

## Notice of Meeting:

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

**Date:** Tuesday 12 May 2020  
**Time:** 10.00am  
**Meeting:** Audio Visual Meeting

Richard Briggs  
Chief Executive

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## Economic Development Committee *Komiti OOhanga Whakatupu* **OPEN AGENDA**

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### Membership

Chairperson <i>Heamana</i>	Cr R Hamilton
Deputy Chairperson <i>Heamana Tuarua</i>	Cr E Wilson
Members	Deputy Mayor Taylor Cr Martin Gallagher Cr Rob Pascoe Cr Maxine van Oosten Mayor Paula Southgate (Ex Officio) Maangai Maaori - Olly Te Ua and Te Pora Thompson-Evans

**Quorum:** A majority of members (including vacancies)

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

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Becca Brooke  
Governance Manager  
*Menetia Mana Whakahaere*

**5 May 2020**

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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 Council's long-term plan process.
6. To monitor the performance and provide guidance on Council's relationship with key stakeholders including, but not limited to Te Waka, Hamilton Waikato Tourism and Hamilton Central Business Association.
7. To monitor the performance of Council's major event venues operation (H3).
8. To review and monitor the implementation of Council's Event Sponsorship Policy.
9. To approve annual Event Sponsorship funding applications and monitor any grants made to external organisations under the terms of the Event Sponsorship Policy.
10. To support and assist with efforts for external partnerships on Council projects that will provide economic development opportunities for Hamilton and the region.
11. To develop and monitor policy related to the appointment and remuneration of directors of CCOs, CCTOs and COs.
12. To provide clear direction to Council's CCOs CCTOs and COs on Council's expectations, including feedback on draft statements of intent.
13. To receive six-monthly reports of Council's CCOs, CCTOs and COs, including on board performance.
14. To undertake any reviews of CCOs and CCTOs and agree CCO/CCTO-proposed changes to their governance arrangements, except where reserved for Council's approval by Council.
15. To develop policy, approve and monitor implementation of plans and strategies in relation to the performance of Council's investments in the Municipal Endowment Fund, 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*

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**1      *Apologies - Tono aroha***

**2      *Confirmation of Agenda - Whakatauranga take***

The Committee to confirm the agenda.

**3      *Declaration of Interest - Tauaakii whaipaaanga***

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

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

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

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

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

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

# Council Report

**Committee:** Economic Development Committee

**Date:** 12 May 2020

**Author:** Rebecca Watson

**Authoriser:** Amy Viggers

**Position:** Governance Advisor

**Position:** Governance Team Leader

**Report Name:** Confirmation of the Open Economic Development Committee Minutes - 10 March 2020

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

That the Committee confirm the open Minutes of the Economic Development Committee meeting held on 10 March 2020 as a true and correct record.

## Attachments - *Ngaa taapirihanga*

Attachment 1 - Economic Development Committee - Open Unconfirmed Minutes - 10 March 2020

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## Economic Development Committee

### OPEN MINUTES

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**Minutes of a meeting of the Economic Development Committee held in Council Chamber, Municipal Building, Garden Place, Hamilton on Tuesday 10 March 2020 at 9.34am.**

#### **PRESENT**

Chairperson	Cr Ryan Hamilton
Deputy Chairperson	Cr Ewan Wilson
Members	Deputy Mayor Taylor
	Cr Martin Gallagher
	Cr Rob Pascoe
	Cr Maxine van Oosten
	Maangai Olly Te Ua
	Maangai Te Pora Thompson-Evans
	Mayor Paula Southgate

In Attendance:	Cr Sarah Thomson
	Cr Dave Macpherson
	Jen Baird – General Manager City Growth
	Sean Murray – General Manager Venues, Tourism and Major Events
	David Bryant – General Manager Corporate
	Eeva-Liisa Wright – General Manager infrastructure Operations
	Sean Hickey – General Manager Strategy and Communications
	Blair Bowcott - Executive Special Projects
	Tracey Musty – Financial Controller
	James Clark - Director Mayor's Office

Governance Staff:	Amy Viggers – Governance Team Leader
	Carmen Fortin and Rebecca Watson – Governance Advisors

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#### **1. Apologies**

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

That the apologies for absence from Cr Forsyth and Cr O'Leary, for partial attendance from Cr Thomson, and for lateness from Cr Gallagher are accepted.

#### **2. Confirmation of Agenda**

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

That the agenda is confirmed noting the following:

- a) The order of items will be flexible to accommodate external presenters;
  - i. item 6 (Waikato Local Authority Shared Services Statement of Intent 2020/21 and Half Year Report 31) to be taken at 9.45am;
  - ii. item 7 (Waikato Innovation Growth Ltd, NZ Food Innovation (Waikato) Ltd

- combined Statement of Intent) to be taken at 10.15am;
- iii. item 8 (Waikato Regional Airport Limited Year End Report to 30 June 2019, Half Year Report 31 December 2019 and Draft Statement of Intent 2020/21) to be taken at 11.15am;
- iv. item 9 (Hamilton and Waikato Tourism Limited – Six-Monthly Report to December 2019) to be taken at 12.00pm;
- v. item 12 (Te Waka Six-Monthly Update) to be taken at 1.15pm;
- vi. item 10 (New Zealand Local Government Funding Agency Statement of Intent 2020/21 and Half Year Report 31 December 2019) to be taken at 2.00pm;
- vii. item 13 (Hamilton Central Business Association - Six-Monthly Update) to be taken at 2.45pm;
- b) that the late item C3 (H3 Activity report Verbal Update) be accepted; and
- c) that item C2 (Letter of Expectation – Waikato Regional Airports Limited) be moved to the open session of the meeting. The report is attached to the minutes as **appendix 1**.

### 3. **Declarations of Interest**

No members of the Council declared a Conflict of Interest.

### 4. **Public Forum**

No member of the public wished to speak.

### 5. **Economic Development Committee Chair's Report - 10 March 2020**

The Chair took the report as read. He responded to questions from Committee Members concerning economic success that addresses cultural considerations and feedback from businesses regarding the increasing economic development in the city.

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

That the Economic Development Committee receives the report.

### 6. **Waikato Local Authority Shared Services Statement of Intent 2020/21 and Half Year Report 31 December 2019**

Peter Stubbs and Kelvin French (Waikato Local Authority Shared Services (WLASS) representatives) spoke to their report. They responded to questions from Committee Members concerning the Regional Asset Technical Accord (RATA) service, regional data and programmes, partnership opportunities with Waikato and Waipa regional councils as well as Central Government, and the purpose of the Waikato Building Consent Group (WBCG).

**Resolved:** (Cr Bunting/Maangai Thompson-Evans)

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.

### 7. **Waikato Innovation Growth Ltd, NZ Food Innovation (Waikato) Ltd combined Statement of Intent 2020/21 and Half Year Report 31 December 2019**

Barry Harris (representing Waikato Innovation Growth Ltd) and Stuart Gordon (representing NZ Food Innovation (Waikato) Ltd) spoke to their half year report and Statement of intent. They responded to questions from Committee Members concerning the draft statement of intent.

The Executive Director Special Projects noted that there was a resolution from the 7 November 2017 Finance Committee meeting concerning Council's ownership of WIGL that would be addressed by future reports to the Economic Development Committee.

**Resolved:** (Cr Wilson/Mayor Southgate)

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.

**8. Waikato Regional Airport Limited Year End Report to 30 June 2019, Half Year Report 31 December 2019 and Draft Statement of Intent 2020/21**

Barry Harris and Mark Morgan (representing Waikato Regional Airport Limited) spoke to their report and provided Committee Members with a update on the areas of focus for the coming year. They responded to questions from Committee Members concerning the private plan change, the upgrade to the terminal, public transport options, and service expansion options.

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

That the Economic Development Committee receives the report.

**The meeting adjourned 11.24am to 11.53am.**

**9. Hamilton and Waikato Tourism Limited - Six-Monthly Report to December 2019**

Jason Dawson (representing Hamilton and Waikato Tourism Limited) provide Members with presentation that outlined the key highlights. He responded to questions from Committee Members concerning their promotion of rail as an alternative transport option, reduction in domestic spend, effect Covid-19 on the international tourism market, the effect of non-commercial accommodation, and cultural tourism opportunity.

**Staff Action:** *Staff undertook to update Members concerning discussions on a potential bed tax or visitor levy via future Hamilton and Waikato Tourism Limited reports.*

**Resolved:** (Cr Bunting/ Cr Gallagher)

That the Economic Development Committee receives the report.

Following item 9 (Hamilton and Waikato Tourism Limited - Six-Monthly Report to December 2019) item C2 (Letter of Expectation - Waikato Regional Airport Limited) was taken to accommodate availability.

**C2. Letter of Expectation - Waikato Regional Airport Limited**

The report was taken as read.

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

That the Economic Development Committee:

- a) receives the draft Waikato Regional Airport Limited (WRAL) draft Statement of Intent 2020/21;
- b) approves the Letter of Expectation for the purpose of further consultation with the WRAL,

shareholding Councils and the WRAL Board;

- c) requests the CE, the Mayor and a delegate of the Economic Development Committee consults with other shareholding Councils on the Letter of Expectation to seek a consensus;
- d) requests staff report back to the 30 April 2020 Council meeting with the feedback on the Letter of Expectation for final approval;
- e) notes that the final letter of expectation must be received by WRAL no later than the 31 May 2020; and
- f) requests the final Waikato Regional Airport Limited (WRAL) Statement of Intent 2020/21 be circulated to Members once approved by the WRAL Board.

Following item C2 (Letter of Expectation - Waikato Regional Airport Limited) item 12 (Te Waka Six-Monthly Update) was taken to accommodate availability.

## 12. Te Waka Six-Monthly Update

Michael Bassett-Foss and Michelle Hollands (representing Te Waka) provided Committee Members with a presentation noting their focus for future, which included partnering with iwi. They responded to questions from Committee Members concerning the Council's priorities, the outcomes from research and development funding, and the reasons for projects, such as Te Whare Ohaoa, being delayed.

**Resolved:** (Cr Hamilton/Maangai Te Ua)

That the Economic Development Committee receives the report.

**The meeting adjourned 1.42pm to 2.30pm.**

*Mayor Southgate, Deputy Mayor Taylor, and Cr Wilson left the meeting during the above adjournment.*

## 10. New Zealand Local Government Funding Agency Statement of Intent 2020/21 and Half Year Report 31 December 2019 (Recommendation to Council)

Andrew Michl and Craig Stobo (representing New Zealand Local Government Funding Agency) took the report as read. They responded to questions from Committee Members concerning the formula used to establish the amount that Council is a guarantor for, and how the interest rates are determined.

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

That the Economic Development Committee:

- a) receives the report;
- b) approves the New Zealand Local Government Funding Agency Draft Statement of Intent 2020/21; and
- c) recommends that the Council approves future New Zealand Local Government Funding Agency reports be directed to the Finance Committee.

*Cr Wilson re-joined the meeting (2.37pm) during the discussion of the above item. He was present when the matter was voted on.*

Following item 10 (New Zealand Local Government Funding Agency Statement of Intent 2020/21 and Half Year Report 31 December 2019) item 13 (Hamilton Central Business Association - Six-Monthly Update) was taken to accommodate availability.

**13. Hamilton Central Business Association - Six-Monthly Update**

Vanessa Williams and Mike Neale (representing Hamilton Central Business Association) provided Committee Members with a presentation concerning the areas of focus for the last 6 months. They responded to questions from Committee Members concerning bike parking options, parking in the central city, financial reporting requirements, the Casabella Lane Trail, alternative transport options and suggested areas of focus for the next six months.

**Resolved:** (Cr Bunting/Mayor Southgate)

That the Economic Development Committee receives the report.

*Mayor Southgate re-joined the meeting (2.44pm) during the discussion of the above item. She was present when the matter was voted on.*

*Deputy Mayor Taylor re-joined the meeting (3.39pm) during the discussion of the above item. He was present when the matter was voted on.*

**11. Civic Financial Services Limited Statement of Intent 31 December 2020**

The report was taken as read.

**Resolved:** (Cr Pascoe/Maangai Thompson-Evans)

That the Economic Development Committee:

- a) receives the report; and
- b) approves the Civic Financial Services Limited Draft Statement of Intent 31 December 2020.

**15. General Manager's Report**

The report was taken as read.

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

That the Economic Development Committee receives this report.

**16. Draft Schedule of Reports 2020**

The report was taken as read.

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

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.

#### 14. H3 Activity Report - 1 July to 31 December 2019

The General Manager Venues, Tourism and Major Events spoke to the report, and outlined a recent conference held at Claudelands for 1400 delegates in the health industry. He responded to questions from Committee Members concerning the led-in time for large conferences, wider benefits to Hamilton from Claudelands, financial impact of COVID-19 and a passenger rail platform close to Claudelands.

**Resolved:** (Cr Hamilton/Maangai Te Ua)

That the Economic Development Committee receives the report.

#### 17. Resolution to Exclude the Public

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

##### **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	) Good reason to withhold information exists under Section 7 Local Government	Section 48(1)(a)
C3. H3 Activity Report – Verbal Report	) Official Information and Meetings Act 1987	

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	Section 7 (2) (a)
	to enable Council to carry out commercial activities without disadvantage	Section 7 (2) (h)
	to enable Council to carry out negotiations	Section 7 (2) (i)
Item C3.	to enable Council to carry out commercial activities without disadvantage	Section 7 (2) (h)

**The meeting went into a Public Excluded session at 4.14pm.**

**The meeting was declared closed at 4.55pm.**



# 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:** Letter of Expectation - Waikato Regional Airport Limited

<b>Report Status</b>	<i>This report is taken as a publicly excluded item to protect the privacy of natural persons; AND to enable Council to carry out commercial activities without disadvantage; AND to enable Council to carry out negotiations.</i>
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## Purpose

1. To seek approval from the Economic Development Committee of the Shareholding Council's Letter of Expectation for Waikato Regional Airport Limited (WRAL).

## Staff Recommendation

2. That the Economic Development Committee;
  - a) receives the report; and
  - b) approves the Letter of Expectation be sent to the WRAL Board, to be signed by the Chief Executive and other shareholding Councils.

## Background

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

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

4. The Directors of the WRAL Board are accountable to their shareholders and are required to act in the best interests of the company. The company constitution guides the rules and relationship between the company activities and its shareholders.

## Appendix 1

5. The Accountability Process is as follows:
  - i. *The terms as laid out by the company Constitution.*
  - ii. *Shareholder letter of expectation (strategic, governance, accountability, performance)*
  - iii. *Company statement of intent (SOI) following shareholder feedback*
  - iv. *Company Annual Report (presentation to each Council)*
  - v. *Company AGM (represented by Mayor and CE)*
  - vi. *Company Half Year Report (presentation to each Council)*
  - vii. *And/or as special circumstances dictate.*
6. This paper relates to the letter of expectation element of the accountability process. The last letter of expectation was issued to the WRAL Board in December 2015. A reassessment of this letter is now required.

### Proposed Changes

7. The revised draft letter of expectations remains largely consistent with the 2015 letter but with three exceptions. They are listed below:

#### Shareholding

8. WRAL is viewed as a highly strategic asset for the city and region. However, Council would consider a change to its shareholding status should the opportunity arise, to either increase or decrease its stake depending on the right circumstances.
9. This is a signal and does not suggest any intended action at this point. It does suggest a flexible approach should a strong case to do either present itself to Council. It should be noted that any transaction of company shares would be subject to the company constitution with pre-emptive rights held for all shareholders and the approval of any proposed transaction by all shareholders.

#### The Auckland to Hamilton Corridor Plan – H2A

10. This is a specific request that the airport company management and WRAL Board specifically engage in this initiative alongside Central Government, NZTA and the Auckland, Waikato, Hamilton and Waipa Councils. This is a critical initiative which the airport has a strong role and interest.

