptance of the appointment from the successful candidate; and
 - e. make a public announcement of the successful appointee as soon as is practical.

Conflicts of Interest

18. The Council expects that, in line with good governance practice, all appointees will avoid actions which could give rise to a conflict of interest. This includes, but is not limited to, the offering of gifts, hospitality, travel and entertainment. Appointees should follow the provisions of the New Zealand Institute of Directors' Code of Ethics.

Monitoring and Implementation

19. This Policy will be monitored by the Economic Development Committee which, as per its terms of reference, has the power to approve the appointment and remuneration of directors to the boards of the CCOs.
20. Council officers will advise the CCOs as to Council's strategic direction, requirements of Statements of Intent and other relevant matters on behalf of the Economic Development Committee.
21. This Policy will be reviewed:
 - a. every three years; or
 - b. at the request of Council; or
 - c. in response to changed legislative requirements.

Schedule 1

At the time of writing the entities subject to this Policy are:

CCO's

- Waikato Local Authority Shared Services Ltd (WLASS).
- New Zealand Local Government Funding Agency Ltd (NZLGFA).
- Waikato Innovation Growth Ltd (WIGL) and its subsidiary New Zealand Food Innovation Waikato Ltd (NZFIW) and its subsidiary New Zealand Food Innovation Waikato D2 Ltd (NZFIW D2).
- Waikato Regional Airport Ltd (WRAL) and its subsidiaries Hamilton and Waikato Tourism Limited, Titanium Park Limited and Waikato Regional Airport Hotel Limited.

CO's

- Civic Financial Services Ltd.
- Melody Dairies Limited Partnership – a subsidiary of NZFIW D2.
- Melody Dairies GP Limited – a subsidiary of NZFIW D2.

First adopted:	March 2014
Revision dates/version:	February 2019
Next review date:	June 2021
Engagement required:	
Document number:	D-2856515
Associated documents:	
Sponsor/Group:	Corporate

Appointment and Remuneration of Board Members of:

- Council Organisations (COs)
- Council Controlled Organisations (CCOs)
- Council Controlled Trading Organisations (CCTOs)

Purpose and Scope

1. This Policy is required by Section 57 of the Local Government Act 2002 (LGA). This Policy assists Hamilton City Council ([the Council](#)) to implement satisfactory governance over Council Controlled Organisations. This Policy applies to all CCOs, [COs](#) and CCTOs (all referred to as [CCOs](#) in this Policy document) as defined in Section 6 of the LGA. [Hamilton City](#) Council's current CCO and [COs](#) are listed in Schedule 1.

Definitions

Definition	Detail
CO	A CO is an organisation in which Council has a voting interest and/or the right to appoint a director, trustee or manager.
CCO	A CCO is CO in which one or more local authorities control, directly or indirectly, 50 percent or more of the voting rights and/or have the right, directly or indirectly, to appoint 50 percent or more of the directors, trustees or managers.
CCTO	A CCO which operates a trading undertaking for which making a profit is one of its purposes.

Principles

2. [Hamilton City](#) Council must be transparent and objective in its appointment of competent and professional individuals to the governance bodies of [Council](#)'s [COs](#).
3. [Hamilton City](#) Council should appoint independent directors. Elected Members and/or [HCC](#) [Council](#) officers should only be appointed in exceptional circumstances.
4. [Hamilton City](#) Council will actively work to ensure that appointments made under this policy will help to deliver boards of CCO's that reflect the diverse demographics of our city.
- 3.5. Where Council has a minority interest in a CCO (i.e. where a CCO is controlled by a number of councils and Hamilton City Council does not have a majority stake) then the process for the appointment and remuneration of directors will be agreed with the other shareholders in the CCO. As far as practicable, Council's involvement in the process will be consistent with the application of this policy and the Constitution of the entity, whichever is more relevant to the circumstances.

Policy Guidelines

Appointments and Performance Management

- ~~6.~~ Appointees should have the appropriate balance of skills, knowledge, integrity and governance experience.
- ~~4.7.~~ Appointees should complement and bring diversity of skills, demographics and perspectives to the membership of boards of CCOs.
- ~~5.8.~~ All positions require a formal position description which all appointees must formally acknowledge and accept.
- ~~6.9.~~ An annual review of appointees' delivery against the position description should be undertaken by the ~~Finance Committee in conjunction with the~~ respective ~~CO's~~ CCOs Chair.
- ~~7.10.~~ Subject to the principle in clause point 3 of this policy principles, No more than two Elected Members may be appointed to any particular CCO.
- ~~8.11.~~ Except under exceptional circumstances, Elected Members may not hold the position of Chair. This is subject to point the principle in clause 3 of the principles of this policy.

Tenure and remuneration

- ~~9.12.~~ All ~~Hamilton City~~ Council appointments to the boards of ~~CO's~~ CCOs are at the ~~Finance Economic Development~~ Committee's discretion.
- ~~10.13.~~ It is expected that, other than in exceptional circumstances, appointments are for two full and consecutive terms. A former appointee becomes eligible again after at least one full-term absence.
- ~~11.14.~~ Remuneration of appointees is a matter of public interest and will be approved by resolution at the ~~CO's~~ CCO's Annual General Meeting.
- ~~12.15.~~ Unless otherwise determined, Elected Members and ~~Hamilton City~~ Council officers appointed to the board of a CCO shall not be entitled to any remuneration.

Appointment Process

- ~~13.16.~~ As per its delegated authority, the ~~Finance Economic Development~~ Committee, will approve all Hamilton City Council appointees.
- ~~14.17.~~ For each appointee the ~~Finance Economic Development~~ Committee shall:
 - ~~a. collaborate with the Chair, Board and other stakeholders of CCOs to ensure an agreed approach is followed that meets the policy requirements and the entity's Constitution;~~
 - ~~a-b. c~~ Confirm the formal position description ~~and~~, subject to the process set out in point 17a. of the appointment process,
 - ~~i~~ Instruct Hamilton City Council officers to compile a shortlist of candidates; ~~This may involve collaboration with other stakeholders of the relevant CO.~~
 - ~~b-c. d~~ Determine, in a public excluded meeting, the appointee most suitable for the position;
 - ~~e-d. g~~ Gain acceptance of the appointment from the successful candidate; ~~and~~
 - ~~d-e. m~~ Make a public announcement of the successful appointee as soon as is practical.

Conflicts of Interest

- ~~15.18.~~ ~~Hamilton City~~ The Council expects that, in line with good governance practice, all appointees will avoid actions which could give rise to a conflict of interest. This includes, but is not limited to, the offering of gifts, hospitality, travel ~~and~~.

entertainment. Appointees should follow the provisions of the New Zealand Institute of Directors' Code of Ethics.

Monitoring and Implementation

- ~~16-19.~~ This Policy will be ~~activated and~~ monitored by the Finance-Economic Development Committee which, as per its terms of reference, has the power to approve the appointment and remuneration of directors to the boards of the GOsCCOs.
- ~~17-20.~~ Hamilton City Council officers will advise the GOsCCOs as to HCC's Council's strategic direction, requirements of Statements of Intent and other relevant matters on behalf of the Finance-Economic Development Committee.
- ~~18-21.~~ This Policy will be reviewed:
- every three years; or
 - at the request of HCC Council; or
 - in response to changed ~~legislation and statutory~~ legislative requirements.

