Hamilton City Council
Te kaunihera o Kirikiriroa

Notice of Meeting:

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

Date:	**Tuesday 10 March 2020**
Time:	**9.30am**
Meeting Room:	**Council Chamber**
Venue:	**Municipal Building, Garden Place, Hamilton**

Richard Briggs
Chief Executive

Economic Development Committee
OPEN AGENDA

Membership

Chairperson	Cr R Hamilton
Deputy Chairperson	Cr E Wilson
Members	Deputy Mayor Taylor
	Cr Martin Gallagher
	Cr Rob Pascoe
	Cr Maxine van Oosten
	Mayor Paula Southgate (Ex Officio)
	Maangai Te Pora Thompson-Evans
	Maagai Olly Te Ua
	Mayor Paula Southgate (Ex Officio)

Quorum:	**A majority of members (including vacancies)**
Meeting Frequency:	**As required – no less than four times a year.**

Becca Brooke
Governance Manager

2 March 2020

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, the Domain Endowment Fund and strategic property.
16. To recommend to the Council 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 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*

1 Apologies

2 Confirmation of Agenda

The Committee to confirm the agenda.

3 Declaration of Interest

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

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.

Item 5

Council Report

Committee:	Economic Development Committee	**Date:**	10 March 2020
Author:	Rebecca Watson	**Authoriser:**	Amy Viggers
Position:	Governance Advisor	**Position:**	Governance Team Leader
Report Name:	Chair's Report		

Report Status	*Open*

Recommendation

That the Economic Development Committee receives the report.

Attachments

Attachment 1 - Chair's Report

Chair's Report

Kia ora and welcome to the first meeting of the Economic Development Committee.

It is a pleasure to be going into this new triennium as Chair of the 'new' Economic Development. I think it is a prudent decision of Mayor Southgate to re-establish this portfolio and will a long way to support new and existing initiatives and other community stakeholders already in this place. Cr Wilson is a passionate deputy and misses no opportunity to support the cause and lean in wherever there is an opportunity.

While some BAU work plans and CCO reports etc fall in to this new restructure, we are also looking to establish a fit for purpose agenda and vision that will also provide an economic framework for us as a committee that both compliments other workstreams of HCC and our aspirations as a city and also signals to our stakeholders what our intentions are and enables them to better collaborate with us and us with them. Over the last few months Cr Wilson and I (and Cr van Oosten when she has been able also) have met with individuals and groups from Soda, Wintec, Te Waka, Innovation Park, HCBA, TGH, Deloitte, WRAL, Waikato Chamber of Commerce, Momentum and various members of the community to get a sense of where HCC can both support and/or lead. The conversations have been overwhelmingly positive and a key takeaway for me has been the necessity to break down our silos as local government with our stakeholders at an Elected Member level and a staff level. When we nurture these relationships we all grow together.

If I could elaborate for a moment something that has really stood out to me so far as an example and acknowledgment of previous work of council and as a sterling and ongoing example – that being Innovation Park. Waikato Innovation Park was established in 2002 to create a business park for networking, incubation and commercialising businesses with a focus on AgriTech, IT, food science and Agribusiness. It was funded through $6m of grants ($2m from HCC, $2m WEL Energy, $2m government). Subsequent government funding, a further HCC investment of $2.4m in 2009, the reinvestment of profits and the use of debt, allowed the Park to grow through the addition of new buildings and the creation of a subsidiary company, NZ Food Innovation (Waikato) Ltd in 2011-2012.

HCC sold its ownership of Waikato Innovation Park in December 2017 for a net return of approximately $6m ($10m net sales proceeds, less $4m invested into NZ Food to reduce debt). HCC has retained its 70% holding in NZ Food.

NZ Food is an extremely successful and profitable company that has grown the goat milk industry in NZ (all based primarily around Hamilton) and is now growing similarly the sheep milk industry. <u>NZ Food is responsible for generating directly $60-$70m of export earnings per annum to the regional economy</u>, and significantly more if you include the operations of the wider dairy goat and sheep milk industry (e.g. Dairy Goat Co-operative based in Gallagher Drive, turnover in excess of $300m per annum).

Attachment 1

Item 5

There are more micro success stories of business setting up in Hamilton and in the CBD which collectively bring construction opportunities, employment and the benefits of density and economies of scale and further add to the narrative of Hamilton and our region as being attractive for all demographics.

Could Hamilton set up an IT precinct? What is the opportunity with a strategic approach to our endowment funds? Is there a cultural tourism opportunity that will move the needle for our city that both supports overnight stays and hotel infrastructure? How can we leverage the latent potential that sits in our zoo (NZ's largest by land area) and Waiwhakareke that combines with a potential waterpark and Zealong which attracts tens of thousands a year to our city be a northern attraction zone enroute to our gardens and then on to our neighbours at Hobbiton? Can we activate a strategic and long term mutually beneficial relationship with our sister cities in China that creates tangible and long-term benefits? Can we achieve economic success that prospers all parts of our community in a sustainable way that meets cultural, social and environmental considerations and meets Iwi aspiration. I believe with your support we can. I believe the next 10 years will see our city and region make a step change that we can be proud of but will require vision and leadership and a shared commitment to reach forward with our feet on the ground but our eyes looking ahead.

Tu kaha tonu ki tou ukaipo aa, kia whakakitenga a mua.

Ryan Hamilton
Hamilton City Councillor

07 974 0517 | 027 278 8813
ryan.hamilton@council.govt.nz

Recommendation

That the Economic Development Committee receives the report.

Council Report

Item 6

Committee:	Economic Development Committee	**Date:**	10 March 2020
Author:	Candice Swanepoel	**Authoriser:**	David Bryant
Position:	Business Performance Accountant	**Position:**	General Manager Corporate
Report Name:	Waikato Local Authority Shared Services Statement of Intent 2020/21 and Half Year Report 31 December 2019		

Report Status	*Open*

Purpose

1. To inform the Economic Development Committee of the Waikato Local Authority Shared Services (WLASS) Half Year Report to 31 December 2019.
2. To seek the Economic Development Committee's approval of the WLASS Draft Statement of Intent 2020/21.

Staff Recommendation

3. That the Economic Development Committee:
    a) receives the report; and
    b) approves the Waikato Local Authority Shared Services Ltd Draft Statement of Intent 2020/21.

Background

4. WLASS is owned, in equal portion, by the 12 Waikato local authorities.
5. Structural changes (board, independent chair and staff resourcing) have been completed and is enabling WLASS to pursue its new strategic direction with renewed energy and pace.
6. The key purpose of WLASS has evolved into two essential roles:
    - It is a laboratory for developing opportunities that create value to councils, either by improving the experience of their customers or by making the councils themselves, collectively, more efficient and effective and;
    - It is a provider of services to councils where a business case to do so has been established (recognising that it may make sense for some services to be provided by someone other than WLASS).
7. The Statement of Intent executive summary outlines the new focus on WLASS and the key initiatives to be pursued in 2020/21. There is emphasis on an accelerated delivery of business cases for opportunities.

8. The WLASS Chair/CEO will be in attendance to outline the new direction and priorities of WLASS.

Item 6

Financial Considerations

9. There are no financial implications in relation to the information provided in this report.

Legal and Policy Considerations

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

Wellbeing Considerations

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

Risks

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

Significance & Engagement Policy

Significance

14. 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

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

Attachments

Attachment 1 - WLASS - Statement of Intent 2020/21

Attachment 2 - WLASS - Half Year Report - 31 December 2019

Item 6

Statement of intent

For the year ended 30 June 2021

June 2020

Attachment 1

Table of Contents

This SOI is a public declaration of the activities and intentions of the Council Controlled Organisation, Waikato 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 2021 to 30 June 2023.

Executive summary

The past 12 months has seen the completion of the structural changes necessary to transform the company into a service delivery agent and strategic partner to the councils. The company has a small core team of employees and a smaller, more agile, board with an independent chair to help challenge status quo.

These changes have helped facilitate several new initiatives which collectively will deliver value to councils and their communities through:

- Improving water asset management practices;
- More efficient spend and improved procurement practices around infrastructure;
- Reducing energy costs and improving energy and carbon management;
- Improving community and council staff experiences in relation to geospatial data-sets by saving time and increasing accessibility;
- Better decision-making around resource consenting, climate change planning and natural hazards though a region-wide LiDAR data set;
- Savings (time and cost) to councils through the establishment of an expanded professional services panel with standardised terms and rates.

This SOI sets out a new performance framework for the company. To date the measures of performance used have been extensive and heavily process orientated. While that may have been appropriate historically, it no longer is. The new framework directly links the company's roles and the performance measures to assess our success in fulfilling those roles, to the ultimate outcomes we are seeking.

In the second half of 2019 WLASS Management and the Board collated the suite of current opportunities (from what we are seeing and hearing with councils), and from that, gave priority to five opportunities for further development. A workplan is in place to develop those opportunities commencing in current financial year and the next and this SOI seeks a pool funding to do so.

While WLASS now has a small core team it remains reliant on council resource to advance opportunities. This is the company's single biggest challenge. The extent to which councils are willing to commit resource (time and money), will determine the pace of change we can achieve. The ability to opt out of a project's implementation and service offering can be made. However, councils need to commit to and engage in resourcing the development of opportunities. Councils must also take on the challenge of changing the way things are done when there is a sound case for doing so, if WLASS is to maximise the value it can bring to its shareholders.

Funding into WLASS for the 2021 financial year (to 30 June 2021), is greater than what was forecast in last year's SOI. The funding needed is $5.1m, $1.0m greater than forecast. $890k of this is due to initiatives approved by shareholding councils since the last SOI or, in the case of LiDAR, a change in when the forecast expenditure is being incurred. Equally, some of this expenditure may reflect a transfer of amounts budgeted elsewhere in council to WLASS (as a collaborative initiative) rather than an increase in council costs per se.

The following table summarises the changes.

Member charges for 2021 financial year (FY21)	FY21 projection (per prior year's SOI) $000	FY21 Budget (per current SOI) $000	Variance [1]: increase / (decrease) $000
Core operating costs	510	550	40
Working parties | Projects	696	874	178
LiDAR	475	767	292
RATA business unit	697	855	158
Waikato Regional Transport Model	309	377	68
RATA – water collaboration	0	440	440
Other	1,409	1,278	(131)
Total	**4,096**	**5,141**	**1,045**

[1] Commentary on the variances is included in the body of the document.

Following an assessment of the cash surplus / (deficit) in each workstream we have made the decision to reduce the member charges for the coming year in some areas and instead utilise brought forward surpluses. As a result, member charges will be reduced by ~$185k (from that forecast in last year's SOI) across Procurement, the Waikato Data Portal project, the Energy and Carbon Management Programme and SVDS. The amounts shown in the above table are net of this $185k.

A flow on effect of this action is that we are budgeting a net deficit for the 2021 financial year of ~$149k.

Introduction

WLASS is owned in equal portion by the 12 Waikato local authorities:

- Hamilton City
- Hauraki District
- Matamata-Piako District
- Otorohanga District
- Rotorua Lakes
- South Waikato District
- Taupō District
- Thames-Coromandel District
- Waikato District
- Waikato Regional
- Waipa 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. Prior to 2019, it operated solely using a part-time contracted resource.

The WLASS transformation – 12 months in

In the 2019 SOI WLASS asked shareholding councils to commit to transforming the company into a service delivery agent to allow it to better serve those councils. That transformation had three key elements:

The structural transition is complete

- Establishing in-house resources: WLASS has since employed a small core team (a Chief Executive, Business Analyst and Executive Assistant);
- Changing the WLASS governance structure: The board has reduced to six members - an independent Chair and five Council Representative Directors; and
- Thought leadership: By providing these structural changes it will better enable the company to explore ways in which councils can operate better for the benefit of their communities.

With these changes, the structural transition is complete (but will continue to evolve as the company's areas of activity expand).

We have already started seeing the results of these changes. The last 12 months has seen the company provide thought leadership in several areas culminating in the following significant developments:

New initiatives are being delivered

- Expanding the RATA service offering (historically focused on roading), into 'waters' assets;
- Developing and delivering the opportunity to coordinate infrastructure procurement between councils (to be reflected in councils' 2021 long-term plans);
- Introducing a new Energy and Carbon Management programme;
- Developing the 'Waikato OneView' opportunity, with the implementation project commencing mid-2020;
- Commencing the project to capture region-wide LiDAR; and
- Establishing a new, significantly expanded, panel of professional services providers.

In addition, at the end of last year, following consultation with councils, the Board agreed those opportunities that the company will focus on over the coming months (discussed further below). Other ideas have been included on a 'long list' of potential opportunities that will be considered in the future.

Priority opportunities are identified

The various functional cross-council working parties have (and will continue to), help identify and develop opportunities. Within each of these groups WLASS last year facilitated ideation sessions to foster new ideas. It will continue to use these groups to feed the ideas pipeline and to foster collaboration between the councils.

The outcomes we are looking for – performance reporting

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.

Transforming the company into a service delivery agent and a true strategic partner to councils, means 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 is a provider of services to councils where a business case to do so has been established (recognising that it may make sense for some services to be provided by someone other than WLASS).

Given the evolution of the company, WLASS has revisited the way that it measures its success to reflect these roles. A performance framework has been established (see diagram 1).

<table>
<tr><td>Our vision</td><td colspan="30">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.</td></tr>
<tr><td>Outcomes we are seeking</td><td colspan="10">Council costs are reduced / performance is improved, without increase cost</td><td colspan="10">The experiences of councils' communities are improved</td><td colspan="10">Central government investment into and engagement with Waikato is increased</td></tr>
<tr><td>Our specific objectives</td><td colspan="10">➢ Achieve effectiveness and efficiency gains
➢ Reduce duplication of effort and eliminate waste through repetition</td><td colspan="10">➢ 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</td><td colspan="10">➢ 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</td></tr>
<tr><td>Priorities: How we will achieve our outcomes</td><td colspan="6">Investigate the right opportunities</td><td colspan="6">Develop opportunities on time and within budget</td><td colspan="6">Ensure opportunity benefits are realised</td><td colspan="6">Provide services that meet the needs of councils</td><td colspan="6">Foster cross-council collaboration</td></tr>
<tr><td>What we must manage well</td><td colspan="5">Our relationships</td><td colspan="5">Our services</td><td colspan="5">Our projects</td><td colspan="5">Our people</td><td colspan="5">Our resources</td><td colspan="5">Our reputation</td></tr>
</table>

Diagram 1

Priorities and performance measures

We will track how well we are delivering on our strategic priorities using the following performance measures:

Priority	Performance measure	Target
Prioritise and develop opportunities that add value to councils by achieving one or more of our objectives **Linked impact(s)**	➢ Business cases will include measurable benefits linked to one or more of the outcomes sought ➢ Opportunity assessments are supported by councils (evidenced by Board minutes)	Projected savings to councils of $300k+ 75% of councils
Develop opportunities and deliver projects within agreed budgets and timelines[1] **Linked impact(s)**	➢ Opportunities / projects are developed / delivered within agreed timelines ➢ Opportunities / projects are developed / delivered, within approved budget	80% 90%
Ensure projects realise their expected benefits **Linked impact(s)**	➢ 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 $200k+ Projects Within 15 months 90% of projected quantifiable benefits are realised
Ensure existing services are meeting the needs of councils **Linked impact(s)**	➢ The services we provide (below) are considered by councils who use that service to meet or exceed their expectations (evidenced by an annual survey): ○ 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)**	➢ Across these groups, ideas for future consideration and/or initiatives are identified each year	Six 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.**

The targets noted above are for the three-year forecast period. They will form the baseline from which we will seek to continually improve going forward.

Transparency and reporting to councils

The company will 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.

WLASS recognises that it must be able to clearly show the value that it is providing to shareholding councils. We want to be completely transparent about that and ensure that we continue to focus on the right services. Therefore, we will be communicating with councils more on the value they are receiving from their investment in the company.

The WLASS Transformation – the next 12 months

The initial priority projects

In December the Board approved five priority projects to investigate opportunities that will deliver value to councils.

Waters 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. With Waikato District's departure from this arrangement (given its new relationship with Watercare Ltd), it is timely to consider the future of this shared service.

This project is to explore the extent to which there is interest from other councils in the region to utilise this service offering and whether it makes sense to have that service "delivered" through WLASS.

Collaborative L&D programme

Waikato councils have the same functional responsibility and therefore the same capability needs (noting that Waikato Regional Council have some different requirements). This project will consider how the learning and development programmes and supporting material can be aligned and shared to lessen the burden on council staff having to each do their own thing. It will also consider to what extent material and services of other agencies (e.g. SOLGM[1]) can be leveraged.

Regulatory support services

Councils operate in an ever-changing regulatory environment. This project will consider how WLASS could track changes in legislation and regulation and push that information out to councils. This service would eliminate the need for each council to expend time and effort keeping up to date with changes on their own. It will also consider to what extent other agencies (e.g. SOLGM) provide such a service already.

[1] Society of Local Government Managers

Building consent shared services

The issue and monitoring of building consents is a critical function of councils. It is important that this function is delivered with the community in mind and in the most efficient way. Councils are also facing a shortage in capability in this area. This project is to consider how the delivery of this function across Waikato could be improved.

Human Resources shared services

This project will explore which human resource functions in councils are common (likely procedural in nature) and could therefore be delivered by WLASS to each of the councils. Taking these processes out of the councils themselves would free up council resource to focus on people and capability services that provide greater value to the council. A 'central' human resource function could also support smaller councils who have limited resource and are therefore susceptible to disruption where staff leave or are unable to work for a period.

Concluding comment

We expect each of these projects will add value to councils and they have been prioritized accordingly. However, if, as an opportunity is explored and developed, it becomes apparent that it will not achieve this aim, it will not be pursued. The initial 'discovery' of the opportunity will be undertaken by WLASS. Councils will be consulted prior to funds being invested (if required), to develop opportunities if the board agrees they should be pursued. However, once the decision is made to proceed with developing an opportunity, councils need to commit to supporting the decision to do so. Once business cases have established that an opportunity makes sense, councils will be able to choose whether to receive the service on offer.

These ideas will challenge the way things are currently done and therefore be disruptive – this is necessary if we are to meet the expectations of our shareholders and have the impact we are looking for. Similarly, while a council will always have the ability to 'opt out' of an offering, if we are going to make a difference, it is critical that this be by exception and that councils are willing to commit to change where the business case says it is the right thing to do.

Councils need to be bold and willing to commit to change

Resourcing

While WLASS now has a small core team that allows it to develop opportunities, change at pace, which is what our shareholders are seeking, requires council resource. **This is the company's single biggest challenge.**

The company has considered how projects could be resourced.

The company could progress opportunities using its existing capability. That will still necessitate support from councils to provide information and act as a sounding board for WLASS to ensure opportunities are meeting a need. This approach is largely status quo.

Greater support from councils can be provided through making staff available (either as part of a project team or on a seconded basis to lead projects), or funding, to allow the company to procure external services. The extent of that support will determine the speed at which opportunities can be developed and the number of opportunities under consideration at any point.

In February the Board considered the resourcing options for each of the initial priority projects. From that meeting the decision has been made to develop opportunities as fast as possible. We will therefore be seeking council resource (as noted above), to allow us to consider opportunities quickly and either discount or implement them. A pipeline of ideas is already established to allow us to progress further opportunities as soon as we are able.

Our commitment to each other

WLASS can make a real difference to councils and their communities. We are committed to delivering against our performance measures and in doing so, having a positive impact on council operations. We will regularly update councils on their investment into the company (either as member charges or fees for services), and the value they are receiving from that investment.

Shareholders have committed to the transformation of WLASS and an increased investment to bring about change at pace. However, for WLASS to succeed councils must also commit to:

Change at pace can only happen with council support

- Making staff available for projects and ensuring that information is provided, and decisions made, in a timely manner; and
- Accepting the challenge of changing the way things are done where there is a sound case for doing so.

If councils do this, WLASS will be successful in maximising the value it can bring to shareholding councils.

Activities for which the Board seeks compensation

The **overall** funding via member charges that is being sought, and the comparable amount set out in the prior SOI is:

Member charges for 2021 financial year (FY21)	Note	FY21 projection (per prior year's SOI) $000	FY21 Budget (per current SOI) $000	Variance [1]: increase / (decrease) $000
Core operating costs	1	510	550	40
Working parties | Projects	2	696	874	178
LiDAR	3	475	767	292
RATA business unit	4	697	855	158
Waikato Regional Transport Model	5	309	377	68
RATA – water collaboration	6	0	440	440
Other	7	1,409	1,278	(131)
Total		**4,096**	**5,141**	**1,045**

Notes:

1) **Core operating costs:** The increase in the overall shareholder contribution principally relates to an increase in governance costs and increasing the Executive Assistant/Company Administrator role from part- to full-time.
2) **Working parties | Projects:** This reflects the following:
    - the appointment of a part-time Contract Administrator which is needed to effectively manage the Professional Services Panel (and other) contracts WLASS has entered on behalf of councils. Previously, PSP contracts had been managed by one of the councils on behalf of all participating councils. However, this proved ineffectual and councils are asking that the function be performed by WLASS under the new panel arrangement [$48k];
    - working party funding [$50k]: WLASS has reviewed how it allocates costs related to the administration of its various workstreams to ensure that those costs fall where they should. As a result, it is now charging a small ($5k) fee for the facilitation and administration of each of the working parties (note this doesn't increase the overall cost to councils – it correspondingly

reduces the member charges for core operating costs noted above). In addition, to improve the efficiency of these working parties a $5k collaboration fund has been included for each group to allow it to undertake a small amount of spend, if and when necessary, to advance initiatives throughout the year, without the need to revert to shareholding councils;

- opportunity development pool [$100k]: As noted above, the Board has approved the development of five priority opportunities. WLASS is asking for funding to support the development of these opportunities. While it is not possible to accurately assess at this time how much it will cost to develop these opportunities, the pool will assist in allowing the company to provide value by being agile and making change at the pace councils are seeking. As assessment of cost for an opportunity will be made at the end of the discovery phase (which is undertaken by WLASS staff). Councils will be consulted prior to the Board approving (or otherwise) progressing the opportunity beyond this stage and the pool will not be accessed unless the Board approves the opportunity;

3) **LiDAR:** The overall cost of the project is less than the budget approved by councils in 2019. However, having now gone to market, project delivery is occurring over a shorter period of time that anticipated. This means that costs anticipated for the 2022 financial year are now expected to be incurred in 2020-2021;
4) **RATA business unit:** This reflects an additional role to manage the overall business unit with the expansion into waters. This was approved as part of the waters collaboration business case;
5) **Waikato Regional Transport Model:** This reflects the latest estimate of the cost to update the model and associated peer review;
6) **RATA – water collaboration:** In the second half of 2019 councils approved the expansion of the RATA business unit into waters. This is the first SOI to reflect that service offering;
7) **Reductions in member contributions:** The company has made the decision to utilise funds on hand in some areas and therefore has reduced member charges for the coming year. Those areas, and the reduction in member charges are:

Workstream	Reduction in member charges $000
Procurement	20
Waikato Data Portal	54
Energy & Carbon Management Programme	55
SVDS	55
Total	**184**

Governance arrangements

WLASS conducts itself in accordance with its constitution, its annual Statement of Intent as agreed with shareholders, the provisions of the Local Government Act 2002 and WLASS policies.

In conjunction with council consultation on the 2019 SOI, WLASS sought a shareholder resolution to change the constitution of the company relating to the board's composition. As a result, effective 1 July 2019, the board changed to five council representative directors and an independent chair.

From 1 September 2019, Peter Stubbs was appointed as independent Chair of the Board.

The current Directors of WLASS are:

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
Vaughan Payne	Waikato Regional Council
Rob Williams	Hauraki, Matamata-Piako and Thames-Coromandel District

Under the amended constitution Gareth Green must resign his position on 30 June 2020, 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.

Item 6

Attachment 1

Financials

Statement of Financial Performance

Waikato Local Authority Shared Services
Company Summary
for the forecast financial years ended 30 June 2021-2023

Waikato Local Authority SHARED SERVICES

	2019 SOI	2020 SOI		
	Budget 2019/20	**Budget 2020/21**	**Budget 2021/22**	**Budget 2022/23**
Income				
Company Administration	576,730	1,074,310	1,090,680	1,118,050
Working parties | projects	379,500	873,850	354,385	384,257
RITS	n/a	31,616	32,321	33,041
Information Technology	553,483	767,000	82,691	84,510
Energy Management	119,175	70,000	70,000	129,222
Shared Valuation Data Service (SVDS)	736,566	379,761	388,115	452,357
Road Asset Technical Accord (RATA)	1,815,766	1,300,557	1,330,613	1,360,016
Waikato Regional Transport Model (WRTM)	218,760	389,456	349,823	357,519
Waikato Building Consent Group	275,942	312,566	319,475	326,538
Future Proof	609,991	602,500	602,688	513,770
Waikato Plan	382,000	260,000	265,720	271,566
Waikato Mayoral Forum	5,000	5,000	5,000	5,000
Water Collaboration	0	440,000	540,000	540,000
Total Income	5,672,913	**6,506,616**	**5,431,512**	**5,575,846**
Operating Expenditure				
Company Administration	573,858	1,068,887	1,089,152	1,116,380
Working parties | projects	379,500	893,850	374,885	384,257
RITS	n/a	31,616	32,321	33,041
Information Technology	553,483	817,695	82,696	84,543
Energy Management	119,175	124,900	124,900	129,222
Shared Valuation Data Service (SVDS)	1,060,456	384,993	393,550	402,357
Road Asset Technical Accord (RATA)	1,815,766	1,300,557	1,330,613	1,360,016
Waikato Regional Transport Model (WRTM)	218,762	389,456	349,823	357,519
Waikato Building Consent Group	275,942	312,566	319,475	326,538
Future Proof	609,991	602,500	602,688	513,770
Waikato Plan	382,000	267,500	273,408	279,446
Waikato Mayoral Forum	5,000	5,000	5,000	5,000
Water Collaboration	0	440,000	540,000	540,000
Total operating expenditure	5,993,933	**6,639,520**	**5,518,511**	**5,532,089**
Earnings before interest, tax and depreciation/ amortisation (EBITDA)	**(321,020)**	**(132,904)**	**(86,999)**	**43,757**
Depreciation / amortisation				
Company admin	3,712	1,864	1,071	-
WRTM	0	14,583	14,583	14,583
Total Depreciation / amortisation	3,712	**16,447**	**15,655**	**14,583**
Net Surplus (Deficit) before tax	(324,732)	(149,352)	(102,653)	29,173

Key risk

The single biggest risk to achieving the forecasted financial results is WLASS's continuing ability to sell valuation data (forecast to generate ~$380k of revenue in the coming year). The central government's drive toward open data may see the development of a nation-wide sales portal. It will be critical that any change in this area does not see WLASS/the councils lose ownership of the sales data and with it, the ability to sell that data. WLASS are engaging with Land Information New Zealand on this issue.

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Statement of Financial Position

Waikato Local Authority Shared Services
Financial Position
for the forecast financial years ended 30 June 2021-2023

Waikato Local Authority SHARED SERVICES

	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2022/23
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	(2,542,062)	(2,021,997)	(2,171,348)	(2,274,001)
Plus Current Year Operating Surplus/(Deficit)	(324,730)	(149,352)	(102,653)	29,173
TOTAL CAPITAL FUNDS	**90,209**	**785,653**	**683,000**	**712,173**
ASSETS				
CURRENT ASSETS				
Prepayments	153,145	263,342	269,739	276,291
Accounts Receivable	397,104	260,265	217,260	223,034
RWT On Interest	0	0	0	0
Local Authority Shared Services 00	0	0	0	0
Bank	96,216	729,388	624,879	658,450
GST Receivable / (Payable)	4,013	45,941	42,715	42,467
TOTAL CURRENT ASSETS	650,477	1,298,936	1,154,592	1,200,241
NON-CURRENT ASSETS				
SVDS - Intangible Asset	3,085,700	3,065,316	3,065,316	3,065,316
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	(5,383,750)	(5,334,200)	(5,348,783)	(5,363,366)
IT Equipment	6,307	5,592	5,592	5,592
Accumulated Depreciation - IT equipment	(5,568)	(4,521)	(5,592)	(5,592)
TOTAL NON-CURRENT ASSETS	739	30,237	14,583	(0)
TOTAL ASSETS	**651,216**	**1,329,173**	**1,169,175**	**1,200,241**
LESS CURRENT LIABILITIES				
Accounts Payable	535,097	462,148	402,769	402,576
Accounts Payable Accrual	25,910	27,500	28,188	28,892
Employee Benefits	0	53,872	55,219	56,599
TOTAL CURRENT LIABILITIES	561,007	543,520	486,176	488,067
NET ASSETS	**90,209**	**785,653**	**683,000**	**712,173**

Statement of Cashflows

Waikato Local Authority Shared Services
Statement of Cashflows
for the forecast financial years ended 30 June 2021-2023

Waikato Local Authority SHARED SERVICES

	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2022/23
Cashflows from Operating Activities				
Interest Received	14,308	2,000	2,050	2,101
Receipts from Other Revenue	6,559,977	6,792,327	5,472,466	5,567,971
Payments to Suppliers	(6,800,489)	(6,675,190)	(5,582,252)	(5,536,749)
Taxes Paid	0	0	0	0
Goods & Services tax (net)	56,103	20,481	3,226	248
Net cash from operating activities	(170,102)	139,618	(104,509)	33,571
Cashflows from Investing Activities				
Capital enhancements	0	0	0	0
Purchase of PPE	0	0	0	0
Purchase of investments	0	0	0	0
Net cash from investing activities	0	0	0	0
Net increase in cash, cash equivalents and bank accounts	(170,102)	139,618	(104,509)	33,571
Opening cash and cash equivalents and bank overdrafts	266,317	589,770	729,388	624,879
Closing cash, cash equivalents and bank accounts	**96,215**	**729,388**	**624,879**	**658,450**

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Appendix I: What we do - current activities

The principal initiatives operating under the WLASS umbrella are:

- Shared Valuation Data Service
- Regional Asset Technical Accord
- Waikato Regional Transportation Model
- Waikato Building Consent Group
- Future Proof
- Historic aerial photos
- Waikato Regional Aerial Photography Service
- Regional Infrastructure Technical Specifications
- Energy management
- Contractor health & safety pre-qualification
- Aligned resource consent planning
- Joint procurement initiatives

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. Councils are currently transitioning to a new software-as-a-service arrangement with a new provider which will further reduce cost.

Regional Asset Technical Accord (RATA)

RATA was initially established as a centre of excellence for road asset planning in 2014 as a work stream under the Waikato Mayoral Forum. The activity transferred to WLASS on 1 July 2016.

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 received approval to expand its activity into waters assets. By leading asset management best practice, RATA delivers 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.

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.

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).

Future proof

Future Proof is a collaborative partnership between Hamilton City, Waikato and Waipa Districts, Waikato Regional Council and Tāngata whenua, with assistance from the NZTA. The partners have jointly developed the Future Proof Growth Strategy and Implementation Plan – a 50-year vision and implementation plan specific to the Hamilton, Waipa and Waikato sub-region, which was adopted by the partners in June 2009.

The accommodation, overhead and employment arrangements of the Future Proof Administrator are managed by Hamilton City Council. The activity is fully funded by the participating councils and operates as a separate cost centre. Future Proof transferred to WLASS on 1 July 2016.

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.

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 participating councils.

Contractor health & safety pre-qualification scheme

WLASS contracts with 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/.

Historic aerial photos

In May 2015, WLASS entered into a Memorandum of Understanding with LINZ to scan the Waikato Historic Aerial Photos archive. The LINZ Crown archive contains over 500,000 historic aerial photo negatives captured by surveys flown over New Zealand between 1936 and 2005. All shareholding councils are participating in this 4-year project, which includes a subsidy of $56,000 from LINZ. Scanning is now complete.

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. So far, there have been five WRAPS contracts, the most recent in 2016.

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.

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.

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

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.

Change of accounting estimate

Revision of useful lives of intangible assets

At year end the estimated total useful lives to Waikato LASS of the SVDS and WRTM intangible assets were revised. The net effect of the changes in the current financial year was decrease in amortisation expense of $97,071.

Revised estimated useful lives are: SVDS – March 2020, WRTM – June 2023. The effect of amortisation for future years are as follows:

Year ending 30 June	**$**
2020	53,321
2021	14,583
2022	14,583
2023	14,583

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 extend 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.

Waikato Local Authority
SHARED SERVICES

Half-yearly report to Shareholders

1 July 2019 to 31 December 2019

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1 Introduction

The Board of Waikato Local Authority Shared Services Ltd (WLASS) is pleased to present its report to shareholders on the first half of the 2020 financial year (to 31 December 2019). During the period the structural transition required as part of the company's transformation toward being a true strategic partner to councils was completed.

2 Overview of WLASS

WLASS was established in December 2005. It is jointly owned (in equal portion) by the following shareholding 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

WLASS was initially established to provide the local authorities in the Waikato Region with a vehicle to procure services on a shared basis. The key purpose of WLASS has evolved. In 2018 shareholders approved transforming the company into a service delivery agent and a true strategic partner to councils. That transformation means the company now has two fundamental roles:

1) It is a laboratory for developing opportunities that create value to councils, either by improving the experience of their customers or by making the councils themselves, collectively, more efficient and effective; and
2) It is a provider of services to councils where a business case to do so has been established (recognising that it may make sense for some services to be provided by someone other than WLASS).

It also drives collaboration between councils by facilitating various council staff working groups.

The vision for WLASS is to be:

The enabler for Councils to provide their services in the most effective and efficient way

Its objectives are:

- To enable the Waikato Councils to collectively be more effective as a region on the national stage;
- To contribute to building central government's confidence in the Waikato region, and to encourage central government investment;
- To achieve effectiveness and efficiency gains;
- To reduce duplication of effort and eliminate waste through repetition;
- To make it easier for customers to engage with councils in the Waikato region;
- To promote and contribute to the development of best practice; and
- To promote business transformation to improve customers' experiences.

In conjunction with council consultation on the 2019 SOI, WLASS sought a shareholder resolution to change the constitution of the company relating to the board's composition. As a result, effective 1 July 2019, the board changed to five council representative directors and an independent chair.

During the period the Directors of WLASS were:

Director	Representing
Peter Stubbs	Independent Chair
Blair Bowcott	Hamilton City Council
Gareth Green	Otorohanga, Rotorua, Taupo, South Waikato and Waitomo District Councils
Gavin Ion (Chair)	Waikato and Waipa District Councils
Vaughan Payne	Waikato Regional Council
Rob Williams	Hauraki, Matamata-Piako and Thames-Coromandel District Councils

3 Statement of Service Performance

Since its inception the company has delivered benefits 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;
- 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.

3.1 Highlights during the period

Highlights of activity during the six months to 31 December 2019 are:

WLASS transformation project

As noted above, the transformation of the company has continued during the period. The immediately needed structural changes have been made.

Following consultation with councils, in November the Board approved five initial priority projects to investigate opportunities that will deliver value to councils.

Waters 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. With Waikato District's departure from this arrangement (given its new relationship with Watercare Ltd), it is timely to consider the future of this shared service.

This project is to explore the extent to which there is interest from other councils in the region to utilise this service offering and whether it makes sense to have that service "delivered" through WLASS.

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 shared to lessen the burden on council staff having to each do their own thing. It will also consider to what extent material and services of other agencies (e.g. SOLGM[1]) can be leveraged.

[1] Society of Local Government Managers

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Regulatory support services

Councils operate in an ever-changing regulatory environment. This project will consider how WLASS could track changes in legislation and regulation and push that information out to councils. This service would eliminate the need for each council to expend time and effort keeping up to date with changes on their own.

Building consent shared services

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 capability in this area. This project is to consider how the delivery of this function across Waikato could be improved.

Human Resources shared services

This project will explore which human resource functions in councils are common (likely procedural in nature) and could therefore be delivered by WLASS to each of the councils. Taking these processes out of the councils themselves would free up council resource to focus on people and capability services that provide greater value to the council. A 'central' human resource function could also support smaller councils who have limited resource and are therefore susceptible to disruption where staff leave or are unable to work for a period.

Concluding comment

We expect each of these projects will add value to councils and they have been prioritized accordingly. However, if, as an opportunity is explored and developed, it becomes apparent that it will not achieve this aim, it will not be pursued. The initial 'discovery' of the opportunity will be undertaken by WLASS. Councils will be consulted prior to funds being invested (if required), to develop opportunities if the board agrees they should be pursued. Once business cases have established that an opportunity makes sense, councils will similarly be able to choose whether to receive the service on offer.

These ideas will challenge the way things are currently done and therefore be disruptive – this is necessary if we are to meet the expectations of our shareholders and have the impact we are looking for. Similarly, while a council will always have the ability to 'opt out' of an offering, it is critical that this be by exception and that councils are willing to commit to change where the business case says it is the right thing to do.

Coordinated Infrastructure Procurement

In November the Board approved the opportunity to coordinate councils' infrastructure procurement.

Through the Coordinated Infrastructure Procurement (CIP) initiative we are seeking to achieve a regional strategic approach to capital works across Waikato councils. Ultimately, any agreed regional strategy would then be incorporated into council Long Term Plans (LTPs) (to the extent required).

The objectives of the project are to:

- Create savings through 'smarter' scheduling of infrastructure works across the region;
- Minimise situations where councils are competing for the same suppliers at the same time, streamlining the procurement process;
- Providing suppliers with scale and consistency of work activity, allowing them to have the confidence to invest (in staff/equipment), which in turn should improve the economic activity in the region;
- Improve councils' ability to accurately budget capital works programmes and then to deliver to this budget.

The project commenced in February 2020 and is being led by a seconded resource (Chris Barton) from Hamilton City Council. This is the first WLASS project to utilise a secondee.

Waikato councils spend ~$230m on infrastructure additions each year. If this opportunity realised cost savings of only 0.5% that would see the councils saving $1.2m p.a.

RATA

Waters collaboration

The 'waters' sector is facing significant change due to a number of external and internal influences.

WLASS's business unit, Regional Asset Technical Accord (RATA), investigated the opportunity for a sub-regional collaboration on three waters activities, supported by nine councils. That culminated in a business case that the WLASS Board approved in July 2019. The initial opportunities for collaboration relate to:

1. Consistent document templates to support better reporting;
2. Increased information sharing through collaborative, effective forum meetings;
3. Training and recruitment;
4. Consistent asset valuations; and
5. Collaborative procurement – materials/equipment/laboratory services.

Staff changes

Appointment of a Waters lead for the RATA business unit is currently underway with a placement expected in March.

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 into a nationally recognised model.

WLASS has secured the services of Shaun Lion-Cachet as the new RATA Manager from January 2020.

Value add

The value of RATA to the region continues to be further demonstrated with the continual identification of ideas to further support councils. An achievements report written in December provides an outline of the success of RATA in delivering on its vision to date. Total savings to councils from the business unit total ~$3m and continues to build.

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 co-funding 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 period LINZ and Waikato Regional Council (on behalf of WLASS) led the evaluation process to secure a supplier. A preferred supplier has been identified and it is expected the contract will commence in the first quarter of 2020. Rolf Boswell (WLASS Business Analyst), is the Waikato project manager and is assisting with the contract negotiations. Additionally, agreements are being signed with the 6 co-funding parties.

Waikato OneView

In November 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 the aim of reducing BAU work (because users can self-serve) and the cost-benefit of collective buying power.

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.

SVDS

SVDS activity during the period centred around transferring participating councils from the old software to a new supplier under a Software As A Service (SAAS). This transition will be completed in the first quarter of 2020. Member charges will continue to reduce under the new arrangement.

Future proof

Future Proof is undergoing several changes at the moment with the expansion of the partnership and the inclusion of the Hamilton to Auckland Corridor Plan.

Energy management

Following the previous successful collaborative arrangement with the EECA, from 1 July 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.
4) Extending the programme to include a focus on carbon mitigation and carbon reporting.

Waikato Building Consent Group

For the first 6 months of the 2019/2020 financial year the WBCG has been limited in the progress made since 18/19 year end. We have not had a Manager in place and have had limited resources to focus on our strategic intent. We have managed to maintain basic services and each council has taken ownership of their own annual audits. The new Strategic Manager (Natalie Allam), commenced in January 2020 so by year end we should see some progress on the KPI's.

3.2 Assessment of performance against targets

The following performance measures were included in the Statement of Intent for the 2018/19 financial year. An update on their status as at 31 December 2019 is shown in the table below.

Key:

- Achieved or on track: has been completed or will be by 30 June 2020
- Currently behind schedule but target expected to be met by 30 June 2020
- Currently behind schedule and target unlikely to be met by 30 June 2020

Target	Measure	Outcome	
Procurement Joint procurement initiatives for goods and services for WLASS councils will be investigated and implemented. *Method: Procurement is from sources offering best value, service, continuity of supply, and/or opportunities for integration.*	New suppliers are awarded contracts through a competitive tender process.	**On track:** Supply contracts are tendered in line with WLASS procurement policy (which in turn is consistent with the regional procurement framework developed last year). For substantial contracts (e.g. LiDAR) 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.	
Collaborative Projects Priorities for collaboration are identified, business cases are developed for the highest priority projects, and the projects are implemented. *Method:* *The focus is on shared services which will benefit all councils.*	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. The workplan for these opportunities will see all five commenced prior to year-end. The Coordinated Infrastructure Procurement project was approved by the Board and will be completed in the first half of 2020. The business case to expand RATA into waters asset management services was approved by the Board in July. The business case for Waikato OneView was approved by the Board in November.	

Target	Measure	Outcome	
	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.	**On track:** The development of any opportunity is subject to a phased approach involving discovery, opportunity assessment and business case (if required). The Board approves each phase before progression to the next stage. **On track:** 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 time would reduce because users will be better equipped to 'self-serve' • Coordinated Infrastructure procurement: The case notes that if 0.5% of infrastructure spend is achieved from the project outcomes sought, that will represent a saving of ~$1m+ p.a.	
Existing WLASS Contracts Existing contracts are managed and renegotiated as required. *Method: Appointed vendors deliver on the terms of their contracts and deliver value to the shareholders.*	The WLASS Contracts Register is maintained and managed. Contracts which are due for renewal are either renegotiated (where it makes commercial sense to continue with the current supplier) or re-tendered through a competitive process.	**On track** **On track:** Supply contracts are tendered in line with WLASS procurement policy (which in turn is consistent with the regional procurement framework developed last year. For substantial contracts (e.g. LiDAR) a public tender process has been undertaken. Other contracts have been renegotiated with existing suppliers where it is appropriate to do so.	
Cost Control Administration expenditure shall be managed and monitored.	Administration expenditure shall not exceed budget by more than	**On track:** The latest forecast (based on actuals to October '19)	

Target	Measure	Outcome	
Method: The Financial Accountant and Chief Executive review expenditure monthly.	5%, unless prior approval is obtained from the Board.	shows company administration expenditure is expected to exceed the 2020 budget by ~11% ($65k). This excess is being met by funds available from the prior year. It reflects: • recruitment fees (relating to the Board Chair – originally budgeted for in FY19), the Executive Assistance and a new Contract Administrator role; • salaries associated with increasing the EA role to a full-time position; and • professional fees to progress the digital strategy. Each of the above has been approved by the board.	
Reporting Six monthly reports provided to Shareholders. *Method: The Chief Executive prepares a written report for the WLASS Board every meeting.* *A Half-yearly and Annual Report are prepared for shareholders.*	The Board shall provide a written report on the business operations and financial position of WLASS to the shareholders every six months. Every second report shall be the Annual Report.	**On track:** The 2019 Annual report was prepared and provided to shareholders in September 2019. This Half-yearly report will be delivered in February 2020.	●
SVDS The SVDS is reliable, well maintained and available to all users. *Method: A Contract Manager is appointed for SVDS.* *The Contract Manager monitors performance of the contractors and reports quarterly to the SVDS Advisory Group.* *Risks associated with the SVDS are well managed.*	The SVDS is available to users at least 99% of normal working hours. The SVDS Advisory Group meets at least 6-monthly. The Annual Business Plan is accepted by the Advisory Group by 31 March 2020.	**On track:** the SVDS has been available 100% for users during normal business hours. **On track:** Two meetings held in first 6 months; August & November **On track:** The Advisory Group meeting is scheduled for 5 March. With the exception of TCDC (who have withdrawn from the project), the project is running to schedule and all councils are due to transition before the end of March. The current SVDS will be unavailable to councils after 31 March 2020.	● ● ●

Target	Measure	Outcome	
Insurance Achieve the relevant KPIs in Appendix 4 of the Insurance Brokerage contract with Aon. *Method: The Insurance Broker delivers on the terms of their contract and provides value to the participating councils.*	Strategic advice provided by Aon on the insurance programme structure is assessed as satisfactory in the annual WLASS Shareholders' survey by the participating councils.	**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. 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 CEs on a 1x1 basis and soliciting feedback on performance by this means.	
	The day-to-day service provided by Aon is assessed as satisfactory in the annual WLASS Shareholders' survey by the participating councils.	**Not measured:** Refer comment above.	
RATA Deliver better data for decision making across the Waikato Region, enabling more consistent best practice *Method: Quarterly update reports are provided to all stakeholders participating in the Data Collection contracts.* *Data supplied by contractors is of good quality and meets all of the participating councils' requirements.*	Reports are presented to stakeholders in October/January/ April and July each year.	**On track:** All reports supplied to stakeholders. The reports to four councils were submitted in January 2020.	
	Reports on progress presented to WLASS Board as at 30 December and 30 June.	**On track:** Reports to WLASS Board presented to required deadlines.	
	All data are reviewed for compliance and all good practice requirements are met.	**On track:** All data received was reviewed for quality requirements and approved.	
	Procurement of services complies with WLASS and NZTA's procurement requirements.	**On track:** Procurement of services is in line with WLASS procurement policy and NZTA requirements.	

Target	Measure	Outcome	
Lead engagement and increase capability within the sector *Method:* *Innovation: Identify opportunities to modify standard approaches and/or develop new approaches that will lead to optimal asset management.* *Leadership: Lead engagement and increase capability within the sector.*	Present to a national conference on RATA innovations at least once per year.	**On track:** RATA presented REG Data Quality Project at RIMS conference in March 2019. RATA presented the Waters Collaboration business case to the Mayoral Forum in August 2019.	
	At least two RATA guidance documents detailing good practice are produced each year.	**On track:** RATA Guidance documents developed based on REG data quality reports to support improvement planning. 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.	**On track:** RATA Fora were held two-monthly with high levels of attendance from participating councils. The final two fora were postponed during the recruitment of the new RATA Manager.	
WRTM The WRTM is reliable, well maintained and available to all users. *Method: RATA manages the WRTM on behalf of the participating councils, and monitors the performance of the model supplier (currently Traffic Design Group).* *RATA reports quarterly to the WRTM Project Advisory Group.*	All modelling reports requested from the model supplier are actioned within the agreed timeframe, scope and budget	**On track:** Stantec continues to provide Service Reports 3-monthly, the most recent provided in December 2019. Ad hoc reporting is provided as requested.	
	A report from RATA on any new developments and on the status of the model is provided to the WLASS Board at least every six months.	**On track:** Report for the six months to 30 June 2019 tabled at the July Board meeting. The report to 31 December 2019 is being presented to the board meeting in February 2020.	
	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.	**On track:** Model complies with guidelines but there are issues with modelling accuracy in some areas. Ongoing initiatives to improve accuracy with house-hold survey data (underway and on track), updated traffic counts at screen lines (underway and on track), and validating with Census 2018 (not yet commenced, under consideration by WRTM User Group).	