#### Proactive engagement in securing new international air service opportunities

11. Previously WRAL has been asked by its shareholders to protect its strategic interests and capability to secure international air services to/from Hamilton and the Waikato in the medium to longer term.
12. The proposed change of emphasis in the revised letter of expectation is for the WRAL Board and airport company management to move to a proactive near-term approach to encourage international air services.

#### Legal and Policy Considerations

13. Staff confirm that the recommendations in this report 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. The recommendations set out in this report are consistent with that purpose.

## Appendix 1

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

### Risks

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

### Significance & Engagement Policy

#### Significance

18. 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

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

### Attachments

Attachment 1 - HCC Letter of Expectation to WRAL - March 2020

10 March 2020

Mr Barry Harris  
 Chair  
 Waikato Regional Airport Limited  
 Hamilton Airport Road, RD2  
 HAMILTON 3282

Dear Barry

**Letter of Expectation (2020/21) for:**

- **Waikato Regional Airport Limited and its subsidiaries**

This letter sets out Hamilton City Council's (HCC) expectations of Waikato Regional Airport Limited (WRAL) and its subsidiaries for consideration in WRAL's business planning and the development of its 2020/21 Statement of Intent (SOI). HCC expects the Board of WRAL to do everything possible to pursue the best interest of the company across all elements of the business but do so with a full understanding of the much broader strategic interests of its shareholders.

**1. Statement of Intent**

In accordance with the Local Government Act 2002, HCC expects the Board of WRAL to submit its Statement of Intent (SOI) in advance of the next financial year. Council reviews all WRAL reports and accountability documents and we request that your draft SOI 2020/21 be provided as early as possible, and no later than 31 March 2020.

In developing the SOI, HCC welcomes discussion on the content of this letter and the Board's views on its priorities in drafting your annual SOI for the coming year and beyond.

HCC expects this Letter of Expectation (LOE) to give the Board a clear sense of WRAL's business' purpose, strategic direction and its business outcomes. HCC expects the Board to accept and understand its powers, responsibilities and obligations as placed upon it by its shareholders.

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

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

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

Where there are commercial sensitivities involved WRAL should communicate directly with the Chief Executive of HCC and can have total confidence that those matters will be handled appropriately and in confidence by HCC.

Board members should be aware of the major transaction thresholds that apply for the company and each subsidiary. These may be set out in the shareholder agreement or the constitution, rather than solely in the Companies Act.

## Appendix 1

In summary:

- Major transactions should be signaled via the SOL and identified as such.  
Approval of a SOL is not approval of a major transaction by the shareholder.  
Or  
Through special advice and request for resolution dependent upon timing.
- HCC staff will engage with you to assist in preparing necessary reports for HCC to facilitate consideration by Elected Members.
- Adequate time should be allowed for HCC approval, once your board approves the transaction for presentation to the Shareholder, prior to signing contracts for the transaction.

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

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

### 3. HCC Shareholding

HCC remains a 50% shareholder of WRAL. HCC would always consider increasing its shareholding in the business. However at the same time should an opportunity arise for a new investor to take a stake in the airport with a strong strategic fit and common aspiration for the business HCC would consider a reduction of its shares assuming there is no detrimental impact to the business or the interests of Hamilton city and the region.

### 4. Consistency with wider objectives of HCC

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

Section 59 of the Local Government Act sets out the principle objectives of a Council Controlled Organisation (CCO). HCC set's out its own objectives, in accordance with s59 (1) (a), in the Hamilton Plan and this should be considered when developing the SOL.

- **Location consideration-** although WRAL is not located within HCC's territorial boundaries, HCC has a strong interest in the ongoing development of land use in and around the airport operation and its implications for future core infrastructure provision and land use planning. Given its strong relationship with the Waipa District Council (where the WRAL resides) and other local and central government planning collaborations, the Board should keep HCC fully informed on matters to do with land use and major infrastructure planning requirements.
- **The Hamilton – Auckland Corridor Plan H2A –** HCC also specifically requests that the WRAL Board and Management through its management team engage fully with the Hamilton – Auckland Corridor Plan initiative. This is a partnership between Central Government, NZTA and the Auckland, Waikato, Hamilton and Waipa Councils. This is a critical initiative to secure a long-term plan for this rapid growth corridor. The Hamilton Airport must fully engage with this initiative in sharing its input and expertise and to ensure that its strategic interests are fully considered a part of the plan.
- **An economic enabler -** HCC sees its investment in WRAL providing vital infrastructure and services to foster business activity and economic growth. This aligns with HCC's broader infrastructure investments that have a material impact upon the city's and surrounding region's economic activity. HCC expects the Board to fully recognize WRAL's role as a business

enabler for the city and region and report on those initiatives and outcomes where it has played a role in facilitating new business opportunities.

#### • HCC Aspirations for WRAL

HCC also considers the following specific objectives and aspirations apply:

- Core operation- operate in full accordance with the terms of its operating licenses and conditions as per relevant statutory requirements.
- Maximize returns- prudently manage the business to maximize the returns on investment, enabling the Board to maintain and sustain a healthy balance sheet, a profitable trading position and be able to fund future renewals and growth activity.
- Payment of Dividends- Subject to Board strategy, HCC expects a dividend from its investment in WRAL if possible and sustainable. Where no dividend is paid, HCC expects any trading surpluses to be invested back into the business or to offset debt at the Board's direction. This will be a matter for ongoing review.
- Diversification of revenue- the Board should preserve its capacity to diversify its business base, particularly through its property interests, that will add value to the WRAL operation. The Board should continue to operate and grow aviation services, regional commuter and freight services, and flight training activities.
- International Airport - The Board should protect, as best it can, the airports "international" designation and medium to long-term opportunity to extend its runway capability and continue to serve international landings where it can under its current operating license and commercial arrangements with airlines. The company is encouraged to become more proactive in the development of additional aviation activity at the airport including an increase in domestic and international passenger services and air freight. In particular WRAL should pursue new international air service opportunities (charter and scheduled) where it can with an initial focus on international airport city pairing that match existing runway capability notably east-coast Australia and the Pacific rim. Should any new opportunities come out of this approach the Board should report to shareholders on the matter and how they will manage new establishment costs (if required) in support of new services.

#### • Hamilton and Waikato Tourism Limited (HWT)

HCC would like the Board of WRAL to support HWT in its role of raising Hamilton's and the wider Waikato region's profile, resulting in increased visitor numbers. HCC plans to continue to purchase tourism marketing outcomes from HWT.

#### • Waikato Regional Airport Hotel Limited

HCC welcomes a revitalised focus on the Hamilton Airport Hotel and proposed remediation and expansion plans. HCC expects however that the Board will be prudent and alleviate any risk to WRAL associated with this activity.

# Council Report

Item 6

**Committee:** Economic Development Committee

**Date:** 12 May 2020

**Author:** Carmen Fortin

**Authoriser:** Amy Viggers

**Position:** Governance Advisor

**Position:** Governance Team Leader

**Report Name:** Chairs Report - 12 May 2020

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

That the Economic Development Committee receives the report.

## Attachments - *Ngaa taapirihanga*

Attachment 1 - Economic Development - Chair's Report





## Chair's Report

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Wow. What a series of events and impacts that have unfolded in the last 8 weeks. Every sector of our community has been impacted from politics through industry, through healthcare right down to essential workers, community and of course the most vulnerable. It has been pleasing to be part of a council that has front footed a quick and strong response initially with our 12-point recovery programme and further with our projects we have put up for partnership funding with central government and in some cases with our neighbouring councils. Of course, our work is only beginning as the impact of the fallout is still unsure. Whether we have a V shaped or a U- shaped recession one thing is sure – we have to work together.

As an economic development committee our aim will be to help our Hamilton communities where we can to reduce impact, recover quickly and to be more resilient going forward. We are only one piece of the puzzle, but we understand the need to lead, to be strong, and to guide in investment that encourages confidence and upliftment. Our staff are developing modelling and analysing trends on a local, domestic and national level that will help to inform our decision makers as best they can to make robust decisions in a dynamic and uncertain economy. We are continuing to explore value add opportunities and will advise as these unfold.

At this time, I would like to acknowledge the work of our partners Hamilton Waikato Tourism, Te Waka and Hamilton Central Business Association who have literally overnight shifted and repurposed part of their business as usual to lead, support and advocate for our people during this challenging time.

**Kotahi ano te koohao o te ngira, E kuhuna ai te miro ma te miro whero me te miro pango. A muri i a au kia mau ki te ture ki te whakapono ki te aroha. Hei aha te aha! hei aha te aha!**

*"There is but one eye of the needle, Through which the white, red and black threads must pass. Hold fast to the law, hold fast to faith, hold fast to love. Forsake all else!"*

### Chair's Recommendation

That the Economic Development Committee receives the report.

Councillor Ryan Hamilton  
Chair, Economic Development Committee  
Hamilton City Council



# Council Report

Item 7

**Committee:** Economic Development Committee

**Date:** 12 May 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 - COVID-19 Response

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

1. To provide a verbal update to the Economic Development Committee from the Chief Executive of the Waikato Regional Airport Limited (WRAL) on matters affecting the airport business as a result of the COVID-19 pandemic.

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

2. That the Economic Development Committee receives the report and verbal update and information material presented by WRAL.

## **Executive Update - *Whakaraapopototanga matua***

3. WRAL presented its business update and draft Statement of Intent (SOI) for 2020/21 to the Economic Development Committee on 10 March 2020. At the time, the impact of COVID-19 was uncertain and had not taken into account for the SOI and business projections.
4. As the pandemic impact escalated and government lockdown control came into being, WRAL's business trajectory was significantly altered. Due to this, WRAL's business plan and immediate term operational plan has changed. While the future prognosis for the business is now becoming a little clearer, more time is needed for a much fuller picture.
5. This verbal update is an information only presentation which has also been presented to some other shareholders
6. Other outstanding matters related to WRAL (the appointment of new directors and development of a letter of expectation from Council) remain outstanding and will come to the Council in due course. Also under the circumstances, WRAL will be presenting to its shareholders a revised SOI for feedback in the near future.
7. Mark Morgan (Chief Executive, WRAL) will attend the meeting to provide an update for the Committee.
8. Staff consider the decision in this report has low significance and that the staff recommendations comply with the Council's legal requirements.

## Background - *Kooreo whaimaarama*

9. WRAL is governed by an independent Board of Directors and bound by a constitution. It reports half yearly and annually on its business results and performance and seeks feedback from shareholders on its strategic direction and major initiatives each year through its statement of intent. The company operates as a limited liability company, with the following shareholders:

Council	Shareholding
Hamilton City Council	50.00%
Waipa District Council	15.63%
Waikato District Council	15.63%
Matamata-Piako District Council	15.63%
Otorohanga District Council	3.13%
Total	100%

## Financial Considerations - *Whaiwhakaaro Puutea*

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

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

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

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

12. 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').
13. 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.

## Risks - *Tuuraru*

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

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

15. 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

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

## Attachments -*Ngaa taapirihanga*

There are no attachments for this report.

# Council Report

Item 8

**Committee:** Economic Development Committee

**Date:** 12 May 2020

**Author:** Jen Baird

**Authoriser:** Jen Baird

**Position:** General Manager City Growth

**Position:** General Manager City Growth

**Report Name:** Hamilton Central Business Association Update - COVID-19 effect - Way Forward

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

1. To update the Economic Development Committee with the Hamilton Central Business Association's report on the effect of COVID-19 on central city businesses.

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

2. That the Economic Development Committee receives the report.

## Background -*Kooreo whaimaarama*

3. The Hamilton Central Business Association (HCBA) is a non-political organisation driven by a dedicated team and a voluntary executive committee contributing to the revitalisation, support and promotion of Hamilton's CBD.
4. The HCBA advocates on behalf of businesses in the Hamilton CBD to improve developments, safety and access for their customers while connecting visitors and locals to the great things happening in the Hamilton CBD.
5. To better understand the effect of COVID-19 on our central city businesses, the Economic Development Committee has asked the HCBA to provide an update on their activities.
6. Vanessa Williams (General Manager, HCBA) will attend the meeting. She will speak on the HCBA's current activities and provide business insights.

## Attachments -*Ngaa taapirihanga*

Attachment 1 - Update on Covid 19 Central City Business Environment

**BUSINESS ADVOCACY**

- HCBA has been undertaking a series of discussions with businesses around safety in the CBD post lockdown. Points to consider have included:
  - Public sanitizer stations – HCBA can confirm these can be sourced from a company in Auckland, however there needs to be consideration given to where they can be placed, due to potential for negative behaviour that can occur if these are in open public spaces. HCBA have confirmed with Kiwi Property that Centreplace have already planned for stations throughout the mall. HCBA have confirmed placing one in Riverbank Lane and are currently considering other public secure locations where these could be situated. Casabella Lane is another potential space.
  - Social distancing indicators - stickers indicating 2metre spaces throughout the CBD. Vivid Images have provided an option of round yellow stickers that can be affixed to footpaths with the words 'Think Smart 2m Apart'. At a cost of \$40 each, HCBA believe these will provide a good reminder to people about social distancing when walking along footpaths and in public spaces. HCBA would be happy to facilitate this around high pedestrian traffic areas in the CBD.
  - HCBA would like Council to consider a refund or credit for businesses who pay to have tables and chairs outside their businesses for the duration of Alert Levels 3 & 4.
  - HCBA has fielded a number of questions around off-licensing potential for licensed premises utilising a takeaway model in level 3. This process has been confirmed with Council and the information passed on to enquirers to progress, if interested.
  - HCBA have fielded a number of questions from businesses concerned about meeting the safety requirements for Level 3 – regulations have been confirmed via the Government Covid-19 site and MBIE.
  - HCBA have queried Council regarding the potential of Bryce Street operating as a click & collect / pick up point for retail and hospitality businesses from Centreplace.
  - HCBA have queried businesses being able to have tables on footpaths outside premises operating in level 3 to utilise for click & collect / pick up points.

**BUSINESS SUPPORT****Potential Building / Office Implications**

- HCBA has been in discussions with commercial agents around potential implications of office layouts when businesses return to work. Physical distancing and hygiene safety practices is assumed to be the new normal in the workplace and office set-ups may need to accommodate this. This could have a major impact with open plan offices and those buildings operating a 'hot desk' business model, which may need to include consideration of desk screens, 2m space layouts, permanent sanitiser stations and increased office cleaning.
- Further considerations could be around building fitouts and a demand from businesses for quality air filtration systems, contactless doors for entry and exit, and pressure on older building fitouts to be upgraded.

**Business Practices**

- HCBA are anticipating that many businesses will have a refined or reduced presence in the CBD post Level 3. There have been many businesses who have looked to significantly reduce overheads at this time and may look to keep these cuts in place. We have been talking with business about the implementation of new business practices to adhere to appropriate safety guidelines, which for the development sector in particular could see operations going to a 24-hour staff rostering model.

- HCBA expects to see shifts introduced into more traditional workplaces, to reduce the number of people in offices at any given time. Businesses are looking to economise, by reducing any excesses, minimising waste and cut any unnecessary processes and overheads, which could lead to growing demand for a smaller bricks and mortar offerings.
- It is also expected that businesses will keep more staff at home while still at Alert Level 2 and higher, and consider a staged approach to reintroducing staff back into offices. A longer term impact could have businesses reverting back to the more traditional model of being in an individual office, to staff having staggered work times in the office throughout the week with differing work hours.
- Many businesses spoken to are also expecting the online meeting to become the new norm going forward, with less demand on travel and in-person meetings between multiple offices.

#### **E-Commerce and Online Presence**

- HCBA has created a Covid-19 section on the [hamiltoncentral.co.nz](https://www.hamiltoncentral.co.nz) website for the business community as a reference point for up-to-date information, including updates from Government, Te Waka and Hamilton City Council.
- HCBA has facilitated two free online workshops for the retail and the hospitality sector, to ensure their websites are e-commerce capable and they have appropriate 'ordering and delivery' systems online. These have been well attended and enabled businesses to consider more options around trading at Level 3.
- HCBA has also provided hospitality businesses with a local contact for an online ordering system for cafes and restaurants.