Schedule 1

At the time of writing the entities subject to this Policy are:

CCO's

- Waikato Local Authority Shared Services Ltd (WLASS).
- New Zealand Local Government Funding Agency Ltd (NZLGFA).
- Waikato Innovation Growth Ltd (WIGL) and its subsidiary New Zealand Food Innovation Waikato Ltd (NZFIW) and its subsidiary New Zealand Food Innovation Waikato D2 Ltd (NZFIW D2).
- Waikato Regional Airport Ltd (WRAL) and its subsidiaries Hamilton and Waikato Tourism Limited, Titanium Park Limited and Waikato Regional Airport Hotel Limited.

CO's

- Civic Financial Services Ltd.
- Melody Dairies Limited Partnership – a subsidiary of NZFIW D2.
- Melody Dairies GP Limited – a subsidiary of NZFIW D2.

Council Report

Committee: Economic Development Committee

Date: 09 March 2021

Author: Tyler Gaukrodger

Authoriser: Becca Brooke

Position: Governance Advisor

Position: Governance Manager

Report Name: Open Information Only Reports

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

1. The following reports are for Information purposes only:
 - General Manager's Report;
 - Economic Update 19 February 2021; and
 - H3 Group - Quarter 2 Activity Report 1 July to 31 December 2020

Staff Recommendation - *Tuutohu-aa-kaimahi*

2. That the Economic Development Committee receives the following information only reports:
 - a) General Manager's Report;
 - b) Economic Update 19 February 2021; and
 - c) H3 Group - Quarter 2 Activity Report 1 July to 31 December 2020.

Attachments - *Ngaa taapirihanga*

Attachment 1 - General Manager Report - 9 March 2021

Attachment 2 - Economic Update 19 February 2021

Attachment 3 - H3 Group - Quarter 2 Activity Report 1 July to 31 December 2020

Council Report

Item 5

Item 17

Committee: Economic Development Committee
Date: 09 March 2021
Author: Jen Baird
Authoriser: Jen Baird
Position: General Manager City Growth
Position: General Manager City Growth
Report Name: General Managers Report

Report Status	Open
---------------	------

Purpose - Take

- To inform the Economic Development Committee of topical issues, areas of concern and items which need to be brought to the member's attention, but which do not necessitate a separate report.

Staff Recommendation - Tuutohu-aa-kaimahi

- That the Economic Development Committee receives this report.

Executive Summary

- This report is to inform the Economic Development Committee of topical issues, areas of concern and items which need to be brought to the member's attention.

Strategic Property Update

Activities	Actions Completed	Current Actions	Next Actions	Comments
Victoria St Redevelopment	Geotech, archaeological investigations. Site analysis	High level scoping of the allowable scale of development for the site is underway for two options on site.	Commercial analysis of two options. Business Case Report to MEF working party Report to Economic Development Committee June 2021	
Arts Post	Geotech and archaeological investigations completed. Subdivision consent obtained to remove unit	Work on small section of museum wall required to be fire rated.	Survey plans Obtain subdivision consent. New titles issued.	Heritage NZ approval required as early European site. Any development will require

Attachment 1

Item 5

	titles to create fee simple titles			engineered foundations
Sonning Carpark	Geotech and archaeological investigations completed showing area was part of a significant historical Pa site and geotech constraints	nil	nil	Recommended not to pursue development at this time due to geotech and heritage situation. Transport wish to retain area for 'park and walk'.
Brooklyn/Heaphy	Discussion around whether part of the site should be retained for possible future rail platform; no commitment from Kiwi Rail	Interest being shown for purchase and development of site. Current market valuation being obtained.		Covenanted title will reduce sale and redevelopment options and value of land.

Item 17

Municipal Endowment Fund update

4. The Request for Proposal to appoint up to two advisers to enable effective use of the Municipal Endowment Fund (MEF) closed on 9 February 2021.
5. At the time of writing this report, staff were evaluating the proposals and planning to meet shortlisted candidate companies in February. Appointment of an adviser will be made early March and the successful candidate company/companies will be advised verbally to this meeting.
6. The MEF Action and Management Plan (which will set out the objectives, criteria and areas of interest for the Fund) is the first deliverable post the appointment of the adviser is completed. This Plan will be reviewed with the MEF working party then reported to the Economic Development Committee in June 2021.

Economic Development Agenda Update

7. Staff have been working to implement the Economic Development Agenda that was approved by the Committee in late 2020, initially focusing on key sectors including technology and innovation, education, and logistics.
8. Staff are finalising a tech sector value proposition that will create a bold, clear narrative about the benefits of doing business in Hamilton. This work will form a consistent foundation for how council, Te Waka, partners and industry players position Waikato's tech sector and the tech/innovation opportunity here. Together with key partners, staff will be targeting decision makers in order to promote our competitive advantages and ensure the region is evaluated as a location to set up, grow or relocate high-technology businesses.
9. Work in the education sector has included:
 - a. Partnering with the Waikato Chamber of Commerce to host a formal event introducing Hamilton's business leaders to the newly-named Te Pūkenga – New Zealand Institute of Skills and Technology.
 - b. Initial steps have been taken to partner with the Construction and Infrastructure CoVE at Manukau Institute of Technology to involve and integrate Waikato businesses into their operations and career framework.

- c. Staff and our counterparts at Te Waka are positioning Hamilton and Wintec to be in consideration for any future Centres of Vocational Excellence (CoVEs) that may be established.
 - d. The Waikato International Education Plan continues to raise the profile of international education by articulating its economic, social and cultural value to our city and region.
10. Government's announcement of "Shovel Ready" infrastructure investments at the Ruakura Superhub has been leveraged by staff, NZ Trade and Enterprise (NZTE) and Te Waka to advance discussions with an international manufacturer in order to showcase potential locations for their operations. The company hopes to visit New Zealand once Covid-19 restrictions are eased and continue their due diligence.
11. The refresh and upgrade of Hamilton's economic prospectus has begun and will be further progressed with the addition of a research analyst. Industry-specific overviews will follow, and the finished products will form the basis of a new and improved website to aide in economic development advocacy, share insights, provide timely data and analytics, and serve as the go-to resource for promoting investment in Hamilton.