Target	Measure	Outcome	
Waikato Building Consent Group Provide strategic direction and actively pursue improvements in Building Control across the Waikato region. *Method:* *Implement the strategic priorities detailed in the "Build Waikato" May 2017 strategic review document.*	Milestones for the five strategic review work streams are achieved for: • 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.	**On track:** with both TCDC and Waipa having successfully implemented the preferred online Alpha One System. Waitomo DC is implementing this year and MPDC and HDC are finalising their procurement process with Alpha One in the mix. ODC is also committed to implementing Alpha One and this will probably be in 20/21 financial year. So well on track with achieving a common processing system. With the appointment of the new Strategic Development Manager for the group in January 2020 work to revitalise our web site to enhance the digital experience will be commencing in the second half of this financial year.	
	• People capability. Success is defined as a successful recruitment and training programme, measured by compliance with BCA Reg. 8 - 11.	**Partially achieved:** Rather than a single training programme, councils have opted to ensure that capability within their organisations is lifted to comply with Regulations. WLASS is currently developing a collective approach to a cadet scheme	
	• Quality assurance. Success is defined as continued accreditation and increased service consistency, measured by accreditation outcomes, BCA annual audits, and customer surveys.	**On track:** There have been successful IANZ audits for both with good feedback on the cluster QA overall. A review of our QA offering is proposed for the second half of this financial year.	
	• Lift industry competency and compliance. Success is measured by increased industry compliance, with reduced RFIs, and reducing percentages of application or building consent rejection.	**In progress:** The Tech Committee is continuing to work on consistency across councils on RFI's to enhance a consistent customer experience	
	• Central government: engagement and legislative influence. Success is measured by legislative submissions and outcomes.	**On track:** Cluster submission to Building Reform Act was delivered in the 2019 financial year. The submission was similar to that from LGNZ.	

Target	Measure	Outcome	
Method: *Fulfil the roles and responsibilities set out in clause 9 of the WBCG's Memorandum of Understanding, 2016.*	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: • Full participation in WBCG projects and programmes	**In progress / ongoing:** Good participation of all in projects when required but could improve.	Amber
	• Audits demonstrating implementation and compliance with the agreed QA systems	**On track:** As above audits are demonstrating compliance with QA systems.	Green
	• Consistency in service delivery, measured by customer surveys	**Not achieved:** No customer survey to be undertaken this year. However regardless, customer experience will be a key focus for new Strategic Development Manager.	Red
	Risk management is visible through regular reviews of the Risk Register.	**In progress:** Historically there has been a significant lack of awareness of risks and therefore how they can best be managed. This is included in the programme of work for the new Strategic Development Manager.	Amber
	All funding requirements are met by each of the participating councils.	**On track:** All funding commitments met.	Green
	Minimum of two reports presented to the WLASS Board on the Group's activities.	**On track:** 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).	Green
Future Proof Planning for growth in the sub-region is co-ordinated and collaborative. *Method:* *Joint preparation and input into Phase 2 of the Strategy update*	Phase 2 of the Future Proof Strategy is adopted by the Future Proof Implementation Committee no later than December 2020.	**Behind schedule:** Phase 2 of the Future Proof Strategy update has been on hold to allow other projects to sufficiently progress, including the H2A, Waikato District Plan reivew, and Waikato District Growth and Economic Development Strategy. These projects will feed into the Strategy update. It is anticipated that work on the Future Proof Strategy will commence again in mid-2020.	Amber

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Target	Measure	Outcome	
The Future Proof budget is well managed and monitored. *Method:* *Bi-monthly reports presented to the Future Proof Chief Executives Advisory Group, and six monthly and annual reports to the WLASS Board.*	The overall Future Proof work programme is delivered within the approved budget.	**Behind target:** The Future Proof work programme to end December 2019 is running slightly over budget due to unbudgeted costs associated with the Hamilton to Auckland corridor programme. The Future Proof budget will be reviewed early-2020 and reported to the Future Proof Chief Executives Advisory Group in March 2020. A contribution of $50k towards communications is expected from the Ministry of Housing and Urban Development. A case will be made to Government for greater assistance as we partner in spatial planning initiatives not previously anticipated. Hopefully we will also have established our case for additional three waters and public transport funding assistance too.	
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. *Method:* *Future Proof works collaboratively and provides input into the planning work undertaken by all FP partners and any other relevant planning authorities.*	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.	**On track:** Future Proof has made five submissions over the past six months.	
Shareholder Survey Shareholders are satisfied with the performance of WLASS. *Method:* *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 are not intending on undertaking a survey of shareholders this year as we have historically done. We will instead be meeting with council CEs on a 1x1 basis and soliciting feedback on performance by this means.	
Review of Benefits Shareholders are informed of the benefits being provided to shareholding councils by WLASS.	Information on the financial and non-financial benefits being achieved by WLASS are included	**On track:** WLASS achievements are included in this report and were set out in the 2019 Annual	

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Target	Measure	Outcome	
Method: *The benefits of WLASS (including financial and non-financial achievements) are regularly analysed and reported to shareholders.*	in the 6-monthly and Annual Report to shareholders.	Report provided to shareholders in September 2019.	
	The WLASS website is regularly maintained and updated.	**On track:** The WLASS website has been updated where appropriate.	

4 WLASS Financial Position

4.1 Summary

By the numbers:

Summary financial results for the six months to 31 December 2019 are:

	2020 actual YTD $000	2020 forecast YTD $000	Variance $000 (actual v budget)	2020 budget Full Year $000
Total income	2,692	3,020	(329)	5,673
Total operating expenditure	2,445	2,633	188	5,998
Net surplus before tax	246	387	(141)	(325)
Cash on hand	2,141	n/a	n/a	

The unfavourable variance in revenue principally relates to less than expected income from RATA (high-speed data collection contracts, and member charges for the waters collaboration which are yet to be invoiced), and member charges related to the Waikato Data Portal and LiDAR projects (with corresponding reduction in expenditure. While the net surplus is currently less than expected, this variance is expected to reverse over the remainder of the year – we are currently forecasting a full-year loss of $80k.

The cash position is:

	Cash balance @ 1/7/19 $000	Cash surplus / (deficit) $000	Cash balance @31/12/2019 $000
Company Administration	70	252	322
RITS	0	35	35
Working Parties	151	5	157
Information Technology	60	59	120
Energy Management	133	(7)	126
Shared Valuation Data Service (SVDS)	602	(198)	404
Road Asset Technical Accord (RATA)	6	53	58
Waikato Regional Transport Model (WRTM)	3	36	39
Waikato Building Consent Group (WBCG)	257	79	336
Future Proof	252	(191)	61
Mayoral Forum	92	(34)	57
Waikato Plan	197	169	366
Waters Collaboration	0	22	22
Total	**1,823**	**280**	**2,103**

Note: Cash balances vary from the actual cash position as a result of accounts receivable / payable which are not tracked on a activity by activity basis. The actual cash at bank as at 31 December 2019 was $2.14m

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. We have already identified some areas where we will be utilising accumulated cash reserves in the coming financial year and reducing member charges accordingly. This action is reflected in the 2020 SOI. We will continue to actively monitor the position and respond appropriately.

4.2 Statement of Financial Performance

Waikato Local Authority Shared Services
Statement of Financial Performance
For the six months ending 31 December 2019

	Finanical year 2020 YTD Actuals	Financial year 2020 YTD Forecast	Financial year 2020 YTD Budget	Financial year 2019 YTD Actuals
Revenue				
SVDS Data & Software Sales	246,630	233,177	233,466	508,912
Grants Received	0	0		31,418
Interest	15	844	2,502	13,134
Other Revenue				
Exchange Revenue	806,660	1,135,744	1,282,100	1,849,357
User Charges	1,638,302	1,813,967	1,562,048	2,110,470
Total Other Revenue	2,444,962	2,949,711	2,844,148	3,959,827
Total Revenue	**2,691,607**	**3,183,732**	**3,080,116**	**4,513,291**
Expenditure				
Depreciation and amortisation expense	34,065	23,170	1,854	67,314
Personnel costs	183,498	174,138	192,672	149,459
Other expenses	2,227,745	2,373,180	2,585,162	4,043,366
Total Expenditure	**2,445,308**	**2,570,488**	**2,779,688**	**4,260,139**
Net Profit	**246,299**	**613,244**	**300,428**	**253,152**

4.3 Statement of Cashflows

Waikato Local Authority Shared Services
As at 31 December 2019
For the six months ending 31 December 2019

	Finanical year 2020 YTD Actuals	2018/2019
Cashflows from Operating Activities		
Interest Received	15	16,114
Receipts from Other Revenue	3,147,605	4,031,703
Payments to Suppliers and Employees	(2,491,304)	(4,241,295)
Taxes Paid	(0)	5,746
Goods & Services tax (net)	24,547	2,123
Net cash from operating activities	680,863	(185,609)
Cashflows from Investing Activities		
Capital enhancements	0	0
Purchase of PPE	0	-5,592
Purchase of investments	0	81,000
Net cash from investing activities	0	75,408
Net increase in cash, cash equivalents and bank accounts	680,864	(110,200)
Opening cash and cash equivalents and bank overdrafts	1,459,803	1,570,003
Closing cash, cash equivalents and bank accounts	**2,140,667**	**1,459,803**
Summary of Bank Accounts		
BNZ - Call a/c	2,140,667	1,459,802
Closing Balance of Bank	**2,140,667**	**1,459,802**

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4.4 Statement of Financial Position

Waikato Local Authority Shared Services Statement of Financial Position As at 31 December 2019	Financial year 2020 Actuals 31/12/2019	Financial year 2019 Actuals 31/12/2018
Assets		
Current Assets		
Bank		
Call Account	28,902	28,887
Transaction Account	2,111,764	1,430,915
Cash and Cash Equivalents	**2,140,667**	**1,459,803**
Accounts Receivable		
Accounts Receivable	185,680	770,016
Accounts Receivable Accruals	170,704	48,034
Total Accounts Receivable	**356,384**	**818,050**
GST	31,934	50,827
IRD - RWT Tax		
RWT On Interest	998	998
RWT on Payments	(2,584)	0
Total IRD - RWT Tax	**(1,585)**	**998**
Total Receivables	**2,527,399**	**869,876**
Prepayments	6,900	212,087
Total Current Assets	**2,534,299**	**2,541,766**
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
Accumulated Depreciation	(5,299,427)	(5,266,295)
IT equipment	5,592	5,592
Accumulated Depreciation	(1,725)	(793)
Total Non-current Assets	**67,806**	**101,870**
Total Assets	**2,602,104**	**2,643,636**
Liabilities		
Current Liabilities		
Accounts Payable		
Accounts Payable	172,376	614,057
Accounts Payable Accrual	305,521	140,182
Total Accounts Payable	**477,897**	**754,239**
Revenue in Advance	587,159	587,159
ACC Prepayments	(77)	0
Employee Entitlements	8,635	22,556
Total Current Liabilities	**1,073,615**	**1,363,954**
Total Liabilities	**1,073,615**	**1,363,954**
Net Assets	**1,528,490**	**1,279,682**
Equity		
Contributed Capital	2,957,001	2,957,001
Retained Earnings	(1,428,511)	(1,677,318)
Total Equity	**1,528,490**	**1,279,683**

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Council Report

Item 7

Committee:	Economic Development Committee	**Date:**	10 March 2020
Author:	Candice Swanepoel	**Authoriser:**	David Bryant
Position:	Business Performance Accountant	**Position:**	General Manager Corporate
Report Name:	Waikato Innovation Growth Ltd, NZ Food Innovation (Waikato) Ltd combined Statement of Intent 2020/21 and Half Year Report 31 December 2019		

Report Status	*Open*

Purpose

1. To inform the Economic Development Committee of the Waikato Innovation Growth Ltd (WIGL) and Group of Companies Half Year Report to 31 December 2019.
2. To seek the Economic Development Committee's approval of the WIGL and Group of Companies Draft Statement of Intent 2020/21.

Staff Recommendation

3. That the Economic Development Committee:
   a) receives the report; and
   b) approves the Waikato Innovation Group Ltd and Group of Companies Draft Statement of Intent 2020/21.

Background

4. WIGL has a 70% shareholding in New Zealand Food Innovation (Waikato) Limited (NZFIWL), the remaining 30% is held by Callaghan Innovation.
5. NZFIW D2, which is 100% owned by NZFIWL, has increased its 10% shareholding in Melody Dairies Limited Partnership to approximately 11%.
6. The Melody Plant (Dryer 2) will be completed within budget by April 2020.
7. The 2020/21 Statement of Intent is consistent with the current year's direction.
8. At the Finance Committee on 7 November 2017, a resolution was passed as follows:

   "e) that the CE investigate and report to council an exit strategy for NZ Food Innovation (Waikato) Ltd noting that this strategy is unable to be executed until 2020 at the earliest due to the legal contractual considerations."
9. HCC is in early discussions with Callaghan Innovation around the process to conduct a strategic review.

Item 7

10. This process will mirror the process and learnings from the divestment of Waikato Innovation Park Ltd, noting the complex and significant implication that arise from the government investment.

11. Regular updates on the process and progress will be made to this Committee.

Financial Considerations

12. There are no financial implications in relation to the information provided in this report.

Legal and Policy Considerations

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

Wellbeing Considerations

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 as outlined below. The recommendations set out in this report are consistent with that purpose.

Risks

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

Significance & Engagement Policy

Significance

17. 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

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

Attachments

Attachment 1 - WIGL/ NZFIWL - Half Year Report - 31 December 2019

Attachment 2 - WIGL/ NZFIWL - Statement of Intent 2020/21

Half Yearly Report

Waikato Innovation Growth Limited

New Zealand Food Innovation (Waikato) Limited

Financial Results

(Unaudited YTD Dec 2019 For the Year Ending 30 June 2020)

ash Operating urplus	YTD Actual $000	YTD Budget $000	YE Forecast $000	YE Budget $000
VIGL	na	na	na	na
IZFIW	80	(179)	2,080	856
iroup cash operating surplus	**80**	**(179)**	**2,080**	**856**
Net Profit				
VIGL	na	na	na	na
IZFIW	177	60	387	337
iroup net profit	**177**	**60**	**387**	**337**
KPI's	Actual	Budget	YE Forecast	BNZ Covenant
nterest Cover– NZFIW	10.1	7.3	6.7	2.0
hareholder Funds/Tangible Assets — ZFIW	54.6%	50.2%	50.1%	20.0%
Debt/Assets	As at 31 Dec 2019 $000	YE Jun 2020 $000		
ecured debt	5,625	4,677		
otal Assets	25,964	28,710		

Operations Figures

(For the half Year Ended 31 Dec 2019)

	Act/For	Budget
NZFIW Production Days (YTD)	270	286
NZFIW Production Days Full Year forecast	533	580

Management Commentary

NZ Food Innovation (Waikato) Ltd Spray Dryer Plant

NZFIW continues to operate at near full plant capacity bookings since last season. This will remain until March 2020. we will likely see a decline for the last three months of the year. The trend of increased goat and sheep fresh milk production will also continue next season; the plant has only a limited capacity reserved for one-day trials.

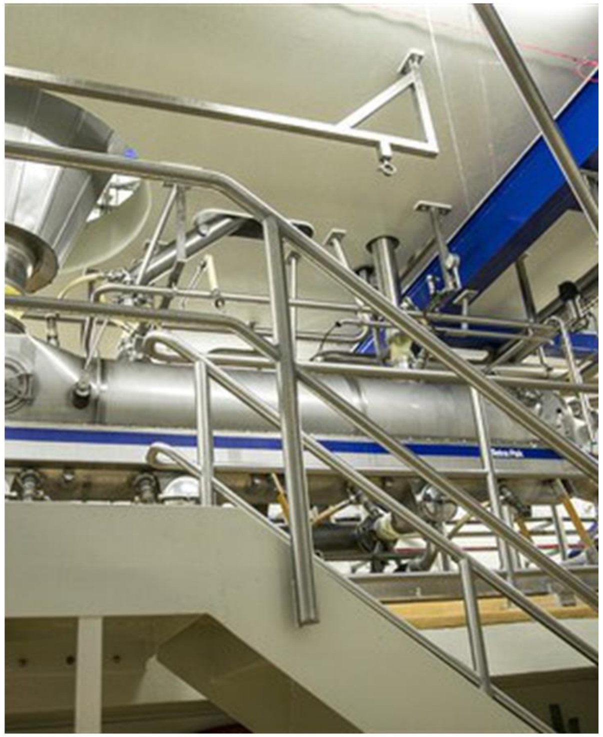
DNL whom we have signed a sizeable contact for manufacturing IFB products in 2019 have not materialised and we have to fill the void by engaging on rework with BRD and new customers such as NGI nutritionals. We back filled the vacant production space completely and have sold off most of the inventory purchased on behalf of our clients.

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

The Melody Plant (Dryer 2) will be completed by April 2020 and within budget ($54m).

FOODWAIKATO

Growing value-added nutritional powder exports



Financial Results

- NZFIW net profit year to date December achieved significantl ahead of budget
- Our forecast year-end results will also be ahead of budget b $50k despite a decline in overall production days due to bette pricing and improved customer mixes.
- Bank loan would be reduced to $4,677k reflecting a good re duction of debts by end year although not as much as we ha hoped as indicated in our 2020 budget.

Attachment 2

Item 7

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 2020

Approved by the NZFIW Board on 24 Feb 2020

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 2020 plus estimates for the years ending 30th June 2021 and 2022. 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 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 ingredient products;

   ii. providing on an open access basis a small-scale production plant capable of producing samples for market development which is to be self-sustaining in the medium to long term;

   iii. participating in and promoting a national network of similarly focussed food innovation organisations as a shareholder in a food innovation network

   iv. providing an independent and secure facility to ensure that the intellectual property and know-how of the Company and its customers are protected;

   v. providing a centre of learning for food technology, catering primarily to the pastoral product value chain, in 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.

3. Achievements to date

a. Food Innovation

➢ 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 a full infant formula blending plant of $5.7million and ingredient warehouse to be established. It allows specialty ingredients such as vitamins, minerals and oils to be 'wet blended' with milk or fruit juice prior to being spray dried to powder in the facility. Since the upgrade, there has been increase in goat and sheep fresh milk production.
- In November 2017, Hamilton city Council 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; 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 $1.67 m for a 11% ownership 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.

- 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 2018/19 season $35m of exports were undertaken as a result of manufacture in the Food Waikato Plant. Since its inception we estimate total exports manufactured by Food Waikato to be $263m up to June 2019. We also estimate the total capital expenditure in the form of farms, genetics etc, in the Waikato region, to be $253 million
- The construction of the Melody Partnership Dairy plant will be completed by May 2020.

- Commercial production will commence the same month and will contribute $1m per annum to NZFIW in cash, in the form of management fees.

4. Key assumptions

Food Waikato will continue its toll processing activities plus holding about $2.01m as a 11% minority shareholder in a second dryer (Melody Dairies Limited Partnership – Melody Dairies) before the financial year ending 30 June 2020.

5. Nature and Scope of Activities to be Undertaken

Key Objectives

The key objectives that can be achieved during the years ending June 2021 to 2023:

New Zealand Food Innovation Waikato Limited

2020- 2021

1. 275 days of product development production via the spray dryer contributing exceeding $60 million to the regional economy.
2. The Melody Limited Partnership plant will have been completed and in full operation.
3. An 11% minority interest in new spray dryer will increase open access space for the sheep industry customers.
4. Assist with the development of new valued added sheep milk industry products and the international launch of one substantial new product.
5. Income receiving from managing Melody Dairies expects to amount to gross of $1.1m.

2021-2022

1. 287 days of product development production via the spray dryer contributing $65 million to the regional economy.
2. Commitment by third party clients to establish increased demand.
3. The management of Melody Dairies by NZFIW management.
4. Income receiving from managing Melody dairies expects to amount to a net of $1.3m

2021-2022

1. 287days of product development production via the spray dryer contributing $80 million to the regional economy.
2. Income receiving from management fees and dividends expects to maintain $1.3m by 20 Jun 2023.
3. Launch of one new value-added products within the dairy industry.

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

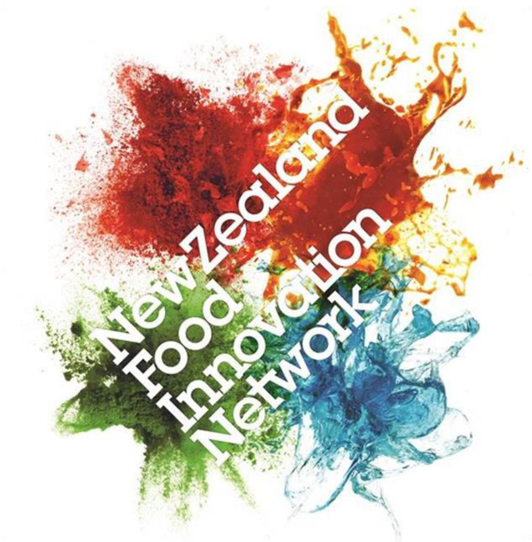
6. Key Performance Targets ($,000)

Key Performance Indicators	2021	2022	2023
NZFIW EBITDA	1,932	1,993	2,028
NZFIW Cash from operating activities	1,442	1,332	1,452
Net Profit After Tax	471	524	549
Shareholders' funds / Tangible assets	75%	77%	80%

7. Capital Expenditure ($,000)

Capital Expenditure	2021	2022	2023
Food Waikato	560	560	560
Investment in Melody Dairies	-	-	-

Melody Dairies LP plant will be completed by Apr 2020. Construction costs within budget.



8. 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 2020. 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

Intangible Assets

A new accounting policy for Intangible Assets has been created due to the registration of the FoodWaikato Trademark.

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	20 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.

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

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.

9. 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. Governance Statements

Board of Directors

NZFIW Board, whose members except Mr Matt Kenny 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 WinTec, 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 Agricultural and construction sectors. Earl is a NZ dairy farmer and has interests in several international farming enterprises. Earl is a Chartered Fellow member of the NZ Institute of Directors.
- **Matt Kenny** has had over 13 years' experience in executive-level CFO roles. Between 2012 and 2017, he was CFO of Acurity Health Group, an Australian equity owned (and previously NZX-listed) healthcare business providing private surgical facilities, with a turnover of over $150m and around 500 staff. As CFO and Company Secretary, Matt was the key financial adviser to the CEO and Board, and led a team of 22 with responsibilities including financial reporting, tax compliance, planning and forecasting, funding, risk management, procurement and IT. Since 2016, he has also served as a Director of New Zealand Golf. Matt is a Chartered Accountant with a Bachelor of Business from Victoria University of Technology in Melbourne.
- **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 and inventor of numerous 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.

11. 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. NZFIW undertakes to be compliant with all food safety legislations.

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	FY 21	FY 22	FY 23
NZFIW Income	6,388	6,653	6,768
Income From Melody	1,125	1,147	1,170
Total Income NZFIW Group	7,512	7,800	7,938
Expenses			
Direct Expenses	2,607	2,690	2,746
Overhead	2,973	3,116	3,163
Total expenses	5,580	5,807	5,909
EBITDA	1,932	1,994	2,028
Other Overheads			
Depreciation	1,024	1,067	1,097
Interest	254	198	169
Total Other Overheads	1,278	1,265	1,265
Net Profit Before Tax	655	728	763
Tax	(183)	(204)	(214)
Net Profit After Tax	471	524	549

New Zealand Food Innovation (Waikato) Limited
Financial Positions

$ '000	Jun-21	Jun-22	Jun-23
Current Assets			
Accounts Receivable	568	630	631
Bank Accounts	199	199	199
Inventories	180	180	180
Other Current Assets	160	160	160
Total Current Assets	1,107	1,169	1,171
Non Current Assets			
Plant & Equipment	16,451	16,083	15,737
Buildings	3,609	3,470	3,329
Other Non-Current Assets	3,668	3,668	3,668
Total Non-current Assets	23,728	23,221	22,734
Total Assets	24,835	24,390	23,905
Current Liabilities			
Accounts Payable	197	207	250
Bank Overdraft			
Other Current Liabilities	456	463	457
Total Current Liabilites	653	670	707
Non Current Liabilities			
Bank Loans	4,252	3,248	2,354
Deferred Grant Income	2,186	2,007	1,828
Other non-Current Liabilities	2,960	3,156	3,156
Total Non-Current Liabilities	9,398	8,410	7,338
Total Liabilities	10,050	9,081	8,046
Total Equity	14,785	15,310	15,859

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

Item 8

Council Report

Committee:	Economic Development Committee	**Date:**	10 March 2020
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 Year End Report to 30 June 2019, Half Year Report 31 December 2019 and Draft Statement of Intent 2020/21

Report Status	*Open*

Purpose

1. To inform the Economic Development Committee of the Waikato Regional Airport Limited (WRAL) 2018/19 Year End Report to 30 June 2019 and the 2019/20 Half Year Report to 31 December 2019.

2. To seek the Economic Development Committee feedback on the WRAL draft Statement of Intent 2020/21.

Staff Recommendation

3. That the Economic Development Committee:

   a) receives the reports; and

   b) receives the WRAL draft Statement of Intent 2020/21 and provides feedback via the letter of expectation as detailed in the public excluded item on the agenda for this meeting.

Executive Summary

4. WRAL's draft Statement of Intent 2020/21 is attached. The statement is standard each year and updated based on the Board's priorities for the coming year alongside anticipated financial results. Shareholding Councils receive the draft document and respond with any feedback they wish to be considered by the WRAL Board.

5. Council's letter of expectation (see public excluded report in this agenda) provides that feedback.

6. Representatives from WRAL will attend the meeting and speak to the reports and draft Statement of Intent 2020/21.

Financial Considerations

7. There are no financial implications in relation to the information provided in this report.

Legal and Policy Considerations

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

Item 8

Wellbeing Considerations

9. 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').

10. 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.

Risks

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

Significance & Engagement Policy

Significance

12. 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

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

Attachments

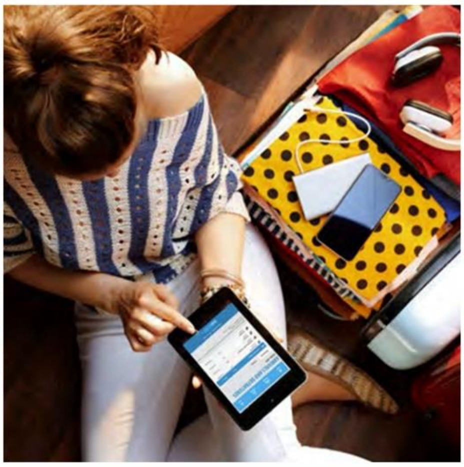
Attachment 1 - Waikato Regional Airport Limited - Year End Report to 30 June 2019

Attachment 2 - Waikato Regional Airport Limited - Half Year Report 31 December 2019

Attachment 3 - Waikato Regional Airport Limited - Draft Statement of Intent 2020/21

ANNUAL REPORT
& Consolidated Financial Statements

For the year ended 30 June 2019



WAIKATO
REGIONAL AIRPORT LTD

Item 8

Attachment 1

Contents

$1.0 Million
Underlying earnings growth

382,000
Passengers handled

8%
Annual growth in passenger numbers

Chair's Introduction

The Board and Management are pleased to report continued strong performance across the Waikato Regional Airport Limited (WRAL) Group for the 2019 financial year.

The Group's pre-tax profit grew by $0.4 million to just over $3.0m and was underpinned by a significant growth in earnings from the core aeronautical business. The underlying earnings of the Group grew by $1 million, excluding gains and losses recognised in net surplus before tax, such as revaluation of long-term investment property holdings. In addition, the Group paid a dividend for the second consecutive year.

The core aeronautical business delivered a $0.8 million increase in revenue.

This was achieved through:

- 8% passenger growth, serving a record 382,000 domestic passengers taking the total growth over the last 3 financial years to 26%;
- Re-negotiation of commercial aeronautical charges. The new charges took effect mid-way through the financial year and are expected to introduce an approximate $1.5 million increase in annual revenues for the next 3 years.

Similar levels of passenger growth are forecast for the 2020/2021 financial year as travellers respond positively to Air New Zealand's recent fare reductions as well as scheduled capacity increases. Longer term, passenger growth forecasts remain positive, giving the Airport confidence to continue to invest in customer experience enhancements.

During the 2018/2019 financial year, improved customer experience has been delivered through the carpark extension and implementation of new parking barrier and payment technology scheduled for completion by Christmas 2020.

WRAL announced a major terminal refurbishment, with early physical works commenced in June 2019. The major project works are scheduled to run into the 2021 calendar year. The investment will see a complete refresh of all public areas and customer experience improvements to ensure Hamilton Airport keeps pace with developments at other regional airports, and those of our pair cities. In addition, structural strengthening work will ensure the terminal remains compliant with building codes. A review of terminal capacity confirmed that the current infrastructure can accommodate anticipated growth in passenger numbers over the next decade, including the ability to accommodate a second airline or the introduction of mandatory security screening for all domestic travel.

The Group has also continued to advance its property strategy, as both a property developer and property investor. The vision is to provide a diversified income stream and financial resilience to the core aeronautical business through investment in non-aeronautical revenue generating assets.

Property development around the Airport has been led by Titanium Park Limited (TPL). TPL is a wholly owned subsidiary of WRAL. Two discrete developments are currently underway including the development of Stages 3 and 4 of the Central Precinct, located adjacent to the terminal carpark, and development of the 10-hectare Southern Precinct.

Businesses continue to be attracted to the Airport due to its strategic location; central to Hamilton, Cambridge, Te Awamutu and direct access to the national state highway network. In addition to affordable prices, purchasers share our vision for a strong future buoyed by Hamilton City's proposed 720 hectare Peacocke residential development, to the north of the airport, over the next decade.

Two major projects have taken place this year to enhance the future strength of industrial and commercial property development around Hamilton Airport:

- A successful private plan change application with Waipa District Council has given the WRAL Group confidence and surety around future investment decisions within the Central and Southern Precincts;
- Recognition as a transport hub as part of the Hamilton to Auckland corridor as well as a significant future hub for industry and commercial development to support growth in the immediate sub-region.

Waikato Regional Airport Hotel Limited was incorporated in April of this year, and began trading in mid-May. During the previous financial year, WRAL acquired the hotel and conference centre buildings and the right to purchase the hotel business, leasing the buildings back to the incumbent operator until settlement in May 2019.

Over the past year, WRAL undertook an exercise to appoint an operator to take the hotel forward. Jet Park Hotels, a family owned New Zealand chain, was appointed in February 2019. Jet Park will manage the transformation of the property into a Qualmark 4-star accredited Hotel. The refurbishment will go some way to addressing the shortage of 4 star plus commercial accommodation in the region.

A total investment in the hotel of up to $4.0 million has been announced by WRAL with works expected to be complete by the end of the 2019 calendar year.

Hamilton & Waikato Tourism (HWT) continued progress towards initiatives identified in the Tourism Opportunities Plan. Funding was received through three primary channels; around $1.2 million from local and regional Councils, from philanthropic grants and through partnership and sponsorship from local tourism operators. The strength of the organisation was reflected in a 20% growth in funding via these channels.

The Group has benefited from stability in the senior management team over the past year. There have been changes to subsidiary governance reflecting new Director appointments in response to the Group's Director rotation policy, and the changing needs and focus of the Group and its strategy.

At a WRAL Board level, John Spencer retired as Chairman in April of this year in accordance with the Company's Director rotation policy. John's association with the WRAL Board extended out over thirteen years, with the last six years as Chair.

Barry Harris
Chair

27 September 2019

Attachment 1

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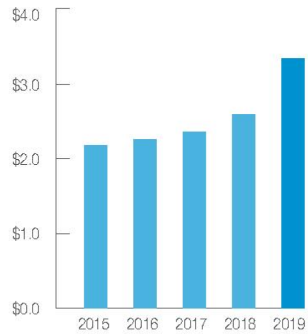
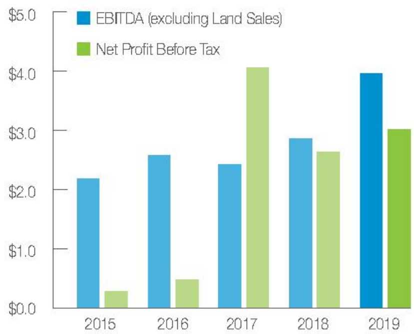
2019 Results at a glance

$m Operating Revenue

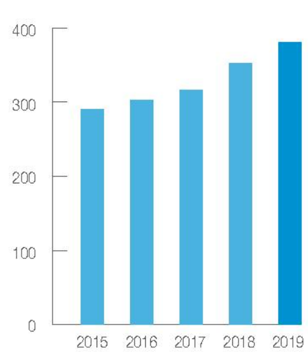
$m Aeronautical Income



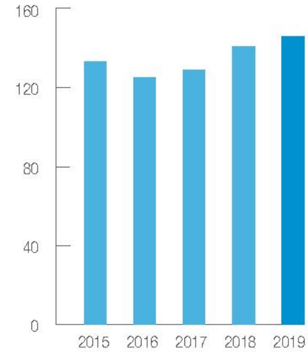
$m Profitability



'000 Passenger Activity



'000 Aircraft Movements



$m Balance Sheet

Five Year Summary

All amounts in '000s	2015	2016	2017	2018	2019
Aeronautical Income	$2,189	$2,258	$2,367	$2,595	$3,350
Operating Revenue	$6,855	$7,428	$7,635	$8,594	$10,484
EBITDA (excluding Land Sales)	$2,245	$2,587	$2,436	$2,871	$3,964
Net Profit Before Tax	$289	$490	$4,063	$2,640	$3,021
Passenger Activity	291	303	317	353	381
Aircraft Movements	133	125	129	141	146
Total Assets ('000s)	$78,543	$82,034	$103,666	$107,717	$124,220
Shareholders Funds ('000)	$59,669	$64,405	$82,757	$84,937	$97,285
Shareholders Funds Ratio	76%	79%	80%	79%	78%
Net Asset Backing per share ($)	$12.00	$12.95	$16.64	$17.08	$19.56

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Consolidated Statement of Comprehensive Revenue and Expense

Year ended 30 June 2019

		2019 $ '000	2018 $ '000
Revenue			
Operating revenue	2A	10,484	8,594
Land sales		2,575	2,242
Other gains/(losses)	2B	1,123	1,746
		14,182	12,582
Expenses			
Operating expenses		(3,903)	(3,457)
Cost of land sales		(1,573)	(1,279)
Employee benefits expense		(2,617)	(2,265)
Depreciation & amortisation	3A, 3B	(2,538)	(2,438)
Finance costs		(530)	(503)
		(11,161)	(9,942)
Net surplus/(deficit) before tax		**3,021**	**2,640**
Tax expense	4A	(692)	(260)
Net surplus/(deficit) after tax		**2,329**	**2,380**
Other comprehensive revenue & expense			
Revaluation of property, plant & equipment		11,725	-
Deferred tax		(1,455)	
Total other comprehensive revenue & expense		**10,270**	-
Total comprehensive revenue & expense		**12,599**	**2,380**

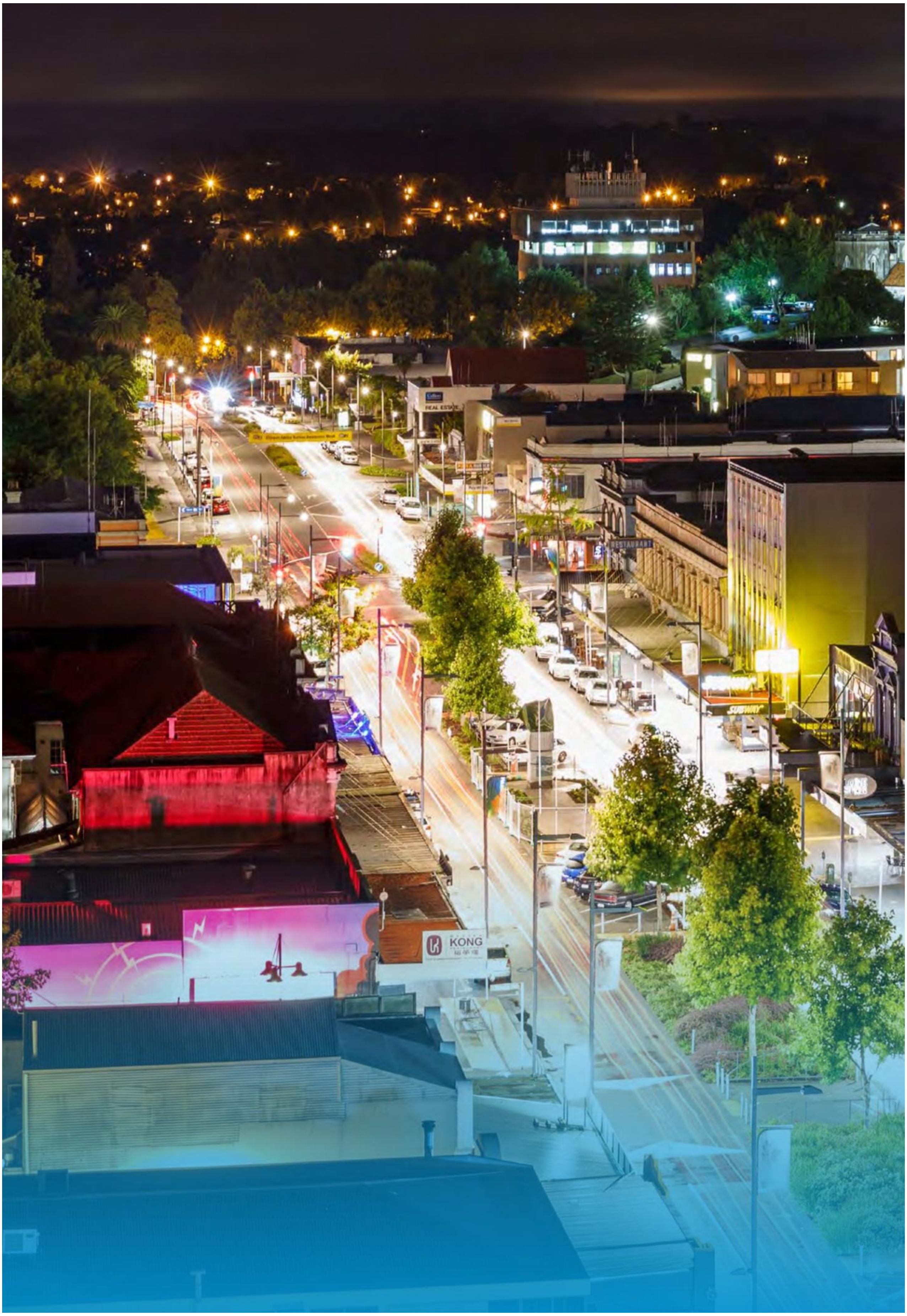
The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity

Year ended 30 June 2019

		Share Capital $ '000	Retained Earnings $ '000	Revaluation Reserves $ '000	Total $ '000
Opening Balance - 1 July 2017		14,860	20,963	46,934	82,757
Net surplus/(deficit) after tax		-	2,380	-	2,380
Other comprehensive revenue & expense		-	-	-	-
Disposal of revalued property, plant & equipment		-	49	(49)	-
Total comprehensive revenue & expense		-	2,429	(49)	2,380
Dividends paid to shareholders		-	(200)	-	(200)
Closing Balance - 30 June 2018	5A	**14,860**	**23,192**	**46,885**	**84,937**
Opening Balance - 1 July 2018		**14,860**	**23,192**	**46,885**	**84,937**
Net profit/(loss) after tax		-	2,329	-	2,329
Other comprehensive income		-	-	10,270	10,270
Disposal of revalued property, plant & equipment		-	53	(53)	-
Total comprehensive income		-	2,382	10,217	12,599
Dividends paid to shareholders		-	(250)	-	(250)
Closing Balance - 30 June 2019	5A	**14,860**	**25,323**	**57,102**	**97,285**

The accompanying notes form part of these financial statements


REAL ESTATE
KONG
RESTAURANT

Consolidated Statement of Financial Position

As at 30 June 2019

	Note	2019 $ '000	2018 $ '000
Current Assets			
Cash and cash equivalents	5B	811	22
Trade and other receivables		1,322	631
Inventories		110	92
Development property	3C	10,858	9,157
		13,101	**9,902**
Non Current Assets			
Property, plant and equipment	3A	92,830	75,397
Investment property	3D	17,132	21,456
Intangible & other non-current assets	3B	1,157	962
		111,119	**97,815**
Total Assets		**124,220**	**107,717**
Current Liabilities			
Trade and other payables	4B	3,721	1,938
Employee entitlements		382	322
Borrowings	5B	96	96
		4,199	**2,356**
Non Current Liabilities			
Borrowings	5B	14,410	13,071
Deferred tax liability	4A	8,326	7,353
		22,736	**20,424**
Total Liabilities		**26,935**	**22,780**
Net Assets		**97,285**	**84,937**
Equity			
Share capital		14,860	14,860
Retained earnings		25,323	23,192
Revaluation reserves		57,102	46,885
Total Equity	**5A**	**97,285**	**84,937**

Authorised for issue by the Board of Directors on 27 September 2019

Director

Director

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows

Year ended 30 June 2019

		2019 $ '000	2018 $ '000
Operating activities			
Receipts from operations		13,152	10,857
Payments to suppliers and employees		(6,251)	(5,716)
Payments for construction of development property		(3,198)	(1,217)
Payment of interest		(530)	(502)
Payment of income taxes		(863)	(662)
Net cash from/(used in) operations		**2,310**	**2,760**
Investing activities			
Receipts from sale of property, plant and equipment		606	721
Purchases of property, plant & equipment		(2,499)	(877)
Purchases of investment properties		(46)	(4,554)
Purchases of intangible assets		(122)	-
Acquisition of business combination		(549)	-
Net cash from/(used in) investment activities		**(2,610)**	**(4,710)**
Financing activities			
Receipts from/(repayments of) borrowings		1,339	2,114
Payments of dividends		(250)	(200)
Net cash from/(used in) financing activities		**1,089**	**1,914**
Net change in cash for the period		**789**	**(36)**
Add opening cash and cash equivalents balance		22	58
Closing cash and cash equivalents	**5B**	**811**	**22**

The accompanying notes form part of these financial statements

Attachment 1

Item 8

Notes to the Consolidated Financial Statements

Year ended 30 June 2019

Section One: About our annual report

This section of notes explains how we have prepared the financial statements and the general accounting policies we have applied. More specific policies and judgements we have made are explained in sections 2-5.

1A Reporting entity

Waikato Regional Airport Limited owns and operates Hamilton Airport. Its consolidated financial statements include the results of the Company and its wholly owned subsidiaries:

- Titanium Park Limited conducts commercial and industrial property development around the airport precinct.
- Hamilton & Waikato Tourism Limited is the Waikato region's official Regional Tourism Organisation and promotes the region as a business and leisure tourism destination both nationally and internationally.
- Waikato Regional Airport Hotel Limited commenced operating the Hamilton Airport Hotel & Conference Centre in May 2019.

1B Basis of preparation

These consolidated financial statements have been prepared to comply with:

- Companies Act 1993
- Local Government Act 2002
- Airport Authorities Act 1966

The financial statements are prepared in accordance with Generally Accepted Accounting Practice, which in the case of the Group, is the Public Benefit Entity standards for Public Sector organisations that have less than $30 million annual expenditure ("Tier 2 PBE Standards"). The Group is eligible to apply Tier 2 PBE Standards, including the Reduced Disclosure Regime as it is not publicly accountable or large.

In preparing the consolidated financial statements, transactions including revenues, expenses and loans occurring between entities and balances owing/receivable between entities at year end in the Group have been eliminated. Individual entity financial statements are adjusted if necessary to comply with the Group's accounting policies upon consolidation.

The financial statements are presented in New Zealand Dollars and rounded to the nearest thousand dollars unless otherwise stated. The Group does not routinely enter into material transactions denominated in foreign currencies.

Except as disclosed in the Notes to the Financial statements, all amounts have been recorded using the historical cost measurement basis, on the assumption the Group is a going concern. All amounts presented are shown exclusive of GST, except for amounts owing or receivable where the balance is inclusive of GST.

1C Specific Accounting Policies

Accounting policies adopted by the Group and critical estimates and judgements made in preparing these financial statements are detailed further in the accompanying notes, in addition to those outlined below.

All accounting policies have been applied consistently to both the current reported period balances and the comparative amounts, and there have been no changes in accounting policies in the current year. Certain amounts have been restated from previous periods to comply with current year presentation.

Critical estimates and judgements

In preparing financial statements that comply with Tier 2 PBE Standards, the Company has made certain estimates and judgements which have a material impact on the amounts reported, in particular the valuation of Property, Plant & Equipment (Note 3A), cost of Development Property (Note 3C); valuation of investment Property (Note 3D); recognition and measurement of assets acquired in business combinations (Note 3E); and provisions and contingencies in respect of Infrastructure Development (Note 4C).

(i) Land Sales

Revenue from sale of development property is recognised when the significant risks and rewards of ownership have passed to the purchaser. This ordinarily coincides with settlement by the purchaser. Upon recognising the sale of development property, the cost of that property is expensed to net surplus/(deficit).

(ii) Employee benefit expense & Employee entitlements

Employee benefit expense includes all salaries, wages and performance bonuses paid to staff; contributions to post-employment benefit schemes (e.g. Kiwi Saver). The Group's expense also includes PAYE income tax and other deductions made by the Group. Amounts owing to staff, and any deductions collected but not yet paid, are recognised within the Employee entitlements liability. All Employee entitlements including performance bonus schemes are expected to be settled in the next twelve months, so no discounting adjustment is made.

(iii) Finance Costs

Finance costs include interest incurred on borrowings and other similar charges. Finance costs are expensed except to the extend they relate to borrowings specifically incurred to finance construction of qualifying assets, in which case the finance costs are capitalised as part of the asset's cost. Qualifying assets typically take more than 6 months to construct. Upon completion of the asset construction, capitalisation of further finance costs ceases.