#### **Communication**

- HCBA are making daily phone calls to check in on businesses and people during this time, predominantly looking to assist with any queries that arise during these discussions. The top identified issues by businesses are:
  - Cash flow including wages, rent, overheads and supplier costs.
  - Revenue versus the expense to operate in Level 3 and beyond.
  - High support initially on opening, that is likely to be unsustainable particularly going into a known downturn for the hospitality and retail sectors.
- HCBA are in regular communication with members through a fortnightly e-newsletter and with additional communications or information to relevant sectors when necessary.

#### **BUSINESS PROMOTION**

- HCBA have created a virtual CBD on <https://www.hamiltoncentral.co.nz/virtual-cbd> to highlight businesses operating at Level 4, either as an essential service or with an alternative offering. HCBA are planning to add businesses at each alert level and then promote via social media platforms. It is anticipated that this site will form the basis for creating a mapped virtual CBD that can be navigated from personal devices and phones.
- HCBA is supporting Hamilton Waikato Tourism with the 'Mighty Locals' campaign, focused on tourism offerings that will include CBD hospitality and retail.
- HCBA has continued to run a series of voucher promotions via social media channels, redeemable post lockdown to support the business community.
- HCBA has continued to promote CBD businesses via all channels to ensure they remain front of mind for the public, post lockdown and reiterating the message when talking to the media to think local and act local for shopping, eating and entertainment.

# Council Report

## Item 9

**Committee:** Economic Development Committee

**Date:** 12 May 2020

**Author:** Jen Baird

**Authoriser:** Jen Baird

**Position:** General Manager City Growth

**Position:** General Manager City Growth

**Report Name:** Te Waka COVID-19 Response

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

1. To update the Economic Development Committee on Te Waka's response to COVID-19, including the Business Support Service.

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

2. That the Economic Development Committee receives the report.

### **Background - Kooreo whaimaarama**

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. In response to COVID-19, Te Waka initiated the Business Support Service in early April 2020 with \$165,000 in support from the Council.
5. Michael Bassett-Foss (Chief Executive) and Michelle Hollands (Strategic Partnerships & Projects Manager) from Te Waka will attend the meeting and speak about their current activities, insights and the Business Support Service.

### **Attachments -Ngaa taapirihanga**

Attachment 1 - Te Waka COVID-19 Response

# Helping the Waikato through COVID-19



Item 9

## Business Support Service – as at 22.4.2020

Since initiation of the Waikato Business Support Service in partnership with Hamilton City the following key activities have occurred:

1. Implementation of a dedicated Waikato Business Support Service Call In/Out system – technology, script, survey and referral system with dedicated Call Coordinators
2. Partnership agreements with direct system engagement with – Otorohanga, Waipa, Thames-Coromandel and Waitomo District Councils
3. Partnered activities and agreement to share reports and information – Hauraki and Waikato District Councils
4. Ongoing partnership conversations with Matamata-Piako and South Waikato District Councils
5. Purchasing of Waikato regional business database
6. Establishment of an online presence for the service – [www.waikatobusinesssupport.nz](http://www.waikatobusinesssupport.nz) and social media communications
7. Media and newsletter communications direct to business

In the week 14-22 April a total of 25 businesses received direct support from the Waikato Business Support Service.

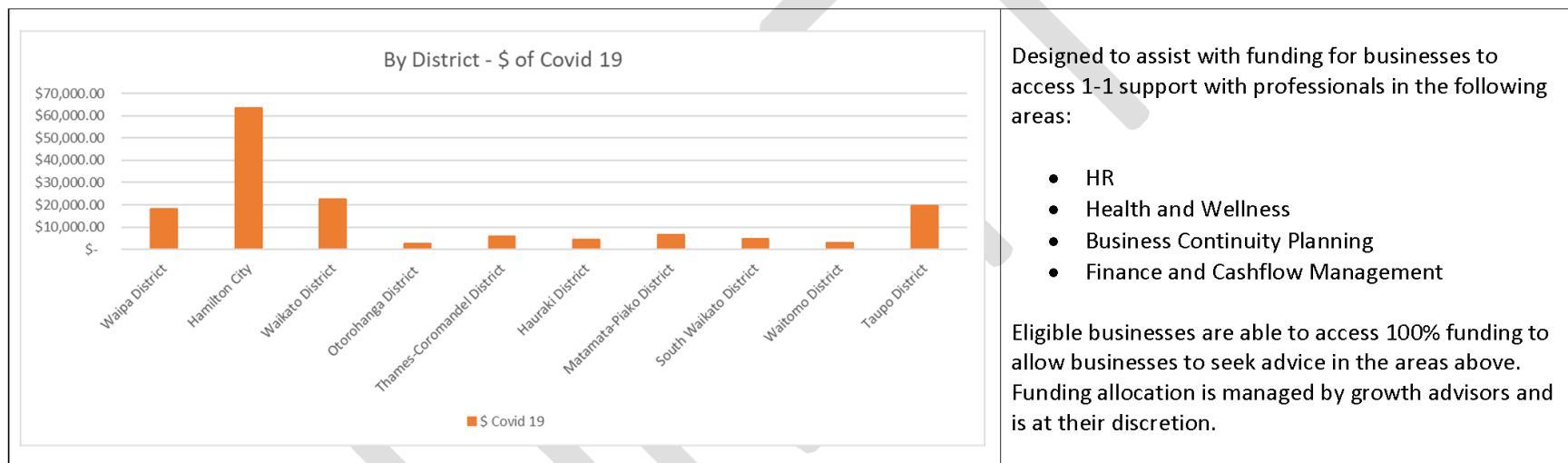
- 216 calls were made to business from the Hamilton Business Database of 6033 Businesses
- Early call out activity has encountered a significant number of non-responses, with business in Hibernation during Alert Level 4, this is a common theme for call out processes in the region and when compared nationally
- 2,808 website users with 5,064-page views - 17 Contact form fills, 6 Phone calls button clicks
- Email contact has brought reasonable response success to date and opportunity for follow up
- Business owners and managers have been grateful for the connection and referral information
- There is some evidence the Wage Subsidy has initially allowed SME owners to take time out, concern exists that many SME may not have considered the medium to long-term financial implications of a recession and a delayed response can be expected
- Some sectors can be expected to be more impacted than others including events, tourism and hospitality
- Businesses that were closed with no operations - evenly spread across all sectors
- Hospitality, retail, manufacturing, professional services and construction featured more strongly in those who have already made redundancies

Attachment 1

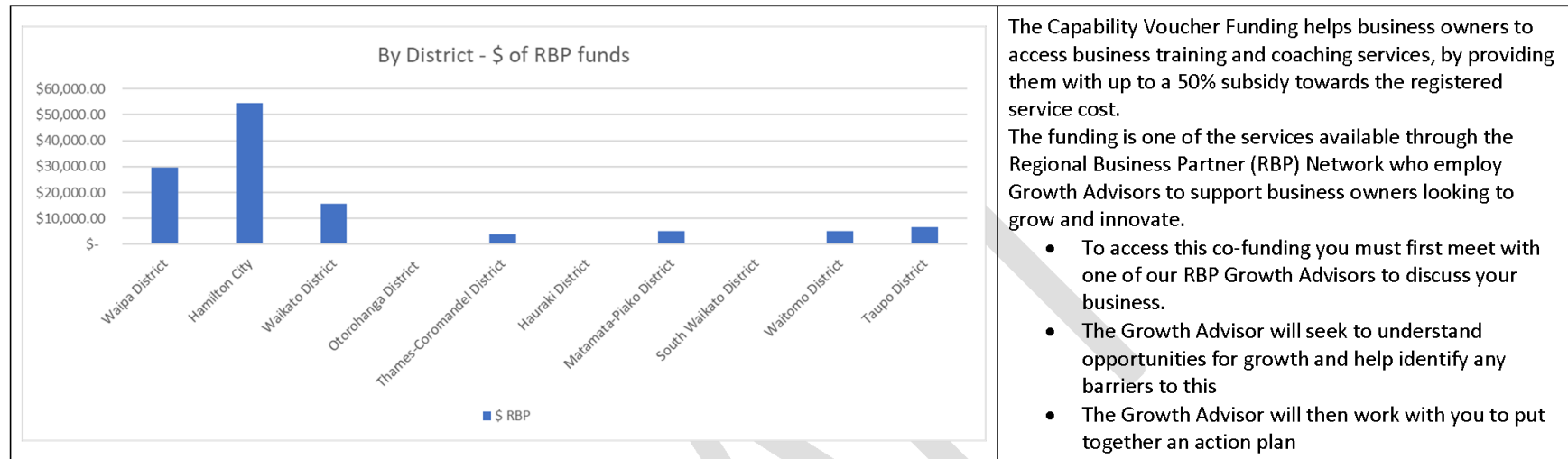
- Professional services and hospitality were most likely to continue to make redundancies
- Speed of return to previous service did not at this stage correlate to sector
- Questions beginning on Level 3 compliance, contactless transactions, on premise segregation, cleaning requirements etc.

A further 26 Businesses received support via Te Waka's Business Growth Team during this period 14-22 April 2020, 8 of whom were referred by the Business support service for assessment for Covid-19 Funding

Figures below show Covid-19 and Regional Business Partnership funding direct to each Districts since Alert Level 4.