Economic Reporting Update

12. The Growth Funding & Analytics Unit has provided regular updates on the economic impacts of Covid-19 to Elected Members since the early stages of the pandemic.
13. The frequency and format of these reports have changed over the last 12 months as the frequency of new information slowed and uncertainty abated. Initially, large swings in high frequency data (such as vehicle counts) was directly attributable the disruption caused by the outbreak and subsequent public health response. Over time, as we returned to a comparable level of normalcy, this data no longer offered weekly insights but instead shows 'noise'.
14. This is especially true for Hamilton-specific data compared with national data. However, many New Zealand insights are inherently true for Hamilton. The Treasury releases a weekly update covering pertinent national changes every Friday [here](#). To complement resources like this high-frequency Treasury update, staff will now produce the Hamilton- specific economic updates quarterly or as and when significant new events unfold.
15. Quarterly economic updates will be supported by other reporting. Staff are producing an annual housing and business economy indicator report which details Hamilton's housing and business sectors with a focus on regulatory data like building consents. This in turn will be complemented by online dashboards. These show the most up-to-date information available at any time. Currently the [Hamilton City Council COVID-19 Economic Reporting Dashboard](#) proactively reports on both residential and non-residential construction and land use activities alongside key economic information.

Covid-19 Business Support Funds

16. During the Annual Plan discussions, Council agreed to continue to hold a budget of \$250,000 to support Hamilton businesses should Hamilton be impacted by a resurgence of Covid-19. As there has been no resurgence to date, and the City's economy looks strong, these funds have not been spent. Should the situation change, staff will engage elected members on the appropriate way to support the business community.

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

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

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

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

Risks - *Tuuraru*

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

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

23. 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

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

Attachments - *Ngaa taapirihanga*

There are no attachments for this report.

Council Report

Committee: Economic Development Committee
Date: 09 March 2021
Author: Stafford Hodgson
Authoriser: Jen Baird
Position: Programme Manager - Economics and Policy
Position: General Manager City Growth
Report Name: Economic Update 19 February 2021

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

Purpose - *Take*

1. To update the Economic Development Committee with a quarterly report containing key observations on what is happening in the Hamilton and New Zealand economies.
2. The *Economic Update 19 February 2021* report is attached to this report.

Staff Recommendation - *Tuutohu-aa-kaimahi*

3. That the Economic Development Committee receives the report.

Background - *Koorero whaimaarama*

4. The Growth Funding & Analytics Unit has provided regular updates on the economic impacts of Covid-19 to Elected Members since the early stages of the pandemic.
5. These reports will now be provided quarterly. They provide updates on the latest national, regional and council-generated economic data (as at 19 February 2021).

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

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

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

7. 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').
8. 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.
9. The recommendations set out in this report are consistent with that purpose.

Risks - *Tuuraru*

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

Item 5

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

11. 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.
12. Given the low level of significance determined, the engagement level is low. No engagement is required.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Economic Update 19 February 2021



ECONOMIC UPDATE:

19 February 2021

NEW ZEALAND AND THE WORLD CONTEXT

Global

The Covid-19 vaccine rollout has been ramped up globally. Of the countries where new daily infections remain high, America and the UK have led the way in the rollout. The vaccine rollout continues to improve world outlook; even though the pandemic continues to take a toll, generally people's expectation is that the vaccine will improve lives and restore the economy.

Lockdown 3.0

Valentine's Day delivered a somewhat unexpected offering this year. At 11.59pm Auckland moved into a Level 3 lockdown while the rest of New Zealand moved to Level 2 for three days. In the August 2020 Auckland Lockdown and national shift to alert level 2, Auckland remained at Level 3 for just over two weeks before moving to Level 2; the rest of the country remained at Level 2 for around 5 weeks. Last time Hamilton had a change in alert levels the economy faced muted impact. In the two weeks Auckland was at Level 3, overall spending in Hamilton dropped by 2% (\$1.3M) but different sectors felt the impacts differently. Home and Recreational Retailing increased by 18% (\$1.9M), and Food and Liquor increased by 3.4%; Hospitality and Accommodation on the other hand fell -16.1% (\$1.9M) and Retail (clothing, footwear etc) fell -3.4%. Spending in Auckland dropped -42%, Otago dropped -12%, and Wellington dropped -4% in comparison. Across the five weeks of Level 2, spending levelled out overall, but Hospitality and Accommodation spending in Hamilton was down \$3.6M over this period.

The length of the current lockdown is expected to have a much smaller impact; however, there are reports of cancelled events that will have an impact for the businesses involved. Barring no further Alert Level changes, the Six60 and Crowded House concerts can go ahead with a combined 31,000 ticket holders able to enjoy these events at Claudelands over the next two weeks.

The New Zealand economy continues to perform better than expected with most industries outside of tourism performing well. While New Zealanders have explored their own backyard these holidays, they have not been able to close the massive gap left by the 3 million missing tourists in 2020. The government and economic commentators like Infometrics don't expect the borders to reopen fully until 2022. The concept of the trans-Tasman travel bubble has been severely tested as new cases have emerged and the Australian government reacting quickly to put quarantine-free travel on hold for kiwis. The uncertainty coupled with the cost of flights is likely to deter many would-be tourists from hopping across the Tasman for a holiday.

Housing

House prices have continued to rise with many calling for urgent government action. The [REINZ house price index](#) for Hamilton in February 2021 showed an increase of 21% over the last 12 months. This compares to 19% for New Zealand, 18% for Auckland and 22% for Tauranga. The index is not a straight comparison on prices. It considers different aspects of the market such as the type of houses being sold in a particular month (e.g. unusually high numbers of high-end houses). This helps to stabilise month-on-month movement.

Reserve Bank policy is the primary driver of the latest increases to house prices. Interest rates drive house price change, but the Reserve Bank is limited in its ability to increase these to remove heat from the market. The LVR restrictions will be reinstated on 1 March 2021 with investors reinstated to a maximum of 5% of new lending at LVRs above 70%, as well as further tightening to a maximum of 5% of new lending at LVRs above 60% on 1 May 2021. From 1 March, LVR restrictions for owner-occupiers will be reinstated at a maximum of 20% of new lending at LVRs above 80%. Many major banks have already moved and reinstated their own restrictions, with ASB increasing the deposit required by investors to 40%. The move aims to cool the property market by restricting the level of finance available to investors. Despite most banks reinstating their LVRs last year, the market remains heated.

The government has announced that it will replace the Resource Management Act with 3 new acts, with the ambitious target of implementation in 2022. Other announcements include information on the building of more public housing (8,000 places across NZ), and a focus on helping first home buyers onto the property ladder. We expect more announcements to address the housing challenges in the coming months, but legislative changes will take considerable time to implement and then even more time to influence the market.



Hamilton
City Council
Te kaunihera o Kirikiriroa

Item 5

Attachment 1

Item 17

Attachment 2

In Hamilton, 1755 sections were consented in 2020, only slightly below the 1776 consented in 2019. A total of 1317 new dwellings were consented and a record 1406 dwellings were completed (CCC). We estimate that there are 1096 dwellings currently under construction across Hamilton and another 462 dwellings with consent waiting for construction to begin.