(iv) Trade and other receivables

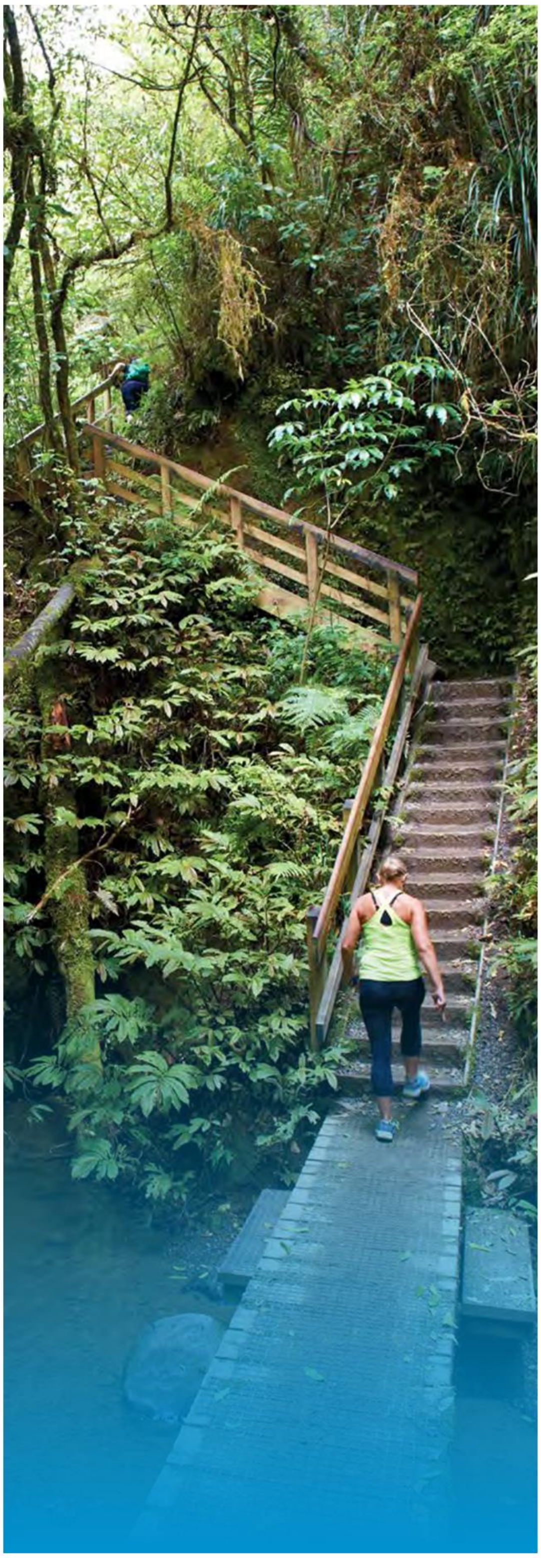
Trade and other receivables are recorded at their expected realisable value, net of an allowance for balances where collection appears doubtful. Balances receivable by the Group are not subject to any material uncertainty around collection at 30 June 2019.

(v) Inventory

Inventories include consumables for use in the Group's operations which are recorded at cost, and goods for re-sale in the Group's retail outlets which are recorded at lower of cost or net realisable value when it is identified the selling price will be less than their cost. There have been no material write downs of inventory in the current or previous period.

(vii) Impairment of non-financial assets

All assets not already recorded at fair value are reviewed for indicators of impairment when there are indicators that asset's value may not be recoverable. An impairment loss is recognised when an asset's recoverable value is less than its current carrying value. Impairment losses are recognised in net surplus/(deficit) except to the extent a loss relates to a reduction in the fair value of an asset previously revalued through the Asset Revaluation Reserve, in which case the revaluation reserve is reduced. The recoverable value of an asset is the greater of its disposal value or value in use, being its depreciated replacement cost.



Notes to the Consolidated Financial Statements

Year ended 30 June 2019

Section Two: About our performance for the year

This section provides information about how we performed for the year including how we derived our revenue and earnings, and how we performed against our Statement of Intent.

2A Operating Revenue

Operating revenue from exchange transactions is recognised when the underlying goods or services have been provided to the customer. Rental income from property leased to customers by the Group is recognised on a straight line basis over the lease term. Amounts received from customers in advance of the underlying goods or services being delivered are deferred initially and recognised as a liability.

Revenue from non-exchange transactions arise when there is no obligation to deliver goods or services directly in return to the funding provider. Revenue is only deferred if there are other substantive performance obligations yet to be met or conditions to return unspent amounts to the funding provider.

	2019 $ '000	2018 $ '000
Aeronautical, landing and passenger charges	3,350	2,595
Leases, rentals and concessions	2,160	2,014
Car parking charges	2,184	1,951
Retail trading and other	1,085	337
Total exchange revenue	**8,779**	**6,897**
Regional Tourism Organisation funding	1,705	1,697
Total non-exchange revenue	**1,705**	**1,697**
Total operating revenue	**10,484**	**8,594**

2B Other gains/(losses)

		2019 $ '000	2018 $ '000
Gain on revaluation of investment property	3D	285	1,595
Gain on disposal of property, plant and equipment	3A	838	151
		1,123	**1,746**

Attachment 1

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Notes to the Consolidated Financial Statements

Year ended 30 June 2019

2C Our performance against our financial targets set in our Statement of Intent (Our Statement of Service Performance)

	2019			2018		
	Actual $ '000	Target $ '000	Met	Actual $ '000	Target $ '000	Met
Earnings performance targets						
Net surplus/(deficit) after tax	615	127	✓	(36)	(366)	✓
Earnings before tax, interest, depreciation & amortisation (EBITDA)	3,964	3,400	✓	3,023	2,374	✓
Percentage of non-landing charges to total revenue (at least)	68%	74%	✗	85%	76%	✓
Interest coverage ratio	7.5	4.0	✓	6.0	5.0	✓
Cash flow and funding performance targets						
Net operating cash flow	2,310	1,900	✓	2,760	1,700	✓
Net investing cash flow	(2,610)	(4,300)	✓	(4,710)	(1,500)	✗
Titanium Park Limited funding	1,041	900	✗	0	0	✓
Net cash flow (operating & investing)	(300)	(1,400)	✓	(1,950)	200	✗
Net debt maximum	13,695	18,000	✓	13,145	13,000	✗

All earnings and profitability financial performance targets exclude the effect of land sales (and land cost of sales) and revaluation gains and losses recognised in net surplus/(deficit) after tax unless otherwise stated.

Due to higher than anticipated aeronautical revenues as a result of passenger growth and renegotiation of commercial charges, the Group achieved higher landing charge revenue than budgeted, when compared to non-landing charge revenues.

Titanium Park required more funding than anticipated due to timing of land sale settlements.

	2019			2018		
	Actual $ '000	Target $ '000	Met	Actual $ '000	Target $ '000	Met
Shareholder value performance targets						
Shareholder funds to total assets (at least)	78%	65%	✓	79%	76%	✓
Total liabilities/shareholders funds (better than)	22:78	35:65	✓	26:74	35:65	✓
Net profit before tax, interest and revaluations to total assets	2.8%	0.5%	✓	n/a	n/a	n/a
Net profit before tax, interest and revaluations to shareholder funds	3.6%	0.5%	✓	n/a	n/a	n/a
Net profit after tax, interest and revaluations to total assets	2.0%	0.1%	✓	n/a	n/a	n/a
Net profit after tax, interest and revaluations to total assets	2.6%	0.1%	✓	n/a	n/a	n/a

All earnings and profitability financial performance targets exclude the effect of land sales (and land cost of sales) and revaluation gains and losses recognised in net surplus/(deficit) after tax.

All financial performance target results were better than planned due to higher than forecast passenger activity driving an increase in revenues. Certain cash flow and funding key performance targets were not met due to the unbudgeted acquisition of the Hamilton Airport Hotel & Conference Centre building, but was in line with the Group's property strategy.

2D Our performance against our non-financial targets set in our Statement of Intent (Our Statement of Service Performance)

Performance Target	Comment	Met 2018	Met 2019
Facilitate health & safety meetings every 2 months with representatives from each company department.	Health & Safety committee meetings are undertaken on a monthly basis	✓	✓
Zero WorkSafe notifiable accidents/ injuries.	There were no notifiable incidents in either 2018 or 2019	✓	✓
Independently review and audit the health and safety system each year.	An independent audit of the Group's health and safety framework was undertaken and all recommendations were implemented	✓	✓
To achieve airport certification standards required by the Civil Aviation Authority (CAA) as evidenced by CAA audit reports.	The airport continues to meet all relevant CAA certification standards	✓	✓
Ensure airport is operationally available for all scheduled passenger services (except for uncontrollable events).	There have been no incidences of scheduled flights being operationally impacted by controllable events	✓	✓
Facilitate noise management meetings every 4 months in accordance with the noise management plan.	Regular meetings have been facilitated every 4 months	✓	✓
Collect, document and act (where viable) on customer feedback forms to continuously monitor and improve customer experience. Maintain a database to ensure recurring negative feedback is promptly acted upon.	A database is maintained of all feedback forms received. Feedback forms are provided to relevant departments and considered in planning for future improvement and upgrade projects.	✓	✓

Notes to the Consolidated Financial Statements

Year ended 30 June 2019

Section Three: About our assets

This section provides information about the assets we own, how much they are worth and how we value and report them on an ongoing basis.

3A Property, Plant and Equipment

Classes of Asset

Property plant and equipment comprises the following classes of assets:

- Land owned by the Group for use in its own operations or retained for strategic purposes
- Buildings owned by the Group for use in its own operations or retained for strategic purposes
- Airport infrastructure, including runways, taxiways, apron areas, reticulated systems, internal roading and carpark
- Other plant and equipment, including motor vehicles, general plant and equipment, computer & IT equipment and furnishings

Initial recognition

Items of property, plant and equipment are recognised initially at cost. Assets under construction (work in progress) are recognised at cost and are not depreciated until available for use.

Subsequent measurement

- Land is revalued to fair value determined from market based evidence of similar land.
- Buildings and Airport infrastructure are revalued on a depreciated replacement cost basis except for the Airport Hotel & Conference Centre building which is valued on a market value basis.

Valuations are undertaken when the Group estimates there has been a material change in fair value, and at least every 5 years. All valuations are undertaken by independent, professional valuers with experience in the types of assets the group owns. Telfer Young Waikato undertake land valuations (last valuation: 2019), Beca Valuations Limited undertake all building and aeronautical infrastructure (last valuations: buildings 2019, infrastructure 2016), except for the Airport Hotel & Conference Centre Hotel Buildings which are valued by James Lange LaSalle (last valuation: 2018).

Changes in fair value are recognised within Other comprehensive revenue & expense except where a revaluation results in a carrying value below the asset's cost, in which case decreases below cost are recognised in net surplus/(deficit) for the period.

Depreciation

Except for land, the cost or valuation of all items of property, plant and equipment are depreciated over their estimated useful lives on a straight line basis

- Buildings - 4-59 years
- Airport infrastructure - 4-79 years
- Other plant and equipment - 2-50 years

Disposals

Upon disposal of an asset, any gain or loss arising between the disposal proceeds and carrying value is recognised in net surplus/(deficit). Any revaluation reserve attributable to the asset is transferred directly to retained earnings.

Attachment 1

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3A Property, Plant and Equipment (continued)

	Land	Buildings	Airport Infrastructure	Other Plant & Equipment	Total
	$ '000	$ '000	$ '000	$ '000	$ '000
Cost/Valuation					
Cost/Valuation at 1 July 2017	36,670	18,795	22,499	4,571	82,535
Additions	54	69	166	554	843
Disposals	(518)	-	-	(173)	(691)
Revaluation	-	-	-	-	-
Cost/Valuation at 30 June 2018	36,206	18,864	22,665	4,952	82,687
Cost/Valuation at 1 July 2018	36,206	18,864	22,665	4,952	82,687
Additions	3,448	3,501	935	1,138	9,022
Disposals	(978)	-	-	(13)	(991)
Revaluation	6,530	4,077	-	-	10,607
Cost/Valuation at 30 June 2019	45,206	26,442	23,600	6,077	101,325
Depreciation					
Accumulated Depreciation 1 July 2017	-	(393)	(1,491)	(3,302)	(5,186)
Depreciation Expense	-	(395)	(1,527)	(349)	(2,271)
Disposals	-	-	-	167	167
Revaluation	-	-	-	-	-
Accumulated Depreciation 30 June 2018	-	(788)	(3,018)	(3,484)	(7,290)
Accumulated Depreciation 1 July 2018	-	(788)	(3,018)	(3,484)	(7,290)
Depreciation Expense	-	(397)	(1,574)	(367)	(2,338)
Disposals	-	-	-	13	13
Revaluation	-	1,120	-	-	1,120
Accumulated Depreciation 30 June 2019	-	(65)	(4,592)	(3,838)	(8,495)
Carrying Value					
30 June 2018	36,206	18,076	19,647	1,468	75,397
30 June 2019	**45,206**	**26,377**	**19,008**	**2,239**	**92,830**

At 30 June 2019, airport infrastructure of $252,000 (2018: $78,000), other plant & equipment $401,000 (2018: $140,000) and buildings of $500,000 (2018: $21,000) remained under construction and were not in use or depreciated.

Included in additions for the year ended 30 June 2019 is $2,855,000 of buildings and $1,800,000 of land re-classified from Investment property. Additions also include $205,000 of Other plant & equipment acquired under the Airport Hotel & Conference Centre business combination. More detail is given in Note 3E.

Additions of land for the year ended 30 June 2019 also include $423,000 of land reclassified from development property (2018: $0).

3B Intangible and other assets

Intangible and other assets comprise:

- Aeronautical designations are consents issued by local authorities that provide regulatory protection for the Group to undertake activities such as extend the airport runway and install approach lighting on neighbouring properties. Assets are recognised initially at the cost obtaining consent from the local authorities, and amortised on a straight line basis over the period of the consents which are between 10 and 15 years (between 2 and 7 years remaining).
- Other intangibles have arisen primarily from the acquisition of the Hamilton Airport Hotel & Conference Centre business. They reflect the benefit to the Group of acquiring the hotel with standing contracts and forward bookings from customers and are amortised on a straight line basis over the length of the remaining lives of the contracts which are normally up to 3 years. During the year ended 30 June 2019 $272,000 of other intangible assets were recognised in the business combination transaction.
- Other assets that are recognised initially at the cost of acquisition and amortised on a straight line basis over the expected life of the underlying asset.

	Designations $ '000	Other Intangibles $ '000	Other Assets $ '000	Total $ '000
Cost				
Cost at 1 July 2017	1,394	-	184	1,578
Additions	-	-	-	-
Disposals	-	-	-	-
Cost at 30 June 2018	1,394	-	184	1,578
Cost at 1 July 2018	1,394	-	184	1,578
Additions	-	394	-	394
Disposals	-	-	-	-
Cost at 30 June 2019	1,394	394	184	1,972
Amortisation				
Accumulated Amortisation 1 July 2017	(332)	-	(110)	(442)
Amortisation Expense	(165)	-	(9)	(174)
Disposals	-	-	-	-
Accumulated Amortisation 30 June 2018	(497)	-	(119)	(616)
Accumulated Amortisation 1 July 2018	(497)	-	(119)	(616)
Amortisation Expense	(163)	(27)	(9)	(199)
Disposals	-	-	-	-
Accumulated Amortisation 30 June 2019	(660)	(27)	(128)	(815)
Carrying Value				
30 June 2018	897	-	65	962
30 June 2019	**734**	**367**	**56**	**1,157**

3C Development Property

The Group, through its subsidiary Titanium Park Limited, undertakes the development of commercial and industrial property for sale. Land held by the Group for development is recognised initially at cost, or carrying value on the date it is designated for development if previously held as Investment property, or Property, plant and equipment. The balance of Development Property includes the costs of land plus costs such as roading and utilities infrastructure as well as consents from regulatory authorities needed to develop subdivisions and interest capitalised on borrowings used to finance development.

Development property is carried at the lower of its cost or its fair value less cost to sell. Fair value less cost to sell is determined by the Group based on contracted future sales prices, and estimates of market value of land not committed to future sale, taking into account sales activity of comparable properties and typical costs incurred in completing sales.

	2019 $ '000	2018 $ '000
Opening balance	9,157	9,219
Development costs capitalised	3,666	1,217
Reclassification to property, plant and equipment	(392)	-
Less cost of development property sold	(1,573)	(1,279)
	10,858	**9,157**

At 30 June 2019, the Group has 24.6 hectares (2018: 27.5 hectares) available for development and sale.

3D Investment property

Investment properties are land and buildings owned by the Group and held for capital appreciation, or primarily for earning rental income under operating leases. Investment properties are recognised initially at cost then subsequently measured to fair value annually, with changes recognised in net surplus/(deficit).

Fair value is determined by independent, professional valuers Telfer Young Waikato who have experience in the type of Investment properties owned by the Group. Valuations are derived from comparable market data for similar properties. In the case of the Hamilton Airport Hotel & Conference Centre building, no comparable market data existed at 30 June 2018. Specialist hotel valuers James Lange LaSalle valued the property based on estimates of future cash flows and rates of return typical of leasehold investments in hotels. During the year ended 30 June 2019, the building was reclassified to Property, plant & equipment.

	2019 $ '000	2018 $ '000
Opening balance	21,456	15,307
Acquisitions & additions	46	4,554
Redesignation of investment property	(4,655)	-
Changes in fair value	285	1,595
	17,132	**21,456**

During the year ended 30 June 2019, $4,655,000 of investment property was redesignated as property, plant and equipment due to it now being occupied by the Group.

3E Business Combination

On 13 May 2019, the Group completed the acquisition of the Hamilton Airport Hotel & Conference Centre business via its wholly owned subsidiary Waikato Regional Airport Hotel Limited. The Group owned the land on which the Hotel was situated and acquired the buildings during the 2018 Financial Year. Jet Park Hotels have been appointed by the Group to manage the hotel, however the Group consolidates the results of the hotel due to the Group being the sole shareholder and ultimate decision maker of the hotel business, including having the ability to appoint and remove the Manager.

The Group employed all existing staff and acquired the following assets/(liabilities) at their fair values:

	2019 $ '000
Property, plant and equipment	205
Intangible assets	272
Inventories	18
Deferred tax asset arising on acquisition	59
Employee entitlements	(5)
Fair value of acquired assets and liabilities	**549**

As the consideration paid equalled fair value of assets and liabilities acquired, no goodwill arose on acquisition.

The Group incorporated Waikato Regional Airport Hotel Limited on 9 April 2019 and consolidated this entity for the 3 month period up to 30 June 2019. As the hotel business was acquired on 13 May 2019, the entity only actively traded for 7 weeks of the year during which time it contributed ($200,000) to the Group's net surplus before tax.

Attachment 1

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Notes to the Consolidated Financial Statements

Year ended 30 June 2019

Section Four: About our obligations and commitments

This section details the future liabilities and commitments we have, and how we have measured and calculated them.

4A Income Tax

Income tax is recognised in net surplus/(deficit) except to the extent it relates to items recognised in equity. Income tax expense or the period comprises current tax and deferred tax. Current tax is the estimated income tax payable based on the current period taxable income, plus any adjustments to income tax payable in respect to prior periods.

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

Income Tax Expense		**2019 $ '000**		**2018 $ '000**
Net surplus/(deficit) before tax		3,021		2,640
Income tax at Group's tax rate	28.0%	(846)	28.0%	(739)
Effect of tax exempt income	(3.6%)	109	(18.6%)	492
Effect of expenditure non-deductible for tax purposes	13.4%	(404)	15.9%	(420)
Adjustments in respect of prior periods	(0.9%)	26	0.8%	(20)
Current tax expense	36.9%	(1,115)	26.0%	(688)
Effect of temporary differences (deferred tax expense)	(14.0%)	423	(16.2%)	428
Total tax expense	**22.9%**	**(692)**	**9.8%**	**(260)**

Movement in Deferred Tax Assets/(Liabilities)	**1 July 2017**	**Recognised in Surplus**	**Recognised in OCRE**	**Business Combination**	**30 June 2018**
Property, plant and equipment	(7,814)	421	-	-	(7,393)
Employee entitlements	26	2	-	-	28
Other	7	5	-	-	12
	(7,781)	**428**	**-**	**-**	**(7,353)**

	1 July 2018	**Recognised in Surplus**	**Recognised in OCRE**	**Business Combination**	**30 June 2019**
Property, plant and equipment	(7,393)	392	(1,455)	54	(8,402)
Employee entitlements	28	(7)	-	-	21
Other	12	38	-	5	55
	(7,353)	**423**	**(1,455)**	**59**	**(8,326)**

4B Trade and other payables

Trade and other payables are recorded initially at their fair value. All amounts are interest free, and expected to be settled in the next accounting period.

		2019 $ '000	2018 $ '000
Trade payables and accrued expenses		1,892	1,048
Provisions	4C	632	632
Revenue received in advance		714	26
Income tax payable		483	232
		3,721	**1,938**

4C Infrastructure Development

Due to the nature of property development undertaken by the Group via its subsidiary Titanium Park Limited, the Group has a number of actual and potential future obligations to construct (or contribute to the construction of) water supply and reticulation, waste water facilities and roading infrastructure around the Hamilton Airport precinct.

Provisions are recognised at the Group's best estimate of future costs in relation to commitments where a present obligation has arisen, discounted for the expected timing of the construction or contribution being made. The initial cost of a provision is capitalised as part of the asset to which it relates with subsequent changes in the provision due to discounting reflected in net surplus/(deficit).

Contingent liabilities are recognised where there is less certainty about the timing, amount or likelihood of a future commitment, and when no present obligation exists. The Group's best estimate of the potential future commitment is disclosed where practicable, but not included within its balance sheet.

Provisions	2019 $ '000	2018 $ '000
Opening balance	632	632
Additional obligations and commitments capitalised	-	-
Other changes recognised in net surplus/(deficit)	-	-
	632	**632**

Contingent liabilities	2019 $ '000	2018 $ '000
Waipa District Council - water supply upgrade contribution	502	502
NZTA State Highway 21 - intersection upgrade contribution	unknown	unknown

The estimate of costs in relation to the NZTA State Highway 21 Intersection cannot be reliably estimated as the eventual intersection design is dependent on future traffic flow and generation which are outside the control of the Group.

4D Commitments

At 30 June 2019, the Group had capital commitments of $1,071,000

4E Events subsequent to balance date

During July 2019, the Group entered into an agreement to acquire the Mavis Aero Lounge Café situated in the airport terminal.

Notes to the Consolidated Financial Statements

Year ended 30 June 2019

Section Five: About how we are funded and our shareholder value

This section gives information about our shareholders including their shareholdings and how their interest in the Group has grown in value.

5A Equity

Share Capital

The shareholding of Waikato Regional Airport Limited at 30 June 2019 was:

	Ordinary Shares	Percentage
Hamilton City Council	2,486,752	50.0%
Waipa District Council	777,110	15.6%
Waikato District Council	777,110	15.6%
Matamata Piako District Council	777,110	15.6%
Otorohanga District Council	155,422	3.2%
	4,973,504	**100.0%**

There were no changes in shareholding during the year (2018: none). All shares are fully paid and carry equal rights to vote and share the net assets of the Parent Company. The shares have no par value, nor any fixed dividend rights.

Asset Revaluation Reserve

The accumulated, unrealised gains in asset revaluation are accumulated in the Asset revaluation reserve and are attributable the following asset classes:

	2019 $ '000	2018 $ '000
Land	34,712	28,235
Buildings	7,832	4,092
Airport Infrastructure	14,558	14,558
	57,102	**46,885**

5B Cash and Borrowings

Cash and cash equivalents comprise cash on hand and bank accounts held with reputable retail banks in New Zealand. This balance also includes overdraft facilities used for working capital purposes and set off facilities between account balances among Group entities.

Borrowings are longer term debt facilities held with retail banks in New Zealand used to finance capital and investment requirements.

Borrowings	2019 $ '000	2018 $ '000
Current portion - due within 12 months	96	96
Non-current portion - due between 12 and 24 months	12,671	96
Non-current portion - due between 24 and 36 months	1,739	12,975
Total drawn borrowing facilities	**14,506**	**13,167**
Undrawn bank overdraft facilities	1,050	1,050
Undrawn term borrowing facilities	6,494	4,810
Total unutilised borrowing and overdraft facilities	**7,544**	**5,860**

The weighted average interest rate on borrowings at year end was 4.07% (2018: 4.17%). All borrowings and overdraft facilities are held with the Bank of New Zealand and are secured by way of a general security agreement and mortgages over certain land, buildings, investment properties.

Notes to the Consolidated Financial Statements

Year ended 30 June 2019

Section Six: Corporate Governance and Management

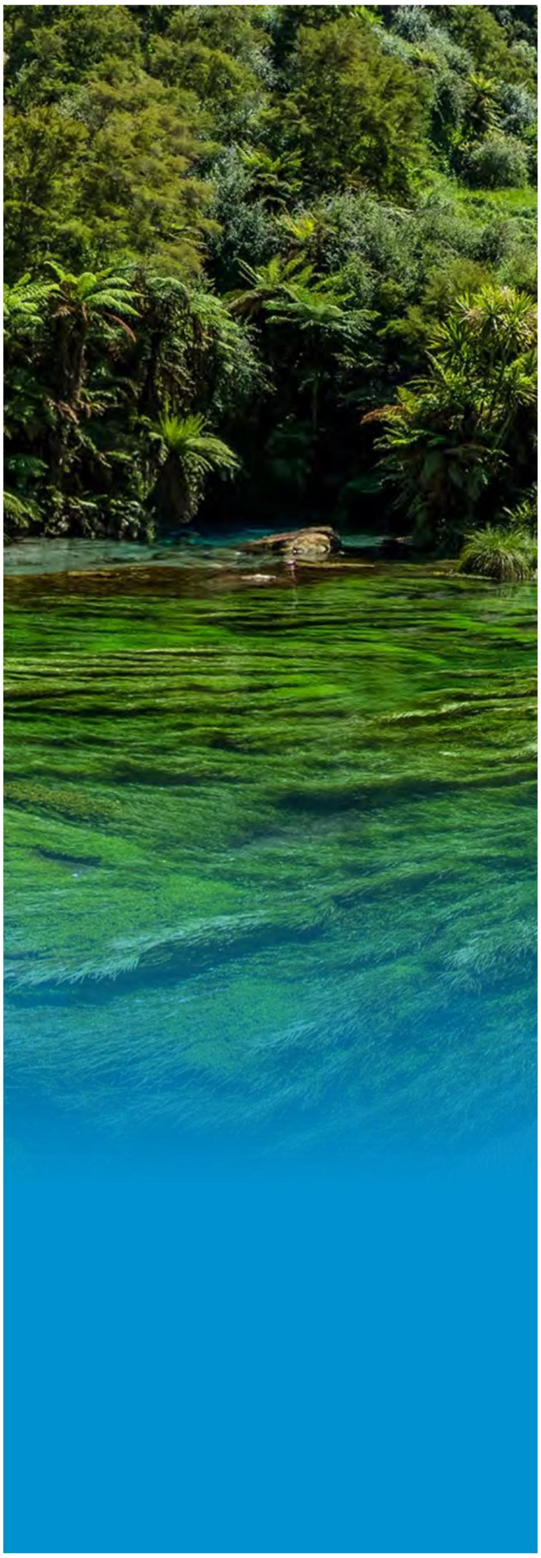
Section Six provides details about remuneration provided to the Group's Directors and Key Management Personnel, as well as details of transactions that took place with related parties

6A Related parties

The following transactions took place with entities and individuals related to the Group

	2019 $ '000	2018 $ '000
Remuneration		
Directors	219	259
Number of directors	11	12
Key management personnel	1,001	831
Number of personnel (full time equivalent)	6	5
Other		
Transactions in which directors declared an interest	199	169

Transactions carried out between the Group and its related parties arise from interests declared by directors. These transactions were for purchases of IT-related goods and services in the normal course of the Group's business.



Attachment 1

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6B Directors Holding Office

Directors Holding Office	Director Fees 2019 $ '000	2018 $ '000
Waikato Regional Airport Limited		
John Spencer CNZM (Chair, resigned 30 April 2019)	38	45
Barry Harris (Chair, appointed 1 March 2019)	13	-
Annabel Cotton	30	30
Carlos Da Silva	30	30
Margaret Devlin	30	30
Titanium Park Limited		
Margaret Devlin (Chair) - (2019: 4 months)	6	18
Carlos Da Silva - (2019: 4 months)	6	18
Graham Dwyer - (2019: 4 months)	6	18
Waikato Regional Airport Hotel Limited (incorporated 9 April 2019: 3 months)		
John Spencer CNZM (Chair, resigned 30 April 2019)	-	-
Barry Harris (Chair)	-	-
Annabel Cotton	-	-
Carlos Da Silva	-	-
Margaret Devlin	-	-
Hamilton & Waikato Tourism		
Annabel Cotton - Chair	18	18
Simon Douglas	12	12
Steven Gow (appointed January 2019)	6	-
Richard Leggat (appointed January 2019)	6	-
Mark Morgan	-	-
Malcolm Phillips (resigned May 2018)	-	11
Don Scarlet (retired December 2018)	6	12
Karleen Turner Puriri	12	12

From 1 November 2018, the Directors of the Parent Company (WRAL) became the Directors of Titanium Park Limited under a common Board of Directors. From this point forward, the Directors were no longer separately remunerated by Titanium Park Limited. The common Board of Directors also included Waikato Regional Airport Hotel Limited from April 2019; the Directors receive no separate remuneration from this entity.

In addition to Director Fees paid, Margaret Devlin received payment for other advisory services of $8,000 (2018: nil) and Graham Dwyer $41,000 (2018: $24,000). Annabel Cotton received $5,000 (2018: $5,000) for Chairing the Group's Audit & Risk Committee.

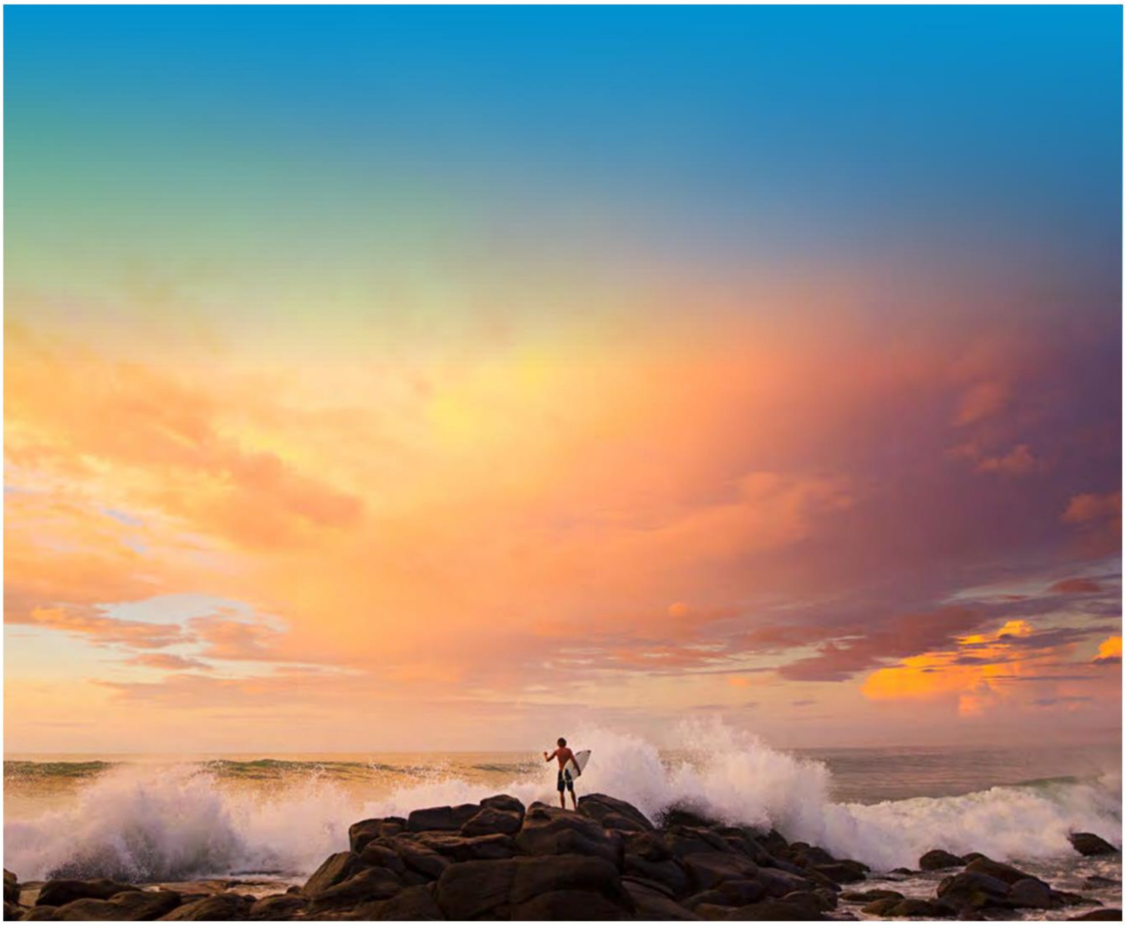
6C Employee Remuneration

The numbers of employees outlined below received remuneration including salaries and performance bonuses exceeding $100,000:

	2019	2018
$330,000-$339,999	1	-
$290,000-$299,999	-	1
$190,000-$199,999	1	1
$170,000-$179,999	1	-
$160,000-$169,999	-	1
$140,000-$149,999	1	-
$100,000-$109,999	1	-

6D Auditor

Pursuant to the Local Government Act 2002, Audit New Zealand is the auditor of the Group on behalf of the Auditor General. Audit New Zealand were paid $109,000 for the audit of the Group and subsidiary financial statements (2018: $89,000).



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Waikato Regional Airport Limited Group's financial statements and performance information for the year ended 30 June 2019

The Auditor-General is the auditor of Waikato Regional Airport Limited Group (the Group). 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 the performance information of the Group on his behalf.

Opinion

We have audited:

- the financial statements of the Group on pages 5 to 27, that comprise the statement of financial position as at 30 June 2019, the statement of comprehensive revenue and expense, 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 information of the Group on pages 14 to 16.

In our opinion:

- the financial statements of the Group on pages 5 to 27:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2019; 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 the Public Benefit Entity Reporting Standards Reduced Disclosure Regime; and
- the performance information of the Group on pages 14 to 16 presents fairly, in all material respects, the Group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Group's objectives, for the year ended 30 June 2019.

Our audit was completed on 30 September 2019. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

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 information

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

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

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Group for assessing the Group'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 there is an intention to liquidate the Group or to cease operations, or there is 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 information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, 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 information.

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

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 information, 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 the 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 Group'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 information within the Group's framework for reporting 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 Group'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 information 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 Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information 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 in 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 4 and 32, but does not include the financial statements and performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information 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 information, 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 information 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 Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): *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 Group.

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

Attachment 1

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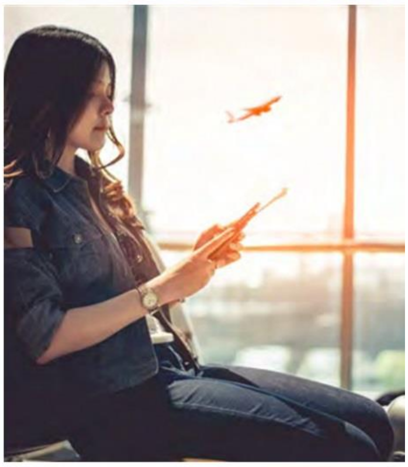
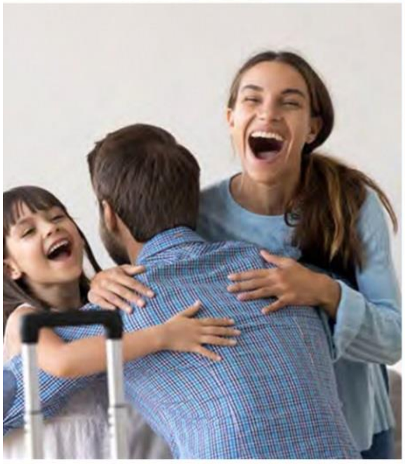
Corporate Directory

Directors	Barry Harris (Chairman) Annabel Cotton Carlos Da Silva Margaret Devlin John Spencer (retired April 2019)
Registered Office	Hamilton Airport Terminal Airport Road RD2 Hamilton 3282
Telephone	07 848 9027
Website	www.hamiltonairport.co.nz
Social Media	Facebook Instagram Linkedin
Bankers	Bank of New Zealand
Solicitors	Ellice Tanner Hart
Auditors (on behalf of the Auditor General)	Audit New Zealand

Item 8

Attachment 1





Hamilton Airport

NTERIM REPORT

AIKATO REGIONAL AIRPORT LIMITED
OR THE SIX MONTHS ENDED 31 DECEMBER 2019

CHIEF EXECUTIVE'S REPORT

KEY RESULTS AT A GLANCE

+ 8%	Passenger Volume - 207,000 Growth of 16,000
- 9%	Aircraft movements - 61,000 Decrease of 6,000
+44%	Operating revenue - $6.7m Growth of $2.1m
+20%	EBITDA excluding land sales - $2.1m Growth of $0.4m
+16.7%	Total shareholder funds - $99.7m Growth of $14.2m

* Growth is measured compared to the six months ended 31 December 2019

COMMENTARY

The six-month period to 31 December 2019 ended with year-on-year growth across all aspects of Group operations. This included a $2.1m increase in recurring operating revenue with even contributions from the core aeronautical business and new subsidiary; Waikato Regional Airport Hotel Limited.

Increases in Group operating expenditure, personnel costs and depreciation charges were incurred due to the addition of new subsidiary Waikato Regional Airport Hotel Limited with approximately $0.3m of non-recurring costs attributable to start-up expenses; a component of our total investment into the venture.

New commercial charges for both airline operators and general aviation tenants took full effect during the period, bolstering aeronautical earnings. The full year benefit of the new charges will be approximately $1.5m, delivering a fair market return on our aeronautical assets.

Aeronautical earnings were further strengthened by 8% year-on-year passenger growth, resulting in revenue increases across landing charges, car parking and retail. Indicators remain positive for aeronautical performance for the remainder of the June 2020 financial year. Beyond this timeframe we expect to see a flattening of the market due to constraints in aircraft availability following the additional market opportunities created by the withdrawal of Jetstar regional services.

A year-on-year decrease in aircraft movements resulted from decreased activity by L3 CTS Airline Academy and Waikato Aviation, following an exceptionally high number of movements in 2018 (up 11% on 2017).

The Group celebrated two significant achievements in its 10-year property strategy during the last six months. Firstly, the construction of Titanium Park's Southern Precinct, resulting in the settlement of $5.9m of land sales and yielding almost $2.4m in gross margin. Construction of the second stage of this precinct, and the fourth stage of the Central Precinct will commence in the second half of the year to service a pipeline of $5.0m further land sales scheduled to settle during the following financial year.

Secondly, Titanium Park secured its first lease-build property investment, which sees TPL starting the evolution from property development to property investment. Construction of the building, to be situated on a 1-hectare site on Southern Precinct, will commence in the second half of this financial year with the tenant due to move in in October 2020.

Aside from property development, the Group continues to invest across the Airport Precinct. The $4.2m capital expenditure in the period included a $3.2m investment into the upgrade and refurbishment of the airport hotel and conference centre and reinvestment in aeronautical infrastructure; primarily major upgrades to rescue fire infrastructure. The hotel capital works culminated in the property being accredited by Qualmark as a 4 Star hotel in December 2019 and earning a Qualmark Silver environmental accreditation in the process. Despite the disruption caused by refurbishment works resulting in some additional unbudgeted costs, the achievement of the 4 Star rating is expected to bolster earnings in the second half of the financial year.

The capital works programme for the six months to June 2020 will be dominated by the commencement of the terminal refurbishment and resilience project running through to mid-late 2021. Architectural plans are due to be finalised by February 2020 and lead construction contractors and key subcontractors will be appointed in late March 2020.

Hamilton & Waikato Tourism continue to make good progress on advancing the Tourism Opportunities Plan for the region, which has included delivery of two of the five game-changers.

Despite the softening of international visitor arrivals, the region continues to perform well as a leisure and business events destination, maintaining New Zealand's fourth largest convention and meetings market share, and third largest for domestic tourism.

A key focus for this year has been the activation of the Regional Major Events Strategy. HWT has been working with a new funding partner as it seeks to build capability as an organisation that will coordinate bids for the region in order to secure new major national and international events in our off-peak season, as well as grow the economic value of existing events such as the Hamilton Garden Arts Festival and Balloons Over Waikato.

Mark Morgan - Chief Executive

FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income & Expense

For the six month period ended 31 December 2019

	2019 $ '000	2018 $ '000
Revenue		
Operating revenue	6,751	4,678
Land sales	5,875	1,121
Other gains/(losses)	1,096	75
	13,722	5,874
Expenses		
Operating expenses	(2,740)	(1,752)
Cost of land sales	(3,500)	(812)
Employee benefits expense	(1,927)	(1,191)
Depreciation & amortisation	(1,602)	(1,234)
Finance costs	(299)	(263)
	(10,068)	(5,252)
Net surplus/(deficit) before tax	**3,654**	**622**
Tax expense	(923)	(193)
Net surplus/(deficit) after tax	**2,731**	**429**
Other comprehensive revenue & expense		
Revaluation of property, plant & equipment	-	-
Deferred tax	-	
Total other comprehensive revenue & expense	**-**	**-**
Total comprehensive revenue & expense	**2,731**	**429**

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

Hamilton Airport

FINANCIAL STATEMENTS

Consolidated Statement of Changes in Equity

For the six month period ended 31 December 2019

	Share Capital $ '000	Retained Earnings $ '000	Revaluation Reserves $ '000	Total $ '000
Opening Balance - 1 July 2018	14,860	23,573	46,842	85,275
Net surplus/(deficit) after tax	-	429	-	429
Other comprehensive revenue & expense	-	-	-	-
Disposal of revalued property, plant & equipment	-	-	-	-
Total comprehensive revenue & expense	-	429	-	429
Dividends paid to shareholder	-	(250)	-	(250)
Closing Balance - 31 December 2018	**14,860**	**23,572**	**46,842**	**85,454**
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	-	-	-	-
Disposal of revalued property, plant & equipment	-	-	-	-
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**

Hamilton Airport

Consolidated Statement of Financial Position

As at 31 December 2019

	2019 $ '000	2018 $ '000
Current Assets		
Cash and cash equivalents	390	56
Trade and other receivables	1,228	684
Inventories	427	95
Development property	8,262	9,220
	10,307	**10,055**
Non Current Assets		
Property, plant and equipment	95,028	74,477
Investment property	18,942	21,503
Intangible & other non-current assets	1,566	874
	115,536	**96,854**
Total Assets	**125,843**	**106,909**
Current Liabilities		
Trade and other payables	3,717	1,262
Income received in advance	440	137
Employee entitlements	284	230
Borrowings	48	48
	4,489	**1,677**
Non Current Liabilities		
Borrowings	13,168	12,632
Deferred tax liability	8,472	7,326
	21,640	**19,958**
Total Liabilities	**26,129**	**21,635**
Net Assets	**99,714**	**85,274**
Equity		
Share capital	14,860	14,860
Retained earnings	27,752	23,572
Revaluation reserves	57,102	46,842
Total Equity	**99,714**	**85,274**

FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows

For the six months ended at 31 December 2019

	2019 $ '000	2018 $ '000
Operating activities		
Receipts from operations	12,254	5,799
Payments to suppliers and employees	(4,707)	(3,661)
Payments for construction of development property	(1,022)	(832)
Payment of interest	(292)	(263)
Payment of income taxes	(812)	(452)
Net cash from/(used in) operations	**5,421**	**591**
Investing activities		
Receipts from sale of property, plant and equipment	4	606
Purchases of property, plant & equipment	(3,756)	(314)
Purchases of investment properties	-	(46)
Purchases of intangible assets	-	-
Acquisition of business	(500)	-
Net cash from/(used in) investment activities	**(4,252)**	**246**
Financing activities		
Receipts from/(repayments of) borrowings	(1,290)	(565)
Payments of dividends	(300)	(250)
Net cash from/(used in) financing activities	**(1,590)**	**(815)**
Net change in cash for the period	**(421)**	**34**
Add opening cash and cash equivalents balance	811	22
Closing cash and cash equivalents	**390**	**56**

PERFORMANCE REPORTING

Performance against Statement of Intent

For the six months ended 31 December 2019

	SOI 30/06/2020	Actual 31/12/2019	Forecast 30/06/2020
Financial Targets			
EBITDA excluding Land Sales	4,000	2,084	4,468
EBITDA including Land Sales	6,000	4,459	6,843
Net Profit after Tax	1,200	2,731	1,857
Net Operating Cash Flow	2,500	568	2,960
Total Debt	25,000	13,168	16,480
Total Liabilities to Shareholders Funds	35:65	26:74	27:73
Net Profit after Tax to Shareholders Funds	1.0%	2.7%	1.9%
Net Profit after Tax to Total Assets	1.3%	2.2%	1.5%
Percentage of non-landing charge revenue (minimum)	60%	67%	68%
Land sales of at least	7,000	5,875	5,875
Interest cover of at least	4.0	7.0	6.4

The group has a number of non-financial performance targets covering across the range of activities the group undertakes. At 31 December 2019, the Group was on track to meet, and expects to meet all measures for the year ended 30 June 2020.