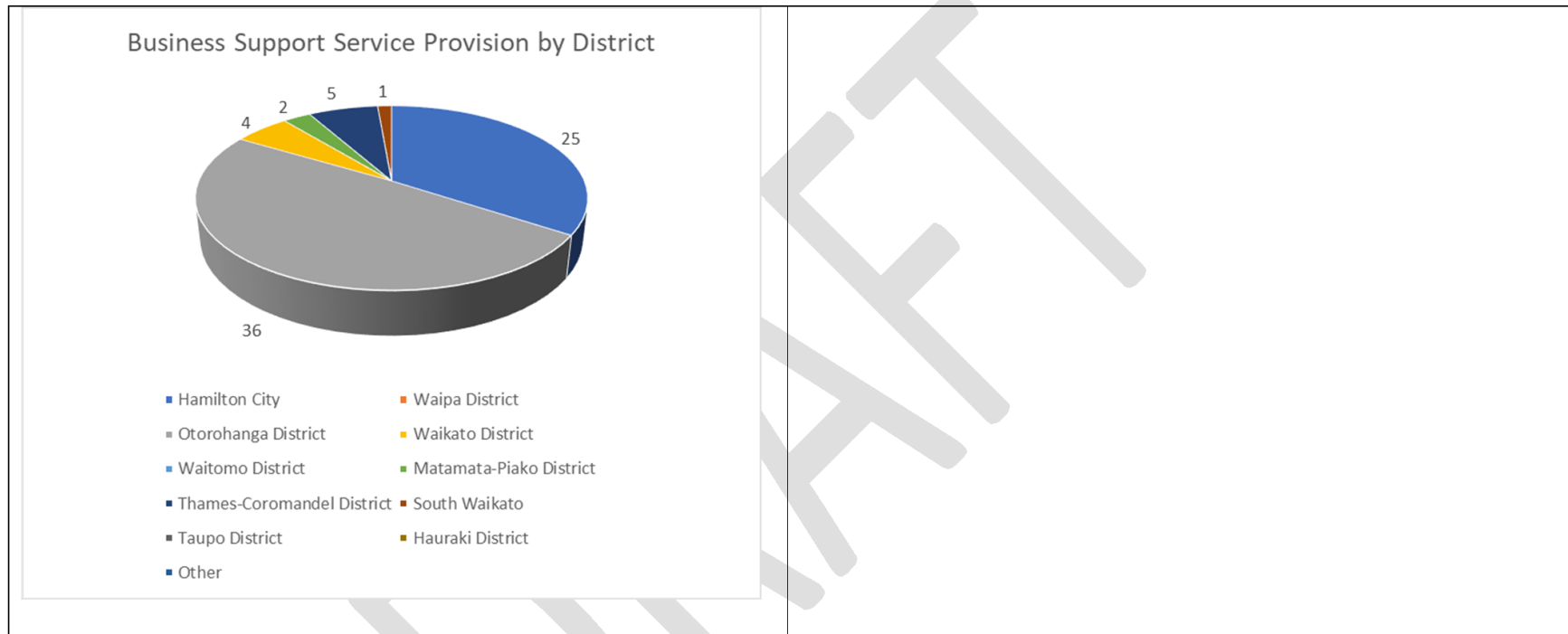


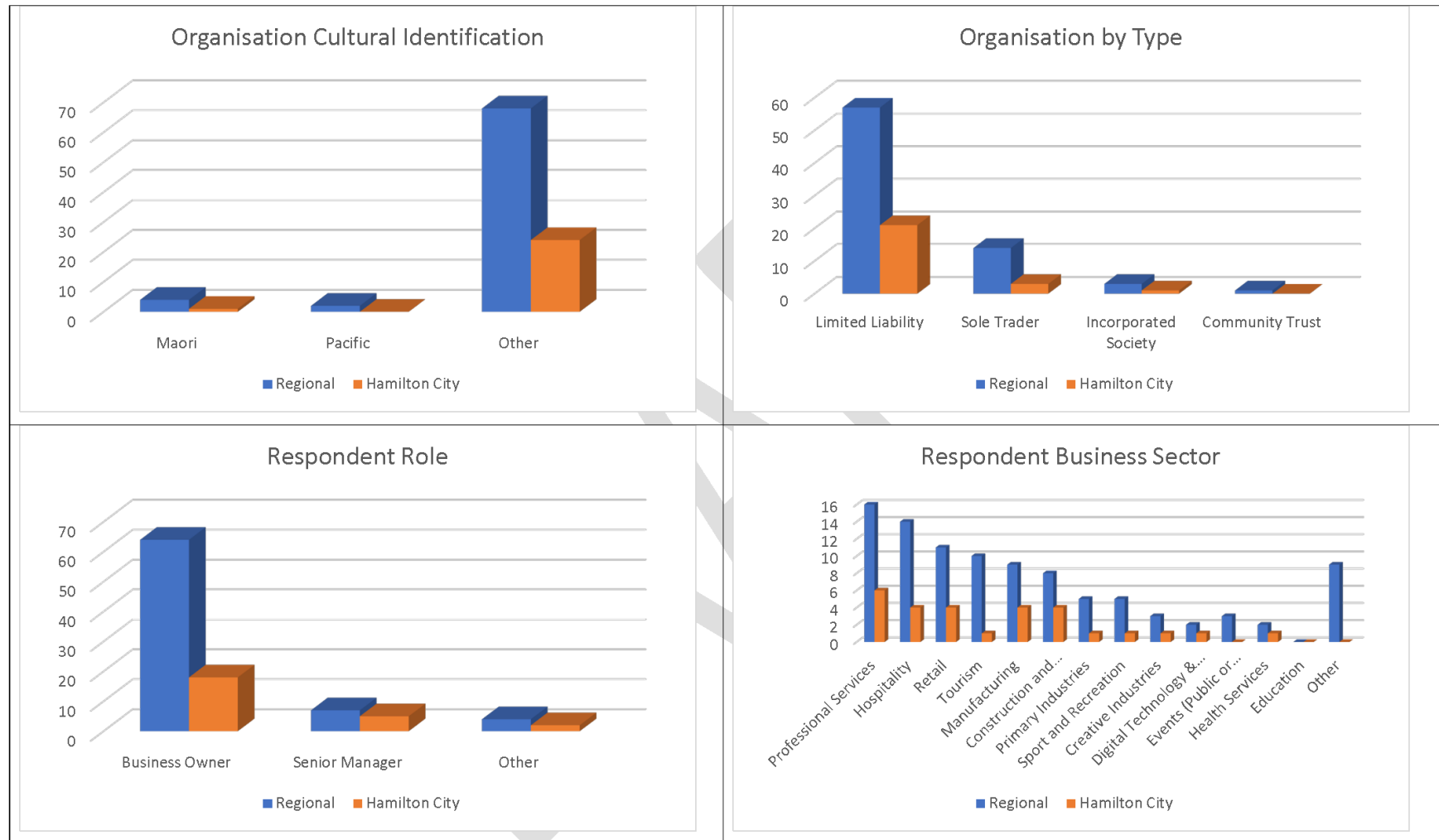


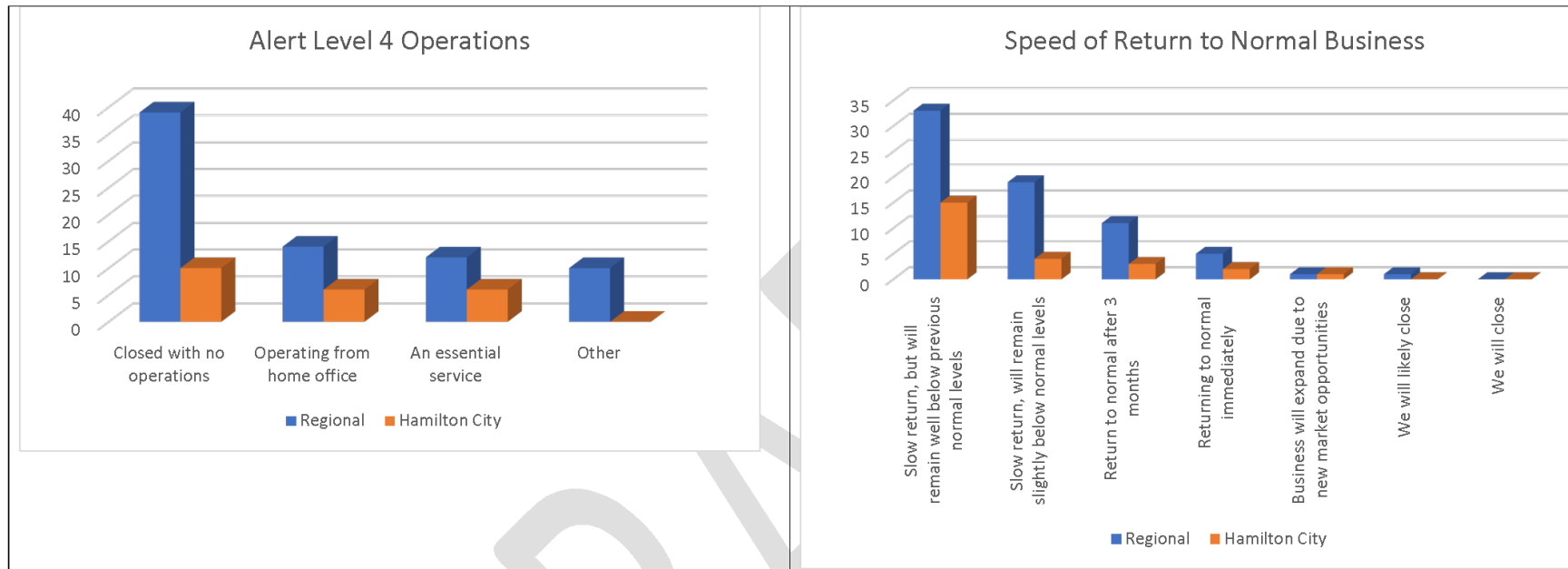


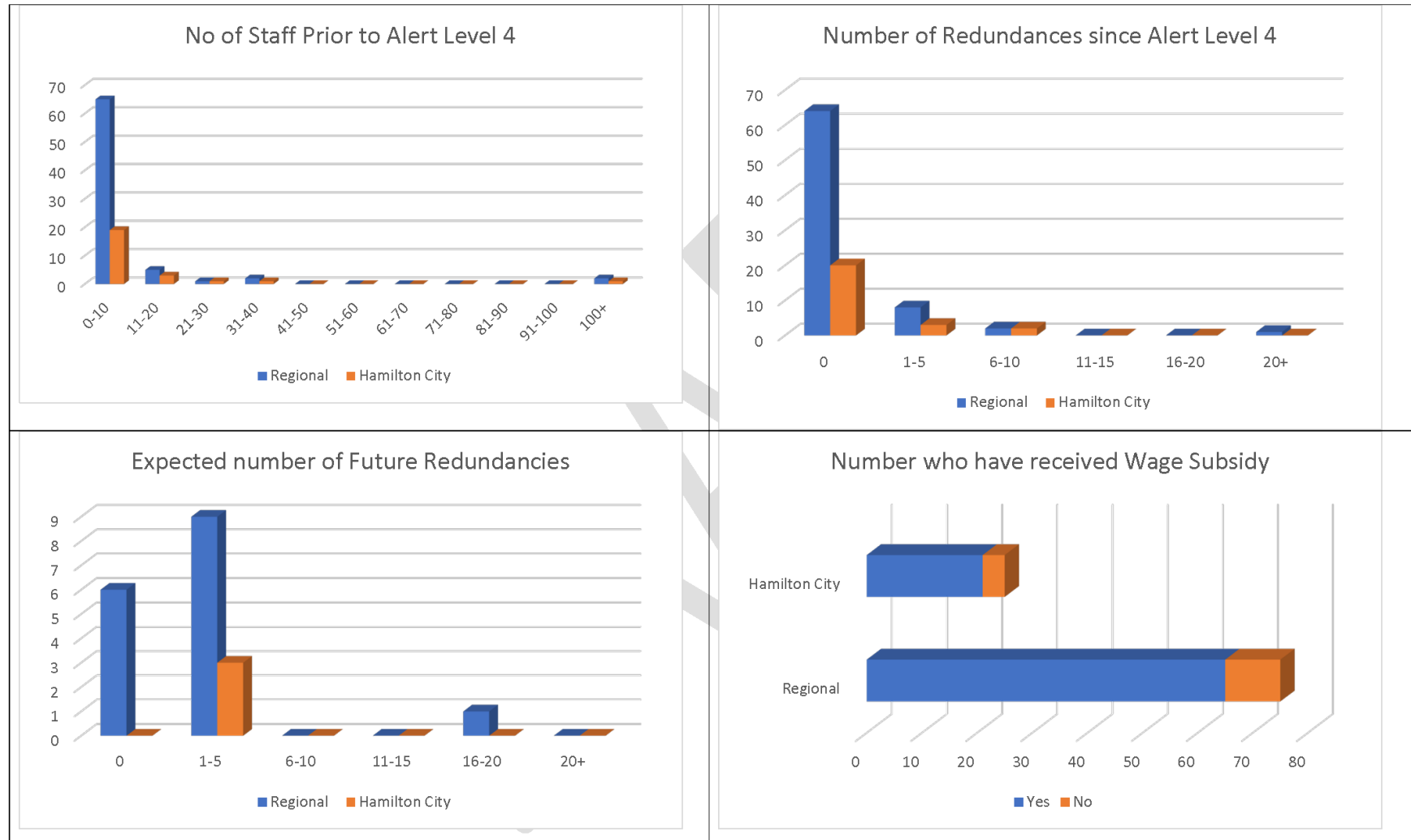
#### Looking ahead:

- Experience from the Christchurch Earthquakes suggests that businesses will 'reach' out and connect more as we progress back down the levels, coming out of hibernation
- Support with cashflow and financial forecasting will remain critically important for many business owners with delayed responses and reactions expected for smaller SME's
- Demand will increase for funding assistance. The Waikato region must work together to promote and support solutions that enable impactful investments to sustainable accelerate economic recovery. We must advocate to Central Government, connect to collaborate, leverage our own resources to accelerate results
- This will be a long recovery journey, phased recovery concepts and support will be needed
- Weekly review will be needed to the approach we are taking – fundamental principles at present include:
  - Business Support Services designed to 'reach out' and connect with business 1:1
  - Guiding businesses to the network of support available and appropriate to meet their needs – a proactive approach
  - Information is then gathered to support decision making in a broader concept and environment (a by-product of the process v a survey in its purest form).
  - A desire for an accelerated level of connections could suggest a need for electronic surveying. This would change the personal nature of the approach and 1:1 connect

Background Data Week 14-22 April 2020

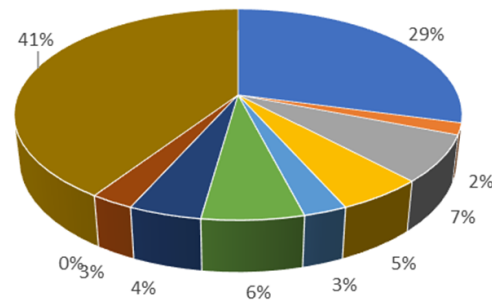






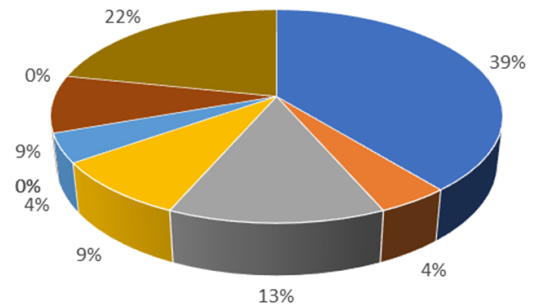
Regional Professional Support Services Accessed

- Accountancy Support
- Business Continuity Planning
- People Management and Human Resources
- Legal advice
- Marketing Planning
- Supply Chain Management
- Business Strategy and Planning
- Website and selling online support
- Logistics support
- Other



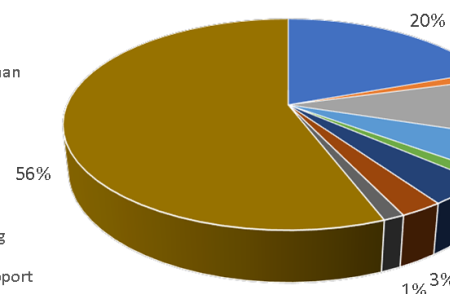
Hamilton Professional Support Services Accessed

- Accountancy Support
- Business Continuity Planning
- People Management and Human Resources
- Legal advice
- Marketing Planning
- Supply Chain Management
- Business Strategy and Planning
- Website and selling online support
- Logistics support
- Other



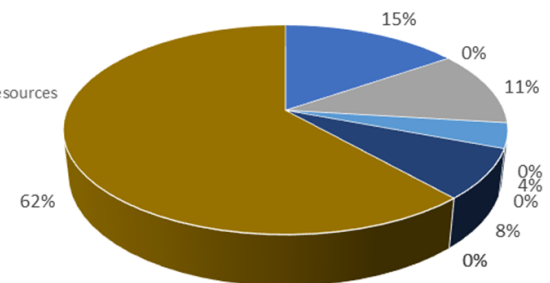
Regional Professional Support Planned

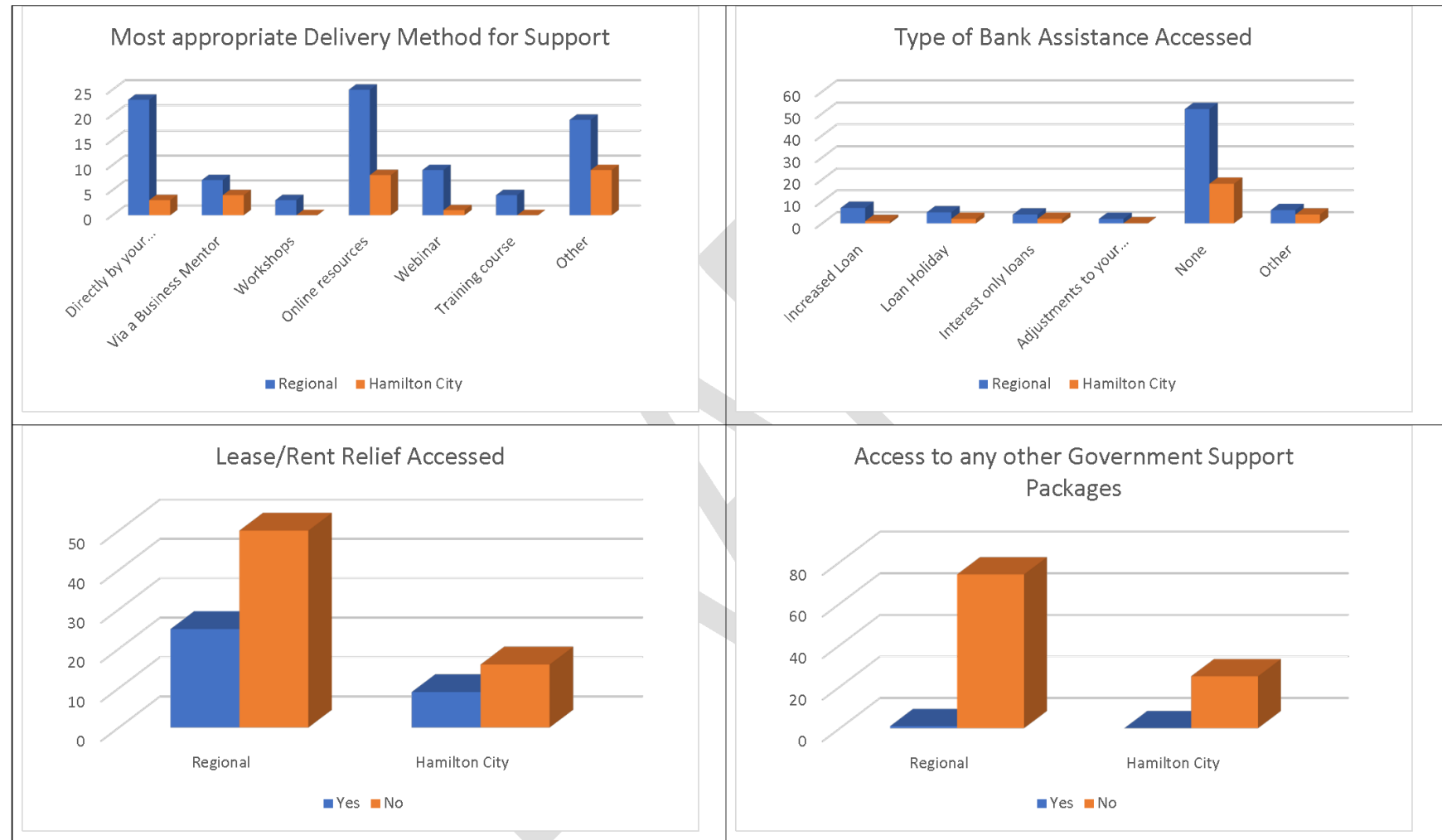
- Accountancy Support
- Business Continuity Planning
- People Management and Human Resources
- Legal advice
- Marketing Planning
- Supply Chain Management
- Business Strategy and Planning
- Website and selling online support
- Logistics support
- Other

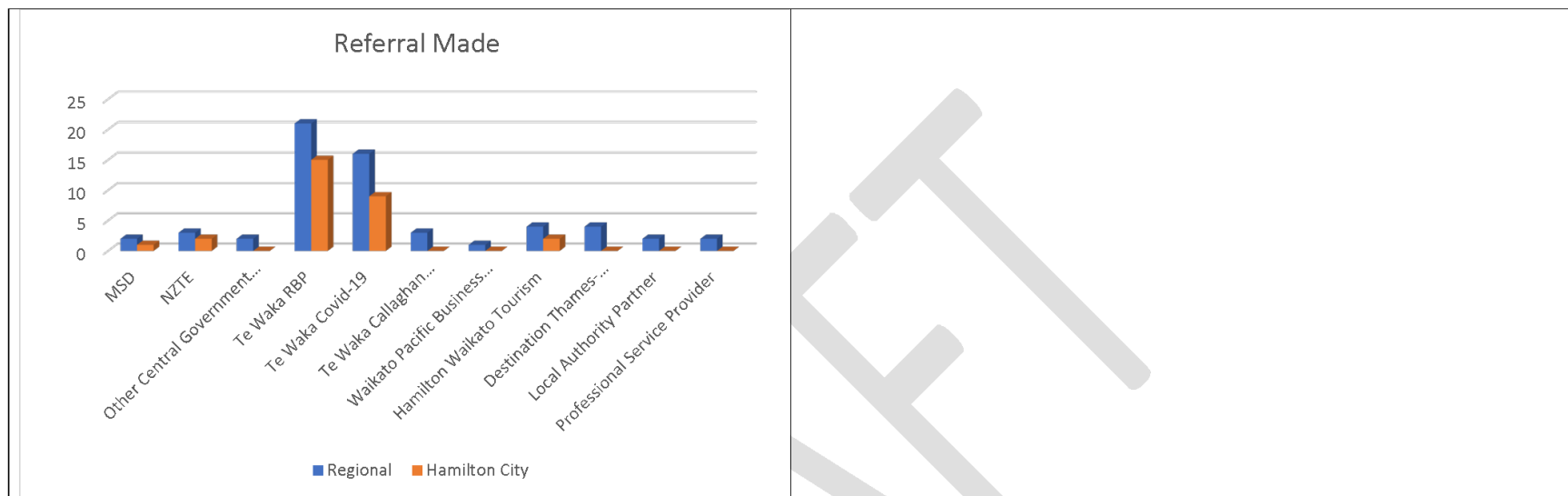


Hamilton Professional Support Services Planned

- Accountancy Support
- Business Continuity Planning
- People Management and Human Resources
- Legal advice
- Marketing Planning
- Supply Chain Management
- Business Strategy and Planning
- Website and selling online support
- Logistics support
- Other









# Council Report

Item 10

**Committee:** Economic Development Committee

**Date:** 12 May 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 - COVID-19 Response

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

1. To provide a verbal update to the Economic Development Committee from the Chief Executive of Hamilton and Waikato Tourism (HWT) on matters surrounding the COVID-19 pandemic.