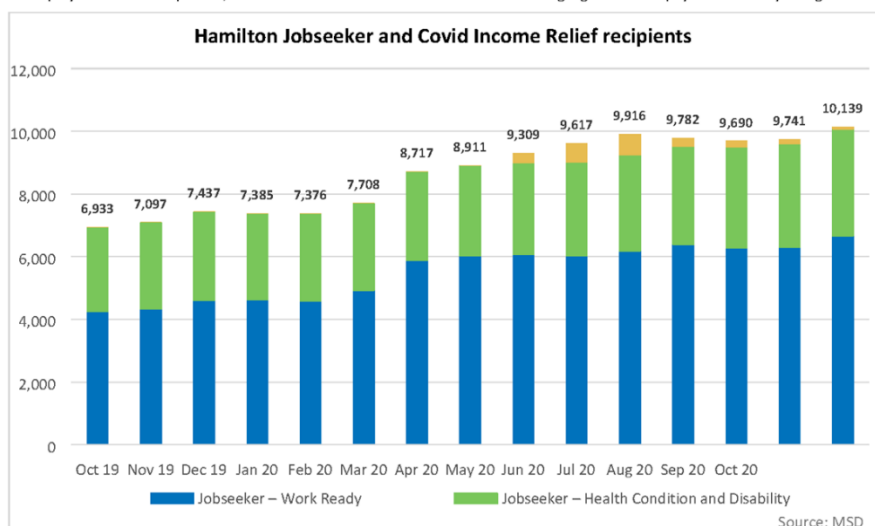
Employment

Statistics New Zealand has reported an unemployment rate of 4.9% for the December 2020 quarter, down from 5.3% in the September 2020 quarter. While this remains higher than the December 2019 quarter (4.1%), it is significantly better than all forecasts throughout 2020, which suggested rates between 7% and 9% for the December 2020 quarter.

The labour force participation rate increased slightly to 70.2% in the December 2020 quarter, but underutilisation remains a challenge with a large number of people who are technically employed but are available to work more hours. The number of filled jobs in the Waikato has increased 3,758 jobs since December 2019.

Seek job advertisement data shows that the North Island excluding Wellington and Auckland had returned to normal by November in terms of the number of jobs advertised. Quarterly job advertisements in the Waikato increased by 14% between the September and December 2020 quarters.

The number of Hamiltonians on the Jobseeker benefit or receiving the Covid Income Relief Payment (CIRP) increased in December 2020, reaching its highest point for the year. The increase is in line with normal seasonal variation rather than a reflection of a deterioration in the local economy. This shows how the impacts are felt unevenly. While filled jobs, job advertisements and unemployment are all improved, almost 3000 additional Hamiltonians are receiving a government payment than a year ago.



Further detail on the New Zealand economy can be found here [Treasury: Weekly Economic Update](#).

Disclaimer

Information contained in this paper was researched from a range of sources by the Growth Funding & Analytics Unit. Our best efforts have been made to ensure the information in this document is correct and that any conclusions are based on the information available at the time. This information will be continuously changing as the situation changes almost daily. COVID-19 has had a massive impact on the local, national and global economies. The disruption is unprecedented, which makes predicting what will happen at a national level difficult let alone for Hamilton. This report will be updated fortnightly to include the latest information and projections from leading sources.

Council Report

Item 5

Item 17

Committee: Economic Development Committee
Date: 09 March 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 2 Activity Report 1 July to 31 December 2020

Report Status	Open
---------------	------

Purpose - *Take*

1. To inform the Economic Development Committee on the performance of H3 including financial and non-financial reporting, focusing on Quarter 2 results from 1 July to 31 December 2020.

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) for Quarter 2 2020/21 activity. This includes financial and non-financial activity for Claudelands, FMG Stadium Waikato, Seddon Park and residual activity related to the Founders Theatre.
4. This report also speaks of the impact of COVID-19 on H3 business and a return to trading activity for the period. The quarter saw a strong return to event activity. H3's ability to hold a range of events across multiple venues resulted in budgeted revenue being exceeded. Despite the strong result, H3's direct operating budget forecast to year end remains as per budget.
5. A report providing the results from Quarter 2 2020/21 is attached.
6. The financial reporting of H3 activity is also reported to Council's Finance Committee within the 2018-2028 10-Year Plan 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.

Attachment 3

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 Group Activity Report - Q2 2020/21 .



Attachment 1

Item 5

Attachment 3

Item 17

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 Q2 activity for the 2020/21 financial year and was prepared for Council's Economic Development Committee meeting on 9 March 2021. Like our previous report to this Committee, although we were able to operate in level 1 during Q2, the impact of COVID-19 remains an ever-present part of our planning and delivery of events in our venues.

We have seen an exceptionally strong 'bounce-back' of confidence in the event market by promoters and organisations responsible for our event business content. Being in this position has made Hamilton the envy of many parts of New Zealand. Our ability to hold a range of events across our multi-purpose venues has seen H3 surpass its revised revenue budget expectations for Q2. The quarter exceeded our expectations; however, we remain conservative in our business expectations to year end. That said, H3 has incurred increased COVID-19 related costs and maintenance expenditure above budgeted levels. Despite the strong revenue our direct operating budget forecast remains as per budget.

Of special note was the announcement that Seddon Park would be one of four venues to benefit from a portion of \$2million of government funding in preparation for the ICC Women's Cricket World Cup in 2022, alongside the confirmation of seven host games, including two featuring the NZ White Ferns.

"Today's announcement is another strong endorsement of Hamilton's growing reputation for supporting major events."

Mayor Paula Southgate

Quoted - 15 December 2020

Sean Murray

GENERAL MANAGER
VENUES, TOURISM AND MAJOR EVENTS GROUP



H3 GROUP | Q2 ACTIVITY REPORT 2020/21

1. HIGHLIGHTS

Item 5

Item 17

1.1 - Q2 SUMMARY

- New Zealand remained in COVID-19 alert level 1 for the entire Q2 period. A number of new and returning events took place during the quarter, reinforcing the notion of confidence across the events industry.
- H3 have elected to keep the majority of its COVID-19 plans in place to prioritise on-going safety and reassurance for guests at our venues. To continue the safe delivery of these events, we have kept in place several safety protocols (i.e. increased cleaning, hygiene stations) and increased public messaging relating to COVID-19.

1.2 - CLAUDELANDS Q2 SUMMARY

- Across Q2, Claudelands showcased its versatility as a multi-zoned event facility. The venue hosted live music, performance, sport, conferencing, meetings, functions, and exhibitions.
- International netball returned to the Arena and Claudelands was home to the Taini Jamison Trophy Competition of the Cadbury Netball series. Nearly 8,000 netball fans attended across three exciting matches between the Silver Ferns and England Roses. A new sporting event - the NZ Strongman Competition attracted 450 attendees.
- The venue hosted four large shows – the Waikato Baby Expo (6,100), a reduced format Waikato A&P Show (2,200 – limited to competitors only), Waikato Home and Garden Show (22,168) and the Woman's Lifestyle Expo (10,000). Throughout the quarter, the popular Hamilton and Cambridge Farmers Market took place each Sunday attracting regularly strong crowds.
- A newer event, the Hamilton Collectables Market also took place in the Claudelands Barn for two events. In early October, over 2,800 people attended the Tainui National Secondary Schools Kapa Haka competition across three days.
- A number of well attended performance events also took place – Th' Dudes (2,467), Synthony (2,245) and 7 Days Live (1,295).