Hamilton Airport

Item 8

Attachment 2


WWW.HAMILTONAIRPORT.CO.NZ
Instagram

Hamilton Airport

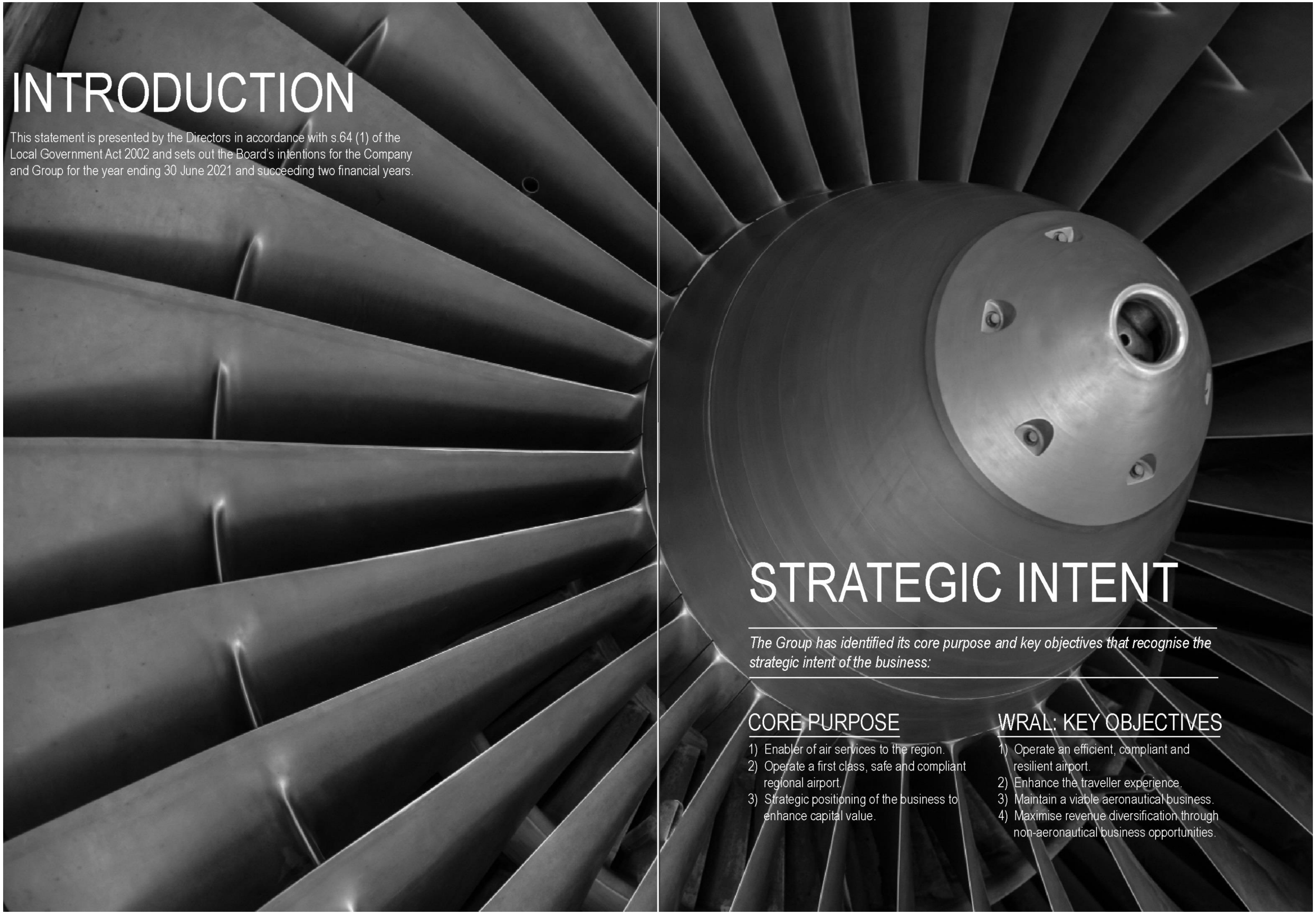
Item 8

Attachment 3

WAIKATO REGIONAL AIRPORT LIMITED

GROUP STATEMENT OF INTENT 2020/2021

(Draft Feb 2020)



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 2021 and succeeding two financial years.

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 and compliant regional airport.
3) Strategic positioning of the business to enhance capital value.

WRAL: KEY OBJECTIVES

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.

KEY OBJECTIVES OF THE GROUP:

The Group incorporates 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 financial growth targets and customer satisfaction targets.
7) Marketing the Hamilton & Waikato region as a visitor destination to international and 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 safe, secure and compliant 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.
Identify opportunities to develop new, and expand existing passenger services.

Promote development and growth of the general aviation sector.

Develop or 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 for private, corporate and medical aircraft.

Remain collaboarative with local authorities and governmentagencies 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 surplus airport-owned land in a planned and co-ordinated approach.

Land sales and property development are always subject to volatility dependent on regional and national economic conditions. Therefore, this presents a degree of risk for the Group that will be carefully managed through the staged precinct developments of Titanium Park.

In conjunction with the hotel manager, maximise the utilisation and earnings of the recently acquired and upgraded airport hotel business.

5) Ensure appropriate internal and external resource to enable a commercially driven and high performing organisation
Knowledgeable and capable, high performing and appropriately resourced management team to ensure sound reporting and accountability, and delivery of the strategic plan.

6) Key capital and investment projects and initiatives for the year ending 30 June 2021.
Complete an upgrade of the airport terminal to ensure the terminal meets all regulatory requirements, remains fit for purpose and responsive to growing domestic passenger traffic.

Development and improvement of roading and under ground services infrastructure on the eastern side of the airport precinct to ensure the Group can continue to develop Titanium Park and the terminal is serviced by modern infrastructure that is optimal to forecasted needs.

Upgrade and refurbishment of the Airport Hotel and Conference Centre property to a Qualmark 4 Star standard.

Having now finalised a masterplan for Titanium Park's proposed Northern Precinct development (current site of the WRAL Farm), prepare a private plan change submission to Waipa District Council to future proof development options.

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 wi legislation.
- Identify and recognise Shareholders' expectations, within the boun 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.

	YEAR ENDING 30 JUNE		
Based on the Group forecasts	**2021**	**2022**	**2023**
Earnings before interest, taxation and depreciation (EBITDA) but excluding land sales *of at least*	\$5.5m	\$5.8m	\$6.1m
EBITDA including land sales *of at least*	\$8.0m	6.5m	\$6.9m
Net profit after tax *of no less than*	\$3.0m	\$2.0m	\$2.2m
Net operating cash flow (excluding land sales)	\$3.0m	\$3.0m	\$3.0m
Total debt, excluding funding for design-build properties, *not exceeding*	\$25.0m	\$25.0m	\$25.0m
Total liabilities/shareholders' funds (debt/equity ratio) *a maximum of*	35:65	35:65	35:65
Net profit after tax to total shareholders' funds	2.5%	1.8%	1.8%
Net profit after tax to total assets	1.3%	1.3%	1.7%
Percentage of non-landing charges revenue *of at least*	60%	60%	60%
Land sales *of at least*	\$6.0m	\$1.5m	\$1.5m
Interest cover *of at least*	4.0x	4.0x	4.0x
(The interest cover measures the number of times the net profit before interest, tax and depreciation (EBITDA) covers interest paid on debt)			

Item 8

Attachment 3

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 4th Stage of Titanium Park's Central Precinct and 2nd Stage of Southern Precinct.
	Prepare a private plan change submission to Waipa District Council in relation to the future Northern Precinct Development.
	Complete construction of Titanium Park's first design-build property on Southern Precinct.
	Tourism (Hamilton & Waikato Tourism Limited)
	Achieve 5% growth in visitor nights and visitor expenditure (as measured by key MBIE Tourism statistics).
	Hotel operation
	Achieve growth in key 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 2021 and suceeding two years are those as adopted in the 2019 Annual Report prepared under Tier 2 of the 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
WRAL Directors will review any proposal for payment of a dividend based on the forecast Cash Flow and the results of the previous year on an annual basis.

Information to be provided to Shareholders
The Annual Report of the Company and 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 2019 shows shareholder equity of $97m based on recent independent valuations of the Group's property, plant and equipment and investment properties. The Group forecasts its 30 June 2020 shareholder equity on the same basis to be $100m.

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

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

(a)
the acquisition of, or an agreement to acquire (whether contingent or not), assets the value of which is more than 10% of the value of the Company's assets before the acquisition; or

(b)
the disposal of, or an agreement to dispose of (whether contingent or not), assets the value of which is more than 10% of the value of the Company's assets before the acquisition; or

(c)
a transaction which has or is likely to have the effect of the Company acquiring rights or interests or incurring obligations or liabilities, the value of which is more than 10% of the value of the company's assets before the transaction;

Health & Safety and Wellbeing
The Board and Management will ensure that all requirements to the Health & Safety at Work Act 2015 are maintained. This will be achieved by the engagement of an independent consultant and audit processes to ensure the organisation and its subsidiary companies are maintaining compliant and best practice processes. At all times the Group will continue to monitor and review health and safety requirements via monthly reporting.

Attachment 3

Item 8

Council Report

Item 9

Committee:	Economic Development Committee	**Date:**	10 March 2020
Author:	Sean Murray	**Authoriser:**	Sean Murray
Position:	General Manager Venues, Tourism and Major Events	**Position:**	General Manager Venues, Tourism and Major Events
Report Name:	Hamilton and Waikato Tourism Limited - Six-Monthly Report to December 2019		

Report Status	*Open*

Purpose

1. To inform the Economic Development Committee of the Hamilton and Waikato Tourism (HWT) six-monthly report for the period 1 July to 31 December 2019.
2. HWT's Chief Executive Jason Dawson will present a verbal report at the meeting.

Staff Recommendation

3. That the Economic Development Committee receives the report.

Background

4. HWT is a subsidiary company of Waikato Regional Airport Limited. The report is provided as a condition of HWT's three-year service level agreement with Council for 2018-2021.
5. 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 from the partnering councils. HWT also raises funding contributions and leverages its partnerships with private sector interests. This generates around $400k annually.
6. 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

Financial Considerations

7. There are no financial implications in relation to the information provided in this report.

Item 9

Legal and Policy Considerations

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

Wellbeing Considerations

9. 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').

10. 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.

Risks

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

Significance & Engagement Policy

Significance

12. 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

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

Attachments

Attachment 1 - Hamilton and Waikato Tourism - six monthly report to HCC July-Dec 2019

Hamilton & Waikato TOURISM

Six Monthly Report to Hamilton City Council
1 July – 31 December 2019

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, Otorohanga, Waikato, Waipa, Waitomo and South Waikato Districts.

Key highlights (Jul – Dec 2019)

$1.576b
Annual visitor expenditure
Domestic visitors
$1.201b
International visitors
$374m
SOURCE: MBIE (YE Dec 2019)

4th
Largest domestic visitor expenditure in NZ
behind AKL, WLG & CHC

1.511m
commercial guest nights with 1.97 average nights
SOURCE: CAM (YE Sep 19)

5th
Largest international visitor expenditure in NZ
behind AKL, QZN, CHC & WLG

4th
Largest region for business events in NZ
behind AKL, WLG & CHC

#1
Hamilton voted no.1 summer spot destination 2018-2019
Ahead of Wanaka (#2), Queenstown (#2), Rotorua (#3) & Taupo (#5)
(Book-a-Bach's Most Booked Summer Spot in New Zealand, April 2019)

Executive summary

The region's visitor expenditure has climbed to $1.576 billion for the six months ended December 2019, a 2% increase on the previous year. International visitors contributed an estimated $374 million to the region, while domestic spend injected $1.201 billion into the regional economy.

Our national rankings are holding with Waikato RTO region the fifth largest in New Zealand for international visitor expenditure behind Auckland, Christchurch, Queenstown and Wellington. We are now the fourth largest region for domestic visitor expenditure behind Auckland, Christchurch and Wellington.

Commercial guest nights are also growing with an estimated 1.511 million commercial guest nights in the region, which is a 6.1% increase on the previous year. Peer to peer accommodation continues to grow in our region. AirBnB data that is available shows 2101 listings for the month of December 2019 (333 more than December 2018). Occupancy rates range from 35% at the lowest month (May) through to 68% for the highest month (January).

Although international visitor arrivals are starting to soften into New Zealand, the Waikato region has been bucking the trend with growth continuing across all our key long-haul markets including UK/Europe, North America (USA/Canada) and China. However, we are now starting to see the impact of the Covid-19 outbreak and are reviewing our market strategy to stimulate domestic demand, and partner with Tourism NZ on international.

The Hamilton & Waikato region is the fourth largest region behind Auckland, Wellington and Christchurch for conferences, meetings and business events for the period ending June 2019. Our region remains steady securing 10.1% market share of total business events, while market share of delegate days has increased to 7.5% (MBIE Business Events Activity Survey). The MBIE Business Events Activity Survey report was wound up with the report to 30 June. A newly named Business Events Venue Survey will commence in February 2020; Fresh Info has been contracted to collect and report data going forward.

Every conference we can secure for Hamilton and Waikato is significant for the region, regardless of the sector or size. Conference delegates are also influenced to return for a future holiday based on their positive Waikato experiences. A delegate attending a business event is worth twice as much of a leisure traveller to the region, with an average delegate per night value of $326 per night for international delegates and $533 per night for domestic delegates (MBIE Business Events Delegate Survey YE Dec 2018, the report to YE Dec 2019 is unavailable at time of writing. For the record after the BEDS report to Dec 2019 has been published, this report will cease in its current format. Data collection and reporting going forward will be conducted by Fresh Info).

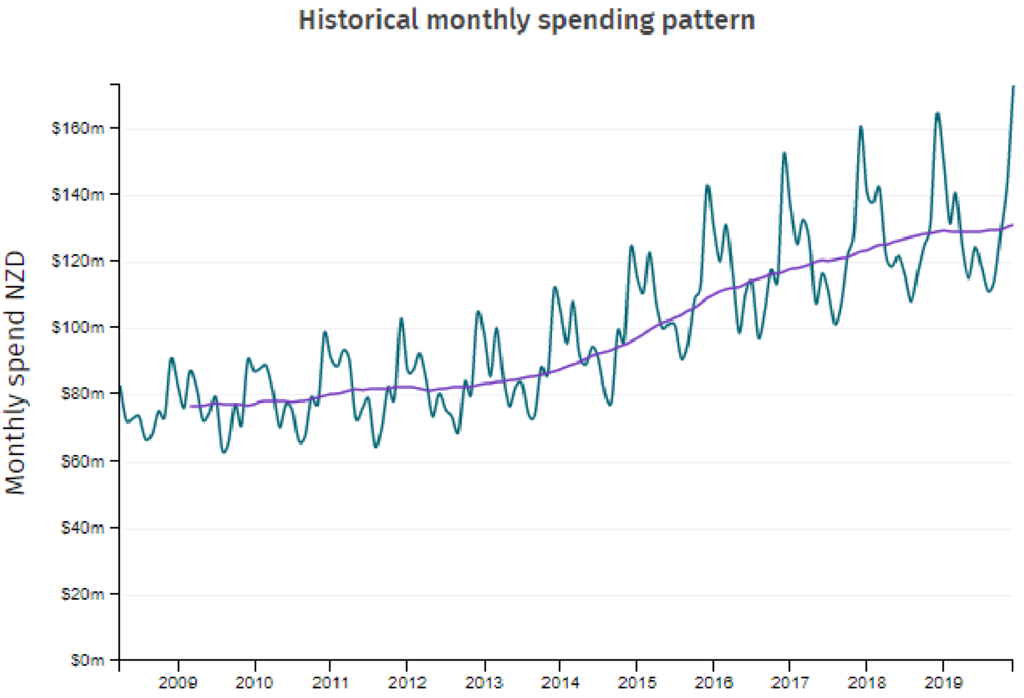
Progress continues with delivering on the Tourism Opportunities Plan and the Visitor Strategy, with the launch of Locals Week, development of the region's first Ambassador programme in Hamilton, executing the Major Events Strategy and the continued roll-out of 'The Mighty Waikato' regional visitor brand.

Performance targets

Hamilton & Waikato Tourism (HWT) have seven performance targets which are set in the 'Schedule of Services for Local Government 2019-2020'. The results are provided below.

Measure	Result
Visitor nights 5% increase of total visitor nights' vs national	**6.1%** for Waikato 1.2% national growth rate (Year ending September 2019)
Visitor spend 5% increase in visitor spend across the region	**2%** increase on previous year $1.576 billion annual expenditure (Year ending December 2019)
Conventions, incentives & business events Grow market share of business events from 9% to 10%	**10.1%** market share Fourth largest region behind Auckland, Wellington & Christchurch (FY ending June 2019 – survey finished with this report, new survey to commence Feb 2020)
Visitor awareness & perception Improve by 3 points, including Waikato residents	**8/10** likelihood to recommend as a place to visit (Annual measurement undertaken July 2020)
Website & social media: waikatonz.com 5% digital engagement on 2019-20	**22.2%** from 1 July 19 to 30 Dec 19
Industry investment $450,000 of industry contribution towards marketing activities & campaigns	**$252,353** international & domestic campaigns, trade show investment, famil in-kind contributions & visitor guide sales (Year to Date December 2019)
Return on investment Total visitor spend per dollar of HWT spend	**$1,275** Visitor spend per dollar of council funding (Year ending December 2019) **1.23** Commercial guest nights per dollar of council funding (Year ending September 2019)

Visitor statistics and expenditure

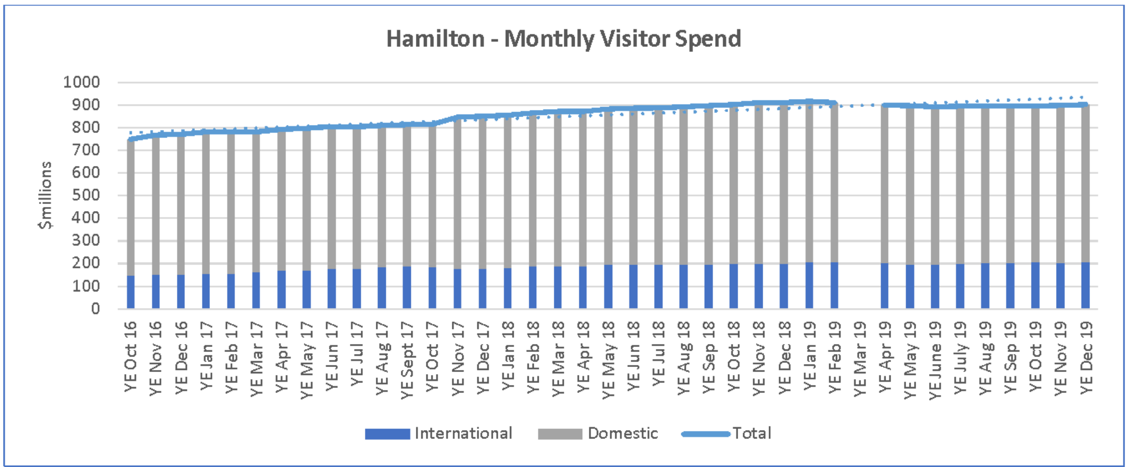


Source: Monthly Regional Tourism Estimates, MBIE (December 2019)

Visitor expenditure in Hamilton

Visitor expenditure data is measured by the Ministry of Business, Innovation and Employment (MBIE) in the Monthly Regional Tourism Estimates (MRTE).

Note: There was no MRTEs for individual Territorial Authorities in March 2019.

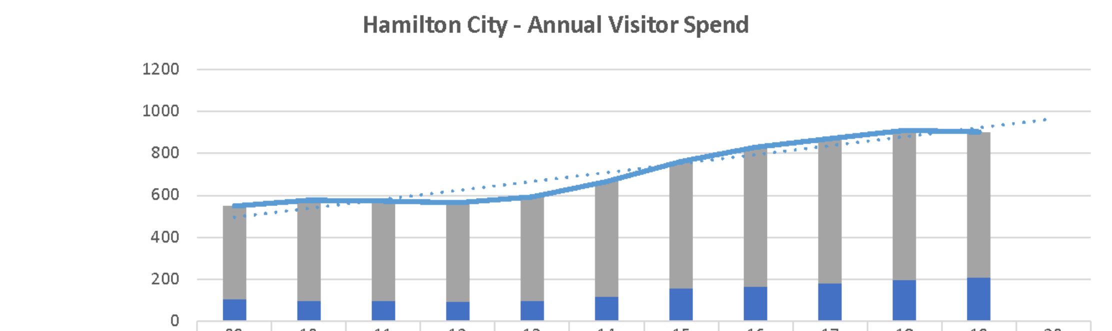


Source: Monthly Regional Tourism Estimates, MBIE (December 2019)

Item 9

Attachment 1

Overall annual visitor expenditure for Hamilton has remained steady; now at $903 million, with $697 million generated by domestic visitors and $206 million from international.



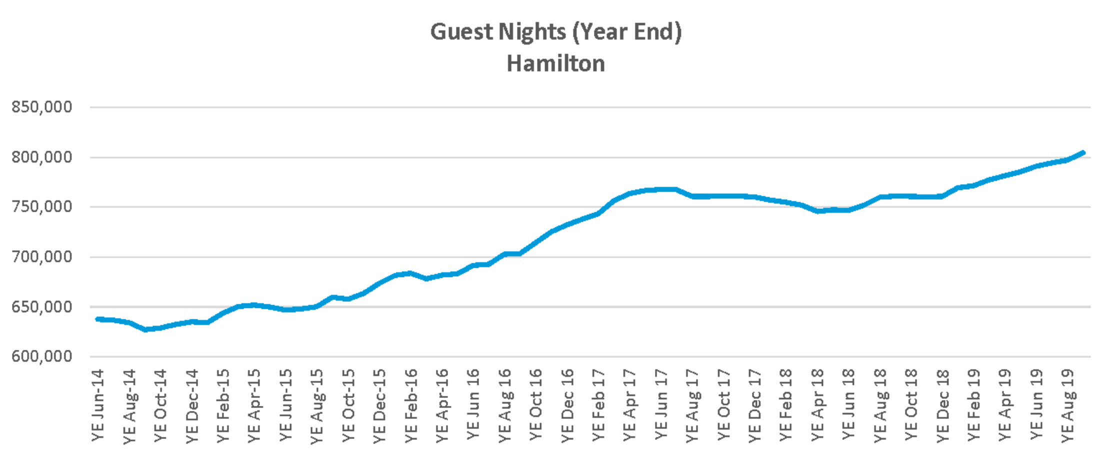
	09	10	11	12	13	14	15	16	17	18	19	20
Domestic	447	480	476	475	497	552	606	666	690	713	697	
International	102	97	97	90	96	114	156	164	181	197	206	
Total	549	577	573	565	593	666	762	830	871	910	903	

Source: Monthly Regional Tourism Estimates, MBIE (December 2019)

Commercial accommodation in Hamilton

Commercial guest nights (hotels, motels, backpackers & holiday parks) for Hamilton has shown steady growth over the past 12 months. The latest statistics confirm 804,534 commercial guest nights for the year ending September 2019, which is strong growth of 5.7% from 2018.

Our key national measurement tool for commercial accommodation and visitor numbers, the Commercial Accommodation Monitor (CAM), ended in September 2019. The Ministry for Business, Innovation & Employment are working with StatsNZ and industry to develop a replacement data set, although there is likely to be a data gap of 3-6 months.



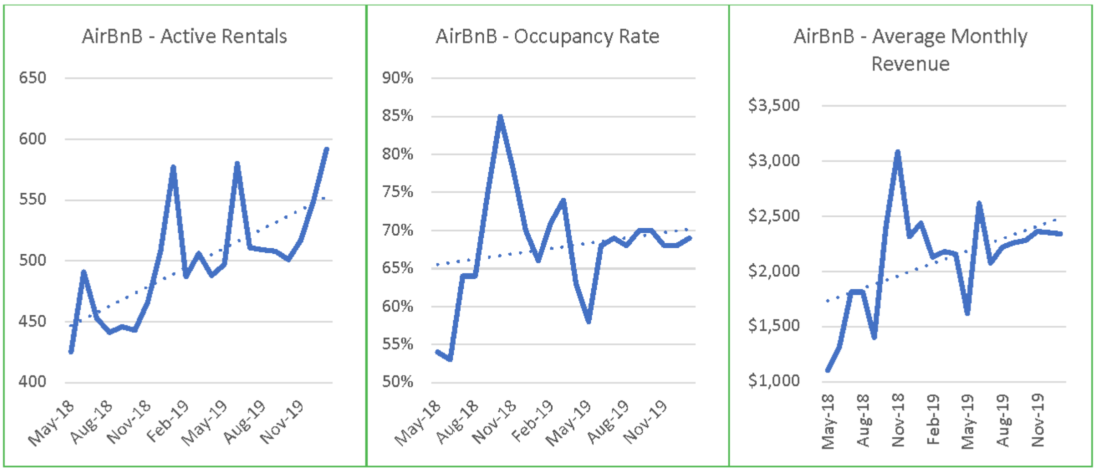
Source: Commercial Accommodation Monitor, Stats NZ (September 2019)

Non-commercial accommodation in Hamilton

Hamilton also had 592 properties listed on AirBnB during December 2019 as alternative accommodation to the traditional commercial offerings.

This has grown from 15 listings in December 2018.

These properties experienced 69% occupancy during December 2019. For the 12 months January 2019 to December 2019, the average occupancy rate for AirBnB properties in Hamilton is 68%.



Trade & leisure marketing

International marketing

The 'Explore Central North Island' (ECNI) international marketing alliance (including Waikato, Rotorua, Taupō, Coromandel, Bay of Plenty, Ruapehu and Hawke's Bay regional tourism organisations) has undertaken several key activities in the July-Dec period including a North American sales mission in October to train key travel wholesalers and sellers (170 agents trained) and a joint online marketing campaign with Tourism NZ's US office.

Profile of the Waikato has continued in Tourism New Zealand's 'Good Morning World' campaign which features a 'Good Morning World' message each morning from local tourism operators and people. During this summer period regional destinations Raglan, Hobbiton Movie™ Set, Hamilton and South Waikato have been showcased. By having the Waikato featured throughout the campaign is an effective way to showcase the region and our people on a global stage, plus help inspire more travellers to visit our part of the country.

There was a concentrated period of trade training and famils towards the end of 2019. Several of Tourism New Zealand's famils originally scheduled for March 2019 were postponed due to the Christchurch Mosque attacks and reconvened in October-November 2019.

Two of these famils included the Australia mega famil (100 agents) and South East Asia mega famil (60 agents). HWT participated in these mega famils through the agent training days and famil group hosting, while also training 138 agents in Australia during December as part of a Tourism New Zealand roadshow. We also hosted a number of other Tourism New Zealand and wholesaler trade famils traveling through the region.

Domestic marketing

Locals Week Initiative

HWT's inaugural 'Locals Week' launched in September. A key action identified in our Visitor Strategy – the campaign aimed to engage our Waikato residents by making it easy for them to experience what's in their own backyard and become the biggest advocates for our exceptional tourism industry here.

The goal was to educate and inspire our local residents to become ambassadors for tourism across the region by experiencing what we have on offer. We wanted to make it easy for locals to 'give it a go', increase their pride in place and help them become tourism experts for Waikato by offering exclusive and significant 'locals-only' deals for one week.

Other destinations around New Zealand (and internationally) run these types of initiatives and find them extremely beneficial as once locals have experienced tourism products and activities they tend to have a more positive perception of said experience and will recommend our operators when they have friends and family visit.

Campaigns

HWT undertook two Christmas focussed campaigns towards the end of 2019. The first focussed on Christmas functions. Targeted at local businesses, the October campaign showcased HWT's domestic partners as well as convention bureau partners to promote their Christmas function ideas and events. Following on from this in early December HWT then ran a mini 'Christmas Gift Guide' campaign to promote vouchers for tourism operator partners' experiences and upcoming events as ideal Christmas gifts to Waikato residents.

The Summer Explore Your Own Backyard campaign which aimed to encourage locals to explore the Waikato over the festive holiday season launched in late December and ran through January. The online campaign featured domestic operator partners and focussed heavily on profiling region's natural assets such as walks, waterfalls, beaches and cycleways as well as summer events and school holiday activities.

HWT partnered with Hamilton-based business 1day.co.nz on a month-long marketing promotion in October to promote our amazing region and the fantastic things there are to see and do here. An iconic NZ brand and consumer purchasing portal with a significant audience and reach, 1-day are passionate local advocates and are keen to help spread positive messaging about the Waikato.

As part of the campaign we offered 1-day's customers the chance to win one of four regional prize packages which showcased a range of Waikato tourism businesses relevant to the themes - Adventure Mad, Culture Vulture, Fanatic Foodie and Crazy Kids.

The promotion, which featured Te Awamutu-born James McOnie, was profiled through both organisation's channels including 1-day's email database of 800,000 and we received around 6,000 entries and email addresses to add to our consumer database.

Major Events
HWT supported Hamilton City Council's H3 team and local organising committees and event promoters in the promotion and marketing of major events during July-December 2019 including All Blacks vs Tonga, World Darts, Great Britain Rugby League Lions Tour and the HSBC NZ Sevens. This support includes prepping team and media welcome packs, team activity options, event landing pages on waikatonz.com, media and player promo event opportunities and support for bids.

Annual Visitor Guide
100,000 copies of the 2020 official Regional Visitor Guide were distributed in late December 2019, featuring the new Mighty Waikato branding. Distributed nationally through i-SITEs and airports, national and international trade shows and conference delegate packs, the guide is a cost-neutral project with advertising sales funding production and distribution.

Marketing activity for Hamilton

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: • Social Influencer - Young Adventuress • Freelance Journalist – Tim Richards • Social Influencer - The Style Jungle • Yahoo Lifestyle AU	Hamilton Gardens, Novotel Tainui Hamilton, Chim Choo Ree, Hamilton Zoo, SkyCity Hamilton, Restaurant on Alma, Riverbank Lane, Victoria on the River, Waikato Museum
Travel Trade - famils	Hamilton profiled in following trade famils: • South East Asia Mega Famil • TNZ Premium Famil • ECNI Roadshow Winner • Manakitanga Famil • Australia Mega Famil • North Island Welcome Winner	Hamilton Gardens, Novotel Tainui Hamilton, Helicorp

Target market	Campaign or activity	Hamilton experiences profiled
Domestic – consumer	Hamilton was profiled as part of regional promotions in the following publications: • RV Travel – NZ Motorhome Show special edition • Avenues Magazine • Family Times • Go Travel	Duck Island ice cream, Hamilton Gardens, Good George, Riverbank Lane, Waikato Museum, Te Awa River Ride, Hamilton Farmers' Market, Hamilton Zoo, Escapist, SkyCity Hamilton
Travel Trade – events	Trade Training events and sales calls to ITOs and wholesalers throughout the period including the TNZ AU mega famil (100 agents) and TNZ South East Asia mega famil (60 agents)	Internationally Trade-Ready Product: Hamilton Gardens, Good George Brewery Tour, Waikato Museum, Nature & Nosh, Novotel & Ibis Tainui Hamilton, Waikato River Explorer, Helicorp, Distinction Hotel Hamilton, Jet Park Hotel Hamilton, Days Hotel & Suites, Ambassador Hotel
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. Key activities Jul-Dec: • ECNI North America Roadshow, Oct 19 • UK In-market representation	Internationally Trade-Ready Product: Hamilton Gardens, Good George Brewery Tour, Waikato Museum, Nature & Nosh, Novotel & Ibis Tainui Hamilton, Waikato River Explorer, Helicorp, Distinction Hotel Hamilton, Jet Park Hotel Hamilton, Days Hotel & Suites, Ambassador Hotel
Domestic consumer - Local, Hamilton & Waikato	• 'Explore Your Own Backyard' campaign Dec 2019 -Jan 2020 • 'Locals Week" – Sept 2019	Waikato Museum, Hamilton Gardens, SkyCity Hamilton, Hamilton Zoo, Good George Brewery, Escapist, Novotel Tainui Hamilton, Distinction Hotel Hamilton, Ibis Tainui Hamilton, Ventura Inn & Suites Hamilton, Jet Park Hotel Hamilton, Hamilton Airport, Hertz Hamilton, Cut! Costume and the Cinema, The Gourmet Garage, Hamilton Lake Domain, All Blacks v Tonga, NZ Darts Masters, Brewbus, River Riders,

		Furnace Restaurant, Madam Woo Hamilton, Confinement Escape Rooms, Distinction Hotel Hamilton, Waikato River Explorer, Liliput Mini Golf, Te Awa cycleway, HSBC NZ Sevens, Great Britain Rugby League Lions Tour
Domestic consumer – Chinese New Zealanders	Ongoing campaign activity has continued through our Weibo social media channel, blogs, forums etc	Waikato Museum, Hamilton Gardens, SkyCity Hamilton, Hamilton Zoo, Escapist, Taitua Arboretum, Boon After Dark, Gourmet Garage, Novotel Tainui Hamilton, Ibis Tainui Hamilton, Hard on the Heels, Hamilton Christmas Parade, Gourmet in the Gardens, Duck Island Ice Cream, HSBC NZ Sevens
Domestic & International consumer and trade	2020 Hamilton & Waikato Regional Visitor Guide	Hamilton city profiled in 'Regional highlights' section and 'Hamilton city' section. A large number of Hamilton-based tourism operators have advertised, as well as retailers, restaurants and cafes in the Hamilton section of the guide
Domestic & international consumer, travel trade and media	Quarterly e-newsletters are distributed to our consumer, trade and media databases	Days Hotel & Suites, Te Ahurei Maori Walking Tour, St Andrews Golf Club, All Blacks V Tonga, Synthony, GBR Rugby League Lions V Tonga Invitational, Boon After Dark, Waikato Regional Theatre, HSBC NZ Sevens, Sounds of Sevens, Novotel Tainui Hamilton, Good George, Hamilton Airport, Brew Bus, Bugs! Our Backyard Heroes, Seddon Park, Hamilton Gardens, The Great Kiwi Beer Festival, Hard on the Heels, NZ Darts Masters, Ferment Fest, Restaurant on Alma, Madam Woo Hamilton, Furnace Restaurant, Distinction Hamilton Hotel, Jet Park Hotel Hamilton

Target market	Campaign or activity	Hamilton experiences profiled
Domestic & International consumer	Hamilton City profiled through HWT's website and various social profiles including Facebook, Instagram, Twitter & YouTube.	Waikato Museum, Hamilton Gardens, SkyCity Hamilton, Hamilton Zoo, Good George Brewery, Escapist, Novotel Tainui Hamilton, Ibis Tainui Hamilton, Hamilton Airport, Jet Park Hotel Hamilton, Good George Oktoberfest, Christmas at the Zoo, Ferment Fest, Sammies and Stuff, Gerard V Comedy Hypnotist Show, Hard on the Heels, Bugs! Our Background Heroes, Waikato Museum Hamilton History Tour, Room on the Broom, All Blacks v Tonga, The Gourmet Garage, NZ Darts Masters, Disney on Ice, Boon After Dark, Synthony, Pop-up Globe, Browsers Book Shop, GB Rugby League Lions v Tonga Invitational, Waikato Home & Garden Show, Dylan Moran, Hamilton Fringe Festival, Lugton's Round The Bridges, Swan Lake, HSBC NZ Sevens, Carols on the River, Casabella Lane Festival Day, Boon Street Art, The Ultimate Queen Celebration, The Great Kiwi Beer Festival, All Blacks Fan BBQ, Waikato Regional Theatre, Waikato A & P Show, Seddon Park, Garden Place Christmas Tree, Victoria on the River, 7 Days 10th Birthday Live Tour, Melt 2019 Challenge, Gourmet in the Gardens, Bowl and Social, Duck Island Ice Cream, The Chilli House

Conferences, incentives & business events

The Hamilton & Waikato region is the fourth largest region behind Auckland, Wellington and Christchurch for conferences, meetings and business events for the period ending June 2019. Our region remains steady securing 10.1% market share of total business events, while market share of delegate days has increased to 7.5% (MBIE Business Events Activity Survey). The MBIE Business Events Activity Survey report was wound up with the report to 30 June. A newly named Business Events Venue Survey will commence in February 2020, Fresh Info have been contracted to collect and report data

Every conference we can secure for Hamilton and Waikato is significant for the region, regardless of the sector or size. Conference delegates are also influenced to return for a future holiday based on their positive Waikato experiences. A delegate attending a business event is worth twice as much of a leisure traveller to the region, with an average delegate per night value of $326 per night for international delegates and $533 per night for domestic delegates (MBIE Business Events Delegate Survey YE Dec 2018, the report to YE Dec 2019 is unavailable at time of writing. For the record after the BEDS report to Dec 2019 has been published, this report will cease in its current format. Data collection and reporting in the future will be carried out by Fresh Info).

The devastating fire at NZICC (NZ International Convention Centre) at the end of last year has had minimal impact for Hamilton and the Waikato region, the majority of conferences deferred or re-located are international conferences with attendee numbers in excess of 1,500. Due to limited hotel inventory and lack of hotels at the top end of the star rating the region is unable to accommodate conferences of this size.

In December 2019, HWT hosted a multiday famil of the Hamilton and Waikato region for 20 national conference organisers, associations and in-house meeting planners. Most of the 'buyers' came from Wellington, which is a result of increased Convention Bureau activity with the association market which is predominantly based in Wellington. This famil showcased 16 HWT Convention Bureau partners.

Convention Bureau activity

A summary of specific trade and conference marketing activity (1 July to 31 December 19).

Activity	Detail
Enquiries	60 total leads received and managed. **Hamilton:** • Bids/proposals: 16 (opportunity sent to 21 Hamilton operators) • Leads: 6 (opportunity sent to 6 Hamilton operators) • Recommendations: 21 (opportunity sent to 18 Hamilton operators) • Basic assists: 17 (opportunity sent to 5 Hamilton operators)

Activity	Detail
Buyers Hosted	29 buyers hosted to the region.
Famils	**5-7 December 2019:** Annual multiday Mega Famil, attended by 20 buyers from Wellington, Auckland, Christchurch and Palmerston North for two nights. Attendees included professional conference & event organisers, in-house corporate event managers, personal / executive assistants, association conference organisers, marketing managers and a journalist. Sixteen Convention Bureau Partners included (inclusion based on partnership level). Hamilton partners included were Claudelands Conference & Exhibition Centre, Distinction Hotel, Novotel Tainui Hotel, Days Hotel & Suites, SkyCity, The University of Waikato and Ibis Tainui Hotel.
TNZ Famils	None during this period. The majority of TNZ famils are conducted in conjunction with major trade shows (TRENZ and MEETINGS) which are held in the first half of the calendar year.
Bespoke Famils	Seven bespoke famils organised. Eight buyers were hosted and shown 18 venues across Waikato, including Hamilton Convention Bureau Partners Claudelands, Novotel Tainui Hotel, Distinction Hotel, Ibis Tainui Hotel, Wintec, Hamilton Gardens, Days Hotel & Suites, Vidcom, Montana Food & Events, SkyCity, The Verandah and Zenders.
Trade Shows	• September 2019: Regional stand Australasian Society of Association Executives (AuSAE) Linc Conference, Napier. • December 2019: Exhibited with Tourism NZ and CINZ (Conference & Incentives NZ) at the Professional Conference Organisers Association Conference held in Sydney.
Hosted Events	• October 2019: Wellington function, attended by over 50 buyers. Co-hosted with six Convention Bureau Partners, including Claudelands, Distinction Hotel, Novotel Tainui Hamilton and Days Hotel & Suites. • October 2019: Meet North South dinner, attended by five guests. Hosted by the Convention Bureau and Dunedin Business Events. • November: Hosting to Swan Lake Ballet, attended by nine buyers. Co-hosted with Claudelands. • November: America Concert, attended by eight guests. Co-hosted with Tourism New Zealand/HWT Convention Bureau Project Waikato Group to create awareness about the CAP and recruit ambassadors.

Attachment 1

Item 9

Activity	Detail
Sales Activity	• December: Sales calls with Claudelands Platinum Partner - Christchurch.
AuSAE NZ Networking Activity	(AuSAE – Australian Association for Association Executives) • August: Wellington • September - Conference: Napier • November: Wellington
Tourism NZ Activity	• September 2019 - co-hosted table with Tourism NZ at The Kudos Awards to create awareness about the Conference Assistance Programme and recruit ambassadors. • Project Waikato group meetings – business incubator group to seek opportunities for Australasian and international conferences for the Waikato region. Specific focus given to conferences that respond to the needs of the community by creating a social, environmental or cultural impact on the Waikato region.
Partner Communication & Development	• Thursday 3rd October: Google DMO breakfast for Convention Bureau Partners • Partner EDM newsletters/updates • Monthly lead reporting to Platinum & Gold Partners • 71 BEW Partners: – **Hamilton:** Claudelands, Distinction Hotel, Novotel Tainui Hamilton, Days Hotel & Suites, SkyCity, The University of Waikato, ForumPoint2, Hamilton Gardens, Leisure Time Tours, The Verandah, Wintec, ACLX, Any Audio Visual, Classics Museum, Essential Talent, FMG Stadium, Good George Group, Hamilton Taxis, Hinterland Adventures, Ibis Tainui Hamilton, Interactionz, Kerr & Ladbrook, Momento Group, Montana Food & Events, Park View Motor Lodge, Phoenix Decoration Hire, The Events Company, The Greenspace, The Lawrenson Group, Waikato Museum & Artspost, Waikato River Explorer and Zenders. • 93 Face-to-face BEW Partner meetings - includes mentoring and support. – **Hamilton:** Claudelands, Distinction Hotel, Novotel Tainui Hamilton, Days Hotel & Suites, SkyCity, The Verandah, Wintec, ACLX, Essential Talent, FMG Stadium, Hamilton Taxis, Ibis Tainui Hamilton, Kerr & Ladbrook, Montana Food & Events, Phoenix Decoration Hire, The Greenspace, Waikato River Explorer and Zenders.
Communications & Media	• Client newsletters x 1 and editorial x 24 • Business Events Directory and website meetwaikato.com

INTERNATIONAL CONFERENCE BIDS – in conjunction with Tourism New Zealand's Conference Activity Programme (CAP)
Bidding for international conferences is a key activity of the Hamilton & Waikato Convention Bureau, with the support of the Conference Assistance Programme from Tourism New Zealand.

The following international conferences have been secured or pending a decision:
- International Conference on AI & Law (ICAIL) 2021 – in bid process, looks promising.
- AV/EV Conference & Exhibition – lead, in discussion.
- SESTECH Technology Conference 2020, EV $892,200 – lost. Conference didn't go ahead.

Destination & product development

Regional Tourism Opportunities Plan

Development that furthers the Hamilton & Waikato Tourism Opportunities Plan (adopted 2016) continues to be a focus based around the five game-changers:

1. Activating the Waikato River, including the Waipa and Waihou Rivers
2. Development and leverage of a Regional Visitor Brand Strategy
3. Support for the continued development of the Hamilton City Riverfront
4. Telling the Kiingitanga Story through Maori tourism development – whanau, hapu and marae-led, as well as iwi-based initiatives
5. Development of a Regional Major Events Strategy

To find download a copy of the Tourism Opportunities Plan:
www.hamiltonwaikato.com/TOP

Activating tourism opportunities in Hamilton

New opportunities, product development and events supported by Hamilton & Waikato Tourism during the first six months of the financial year include:

- Te Awa Lakes development – Private Plan Change support, evidence
- SkyCity Hotel
- Regional Events Strategy – see below as separate item
- Hamilton Ambassador programme in partnership with Hamilton Central Business Association and Hamilton City Council
- Zirka Circus – intention to build a permanent base including Circus Training School
- St Andrews Golf Course – support and guidance to become more visitor focussed
- Te Ahurei Maori Tourism – new Maori walking tour telling the stories of our public street art
- Escapist – new escape rooms

We have begun a three-year review of the Plan to report on progress towards achieving our development goals and targets set for the region in 2016, as well as refresh our 2014 Visitor Strategy. The review will see the Tourism Opportunities Plan and Visitor Strategy develop into a Destination Management Plan framework which has been released by the Ministry for Business, Innovation and Employment.

Destination Management (DM) 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 DM 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.

Every region is different, with unique attributes, assets, challenges and opportunities. There is no 'one-size-fits-all' approach to DM; solutions should be customised for the destination. However, we can learn from international experiences and enable productive, resilient, inclusive and sustainable destinations across New Zealand-Aotearoa, creating better value for visitors and residents alike.

To find out more:
www.mbie.govt.nz/immigration-and-tourism/tourism/destination-management-guidelines

Regional Major Events Strategy

In 2018, Hamilton & Waikato Tourism developed the region's first Major Events Strategy to ensure the spotlight continues to shine and grow on our region, as we work to develop a full calendar of events, especially outside of our peak summer period.

It is important to develop an events programme that smooths seasonal fluctuations in the visitor industry, providing increased, more reliable employment and greater returns to businesses.

We are very fortunate to have our biggest international, iconic anchor event in June, our quieter winter season. The annual New Zealand National Agricultural Fieldays is an event that attracted over 130,000 visitors in 2018, generated $492 million in sales and contributed $221 million to New Zealand's GDP.

Events like Fieldays not only generate significant economic impact for our region – it also contributes to cultural and social outcomes for our community.

The Regional Major Events Strategy builds on our successful track record of delivering star-studded international events by identifying gaps and opportunities for the attraction of new events while supporting the long-term growth of our current events.

With the growth and attraction of major events into the region, it also grows our reputation in the domestic market as an emerging visitor destination.

As part of activating the strategy, we now provide co-ordination and support for major event bids into the Waikato region. We have supported the following successful event bids over the previous six months:

- New Zealand's World Series of Darts – Claudelands (23-24 August 2019)
- International rugby – All Blacks v Tonga, FMG Waikato Stadium (7 September 2019)
- International rugby league – Lions vs Tonga, FMG Waikato Stadium (26 October 2019)
- UCI Elite and U23 Road Championships – secured by RIDE Festival to host in Cambridge (2020 to 2023)

We were successful in leading the event bidding process for the International Breast Cancer Paddler Commission – Dragon Boat Regatta – Karapiro and Mystery Creek (March 2022), as well as attracting seed funding from WEL Energy Trust to activate the strategy.

Industry development

The Tiaki Promise

Seven key New Zealand organisations joined forces to conceive and develop *Tiaki – Care for New Zealand*, an initiative that actively encourages international and domestic travellers to act as guardians of Aotearoa.

Tiaki is a powerful and diverse word in te reo Māori, meaning to care and protect, and to look after people and place.

Launched in November 2018 by Tourism Minister Hon Kelvin Davis, the seven organisations involved included Air New Zealand, the Department of Conservation, Local Government New Zealand, New Zealand Māori Tourism, Tourism Holdings Ltd, Tourism Industry Aotearoa and Tourism New Zealand.

The Tiaki Promise communicates why caring for New Zealand is important and how to care for Aotearoa while travelling around the country.

A range of Tiaki Promise materials are provided free of charge to all New Zealand tourism organisations, including a brochure and supporting video. The resources are initially available in English, Te Reo Māori, German and Chinese, with more languages to follow.

The second stage of Tiaki Promise was launched in November 2019, including a responsible camping campaign, which is focussed on the domestic market and creating future New Zealanders as good hosts. Find out more at www.tiakinewzealand.co.nz.

Alibaba partnership with Christchurch Airport

Hamilton & Waikato Tourism has joined the "South Alibaba programme" from Christchurch Airport, to help grow the success of Waikato businesses in the Chinese market.

Working with the HWT team, tourism operators and the wider business community, we will continue to grow both understanding and capability of the China market, which is even more important given the impact of Coronavirus. Our long-term goal is to attract more high value Chinese guests to the region and encourage them to do more while they are here.

We held a Chinese market workshop open to all businesses, followed by rolling out Alipay across Hamilton & Waikato to help local businesses attract Chinese customers, as well as provide a convenient form of payment to grow spend. We also launched a dedicated Waikato store on Alibaba's travel platform, Fliggy (the Chinese equivalent of TripAdvisor and Expedia).

Google destination marketing partnership

Hamilton & Waikato Tourism have partnered with Google and Miles Partnership to become the region's official 'Google Destination Management Organisation' as part of their new push into the travel market. We have become a 'Google verifier' for the region as part of this destination marketing programme.

We initially launched with Tourism Bay of Plenty and Destination Rotorua on rolling out 'Google My Business' workshops to improve the tourism-related content on tourism operator business listings and our regional destination search results.

As a result of the Google partnership, we are now rolling out an extensive update of Waikato-wide content and are currently working with each city and district council on co-management opportunities for public sites/spaces listings.

Provinicial Growth Fund

The Provincial Growth Fund (PGF) continues to target investment to lift productivity, create jobs and provide economic benefits to communities.