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

2. That the Economic Development Committee receives the report, verbal update and information material presented by Hamilton and Waikato Tourism (HWT).

## **Executive Summary -Whakaraapopototanga matua**

3. HWT provided their six-monthly activity report to the Economic Development Committee on 10 March 2020. At the time, the spectre of COVID-19 was looming and of concern for the region, city and visitor industry at large and was discussed, although the future at that time was unknown.
4. The Committee has invited HWT to present verbally to this meeting following the COVID-19 lockdown across New Zealand. The update will include the likely implications as more fully understood.
5. This follows similar presentations by HWT to other funding Councils, a range of visitor industry and other business groups including private sector. It is important to note that HWT very quickly and quite rightly modified its modus operandi in the response to COVID-19 which will be discussed in their presentation.
6. Jason Dawson (Chief Executive, HWT) will attend the meeting to provide an update for the Committee.
7. Staff consider the decision in this report has low significance and that the staff recommendations comply with the Council's legal requirements.

## **Background -Kooreo whaimaarama**

8. HWT is a subsidiary company of Waikato Regional Airport Limited. HWT has a three-year service level agreement with Council for 2018-2021.

9. 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 of around \$400k annually.

10. 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 - *Whaiwhakaaro Puutea*

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

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

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

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

13. The purpose of Local Government changed on 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. The recommendations set out in this report are consistent with that purpose.

### Risks - *Tuuraru*

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

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

#### Significance

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

#### Engagement

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

### Attachments -*Ngaa taapirihanga*

There are no attachments for this report.

# Council Report

Item 11

**Committee:** Economic Development Committee

**Date:** 12 May 2020

**Author:** Candice Swanepoel

**Authoriser:** Tracey Musty

**Position:** Business Performance Accountant

**Position:** Financial Controller

**Report Name:** Civic Financial Services Annual Report 31 December 2019

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

1. To inform the Economic Development Committee of the Civic Financial Services Limited Annual Report to 31 December 2019.

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

2. That the Economic Development Committee receives the report.

## **Discussion - *Matapaki***

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. Civic's before-tax profit in 2019 was \$2,251,359. This compares favourably to the forecasted before-tax surplus of \$421,299 as set out in the 2019 Statement of Intent.
6. Deloitte carried out an audit on the consolidated financial statements of the Group in accordance with the Auditor-General's Auditing Standards. This was completed on the 19 March 2020 and an unqualified opinion was expressed.

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

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

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

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

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

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

**Risks - *Tuuraru***

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

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

Attachment 1 - Civic Financial Services - Annual Report 31 December 2019

# ANNUAL REPORT 2019



DIRECTORS' REPORT	1
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION	8
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## ANNUAL REPORT AND STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2019

Your Directors have pleasure in submitting the 59th Annual Report of the affairs of the Company (formerly New Zealand Local Government Insurance Corporation Ltd trading as Civic Assurance) for the year ended 31 December 2019, which is to be presented at the Annual General Meeting of Members in June 2020.

### 1. PERFORMANCE

Civic's before-tax profit in 2019 was \$2,251,359 (2018: \$1,196,342).

This compares favourably to the forecasted before-tax surplus of \$421,299 as set out in the 2019 Statement of Intent.

This is due to receiving higher than anticipated administration fees and the one-off gain on the sale of Civic Assurance House.

### 2. OPERATIONS

#### *Administration Services*

Fees in 2019 from providing services to LAPP, Riskpool and the SuperEasy and SuperEasy KiwiSaver Superannuation Schemes were \$2,947,683 (2018: \$2,792,697).

#### *Investment Revenue*

Income from investments was \$329,517 (2018: \$262,878). Income from Civic Assurance House was \$571,970 (2018: \$885,736).

#### *Sale of Civic Assurance House*

As communicated in the 2019 Statement of Intent, the strengthening work to prepare Civic Assurance House was completed by 31 March 2019; at which time the building was taken to market. A satisfactory price was subsequently received, and the building sold with a settlement date of 15 August 2019.

#### *Payment of Special Dividend*

On 19 August 2019 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 Civic Assurance House of \$10,115,000 less selling costs of \$696,520.

#### *Loan from ANZ Bank*

Civic entered into a loan arrangement whereby it borrowed an amount of \$4 million on 15 November 2018 from the ANZ Bank which was to be repaid on 15 August 2019. Civic lent the same amount of \$4 million to Local Government Mutual Funds Trustee Limited (Riskpool) by way of a secured loan facility agreement on commercial terms, which was to be repaid to Civic by the end of July 2019. Local Government Mutual Funds Trustee Limited (Riskpool) repaid the \$4 million to Civic with Civic repaying the \$4 million to the ANZ Bank on 15 August 2019.

#### *Sponsorship and Support for the Sector*

The Company continues as a sponsor of SOLGM (Society of Local Government Managers) events both at a regional and national level.

### 3. ASSOCIATED ENTITIES

#### *Local Government Superannuation Trustee Limited*

Local Government Superannuation Trustee Limited (LGST) is a 100% subsidiary of Civic and is the trustee to the SuperEasy and SuperEasy KiwiSaver Superannuation Schemes. Both are administered by Civic and from 1 April 2016 both have been registered with the FMA (Financial Markets Authority). Director appointments to LGST are made by LGNZ (two), Civic (one), CTU (one), SOLGM (one) and one, who must be a Licensed Independent Trustee, by the LGST Board.

The SuperEasy schemes feature low member charges and simple administration for councils. Both make use of passive fund managers, which as well as allowing lower member fees removes the possibility of a fund manager making a bad call, which is something that can happen at any time.

The SuperEasy schemes also offer an 'Automatic Fund', in which each member's risk exposure is gradually and automatically switched from growth assets to income assets as the member gets older.

**DIRECTORS' REPORT**

Superannuation funds under management as at December 2019 were \$420 million (December 2018 \$340 Million) and the combined membership 10,734. SuperEasy's fund managers are AMP Capital Investors (New Zealand) Ltd and ANZ New Zealand Investments Ltd. Of the councils that have a preferred provider for KiwiSaver, 94% have appointed Civic (69 out of 73 councils).

The SuperEasy website is [www.supereasy.co.nz](http://www.supereasy.co.nz).

**LAPP Disaster Fund**

LAPP is a charitable trust that was set up by LGNZ and Civic in 1993. LAPP's membership is 22. It could be said that LAPP is New Zealand's original LASS (Local Authority Shared Services).

LAPP was designed to cover back-to-back major disasters and this is what happened of course with the Canterbury earthquakes in 2010 and 2011. LAPP settled the claims from Waimakariri District Council and Christchurch City Council for damage to their underground assets with a total payout of \$217 million (excluding GST). LAPP's highest claim before this was just over \$5 million for claims arising from the 2004 Manawatu floods.

LAPP extended its cover arrangement from two events to three events from July 2017.

LAPP settled its Kaikoura-Hurunui earthquake claims with the settlement of the Hurunui District Council's claim in April 2019 having previously settled with Kaikoura and Marlborough District Councils in 2018, for a combined settlement of \$4.66 million.

Civic is the administration and fund manager for LAPP. LAPP's website is: [www.lappfund.co.nz](http://www.lappfund.co.nz).

**Riskpool/Civic Liability Pool (CLP)**

Riskpool provides public liability and professional indemnity cover for councils and has done so since 1997. It is not a company, but a mutual liability fund governed by a trust deed. CLP is similar to Riskpool, but has no facility for calls. For the fund year ending 30 June 2017 Riskpool/CLP had 31 members.

As support had dropped off in recent years to this low level Riskpool could no longer offer the competitively priced cover and risk management services that it had provided over the previous 20 years.

As a result Riskpool/CLP decided to no longer provide cover after 30 June 2017 and will therefore be in run-off mode for at least the next three to ten years.

Local Government Mutual Funds Trustee Limited (LGMFT) is the trustee of Riskpool and CLP. Civic is the Fund Manager and Scheme Manager for Riskpool and Administration Manager for CLP.

Civic has entered into two arm's length, secured loan facility agreements on commercial terms with Local Government Mutual Funds Trustee Limited to enable Riskpool to manage its cashflows.

Riskpool members were advised in October 2018 that due to deteriorating claims experience in 2017-18 that Riskpool needed to make one interim call before a final call is made on wind up. The call which has been paid was for an amount of \$6 million payable on 1 July 2019, split \$3 million each to fund years 7 and 10.

A final call from Riskpool is likely in 2025 or 2026. It is expected that the amount of that call will be less than this previous call.

**4. DIRECTORS**

As at 31 December 2019 there were five directors: A.T. Gray, M.C. Hannan, A.J. Marryatt, J.B. Melville and B.J. Morrison. M.A. Butcher retired as a director with effect from 31 March 2019. Following a shareholder vote, it was resolved at the AGM on 21 June 2019 that the Company reduce the maximum number of directors from six to five with effect from 1 July 2019 of which two are to be appointed from outside the local authority sector.

**Director attendances at Board meetings held in 2019:**

Mark Butcher	1 / 1
Tony Gray	6 / 6
Mike Hannan	6 / 6
Tony Marryatt	6 / 6
John Melville	5 / 6
Basil Morrison	6 / 6

The Chairmen of each of the Board and the Risk and Audit Committee are elected at the first meeting held after each year's AGM.



## DIRECTORS' REPORT

### Section 139 of the Companies Act 1993

All Civic directors are directors of LGMFT except Basil Morrison who resigned from LGMFT in March 2019 to ensure that one Civic director was independent of LGMFT. Subsequently there are two secured loan facility agreements that have been entered into between the Company and LGMFT whereby Civic loans LGMFT up to \$2,250,000 under each of two separate loans.

There are no other notices required under section 139 of the Companies Act 1993 except for Directors' remuneration. Changes to the Directors' fee pool are approved by shareholders at an AGM. The Board determines the allocation per Director based on the duties of the individual Director. The Director fees for subsidiary companies are set by the Parent Company Board. For the year ended 31 December 2019, Directors' remuneration was:

Mark Butcher	\$3,806
Tony Gray	\$15,339
Mike Hannan	\$15,339
Tony Marryatt	\$30,679
John Melville	\$23,009
Basil Morrison	\$15,339
	<b>\$103,511</b>

In addition, the following Directors received director fees in relation to their directorships of Riskpool or LGST:

Tony Gray	(Riskpool)	\$8,310
Mike Hannan	(Riskpool)	\$8,310
Tony Marryatt	(Riskpool)	\$16,620
John Melville	(Riskpool)	\$8,310
Basil Morrison	(Riskpool, LGST)	\$13,299
		<b>\$54,849</b>

### Interests Register

Directors' interests are tabled at the beginning of each Board meeting. Directorship and other disclosures as at 31 December 2019 were:

A.T. Gray	Chair of Ngati Pukenga Investments Ltd; Tatau Tatau o Te Wairoa Commercial Limited; Director of Eastland Group Ltd including Gisborne Airport Ltd, Eastland Port; Eastland Network Ltd; Artemis Nominees Ltd; Quality Rooding and Services (Wairoa) Limited; Local Government Mutual Funds Trustee Ltd; Executive Project Advisor to Hastings District Council; Trustee of Civic Property Pool; a party to an agreement for finance with the LGMFT.
M.C. Hannan	Trustee of Civic Property Pool; Director of Local Government Mutual Funds Trustee Ltd; a party to an agreement for finance with the LGMFT.
A.J. Marryatt	Chair of Local Government Mutual Funds Trustee Ltd; AJM Holdings Ltd; Trustee of Civic Property Pool; Member of SuperEasy KiwiSaver Superannuation Scheme; a party to an agreement for finance with the LGMFT.
J.B. Melville	Trustee of Civic Property Pool; Director of Local Government Mutual Funds Trustee Ltd; a party to an agreement for finance with the LGMFT.
B.J. Morrison	Chairman of Local Government Superannuation Trustee Ltd; Basil J Morrison & Associates Ltd; Member of SuperEasy KiwiSaver Superannuation Scheme; Trustee of Civic Property Pool; Waitangi Tribunal Member; Independent Hearings Commissioner for Auckland Council; Thames-Coromandel District Council Hearings Panel, Waikato Regional Council Hearings Commissioner; Accredited Commissioner – RMA.

The Company provides Directors and officers with, and pays the premiums for, Directors' and Officers' liability insurance to the full extent allowed for, and in accordance with the requirements of the Companies Act 1993. The renewal of the Company's Directors' and Officers' liability insurance was entered in the Interests Register pursuant to sections 162 and 163 of the Companies Act 1993. This insurance does not cover liabilities arising from criminal actions or deliberate and reckless acts or omissions by the Directors. The cover includes indemnity of costs and expenses incurred in defending an action that falls within the scope of the indemnity.

**DIRECTORS' REPORT****Conduct of the Board and Board Committee**

The Board has put in place and regularly reviews a number of good governance policies including Charters for the Board and the Risk and Audit Committee, Fit and Proper Policy, Code of Conduct, and a Risk Management Plan.

**Use of Information**

Directors, individually or collectively, may obtain independent professional advice relating to any matters concerning the Company's business or in relation to the discharge of the Director's responsibilities. Subject to approval of the Chairman the Company will reimburse the Director(s) some or all of the reasonable costs of the advice. During the reporting period, no Director has sought leave to obtain such advice.

**Loans to Directors**

No loans or advances have been made to Directors, their spouses or dependants, or to related parties during the year.

**7. DONATIONS**

No donations have been made during the year by any Company in the Group (2018: \$0).

**8. STAFF**

We sincerely thank the staff for their work during the year. They are: Ian Brown, Sylvia Jackson, Chathuri Mendis, Lisa Norris, Ashley Reid, Tim Sole and Glenn Watkin.



Tony Marryatt **Chairman**  
March 2020

**5. EMPLOYEE REMUNERATION**

Detailed below is the number of employees who received remuneration in their capacity as employees of \$100,000 or more during the year ended 31 December 2019.

Remuneration	Number of Employees
\$140,000 – \$150,000	1
\$170,000 – \$180,000	1

The above remunerations include Company contributions to employees' superannuation (KiwiSaver and other), medical insurances and discretionary bonus payments.