152,935

people attended
events at H3
Venues in Q2



H3 GROUP | Q2 ACTIVITY REPORT 2020/21

Attachment 1

Attachment 3

Attachment 1

Item 5

- Business Events and functions confidently resumed in Q2 with several large conferences and functions taking place including The Kudos Awards, Westpac Waikato Business Awards, Hamilton City Council Citizenship Ceremony, University of Waikato Graduation Ceremonies and a number of end of year private functions, corporate gatherings and weddings.
- The NZ Minerals Forum, (due to take place at Claudelands 13-14 October) was cancelled by event organisers due to concerns raised over the safety and security of those in attendance. This followed meetings between H3, the forum's organisers, NZ Police and security advisers as further information on security related concerns became apparent closer to the event.
- Also in Q2, the Community Based Assessment Centre located at Claudelands was relocated to the Founders Theatre car park and external loading bay area. The move was required because the venue was no longer able to accommodate the service due to event activity resuming.

1.3 - STADIA ACTIVITY SUMMARY

1.3.1 FMG STADIUM WAIKATO

- FMG Stadium Waikato played host to three MITRE 10 Cup Waikato Rugby Union home games (v Counties Manukau, Taranaki and Bay of Plenty) and their annual Mooloo Open Day. These were well supported, with over 7,500 people in attendance.
- In early December, over 10,500 patrons watched the Māori All Blacks take on Moana Pasifika. The Māori All Blacks and Moana Pasifika teams came together for a special rugby match, dedicated to celebrating the Pacific connections of all New Zealanders. The game was the first clash in 2020 for the Māori All Blacks and their first match in Hamilton since playing Samoa during the 2008 Pacific Nations Cup.
- The venue also hosted 117 other events such as business meetings, workshops and functions in it's corporate spaces.



H3 GROUP | Q2 ACTIVITY REPORT 2020/21

1.3.2 SEDDON PARK

- Seddon Park began Q2 preparing for the upcoming domestic and international cricket season. This included Plunket Shield matches (four days), a five-day test between the Blackcaps and West Indies (5,117 attendance) plus a T20 showdown between the Blackcaps and Pakistan with over 6,000 patrons attending. Seddon Park also held a further five events between 20-27 December for the Northern Districts Knights and Pakistan T20 and A Teams.
- Seddon Park also hosted a wedding reception. The local couple, along with their young family and guests enjoyed a casual reception overlooking the Oval from the Pavilion function space.
- In November, Seddon Park and Hamilton were announced as one of four cities to receive a portion of Central Government funding to help upgrade both public and player facilities. Upgrades at Seddon Park will involve improvements to existing player facilities including individual toilets and showers and refurbishment of the decommissioned public toilets to create additional gender neutral and fully accessible player facilities to cater for double headers and provide accessible facilities for people with disabilities. The \$2million dollar investment in Women's cricket facilities follows an initial \$7.3million allocation for accessible venues announced as part of the government's \$265million Sport Recovery package.
- In December, confirmation followed of Hamilton's match allocation with Seddon Park confirmed to host seven matches as part of the ICC Women's Cricket World Cup, in March 2022.



Item 5

Attachment 1

Item 17

Attachment 3

1.4 OTHER - FOUNDERS THEATRE

- Founders Theatre remained closed for all but essential maintenance. Between October and November, Council asked the community for feedback on three options for the future of the Founders site. Reported back to Council on 8 December, the majority (84%) of submitters wanted to remove the building and create a multi-purpose park. At the meeting Council confirmed its preference and agreed to progress the \$3.6M project to demolish the former theatre building and build a new multi-purpose park on the site for consideration in Council's 2021-31 Long Term Plan consultation process.
- Just prior, a nomination to Heritage NZ for Founders to be added to the New Zealand Heritage List as a historic place had been received and advised to Council as the building owner. Further advice on this matter from Heritage New Zealand remains outstanding.



H3 GROUP | Q2 ACTIVITY REPORT 2020/21

2. FINANCIAL SUMMARY

2.1 FINANCIAL SUMMARY 2020/21

TABLE 1: RESULT FOR THE PERIOD 1 JULY TO 31 DECEMBER 2020

Prior YTD Actual 2019-20		Actual YTD	Budget YTD	Variance favourable/ (unfavourable)	Annual Budget
\$000		\$000	\$000	\$000	\$000
	Revenue				
-	Subsidies and Grants	-	-	-	-
-	Capital Revenue	59	-	59	200
4,337	Revenue from Activities	2,830	1,922	908	3,710
4,337	Total Revenue	2,890	1,922	967	3,910
	Direct Operating Costs				
1,552	Cost of Sales	1,150	455	(695)	1,085
2,634	Personnel Costs	2,512	2,512	0	4,999
1,000	Operating and Maintenance costs	1,153	797	(356)	1,855
19	Professional Costs	30	96	66	198
428	Administrative Costs	445	394	(51)	777
809	Property Costs	781	632	(149)	1,469
6,442	Total Direct Operating Costs	6,071	4,887	(1,184)	10,384
(2,105)	Direct Operating Surplus/(Deficit)	(3,181)	(2,965)	(217)	(6,474)
	Indirect Revenue				
68	Interest Income	60	39	21	79
	Indirect Overhead Costs				
2,703	Depreciation and Amortisation	2,757	2,730	(28)	5,459
1,317	HCC Overhead Allocation	1,353	1,436	83	2,871
888	Finance Costs	628	738	110	1,477
4,908	Total Indirect Operating Costs	4,738	4,904	165	9,807
(4,840)	Net Indirect Costs	(4,678)	(4,864)	186	(9,728)
(6,945)	Net Surplus/(Deficit)	(7,860)	(7,829)	(31)	(16,202)
-	Gains and Losses	(0)	-	(0)	-
-	Total Gains and (Losses)	(0)	-	(0)	-
(6,945)	Surplus/(Deficit)	(7,860)	(7,829)	(31)	(16,202)

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



H3 GROUP | Q2 ACTIVITY REPORT 2020/21



NOTES

2.2. REVENUE

- Favorable due to additional volume of events incurred in Q2 against our budget phasing. Our budget phasing assumed events would be slower to return.

OPERATING EXPENDITURE

2.3 COST OF SALES

- Additional costs relate to the uplift in revenue against Q2 budget.

2.4 OPERATING AND MAINTENANCE COSTS

- The timing of key operating costs differs from budget phasing plus identified additional maintenance.

2.5 PROPERTY COSTS

- Increased utilities charges related to events being held at the venues during the first half of the year vs budget phasing of venue closures, plus additional costs incurred due to COVID-19 cleaning regimes.