Working with Matamata-Piako District Council and Te Waka, we were able to secure the first successful funding application of $900,000 to complete a feasibility study for the activation of the Te Aroha Mineral Spas and the surrounding area. This project was identified in our Tourism Opportunities Plan 2016.

We have also provided our support to a number of individual PGF applications, including Otorohanga Kiwi House, Waitomo Hotel development, Waikato Regional Theatre and the Waitomo SkyGarden proposal.

Regional partnerships

HWT are about to sign a Memorandum of Understanding (MoU) with Te Waka – Waikato's regional economic development agency. The three key areas we will partner with Te Waka for regional benefit include investment attraction (tourism), advocacy for the region (Central Govt) and sector capability (tourism).

Alongside Creative Waikato and Te Waka, we are working towards the establishment of the Waikato Film Office, to help grow the region's profile as a key film location. We currently work with a number of national and international broadcasting networks and film companies to host productions across the Waikato region. A Film Office will ensure we can further leverage funding and promotional activity from NZ Screen and the NZ Film Commission.

We are a foundation partner with Ahikōmako – a new Centre of Māori Innovation & Entrepreneurship at the Mangakotokutoku (Glenview) campus at Te Wānanga o Aotearoa.

This project attracted financial support from Te Puni Kōkiri and the Provincial Growth Fund and initially will attract a couple of Maori tourism start-ups and entrepreneurs. Other foundation partners include Waikato Tainui, Te Hūmeka Waikato Māori Business Network and Te Waka. It is hoped that if this pilot hub is successful, it will be rolled out nationally via Te Wānanga o Aotearoa campuses.

Tourism Infrastructure Fund (TIF)

The Tourism Infrastructure Fund (TIF) will be maintained and remain separate from the PGF. During the previous three rounds, we supported the following successful Waikato councils funding applications:

Round 4
- Matamata Piako District Council ($259,000 for redevelopment of toilets at Waharoa and $175,010 for upgrade of toilets at Wairere Falls)

Round 3
- South Waikato District Council ($157,131 for freedom camping facilities at Whakamaru)
- Waitomo District Council ($206,000 to enlarge public toilet capacity at Mokau & $160,500 for the installation of public toilets at Kiritehere and Waikawau)
- Maungatautari Ecological Trust ($190,000 for upgrade of carpark and entrance to Sanctuary Mountain)

Round 2
- Hamilton City Council ($220,000 for toilet facilities at Hamilton Gardens)
- Waipā District Council ($250,000 for toilet facilities in Pirongia)

Round five of the Tourism Infrastructure Fund will open on 1 March 2020. We continue to work with our seven local councils to actively support and pursue any tourism infrastructure funding to help develop your local communities.

Responsible Camping Fund

In addition, our region has received funding via the new “Responsible Camping Fund”

For the 2019/2020 summer season:

- Waikato District Council ($370,000) for monitoring and enforcement; increased septic drainage and rubbish collection; development of communications and engagement plan and an ambassador programme; and
- Waitomo District Council ($211,400) for two responsible camping wardens and operational costs for additional servicing of toilets and rubbish facilities at 14 visitor sites across the district.

International Visitor Levy

From 1 July 2019, most international visitors entering New Zealand are charged a levy of $35 that will be invested in sustainable tourism and conservation projects.

The International Visitor Levy is not a contestable fund like the Tourism Infrastructure Fund (TIF). Project funding will awarded as part of an initial investment plan with a long-term plan in development which is expected to be released in later this year.

Conclusion

It has been another successful six months of visitor growth and added-value for Hamilton and the Waikato region. Our key focus areas for the coming six months include:

- continue to grow a sustainable, year-round visitor proposition to address seasonality;
- drive regional dispersal to encourage visitation to lesser visited areas of our region;
- support the development of large-scale commercial accommodation to increase average length of stay;
- assist new and existing visitor experiences to grow the value in market share;
- hold fourth position for market share in the business events sector;
- actively participate in national initiatives to improve regional data and insights;
- enhance the reputation of Hamilton & Waikato in the domestic visitor market; and
- support the industry through the impacts of the Covid-19 outbreak from our key markets.

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. We are proud to help super-charge our regional visitor economy to deliver significant economic, social and cultural outcomes for our communities.

Jason Dawson
Chief Executive
Hamilton & Waikato Tourism
February 2020

Council Report

Item 10

Committee:	Economic Development Committee	**Date:**	10 March 2020
Author:	Candice Swanepoel	**Authoriser:**	David Bryant
Position:	Business Performance Accountant	**Position:**	General Manager Corporate

Report Name: New Zealand Local Government Funding Agency Statement of Intent 2020/21 and Half Year Report 31 December 2019

Report Status	*Open*

Purpose

1. To inform the Economic Development Committee of the New Zealand Local Government Funding Agency (LGFA) Half Year Report to 31 December 2019.
2. To seek the Economic Development Committee's approval of the LGFA Draft Statement of Intent 2020/21.

Staff Recommendation *(Recommendation to Council)*

3. That the Economic Development Committee:
    a) receives the report;
    b) approves the LGFA Draft Statement of Intent 2020/21; and
    c) recommends that the Council approves the future LGFA reports be reported to the Finance Committee.

Background

4. The LGFA governance structure comprises the New Zealand Government (20%) and thirty councils (80%), the LGFA Shareholders Council and the LGFA Board of Directors.
5. The LGFA has estimated market share of 87.7% of total council borrowing for the rolling twelve-month period to 31 December 2019 (compared to a historical average of 73% since 2012).
6. Over the last quarter one new council joined the LGFA (Kaikoura District Council), increasing the number of councils to sixty-six.
7. There are fifty-three council guarantors as at 31 December 2019, of which the Hamilton City Council is one.
8. The Hamilton City Council remains compliant with all LGFA Financial Covenants.
9. The Half Year Report as at 31 December 2019 reflects a Net Operating Profit of $6.1M.
10. The 2020/21 Statement of Intent is consistent with the current years direction.

Financial Considerations

11. There are no financial implications in relation to the information provided in this report.

Legal and Policy Considerations

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

Wellbeing Considerations

13. 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').
14. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report as outlined below. The recommendations set out in this report are consistent with that purpose.

Risks

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

Significance & Engagement Policy

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

Attachment 1 - LGFA - Letter to Shareholders

Attachment 2 - LGFA - Statement of Intent 2020/21

Attachment 3 - LGFA - Half Year Report - 31 December 2019

LGFA
NEW ZEALAND LOCAL
GOVERNMENT FUNDING AGENCY
TE PŪTEA KĀWANATANGA Ā-ROHE

27 February 2020

Dear Shareholder

Draft Statement of Intent 2020/21

Please find attached a copy of the Draft Statement of Intent (SOI) for the 2020/21 year.

LGFA continues to focus on delivering strong results for both our council borrowers and shareholders.

For our borrowing councils we seek to optimize funding terms and conditions by

- Achieving savings in borrowing costs
- Provide longer dated funding and
- Provide certainty of access to markets

For our shareholders we are focused on

- Delivering a strong financial performance
- Monitoring asset quality
- Enhancing our approach to treasury and risk management and
- Ensuring we have the correct governance framework and capital structure in place

For our guarantors we are focused on

- Minimising the risk of a call upon the guarantee through actively monitoring and managing the business risks faced by LGFA including operational, credit, liquidity, interest rate and funding risk.

The following points regarding the Draft SOI 2020/21 are worth noting:

- Profitability is forecast to remain strong with projections for Net Operating Gain of $10.8 million, $12.1 million and $14.4 million for the next three years, which is an improvement to results from previous years. However, we remain cautious in placing too much emphasis on the Year Three (2022/23) forecast given that over the next three years, we estimate that $4.0 billion of our LGFA bonds and $4.3 billion of council loans mature. Assumptions regarding timing of refinancing and interest rates have a meaningful impact on financial projections.

- Net interest income is expected to increase over the forecast period as the balance sheet grows from increased council lending and we hold additional liquid assets to manage the LGFA bond maturities. However, this is offset by a reduction in on-lending margins as loans to councils made in previous years at higher margins are refinanced by councils at maturity

NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED
AUCKLAND Level 5, Walker Wayland Centre, 53 Fort Street
WELLINGTON Level 8, City Chambers, 142 Featherston Street
PO Box 5704, Lambton Quay, Wellington 6145 | PH +64 4 974 6530 | www.lgfa.co.nz

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with lower margin loans. Also, the improving credit quality of the sector has resulted in a reduced credit margin applied to council loans.

- We have increased our forecast for council loans (short and long term) outstanding as at June 2021 to $11.028 billion and to $11.713 billion as at June 2021 (from $10.083 billion and $10.171 billion in the previous SOI). This reflects a higher starting position as at 30 June 2020 and councils undertaking further capex and a continued high utilisation of short term borrowing from LGFA by councils. In last year's SOI, we had also been conservative in expecting a reduction in borrowing appetite from councils because of the Housing Infrastructure Fund facility and other Central Government initiatives.

- We have assumed a further narrowing in credit margins as the credit quality of the sector improves and councils get ratings upgrades. There are no forecast changes to the on-lending margins given the base lending margin now averages 10 bps (0.10%). LGFA on-lending margins are the narrowest when compared with our international peers.

- Compared to the previous SOI, issuance and operating expenses, excluding Approved Issuer Levy ("AIL") are forecast to be approximately $100k higher in the 2020/21 financial year and unchanged in the 2021/22 financial year.

- The SOI performance targets are the same as the targets in the previous SOI. We will however be considering how we report to shareholders on our contribution to the four well beings and will work with the Shareholder Council on the reporting of lending to CCOs.

- As noted above, there is some timing uncertainty within the SOI forecast relating to council loans and LGFA bonds outstanding as we need to project both the repayment amount and repayment timing of the council loans that are due to mature in May 2021, April 2022 and April 2023. Decisions made by our council members regarding early refinancing will have a phasing impact across all three years in the SOI forecast.

If you have any questions or wish to provide comments by 1 May 2020 then please feel free to contact myself or any member of the Shareholders Council. The LGFA board will consider any feedback received and provide a final version of the SOI to shareholders by 30 June 2020.

Yours sincerely

Mark Butcher
Chief Executive

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NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY
TE PŪTEA KĀWANATANGA Ā-ROHE

Draft Statement of Intent 2020/21

1. Introduction

This Statement of Intent (SOI) sets out the intentions and expectations of New Zealand Local Government Funding Agency Limited (LGFA).

The LGFA is enabled under the Local Government Borrowing Act 2011 and is a council-controlled organisation (CCO) for the purposes of the Local Government Act 2002.

The SOI is prepared in accordance with section 64(1) of the Local Government Act 2002.

2. Nature and scope of activities

LGFA will raise debt funding either domestically and/or offshore in either NZ dollars or foreign currency and provide debt funding to New Zealand local authorities and CCOs and may undertake any other activities considered by the Board of LGFA to be reasonably related or incidentally to, or in connection with, that business.

The LGFA will only lend to Councils and CCOs that enter into all the relevant arrangements with it (such Councils being “Participating Local Authorities” and such Councils and CCOs being “Participating Borrowers”) and comply with the LGFA’s lending policies.

In lending to Participating Borrowers, LGFA will:

- Operate in a manner to ensure LGFA is successful and sustainable in the long-term;
- Educate and inform Participating Local Authorities on matters within the scope of LGFA’s operations;
- Provide excellent service to Participating Borrowers;
- Ensure excellent communication exists and be professional in its dealings with all its stakeholders; and
- Ensure its products and services are delivered in a cost-effective manner.

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3. Objectives

Principal Objectives

In accordance with the Local Government Act 2002, in carrying on its business, the principal objectives of LGFA will be to:

- Achieve the shareholder-agreed objectives and performance targets specified in this Statement of Intent;
- Be a good employer;
- Demonstrate social and environmental responsibility;
- Maintain strong and sound corporate governance;
- Set and model high standards of ethical behaviour; and
- Operate in accordance with sound business practice.

Primary Objectives

LGFA will optimise the debt funding terms and conditions for Participating Borrowers. Among other things, this includes:

- Providing interest cost savings relative to alternative sources of financing;
- Offering flexible short and long-term lending products that meet Participating Borrowers' borrowing requirements;
- Delivering operational best practice and efficiency for its lending services;
- Ensuring certainty of access to debt markets, subject always to operating in accordance with sound business practice.

LGFA will ensure its asset book remains at a high standard by ensuring it understands each Participating Borrower's financial position, as well as general issues confronting the Local Government sector. Amongst other things, LGFA will:

- Proactively monitor and review each Participating Borrower's financial position, including its financial headroom under LGFA policies;
- Analyse finances at the Council group level where appropriate and report to shareholders;
- Endeavour to visit each Participating Borrower annually, including meeting with elected officials as required, or if requested; and
- Take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues.

Additional objectives

LGFA has the following six measurable and achievable additional objectives which complement the primary objective. Performance against these objectives is reported annually.

LGFA will:

1. Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency.

2. Provide at least 75% of aggregate long-term debt funding to the Local Government sector.

3. Achieve the financial forecasts outlined in section 4 for net interest income and operating expenses, including provision for a shareholder dividend payment in accordance with approved dividend policy.

4. Meet or exceed the Performance Targets outlined in section 5.

5. Comply with the Health and Safety at Work Act 2015.

6. Comply with the Shareholder Foundation Polices and the Board-approved Treasury Policy at all times.

4. Financial forecasts

LGFA's financial forecasts for the three years to 30 June 2023 are:

FINANCIAL YEAR ($M) **SOI 2021 FEB DRAFT**

Comprehensive income	**Jun-21**	**Jun-22**	**Jun-23**
Interest income	246.1	247.7	271.2
Interest expense	227.1	227.8	248.8
Net Interest income	**19.0**	**19.9**	**22.4**
Approved Issuer Levy	1.5	1.0	1.0
Issuance & onlending costs	2.7	2.7	2.7
Operating overhead	4.0	4.1	4.2
Issuance and operating expenses	**8.1**	**7.7**	**7.9**
P&L	**10.8**	**12.1**	**14.4**

Financial position ($m)	**Jun-21**	**Jun-22**	**Jun-23**
Capital	25.0	25.0	25.0
Retained earnings	68.9	80.1	93.5
Total equity	93.9	105.1	118.5
Shareholder funds + borrower notes / Total assets	2.3%	2.3%	2.3%
Dividend provision	0.9	0.9	1.0
Total assets (nominal)	11,655.1	12,451.4	12,915.8
Total LG loans - short term (nominal)	500.0	500.0	500.0
Total LG loans (nominal)	10,527.5	11,213.4	11,497.7
Total bills (nominal)	400.0	400.0	400.0
Total bonds (nominal) ex treasury stock	10,941.0	11,716.0	12,166.0
Total borrower notes (nominal)	168.4	179.4	184.0

Note that there is some forecast uncertainty around the timing of Net Interest Income, Profit and Loss, Total Assets, LG Loans, Bonds and Borrower Notes depending upon council decisions regarding the amount and timing of refinancing of their May 2021, April 2022 and April 2023 loans. LGFA will work with council borrowers to reduce this uncertainty. The above table assumes gross issuance of LGFA bonds per year of $2.28 billion (2021/22), $1.85 billion (2022/23) and $1.9 billion 2023/24), however the issuance volume will be determined by LGFA at the relevant time by reference to factors including refinancing of existing borrowing by councils and (if applicable) council-controlled organisations, new borrowing by councils and (if applicable) council-controlled organisations and LGFA's own borrowing requirements for liquidity purposes. No decision has been made as to final issuance volume at this point and will depend upon market conditions.

5. Performance targets

LGFA has the following performance targets:

- LGFA's net interest income for the period to:
    - 30 June 2021 will be greater than $19.0 million.
    - 30 June 2022 will be greater than $19.9 million.
    - 30 June 2023 will be greater than $22.4 million.
- LGFA's annual issuance and operating expenses (excluding AIL) for the period to:
    - 30 June 2021 will be less than $6.7 million.
    - 30 June 2022 will be less than $6.8 million.
    - 30 June 2023 will be less than $7.0 million.
- Total lending to Participating Borrowers[1] at:
    - 30 June 2021 will be at least $11,027 million.
    - 30 June 2022 will be at least $11,713 million.
    - 30 June 2023 will be at least $11,998 million
- Conduct an annual survey of Participating Borrowers who borrow from LGFA and achieve at least an 80% satisfaction score as to the value added by LGFA to the borrowing activities
- Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements.
- Achieve 75% market share of all council borrowing in New Zealand
- Review each Participating Borrower's financial position, its headroom under LGFA policies and arrange to meet each Participating Borrower at least annually.
- No breaches of Treasury Policy, any regulatory or legislative requirements including the Health and Safety at Work Act 2015.
- Successfully refinance of existing loans to councils and LGFA bond maturities as they fall due.
- Maintain a credit rating equal to the New Zealand Government rating where both entities are rated by the same credit rating agency.

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[1] Subject to the forecasting uncertainty noted previously

6. Dividend policy

LGFA will seek to maximise benefits to Participating Local Authorities as Borrowers rather than Shareholders. Consequently, it is intended to pay a limited dividend to Shareholders.

The Board's policy is to pay a dividend that provides an annual rate of return to Shareholders equal to LGFA fixed rate bond cost of funds plus 2.00% over the medium term.

At all times payment of any dividend will be discretionary and subject to the Board's legal obligations and views on appropriate capital structure.

7. Governance

Board

The Board is responsible for the strategic direction and control of LGFA's activities. The Board guides and monitors the business and affairs of LGFA, in accordance with the Companies Act 1993, the Local Government Act 2002, the Local Government Borrowing Act 2011, the Company's Constitution, the Shareholders' Agreement for LGFA and this SOI.

The Board comprises six directors with five being independent directors and one being a non-independent director.

The Board's approach to governance is to adopt best practice[2] with respect to:

- The operation of the Board.
- The performance of the Board.
- Managing the relationship with the Company's Chief Executive.
- Being accountable to all Shareholders.

All directors are required to comply with a formal Charter.

The Board will meet on a regular basis and no fewer than 6 times each year.

Shareholders' Council

The Shareholders' Council is made up of between five and ten appointees of the Shareholders (including an appointee from the Crown). The role of the Shareholders' Council is to:

- Review the performance of LGFA and the Board, and report to Shareholders on that performance on a periodic basis.
- Make recommendations to Shareholders as to the appointment, removal, replacement and remuneration of directors.
- Make recommendations to Shareholders as to any changes to policies, or the SOI, requiring their approval.

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[2] Best practice as per NZX and Institute of Directors guidelines

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- Ensure all Shareholders are fully informed on LGFA matters and to coordinate Shareholders on governance decisions.

8. Information to be provided to Shareholders

The Board aims to ensure that Shareholders are informed of all major developments affecting LGFA's state of affairs, while at the same time recognising both LGFA's obligations under NZX Listing Rules and that commercial sensitivity may preclude certain information from being made public.

Annual Report

The LGFA's balance date is 30 June.

By 30 September each year, the Company will produce an Annual Report complying with Sections 67, 68 and 69 of the Local Government Act 2002, the Companies Act 1993 and Financial Reporting Act 2013. The Annual Report will contain the information necessary to enable an informed assessment of the operations of the company, and will include the following information:

- Directors' Report.
- Financial Statements incorporating a Statement of Financial Performance, Statement of Movements in Equity, Statement of Financial Position, Statement of Cashflows, Statement of Accounting Policies and Notes to the Accounts.
- Comparison of the LGFA's performance regarding the objectives and performance targets set out in the SOI, with an explanation of any material variances.
- Auditor's Report on the financial statements and the performance targets.
- Any other information that the directors consider appropriate.

Half Yearly Report

By 28 February each year, the Company will produce a Half Yearly Report complying with Section 66 of the Local Government Act 2002. The Half Yearly Report will include the following information:

- Directors' commentary on operations for the relevant six-month period.
- Comparison of LGFA's performance regarding the objectives and performance targets set out in the SOI, with an explanation of any material variances.
- Un-audited half-yearly Financial Statements incorporating a Statement of Financial Performance, Statement of Movements in Equity, Statement of Financial Position and Statement of Cashflows.

Quarterly Report

By 31 January, 30 April, 31 July, and 31 October each year, the Company will produce a Quarterly Report. The Quarterly Report will include the following information:

- Commentary on operations for the relevant quarter, including a summary of borrowing margins charged to Participating Borrower's (in credit rating bands).

- Comparison of LGFA's performance regarding the objectives and performance targets set out in the SOI, with an explanation of any material variances.
- Analysis of the weighted average maturity of LGFA bonds outstanding.
- In the December Quarterly Report only, commentary on the Net Debt/Total Revenue percentage for each Participating Local Authority that has borrowed from LGFA (as at the end of the preceding financial year).
- To the extent known by LGFA, details of all events of review in respect of any Participating Borrower that occurred during the relevant quarter (including steps taken, or proposed to be taken, by LGFA in relation thereto).
- Details of any lending to CCOs during the quarter and the amount of CCO loans outstanding.

Statement of Intent

By 1 March in each year the Company will deliver to the Shareholders its draft SOI for the following year in the form required by Clause 9(1) of Schedule 8 and Section 64(1) of the Local Government Act 2002.

Having considered any comments from the Shareholders received by 30 April, the Board will deliver the completed SOI to the Shareholders on or before 30 June each year.

Shareholder Meetings

The Board will hold an Annual General Meeting between 30 September and 30 November each year to present the Annual Report to all Shareholders.

The Company will hold a meeting with the Shareholders' Council approximately every six months – prior to the Annual General Meeting and after the Half Yearly Report has been submitted. Other meetings may be held by agreement between the Board and the Shareholders' Council.

9. Acquisition/divestment policy

LGFA will invest in securities in the ordinary course of business. It is expected that these securities will be debt securities. These investments will be governed by LGFA's lending and/or investment policies as approved by the Board and/or Shareholders.

Any subscription, purchase or acquisition by LGFA of shares in a company or organisation will, if not within those investment policies, require Shareholder approval other than as concerns the formation of wholly-owned subsidiaries and the subscription of shares in such wholly-owned subsidiaries.

10. Activities for which compensation is sought from Shareholders

At the request of Shareholders, LGFA may (at its discretion) undertake activities that are not consistent with its normal commercial objectives. Specific financial arrangements will be entered into to meet the full cost of providing such as activities.

Currently there are no activities for which compensation will be sought from Shareholders.

11. Commercial value of Shareholder's investment

LGFA will seek to maximise benefits to Participating Local Authorities as Borrowers rather than Shareholders.

Subject to the Board's views on the appropriate capital structure for LGFA, the Board's intention will be to pay a dividend that provides an annual rate of return to Principal Shareholders equal to LGFA fixed rate bond cost of funds plus 2.00% over the medium term.

As the Shareholders will have invested in the LGFA on the basis of this limited dividend, the Board considers that at establishment the commercial value of LGFA is equal to the face value of the Shareholders' paid up Principal Shares - $25 million.

In the absence of any subsequent share transfers to the observed share transfers on 30 November 2012, the Board considers the current commercial value of LGFA is at least equal to the face value of the Shareholders' paid up Principal Shares of $25 million. This equates to a value per share of $1.00.

12. Accounting policies

LGFA has adopted accounting policies that are in accordance with the New Zealand International Financial Reporting Standards and generally accepted accounting practice. A Statement of accounting policies is attached to this SOI.

The following statement is taken from the Financial Statements presented as part of LGFA's Annual Report 2019 (updated where necessary), accordingly, the statement does not contemplate LGFA lending to CCOs.

ATTACHMENT: Statement of accounting policies

1 Statement of accounting policies

a. Reporting entity

The New Zealand Local Government Funding Agency Limited (LGFA) is a company registered under the Companies Act 1993 and is subject to the requirements of the Local Government Act 2002.

LGFA is controlled by participating local authorities and is a council-controlled organisation as defined under section 6 of the Local Government Act 2002. LGFA is a limited liability company incorporated and domiciled in New Zealand.

The primary objective of LGFA is to optimise the debt funding terms and conditions for participating local authorities.

The registered address of LGFA is Level 8, City Chambers, 142 Featherston Street, Wellington Central, Wellington 6011.

b. Statement of compliance

LGFA is an FMC reporting entity under the Financial Markets Conduct Act 2013 (FMCA). These financial statements have been prepared in accordance with that Act and the Financial Reporting Act 2013. LGFA's bonds are quoted on the NZX Debt Market.

LGFA is a profit orientated entity as defined under the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and they comply with NZ IFRS and other applicable Financial Reporting Standard, as appropriate for Tier 1 for-profit entities. The financial statements also comply with International Financial Reporting Standards (IFRS).

c. Basis of preparation

Measurement base

The financial statements have been prepared on a historical cost basis modified by the revaluation of certain assets and liabilities.

The financial statements are prepared on an accrual basis.

Functional and presentation currency

The financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless separately identified. The functional currency of LGFA is New Zealand dollars.

Foreign currency conversions

Transactions denominated in foreign currency are translated into New Zealand dollars using exchange rates applied on the trade date of the transaction.

Changes in accounting policies

NZ IFRS 9. New Zealand Equivalent to International Financial Reporting Standard 9. Financial Instruments.

NZ IFRS 9 (2014) is effective for the fiscal year commencing 1 July 2018.

NZ IFRS 9 replaces NZ IAS 39 Financial Instruments: Recognition and Measurement and sets out the requirements for hedge accounting and impairment for financial assets and liabilities. LGFA early adopted NZ IFRS 9 (2010) for the classification and measurement of financial instruments at commencement of business in 2012.

LGFA has elected to apply NZ IFRS 9 (2014) on a retrospective basis. Comparative information has not been restated as there has not been a material impact. Instead, the impact of adopting the new standard is reflected in opening equity on 1 July 2018.

Hedge accounting

There has been no change to accounting policy for hedge accounting as LGFA's current fair value hedge accounting meets the requirements of NZ IFRS 9.

Impairment

NZ IFRS 9 prescribes an expected credit loss impairment model which replaces the incurred loss impairment model in NZ IAS 39. The expected credit loss model requires LGFA to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

LGFA has not previously incurred any credit losses under the incurred loss impairment model (NZ IAS 39) and the introduction of the expected credit loss model (NZ IFRS 9) has not had a material impact on the measurement of LGFA's financial assets.

The changes to LGFA's accounting policies for expected credit losses on financial assets are set out below.

Methodology to determine expected credit losses

As at 30 June 2019, LGFA deemed that there had been no significant increase in credit risk since initial recognition for any financial asset and calculated the loss allowance for these instruments at an amount equal to 12-month expected credit losses, using the estimated probability of default multiplied by the estimated recovery rate.

The estimated probability of default is based on the Standard & Poor's' (S&P) Annual Global Default Study. Individual securities were assigned a probability of default over the 12-month period year based on their S&P, Fitch or Moody's credit rating. Unrated local authorities were assigned a shadow credit rating of A+, based on all complying with LGFA's financial covenants as at 31 December 2018, and S&P rating methodology where all New Zealand local authorities who have a credit rating from S&P are rated between AA and A+.

The estimated recovery rate is assigned using the S&P recovery rating scale. All local authorities were assigned a category of 1+, based on LGFA holding security over a council's rates which, in the event of a default, would give a statutory manager the legal right to impose a targeted rate to recover the principal and interest owing. All other financial assets were assigned a recovery rate based on the industry category and average S&P recovery rates for the security type.

The Treasury (New Zealand Debt Management) was assigned a category of 1+ for derivatives in gain.

Early adoption standards and interpretations

LGFA has not early adopted any standards.

New standards adopted

NZ IFRS 15. Revenue from Contracts with Customers.

NZ IFRS 15 has been adopted from 1 July 2018. There has been no impact on the financial statements.

Standards not yet adopted

LGFA does not consider any standards or interpretations in issue but not yet effective to have a significant impact on its financial statements.

NZ IFRS 16 Leases

NZ IFRS 16 becomes effective from 1 July 2019 and will not have a material impact on the financial statements.

Change in presentation. Statement of financial position

LGFA has changed the order of presentation of assets and liabilities in the Statement of financial position to reflect the order of liquidity for financial assets and liabilities. The change in presentation has been applied to both the current reporting period as well as associated comparatives.

d. Financial instruments

Financial assets

Financial assets, other than derivatives, are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents include cash on hand; cash in transit, bank accounts and deposits with an original maturity of no more than three months.

Purchases and sales of all financial assets are accounted for at trade date.

At each balance date, an expected credit loss assessment is performed for all financial assets and is calculated as either:

- Credit losses that may arise from default events that are possible within the next 12 months, where no significant increase in credit risk has arisen since acquisition of the asset, or
- Credit losses that may arise from default events that are possible over the expected life of the financial asset, where a significant increase in credit risk has arisen since acquisition of the asset.

Impairment losses on financial assets will ordinarily be recognised on initial recognition as a 12-month expected loss allowance and move to a lifetime expected loss allowance if there is a significant deterioration in credit risk since acquisition.

Financial liabilities

Financial liabilities, other than derivatives, are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Derivatives

Derivative financial instruments are recognised both initially and subsequently at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively.

Fair value hedge

Where a derivative qualifies as a hedge of the exposure to changes in fair value of an asset or liability (fair value hedge) any gain or loss on the derivative is recognised in profit and loss together with any changes in the fair value of the hedged asset or liability.

The carrying amount of the hedged item is adjusted by the fair value gain or loss on the hedged item in respect of the risk being hedged. Effective parts of the hedge are recognised in the same area of profit and loss as the hedged item.

e. Other assets

Property, plant and equipment (PPE)

Items of property, plant and equipment are initially recorded at cost.

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its remaining useful life.

Intangible Assets

Intangible assets comprise software and project costs incurred for the implementation of the treasury management system. Capitalised computer software costs are amortised on a straight-line basis over the estimated useful life of the software (three to seven years). Costs associated with maintaining computer software are recognised as expenses.

f. Other liabilities

Employee entitlements

Employee entitlements to salaries and wages, annual leave and other similar benefits are recognised in the profit and loss when they accrue to employees.

g. Revenue and expenses

Revenue

Interest income

Interest income is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

Expenses

Expenses are recognised in the period to which they relate.

Interest expense

Interest expense is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

Income tax

LGFA is exempt from income tax under Section 14 of the Local Government Borrowing Act 2011.

Goods and services tax

All items in the financial statements are presented exclusive of goods and service tax (GST), except for receivables and payables, which are presented 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 recoverable from, or payable to, the IRD 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 a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

h. Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

i. Segment reporting

LGFA operates in one segment being funding of participating local authorities in New Zealand.

j. Judgements and estimations

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. For example, the present value of large cash flows that are predicted to occur a long time into the future depends critically on judgements regarding future cash flows, including inflation assumptions and the risk-free discount rate used to calculate present values. Refer note 2a for fair value determination for financial instruments.

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The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Where these judgements significantly affect the amounts recognised in the financial statements they are described below and in the following notes.

Financing the infrastructure investment undertaken by New Zealand councils

Te tuku pūtea ki ngā haumitanga hanganga e whakamahia ana e ngā kaunihera o Aotearoa

Half year report

31 December 2019

LGFA

NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY

TE PŪTEA KĀWANATANGA Ā-ROHE

Mā te huruhuru ka rere te manu is a traditional saying literally meaning 'birds need feathers to fly'.

Its wider meaning is that 'investment is needed for success'.

Contents
Ihirangi

Message from the Chair

He karere mai i te Toihau

For the six months ended 31 December 2019

"LGFA continues to provide cost effective financing solutions for its growing council membership base while offering New Zealand dollar fixed income investors a choice of investment maturities with a relatively attractive yield pickup over New Zealand Government Bonds"

Craig Stobo, Chair LGFA Board

Directors would like to highlight the following developments at LGFA for the six-month period to 31 December 2019.

Strong Financial and Operational Performance

LGFA total interest income for the six-month period of $185.1 million was a 2.3% increase over the 2018-19 comparable period result of $180.9 million while net operating profit of $6.10 million was a 0.3% increase on the 2018-19 comparable period result of $6.08 million.

Net interest income and operating profit exceeded both the previous comparable period result and are ahead of the Statement of Intent (SOI) forecast due to the early refinancing of council loans maturing in April 2020 and a higher level of new council borrowing.

Expenses have been managed under budget over the past six months. In terms of composition, lower fees from a reduced utilisation of the standby facility, and lower Approved Issuer Levy payments were somewhat offset by higher legal and NZX costs from lending and bond issuance activities.

LGFA bonds continue to be an attractive investment for investors while LGFA has also delivered savings in borrowing costs and extended the tenor of lending available to our council borrowers.

The financial strength of LGFA was reaffirmed by Fitch Ratings who maintained our credit rating at 'AA+' in November 2019 and our 'AA+' rating from S&P Global Ratings remains on positive outlook, both of which are the same as the New Zealand Government.

Borrowing activity

LGFA issued $1.105 billion of bonds over the past six months and nominal outstandings now total $10.49 billion (including $450 million of treasury stock) across nine maturities from 2020 to 2033.

The new April 2029 bond maturity by syndication of $500 million in August 2019 was another successful issue, following on from the $1 billion April 2024 syndication in March 2019. The April 2024 syndication was recognised at the KangaNews awards as the New Zealand Domestic Bond Deal of the Year.

LGFA is the largest issuer of New Zealand dollar securities after the New Zealand Government and our bonds are amongst the largest and most liquid New Zealand dollar debt instruments available for investors. We have seen a shift in investor composition over the past six months as offshore investors have become less attracted to the lower yielding NZD fixed income asset class while domestic investors have increased their holdings based on the outlook for lower interest rates and lack of supply of other high-grade bonds. Our offshore investor holdings have reduced from 33% in June 2019 to 29% in December 2019, while NZ Institutional and retail investor holdings have increased from 29% to 32%.

The performance of LGFA bonds over the past six months has been positive with LGFA bond spreads to both swap and New Zealand Government Bonds (NZGB) becoming tighter with a greater narrowing on the spread to NZGB as market participants expect additional future issuance of NZGBs. Outright yields on LGFA bonds have declined modestly over the past six months by between 2 bps (0.02%) on the 2027 maturity and 11 bps (0.11%) on the 2021 maturity, although there was greater volatility with the 2027 LGFA bond yield trading a 65 bps (0.65%) range over the six-month period.

LGFA continues to issue short-dated LGFA Bills ranging in maturities from three months to 12 months through a combination of monthly tenders and private placements. As at 31 December 2019, outstandings under the programme are $405 million. These instruments provide a source of funding for short-dated lending to our council borrowers and assist LGFA with liquidity management.

Lending to the sector

LGFA was established in December 2011 to provide long-dated borrowing, certainty of access to markets and to reduce the borrowing costs for the local government sector. Over the past six months, we added two new members with Taranaki Regional Council joining as a guarantor and Kaikoura District Council joining as a non-guarantor. Total membership of 66 councils is very pleasing and this is expected to increase slightly in the coming six months as several councils are partly through the joining process.

Long-dated lending over the six-month period was $732 million with the lending activity a mix of new borrowing and the refinancing of council loans maturing on 15th April 2020. The tenor of borrowing by councils at 6.8 years was longer than the average term of borrowing of 6.0 years over the 12-month period to June 2019.

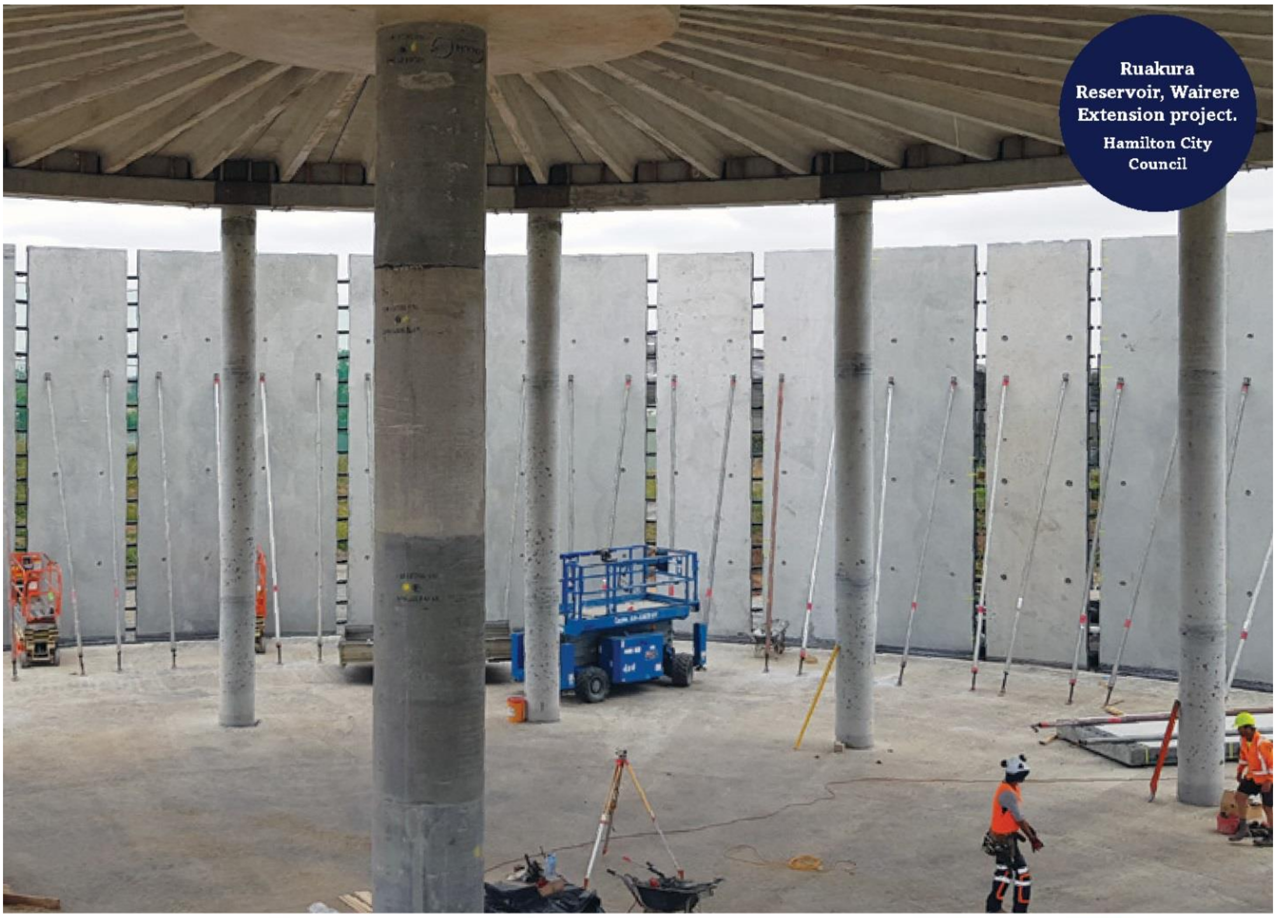
Short-dated lending for terms less than 12 months has been well supported by councils and, as at 31 December 2019, LGFA had $525 million of short-term loans outstanding to 31 councils.

The underlying credit quality of the sector continues to remain very strong with all member councils remaining compliant with the LGFA lending covenants.

Acknowledgments

On behalf of my fellow directors we are pleased to be part of the continued success of this organisation and wish to thank our council shareholders, guarantors and borrowers as well as NZ Debt Management, our financial intermediaries, investors and staff for their continued support.

Craig Stobo
Chair, LGFA Board


Ruakura Reservoir, Wairere Extension project.
Hamilton City Council


Pipe replacement work on Queens Drive.
Invercargill City Council

Performance against objectives

Tutukinga mahi ki ōna whāinga

The statement of service performance details LGFA's performance for the first half of the financial year against the objectives and targets set out in the LGFA Statement of Intent 2019-20 (SOI)

Performance against 2019-20 primary objectives

This section sets out LGFA's performance for the six-month period ended 31 December 2019 against the two primary objectives set out in the 2019-20 SOI.

1. **LGFA will operate with the primary objective of optimising the debt funding terms and conditions for participating local authorities. Among other things this includes:**

Providing savings in annual interest costs for all participating local authorities on a relative basis to other sources of financing;

LGFA aims to minimise its issuance margin over swap rates to provide cost-effective funding to councils. The LGFA margin to swap will depend upon several factors including the relative demand and supply of high grade bonds, general credit market conditions, performance of New Zealand Government bonds and swap rates, investor perceptions of LGFA, and the issuance volume and tenor of LGFA bonds.

2019-20 performance objectives

The SOI sets out two primary performance objectives and eight additional objectives for LGFA for the year ended 30 June 2020:

Primary objectives

1. LGFA will operate with the primary objective of optimising the debt funding terms and conditions for participating local authorities. Among other things this includes:
   i. Providing savings in annual interest costs for all participating local authorities on a relative basis to other sources of financing;
   ii. Offering short and long-term borrowings with flexible lending terms;
   iii. Enhancing the certainty of access to debt markets for participating local authorities, subject always to operating in accordance with sound business practice; and
   iv. Being the debt funder of choice for New Zealand local government.
2. LGFA will monitor the quality of the asset book so that it remains of a high standard by ensuring it understands each participating local authority's financial position and the general issues confronting the Local Government sector. This includes
   i. LGFA will review each participating local authority's financial position, its financial headroom under LGFA policies and endeavour to visit each Participating Local Authority on an annual basis;
   ii. Implement the changes to the Foundation Policies that were approved at the November 2018 AGM to allow for lending to council-controlled organisations (CCOs). Changes to operational policies and practices need to ensure that no additional risk is borne by lenders, guarantors or the Crown;
   iii. LGFA will analyse finances at the Council group level where appropriate and report to shareholders as to which participating local authorities are measured on a group basis; and
   iv. LGFA will take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues.

Additional objectives

1. Operate with a view to making a profit sufficient to pay a dividend in accordance with its stated Dividend Policy;
2. Provide at least 75% of aggregate long-term debt funding to the local government sector;
3. Achieve the financial forecasts (excluding the impact of AIL) set out in section 4;
4. Ensure its products and services are delivered at a cost that does not exceed the forecast for issuance and operating expenses set out in section 4;
5. Take appropriate steps to ensure compliance with the Health and Safety at Work Act 2015;
6. Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same rating agency;
7. Introduce CCO lending by December 2019 and report quarterly, the volume of lending to CCOs; and
8. Comply with its Treasury Policy, as approved by the Board.

Given that LGFA tends to match fund its on-lending to councils where possible, i.e. tends to issue bonds in a similar tenor and volume as its on-lending, LGFA only has influence over investor perception amongst the above factors that determine LGFA spreads to swap.

There will be periods within the interest rate and credit market cycles when LGFA bonds will outperform its benchmarks (spread narrowing) and there will be periods of time when LGFA bonds underperform (spread widening). It is also very difficult to find an appropriate benchmark to measure performance against.

LGFA spreads to swap have consistently narrowed since it first began issuing bonds in February 2012 and, over the past six months, spreads to swap as measured by secondary market levels have, in general, narrowed modestly or are unchanged.

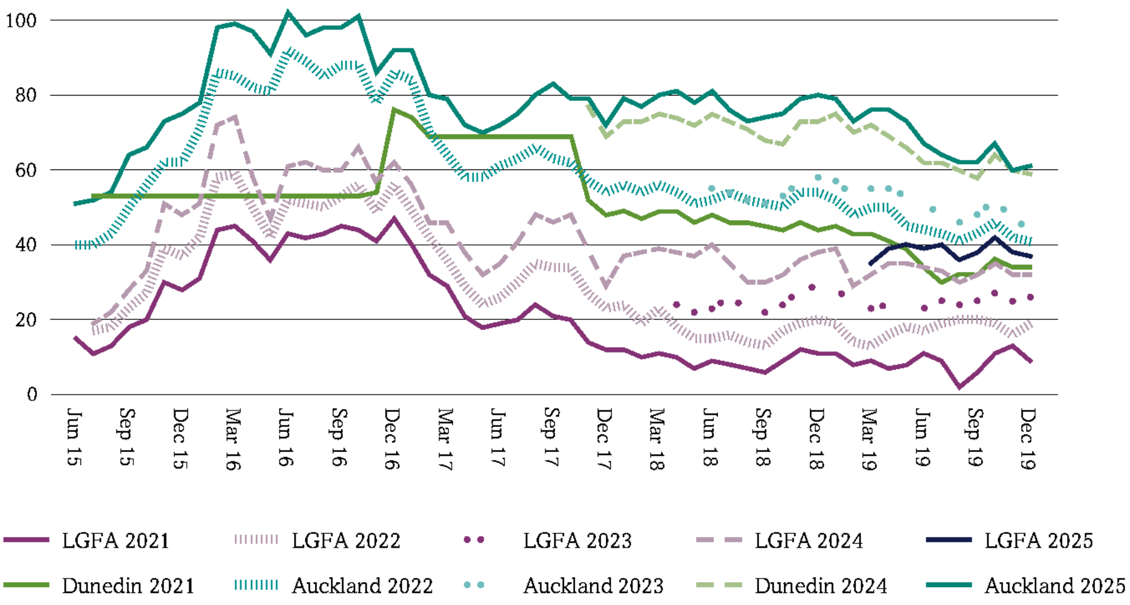
LGFA bond margin to swap	As at 31 December 2019 basis points (bps)	As at 30 June 2019 (bps)	Spread movement (bps)
15-Apr-20	7	11	(4)
15-May-21	15	15	Nil
14-Apr-22	23	22	1
15-Apr-23	27	30	(3)
15-Apr-24	34	37	(3)
15-Apr-25	40	41	(1)
15-Apr-27	46	46	Nil
20-Apr-29	59	-	n/a
14-Apr-33	67	67	Nil

Some of the movement is due to the changes in the spread between swap rates and NZ Government Bond (NZGB) yields as, over the same period, LGFA spreads to NZGB have narrowed for all maturities (except the April 2020s as the RBNZ is repurchasing this very short dated NZGB maturity).