**6. AUDIT AND RISK MANAGEMENT**

Pursuant to Section 15 of the Public Audit Act 2001 the Company's auditor is the Auditor General who has appointed Silvio Bruinsma using the staff and resources of Deloitte Limited to carry out the audit on his behalf.

The Risk and Audit Committee (RAC) comprises the full Board. John Melville is the Chairman of this committee. RAC met five times in 2019: the Auditor attended two of those meetings and a part of one of those meetings was held without management present.

***DIRECTORS***

Anthony (Tony) J. Marryatt (Chairman)  
 Anthony (Tony) T. Gray  
 Michael C. Hannan  
 John B. Melville  
 Basil J. Morrison CNZM JP

***EXECUTIVE OFFICERS***

**Chief Executive** : Ian Brown  
**Chief Financial Officer** : Glenn Watkin

***AUDITORS***

The Auditor General, who has appointed Silvio Bruinsma, Deloitte Limited to carry out the audit on his behalf

***BANKERS***

ANZ Banking Group (New Zealand) Limited  
 Bank of New Zealand

***LEGAL ADVISERS***

Brandons  
 Kensington Swan

COMPANY REGISTRATION NO: 13271

***REGISTERED OFFICE***

Level 7, Civic Assurance House, 116 Lambton Quay, Wellington 6011

***POSTAL ADDRESS***

Civic Financial Services Ltd, PO Box 5521, Wellington 6140

***OTHER CONTACT DETAILS***

Telephone (04) 978 1250  
 Facsimile (04) 978 1260  
 Email admin@civicfs.co.nz  
 Website www.civicfs.co.nz

The Company is a participant in the Insurance & Financial Services Ombudsman Scheme (Inc)  
 Participant Number 2000427

# Statement of Accounts

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTE	2019 \$	2018 \$
<b>REVENUE</b>			
Administration Fees		2,947,683	2,792,697
Interest Income	4	329,517	262,878
Property Income		571,970	885,736
Gain on sale of Building	7	1,209,909	-
Other Income		129	202
<b>Total Revenue</b>		<b>5,059,208</b>	<b>3,941,513</b>
<b>EXPENDITURE</b>			
Audit Fee			
Statutory Audit of the Financial Statements		116,462	109,779
Other Fees Paid to Auditors Re Assurance Services		30,500	27,500
Other Fees Paid to Auditors Re Tax Compliance		19,077	30,500
Compliance Costs		103,122	110,085
Consultants		44,852	47,936
Depreciation	6	35,053	46,134
Amortisation	6	-	246
Directors' Remuneration	3	103,511	113,344
Interest Expense		130,249	9,429
Legal Fees		38,273	29,547
Property Operating Expenses		396,332	512,887
Other Expenses		1,039,624	989,600
Employee Remuneration	3	729,533	825,430
Superannuation Subsidies		21,261	25,824
<b>Total Expenditure</b>		<b>2,807,849</b>	<b>2,878,241</b>
<b>Surplus Before Revaluation of Investment Property and Taxation</b>		<b>2,251,359</b>	<b>1,063,272</b>
Net Change in Value of Investment Property	7	-	133,070
<b>Surplus Before Taxation</b>		<b>2,251,359</b>	<b>1,196,342</b>
Taxation Expense	10	300,881	298,891
<b>TOTAL COMPREHENSIVE SURPLUS AFTER TAX ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	<b>15</b>	<b>1,950,478</b>	<b>897,451</b>

This statement is to be read in conjunction with the notes on pages 11 to 29.

Civic Financial Services Limited

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**


AS AT 31 DECEMBER 2019

	NOTE	2019 \$	2018 \$
<b>SHAREHOLDERS' EQUITY</b>			
<b>Issued and Paid-Up Ordinary Shares</b>			
Ordinary Shares fully paid up	15	10,763,506	10,763,506
Retained Earnings	15	(286,457)	7,181,545
<b>TOTAL EQUITY</b>		<b>10,477,049</b>	<b>17,945,051</b>
Represented By:			
<b>CURRENT ASSETS</b>			
Cash & Cash Equivalents		274,428	3,414,025
Term Deposits		5,290,045	1,200,000
Sundry Debtors and Prepayments	12	554,609	594,445
Loan Receivable	13	1,996,527	6,280,284
Income Tax Receivable	10	-	3,580
<b>Total Current Assets</b>		<b>8,115,609</b>	<b>11,492,334</b>
<b>NON CURRENT ASSETS</b>			
Property, Plant and Equipment	6	34,447	165,120
Intangible Assets (Software)	6	89,000	89,000
Deferred Tax Asset	10	2,486,080	2,786,961
Investment Property	7	-	7,777,583
<b>Total Non Current Assets</b>		<b>2,609,527</b>	<b>10,818,664</b>
<b>TOTAL ASSETS</b>		<b>10,725,136</b>	<b>22,310,998</b>
<b>CURRENT LIABILITIES</b>			
Sundry Creditors & Accrued Charges	12	112,990	204,028
Accrued Holiday Pay		37,662	45,228
Borrowings	13	-	4,000,000
CLP/ Riskpool Admin Fee Reserve		52,530	52,530
<b>Total Current Liabilities</b>		<b>203,182</b>	<b>4,301,786</b>
<b>NON-CURRENT LIABILITIES</b>			
CLP/ Riskpool Admin Fee Reserve		44,905	64,161
<b>Total Non Current Liabilities</b>		<b>44,905</b>	<b>64,161</b>
<b>TOTAL LIABILITIES</b>		<b>248,087</b>	<b>4,365,947</b>
<b>EXCESS OF ASSETS OVER LIABILITIES</b>		<b>10,477,049</b>	<b>17,945,051</b>

For and on behalf of the Directors:



TONY MARRYATT Chairman 19 March 2020



JOHN MELVILLE Director 19 March 2020

This statement is to be read in conjunction with the notes on pages 11 to 29.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTE	2019 \$	2018 \$
<b>OPENING EQUITY</b>		17,945,051	17,047,600
Total Comprehensive Surplus Net of Tax		1,950,478	897,451
Dividend Payment		(9,418,480)	-
Ordinary Shares issued during the year	15	-	-
<b>CLOSING EQUITY</b>		<b>10,477,049</b>	<b>17,945,051</b>

This statement is to be read in conjunction with the notes on pages 11 to 29.

Civic Financial Services Limited

**CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTE	2019 \$	2018 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
Rent Received		561,561	889,802
Administration Fees Received		2,849,062	2,574,636
Other Income		129	202
Taxation (Paid)/Refunded		(5,133)	133
		3,405,619	3,464,773
<b>Cash was applied to:</b>			
Payments to Suppliers and Employees		2,605,883	2,838,687
		2,605,883	2,838,687
<b>Net Cash Flow from Operating Activities</b>	11	799,736	626,086
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
Investment Income		115,061	76,150
Term Deposits		-	2,300,000
Investment Property		9,116,888	-
Loans Repaid from Related Parties		5,300,000	3,842,591
		14,531,949	6,218,741
<b>Cash was applied to:</b>			
Term Deposits		4,090,045	-
Purchase of Property, Plant and Equipment		30,721	21,423
Capital Additions to Investment Property		-	469,514
Loans Issued to Related Parties		985,550	8,790,242
		5,106,316	9,281,179
<b>Net Cash Flow from Investing Activities</b>		9,425,633	(3,062,438)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
Loan Interest Received		183,763	157,409
Borrowings		(4,000,000)	4,000,000
		(3,816,237)	4,157,409
<b>Cash was applied to:</b>			
Interest Paid		130,249	9,429
Dividend Paid		9,418,480	-
		9,548,729	9,429
<b>Net Cash Flow from Financing Activities</b>		(13,364,966)	4,147,980
Net (Decrease)/Increase in Cash Held		(3,139,597)	1,711,628
Opening Cash Balance as at 1 January		3,414,025	1,702,397
<b>Closing Cash Balance as at 31 December</b>		<b>274,428</b>	<b>3,414,025</b>
<b>Being:</b>			
<b>Cash &amp; Cash Equivalents</b>		<b>274,428</b>	<b>3,414,025</b>

This statement is to be read in conjunction with the notes on pages 11 to 29.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

### NOTE 1 REPORTING ENTITY

The reporting entity is Civic Financial Services Ltd (the "Company"), formerly known as New Zealand Local Government Insurance Corporation Ltd (trading as Civic Assurance). The Group comprises the Company and its subsidiaries listed in note 2 (b). The Group provides financial services principally for New Zealand local government and also provides property services. The Company provided insurance products to New Zealand local authorities until 31 December 2016 and subsequently opted to cancel its provisional insurance licence with the Reserve Bank of New Zealand. As a result this entity is not an FMC reporting entity from 17 January 2017.

#### Statement of Compliance

The Group is a Tier 2 Public Sector Public Benefit Entity and the financial statements have been prepared in accordance with and comply with Tier 2 Public Sector Public Benefit Entity (PBE) Standards.

### NOTE 2 STATEMENT OF ACCOUNTING POLICIES

#### General Accounting Policies

The measurement and reporting of profits on a historical cost basis have been followed by the Group, except for specific policies as described below. The reporting currency is New Zealand dollars. The Group is no longer subject to the requirements under the Insurance (Prudential Supervision) Act 2010 as a provisional licence holder.

#### Critical Judgements and Estimates in Applying the Accounting Policies

In the application of the PBE Standards the Directors are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. These are based on historical experience and other various factors and are reviewed on an ongoing basis.

The Directors believe that, as at the date of these financial statements, there are no significant sources of estimation uncertainty that have not been disclosed in these notes. The most significant judgements, estimates and assumptions made in the preparation of these financial statements are in respect of the recognition of the deferred tax asset (Note 10).

#### Particular Accounting Policies

The following particular accounting policies which materially affect the measurement of surplus and financial position have been applied. Further particular accounting policies are contained in the relevant notes to the financial statements.

#### (a) Consolidation of Subsidiaries

The Group financial statements incorporate the financial statements of the Company and its subsidiaries, which have been consolidated using the acquisition method. The results of any subsidiaries acquired or disposed of during the year are consolidated from the effective dates of acquisition or until the effective dates of disposal. All inter-company transactions, balances and unrealised profits are eliminated on consolidation.

#### (b) Investment in Subsidiaries

At 31 December 2019 the Company had three wholly owned subsidiaries which are all incorporated in New Zealand. Two of these, Local Government Superannuation Trustee Limited and SuperEasy Limited with balance dates of 31 December and Local Government Mutual Funds Trustee Limited (LGMFTL) with its balance date of 30 June did not have any significant assets, liabilities, revenue or expenses during the years ended 31 December 2018 and 31 December 2019.

LGMFTL is the trustee of New Zealand Mutual Liability Riskpool ("Riskpool") and Civic Liability Pool ("CLP"). The Company provides administrative services to Riskpool and CLP.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

**NOTE 2 STATEMENT OF ACCOUNTING POLICIES** CONTINUED**(c) Administration Fees**

Administration fees are recognised at the agreed amounts based on time and expenses incurred. Administration fees collected during the year that will be utilised in future periods are held within the administration fee reserve on the Statement of Financial Position, until the point in time where administration services have been provided.

**(d) Property Income**

Property rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

**(e) Employee Benefits**

Provision is made for benefits accruing to employees in respect of wages and salaries and annual leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

**(f) Basis of Measuring Other Income and Expenses**

Income and expenses are accounted for on an accruals basis. All revenue is exchange revenue.

**(g) Changes in Accounting Policies**

There have been no material changes in the accounting policies during the year. All policies have been applied on bases consistent with those used in the prior year.

**NOTE 3 KEY MANAGEMENT PERSONNEL AND RELATED PARTIES**

The compensation of the Directors and executives, being the key management personnel of the Group, is set out below.

	2019	2018	2019	2018
	Number		\$	\$
<b>Short term employee benefits</b>				
Executive Management Personnel	3	3	409,204	479,523
Directors	6	6	103,511	113,344
			<b>512,715</b>	<b>592,867</b>

As at 31 December 2019 the Company had a loan receivable from New Zealand Mutual Liability Riskpool ("Riskpool") of \$973,927 (2018: \$6,086,844) and from Civic Liability Pool ("CLP") of \$1,022,600 (2018: \$193,440).

All related party transactions that the Group entered into during the year occurred within a normal client/supplier relationship and under terms equivalent to those that prevail in arm's length transactions in similar circumstances except for the loan to CLP which has no interest attached to it. Refer to Note 13 for information relating to loans with subsidiaries.

## NOTE 4 FINANCIAL INSTRUMENTS

### Accounting Policies:

#### i) Classification and Measurement

Financial instruments are transacted on a commercial basis to derive an interest yield / cost with the terms and conditions having due regard to the nature of the transaction and the risks involved. Financial instruments are recognised and accounted for on a settlement date basis.

##### Loans and Receivables

Other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate.

##### Bank and Cash Equivalents

Bank and cash equivalents are measured at amortised cost using the effective interest rate.

##### Financial Liabilities

Financial liabilities include Sundry Creditors, Accrued Charges and Subordinated Debt. Financial liabilities are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, liabilities are measured at amortised cost.

#### ii) Offsetting Financial Instruments

Financial assets and liabilities are not offset as there is no legally enforceable right to set-off.

#### iii) Asset Quality

##### Impairment of Financial Assets

Financial assets measured at amortised cost are reviewed at each balance date to determine whether there is any objective evidence of impairment. If any such condition exists, the asset's recoverable amount is estimated and provision is made for the difference between the carrying amount and the recoverable amount.

As at the date of these Financial Statements, no such evidence of impairment exists.

#### iv) Fair Value of Financial Instruments

Fair value measurements recognised in the Statement of Financial Position

Financial instruments are categorised into 3 levels:

- **Level 1** fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2** fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- **Level 3** fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### v) Derivatives

The Group do not use any derivative financial instruments.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

**NOTE 4 FINANCIAL INSTRUMENTS** CONTINUED*Accounting Policies: continued***(1) Income Relating to Financial Assets**

	2019 \$	2018 \$
<b>Loans</b>		
Interest Received – Loans	214,456	186,729
<b>Cash &amp; Cash Equivalents</b>		
Interest Received – Short Term Deposits	115,061	76,149
<b>Total Interest Income</b>	<b>329,517</b>	<b>262,878</b>

**(2) Financial Assets and Liabilities**

The carrying amounts of all financial assets and liabilities are considered to be equivalent to their market value, which for these assets and liabilities is also considered to be fair value.

The Subordinated Debt is measured at amortised cost which is considered to be fair value.

All fixed interest investments were managed around a 90 day duration and carry a minimum Standard and Poors credit rating of "A" or equivalent. Loans are secured against Riskpool's future contributions and repayable with six months notice (refer to Note 13).

**NOTE 4 FINANCIAL INSTRUMENTS** CONTINUED

**(2) Financial Assets and Liabilities continued**

*Carrying value of Financial Assets and Financial Liabilities*

	2019 \$	2018 \$
<b>Financial Asset: Loans and Receivables</b>		
Sundry Debtors	501,440	444,308
Loans	1,996,527	6,280,284
<b>Total Loans and Receivables</b>	<b>2,497,967</b>	<b>6,724,592</b>
<b>Financial Asset: Amortised Cost</b>		
Cash & Cash Equivalents	274,428	3,414,025
<b>Financial Liability: Amortised Cost</b>		
Sundry Creditors & Accrued Charges	112,990	204,028
Borrowings	-	4,000,000
<b>Total Amortised Cost</b>	<b>112,990</b>	<b>4,204,028</b>

**(3) Financial Risk – Structure and Management**

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern. The Group's overall strategy is reviewed annually and remains unchanged.

Financial instruments which potentially subject the Group to a concentration of credit risk consist principally of cash and interest bearing deposits. The Group has no debt liability instruments.

The Group does not require collateral or other security to support financial instruments with credit risk and as such, no collateral exists for any of the investments held by the Group. The maximum credit risk exposure is the carrying amount of the individual debtor and investment balances.

The Group has placed interest bearing deposits and funds to be managed with financial institutions and limits its amount of credit exposure to any one such institution.