Item 5

Attachment 1

Item 17

Attachment 3



H3 GROUP | Q2 ACTIVITY REPORT 2020/21

REVENUE SUMMARY

2.4 - GRAPH 1: 2020/21 H3 REVENUE VARIANCE TO BUDGET (EXC. CAPITAL) FOR PERIOD 1 JULY TO 31 DECEMBER 2020



2.4.1 NOTES

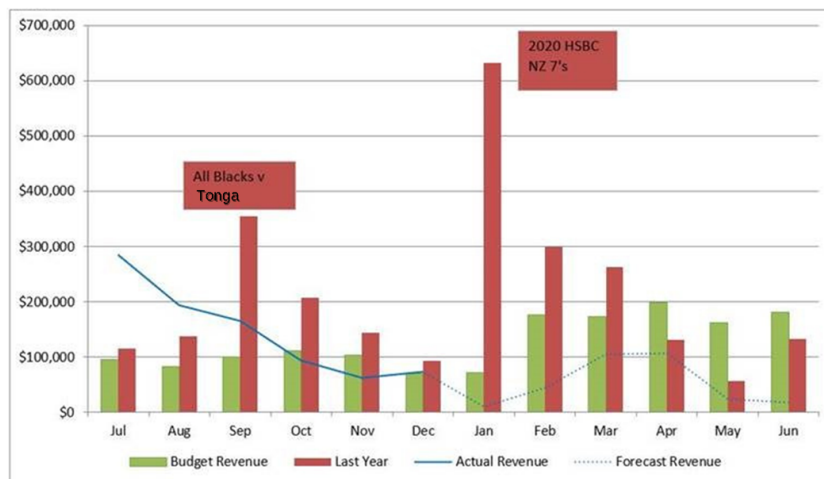
- H3 revenue budgets were revised during 2020/21 Annual Planning with a conservative approach to revenue due to limitations on holding events based on 2020 COVID-19 lockdowns. Events bounced back faster than expected which is reflected in the favorable result year to date.
- Total revenue for the first half of the year was above budget by \$908k (47%).
- Conference revenue was \$344k below budget due to less conferences being held in the first half of the year. When budgets were set, H3 had several conferences booked which subsequently cancelled due to COVID-19 resulting in this variance.
- Sporting events revenue was \$547k above budget with higher than expected event volumes due to the commencement of Super Rugby Aotearoa, Māori All Blacks, MITRE 10 Cup and Netball games.
- Performance event revenue was \$38k below budget due to less event volume.
- Exhibitions revenue was \$333k above budget, driven by a favorable return of the exhibition market and longer than expected hire days. This was substantially due to the CBAC testing station based at Claudelands for an extended period.



H3 GROUP | Q2 ACTIVITY REPORT 2020/21

STADIA RESULT

2.5 - GRAPH 2: 2020/21 STADIA REVENUE FOR THE PERIOD 1 JULY - 31 DECEMBER 2020



2.5.1 - TABLE 2: STADIA SUMMARY PERIOD 1 JULY - 31 DECEMBER 2020

	Actual YTD	Budget YTD	Variance Favourable/ (unfavourable)	Annual Budget
	\$000	\$000	\$000	\$000
Revenue				
Subsidies and Grants	-	-	-	-
Capital Revenue	59	-	59	200
Revenue from Activities	1,189	664	524	1,649
Total Revenue	1,248	664	584	1,849
Direct Operating Costs				
Cost of Sales	529	95	(433)	465
Personnel Costs	1,046	1,146	100	2,276
Operating and Maintenance Costs	674	532	(142)	1,303
Professional Costs	18	54	37	112
Administrative Costs	215	189	(26)	375
Property Costs	385	356	(29)	811
Total Direct Operating Costs	2,867	2,373	(494)	5,343
Direct Operating Surplus/(Deficit)	(1,619)	(1,709)	90	(3,494)

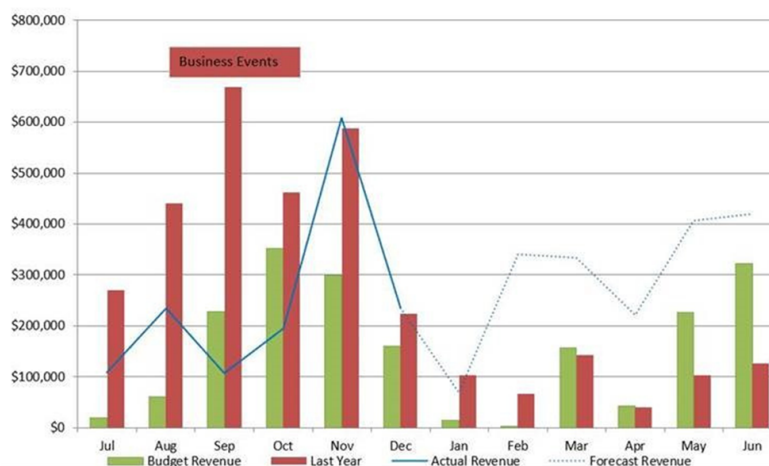
- Total Stadia revenue for year to date is 80% above budget driven by the commencement of Super Rugby Aotearoa, MITRE 10 Cup and international rugby (Māori All Blacks v Moana Pasifika), which were unbudgeted, due to rugby (post COVID-19) not being confirmed at time of budget setting. This is offset by additional costs related to the revenue uplift.
- Operating and maintenance costs are unfavorable due to the timing of key operating costs budgeted for the second half of the year and additional required maintenance.



H3 GROUP | Q2 ACTIVITY REPORT 2020-/21

CLAUDELANDS RESULT

2.6 - GRAPH 3: 2020/21 CLAUDELANDS REVENUE FOR THE PERIOD 1 JULY - 31 DECEMBER 2020



2.6.1 - TABLE 3: CLAUDELANDS SUMMARY PERIOD 1 JULY - 31 DECEMBER 2020

	Actual YTD	Budget YTD	Variance Favourable/ (unfavourable)	Annual Budget
	\$000	\$000	\$000	\$000
Revenue				
Subsidies and Grants	-	-	-	-
Capital Revenue	-	-	-	-
Revenue from Activities	1,642	1,258	384	2,061
Total Revenue	1,642	1,258	384	2,061
Direct Operating Costs				
Cost of Sales	621	360	(261)	620
Personnel Costs	1,466	1,366	(100)	2,723
Operating and Maintenance Costs	479	266	(214)	552
Professional Costs	12	42	30	86
Administrative Costs	230	205	(25)	401
Property Costs	396	276	(120)	658
Total Direct Operating Costs	3,204	2,514	(690)	5,041
Direct Operating Surplus/(Deficit)	(1,563)	(1,256)	(306)	(2,979)

- Total Claudelands revenue year to date is 30% above budget, due to events returning earlier than expected. This is offset by additional costs related to the revenue uplift.
- Maintenance overspends relate to identified additional maintenance. As this venue ages, these costs will increase and be reflected in our future budgets accordingly. We anticipate these costs to be above budget at year end.
- Property costs overspend is driven by increased utilities charges related to events being held at the venues during the first half of the year vs budget phasing of venue closures plus additional costs incurred due to increased cleaning regimes. We anticipate these costs to be above budget at year end.