LGFA bond margin to NZGB	As at 31 December 2019 (bps)	As at 30 June 2019 (bps)	Spread movement (bps)
15-Apr-20	37	30	7
15-May-21	27	36	(9)
14-Apr-22	35	42	(7)
15-Apr-23	41	51	(10)
15-Apr-24	46	59	(13)
15-Apr-25	50	65	(15)
15-Apr-27	56	70	(14)
20-Apr-29	68	-	n/a
14-Apr-33	73	92	(21)

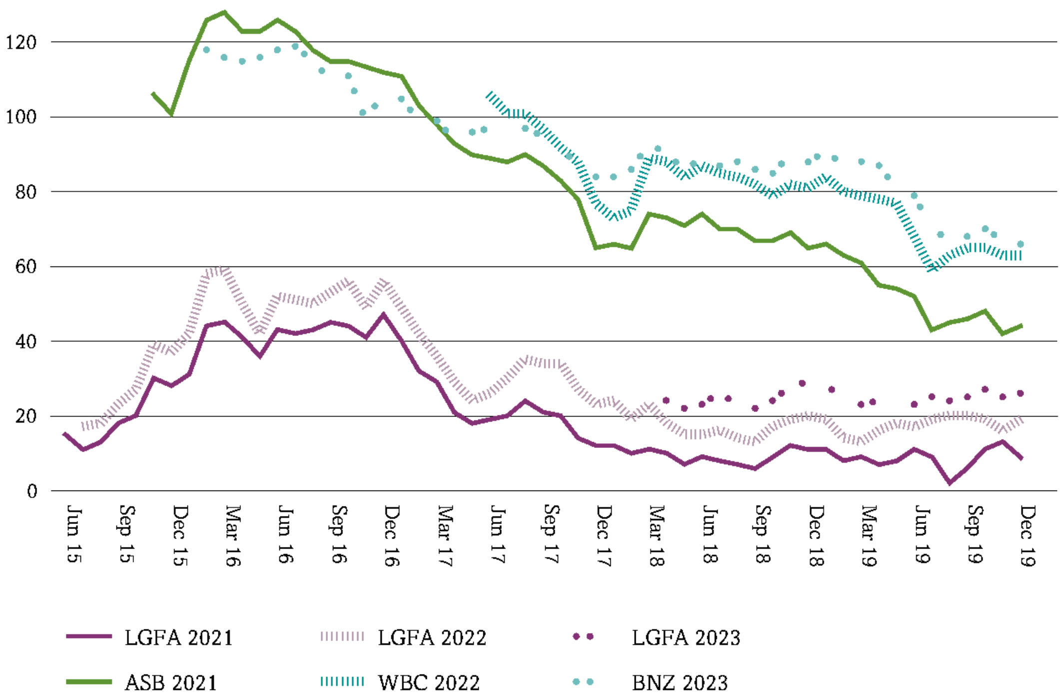
LGFA continues to provide savings in borrowing cost for councils relative to other sources of borrowing. We compare our secondary market spreads on LGFA bonds to those of Auckland Council and Dunedin City Treasury (as a proxy for councils borrowing in their own name) and a mix of banks (as a proxy for general market conditions).

Secondary market credit spread to swap for LGFA and council bonds
(basis points)



Source: Bloomberg, LGFA

Secondary market credit spread to swap for LGFA and bank bonds
(basis points)



Source: Bloomberg, LGFA

Offering short and long-term borrowings with flexible lending terms

The average borrowing term (excluding short-dated borrowing) for the six-month period to 31 December 2019 by councils was 7.4 years, being an increase on the 6.0 years for the year to 30 June 2019. Councils lengthened the term of borrowing in response to the narrowing in borrowing spreads, low outright yields and by borrowing into 2030 and 2033 maturities.

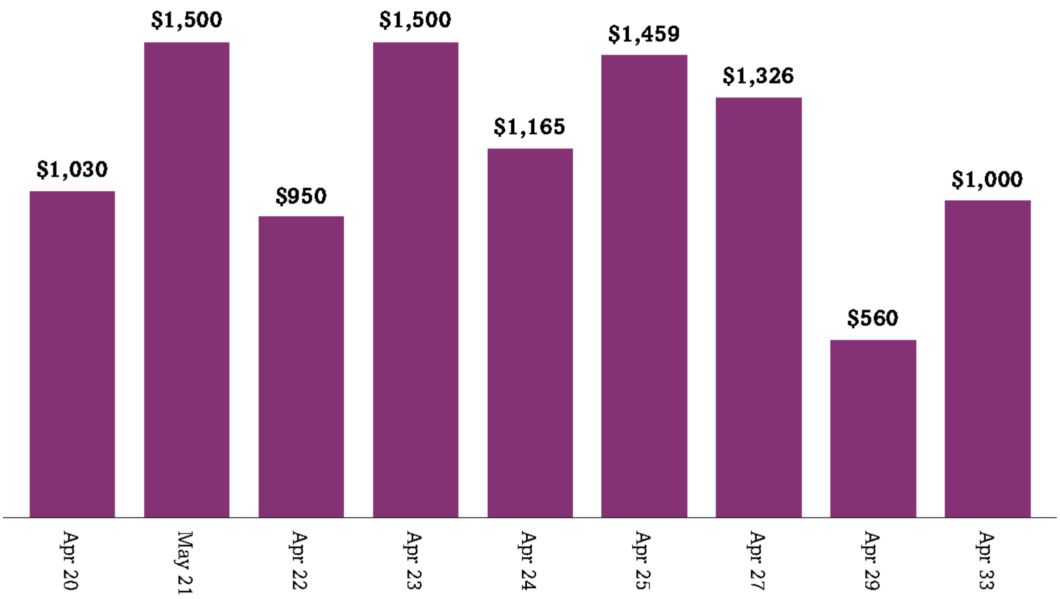
While LGFA provides councils with the ability to currently borrow for terms from one month to 14 years, it is up to the councils to determine their preferred term of borrowing.

In August 2019, LGFA commenced the issuance of a 10-year bond (April 2029) providing a new benchmark to assist with the pricing of council loans between the April 2027 and April 2033 LGFA bond maturities.

The following chart shows the total LGFA bond outstandings, including treasury stock, by maturity as at 31 December 2019.

LGFA bonds on issue (NZ$ million)

As at 31 December 2019 : NZ$10,490 million
Includes NZ$450 million treasury stock



Enhancing the certainty of access to debt markets for participating local authorities, subject always to operating in accordance with sound business practice;

LGFA listed its bonds on the NZX Debt Market in November 2015 and this has led to greater awareness and participation in LGFA bonds by domestic retail and offshore investors. Average turnover on the NZX Debt Market since listing has been $10.6 million per month which represents 7.9% of the total turnover of the NZX Debt Market. Turnover has remained at lower than normal levels over the past six months as retail investors seek higher term deposit rates.

In late 2015, LGFA commenced the issuance of LGFA Bills (three and six months) which facilitated the offer of short-term loans of less than one year to councils. As at 31 December 2019, short-term loans totaling $525.1 million were outstanding to 31 councils ($360 million, 30 June 2019), which were partially funded by LGFA Bills on issue of $403 million.

LGFA held four bond tenders during the six-month period to 31 December 2019, with an average tender volume of $164 million and a range of $160 million to $170 million for each tender. LGFA also issued $450 million of an April 2029 maturity via syndication in August 2019. This was our second syndicated issue following the successful April 2024 syndication undertaken in March 2019.

All tenders were successful although, in general, demand was less than in previous periods due to lower interest rates and tighter spreads to NZGBs. Offshore investors continue to hold LGFA bonds, but they have not increased their holdings in line with the increased issuance. The average bid-coverage ratio across the four bond tenders was 2.1 times and this compared to the average of 3.0 times for the 68 bond tenders held since LGFA first commenced issuance in February 2012.

The successful bid range (i.e. difference between the highest and lowest successful bid yield) for each maturity at each tender averaged between 0 bps and 3.8 bps, with an average of 1.9 bps across all maturities and tenders over the six-month period.

Issuance Dates	Issuance Volumes (NZ$million)					
	Apr 22	Apr 24	Apr 25	Apr 29	Apr 33	Total
11- Dec (tender)	40	30	-	60	35	165
6-Nov (tender)	40	40	30	-	50	160
2-Oct (tender)	50	35	-	-	75	160
21-Aug (syndication)	-	-	-	450	-	450
17-Jul (tender)	60	60	-	-	50	170
Total issuance six-months to 31 Dec 2019	**190**	**165**	**30**	**510**	**210**	**1105**
Average tender bid coverage ratio	**1.97x**	**2.49x**	**2.3x**	**1.82x**	**1.96x**	**2.1x**
Average tender successful bid range	**0.8 bps**	**1.1 bps**	**1.5 bps**	**1 bps**	**3.8 bps**	**1.9 bps**

Being the debt funder of choice for New Zealand local government.

Councils access flexible lending through short-term and term lending products. Short-term are loans between 30 days and 364 days, while term lending is for any council-elected term between one year and the longest-dated LGFA bond maturity (currently 14 April 2033) for any drawdown date. Therefore, councils can borrow for terms ranging from 30 days to almost 14 years at any time they wish to drawdown.

As at 31 December 2019, short-term borrowing by councils totaled $525.1 million, an increase of $163.1 million from 30 June 2019.

We survey council members each year and the latest survey in July 2019 returned a 100% satisfaction result to the question “How would you rate LGFA in adding value to your borrowing requirements?” and 99% satisfaction result to the question “How satisfied are you with the pricing that LGFA has provided to your Council?”

2. LGFA will monitor the quality of the asset book so that it remains of a high standard by ensuring it understands each participating local authority’s financial position and the general issues confronting the local government sector. This includes:

LGFA will review each participating local authority’s financial position, its financial headroom under LGFA policies and endeavour to visit each Participating Local Authority on an annual basis;

LGFA completes a detailed financial assessment for each member council by reviewing annual plans, long-term plans and annual financial statements, and assigns an internal credit rating to each council as part of this review exercise.

As at 30 June 2019, all councils were compliant with LGFA financial covenants. A copy of each council’s borrowing position and compliance with LGFA covenants were provided to LGFA shareholders and non-shareholder guarantors with the December 2019 quarterly report.

LGFA management met with 29 individual councils over the six-month period to 31 December 2019.

Implement the changes to the Foundation Policies that were approved at the November 2018 AGM to allow for lending to CCOs. Changes to operational policies and practices need to ensure that no additional risk is borne by lenders, guarantors or the Crown

LGFA expect to commence lending to CCOs in the first half of the 2020 calendar year, with implementation being delayed due to requiring shareholder approval at the November 2019 AGM and ensuring the process and controls are robust.

LGFA will analyse finances at the Council group level where appropriate and report to the Shareholder Council and shareholders as to which participating local authorities are measured on a group basis.

LGFA reviews the financial position of each council on a parent basis, the exception being Auckland Council. For Auckland Council, LGFA analyses the financial statements at both parent and group level.

LGFA will take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues

LGFA management aim to meet with the management team of each council at least once a year. We are also available to present to elected officials at councils prior to them joining LGFA to remind them of their obligations.

LGFA have been involved in discussions between central government agencies around infrastructure funding and financing to assist both central and local government with this workstream.

LGFA presented at various capital market conferences and met with banks and investors on a regular basis.

Performance against 2019-20 additional objectives

In addition to the two primary performance objectives, LGFA has eight performance objectives which complement the primary objectives. This section sets out LGFA's performance for the six-month period to 31 December 2019 against the additional objectives set out in the 2019-20 Statement of Intent.

1. Operate with a view to making a profit sufficient to pay a dividend in accordance with its stated Dividend Policy

The LGFA Board has discretion to set the dividend and the policy is to pay a dividend that provides an annual rate of return to shareholders equal to LGFA's cost of funds plus 2%.

On 20 August 2019, LGFA directors declared a dividend for the year to 30 June 2019 of $1,165,000 ($0.0466 per share) calculated on LGFA's cost of funds for the 2018-19 year of 2.66% plus a 2% margin.

The 2019 dividend was lower than the previous year (2018: $0.0514 per share) due to a lower interest rate environment resulting in a lower cost of funds for LGFA. While council borrowers benefit from lower borrowing costs, the dividend payment calculated is lower than it would other-wise be in an environment of higher interest rates.

LGFA's average cost of funds for the six-month period to 31 December 2019 was 1.78%.

2. Provide at least 75% of aggregate long-term debt funding for participating local authorities

Councils have strongly supported LGFA by joining as members and borrowing from LGFA. As at 31 December 2019, 63 of our 66 member councils have borrowed from LGFA.

In the six months to 31 December 2019, two councils joined LGFA. Taranaki Regional Council joined as a guarantor borrower while Kaikoura District Council joined as a non-guarantor borrower.

The following chart shows LGFA's share of new local government long-term debt issuance and is derived from survey data provided by PwC. LGFA's share of long-term borrowing by the sector including non-members of LGFA was 87.7% for the rolling 12-month period to 31 December 2019.

The market share is influenced by the amount of debt issued by the sector's largest domestic borrower, Auckland Council (in its own name). Auckland Council is required to issue debt under its own name as LGFA's foundation policies restrict total loans outstanding to Auckland to a maximum of 40%. If Auckland Council's external borrowing is excluded, then LGFA's estimated market share for the period was 90.6%.

LGFA Market Share – rolling one year average

3. Achieve the financial forecasts (excluding the impact of AIL) set out in Section 4

For the six-month period to 31 December 2019, net interest income was $435k above budget while total expenses were $169k below budget. Excluding AIL, expenses were $35k below budget. Net operating gain of $6.110 million was $598k above SOI target.

4. Ensure its products and services are delivered at a cost that does not exceed the forecast for issuance and operating expenses

Issuance and operating expenses for the six-month period to 31 December 2019 were $169k under SOI budget.

Take appropriate steps to ensure compliance with the Health and Safety at Work Act 2015;

LGFA has a Health and Safety Staff Committee with regular reporting to the board on health and safety by the Risk and Compliance Manager. There were no health and safety incidents during the six-month period to 31 December 2019.

5. Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency;

LGFA has credit ratings from S&P Global Ratings (S&P) and Fitch Ratings (Fitch). Both the S&P and Fitch ratings are the same as, and are capped by, New Zealand Government's credit ratings.

LGFA meets with both agencies each year and last met with Fitch in September 2019 and S&P in November 2019.

On 4 February 2019, S&P placed our long-term credit rating on positive outlook, following their decision to place the long-term credit rating of the New Zealand Government on positive outlook the previous week.

On 6 November 2019, Fitch reaffirmed our long-term credit rating as AA+ and classified LGFA as a corporate mission, government related entity (GRE) under its GRE rating criteria. Fitch equalises our ratings with those of the New Zealand Government.

S&P and Fitch ratings reports are available on our website (www.lgfa.co.nz/for-investors/ratings).

6. Introduce CCO lending by December 2019 and report quarterly, the volume of lending to CCOs to both the Shareholder Council and shareholders

LGFA expect to commence lending to CCOs in the first half of the 2020 calendar year, the implementation being delayed due to requiring shareholder approval at the November 2019 AGM.

7. Comply with its Treasury Policy as approved by the Board

There were no compliance breaches at any time during the six-month period to 31 December 2019.

Meet or exceed the Performance Targets outlined in section 5.

LGFA has achieved (or is on track to achieve at year-end) all of our ten performance targets in the six-month period to 31 December 2019.

Performance measure	Target	Result to 31 December 2019	Outcome
LGFA net interest income for the period to June 2020	> $17.88 million	$9.80 million	✓ On track to be met
Annual issuance and operating expenses (excluding AIL)	< $6.30 million	$3.05 million	✓ On track to be met
Total lending (short and long term) to participating councils	At least $9.79 billion	$10.15 million	✓ Met
Conduct an annual survey of councils	80% satisfaction score	Survey completed July 2019	✓ Met. Survey outcome of 100%
Meet all lending requests from PLAs	100% of borrowing requests	100%	✓ Met
Achieve 75% market share of all council borrowing in New Zealand	75%	87.7%	✓ Met
Review each PLA financial position, its headroom under LGFA policies and arrange to meet each PLA at least annually	29 council visits year to date		✓ On track to be met
No breaches of Treasury Policy, any regulatory or legislative requirements including Health & Safety	No breach.	No breach	✓ On track to be met
Successfully refinance of existing loans to councils and LGFA bond maturities as they fall due		100%	✓ On track to be met
Maintain a credit rating equal to the New Zealand Government rating where both entities are rated by the same credit rating entity	AA+/AA+	AA+/AA+	✓ On track to be met


The redevelopment of Avalon Park as a central community green space.
Hutt City Council

Financial statements
Taukī pūtea

Statement of comprehensive income

For the six months ended 31 December 2019 in $000s

	Note	Unaudited six months ended 31 December 2019	Unaudited six months ended 31 December 2018
Interest income			
Cash and cash equivalents		216	226
Marketable securities		2,072	1,229
Deposits		3,065	2,251
Derivatives		69,933	53,131
Loans to local government		109,786	124,053
Fair value hedge ineffectiveness	2	-	-
Total interest income		**185,072**	**180,890**
Interest expense			
Bills		3,521	4,610
Bond repurchase transactions		257	225
Lease liability		14	-
Bonds		169,918	164,513
Borrower notes		1,562	1,769
Total interest expense		**175,272**	**171,117**
Net interest income		**9,800**	**9,773**
Operating expenses			
Issuance and on-lending expenses	3	1,846	1,975
Operating expenses	4	1,851	1,723
Total expenses		**3,697**	**3,698**
Net operating profit		**6,103**	**6,075**
Total comprehensive income		**6,103**	**6,075**

These statements are to be read in conjunction with the notes to the financial statements

The Board of Directors of New Zealand Local Government Funding Agency Limited authorised these financial statements for issue on 27 February 2020.

Craig Stobo, Director
Board Chair

Linda Robertson, Director
Chair, Audit and Risk Committee

Attachment 3

Item 10

Statement of changes in equity

For the six months ended 31 December 2019 in $000s

	Note	Share capital	Retained earnings	Total equity
Equity as at 30 June 2018		**25,000**	**39,290**	**64,290**
Adjustment on adoption of NZ IFRS 9			(35)	(35)
Equity as at 1 July 2018		25,000	39,255	64,255
Net operating profit			6,075	6,075
Total comprehensive income for the period			6,075	6,075
Transactions with owners			-	-
Dividend paid on 7 September 2018			(1,285)	(1,285)
Unaudited closing balance as at 31 December 2018		**25,000**	**44,045**	**69,045**
Equity as at 1 July 2019		**25,000**	**49,149**	**74,149**
Net operating profit			6,103	6,110
Total comprehensive income for the period			6,103	6,110
Transactions with owners			-	-
Dividend paid on 6 September 2019			(1,155)	(1,155)
Unaudited closing balance as at 31 December 2019	**12**	**25,000**	**54,097**	**79,097**

These statements are to be read in conjunction with the notes to the financial statements

Statement of financial position

As at 31 December 2019 in $000s

	Note	Unaudited as at 31 December 2019	Audited as at 30 June 2019
Assets			
Financial assets			
Cash and bank balances		45,398	56,198
Marketable securities		252,341	255,715
Deposits		302,081	136,216
Derivatives in gain		608,089	622,559
Loans to local government	5	10,150,107	9,310,617
Non-financial assets			
Prepayments		829	570
Other assets	10	539	457
Total assets		**11,359,384**	**10,382,332**
Equity			
Share capital	12	25,000	25,000
Retained earnings		47,994	49,149
Total comprehensive income for the period		6,103	
Total equity		**79,097**	**74,149**
Liabilities			
Financial liabilities			
Payables and provisions		336	563
Bills	6	402,759	503,225
Bond repurchases	9	1,034	24,625
Derivatives in loss		44,200	12,926
Bonds	7	10,665,097	9,612,394
Borrower notes	8	166,564	154,168
Non-financial liabilities			
Other liabilities		297	282
Total liabilities		**11,280,287**	**10,308,183**
Total equity and liabilities		**11,359,384**	**10,382,332**

These statements are to be read in conjunction with the notes to the financial statements

Statement of cash flows

For the six months ended 31 December 2019 in $000s

	Note	Unaudited six months ended 31 December 2019	Unaudited six months ended 31 December 2018
Cash Flow from Operating Activities			
Cash applied to loans to local government		(847,625)	(1,338,445)
Interest paid on bonds issued		(184,896)	(180,956)
Interest paid on bills issued		(3,498)	(4,610)
Interest paid on borrower notes		(48)	-
Interest paid on bond repurchases		(278)	(226)
Interest received from loans to local government		117,942	121,772
Interest received from cash & cash equivalents		215	226
Interest received from marketable securities		1,711	1,627
Interest received from deposits		1,534	2,884
Net interest on derivatives		75,341	73,024
Payments to suppliers and employees		(4,270)	(4,299)
Net cash flow from operating activities	11	**(843,872)**	**(1,329,003)**
Cashflow from Investing Activities			
Purchase of marketable securities		3,734	161,738
Purchase of deposits		(164,334)	130,000
Purchase of plant and equipment		-	-
Net Cashflow from Investing Activities		**(160,600)**	**291,738**
Cashflow from Financing Activities			
Cash proceeds from bonds issued		1,137,733	994,187
Cash proceeds from bills issued		(100,489)	9,455
Cash proceeds from bond repurchases		(23,570)	(523)
Cash proceeds from borrower notes		10,882	16,800
Dividends paid		(1,155)	(1,285)
Cash applied to derivatives		(29,715)	(9,256)
Lease payments		(14)	-
Net Cashflow from Financing Activities		**993,672**	**1,009,378**
Net (Decrease) / Increase in Cash		**(10,800)**	**(27,887)**
Cash, cash equivalents and bank overdraft at beginning of year		56,198	50,280
Cash, Cash Equivalents and Bank overdraft at end of year		**45,398**	**22,393**

These statements are to be read in conjunction with the notes to the financial statements

1 Statement of accounting policies

a. Reporting entity

The New Zealand Local Government Funding Agency Limited (LGFA) is a company registered under the Companies Act 1993 and is subject to the requirements of the Local Government Act 2002.

LGFA is controlled by participating local authorities and is a council-controlled organisation as defined under section 6 of the Local Government Act 2002. LGFA is a limited liability company incorporated and domiciled in New Zealand.

The primary objective of LGFA is to optimise the debt funding terms and conditions for participating local authorities.

The registered address of LGFA is Level 8, City Chambers, 142 Featherston Street, Wellington Central, Wellington 6011.

These financial statements were authorised for issue by the Directors on 27 February 2020.

b. Statement of compliance

The interim financial statements are for the six-months ended 31 December 2019 and are to be read in conjunction with the annual report for the year ended 30 June 2019.

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and they comply with NZ IAS 34 Interim Financial Reporting.

The financial results for the six-month period ended 31 December 2019 are unaudited.

c. Basis of preparation

Accounting judgements, estimates and assumptions

The judgements, estimates and assumptions used to prepare these interim financial statements are consistent with those used at 30 June 2019.

Measurement base

The financial statements have been prepared on a historical cost basis modified by the revaluation of certain assets and liabilities.

The financial statements are prepared on an accrual basis.

Functional and presentation currency

The financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless separately identified. The functional currency of LGFA is New Zealand dollars.

Foreign currency conversions

Transactions denominated in foreign currency are translated into New Zealand dollars using exchange rates applied on the trade date of the transaction.

Changes in accounting policies

NZ IFRS 16 Leases. NZ IFRS 16 became effective from 1 July 2019 and did not have a material impact on the financial statements.

On adoption of NZ IFRS 16, LGFA recognised right-of-use assets and lease liabilities in relation to its property leases which had previously been classified as operating leases under NZ IAS 17 Leases.

In adopting NZ IFRS 16, LGFA elected to use the simplified retrospective approach which does not require restatement of comparative information. The lease liability is recognised at the present value of the remaining lease payments, discounted using LGFA's incremental borrowing rate, with the corresponding right-of-use asset recognised as an equal amount.

The following items in the balance sheet were impacted by the change of accounting on 1 July 2019: Other assets and Other liabilities both increased by $0.157 million.

Lease payments previously included in other operating expense are now classified to financing and depreciation costs under NZ IFRS 16.

There have been no other changes to accounting policies.

Early adoption standards and interpretations

LGFA has not early adopted any standards.

Standards not yet adopted

LGFA does not consider any standards or interpretations in issue but not yet effective to have a significant impact on its financial statements.

d. Financial instruments

Financial assets

Financial assets, other than derivatives, are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents include cash on hand; cash in transit, bank accounts and deposits with an original maturity of no more than three months.

Purchases and sales of all financial assets are accounted for at trade date.

At each balance date, an expected credit loss assessment is performed for all financial assets and is calculated as either:

- Credit losses that may arise from default events that are possible within the next 12 months, where no significant increase in credit risk has arisen since acquisition of the asset, or
- Credit losses that may arise from default events that are possible over the expected life of the financial asset, where a significant increase in credit risk has arisen since acquisition of the asset.

Impairment losses on financial assets will ordinarily be recognised on initial recognition as a 12-month expected loss allowance and move to a lifetime expected loss allowance if there is a significant deterioration in credit risk since acquisition.

Financial liabilities

Financial liabilities, other than derivatives, are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Derivatives

Derivative financial instruments are recognised both initially and subsequently at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively.

Fair value hedge

Where a derivative qualifies as a hedge of the exposure to changes in fair value of an asset or liability (fair value hedge) any gain or loss on the derivative is recognised in profit and loss together with any changes in the fair value of the hedged asset or liability.

The carrying amount of the hedged item is adjusted by the fair value gain or loss on the hedged item in respect of the risk being hedged. Effective parts of the hedge are recognised in the same area of profit and loss as the hedged item.

e. Other assets

Property, plant and equipment (PPE)

Items of property, plant and equipment are initially recorded at cost.

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its remaining useful life.

Intangible Assets

Intangible assets comprise software and project costs incurred for the implementation of the treasury management system. Capitalised computer software costs are amortised on a straight-line basis over the estimated useful life of the software (three to seven years). Costs associated with maintaining computer software are recognised as expenses.

f. Other liabilities

Employee entitlements

Employee entitlements to salaries and wages, annual leave and other similar benefits are recognised in the profit and loss when they accrue to employees.

g. Revenue and expenses

Revenue

Interest income

Interest income is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

Expenses

Interest expense

Interest expense is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

Income tax

LGFA is exempt from income tax under Section 14 of the Local Government Borrowing Act 2011.

Goods and services tax

All items in the financial statements are presented exclusive of goods and service tax (GST), except for receivables and payables, which are presented 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 recoverable from, or payable to, the IRD 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 a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

h. Segment reporting

LGFA operates in one segment being funding of participating local authorities in New Zealand.

i. Judgements and estimations

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. For example, the present value of large cash flows that are predicted to occur a long time into the future depends critically on judgements regarding future cash flows, including inflation assumptions and the risk-free discount rate used to calculate present values.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Where these judgements significantly affect the amounts recognised in the financial statements, the reasons are outlined in note disclosures.

2 Hedge accounting

LGFA is exposed to interest rate risk from fixed rate borrowing and variable rate lending to councils. LGFA uses interest rate swaps to manage this interest rate risk. For hedge accounting purposes, LGFA has designated these swaps in fair value relationships to its fixed rate borrowing and council loans.

The gain or loss on the hedging instrument and the hedged item attributable to the hedged risk for fair value hedge relationships is shown in the table below.

in $000s	Gain/(loss) Unaudited six months ended 31 December 2019	Gain/(loss) Unaudited six months ended 31 December 2018
Hedging instruments – interest rate swaps	465,184	301,917
Hedged items attributable to the hedged risk – fixed rate bonds / loans	(465,184)	(301,917)
Ineffectiveness recognised in profit or loss from fair value hedges	-	-

The gains or losses on the hedging instrument (interest rate swaps) and the hedged item (bonds or loans) are mapped to the same fair value account. For this reason, the statement of comprehensive income will only report any ineffectiveness arising from the fair value hedge.

3 Issuance and on-lending expenses

Issuance and on-lending expenses are those costs that are incurred as a necessary expense to facilitate the ongoing issuance of LGFA debt securities.

in $000s	Unaudited six months ended 31 December 2019	Unaudited six months ended 31 December 2018
NZDM facility fee	308	303
NZX	235	200
Rating agency fees	301	297
Legal fees for issuance	223	164
Regulatory, registry, other fees	79	68
Trustee fees	50	50
Approved issuer levy[1]	650	893
	1,846	**1,975**

1. The amount of Approved Issuer Levy is a function of the number of the offshore holders of certain LGFA bond maturities.

4 Operating expenses

Operating expenses are all other expenses that are not classified as 'Issuance and on-lending expenses'.

in $000s	Unaudited six months ended 31 December 2019	Unaudited six months ended 31 December 2018
Information services	-	79
Information technology[1]	358	-
Consultants	52	105
Directors fees	199	189
Insurance	35	31
Legal fees	73	35
Depreciation	41	-
Other expenses	151	390
Auditors' remuneration		
Statutory audit	53	48
Advisory services	-	-
Personnel	889	846
	1,851	**1,723**

1. Information technology aggregates all LGFA information technology-related expenses under a single category. Previously, these expenses were recorded across information services, consultants and other expenses.

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5 Loans to local government

in $000s	Unaudited as at 31 December 2019		Audited as at 30 June 2019	
	Short-term loans	Loans	Short-term loans	Loans
Ashburton District Council	15,041	27,371	10,025	27,465
Auckland Council	-	2,419,254	-	2,422,898
Bay of Plenty Regional Council	70,098	121,844	90,974	50,631
Buller District Council	-	20,009	-	20,013
Canterbury Regional Council	6,005	48,148	6,006	32,108
Central Hawkes Bay District Council	-	16,077	-	2,027
Christchurch City Council	50,096	1,870,057	27,110	1,721,759
Clutha District Council	-	5,025	-	5,020
Far North District Council	20,053	56,708	-	40,149
Gisborne District Council	-	58,819	5,982	42,819
Gore District Council	6,009	13,042	6,011	13,059
Greater Wellington Regional Council	-	401,294	-	401,676
Grey District Council	4,986	15,252	4,978	15,305
Hamilton City Council	-	386,329	-	356,737
Hastings District Council	-	149,487	-	105,985
Hauraki District Council	-	43,157	-	38,192
Hawkes Bay Regional Council	-	2,510	-	2,509
Horizons Regional Council	-	37,206	-	35,182
Horowhenua District Council	16,008	94,736	11,006	85,780
Hurunui District Council	4,991	32,108	-	32,140
Hutt City Council	-	179,569	-	179,746
Invercargill City Council	37,539	30,105	25,093	30,095
Kaipara District Council	-	44,145	999	44,189
Kapiti Coast District Council	-	215,635	-	210,804
Manawatu District Council	-	69,212	-	68,229
Marlborough District Council	27,857	73,219	26,545	73,252
Masterton District Council	-	55,182	-	50,248
Matamata-Piako District Council	-	21,575	2,546	21,597
Nelson City Council	-	65,192	-	65,264
New Plymouth District Council	-	114,980	-	99,535
Northland Regional Council	-	9,729	-	9,728
Opotiki District Council	-	7,117	-	5,125

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in $000s	Unaudited as at 31 December 2019		Audited as at 30 June 2019	
	Short-term loans	Loans	Short-term loans	Loans
Otorohanga District Council	-	3,042	-	3,048
Palmerston North City Council	10,018	109,349	10,024	104,439
Porirua City Council	-	121,850	-	86,894
Queenstown Lakes District Council	20,046	95,656	20,076	85,644
Rangitikei District Council	-	3,020	-	3,013
Rotorua District Council	2,812	195,161	2,817	180,186
Ruapehu District Council	6,008	13,059	3,027	13,070
Selwyn District Council	5,022	10,037	5,097	10,053
South Taranaki District Council	-	105,371	-	80,383
South Wairarapa District Council	-	20,025	-	20,023
Stratford District Council	1,013	13,565	1,003	13,570
Taranaki Regional Council	3,962	-	-	-
Tararua District Council	4,006	25,094	4,020	21,104
Tasman District Council	41,136	137,109	25,380	127,172
Taupo District Council	-	115,322	-	115,452
Tauranga City Council	39,919	522,353	9,963	432,609
Thames-Coromandel District Council	5,009	51,188	-	51,244
Timaru District Council	12,522	67,262	17,568	67,313
Upper Hutt City Council	4,986	44,150	4,975	38,174
Waikato District Council	4,967	80,285	-	80,400
Waikato Regional Council	-	22,084	-	22,120
Waimakariri District Council	10,008	135,707	10,010	135,872
Waipa District Council	67,132	15,042	-	15,013
Wairoa District Council	-	9,037	1,514	3,519
Waitomo District Council	10,043	30,078	10,055	30,093
Wellington City Council	-	586,253	-	533,151
West Coast Regional Council	2,003	5,611	1,985	5,608
Western Bay Of Plenty District Council	-	90,331	-	90,478
Westland District Council	-	18,673	-	18,688
Whakatane District Council	5,007	57,214	5,008	57,298
Whanganui District Council	3,013	83,356	-	73,408
Whangarei District Council	9,981	132,434	9,976	122,543
	527,296	**9,622,811**	**359,771**	**8,950,846**

As at 31 December 2019, $1,319 million of loans to local government are due to mature within 12 months. This comprises all short-term loans and $792 million of loans.

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Attachment 3

6 Bills on issue

Unaudited as at 31 December 2019 in $000's	Face value	Unamortised premium	Accrued interest	Total
8 January 2020	70,000	-	(17)	69,983
17 January 2020	58,500	-	(34)	58,466
24 January 2020	32,000	-	(32)	31,968
29 January 2020	13,000	-	(11)	12,989
5 February 2020	25,000	-	(34)	24,966
12 February 2020	50,000	-	(66)	49,934
3 March 2020	5,000	-	(11)	4,989
11 March 2020	50,000	-	(114)	49,886
8 April 2020	25,000	-	(72)	24,928
7 May 2020	25,000	-	(102)	24,898
13 May 2020	25,000	-	(103)	24,897
10 June 2020	25,000	-	(144)	24,856
	403,500	**-**	**(741)**	**402,759**

Audited as at 30 June 2019 in $000's	Face value	Unamortised premium	Accrued interest	Total
4 July 2019	25,000	-	(4)	24,996
10 July 2019	85,000	-	(41)	84,959
17 July 2019	25,000	-	(23)	24,977
29 July 2019	25,000	-	(35)	24,965
5 August 2019	25,000	-	(48)	24,952
14 August 2019	50,000	-	(109)	49,891
23 August 2019	45,000	-	(117)	44,883
11 September 2019	50,000	-	(174)	49,826
4 October 2019	25,000	-	(124)	24,876
9 October 2019	25,000	-	(125)	24,875
7 November 2019	25,000	-	(168)	24,832
13 November 2019	25,000	-	(159)	24,841
4 December 2019	25,000	-	(203)	24,797
11 December 2019	25,000	-	(180)	24,820
22 January 2020	25,000	-	(266)	24,734
	505,000	**-**	**(1,775)**	**503,225**

7 Bonds on issue

Bonds on issue do not include $450 million face value of issued LGFA bonds subscribed by LGFA and held as treasury stock. Refer Note 9: Treasury stock and bond repurchase transactions.

Unaudited as at 31 December 2019 in $000's	Face value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
15 April 2020	980,000	(981.00)	6,265.00		
15 May 2021	1,450,000	29,988.00	11,233.00		
14 April 2022	900,000	10,716.00	5,342.00		
15 April 2023	1,450,000	49,854.00	16,996.00		
15 April 2024	1,115,000	995.00	5,347.00		
15 April 2025	1,409,000	(33,923.00)	8,258.00		
15 April 2027	1,276,000	48,291.00	12,237.00		
20 April 2029	510,000	(11,628.00)	1,526.00		
14 April 2033	950,000	(7,780.00)	7,177.00		
Total	**10,040,000**	**85,532**	**74,381**	**465,184**	**10,665,097**

Audited as at 30 June 2019 in $000's	Face value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
15 April 2020	980,000	(2,674)	6,185		
15 May 2021	1,450,000	40,569	11,111		
14 April 2022	710,000	5,876	4,161		
15 April 2023	1,450,000	56,972	16,778		
15 April 2024	950,000	(3,895)	4,497		
15 April 2025	1,379,000	(38,648)	7,978		
15 April 2027	1,276,000	51,179	12,080		
14 April 2033	740,000	(35,533)	5,520		
Total	**8,935,000**	**73,848**	**68,311**	**535,236**	**9,612,394**

8 Borrower notes

Borrower notes are subordinated debt instruments which are required to be held by each local authority that borrows from LGFA in an amount equal to 1.6% of the aggregate face value of loans by that local authority.

LGFA may convert borrower notes into redeemable shares if it has made calls for all unpaid capital to be paid in full and the LGFA Board determines it is still at risk of imminent default.

9 Treasury stock and bond repurchase transactions

Periodically, LGFA subscribes for LGFA bonds as part of its tender process and holds these bonds as treasury stock. LGFA bonds held by LGFA as treasury stock are derecognised at the time of issue and no liability is recognised in the statement of financial position. As at 31 December 2019, $450 million face value of issued LGFA bonds have been subscribed by LGFA and held as treasury stock.

LGFA makes these treasury stock bonds available to banks authorised as its tender counterparties to borrow under short-term repurchase transactions. The objective of the bond lending facility is to assist with improving secondary market liquidity in LGFA bonds. Bonds lent to counterparties are disclosed as a separate stock lending liability on the face of the statement of financial position.

Bond repurchase transactions:

Maturity date	Unaudited as at 31 December 2019	Audited as at 30 June 2019
15 April 2020	-	-
15 May 2021	-	-
14 April 2022	1,034	15,535
15 April 2023	-	-
15 April 2024	-	-
15 April 2025	-	-
15 April 2027	-	5,837
15 April 2029	-	-
14 April 2033	-	3,252
	1,034	**24,625**

10 Other assets

	Unaudited as at 31 December 2018	Audited as at 30 June 2018
Intangible assets[1]	382	457
Right-of-use lease asset	157	-
Total	**539**	**457**

1. Intangible assets comprise acquired and internally developed software costs incurred on the implementation of LGFA's treasury management system.

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Attachment 3

11 Reconciliation of net profit to net cash flow from operating activities

in $000s	Unaudited six months ended 31 December 2019	Unaudited six months ended 31 December 2018
Net profit/(loss) for the period	6,103	6,075
Cash applied to loans to local government	(847,625)	(1,338,445)
Non-cash adjustments		
Amortisation and depreciation	(1,700)	4,043
Working capital movements		
Net change in trade debtors and receivables	(248)	(196)
Net change in prepayments	(259)	(308)
Net change in accruals	(143)	(172)
Net Cash From operating activities	**(843,872)**	**(1,329,003)**

12 Share Capital

As at 31 December 2019, LGFA had 45 million ordinary shares on issue, 20 million of which remain uncalled.

All ordinary shares rank equally with one vote attached to each ordinary share. Ordinary shares have a face value of $1 per share.

Shareholder information

	31 December 2019		30 June 2019	
New Zealand Government	5,000,000	11.1%	5,000,000	11.1%
Auckland Council	3,731,960	8.3%	3,731,960	8.3%
Christchurch City Council	3,731,960	8.3%	3,731,960	8.3%
Hamilton City Council	3,731,960	8.3%	3,731,960	8.3%
Bay of Plenty Regional Council	3,731,958	8.3%	3,731,958	8.3%
Greater Wellington Regional Council	3,731,958	8.3%	3,731,958	8.3%
Tasman District Council	3,731,958	8.3%	3,731,958	8.3%
Tauranga City Council	3,731,958	8.3%	3,731,958	8.3%
Wellington City Council	3,731,958	8.3%	3,731,958	8.3%
Western Bay of Plenty District Council	3,731,958	8.3%	3,731,958	8.3%
Whangarei District Council	1,492,784	3.3%	1,492,784	3.3%
Hastings District Council	746,392	1.7%	746,392	1.7%
Marlborough District Council	400,000	0.9%	400,000	0.9%
Selwyn District Council	373,196	0.8%	373,196	0.8%
Gisborne District Council	200,000	0.4%	200,000	0.4%
Hauraki District Council	200,000	0.4%	200,000	0.4%
Horowhenua District Council	200,000	0.4%	200,000	0.4%
Hutt City Council	200,000	0.4%	200,000	0.4%
Kapiti Coast District Council	200,000	0.4%	200,000	0.4%
Manawatu District Council	200,000	0.4%	200,000	0.4%
Masterton District Council	200,000	0.4%	200,000	0.4%
New Plymouth District Council	200,000	0.4%	200,000	0.4%
Otorohanga District Council	200,000	0.4%	200,000	0.4%
Palmerston North District Council	200,000	0.4%	200,000	0.4%
South Taranaki District Council	200,000	0.4%	200,000	0.4%
Taupo District Council	200,000	0.4%	200,000	0.4%
Thames-Coromandel District Council	200,000	0.4%	200,000	0.4%
Waimakariri District Council	200,000	0.4%	200,000	0.4%
Waipa District Council	200,000	0.4%	200,000	0.4%
Whakatane District Council	200,000	0.4%	200,000	0.4%
Whanganui District Council	200,000	0.4%	200,000	0.4%
	45,000,000	100%	45,000,000	100%

13 Related parties

Identity of related parties

LGFA is related to the local authorities set out in the Shareholder Information in note 12.

LGFA operates under an annual Statement of Intent with the respective local authorities that sets out the intentions and expectations for LGFA's operations and lending to participating local authorities.

Shareholding local authorities, and non-shareholder local authorities who borrow more than $20 million, are required to enter into a guarantee when they join or participate in LGFA. The guarantee is in respect of the payment obligations of other guaranteeing local authorities to the LGFA (cross guarantee) and of the LGFA itself.

Related party transactions

LGFA was established for the purpose of raising funds from the market to lend to participating councils. The lending to individual councils is disclosed in note 5, and interest income recognised on this lending is shown in the statement of comprehensive income.

The purchase of LGFA borrower notes by participating councils. Refer note 8.

The Treasury (New Zealand Debt Management) provides LGFA with a committed credit facility and is LGFA's derivatives counterparty.

Other disclosures

Net Tangible Assets

Net tangible assets per $1,000 of listed bonds as at 31 December 2019 is $7.54 (30 June 2019: $7.95).

Directory
Rārangi tauwaea

Postal address

PO Box 5704
Lambton Quay
Wellington 6145

Office hours

Monday through Friday,
09.00-17.30 hrs

Except Public Holidays

Phone

+64 4 974 6530

Personnel e-mail addresses

firstname.lastname@lgfa.co.nz

Website

www.lgfa.co.nz

General enquiries

lgfa@lgfa.co.nz

Street address

WELLINGTON

Level 8
City Chambers
142 Featherston Street
Wellington 6011

AUCKLAND

Level 5
Walker Wayland Centre
53 Fort Street
Auckland 1010

Attachment 3

Item 10

NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY

TE PŪTEA KĀWANATANGA Ā-ROHE

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Council Report

Item 11

Committee:	Economic Development Committee	**Date:**	10 March 2020
Author:	Candice Swanepoel	**Authoriser:**	Tracey Musty
Position:	Business Performance Accountant	**Position:**	Financial Controller
Report Name:	Civic Financial Services Limited Statement of Intent 31 December 2020		

Report Status	*Open*

Purpose

1. To seek the approval from the Economic Development Committee of the Civic Financial Services Limited Statement of Intent 31 December 2020.

Staff Recommendation

2. That the Economic Development Committee:

    a) receives the report; and

    b) approves the Civic Financial Services Limited Draft Statement of Intent 31 December 2020.

Discussion

3. Civic Financial Services Limited 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. There are no financial considerations related to this matter.

Financial Considerations

6. There are no financial implications in relation to the information provided in this report.

Legal and Policy Considerations

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

Item 11

Wellbeing Considerations

8. 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').

9. 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.

Risks

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

Significance & Engagement Policy

Significance

11. 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

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

Attachments

Attachment 1 - Civic Financial Services Limited- Statement of Intent 2020

Item 11

Attachment 1

CIVIC FINANCIAL SERVICES LIMITED

STATEMENT OF INTENT

FOR THE YEAR ENDED 31 DECEMBER 2020

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1.0 Mission Statement

Mission Statement of Civic Financial Services Ltd
To provide superannuation and risk-financing solutions to the local government sector

2.0 Corporate Goals

The specific goals of the Company are:

2.1 To operate as a sound and successful business.

2.2 To be the primary supplier of superannuation and risk-financing services to the local government sector.

2.3 To investigate and facilitate, as appropriate, new products and markets in superannuation and risk-financing and such other markets that it believes could prove beneficial to its shareholders and the local government sector.

3.0 Nature and Scope of Activities

3.1 The Company administers superannuation services for local government and local government staff via SuperEasy and the SuperEasy KiwiSaver Superannuation Scheme.

3.2 The Company provides administration, accounting, and a range of other services to LAPP, Riskpool, CLP (Civic Liability Pool) and CPP (Civic Property Pool).

3.3 The Company investigates and facilitates as appropriate such new superannuation and risk-financing services and/or markets that it believes will prove beneficial to its shareholders and the local government sector.

3.4 In a modest and selective way the Company provides sponsorship for a range of local government activities at regional and national level.

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 the two following sources: fees from providing administration services and investment income.

Profits from providing administration services: Civic's source of income in 2020 will primarily come from providing administration services as described in section 3.1. (superannuation services for local government and local government staff via the SuperEasy and the SuperEasy KiwiSaver Superannuation Schemes) and additionally supported by services described in 3.2. (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 2020 other than from providing administration services will come solely from investment income. As communicated to you in the 2019 Statement of Intent, the strengthening work to prepare Civic Assurance House would be completed by 31 March 2019; at which time the building would be taken to market. A satisfactory price was subsequently received, and the building sold with a settlement date of 15 August 2019. On 19 August Civic paid a Special Dividend to its shareholders, totalling an amount of $9,418,480 plus accompanying imputation credits of $3,662,742.22; representing the sale price of $10,115,000 less selling costs of $696,520. The sale of Civic Assurance House and subsequent removal of rental income has been taken into consideration in the projections below.

Paying future dividends: To support and enhance Civic's primary source of income from providing administration services to its SuperEasy and SuperEasy KiwiSaver Superannuation Schemes, for the period of this Statement Of Intent (2020 – 2022) Civic will not be paying a dividend to its shareholders. We will be using the funds that would otherwise be provided as dividends by way of applying this as a reduction to the management fees for the members of these schemes. The effective date of introducing this fee reduction is 1 April 2020 at which time the schemes' base management fee will be reducing from 0.5% per annum to 0.44% per annum. This reduced fee structure has been taken into consideration and is reflected in the projections below.

Financial projections for 2020 to 2022 are:

	2020	2021	2022
Administration Income	$2,130,746	$2,157,238	$2,242,406
Investment Income	$152,513	$158,000	$163,000
Revenue	$2,283,258	$2,315,238	$2,405,406
Expenses	$2,024,486	$2,114,520	$2,139,963
Surplus before tax	**$ 258,772**	**$200,718**	**$265,443**

Please note that these are projections, not firm predictions.

5.0 Performance Targets and Measures

5.1 To provide superannuation services to at least 90% of local authorities.

5.2 To continue to be an efficient and effective administration manager for LAPP, Riskpool, CLP and CPP.

6.0 Reporting to Shareholders

6.1 An audited annual report for 2019 by 30 April 2020.

6.2 A report on the first half of 2020 by 30 September 2020 containing 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 *****

Council Report

Item 12

Committee:	Economic Development Committee	**Date:**	10 March 2020
Author:	Karla Blackburn	**Authoriser:**	Jen Baird
Position:	Executive Assistant to GM City Growth	**Position:**	General Manager City Growth
Report Name:	Te Waka Six-Monthly Update		

Report Status	*Open*

Purpose

1. To update the Economic Development Committee with Te Waka's 6-monthly report for the period July to December 2019 as required by the Partnership Agreement Schedule of Functions and Services for the 2019/2020 financial year.

Staff Recommendation

2. That the Economic Development Committee receives the report

Background

3. Te Waka was established in July 2018 with a Partnership Agreement between Te Waka and Hamilton City Council being signed in September 2018.