**(a) Market Risk**

All financial assets and liabilities are New Zealand Dollar based and are recorded at amortised cost, therefore changes in interest rates and foreign currency values do not impact on their carrying value.

**(b) Carrying Amount and Fair Value**

The carrying amounts of all financial assets and liabilities are considered to be equivalent to their fair value.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

**NOTE 4 FINANCIAL INSTRUMENTS** CONTINUED**(3) Financial Risk – Structure and Management** continued**(c) Liquidity Risk**

Liquidity Risk is the risk that the Group will encounter difficulties in raising funds at short notice to meet commitments associated with financial instruments. Management of liquidity risk is designed to ensure that the Group has the ability to meet financial obligations as they fall due.

The following tables include an analysis of the contractual undiscounted cash flows relating to the Group's financial assets and liabilities categorised by the maturity dates.

Maturity Analysis as at 31 December 2019						
	Interest Rate Spread %	Within 6 months \$	6 to 12 months \$	1 to 2 years \$	2 to 5 years \$	Total \$
<b>Assets</b>						
Cash & Cash Equivalents	0 to 0.35%	274,428	-	-	-	274,428
Term Deposits	1.75% to 2.75%	5,290,045	-	-	-	5,290,045
Other Receivables	n/a	501,440	-	-	-	501,440
Loans	3.79% to 4.52%	1,996,527	-	-	-	1,996,527
<b>Total Financial Assets</b>		<b>8,062,440</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,062,440</b>
<b>Liabilities</b>						
Sundry Creditors & Accrued Expenses	n/a	112,990	-	-	-	112,990
Borrowings	-	-	-	-	-	-
<b>Total Financial Liabilities</b>		<b>112,990</b>				<b>112,990</b>
Maturity Analysis as at 31 December 2018						
	Interest Rate Spread %	Within 6 months \$	6 to 12 months \$	1 to 2 years \$	2 to 5 years \$	Total \$
<b>Assets</b>						
Cash & Cash Equivalents	0 to 3.45%	3,414,025	-	-	-	3,414,025
Term Deposits	3.05%	1,200,000	-	-	-	1,200,000
Other Receivables	n/a	637,748	-	-	-	637,748
Loans	4.71% to 6.28%	6,086,844	-	-	-	6,086,844
<b>Total Financial Assets</b>		<b>11,338,617</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,338,617</b>
<b>Liabilities</b>						
Sundry Creditors & Accrued Expenses	n/a	204,028	-	-	-	204,028
Borrowings	4.78%	-	4,000,000	-	-	4,000,000
<b>Total Financial Liabilities</b>		<b>204,028</b>	<b>4,000,000</b>	<b>-</b>	<b>-</b>	<b>4,204,028</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

## NOTE 4 FINANCIAL INSTRUMENTS CONTINUED

## (3) Financial Risk – Structure and Management continued

## (d) Credit Risk

All investments are in the form of cash held at registered banks and loans. The registered banks have a credit rating of "A" or better. Loans are with Riskpool (refer to Note 13).

## (i) Exposure to Credit Risk

	2019 \$	2018 \$
Cash & Cash Equivalents	274,428	3,414,025
Term Deposits	5,290,045	1,200,000
Other Receivables	501,440	637,748
Loans	1,996,527	6,086,844
<b>Total</b>	<b>8,062,440</b>	<b>11,338,617</b>

## (ii) Concentration of Credit Exposure

94% of the Company's credit exposure is in the form of cash and term deposits held with registered banks and loans to Riskpool.

## NOTE 5 OPERATING LEASE COMMITMENTS

	2019 \$	2018 \$
<b>Operating Lease Expense Commitments:</b>		
not later than one year	74,208	12,444
later than one year but not later than five years	256,832	29,035
later than five years	37,400	-
	<b>368,440</b>	<b>41,479</b>
<b>Operating Lease Income Commitments:</b>		
not later than one year	-	792,940
later than one year but not later than five years	-	2,247,948
later than five years	-	96,562
	<b>-</b>	<b>3,137,450</b>

Operating lease income relates to a combination of office and retail tenancies to the Investment Property referred to in Note 7. The property was sold in August 2019.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

**NOTE 6 PROPERTY, PLANT & EQUIPMENT AND INTANGIBLE ASSETS****Accounting Policy:**

Assets are depreciated on a straight line basis at rates calculated to allocate the assets' cost, in equal instalments over their estimated useful lives which are assessed and regularly reviewed.

Depreciation Rates	
Office Furniture and Equipment	up to 17 years
Intangibles – Software	5 years

	2019 \$	2018 \$
<b>(a) Property, Plant and Equipment</b>		
Office Furniture and Equipment – cost	690,697	669,274
Plus Additions	33,776	21,423
Less Disposals	(595,089)	-
Closing Value – cost	129,384	690,697
Office Furniture and Equipment – Accumulated Depreciation	(525,577)	(479,443)
Less Depreciation Charge	(35,053)	(46,134)
Less Disposals	465,693	-
Closing Accumulated Depreciation	(94,937)	(525,577)
<b>Net Book Value</b>	<b>34,447</b>	<b>165,120</b>

The Total Comprehensive Surplus After Tax in the Statement of Comprehensive Income includes a \$3,055 loss on disposal of fixed assets (2018: nil).

<b>(b) Intangible Assets</b>		
Software – cost	519,453	519,453
Plus Additions	-	-
Less Disposals	-	-
Closing Value – cost	519,453	519,453
Software – Accumulated Amortisation	(430,453)	(430,207)
Less Amortisation Charge	-	(246)
Less Disposals	-	-
Closing Accumulated Amortisation	(430,453)	(430,453)
<b>Net Book Value</b>	<b>89,000</b>	<b>89,000</b>



**NOTE 7 INVESTMENT PROPERTY**

**Accounting Policy:**

*Investment property is measured at fair value, by reference to an external market valuation (performed annually), with any resulting unrealised gain or loss recognised in the Statement of Comprehensive Income.*

	2019 \$	2018 \$
<b>Civic Assurance House, Lambton Quay, Wellington</b>		
(a) Land and Building	-	7,150,000
Refurbishment	-	469,513
Increase/(Decrease) in value	-	133,070
Level 3 Fair Value	-	7,752,583
 (b) Artwork valuation	-	25,000
Fair Value	-	25,000
	-	<b>7,777,583</b>

The Company had received preliminary advice that investigations and calculations as part of a seismic assessment review highlighted an issue with unreinforced masonry in non-structural parts of the building and, under the Building (Earthquake-prone Buildings) Amendment Act 2016, the building was therefore potentially earthquake prone.

The Company mitigated this risk and completed seismic strengthening work by 31 March 2019. Civic Assurance House achieved a 70% New Building Standard (NBS) rating when the strengthening work was completed. The investment property valuation for 2018 had been obtained as at 30 October 2018 on an 'as if complete' basis in regards to the strengthening and asbestos works that were required to be completed. As at 31 December 2018 \$352k had been spent on earthquake strengthening and \$51k had been spent on asbestos works, with further works to be completed after 31 December 2018. The amount spent as at year end on the works has been added onto the valuers valuation of the property to reach the final fair value of the property.

The investment property valuation as at 30 October 2018 was completed on 7 November 2018 by independent registered valuer Martin Veale (ANZIV, SPINZ) of the firm Telfer Young (Wgtn) Ltd. The property was valued in accordance with International Valuation Standards 2017. The Investment property was Level 3 fair value due to containing unobservable inputs.

The adopted market value had been established by consideration of the Income Capitalisation and Discounted Cashflow approaches. Major inputs and assumptions used in the valuation were rental income, capital expenditure, capitalisation rate and market rent per square metre, discount rate, occupancy and weighted average lease terms.

The Company borrowed \$4,000,000 from the ANZ Bank with this loan secured over Civic Assurance House. This loan was repaid in full on 15 August 2019.

The investment property was sold during the reporting period for \$10,115,000 following the completion of earthquake strengthening and asbestos works as described below. Settlement for the sale of Civic Assurance House was 15 August 2019. Following settlement, on 19 August 2019 the Company paid a special dividend to shareholders of \$9,418,480 plus accompanying imputation credits to offset any tax liability for shareholders.

Civic Financial Services Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

### NOTE 8 ANALYSIS OF FINANCIAL ASSETS NOT IMPAIRED

There are no financial assets that are impaired or past due at balance date (2018: \$nil).

### NOTE 9 CONTINGENT LIABILITIES

There are no contingent liabilities (2018: \$nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

Item 11

Attachment 1

### NOTE 10 TAXATION

#### Accounting Policies:

##### i) Current Tax

The current income tax expense charged against the profit for the year is the estimated liability in respect of the taxable profit. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for the current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable). Tax assets are offset only when there is a legally enforceable right to set off the recognised amounts, and an intention to settle on a net basis.

##### ii) Deferred Tax

The liability method of accounting for deferred taxation is applied on a comprehensive balance sheet basis in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base of those items.

Deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Statement of Comprehensive Income.

##### iii) Goods and Services Tax (GST)

Revenue, expenses, assets and liabilities are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority the GST is recognised as part of the cost of the acquisition of the assets or as part of the expense item as applicable.
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

**NOTE 10 TAXATION** CONTINUED**(a) Income tax recognised in the Statement of Comprehensive Income**

	2019 \$	2018 \$
<b>Tax expense comprises:</b>		
Current tax expense	-	-
Adjustments recognised in the current year in relation to the current tax of prior years	-	-
Deferred tax relating to temporary differences	300,881	298,891
<b>Total tax expense</b>	<b>300,881</b>	<b>298,891</b>
<b>Attributable to:</b>		
Continuing operations	300,881	298,891
	<b>300,881</b>	<b>298,891</b>

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	2019 \$	2018 \$
Surplus before tax	2,251,359	1,196,342
Income tax calculated at 28%	630,382	334,977
Tax effect of permanent differences	(337,412)	(36,057)
Prior Period Adjustment	7,912	(28)
<b>Income Tax Expense</b>	<b>300,881</b>	<b>298,891</b>

**NOTE 10 TAXATION** CONTINUED

**(b) Current tax assets and liabilities**

	2019 \$	2018 \$
Tax refund receivable	-	3,580
	-	3,580

**(c) Deferred tax balances**

	2019 \$	2018 \$
<b>Deferred tax assets comprise:</b>		
Temporary differences	2,484,665	3,311,153
	2,484,665	3,311,153
<b>Deferred tax liabilities comprise:</b>		
Temporary differences	1,416	(524,191)
	1,416	(524,191)
<b>Net Deferred Tax balance</b>	<b>2,486,080</b>	<b>2,786,961</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

**NOTE 10 TAXATION** CONTINUED**(c) Deferred tax balances continued**

Gross taxable and deductible temporary differences for the Group arise from the following:

	Opening Balance \$	Charged to Income \$	Charged to Equity \$	Prior Period Adjustment \$	Closing Balance \$
Investment gains	-	-	-	-	-
Building, property and equipment	(1,872,109)	1,905,422	-	(28,256)	5,057
	<b>(1,872,109)</b>	<b>1,905,422</b>	<b>-</b>	<b>(28,256)</b>	<b>5,057</b>
Employee entitlements	41,132	11,033	-	(25,625)	26,540
Losses carried forward	11,784,413	(2,962,774)	-	25,625	8,847,264
<b>2019</b>	<b>11,825,545</b>	<b>(2,951,741)</b>	<b>-</b>	<b>-</b>	<b>8,873,804</b>
<b>Attributable to:</b>					
Continuing operations	9,953,436	(1,046,319)	-	(28,256)	8,878,861
Total	9,953,436	(1,046,319)	-	(28,256)	8,878,861
Tax effect at 28%	2,786,963	(292,970)	-	(7,913)	2,486,080
Investment gains	-	-	-	-	-
Building, property and equipment	(1,794,628)	(89,567)	-	12,086	(1,872,109)
	<b>(1,794,628)</b>	<b>(89,567)</b>	<b>-</b>	<b>12,086</b>	<b>(1,872,109)</b>
Employee entitlements	40,265	867	-	-	41,132
Losses carried forward	12,775,265	(978,865)	-	(11,987)	11,784,413
<b>2018</b>	<b>12,815,530</b>	<b>(977,998)</b>	<b>-</b>	<b>(11,987)</b>	<b>11,825,545</b>
<b>Attributable to:</b>					
Continuing operations	11,020,902	(1,067,565)	-	99	9,953,436
Total	11,020,902	(1,067,565)	-	99	9,953,436
Tax effect at 28%	3,085,851	(298,916)	-	28	2,786,963

No liability has been recognised in respect of the undistributed earnings of subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

The deferred tax asset relating to tax losses carried forward has been recognised as the financial forecasts anticipate the Group maintaining sufficient profitability in future financial years (refer Note 20).

(d) Imputation Credit Account

	2019 \$	2018 \$
Closing Balance	1,593,490	5,259,812

**NOTE 11 RECONCILIATION OF COMPREHENSIVE INCOME AFTER TAX WITH CASH FLOW FROM OPERATING ACTIVITIES**

**Accounting Policy:**

The Statement of Cash Flows is prepared exclusive of GST, which is consistent with the method used in the Statement of Comprehensive Income. The GST component of cash flows arising from investing and financing activities, which is recoverable from or payable to, the taxation authority is classified as operating cash flow.

**The following are definitions of the terms used in the Statement of Cash Flows:**

- Bank comprises cash on hand and demand deposits.
- Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of Cash and which are subject to insignificant risk of changes in value.
- Cash flows are inflows and outflows of cash and cash equivalents.
- Operating activities are the principal revenue producing activities of the entity and other activities that are not investing or financing activities.
- Investing activities are the acquisition and disposal of long-term assets.
- Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

**NOTE 11 RECONCILIATION OF COMPREHENSIVE INCOME AFTER TAX WITH CASH FLOW FROM OPERATING ACTIVITIES** CONTINUED

	2019 \$	2018 \$
<b>Total Comprehensive Surplus</b>	1,950,478	897,451
<b>Add/(less) non cash items</b>		
Loan Interest	(30,693)	(29,319)
Depreciation	35,053	46,134
Amortisation	-	246
Movement in CLP/ Riskpool Admin Fee Reserve	(19,256)	(225,835)
Movement in Deferred Tax Asset	300,881	298,891
Net change in fair value of investment property	-	(133,070)
	285,985	(42,953)
<b>Add/(less) movements in other working capital items</b>		
Sundry Debtors and Prepayments and Reinsurance Recoveries	39,835	(59,784)
Sundry Creditors and Accrued Charges	(98,603)	55,502
Tax Refund Due	3,580	-
	(55,188)	(4,282)
Add/(Less) Items Classified as Investing Activity	(1,511,787)	(76,150)
Add/(Less) Items Classified as Financing Activity	130,249	(147,980)
<b>Net Cash Flow from Operating Activities</b>	<b>799,736</b>	<b>626,086</b>



**NOTE 12 SUNDRY DEBTORS AND CREDITORS**

**(a) Sundry Debtors and Prepayments**

	2019 \$	2018 \$
Sundry Debtors	501,440	444,308
Prepayments	43,296	145,453
GST Receivable	9,873	4,684
<b>Sundry Debtors and Prepayments</b>	<b>554,609</b>	<b>594,445</b>

**(b) Sundry Creditors and Accrued Charges**

	2019 \$	2018 \$
Sundry Creditors and Accrued Charges	112,990	204,028
<b>Sundry Creditors and Accrued Charges</b>	<b>112,990</b>	<b>204,028</b>

**NOTE 13 LOANS**

***Loan Receivable***

Local Government Mutual Funds Trustee Limited is the trustee of New Zealand Mutual Liability Riskpool ("Riskpool") and Civic Liability Pool ("CLP"). The Company provides administrative services to Riskpool and CLP.