H3 GROUP | Q2 ACTIVITY REPORT 2020/21

3. ACTIVITY SUMMARY

Item 5

Item 17

3.1: NUMBER OF EVENTS, HIRE DAYS AND ATTENDANCE - 1 JULY TO 30 SEPTEMBER 2020



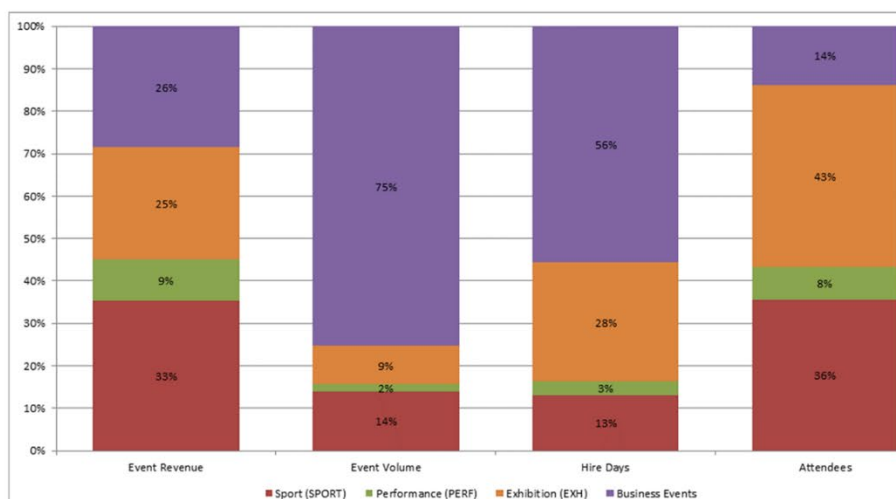
3.2 - TABLE 4: BY EVENT TYPE FOR THE PERIOD 1 JULY - 31 DECEMBER 2020

Event Type	Number of Events			Hire Days			Attendance		
	Q1	Q2	Total	Q1	Q2	Total	Q1	Q2	Total
Business Events	149	189	338	120.75	141.5	262.25	5,821	24,350	30,171
Exhibition	20	23	43	152.25	49	201.25	17,583	77,921	95,504
Performance	1	6	7	1.75	13.5	15.25	4,026	12,569	16,595
Sport	28	35	63	23.75	37.75	61.5	39,903	38,095	77,998
Total	198	253	451	298.5	241.75	540.25	67,333	152,935	220,268
FY 2019/20 comparison	314	285	599	283.75	292.25	576	127,592	134,787	262,379

Attachment 1

Attachment 3

3.3 - GRAPH 4: BUSINESS MIX BY EVENT TYPE FOR THE PERIOD 1 JULY - 31 DECEMBER 2020



H3 GROUP | Q2 ACTIVITY REPORT 2020/21



3.4 - 2018-28 10-YEAR PLAN KPIS

TABLE 5: FOR THE PERIOD 1 JULY TO 31 DECEMBER 2020

Measure	Annual Target	Q1	Q2	Total
The number of people attending events at H3 Venues	441,000	67,333	152,935	220,268

- We are forecasting to achieve the annual target.

3.5 - OTHER NON-FINANCIAL KPIS

CUSTOMER SATISFACTION

TABLE 6: FOR THE PERIOD 1 JULY TO 31 DECEMBER 2020

Survey Type	Q1	Q2	Total
Business Events Hire Survey (1-10)	9.1	9.6	9.4
Ticketed Events Attendee Survey (1-10)	N/A	N/A	N/A

- There were no ticketed events surveyed in Q1 or Q2 due to re-prioritisation of resource. They will be restarted in Q3.

3.6 - KEY SUPPLIERS

- There were two contracts issued for H3 venues in Q2:
 - Contract 0585/2020 FMG Lighting Upgrade Consultancy for LDP Limited
 - Contract 17173 - H3 Traffic Management Services for Evolution Road Services 3 year right of renewal renewed at H3's discretion.
- Recognising the impact COVID-19 is having on the event industry, we are remain working with key suppliers to manage contractual obligations with the focus on minimising costs.

3.7 - OUR PEOPLE

- H3's cumulative permanent staff turnover for the first two quarters was 5.4% with a total of four staff leaving against an average staff number of 74.
- This is below the prior year period result (7.04%). As reported in Q1, H3 retains some unfilled vacancies from 2019/20. Recruitment has started on key roles to ensure we are able to manage staff workloads and remain a competitive market leader.



H3 GROUP | Q2 ACTIVITY REPORT 2020/21

3.8 - HEALTH AND SAFETY

TABLE 7: INJURIES, MEDICAL TREATMENT AND LOST TIME INJURIES FOR THE PERIOD 1 JULY TO 30 SEPTEMBER 2020

	Q1	Q2	Total
Injuries	2	4	Staff injuries (minor)
Medical Treatment	0	2	
Lost time Injuries	0	0	

Key Health and Safety highlights in Q2 included:

- Implementation of 'Whos on Location', digital sign in/out system at Holman Stand
- Multiple staff attended Civil Defence Intermediate training
- Asset, Plant and Equipment Improvements:
 - Eliminated cable tray that was causing a trip hazard outside the FMG Stadium Waikato offices
 - Completed alterations to Seddon Park staff facilities making it a safer and more hygienic work environment
 - Purchased new certified forklift extensions making it safer and fit for purpose
 - Changed forklift to one that was larger and has more safety features
 - Trial complete for new lightweight covers that cover the Arena seats; reduces potential risk of injury
 - Replacement of rigging carabiners for ones that can be individual tracked to meet H&S standards for rigging
- Reimplemented H3 Well-being Committee to lead and promote a range of well-being internal initiatives
- Development of H3 COVID-19 Operational Plan ("Venue Safe Guard") – incorporates event operational procedures, staff training, venue requirements, cleaning requirements and client information.



H3 GROUP | Q2 ACTIVITY REPORT 2020/21

4. MARKETING HIGHLIGHTS

4.1 SUMMARY

- H3's websites (h3group.co.nz, hlive.co.nz, Claudelands.co.nz, fmgstadiumwaikato.co.nz, seddonpark.com and spoiltforchoice.co.nz) had a combined total of 78,788 web visitors throughout the quarter. The site with the most visitors during this time was the Claudelands website with 53,681 and FMG Stadium Waikato had the most visitors on a single day with 2,468 visitors to the site on 4 December, the day before the Māori All Blacks game.

AS AT 31 DEC
2020

4.2 DATABASE SEGMENTATION

- The HLive database is currently at 49,172 active subscribers with 72 new subscribers this quarter. We experienced a small decrease in subscribers this quarter due to active maintenance of bounce notifications.
- The top locations based on where our audience was located when opening our emails was Auckland, Hamilton and Tauranga. People residing in Auckland were our most engaged audience for the quarter, which reflects a heavy focus we have applied to this market.
- During the quarter, 11 electronic direct mails were sent to the HLive database. On average these had an open rate of 20.8% and an average click through rate of 1.79%.