4. As part of the Partnership Agreement with Te Waka with Hamilton City Council provides funding $140,000 per annum for each financial year ending 30 June 2021.

5. The agreement requires Te Waka to report to the Economic Development Committee on a six-monthly basis.

6. Dallas Fisher (Chair) and Michael Bassett-Foss (Chief Executive) will attend the meeting and speak to the Annual Report.

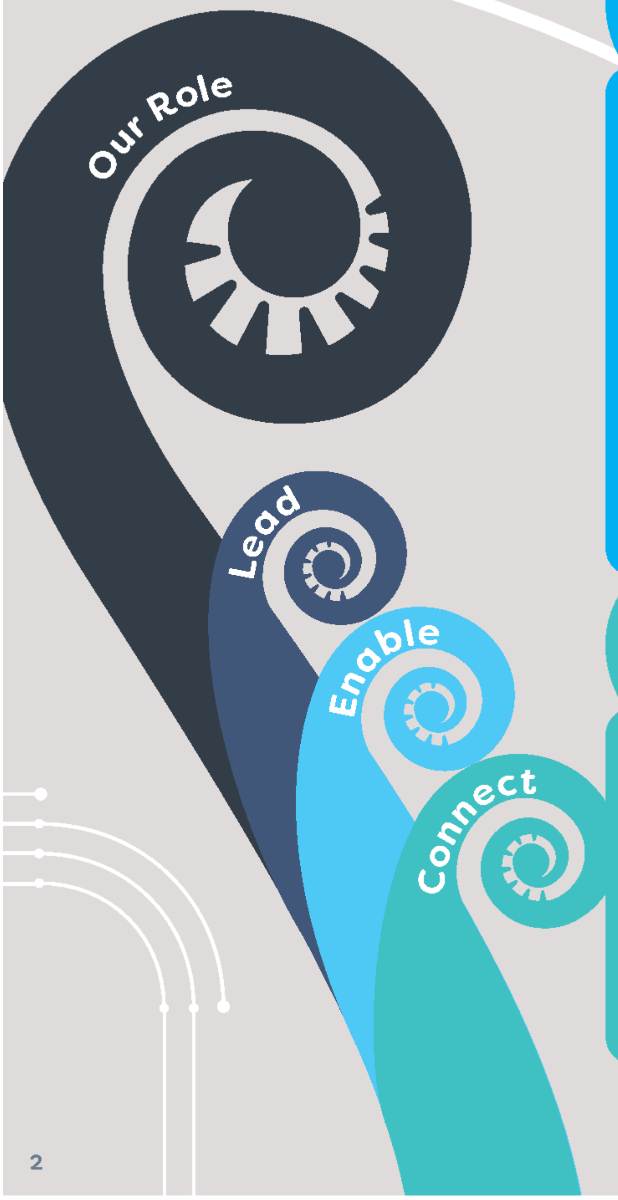
Attachments

Attachment 1 - Te Waka - 6-monthly report to 31 December 2019

Attachment 1

Item 12

Te Waka's Role



LEAD

- Advocate and share the unique value of the Waikato
- Promote the advancement of regional and local economic outcomes, unlocking central government support and funding
- Advocate for regulatory and policy change to support growth

Champion the Waikato's story

ENABLE

- Shared insights and intelligence to enable quality decision making (Economic Insights)
- Parntering with Māori business to grow capability and capacity (Te Whare Ohaoha)
- Support the development of a quality and qualified workforce (Regional Labour Market Strategy)
- The advancement of research and development initiatives to grow innovation and technology (Digital Strategy)
- Partner with business and industry sectors to grow capability (via Regional Business Partner Network)

Enhance the capability of Waikato

CONNECT

- Unlock inward investment both international and domestic, corporate and private
- Build engagement and achieve alignment to drive strategic outcomes
- Share knowledge, collaborate and build industry led outcomes
- Connecting companies and individuals with opportunities to grow and innovate

Partnering with Business and Community

Executive Summary

JULY – DECEMBER 2019

LEAD

- 15 connections with Ministers or Senior Government Agency Officials since July 2019.
- 67 stories published to the Waikato Story, sharing the Waikato's unique value.
- 32% increase in Waikato Story Facebook followers.
- Submissions and feedback provided to Central Government Policy and Plans across a number of topics including:
  - The Review of Vocational Education
  - New Zealand AgriTech strategy
  - Research Science and Innovation Strategy.
- Led the Registration of Interest, in partnership with Hamilton City Council, Waikato-Tainui and the Waikato Chamber of Commerce, to become the home of the New Zealand Institute of Skills and Technology (submitted January 15, 2020).
- $400K secured over two years via the Provincial Growth Fund, leveraged by $400K professional support from Deloitte and PWC to actively provide capability and capacity to 25 Provincial Growth Fund Projects over the last 6 months.
- Partnered with Smart Waikato to submit RFP response for Education to Employment service as part of Economic Development New Zealand national response.

ENABLE

- Extended business growth service in a hub and spoke model in Te Kuiti, Ōtorohanga, Matamata and Te Aroha, stimulating 53 new business engagements to date.
- Facilitated $1.5M in successful research and development funding applications to Callaghan Innovation.
- Distributed $256K in capability vouchers from New Zealand Trade and Enterprise.
- Launched the Digital Strategy, in partnership with CultivateIT, in October.
- Launched and will lead the implementation of the Waikato Regional Labour Market Strategy, and leveraged resourcing from MSD and MBIE to assist.
- Collaborating to progress actions in Te Whare Ohaoha (Māori Business Strategy); 22 actions – 4 complete; 14 in progress and 4 yet to start.
- Partnered with the Regional Housing Initiative (Waikato Plan) as a member of the Working Group.
- With support from Waikato Regional Council, delivered quarterly economic reports. Labour Market Productivity (April); Tourism (July); Labour Market Structure (October); Hamilton to Auckland Corridor (December).

CONNECT

- 300 regional leaders registered to celebrate Te Waka's one-year-on event in September.
- Strategic partners and sponsors forum held in November to assist and guide Te Waka's work programme.
- Connected six inward investment leads to local points of contact.

TE WAKA STRATEGIC AND OPERATIONAL DEVELOPMENT

- Supported Tainui Waka iwi to select and appointed Craig Barrett as the Iwi representative to the Te Waka Board.
- $250K received in additional commercial sponsorship through Deloitte, PWC, APL and Loop Carshare partners.
- The role of Strategic Partnerships and Project Manager role filled in September 2019.
- Extended our partnership with government with 0.4FTE seconded role from MBIE Immigration to support the delivery of outcomes for the Labour Market Strategy.

Improving the well-being and living standards of Waikato Communities through sustainable and inclusive growth.

Recognising and valuing the health of our Wai and Whenua for future generations.

Item 12

Attachment 1

Regional Round-up

JULY – DECEMBER 2019

Hamilton City Council
Te kaunihera o Kirikiriroa

- Six month investment by Council $70,000.
- Worked alongside Momentum and other stakeholders for the Waikato Theatre to provide advice and advocacy to government for Provincial Growth Fund support of $12m.
- Active involvement in Rabobank, Te Awa Lakes and other business attraction opportunities.
- Advocacy to central government and support for key infrastructure projects in greater Hamilton area including Spine Rd and Southern Links.
- Facilitated successful R&D applications to the value of $424,000 since July.
- Issued $220,000 in capability vouchers to business in the last 12 months.
- Six month PGF Investment by Te Waka $13,000.

HAURAKI DISTRICT COUNCIL

- Six month investment by Council $10,000.
- Assisted to run three Business Bites breakfasts on the topics hiring and firing, social media and 2020 business challenge with between 15 and 35 businesses attending each event.
- Provided support for successful $731,771 PGF application for Historical Maritime Park.
- Funded $8,000 of advice and support to a significant aquaculture initiative involving iwi, industry, council and the University of Waikato.
- Issued $10,000 in capability vouchers to business in the last 12 months.

matamata piako district council

- Six month investment by Council $15,000.
- Provided oversight for Provincial Growth Fund projects in Te Aroha and Waharoa through membership of governance groups.
- Provided connections and local advice to a new large scale business development.
- Launched Business Growth Service hubs in Matamata and Te Aroha in November, which stimulated 15 business engagements within two weeks as a result.
- Issued $13,000 in capability vouchers to business in the last 12 months.

South Waikato District Council

- Provided significant advocacy to the Provincial Development Unit for the trades training/digital hub including a visit to parliament as part of South Waikato delegation.
- Attended the South Waikato District Council hosted Symposium with a view to supporting Regional Delivery of the Waikato Labour Market Strategy.
- Issued $6,000 in capability vouchers to business in the last 12 months.

GREAT LAKE TAUPŌ
Taupō District Council

- Entered a formal partnership with Enterprise Great Lake Taupo for delivery of Business Growth Services in the district with 20 business engagements and $200,000 in approved R&D funding from Callaghan Innovation since July
- Supported government funding application for Taupo airport expansion and initiated discussion with Taupo District Council and Enterprise Great Lake Taupo to advance applications to the Provincial Growth Fund.

Attachment 1

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- Six month investment by Council $5,000.
- Launched Business Growth Hub in September stimulating 10 business engagements resulting in 4 approved capability vouchers issued for a total value of $11,000.
- Advice and review for Kiwihouse revamp and significant advocacy to the Provincial Development Unit for funding support.
- Developed and submitted a Provincial Growth Fund application to provide access for land locked Whenua Māori land blocks
- Developed model for South Waikato Driver Training concept – not progressed by councils.
- Presentations to Ngaati Mahuta ki te Hauaauru and INCITE.
- Six month PGF Investment by Te Waka $37,000

- Six month investment by Council $15,000.
- Provided advice, review and advocacy for four Provincial Growth Fund applications in the aquaculture sector and skills/community development.
- Judge and judge convener for Coromandel Hauraki Business Awards.
- Issued $29,000 in capability vouchers to business in the last 12 months.

- Six month investment by Council $30,000.
- Working with inland port at Horotiu as pilot for regional business attraction programme.
- Reviewed and provided advice to PGF waste orientated application for H2A corridor location.
- Will work in partnership with Waikato District Council in early 2020 to support sector led Construction Labour Market Forum(s) and subsequent initiatives.
- Issued $23,000 in capability vouchers to business in the last 12 months.
- Six month PGF Investment by Te Waka $20,000

- Six month investment by Council $25,000.
- Developed applications to the Provincial Growth Fund for two projects to value of $7m.
- Provided support for Waipa Business Awards and Fieldays Innovations event.
- Facilitated successful R&D grants to the value of $870,000 since July.
- Issued $82,000 in capability vouchers to business in the last 12 months.
- Six month PGF Investment by Te Waka $58,000.

- Six month investment by Council $5,000.
- Launched Business Growth Hub in April 2019 resulting in 28 businesses receiving business advisory services.
- Provided consultancy funding to advance the Waitomo Hotel development and significant advocacy to Provincial Development Unit to accept a funding application.
- Coordinated the planning of a tourism training hub in Waitomo/Ōtorohanga with key stakeholders and industry.
- Presentations/meetings with North King Country Development Trust, Ruapuha Uekaha Trust, Maniapoto.
- Marae Pact Trust, Legendary Te Kuiti, Pakihi Business Start Up workshop and Te Wananga o Aotearoa.
- Issued $24,000 in capability vouchers to business in the last 12 months.
- Six month PGF Investment by Te Waka $29,000.

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Attachment 1

Local Authority Partnership:

PROGRESS AGAINST KPI'S

At Risk | Off Track | On Track | Completed

Contribute to operationalising the Waikato Regional Economic Development Strategy	
KPI's:	
On Track	Confirmed Funding agreements to fully fund the Te Waka Business Plan by March 2020
On Track	Hold two strategy sessions per year for business sponsors
On Track	Present to at least 60% of the meetings for the Waikato Mayoral Forum, Waikato Plan Leadership Committee and CE's Forum

HIGHLIGHTS:

- 300 people confirmed attendance to the "one-year-on" event at Claudelands hosted by Te Waka to celebrate regional efforts to support the establishment of Waikato region's first Economic Development Agency. An update was provided on progress with relevant speakers supporting the event.
- Te Waka has increased its advocacy and connections with government. Te Waka has met with Ministers or senior agency officials on 15 occasions since July. The focus of these discussions has been on advocating for support for regional priorities and collaborative approaches to progress these priorities.
- Te Waka has accepted all invitations to present to regional forums including Waikato Plan Leadership Committee, Mayoral Forum, Waikato Plan CEs Advisory Group, CEs Forum and directly to council meetings and with council staff.
- APL, Loop Carshare, Deloitte and PWC confirmed sponsorship agreements as announced at the one-year-on event. MBIE via their immigration team has confirmed a partnership agreement in support of implementing the labour market strategy with a 0.4FTE seconded position.
- The Board has initiated a review of Te Waka's role in relation to regional priorities and engagement is underway with our stakeholders. We will continue engagement on this topic this year with outcomes reflected in our strategic planning cycle in around April 2020 – this information is included for Councillor and Council staff information at the start of this report.

CHALLENGES:

- Funding still considerably less than comparible agencies around the country.
- Will demonstrate value to renew three year funding contracts.
- Aspire to engage corporate sponsors to enable additional programmes of work.
- Aim to develop multi-year funding agreements with regional trusts to ensure continuity of programmes.

LOOKING AHEAD TE WAKA WILL:

- Continue to sharpen its aim reflecting the Waikato's Economic Story and prioritising projects and action plans for the next 10 years that reflect the potential for impact of the 2018-2022 Regional Development Programme.
- Develop a Central Government Engagement Plan across Ministers, MP's and Agency Officials to strengthen the breadth and depth of engagement.
- Partner with Local Authority ED staff to develop and design a shared programme of connections that reflects a desire to enhance capacity and capability and knowledge sharing across the network.
- Continue to respect valued existing Sponsor partners and seek new and additional funding to grow a business led approach to our work.
- Continue to adopt a Governance model that providers diversity of thought, quality of experience and knowledge and a desire for the development of a sustainable economic development agency here to stay.
- Work with Waikato Regional Council and the Waikato Plan to refresh the Regional Economic Development Strategy.

At Risk · Off Track · On Track · Completed

Provide contracted Business Growth Advisory, Innovation and Mentoring Services

	KPI's:
On Track	Meet all Regional Business Partner contract conditions throughout year (business engagements, funding approved)
Completed	Expand Business Growth Services to Waitomo and Ōtorohanga districts by August 2019
On Track	Hold two forums involving Waikato Council Economic Development staff to assess and improve delivery of this service across the region
Completed	Work with each council area to co-design and deliver in partnership an initiative aligned with business growth services
On Track	Develop a mechanism to measure outputs/outcomes of the business growth services
Off Track	Collaborate with appropriate stakeholders to initiate the development of a regional innovation programme for Waikato

HIGHLIGHTS:

- With launch events for hubs in Te Kuiti in April, Ōtorohanga in September Matamata and Te Aroha in November, the hub and spoke delivery model for business growth services now extends across all major arterial routes and covers 14 regional visits across 10 districts at least monthly.
- Te Waka has hosted three forums with economic development staff from Waikato councils to guide our work and enable increased collaboration within the ecosystem. Primary themes have included regional investment, labour market development, regional economic reports and insights, government funding opportunities and delivery of business growth services. The greatest value has come from participants sharing their knowledge and connections.

  Results for the Business Growth Team YTD December follow.

  - Client Engagements YTD figures show ahead of target – sitting at 244 with a full year target of 400.
  - Capability Voucher scheme tracking against budget nicely $256k ($500k full year)
  - Net Promoter Score a World Class Result of +70 in December 2019, the baseline score averages in the mid 50s.
  - Callaghan Innovation Seven R&D projects grants approved in the 2020 year with a total project cost of $5.9m and grants of $1.5m.
- Additionally, there have been 11 placements for the summer R&D Student Experience grants across 6 businesses.

CHALLENGES:

- Reengaging with some of our early spokes
- Delivery of refreshed collateral promoting business growth advisory services requires engagement with councils and local stakeholders.
- Reporting to councils and local stakeholders about business engagements in local areas.
- Recruiting local mentors to strengthen the cohesivenss of the support available to communities that is local and place-based.

LOOKING AHEAD TE WAKA WILL:

- Continue to work with councils and their communities to promote business growth advisory services for SME's in their district.
- Continue to promote and respect the business community in our region and apply a customer-focussed approach to advisory services.
- Develop CRM system to assist reporting of business engagements.
- Launch an Innovation Programme via our newly seconded Innovation Manager who will work with key stakeholders to develop and fund a programme of work to improve the innovation ecosystem.
- Encourage local mentors.

At Risk · Off Track · On Track · Completed

Deliver and Continue to Develop the Waikato Story

	KPI's:
On Track	Transition the Waikato Story to a new Technology platform that is integrated with the Te Waka digital platform
On Track	Develop and implement a refreshed focus and framework for Waikato Story content
On Track	Refresh the Waikato Story tool-kit with new images
On Track	Maintain readership numbers through this transition and develop a growth/promotional strategy

HIGHLIGHTS:

- The development of the Te Waka and Waikato Story digital platform will be underway in January 2020.
- Readership levels have been maintained and the social media following on Facebook has increased by 32%.
- 67 stories have been published to the website, with a mix of original content produced by Waikato Story and other contributors including CultivateIT, Wintec, Creative Waikato, Fieldays, Waikato Food Inc, Kudos Science Trust, Soda Inc, Clarence St Theatre, Hamilton Waikato Tourism, Stark Property, The Red Barn, Company X, Hamilton Central Business Association.

CHALLENGES:

- Multi-year funding required to ensure systainability of programme.
- Engaging with regional stakeholders is important to ensure there is a pipeline of useful stories.

LOOKING AHEAD TE WAKA WILL:

- Launch the new digital platform in June 2020.
- Infographics and imagery in the toolkit will be updated.
- Continue to work with regional trusts to secure multi-year funding.

At Risk · Off Track · On Track · Completed

Develop and Deliver a Sector and Industry Development Programme	
KPI's:	
Completed	Recruit a suitably experienced Sector Strategy Manager
Completed	Work with industry leaders to develop sector/industry plans for at least two priority sectors
On Track	Align sector development priorities with implementation of the Waikato Regional Labour Market Strategy

HIGHLIGHTS:

SECTOR DEVELOPMENT

- Michelle Hollands started in the role of Strategic Partnerships and Projects Manager in September.
- Priority for Sector Development has been given to ensuring the implementation of some existing strategies that either Te Waka leads or plays a support role. These include:
  - The Labour Market Strategy: With the interest from Government in the Review of Vocational Education (RoVE) and resulting programmes, labour market sector programmes will focus on Construction, Manufacturing, Forestry and Aquaculture, all seen as representative of geographic priorities with constrained workforce and high demand where access to skilled employees is seen as a major constraint to growth.
  - Regional Housing Initiative: Increased support has been given to the Regional Housing Initiative working group to plan how to take the Waikato Region Housing Stocktake report and into an implementation plan for the region.
  - Insights to Implications: Early stages as yet, a project has been initiated to explore Economic Insights, their use across the region and opportunities to enhance the capability of accessing the implications of insights to enhance investment decisions.

INVESTMENT

- There is an overlap in this work and the increased interest from the Minister for labour market and economic development to become more integrated with the Hamilton to Auckland corridor work.
- We went to market to fill the position of Strategic Investment Manager in November with interviews held in December, recruitment for this role continues.
- Much of the work in regional investment has revolved around business attraction activity with three referrals from New Zealand Trade and Enterprise and a further direct contacts. Te Waka works with district councils and relevant stakeholders to support these opportunities.

CHALLENGES:

- Significant attention, especially from government, in labour programmes has consumed available sector resources
- Progressing the development of the investment programme of work has been restrained without dedicated resourcing

LOOKING AHEAD TE WAKA WILL:

- Continue to facilitate the labour market leadership group and lead the implementation of the labour market strategy with forums planned for the construction sector.
- Continue engagement with Government to ensure available resources are aligned to regional efforts.
- Recruit a suitably qualified Investment Manager and develop the investment programme of work with input from councils and local stakeholders.

At Risk Off Track On Track Completed

Support Māori Enterprise and co-facilitate the implement of the Iwi Economic Development Plans
KPI's:
Māori Enterprise and Māori business will comprise at least 15% of Te Waka Business Growth Advisory Engagements
Collaborate with Māori and Iwi leaders to implement and support Māori leadership for the implementation of strategies and action plans
Confirm agreement with TPK to co-fund a Māori Economic Development Manager and recruit a suitably experienced person for this role in a process that is supported by TPK and Māori leadership by September 2019
Implement at least 70% of actions outlined in the refreshed Waikato Māori Economic Development Plan

HIGHLIGHTS:

- Te Waka is coordinating the actions in Te Whare Ohaoha (Māori Economic Action Plan Refresh) launched by Minister Mahuta on June 14, 2019, in collaboration with Iwi, Te Humeka, Te Puni Kokiri, Ministry for Social Development, Ministry for Business Innovation and Employment and Tainui Waka Tourism.
- Te Whare Ohaoha anchors 22 measurable economic goals of Māori in the Waikato region by coordinating opportunities to improve collaboration between, and improve capability and capacity, of Waikato region Māori Collectives, Whanau Enterprises and Rangatahi (Youth).

  Of the 22 actions; nine actions are complete; 11 actions are in progress and on task for completion and two actions are yet to be started.
- Te Waka continues to integrate Māori economic development outcomes across other streams of work through a focus on Māori enterprise. Māori business engagements by the Business Growth Team has exceeded its growth target of 15% which is also reflected in our funding to support enterprise growth.
- Te Waka continues to partner with key stakeholders for Māori business events including Te Ahikōmako, Waikato-Tainui and Te Humeka. Recently, Te Waka supported the first Māori Business (tech focussed) Start-up Wānanga – a weekend long business bootcamp which saw 13 teams test their entrepreneurial skills, validate their ideas and pitch for funding and support. Te Waka also supported the CANZUS (Canada, NZ and USA) Common Roots Common Futures, Indigenous Governance Symposium.
- Under the guidance of our Kaumaatua, Tame Pokaia, Iwi engagement across the region has commenced. The purpose is to understand how support can be provided for the economic development aspirations of individual iwi.
- The appointment process to appoint an Iwi Representative to the Te Waka board began in late 2019 and is expected to be completed early 2020.

CHALLENGES:

- Māori Collectives are at different stages of economic development and individualised engagement is resource hungry.
- Māori SME's are different stages of enterprise growth. Support for Whānau Enterprise start-up, including microfinance, is limited.

LOOKING AHEAD TE WAKA WILL:

- Continue to implement and promote an integrated approach to the delivery of Māori economic development outcomes across the region.
- Continue to partner with Waikato Iwi, Māori SME's and business associations and agencies, to deliver economic development outcomes across the region.
- Scope how we might support Iwi with developing (or adding value to current) economic development plans
- Provide a 6-month report on Te Whare Ohaoha, in partnership, to Minister Mahuta.

At Risk Off Track On Track Completed

Support and Facilitate, as agreed, a Waikato Regional Labour Market Strategy, actions and initiatives

KPI's:	
On Track	Extend the partnership with Ministry for Social Development to June 2020 to assist implementation of the strategy
On Track	Develop a labour market needs analysis and associated employee pipeline interventions for at least two priority sectors, industries or significant projects
On Track	Convene at least six meetings of the labour market leadership group to assist and guide the implementation of the strategy

HIGHLIGHTS:

- With the partnership with Ministry for Social Development utilising 0.4 FTE seconded staff, initial forums have been held with the tech and manufacturing sectors. Further work is needed with these sectors in order to develop sector led labour market plans.
- The Ministry for Business, Employment and Innovation (MBIE) has agreed to bolster support for implementation of the Regional Labour Market Strategy with a 0.4FTE secondment from their immigration team.
- Work is underway in partnership with Council partners, relevant agencies and industry to hold a construction sector forum in early 2020 to support this sector with labour market needs.
- Discussions have been facilitated with MBIE, the Tertiary Education Commission and key regional stakeholders to develop a local response to the RoVE. This includes the formation of regional skills leadership groups, the establishment of the NZ Institute of Skills and Technology, Centres of Vocational Excellence, support for workplace learning and discussions with MSD about the recently announced Education to Employment. All of these programmes may involve resourcing and other support from government.
- Te Waka has led a submission to MBIE regarding the structure and priority focus for the establishment of the Waikato Regional Skills Leadership.
- Base Labour Market profiles by district have been compiled with the intention to progress this information to guide the development of a Construction Sector Labour Market strategy (in the first instance) followed by strategies for Manufacturing and Aquaculture. Te Waka is supporting work underway in the Forestry Sector.

CHALLENGES:

- The Labour Market and initiatives to support the appropriate mix of skills and labour talent to enable sector growth is a complex environment both regionally and by sector. Many organisations support the delivery of outcomes and a wide range of Plans and Strategies seek to enhance delivery. MBIE's Review of Vocational Education has increased the emphasis on this important area which is a positive. This emphasis see's the Waikato as leader with it's established Regional Strategy. Change will mean Te Waka will require time to continue in a collaborative approach to leadership of this strategy.

LOOKING AHEAD TE WAKA WILL:

- Produce a sector focused profile for the Construction sector, aligning existing labour market information to future demand. Utilise this information to establish a Construction Sector Leaders Forum to design and create a platform for change. Work with the Leaders Forum to create sector led priorities for delivering change.
- Produce sector and or district focused profiles for an additional 3 areas and utilise these to generate similar programmes to that which is designed and trialed in the construction sector.

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At Risk Off Track On Track Completed

Develop, support and promote proposals to local, regional and national funding programmes including provincial growth fund

KPI's:

- Meet with Government Ministers and Officials at least four times to promote regional priority projects
- Secure funding from PGF for programme management resources to support Te Waka proactively managing the pipeline of major projects in the region
- Support at least six successful funding applications to government

HIGHLIGHTS:

- The focus of this work is to support applications from the region to the Provincial Growth Fund and assist accelerate the pipeline of projects. The successful application from Te Waka for PGF funding of $200,000 for each of two years was signed in August. Te Waka has partnered with PWC and Deloitte with seconded staff to create $800,000 in agile and high capability and hands on support.
- Te Waka works closely with Provincial Development Unit staff to prioritise the projects to be worked on. Through this arrangement and with support provided by other resources within Te Waka, direct support has been provided to 25 projects since July in all districts around Waikato. Te Waka works in support of project proponents and other stakeholders in this work.
- In November, Te Waka started a process to confirm major projects in each district and is advocating/supporting with the PDU to ensure funds are distributed around the region.

CHALLENGES:

- The Provincial Growth Fund has stimulated many projects in the region but changing evaluation criteria and ring fenced funding pools have caused delays and frustrations for projects.
- Most projects in Waikato require further feasibility or business case development before they are investment ready, which is no longer fundable by Provincial Growth Fund.
- Strong relationships with central government are needed to ensure a partnership approach to progressing projects.
- The Provincial Growth Fund has been a distraction from good practise economic development.

LOOKING AHEAD TE WAKA WILL:

- Continue to support PGF applications, work with local stakeholders to identify sub-regional priorities, promote priority projects and regional priorities for the region.
- Continue to implement stakeholder engagement plan with government, especially with senior officials.
- Provide proactive feedback to Central Government Ministers and Officials to enhance any new PGF initiative, should this eventuate.

● At Risk ● Off Track ● On Track ● Completed

Deliver a communications and engagement programme to inform stakeholders of the Te Waka programme and information on the state of the Economy	
KPI's:	
On Track	Develop a compelling organisational Te Waka Value proposition for funders and key stakeholders
On Track	Publish at least 8 Te Waka newsletters per annum
On Track	Present to at least all of the Councils one time on the status and direction for the Te Waka programme of work
Off Track	Undertake all requirements of sponsorship and partnership agreements
On Track	Partner with Waikato Regional Council to release four economic reports (annually)

HIGHLIGHTS:

- Te Waka has produced 10 newsletters in 2019, the open rates for these newsletters ranges from 30-46%.
- With support from Waikato Regional Council, delivered quarterly economic reports. Labour Market Productivity (April); Tourism (July); Labour Market Structure (October); Hamilton to Auckland Corridor (December).
- Each edition is provided to Waikato Times and possible features discussed. The Q3 report, The Riddle of the Labour Market, resulted in a news article.

CHALLENGES:

- Economic development is an emorphise theme that is not well understood by stakeholders, especially challenging to economic development agencies around the country when describing the value proposition.
- A lot of good work goes under the radar and is not appropriate or interesting to report on.
- There are many different datasets in use by regional organisations meaning that different reports can have different statistics.

LOOKING AHEAD TE WAKA WILL:

- Sharpen our aim on the list of regional priorities and engage with stakeholders about Te Waka's role: Lead, Enable, Connect.
- Work with stakeholders to develop a project to explore Economic Insights, their use across the region and opportunities to enhance the capability of accessing the implications of insights to enhance investment decisions.

Te Waka's Objectives

1. LIFT ECONOMIC PERFORMANCE ACROSS THE WAIKATO REGION.
2. ATTRACT, RETAIN AND GROW INVESTMENT, TALENT AND BUSINESS ACROSS THE REGION.
3. CHAMPION AND LEAD THE REGION'S COLLECTIVE VOICE FOR ECONOMIC AND BUSINESS NEEDS AND OPPORTUNITIES.

Waikato's Economic Story

Quiet giant of New Zealand's growth story

- Foundation of country's agriculture, manufacturing, minerals and food technology industries.
- A place of tourism success
- Hot-bed of digital and ICT innovation.
- Industry leader in education, aviation and technology, health services and construction.
- Cultural and spiritual epicentre of Aotearoa – home of Kingitanga.
- High growth areas.
- Auckland as our neighbour.

A vast geography with local difference

- Pockets of growth and wealth.
- Pockets of deprivation (low levels household income, employment and GDP per capita, poor housing, decaying and inadequate infrastructure, digital isolation and exclusion).

The World is Heading our Way

- Rapid Change - Growing population and interest providing opportunity.
- A destination in its own right - A place to live, learn, invest, study and visit.
  - Cultural and spiritual epicentre of Aotearoa – home of Kingitanga.
  - Epicentre of smart growth – apex of the golden triangle, close to New Zealand's largest sea, land ports, connected by road, rail, sea and air.
  - Young, hi-tech and outward looking industry cluster – home of hi-tech and value add food production, manufacturing and exporting.
  - New cosmopolitan city – home to young vibrant emergent metro-city, super-qualified workforce, world class learning institutions and outstanding event and cultural infrastructure.
  - Taonga – greatest natural and cultural treasures already must-see attractions.
- Major Industries and Significant Business relocating to the Waikato.
- Existing Business.
- New Business.
- Tourism Sector growth.
- Existing attractions.
- New Attractions.
- Cross-Region partnerships driving and delivering change.

Sharpening our Aim

In August 2018, we gathered together 250 of the region's top business, government, iwi and community leaders and asked them what the most important priorities were for the Waikato region. November 2018, Waikato's 2018-2022 Regional Economic Growth Programme was launched. The programme has 53 projects across 5 cross cutting priorities and 8 sectors.

We've condensed this down to a critical three themes:

Enabling the platform

Building the infrastructure to support growth:

- More connected by Road, Air, Rail and Sea.
- Securing land for business and housing development.
- Strong and consistent fibre and telecommunications networks.

Growing Capability

- Sharing knowledge, insight and information to guide decision making (Economic reports).
- Building, attracting and retaining skills and talent (Regional Labour Market Strategy).
- Making the most of our unique cultural heritage by working in partnership with Māori Collectives (Te Whare Ohaoha).
- Growing Research and Innovation Investment (Digital Waikato 2025).

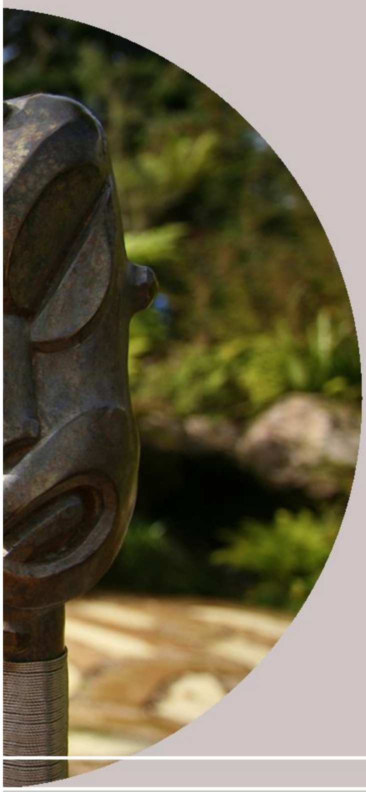
Attracting Investment and Interest

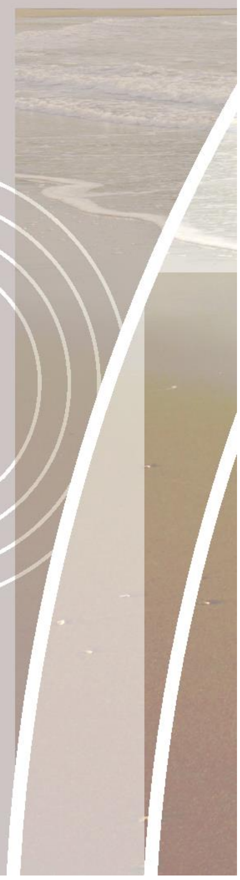
- Unlocking central government and private investment to support growth.
- Sharing our Unique Waikato Story.

Improving the well-being and living standards of Waikato Communities through sustainable and inclusive growth.

Recognising and valuing the health of our Wai and Whenua for future generations.

15





Te Waka

Anga Whakamua Waikato

Waikato Regional Economic Development Agency

Waikato Innovation Park
1 Melody Lane, Hamilton East
Hamilton 3216

Item 13

Council Report

Committee:	Economic Development Committee	**Date:**	10 March 2020
Author:	Karla Blackburn	**Authoriser:**	Jen Baird
Position:	Executive Assistant to GM City Growth	**Position:**	General Manager City Growth
Report Name:	Hamilton Central Business Association - Six-Monthly Update		

Report Status	*Open*

Purpose

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

Staff Recommendation

2. That the Economic Development Committee receives the report.

Background

3. The Business Improvement District (BID) Policy sets the process for establishing a BID and related association in return for setting the targeted rate within the defined BID area.

4. The Council's financial commitment to the HCBA contributes to the economic wellbeing of Hamilton. The rejuvenation of the central city required ongoing investment and commitment to create a dynamic environment for businesses to thrive. The HCBA has invested significantly in promoting the CBD to attract people business activities and investment.

5. The report is provided in line with the Business Improvement District (BID) Policy reporting requirements for Hamilton Central Business Association (HCBA).

6. Vanessa Williams (General Manager) and Mike Neale (HCBA Executive Committee member) will attend the meeting and will speak to this report.

Attachments

Attachment 1 - Six-month report ending 31 December 2019

Hamilton Central Business Association (HCBA)
Six-month report ending 31 December 2019

Item 13

Attachment 1

Hamilton Central

1.0 INTRODUCTION

Cities nationally and internationally are continuing to reinvent themselves to capitalise on new consumer trends and consumption demand. Main Streets are no longer places filled with traditional retail shops. In recent times there has been a documented shift to reconfiguring high streets to a mixed offering, including retail, hospitality, services, experiences and specialist amenities, all located in close proximity.

In a Centre for Cities report, September 2019, one key central city amenity listed as a drawcard to customers is the building of a theatre on the main street, supporting the location selection for the new Waikato Regional Theatre.

Hamilton Central Business Association (HCBA) will continue to endorse the growth and progression of the central city, to support economic growth through business development and to advocate for the improvement of CBD amenities. Cities are vibrant places where people go to spend time and money. Ensuring Council investment in the public realm and in the diversification of amenities will assist with the creation of an even stronger economy for Hamilton's central city.

2.0 CBD ADVOCACY PROJECTS

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

Waikato Regional Theatre

- o HCBA supported, submitted to Council and spoke in favour of the Waikato Regional Theatre development and resource consent.
- o HCBA are continuing to hold regular drop-in sessions with south end of town businesses, to ensure the business community feels well communicated with about the impending theatre development and the impact on business that this may have.
- o HCBA are also in support of the 42-room hotel as part of this development, to increase the high-end hotel stock within the CBD.

Access Hamilton

- o Lime Scooters – HCBA has supported and submitted in favour of Lime Scooters in the CBD. HCBA has also been a contact point for business feedback on Lime Scooters.
- o LOOP – HCBA supported the introduction of LOOP carshare into the CBD and provided business contacts to further develop the implementation of this initiative.
- o Bikes Welcome – HCBA supported the introduction of the Bikes Welcome program into the CBD. HCBA has also supported the implementation of bike parking in the central city.
- o BUSIT – HCBA has been and continues to be a promotional channel for the new BUSIT services in the CBD and supported the introduction of the $1 CBD service provided by the Waikato Regional Council.

CBD Masterplan

- o HCBA supports the proposed CBD Masterplan from the CBD Vibrancy & River Plan Advisory Group and has engaged with a number of key stakeholders to become part of a workshop feedback group. Although these were unable to happen prior to Christmas, there is a willingness from the business community to be engaged in the project and attend in the future.

Purple Flag Accreditation

- o HCBA attended a Purple Flag accreditation conference recognising places with night-time economies. In attendance was Wellington City Council, Auckland City Council, Grey Lynn BID, Karangahape Road BID, and Heart of the City Auckland. HCBA is now accredited with the Purple Flag Accreditation scheme to be an assessor. Purple Flag accreditation is an acknowledgment given to city centres who meet a specific set of criteria for a night-time economy. This includes recognition of late-night offerings including hospitality, retail, transportation and safety. There is a growing movement overseas, particularly in the UK and Sweden, for places to have a purple flag accreditation and the Governing body is looking to include NZ in this process.

New Plymouth

- o HCBA visited New Plymouth to understand the workings of their CBD and motivations for significant project development. HCBA met with their Council who provided interesting insights into business led initiatives within the CBD, supported by their Council.

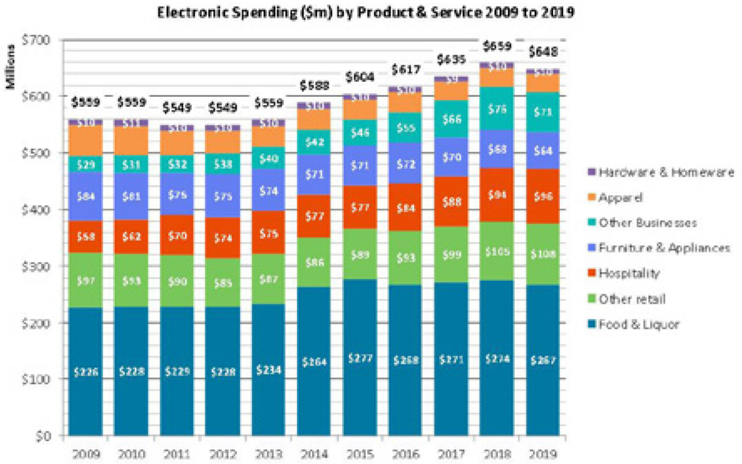
3.0 ORGANISATION

An effective, engaged, collaborative Business Association that represents the needs of the central city businesses to create a dynamic business community.

CBD Data Collection

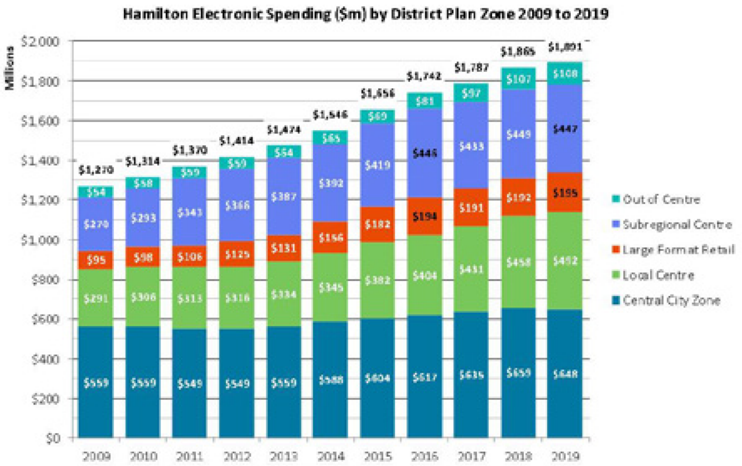
- o CBD electronic spending continues to remain strong, with a slight decrease in spend from 2018, but still the second highest since 2009. It has been noted that there are some new patterns emerging in buyer behaviour, with Black Friday taking on a much more significant role in terms of pre-Christmas spending. This has resulted in a boost to the retail sector in November, with the follow-on result of a quieter start to December pre-Christmas sales.

Value ($m) of Hamilton Electronic Spending by District Plan Zone 2009 - Dec 2019

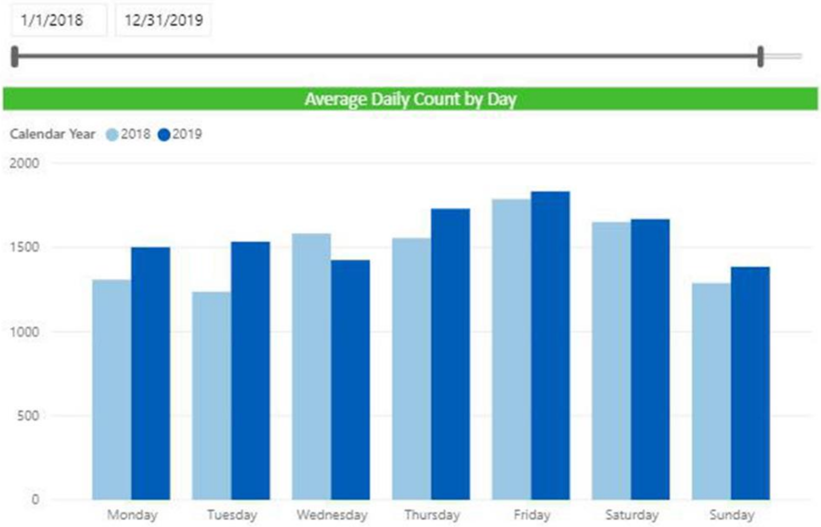


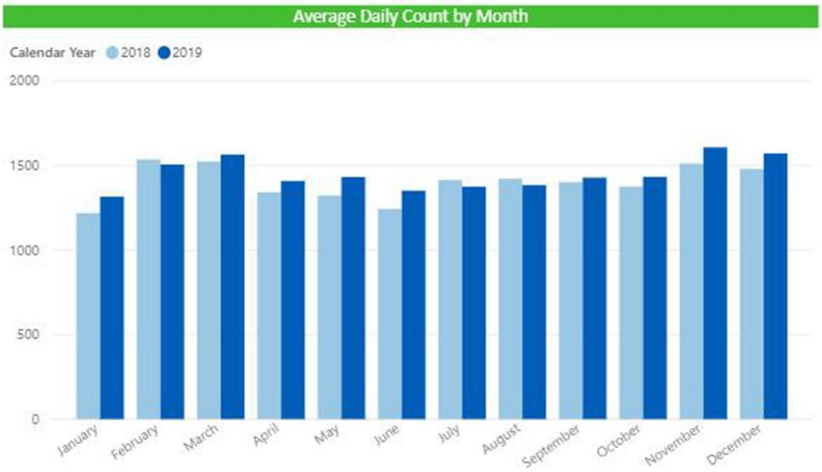
- Hospitality continues to be the growth sector for CBD as business development continues.

Value ($m) of Hamilton CBD Electronic Spending by Product and Service Category 2009 - 2019



o CBD pedestrian counters are continuing to show growth most days of the week, contributing to an annual growth of 6.6%. The data continues to show the biggest pedestrian increases are on weekends, supporting the view of central cities gaining popularity as a place to go for shopping, hospitality and leisure activities outside of the traditional working week.





Commercial Landscape

The CBD landscape is continuing to go from strength to strength with new builds and redevelopments dominating the landscape. This trend is set to continue, with early 2020 promising the start of some major build projects.

- 2019 ended with the following projects completed:
  - o Kmart re-opening in the Tristram Precinct in August with the Waikato Regional Council, Datacom and WSP Opus moving in mid/late 2020.
  - o 586 Victoria Street completed and tenanted
  - o Days Hotel & Suites second stage development underway and due for completion in April 2020
  - o 391 Victoria Street (apartments/retail) completed and re-tenanted
  - o Residential developments at Vialou Street and London Central second stage.

- o Novotel Tainui 42 room upgrade nearly complete with final works scheduled for February 2020.
- Projects scheduled to start in early 2020:
  - o 1-7 Bryce Street, former IRD Building redevelopment underway to a 3 star plus apartment style hotel
  - o Union Square on the Ebbett Holden site to get underway in May
  - o Waikato Regional Theatre and 5 star quality 42 room art hotel to start in April
  - o Wintec / HCC site on Ward Street under contract for a mixed use development, with detail to be released early 2020
  - o ACC/Waikato Tainui joint venture corner Tristram & Collingwood circa 8,000sqm
  - o Ex Millers at 325 Victoria Street demolition to start in March/April for retail and residential apartments
  - o 12 Garden Pl to be redeveloped as part of Panama Square
  - o Former AMI Building development underway for Urban Homes
  - o Two sites subject to fire (Biddy Mulligans and Munns Menswear), to be demolished and redeveloped
  - o 102 Rostrevor Street being redeveloped for Switch Group
  - o 122 Rostrevor Street under development – a national retailer in negotiations
  - o Wallace Development scheduled for May on the corner of Garden Pl & Victoria St
  - o Strengthening and refurbishing Old Pascoes Building on the corner of Victoria St & Garden Pl
- Developments under consideration:
  - o New apartments proposed for Vialou Street
  - o Hotel site being considered for Hood Street
  - o Clarence Street (Cornerstone Developments) looking at a mixed use development, next to Ventura Inn & Suites
  - o Hotel chain looking at potential CBD sites
  - o Government department for balance of WDHB space and former LINZ building
  - o Proposed redevelopment of the corner of Bryce & Barton Streets
  - o Methodist Church looking at redevelopment options for London Street
  - o Student accommodation consent at 192 Collingwood Street
  - o Fosters to develop 183 Collingwood Street
  - o Bryant Trust potential development plans for their site facing Collingwood Street, including the corners of Anglesea and Alexandra Streets

Casabella Lane Trial

- HCBA worked with the Body Corporate to activate Casabella Lane, agreeing to a Lane specific campaign to promote the area and businesses within it. HCBA introduced a pop-up art store into the Lane, provided weekend entertainment options and focused on building profile via Casabella Lane social media channels and leveraging HCBA's 35,000 followers.
- As part of the Casabella Lane reinvigoration campaign, HCBA worked with the Body Corporate on laneway improvements and worked with existing retailers to support promotional evenings and market days.
- HCBA has received extremely positive feedback on the trial and off the back of the campaign a retail tenancy has signed up to the pop-up shop site.

Smart Waikato (SSEP)

- HCBA participated in this programme for the third year running. Working as a mentor with a group of Y9/10 boys from Rototuna Junior High School to help them run a profitable business creating tangram puzzles under the company name Perplex Puzzles.
- HCBA hosted the Smart Waikato Group from Rototuna Junior High to talk about the CBD and the role business community plays in the city.

Governance and BIDs

- HCBA held their AGM in August at the Freedom Institute of Higher Education the former Public Trust Building on Victoria Street, continuing the theme of showcasing developments in the CBD. The focus of the AGM was on recognising the significant investment underway in the central city and recognising the pride and reassurance this provides to the business community.
- The Executive Committee were re-elected with the addition of Dwight Egelhof from Craigs IP.
- The HCBA continues to hold a Governance role with the People's Project, Zeal, Embassy Park, Riff Raff Trust and Safe Zone. Additionally, HCBA has a contributory role with the Boon Festival, City Safety Plan and the Waikato Film Hub.

4.0 PROMOTION

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

Social Media

- HCBA social media channels continue grow in popularity with Facebook followers in excess of 35,000 and Instagram followers also on the rise. The HCBA membership sees real value in HCBA social media channels utilising business promotional opportunities, giveaways and public messages.
- HCBA followers continue to value the Hamilton Central facebook page with CBD posts spiralling out to thousands of people each and every day.

Advantage Club

- The Advantage Club was set up for CBD workers to find out about the latest business openings, sales, promotions, events and every fortnight a free business giveaway.
- Feedback from the business community has been very positive with new businesses in particular enjoying the support of CBD workers coming to visit their stores and HCBA putting them on the map.
  - July giveaways – Sammies & Stuff, Kebabs Salateen
  - August giveaways – Coffee Studio, De Stylez
  - September giveaways – Milano's Pizza, Machina
  - October giveaways – Bearded Weasel, Sushi Ya, Snack Baby
  - November giveaways – Hungry Eyes Café, Christmas Heirloom Company
  - December giveaways – Movenpick.

Ambassador Programme

- The first training programme was held at Jet Park Hotel, Hamilton Airport with 35 attendees. It was acknowledged how great a resource of information the programme provides to attendees and how both enjoyable and beneficial the journey is to learn about 'our own backyard'.
- The Programme continues to go from strength to strength, with attendees coming away from the training with a pride of place to share with locals and visitors.

Social Business

HCBA continues to provide value to their membership showcasing developments and businesses of interest within the CBD. Over the past six months, HCBA has taken the opportunity to strengthen ties with the Property Council by collaborating on events that are of interest to both membership groups.

- August – HCBA, in collaboration with the Property Council, provided two exclusive events: the redevelopment of Sentinel House at 586 Victoria Street and new development of Parkhaven Apartments on Tristram Street.
- September – HCBA, in collaboration with the Chamber of Commerce and Hamilton City Council, co-hosted an event to outline future projects in the city with guest speaker Rod Oram.

- o October – HCBA hosted an evening at Escapist on Bryce Street.
- o November – HCBA hosted a Christmas evening at Craft Bar, showcasing their new restaurant offering Sage.

Feedback from members has been overwhelmingly positive on the commercial development focus of HCBA Social Business events and the opportunity it provides to members, enabling them to see the ongoing investment by the development community.

CBD Celebration Awards

The CBD Celebration Awards was held on 11th September and was a fantastic evening of celebration and recognition of the business community. Kelvyn Eglinton was the dynamic MC for the evening and feedback of the awards and the 'out of the box' venue has been a positive talking point for attendees.

- o HCBA enjoyed a significant amount of coverage of the CBD Celebration Awards in both the NZ Business & Management Magazine, the Waikato Business News and the Hamilton App.
- o HCBA is continuing to work through the award detail for the annual CBD Celebration Awards. Two new awards were introduced to the BEST Awards (Best Inclusive Business Practice and Best Sustainable) in 2019 and new judging criteria was established. HCBA would like to continue to develop and evolve the Awards to ensure relevance to the business community.
- o HCBA have confirmed the CBD Celebration Awards will be held 18 November 2020.

CBD Series

HCBA filmed the 2019 Celebration Award winners for the Hamilton CBD Series on YouTube. The videos have also been provided to Hamilton City Council, Te Waka, Cultivate IT, Property Council and The Waikato Story, for use on their communication channels. All winners were also provided their own video to promote via their communication channels and HCBA promoted via facebook and website to a wide reaching audience.

Cultivate IT Collaboration

- o HCBA signed a Memorandum of Understanding with Cultivate IT to work together to bring 'Tech' opportunities into the CBD as an event series.
- o The first Tech in the CBD series was an event hosted breakfast for retail sector representatives on 11th November in the Smart Space in Garden Place. Attendees were provided key insights on the pedestrian counters in the CBD and how these can be used to better inform business decisions. A dashboard of pedestrian counter information was provided to attendees. Brendan Roberts, CEO of Aider (an AI app) spoke with the group about Artificial Intelligence and the trend internationally toward voice assisted technologies.
- o The second event in the Tech in the CBD series was held for the hospitality sector to discuss pedestrian count information and the impact of voice automation for hospitality businesses.
- o The collaboration will look to bring a series of 'Tech' speakers into the CBD in 2020 to continue to provide value to the HCBA membership.

International Towns and Cities Conference 2019 – Townsville

- In October 2019 HCBA attended ICTC Conference in Townsville as both a speaker and delegate.
- The theme of the conference was Transformative Cities: Innovative, Connected and Resilient, getting the balance right with people, connections and communities to ensure our places are great to live, work, play and visit. There were a range of international speakers with stand out presentations about different aspects of city liveability. In particular from David Sim, Creative Director & Partner, Gehl Architects, Denmark, providing design insights beyond the buildings to truly create cities for people. Michelle Abbey, Head of Retail, Stockland, who presented on creating The Curated Retail Experience and how to look forward to answer the continuous

question of 'What next?'. Ethan Kent, Senior Fellow, Project for Public Space & Co-Director Placemaking X, USA, from Liveable to Loveable: Building People Powered Places, looking at best practice approaches to placemaking.
- HCBA presented on CBD Activation: Bringing Vibrancy to Public Space through Activation, Events and People.
- The conference also included a city sustainability tour of Townsville looking at the reactivation projects underway for their city centre and their defined masterplan providing a clear vision for the city called the Townsville 2020 Masterplan. The projects focus on boosting the economy, benefiting the local community and attracting tourism to the region which include:
  - o Stadium precinct
  - o Central city park and carpark masterplan
  - o Open space masterplan
  - o Laneway development
  - o Riverway waterplay
  - o Townsville entrance statements

Cultural Tourism

HCBA is continuing to explore the cultural tourism opportunities in the CBD.

- o HCBA organised a group of CBD people to take part in a new tourism venture in the CBD – Te Ahurei Māori Tourism, a Māori walking tour in the CBD. Encompassing the Māori myths and legends that relate to Kirirkiriroa and CBD artworks, HCBA is also supporting the collaboration between Māori Tourism providers.
- o HCBA has confirmed the CBD to host events and activations from the Hamilton Gardens Arts Festival in 2020.

CBD Activation 2018/2019

HCBA have completed the first six months of year two, of the activation programme. There is increasing data, Centre for Cities September 2019, supporting the need for town centres to reconfigure their offering from being traditionally retail led, to now providing a multifaceted offering of services, shopping, hospitality and leisure activities. The continuation of a CBD specific activation programme supports this increasingly diversified offering.

- **Activation Highlights July – December 2019**
  - o HCBA gave a portion of their office space to the Hamilton Immersive Trust to create a public light installation. The newly formed space allowed members of the public to come in to the space and have an immersive lighting sensory experience in support of Matariki and the Te Ruru light festival held in Garden Place in June.
  - o The Fringe Festival launched in October and HCBA hosted to two art exhibitions; one in the HCBA office and the other incorporated into the pop-up shop in Casabella Lane.
  - o Embassy park activations started on Friday nights at the end of October and continued throughout the Summer.
  - o Riff Raff 15th birthday was held to great success in Embassy Park. A great crowd in attendance, including Richard O'Brien who spoke and cut the elaborate birthday cake. Activations during the evening included Flash mob, singing, drumming and playing of the Rocky Horror Picture Show movie.
  - o Round the Bridges was a hugely successful event for the CBD, with numbers of people walking around on Sunday 16th November being in excess of 16,000. 2020 will be the 75th anniversary of the event and more activity will be incorporated to celebrate this significant event.
  - o The weather held out for the annual lighting of the Christmas tree, seeing thousands of people drawn to Garden Place for the event. HCBA negotiated with Steve McLennan for use of his shop on the corner of Garden Place to install a huge lego Christmas display, which has been a hit with children.
  - o HCBA hosted Christmas in the Park movies at VOTR screening from 10am-10pm on

14th December, with vast audience engagement on social media promotion and attendance at the event.

- o HCBA in collaboration with the Red Cross hosted the third annual Weave Festival in Garden Place, attracting more and more visitors each year.
- o HCBA continues to work with individuals, community groups, businesses, associations, existing events and local Government to bring experiences and activities to the CBD public spaces.

5.0 FUTURE FOCUS

HCBA will continue to support central city development projects including the Waikato Regional Theatre, Union Square, Waikato Regional Council, ACC / Waikato Tainui new build and residential developments in the central city.

In support of these extensive property developments, HCBA would like to see commitment from Council on the upgrade of the public realm and public amenities on offer, including a footpath renewal programme, street furniture upgrade, waste management improvements and wayfinder signage plans.

HCBA will be advocating for a city attractiveness programme of work that includes incorporating technology to showcase the central city and the wider region to appeal to business looking to relocate, businesses looking to recruit and visitors coming into the city.

6.0 RECOMMENDATION

The HCBA recommends this report be received by Hamilton City Council.

Mike Neale, NAI Harcourts
Hamilton Central Business Association Executive Committee

21 February 2020

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Council Report

Item 14

Committee:	Economic Development Committee	**Date:**	10 March 2020
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 Activity Report - 1 July to 31 December 2019		

Report Status	*Open*

Purpose

1. To inform the Economic Development Committee on the performance of H3 including financial and non-financial reporting, focusing on Q1 and Q2 results from 1 July to 31 December 2019.
2. H3's primary purpose is to attract and deliver exceptional event experiences, operating in a semi-commercial mode to commercial customers and where possible, not for profit customers.

Staff Recommendation

3. That the Economic Development Committee receives the report.

Executive Summary

4. The intention of this report is to provide a more focused commentary on H3 activity – Council's premier events venue operation. This includes Claudelands Events Centre, FMG Stadium Waikato, Seddon Park and activity relating to the Founders Theatre.
5. A report combining the first two quarters of the 2019/20 year is attached.
6. H3 increasingly operates as a single business, with its customers (both fully commercial and community orientated) spread across venues as demand and capacity constraints dictate in peak months.
7. 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.

Financial Considerations

8. There are no financial implications in relation to the information provided in this report.

Legal and Policy Considerations

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

Item 14

Wellbeing Considerations

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

Risks

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

Significance & Engagement Policy

Significance

13. 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

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

Attachments

Attachment 1 - H3 Activity Report - Q1 and Q2 2019/20

ACTIVITY REPORT Q1 & Q2 2019/20

H3

Hamilton City Council
Te kaunihera o Kirikiriroa

Item 14

Attachment 1

Attachment 1

Item 14

GENERAL MANAGER'S COMMENT

H3 is a business unit within the Venues, Tourism and Major Events Group at Hamilton City Council responsible for overseeing the city's premier event venues.

This report is a summary of H3's Q1 and Q2 activity for the 2019/20 financial year and was prepared for Council's Economic Development Committee for its meeting on 10 March 2020.

It has been a busy first two quarters for H3 both in terms of the volume of event activity, new productivity initiatives and asset management improvement projects. H3's forward book is particularly strong and we are increasingly challenged by availability of venue space and staffing resource (internal and external) at peak periods. A lack of hotel accommodation in Hamilton remains our biggest external challenge.

I am pleased to report that our reputation in the events and venue industry continues to be strong across the New Zealand market which reflects well on Hamilton. In November 2019, H3 was awarded two industry awards at the Entertainment Venues Association of New Zealand (EVANZ) Awards in Christchurch. Claudelands was named 'Large Venue of the Year' and one of our staff members (Kyle Evelyn - Lead Technician) was awarded 'Rising Star of the Year' for his innovation and leadership within the business and industry.

Sean Murray

GENERAL MANAGER
VENUES, TOURISM
AND MAJOR EVENTS GROUP

1. HIGHLIGHTS

1.1 - SUMMARY OF FIRST SIX-MONTHS

- H3 venues hosted a wide variety of events across Q1 and Q2, alongside the completion of several significant capital and renewals projects at the venues.
- In total, 262,379 people attended events at H3 venues across the two quarters. Claudelands had 190,815 people attend events and our stadia (FMG Stadium Waikato and Seddon Park) welcomed 71,564 attendees.
- As well as public ticketed performance and sports events, exhibitions and sales (184), there were also 415 conferences, meetings and functions across all venues.
- H3 venues remain challenged during peak season with lack of availability at times. The lack of high-standard hotel inventory in Hamilton remains the number one inhibitor for growth in the large conference and major event activity market.
- Work on several projects continued across the two quarters - light tower renewal works at Seddon Park, venue DSA earthquake prone building evaluations, plus event and venue security planning.

1.2 - CLAUDELANDS ACTIVITY SUMMARY

262,379
people attended events at H3 Venues in Q1 & Q2

- Across both quarters, Claudelands was the host venue for a number of new and returning events. In August, Disney On Ice's 'Mickey and Friends' ice skating show took place, with over 24,300 people attending 10 shows. The venue also staged for the first time the NZ leg of the Professional Darts Corporation's World Series of Darts 'NZ Darts Masters' event, with over 5,900 people attending a weekend of entertainment.
- In Q1, there were two public council events - the citywide 'Your Neighbourhood' event followed by the Mayoral debate.
- Claudelands was also home to other large public events such as Waikato A&P Show, Waikato Home and Garden Show, Synthony, Te Mana Kuratahi (Primary School Kapa Haka), NZSO concert, Kids for Kids Performance Show, Cancer Society 2019 Ball, Brian Perry Regional Sports Awards, Ultimate Queen with Mark Martel, Craft and Quilt Fair, the KuDOS Hamilton Science Excellence Awards 2019, All Ford Day, House of Travel Travel Bazaar, America and 1Day Sale plus a number of smaller functions, graduations and end-of year celebrations.

- Claudelands also hosted a number of medium and large conferences including Trafinz Annual Conference 2019 (160 pax), NZ Recreation Association Conference 2019 (175 pax), Hire Industry Association NZ 2019 Conference (230 pax), WasteMINZ Conference 2019 (360 pax), Practice Managers and Admin Association of NZ Conference 2019 (395 pax), Water NZ Conference and Expo (900 pax) and Health Informatics NZ Conference (930 pax) across both quarters.

1.3 - STADIA ACTIVITY SUMMARY

- Both stadia venues continue to be popular spaces for our smaller business events market, alongside hosting of international level rugby, rugby league and cricket matches.

FMG STADIUM WAIKATO

- In Q1, FMG Stadium Waikato hosted the All Blacks vs Tonga, with over 22,900 people attending the match. The Tonga Invitational XIII vs Great Britain Rugby League Lions match held in October was the final fixture on FMG Stadium Waikato's previous turf, with the turf replacement project underway in November in preparation for the HSBC NZ Sevens in January 2020. During the two quarters, the venue also hosted Mitre 10 Cup rugby matches.

SEDDON PARK

- In Q2, Seddon Park hosted the Blackcaps v England test match across 5 days, plus a number of televised Super Smash domestic cricket matches, under the new lights.

FOUNDERS THEATRE

- Founders Theatre remained closed for all but essential maintenance. A decision on the future of the site is yet to be made. A report to Council on the next steps regarding Founders Theatre will go to the meeting on 30 April 2020. This will include a consultation and engagement plan on several options for redeployment of the site inline to the West Town Belt Masterplan.
- In the 2018-2028 10-Year Plan, $802k was budgeted for the demolition of Founders Theatre during 2018/19. Due to this not taking place during the financial year, the amount has been moved to 2020/21 budgets.

2. FINANCIAL SUMMARY

2.1 H3 Financial Summary

TABLE 1: RESULT FOR THE PERIOD 1 JULY TO 31 DECEMBER 2019

	Actual YTD	Budget YTD	Variance favourable/ (unfavourable)	Annual Budget
	$000	$000	$000	$000
Revenue				
Subsidies and Grants	-	-	-	-
Capital Revenue	-	50	-50	100
Revenue from Activities	4,337	3,504	834	6,115
Total Revenue	**4,337**	**3,554**	**784**	**6,215**
Direct Operating Costs				
Cost of Sales	1,552	1,113	-439	2,050
Personnel Costs	2,634	2,662	28	5,301
Operating and Maintenance costs	1,000	783	-217	2,139
Professional Costs	19	94	75	188
Administrative Costs	428	476	47	945
Property Costs	809	811	2	1,640
Total Direct Operating Costs	**6,442**	**5,939**	**-503**	**12,263**
Direct Operating Surplus/(Deficit)	**-2,105**	**-2,385**	**280**	**-6,048**
Indirect Revenue				
Interest Income	68	62	6	124
Indirect Overhead Costs				
Depreciation and Amortisation	2,703	2,745	43	5,491
HCC Overhead Allocation	1,317	1,324	6	2,705
Finance Costs	888	822	-66	1,643
Total Indirect Operating Costs	**4,908**	**4,891**	**-17**	**9,839**
Net Indirect Costs	-4,840	-4,829	-11	-9,715
Net Surplus/(Deficit)	**-6,945**	**-7,214**	**269**	**-15,763**
Gains and Losses	-	-	-	-
Total Gains and (Losses)	-	-	-	-
Surplus/(Deficit)	**-6,945**	**-7,214**	**269**	**-15,763**

NOTES

OPERATING EXPENDITURE

2.2. COST OF SALES

- Additional costs relate to the ongoing uplift in revenue.

2.3 OPERATING AND MAINTENANCE COSTS

- Increasing compliance costs along with cost to maintain our facilities continue to be a challenge. These costs will continue to track above budget for the year.

REVENUE SUMMARY

2.4 - GRAPH 1: 2019/20 H3 REVENUE VARIANCE TO BUDGET (EXC. CAPITAL) FOR PERIOD 1 JULY TO 31 DECEMBER 2019

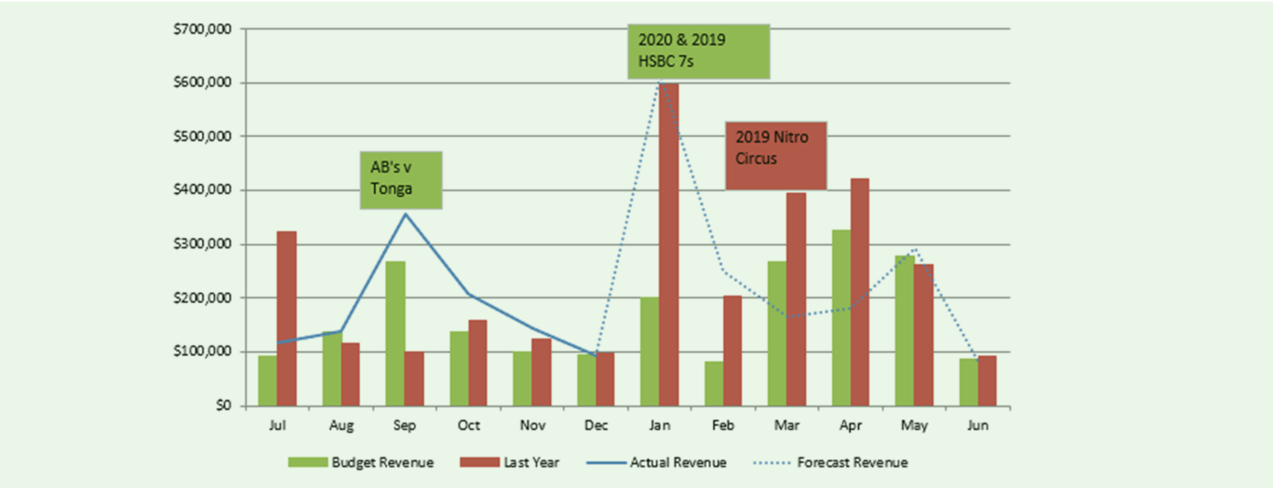
- Total revenue was above budget by $834k (24%).
- Conference revenue was $199k above budget with higher yield conferences, partially offset by lower event volumes.
- Performance revenue was $182k above budget due to higher than expected attendees. (Event example: Tainui Waka Primary School Kapa Haka - 17,000 pax)
- Sports events revenue was $217k above budget with higher than expected yields, attendees and hire days (Event example: NZ Darts Masters and All Blacks v Tonga)
- Functions event revenue was $137k above budget with higher event volumes and attendees.
- Exhibitions revenue was $65k under budget, driven by lower than expected event volumes and hire days.

Waters NZ 2019 Conference - Claudelands Arena September 2019

NZ Darts Masters - Claudelands Arena August 2019

STADIA RESULT

2.5 - GRAPH 2: 2019/20 STADIA REVENUE FOR THE PERIOD 1 JULY - 31 DECEMBER 2019



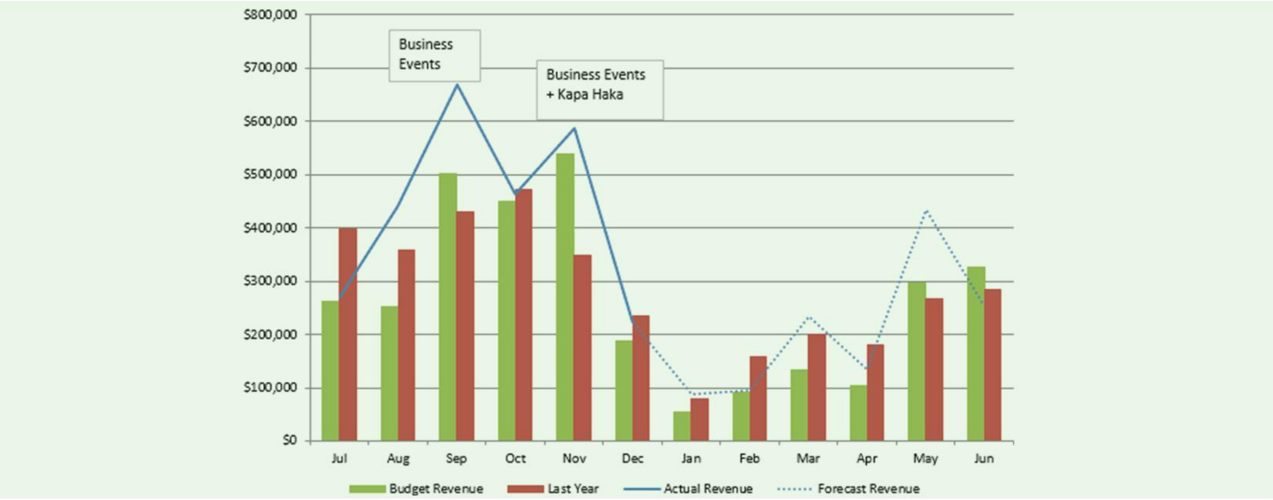
2.5.1 - TABLE 2: STADIA SUMMARY PERIOD 1 JULY - 31 DECEMBER 2019

	Actual YTD	Budget YTD	Variance Favourable/ (unfavourable)	Annual Budget
	$000	$000	$000	$000
Revenue				
Subsidies and Grants	-	-	-	-
Capital Revenue	-	50	- 50	100
Revenue from Activities	1,223	982	241	2,361
Total Revenue	**1,223**	**1,032**	**191**	**2,461**
Direct Operating Costs				
Cost of Sales	393	310	- 83	823
Personnel Costs	1,077	1,115	38	2,220
Operating and Maintenance Costs	531	488	- 43	1,451
Professional Costs	9	53	44	107
Administrative Costs	211	233	22	463
Property Costs	391	428	37	879
Total Direct Operating Costs	**2,613**	**2,628**	**16**	**5,943**
Direct Operating	**- 1,390**	**- 1,596**	**207**	**- 3,482**

- Total stadia revenue year to date is 25% above budget, driven by event revenue. Sports event revenue is 51% above budget driven by higher than expected yields, attendees and hire days.

CLAUDELANDS RESULT

2.6 - GRAPH 3: 2019/20 CLAUDELANDS REVENUE FOR THE PERIOD 1 JULY - 31 DECEMBER 2019



2.6.1 - TABLE 3: CLAUDELANDS SUMMARY PERIOD 1 JULY TO 31 DECEMBER 2019

	Actual YTD	Budget YTD	Variance Favourable/ (unfavourable)	Annual Budget
	$000	*$000*	*$000*	*$000*
Revenue				
Subsidies and Grants	-	-	-	-
Capital Revenue	-	-	-	-
Revenue from Activities	3,114	2,522	593	3,754
Total Revenue	**3,114**	**2,522**	**593**	**3,754**
Direct Operating Costs				
Cost of Sales	1,159	802	- 356	1,227
Personnel Costs	1,557	1,547	- 10	3,081
Operating and Maintenance Costs	469	295	- 174	687
Professional Costs	9	41	31	81
Administrative Costs	217	242	25	482
Property Costs	419	383	- 36	761
Total Direct Operating Costs	**3,830**	**3,311**	**- 519**	**6,320**
Direct Operating Surplus/(Deficit)	**-715**	**- 789**	**73**	**- 2,566**

- Total Claudelands revenue year to date is 24% above budget, driven by strong results across conferences, functions, performances and sport. These event types finished above budget by 15%, 52%, 43% and 63% respectively. Exhibition revenue is 15% below budget due to lower than expected event volumes and hire days.
- Maintenance cost overspend relates to a rollover of planned activity in 2018/19 FY of HVAC and fire systems maintenance. As this venue ages, these costs will increase and be reflected in our budgets accordingly.

3. ACTIVITY SUMMARY

3.1: NUMBER OF EVENTS, HIRE DAYS AND ATTENDANCE - 1 JULY TO 31 DECEMBER 2019

599 Events at H3 Venues

576 Hire Days across H3 Venues

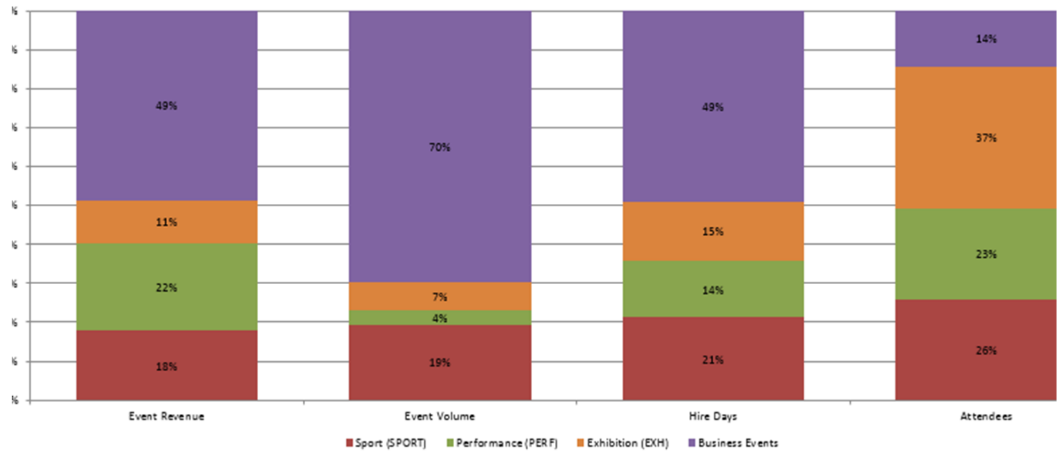
262,379 attendees at H3 Venues

3.2 - TABLE 4: BY EVENT TYPE FOR THE PERIOD 1 JULY TO 31 DECEMBER 2019

Event Type	Number of Events			Hire Days			Attendance		
	Q1	Q2	Total	Q1	Q2	Total	Q1	Q2	Total
Business Events	215	200	415	134.5	146.75	281.25	15,491	21,765	37,256
Exhibition	29	16	45	31.75	57.25	89	36,624	59,575	96,199
Performance	11	11	22	46.75	36.5	83.25	33.162	27,681	60,843
Sport	59	58	117	70.75	51.75	122.5	42,315	25,766	68,081
Total	314	285	599	283.75	292.25	576	127,592	134,787	262,379
FY 2018/19 comparison	368	310	678	259.25	245	504.25	111,449	123,485	234,984

- While the number of events are down, hire days and attendees are up, which are the drivers for the increased revenue.

3.3 - GRAPH 4: BUSINESS MIX BY EVENT TYPE FOR THE PERIOD 1 JULY TO 31 DECEMBER 2019



3.4 - 2018-28 10-YEAR PLAN KPIS

TABLE 5: FOR THE PERIOD 1 JULY TO 30 DECEMBER 2019

Measure	Annual Target	Q1	Q2	TOTAL
The number of people attending events at H3 Venues	440,000	127,592	134,787	262,379

- We are on track to exceed this target.

3.5 - OTHER NON-FINANCIAL KPIS

CUSTOMER SATISFACTION

TABLE 6: FOR THE PERIOD 1 JULY TO 30 DECEMBER 2019

Survey Type	Q1	Q2	TOTAL
Business Events Hire Survey (1-10)	9.1	9.5	9.3
Ticketed Events Attendee Survey (1-10)	8.6	8.7	8.7

3.6 - KEY SUPPLIERS

One contract was awarded during Q1 and Q2 relating to H3 venues:

- Contract 18540 Lift Replacement FMG Stadium Waikato

3.7 - OUR PEOPLE

- H3's permanent staff turnover across the first two quarters was 7.04%, with a total of five staff leaving against an average staff number of 71.
- This is higher than the prior year period (3.33%) however we still have a relatively stable workforce and high average length of tenure.

3.8 - HEALTH AND SAFETY

TABLE 7: INJURIES, MEDICAL TREATMENT AND LOST TIME INJURIES FOR THE PERIOD 1 JULY TO 30 DECEMBER 2019

	Q1	Q2	TOTAL
Injuries	0	2	2
Medical Treatment	0	1	1
Lost Time Injuries	0	0	0

- All three relate to staff and were sprains (2) and a cut finger (1).

Key Health and Safety highlights throughout Q1 and Q2 included:

- H3 Venue Security governance group established to review security and implement improvements
- Security Risk and Vulnerability assessment completed and report provided; developing plan for improvements
- Seddon Park light towers replaced with no health and safety incidents
- Catch-pits installed at FMG Stadium Waikato and Seddon Park for improved environmental control of wash down areas
- Notifiable incident with mower blade breaking and landing on the road
- H3 staff participated in Civil Defence exercise at EOC and then the live activation of the EOC for the Whakaari White Island Eruption
- Ongoing issue with passenger lift at FMG Stadium Waikato breaking down and risk of people being trapped
- Staff resource under pressure with extremely busy season of events; managed with casual staff, H3 Graduates and management of hours of work

4. MARKETING HIGHLIGHTS

4.1 SUMMARY

- In total across the six months from 1 July to 31 December 2019 HLive's likes increased by 941, while Claudelands and FMG Stadium Waikato likes grew by 1,634 and 293 respectively. Claudelands' significant increase can be attributed to its strong brand recognition and the wide range of events on offer at the venue.
- In total H3 had a combined reach of over 2 million people across its HLive, Claudelands and FMG Stadium Waikato Facebook pages over the six-month period, with FMG Stadium Waikato achieving the majority of this reach with 1.16 million people.

AS AT 31 DECEMBER 2019

2,000,000

COMBINED REACH OVER 6 MONTHS ACROSS H3 SOCIAL MEDIA PAGES

4.2 DATABASE SEGMENTATION

- During the period 1 July to 31 December 2019 30 eDMs (electronic direct mails) were sent to the HLive database of around 65,000 subscribers. On average the eDMs had an open rate of 18.9% and click through rate of 1.2%.
- Work is currently underway to gather more preference information for HLive subscribers – this will enable the database to be segmented so eDM messaging can be tailored to individual preferences. It is expected that the segmenting will result in higher open and click through rates as content will be more appealing and relevant to individual recipients.

HLIVE .CO.NZ
HAMILTON'S EVENT HOTSPOT

AS AT 31 DECEMBER 2019

65,000

SUBSCRIBERS TO HLIVE DATABASES

4.3 WEBSITE VISITATION

- H3's websites (h3group.co.nz, hlive.co.nz, Claudelands.co.nz, fmgstadiumwaikato.co.nz, seddonpark.com, spoiltforchoice.co.nz) had a combined total of 124,367 web visitors over the six month period. The site with the most visitors during this time was the FMG Stadium Waikato website with 47,155 – this was also the site with the most visitors on a single day with 4,575 visitors to the site on 6 September, the day prior to the All Blacks v Tonga test.

4.4 ENGAGEMENT

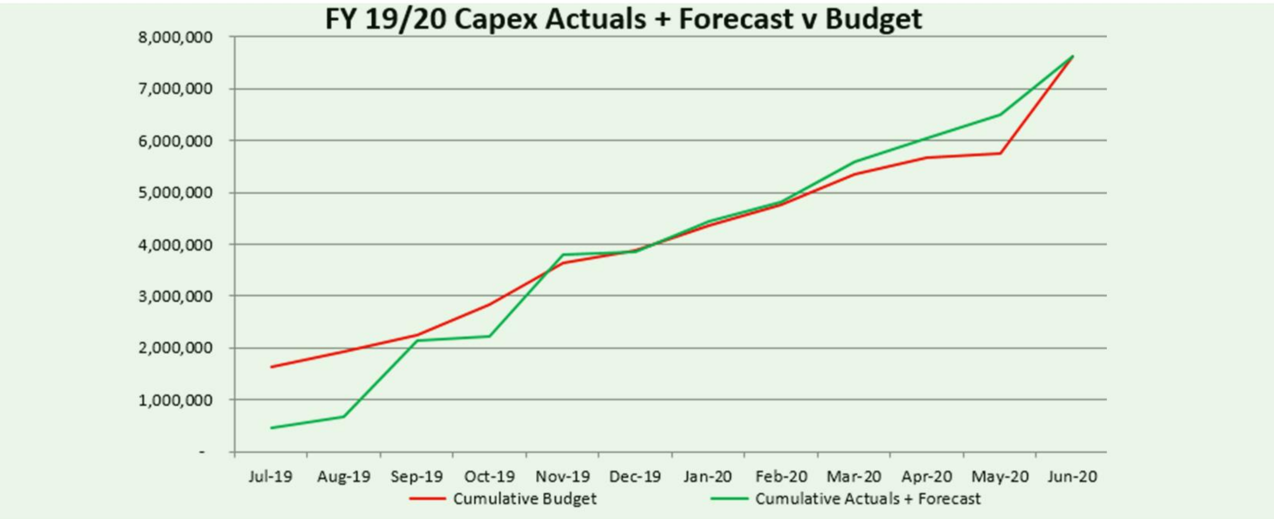
- The Facebook post with the highest engagement for the period 1 July to 31 December 2019 was Claudelands' response to an incident at Disney On Ice where a woman was discouraged from breastfeeding in the public concourse.
- This post received engagement of 6,971 including 924 reactions, comments and shares. Despite the circumstances of the post, the majority of engagement was positive and many commentators praising the venue's prompt and honest response to the incident.
- The second highest engagement was received on a competition post on Claudelands NZ for Swan Lake. The post received engagement of 3,192 including 976 reactions, comments and shares, and 2,216 clicks through to the event's ticketing website. Swan Lake was the first ballet to be held at the venue, with the strong social media engagement indicating an appetite for this type of event content.

H3 GROUP | Q1 AND Q2 ACTIVITY REPORT 2019/20

5. CAPEX & ASSET MANAGEMENT

5.1 - 2019-20 CAPEX SPEND ACTUALS VERSES BUDGET

GRAPH 5: FOR THE PERIOD 1 JULY TO 31 DECEMBER 2019



- Our capital programme is on track for delivery for the year. H3's forecast accuracy and scheduling of works continues to be refined.

5.2 - ASSET MANAGEMENT

5.2.1 Seddon Park Light Towers

- Work on the light towers continued in the first half of 2019/20 financial year with the lights being used for the current cricket season. Close out work is ongoing.

New lights in use - Seddon Park

5.2.2 FMG Stadium Waikato Light Towers

- Investigation and design work have begun which will establish the scope and timing of this project.

5.2.3 FMG Stadium Waikato Turf Replacement

- Work to replace the playing surface kicked off in November and was completed in early Q3 in time for the HSBC NZ Sevens.

5.2.4 Chiefs Corporate Hospitality Suites

- The Chiefs procured the boxes with construction completed in August 2019. This was a Chiefs initiative and will generate additional revenue from increased rental and catering commissions for H3.

During turf replacement project - FMG Stadium Waikato Nov/Dec 2019

- A story wall concept is under development to go along the front ground level of the boxes telling the history of the Stadium and is due to be unveiled in March 2020.

5.2.5 WEL Stand DSA

- The detailed seismic assessment was received in Q2 and staff are reviewing and a plan for strengthening work is being developed.

5.2.6 FMG Stadium Waikato - Electronic Payment Options

- Work has continued with Montana Food and Events on the operational plan for installation of electronic payment options at FMG Stadium Waikato, due to be completed by 30 June 2020.

5.2.7 Claudelands Upgrades

- Replacement of carpet and kitchen flooring was completed over the December Christmas break while the venue was not heavily booked.

New Chiefs Corporate Hospitality Suites - FMG Stadium Waikato

6. HOT TOPICS

AREAS OF FOCUS

6.1 DSA building evaluation - FMG Stadium Waikato

- A detailed seismic assessment has been received for FMG Stadium Waikato. Of the twenty engineering elements tested, one came in at 20%, another at 25% and all the others anything between 34% and 100%.
- This is a much more positive result than we had originally expected although to be clear the overall rating is 20% being the lowest value. Staff have now commissioned work to establish a plan to bring the building up to 34% of code and then up to a minimum of 67% of code. This work will be completed by April 2020. Under legislation, any remedial action should be done within a minimum of 7.5 years but we will be working to undertake remediation quicker subject to funding approval. On this basis Council, as venue owner and operator will continue to make the stand fully available for rugby fixtures.

6.2 Workforce Planning

- A need has been identified for integrated workforce planning to create efficiencies in the staff scheduling processes and enable improved demand planning and optimisation of people resources across H3 venues. This priority is part of a wider transformation initiative for H3, which is focusing on increasing operational efficiencies and optimising the use of our venue space, equipment and people.

6.3 Event and Venue Security

- During 2019, New Zealand's national terrorism threat level increased from Low to Medium, meaning a terrorist attack was assessed as feasible. Internationally there has also been an increase in terror attacks with some occurring at events and venues.
- Hamilton City Council's Strategic Risk 8 ('High-Level security threat or major emergency') identifies as a risk trigger physical attacks on people at public events or gatherings. The activity undertaken at H3 venues meets this definition.
- For H3, as operators of venues where large crowds gather, we have embarked on a journey to ensure we have the appropriate security and safety measures in place to minimise the potential for a incident to occur at one of our venues. Part of this journey is about building a positive security culture, through embedding process and direction to support our staff and provide confidence to our hirers and clients. The work being undertaken by H3 forms part of an overall Hamilton City Council security framework and work programme.

7. FORWARD POSITION

Item 14

Attachment 1

7.1 FORWARD LOOKING FINANCIALS

TABLE 9: H3 DIRECT OPERATING DEFICIT FORECAST FOR THE PERIOD END 30 JUNE 2020

	Actual YTD	Annual Budget	Forecast at 30/06/20
	$000	***$000***	***$000***
Revenue from Activities	4,337	6,215	7,635
Cost of Sales	1,552	2,050	2,712
Direct Operating Costs (excl COS)	4,890	10,213	10,920
Direct Operating Surplus/(Deficit)	**(2,105)**	**(6,048)**	**(5,997)**

- H3 is forecast to be on budget at year end.

Item 15

Council Report

Committee:	Economic Development Committee	**Date:**	10 March 2020
Author:	Jen Baird	**Authoriser:**	Jen Baird
Position:	General Manager City Growth	**Position:**	General Manager City Growth
Report Name:	General Manager's Report		

Report Status	*Open*

Purpose

1. 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

2. That the Economic Development Committee receives this report.

Executive Summary

3. 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.

Draft Economic Development work programme

4. Staff are working closely with the Chair and Deputy Chair of this committee to draft an update to the Hamilton City Council Economic Development Agenda and a staff work programme to deliver on it. This Agenda seeks to define Council's position in the economic development ecosystem in the Waikato with a view to using our resources to support and enhance the work others are leading, and to prioritise the opportunities for Hamilton that sit outside the work of other agencies.

   The Agenda will be refined following the meeting the Chair and Deputy Chair are having with various stakeholders across the city and will be presented to this Committee at its next meeting.

Central City Economic Development

5. The Central City Advisory Group is tasked with providing recommendations and advice to Council in plans and projects that will have a positive impact on city for the benefit of the people of Hamilton.

6. The central city currently creates 18% of Hamilton's GDP, with 1,593 businesses employing 14,345 people (or 15% of our workforce).

Item 15

7. The Central City Advisory Group will be well connected to both projects and people aiming to make a difference in our central city and may from time to time provide advice, recommendations or support to projects that have a strong economic development flavour.

8. Alongside elected members, staff will ensure we take an integrated and cross organisational approach to these projects to allow for the best use of the time and expertise of both this Committee and the Advisory Group. I note that Cr Wilson is both Deputy Chair of this Committee and a standing member of the Advisory Group.

Economic Data

9. Council's Growth Funding and Analytics team delivers a Business Economy Growth Indicator Report each quarter which provides a broad base of metrics to enable both Council and the community to have visibility of how the economy is changing over time. The next report will be released in mid-March 2020.

Significance & Engagement Policy

Significance

10. 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.

Wellbeing Considerations

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

13. There are no known social, economic, environmental or cultural considerations associated with this matter due to this report being for information only.

Attachments

There are no attachments for this report

Item 16

Council Report

Committee: Economic Development Committee

Date: 10 March 2020

Author: Carmen Fortin

Authoriser: Amy Viggers

Position: Governance Advisor

Position: Governance Team Leader

Report Name: Draft Schedule of Reports 2020

Report Status	*Open*

Purpose

1. To inform the Economic Development Committee regarding the draft 2020 Schedule of Reports.

Staff Recommendation

2. That the Economic Development Committee:

    a) receives the draft 2020 Schedule of Reports; and

    b) notes that the Schedule of Reports is intended to be a living document that will be updated as necessary and will be made available to Elected Members and Maangai Maaori on Diligent.

Background

3. The Chief Executive undertook to provide Elected Members with schedules for the tasks and responsibilities to be undertaken each calendar year by the Council and the Council Committees.

4. The purpose of the schedules is to provide Committee Members with oversight of the planned and upcoming activities for which they are responsible as members of the Economic Development Committee. The schedules set out the key reports and pieces of work assigned to the Economic Development Committee as well as the intended meeting dates where these will be presented.

5. The schedules have been developed by the Principal Advisors and Chair of the Committee in conjunction with key staff, the Strategy Unit, and the Governance Unit. Content covers:
    - Standing agenda items and regular reports;
    - The development, review, and status reporting of strategic plans and policies;
    - Anticipated submissions and legislative reports;
    - Items relating to the Annual Plan and 10 Year Plan;
    - Reporting of joint organisations, stakeholder groups, and established taskforces; and
    - Business as usual matters identified by staff as requiring governance decisions or oversight.

6. In order for Members to have a current view of Economic Development Committee activities throughout the year, the schedules will need to be updated when new items arise or when timing or circumstances change. Members will have access to the updated schedules on Diligent.

7. The Governance Unit and the Principal Advisors' Executive Assistants will take responsibility for maintaining up-to-date documents.

8. 2020 Report Schedules for all Committees will be presented at each of their first meetings of 2020.

Attachments

Attachment 1 - Economic Development Committee- Schedule of Reports 2020

Economic Development Committee 2020 Schedule of Reports						
					Council	
Standard Reports	**10-Mar-20**	**12-May-20**	**8-Sep-20**	**24-Nov-20**	**10-Dec-20**	**Future**
Chairs Report						
General Managers Report						
2020/21 Major Event Sponsorship Fund - Applications for Approval						
H3 Activity Reporting - 2019/20 and 2020/21	Q1 and Q2	Q3	Q4 and YE	Q1		
Stakeholder Liaison Reports	**10-Mar-20**	**12-May-20**	**8-Sep-20**	**24-Nov-20**	**10-Dec-20**	
CCO Statements of Intent and Half Yearly Reports:	**Half Year and SOI**		**Letter of Expectation**	**Final Year Reports**		
Waikato Local Authority Shared Services	Dec-19			Jun-20	Jun-20	
New Zealand Local Government Funding Agency	Dec-19			Jun-20	Jun-20	
Civic Financial Services Ltd (YE 31 December)	SOI	Full Year Results		Dec-19	Dec-19	
Waikato Innovation Growth Ltd (WIGL) and NZ Food Innovation (Waikato) Ltd (NZFIWL)	Dec-19			Jun-20	Jun-20	
Waikato Regional Airport Ltd (WRAL) - Year End Report to 30 June 2019	YE 30 Jun 19					
Waikato Regional Airport Ltd (WRAL) - Half Year Report to 31 Dec 2019	Dec-19					
Waikato Regional Airport Ltd (WRAL) - Year End Report to 30 June 2020				Jun-20		
Waikato Regional Airport Ltd (WRAL) - Approval of Letter of Expectation						
Waikato Regional Airport Ltd (WRAL) - Director Appointment						
Hamilton and Waikato Tourism Limited - Half Year Report to 31 Dec 2019	Dec-19					
Hamilton and Waikato Tourism Limited - Year End Report to 30 June 2020			Jun-20			
Te Waka - Half Year Report 1 July - 31 Dec 2019						
Hamilton Central Business Association - Half Year Report 1 July - 31 Dec 2019						
Policy and Bylaw	**10-Mar-20**	**12-May-20**	**8-Sep-20**	**24-Nov-20**		
Appointment and Remuneration of Board Members of COs, CCOs and CCTOs Policy						
Event Sponsorshop Policy						
Freeholding of Council Endowment Land Policy						
Municipal Endowment Fund Policy						
Business Improvement District (BID) Policy						

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. Appointment of Directors - Waikato Regional Airport Limited C2. Letter of Expectation - Waikato Regional Airport Limited	) Good reason to withhold) information exists under) Section 7 Local Government) Official Information and) Meetings Act 1987)	Section 48(1)(a)

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 protect the privacy of natural persons to enable Council to carry out commercial activities without disadvantage to enable Council to carry out negotiations	Section 7 (2) (a) Section 7 (2) (h) Section 7 (2) (i)
Item C2.	to protect the privacy of natural persons to enable Council to carry out commercial activities without disadvantage to enable Council to carry out negotiations	Section 7 (2) (a) Section 7 (2) (h) Section 7 (2) (i)