112,756
PAGE VIEWS
ACROSS H3
SOCIAL MEDIA
PAGES



AS AT 31 DEC
2020

4.3 SOCIAL MEDIA ENGAGEMENT

- Facebook is our primary social media platform for communicating and engaging with our audiences. Below we share information about the posts that had the highest engagement throughout the quarter for each of our Facebook pages:

49,172
HLIVE
SUBSCRIBERS



H3 GROUP | Q2 ACTIVITY REPORT 2020/21

@fmgstadiumwaikato

- The post with the highest reach was a post announcing we will be hosting the Māori All Blacks. This post reached approximately 8,343 people which showed good interest in the game and was reflected in the website visits on that day. This post also had the highest engagement with 247 post engagements and 369 post clicks.



Māori All Blacks @FMGstadiumwaikato - December 2020

@Claudelandsnz

- The post with the highest reach and engagement was a post announcing the SIX60 concert at Claudelands Oval. This post showed people sharing their excitement for the concert and tagging friends. This resulted in a post that had 22,783 reaches with 1,062 engagements and 2,221 post clicks.



SIX60 announcement @Claudelandsnz - October 2020

@HLivenz

- HLive's post with the highest engagement and reach was also the SIX60 announcement post for the quarter with 6,666 people reached and 92 engagements.



H3 GROUP | Q2 ACTIVITY REPORT 2020/21

5. SUSTAINABILITY HIGHLIGHTS

4.1 Q2 ACTIVITY SUMMARY

Over the last year we've seen an increase in demand from our clients and users to have more sustainable initiatives and practices introduced at our venues. Our 'Branches of Sustainability' (pictured) inform our way of working in this area, aimed at reducing the negative impact of our venues and activities.

Sustainability activity undertaken in Q2 included:

- Updated venue marketing collateral and proposals to reflect H3 commitment to sustainability
- Updated venue sustainability website pages at www.claudelands.co.nz/sustainability_and www.fmgstadiumwaikato.co.nz/sustainability
- Introduction of e-waste and battery recycling for H3's Technical Services team
- Confirmation that H3's commercial composting can include resident caterer's compostable food and beverage packaging.
- Wildflower bee meadow at Claudelands in full bloom on the bund behind beehives

OUR BRANCHES OF SUSTAINABILITY

Here at H3 we pride ourselves on protecting and caring for the environment around us. Our Guiding Principles of Tight Team, Dedicated Hosts and Best in the Business guide our internal culture and way of working, including our commitment to meaningful and long-lasting sustainable practices.

We are united in our commitment to continuously improve our impact on the environment, as outlined in our sustainability branches below:

- Our environment**
Significantly reduce our environmental impact through a range of meaningful sustainable initiatives
= *A healthier Hamilton / Tepe ora a Kirikiriroa*
- Our community**
Act as guardians of our city, helping to shape and grow a healthy future through local partnerships, investments and initiatives to benefit future generations
= *Lasting local legacies / He mana tuarua*
- Our people**
Ensure our teams, partners, contractors, clients and customers all connect to and support sustainable beliefs and behaviours
= *A green culture / Ahurea taaki taiao*
- Our purchases**
Always adhere to the highest sourcing standards to guarantee responsible, local and ethical purchases
= *Mindful purchasing / Hokoheko tika*
- Our green spaces**
Maximise and manage our green spaces as living examples of our commitment to the environment
= *Symbols of sustainability / Ngā tohu manaaki taiao*



Claudelands | FMG Stadium Waikato | Seddon Park

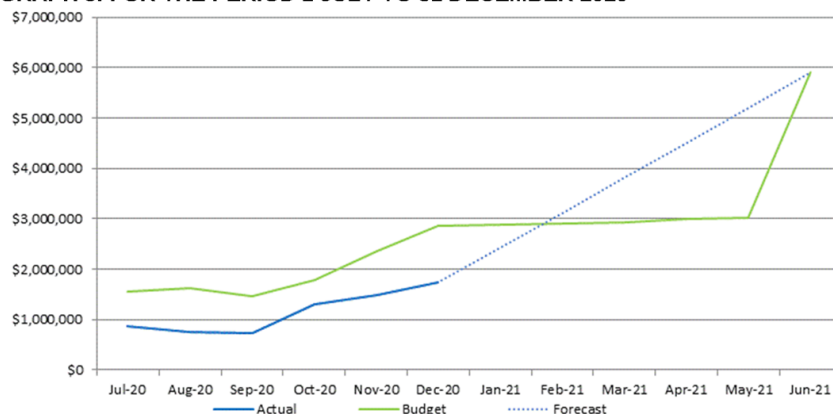


H3 GROUP | Q2 ACTIVITY REPORT 2020/21

5. CAPEX & ASSET MANAGEMENT

5.1 - 2020/21 CAPEX SPEND ACTUALS VERSES BUDGET

GRAPH 5: FOR THE PERIOD 1 JULY TO 31 DECEMBER 2020



- H3's capital programme is on track for delivery for the year.

5.2 - ASSET MANAGEMENT

FMG STADIUM WAIKATO LIGHT TOWER WORKS

- Investigation and detailed design work continues which will inform the scope and schedule of this work. The business case is underway. This project will be incorporated into the 2021-31 Long Term Plan, with timing to occur over the first two years

FMG STADIUM WAIKATO TIE RODS

- Work is continuing on the replacement of the tie rods that connect the Brian Perry Stand roof and light towers. Work is on schedule to be completed by the end of Q3.

SEDDON PARK STAFF FACILITIES

- The Seddon Park Staff facilities project has been completed (construction and furnishing) and was operational in time for the cricket season.

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. It is scheduled to be rolled out across H3 by Q4.

OTHER PROJECTS UNDERWAY

- Venue Security
- WEL Stand Seismic 1st Stage: Investigation and detailed design work continues which will inform the scope and schedule. Draft business case is currently going through required review process and awaiting costing.



H3 GROUP | Q2 ACTIVITY REPORT 2020/21

Item 5

Attachment 1

Item 17

Attachment 3

6. FORWARD POSITION

6.1 Looking Forward

- H3's forward bookings through to the end of the financial year are currently strong with highly visible impact events due to take place, in particular at Claudelands. Q3 and Q4 will deliver ahead of budget, assuming no further COVID-19 interruptions take place.
- We are already experiencing a lack of availability for business event activity in Q1 and Q2 2021/22.
- Sporting event schedules at all venues remain fluid, determined by the changing rules around the COVID-19 response.
- Generally, concerns over the unknown impact of COVID-19 in the near future is causing some clients to be cautious despite a strong desire for people to meet face to face and congregate for major events. While our facilities are well placed to manage hybrid events (a mix of on-site and online), the preference by our clients is for on-site activity.
- Two operational concerns remain; Maintenance and electricity costs are challenging, and a great deal of effort is being put into tackling these costs while at the same time protecting our assets. The second is an increase in security issues, not only on event day but during down time periods. H3 will focus on this to protect our assets and people on-site.



H3 GROUP | Q2 ACTIVITY REPORT 2020/21

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 - 11 November 2020) Good reason to withhold information exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
C2. Strategic Approach to Shared Services)	

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 negotiations	Section 7 (2) (i)