Secured loan agreements between the Company and Local Government Mutual Funds Trustee Limited on behalf of New Zealand Mutual Liability Riskpool ("Riskpool") were entered into in February 2017, August 2017 and again in November 2018 to assist with Riskpool's cashflow. The amounts made available under the 2017 agreements were reduced in 2018 to provide facilities of \$2,250,000 each (2017: \$3,000,000) and under the terms of the loans the interest rate is set as BKBM plus a margin. The November 2018 agreement provides a loan facility of \$4,000,000. Under the terms of the loan agreement the interest rate is set at the ANZ Bank lending rate plus a margin. Riskpool may repay the loans and any interest at any time without penalty. The Company may at any time withdraw the facilities by notice in writing to Riskpool to that effect, from which time no further funds will be provided but without giving rise to a requirement for Riskpool to repay the outstanding balance of the loan. The Company may require repayment of the loans (including all interest) in full or in part at any time with six months' notice. Either party may terminate the agreements on six months' notice or any other such period that both parties agree to. On termination, the loan outstanding and any interest due to the date of repayment must be paid within the period of notice. The loan outstanding at 31 December 2019 is \$973,927 (2018: \$6,086,844).

The Company and Local Government Mutual Funds Trustee Limited on behalf of Civic Liability Pool ("CLP") have an agreement whereby the Company funds any claims payable for CLP under the Trust Deed, without charge to the Trust, which will be reimbursed by CLP in respect of any such claim payments when CLP receives the applicable reinsurance payments on the claims. The loan outstanding at 31 December 2019 is \$1,022,600 (2018: \$193,440).

***Borrowings***

The Company borrowed \$4,000,000 from the ANZ Bank in 2018 with this loan secured over Civic Assurance House. The loan was repaid in full on 15 August 2019.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

**NOTE 14 AUDIT FEES**

A breakdown of the fees paid to the auditors is below:

	2019 \$	2018 \$
<b>Statutory Audit of the Financial Statements</b>		
Civic Financial Services	57,975	52,235
Civic Liability Pool	15,000	13,500
Local Government Superannuation Trustee	43,487	44,044
<b>Total Statutory Audit of the Financial Statements</b>	<b>116,462</b>	<b>109,779</b>
<b>Other Fees Paid to Auditors Re Assurance Services</b>	<b>30,500</b>	<b>27,500</b>
<b>Other Fees Paid to Auditors Re Tax Compliance</b>	<b>19,077</b>	<b>30,500</b>
<b>Total Fees Paid to the Auditors</b>	<b>166,039</b>	<b>167,779</b>

**NOTE 15 SHAREHOLDERS' EQUITY**

The Share Capital of the Group comprises solely authorised and issued ordinary shares with each share ranking equally in votes, dividends and surpluses. In 2018, there were no shares were issued. There were no shares issued during 2019.

	2019 \$	2018 \$
<b>Retained Earnings</b>		
Opening Balance	7,181,545	6,284,094
Net Surplus After Taxation	1,950,478	897,451
Dividend Payment	(9,418,480)	-
<b>Closing balance</b>	<b>(286,457)</b>	<b>7,181,545</b>
<b>Shareholders Capital</b>		
Opening Balance	10,763,506	10,763,506
Ordinary Shares issued during the year	-	-
<b>Closing balance</b>	<b>10,763,506</b>	<b>10,763,506</b>
<b>Number of Ordinary Shares Fully Paid</b>	<b>11,249,364</b>	<b>11,249,364</b>
<b>Par Value per Share</b>	<b>\$0.93</b>	<b>\$1.60</b>
<b>Dividend Payment per Share</b>	<b>\$0.84</b>	<b>\$0.00</b>

**NOTE 16 EQUITY RETAINED FOR FINANCIAL SOUNDNESS**

All shareholder equity is retained to ensure the financial soundness of the Group with cash being retained for cash flow purposes. A special dividend of \$9,418,480 was paid to shareholders on 19 August 2019 following the sale of Civic Assurance House.

**NOTE 17 STANDARDS APPROVED BUT NOT YET EFFECTIVE**

**Standards and Interpretations in issue not yet adopted**

At the date of authorisation of the financial report, one Standard and Interpretation was in issue that was relevant to the Group, but not yet effective.

Initial application of the following Standard is not expected to affect any of the amounts recognised in the financial report or change the presentation and disclosures presently made in or relation to the Group's financial report:

	<i>Effective for annual reporting periods beginning on or after</i>	<i>Expected to be initially applied in the financial year ending</i>
Revised NZ IFRS 9 'Financial Instruments'	1 January 2021	31 December 2021

**NOTE 18 SUBSEQUENT EVENTS**

There have been no material events subsequent to 31 December 2019 that require adjustment to or disclosure in the financial statements.

**NOTE 19 CAPITAL COMMITMENTS**

The Company has no capital commitments at balance date (2018: \$431,527 for contracts relating to the earthquake strengthening and asbestos works).

**NOTE 20 GOING CONCERN**

The financial statements have been prepared on a going concern basis.

The profitability of financial services supports the going concern assumption for Civic Financial Services Ltd as a whole. The deferred tax asset is reviewed regularly and at balance date against forecast profits and future business opportunities. The Directors believe that it is probable that sufficient taxable profits will be available in the future against which the unused tax losses can be utilised.



## INDEPENDENT AUDITOR'S REPORT

### TO THE READERS OF CIVIC FINANCIAL SERVICES LIMITED'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

The Auditor-General is the auditor of Civic Financial Services Limited and its subsidiaries (the 'Group'). The Auditor-General has appointed me, Silvio Bruinsma, using the staff and resources of Deloitte Limited, to carry out the audit of the consolidated financial statements of the Group on his behalf.

#### OPINION

We have audited the consolidated financial statements of the Group on pages 7 to 29, that comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and notes to the consolidated financial statements that include accounting policies and other explanatory information.

In our opinion, the consolidated financial statements of the Group:

- present fairly, in all material respects:
  - its financial position as at 31 December 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 Public Sector Public Benefit Entity Standards.

Our audit was completed on 19 March 2020. 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 audit of the consolidated financial statements, 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

The Board of Directors is responsible on behalf of the Group for preparing consolidated financial statements 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 that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, 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 the Board of Directors intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Companies Act 1993.

### **RESPONSIBILITIES OF THE AUDITOR FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, 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 consolidated financial statements.

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

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 risk of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 consolidated financial statements, 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.



## INDEPENDENT AUDITOR'S REPORT *CONTINUED*

### OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 5 but does not include the consolidated financial statements, and our auditor's report thereon.

Our opinion on the consolidated financial statements 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 consolidated financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the consolidated financial statements 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.

In addition to the audit, we have carried out engagements in the areas of tax compliance and controls assurance, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the Group.

A handwritten signature in blue ink that reads "Silvio Bruinsma".

Silvio Bruinsma  
Deloitte Limited  
On behalf of the Auditor-General  
Wellington, New Zealand

## CIVIC FINANCIAL SERVICES SHAREHOLDERS AS AT 31 DECEMBER 2019

SHAREHOLDER MEMBER			NO. OF SHARES			SHAREHOLDER MEMBER			NO. OF SHARES		
CITY COUNCILS						DISTRICT COUNCILS (Cont'd)					
Auckland	2,195,042	19.51%	Rangitikei	35,338	0.31%						
Christchurch	1,417,704	12.60%	Rotorua	175,906	1.56%						
Dunedin	470,966	4.19%	Ruapehu	56,666	0.50%						
Hamilton	202,729	1.80%	South Taranaki	135,496	1.20%						
Hutt	479,822	4.27%	South Waikato	42,374	0.38%						
Invercargill	407,927	3.63%	South Wairarapa	53,930	0.48%						
Napier	283,842	2.52%	Southland	13,715	0.12%						
Nelson	95,543	0.85%	Stratford	65,608	0.58%						
Palmerston North	411,737	3.66%	Taranua	99,972	0.89%						
Porirua	140,146	1.25%	Tasman	65,584	0.58%						
Tauranga	124,242	1.10%	Taupo	83,971	0.75%						
Upper Hutt	51,209	0.46%	Thames-Coromandel	27,120	0.24%						
Wellington	526,821	4.68%	Timaru	230,118	2.05%						
			Waikato	41,070	0.37%						
			Waimakariri	88,172	0.78%						
DISTRICT COUNCILS			Waimate	30,458	0.27%						
Ashburton	56,016	0.50%	Waipa	149,082	1.33%						
Buller	27,698	0.25%	Wairoa	22,992	0.20%						
Carterton	23,642	0.21%	Waitaki	120,000	1.07%						
Central Hawke's Bay	28,580	0.25%	Waitomo	16,940	0.15%						
Central Otago	91,238	0.81%	Wanganui	289,660	2.57%						
Clutha	33,711	0.30%	Western Bay of Plenty	28,142	0.25%						
Far North	85,440	0.76%	Westland	28,356	0.25%						
Gisborne	99,404	0.88%	Whakatane	38,788	0.34%						
Gore	54,589	0.49%	Whangarei	63,524	0.56%						
Grey	33,742	0.30%	REGIONAL COUNCILS								
Hastings	129,170	1.15%	Bay of Plenty	55,000	0.49%						
Hauraki	63,434	0.56%	Canterbury	152,696	1.36%						
Horowhenua	110,689	0.98%	Hawke's Bay	20,000	0.18%						
Hurunui	14,000	0.12%	Horizons	2,000	0.02%						
Kaikoura	10,000	0.09%	Southland	10,000	0.09%						
Kaipara	13,629	0.12%	Taranaki	1,000	0.01%						
Kapiti Coast	15,060	0.13%	Waikato	22,000	0.20%						
Kawerau	31,161	0.28%	Wellington	80,127	0.71%						
Manawatu	203,964	1.81%	OTHER								
Marlborough	86,022	0.76%	TrustPower	137,251	1.22%						
Masterton	127,230	1.13%									
Matamata-Piako	122,554	1.09%									
New Plymouth	441,456	3.92%									
Opotiki	20,000	0.18%									
Otorohanga	5,000	0.04%									
Queenstown-Lakes	31,149	0.28%									
			Total Shares			11,249,364					

# Council Report

Item 12

**Committee:** Economic Development Committee

**Date:** 12 May 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 Group - Quarter 3 report 1 July 2019 to 31 March 2020

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

1. To inform the Economic Development Committee on the performance of H3 including financial and non-financial reporting, focusing on Quarter 3 and year to date results from 1 July 2019 to 31 March 2020.

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

2. That the Economic Development Committee receives the report.

## Executive Summary - *Whakaraapopototanga matua*

3. The intention of this report is to provide a more focused commentary on H3 activity – Council’s major events venue operation. This includes Claudelands, FMG Stadium Waikato, Seddon Park and residual activity related to the Founders Theatre.
4. A report providing Q3 results and year to date results to 31 March 2020 is attached.
5. This report also speaks to the near-term prognosis for the operation resulting from the impact on COVID-19. While trading expectations for the next financial year remain uncertain, the report includes an early assessment of business levels which is subject to change.
6. The financial reporting of H3 activity is also reported to Council’s Finance Committee within the 2018-2028 10-Year Plan Monitoring Report under “Venues, Tourism and Major Events” activity.

## Attachments - *Ngaa taapirihanga*

Attachment 1 - H3 Activity Report - Q3 2019-20



# ACTIVITY REPORT Q3 2019/20



# GENERAL MANAGER COMMENT

H3 is a business unit within the Venues, Tourism and Major Events Group at Hamilton City Council responsible for overseeing the city's premier event venues. This report is a summary of H3's Q3 activity for the 2019/20 financial year and was prepared for Council's Economic Development Committee for its meeting on 12 May 2020.

This report will provide an insight into the impact of COVID-19 on H3's business, which started to affect the events industry from mid-February 2020 onwards. As a result of planning and up-weighted attention on our clients, customers and suppliers, we have been able to assess our forward book and impact of our revenue and level of activity. Due to this early work, and in particular the strong trading environment in Q1 and Q2 and the majority of Q3, H3 will be aiming to hold to its original 2019-20 budget.

Notwithstanding the impact of the lockdown on our business, Q3 was a busy quarter for H3. A number of new events took place at Claudelands and FMG Stadium Waikato was host to another successful HSBC NZ Sevens event. Across Anniversary Weekend, Claudelands hosted day one of the 4 and Rotary Nationals, while FMG Stadium Waikato kicked off the first day of the HSBC NZ Sevens event, showcasing the versatility of our venues. On that day alone approximately 27,000 people attended events across both sites. The quarter saw almost 129,000 people attend events at our venues, which further reflects that Hamilton is a venue of choice for many event organisers.

**Sean Murray**

GENERAL MANAGER  
VENUES, TOURISM AND MAJOR EVENTS GROUP



**H3**

# 1. HIGHLIGHTS

## 1.1 - Q3 SUMMARY

- H3 venues hosted a wide variety of events in quarter three with a strong start to the calendar year as forecast. In late March, event activity was suspended due to the COVID-19 lockdown as mass gathering restrictions were implemented.
- Prior to the lockdown, as well as public ticketed performance and sports events, exhibitions and sales (89), there were also 125 conferences, meetings and functions across all venues.
- In total, 128,668 people attended events at H3 venues in Q3. Claudelands had 40,303 people attend events and our stadia (FMG Stadium Waikato and Seddon Park) welcomed 88,365 patrons.
- The downstream impact of COVID-19 began from mid-February, with a number of cancellations including high profile events such as Netball, Super Rugby and Cricket. Our immediate focus was to manage the high number of inquiries from clients for date changes including finding alternative dates for later in 2020 and into 2021.
- As a business we have adapted accordingly. Our focus has been on maintaining our high level of service and care to our clients during this challenging period plus focusing on a number of organisational improvement projects.

## 1.2 - CLAUDELANDS Q3 SUMMARY

- From January through to approximately mid-March, Claudelands was the host venue for a range of events including the weekly farmers market, the 2020 Four and Rotary Nationals 'Show and Shine' car show day, Aspire Expo "Community on Show", a NZ Symphony Orchestra concert, Waikato Bay of Plenty Cancer Society's Relay for Life and The Great Kiwi Beer Festival –which saw over 5,900 people attend the one day event.
- There were also a number of medium sized business events and functions such as the Waikato Regional Sports Awards, STIHL Annual Conference, Waikato Wellbeing Summit, Waikato Chamber of Commerce Luncheon, Waikato Women's Refuge Annual Saving Rose Gala Dinner, NZ Management Association Student Graduation Ceremony and the Waikato Festival of Technology and Innovation 'Tech Fest 2020'. The venue also hosted three wedding celebrations at the Grandstand.

**128,668**  
people attended  
events at H3  
Venues in Q3



- The venue was officially closed to the public when the government announced the level 4 lockdown. From 21 March, the venue had been a location of a drive-thru community based assessment centre, offering COVID-19 tests to members of the public, coordinated by the Waikato DHB. As at 30 April, the centre has conducted over 7,000 assessments. This has been supported by a small number of H3 staff rostered to facilitate this service from a venue perspective.
- The venue was also offered as a location of a logistics and distribution centre for a community led frozen food and food parceling initiative by the Wises Group and Civil Defense and supported by Montana Food and Events. This has also been supported by Council and H3 staff to facilitate the operation of the venue, packaging of food parcels and delivery and for a short while, a DHB flu vaccination centre.

### 1.3 - STADIA ACTIVITY SUMMARY

- Both stadia venues were in use prior to the mass gathering and event restrictions announced. Several international events took place at both stadia in Q3.
- Prior to the lockdown and subsequently, staff have been engaging in conversations with our partners and key clients (NZ Rugby, NZ Cricket) about the potential future event landscape and effects on high level sport due to the inability of events to take place. We are supporting several H3 tenants with rental relief as per the Council process.

#### FMG STADIUM WAIKATO

- In early January, the FMG Stadium Waikato held a small blessing ceremony for the newly installed turf closely followed by the first international event of the calendar year, the 2020 HSBC NZ Sevens.
- The event was enjoyed by over 35,913 patrons across 2 days. The All Blacks Sevens extended their record as the most successful team on home soil with a 27-5 defeat of France in the final. The title was New Zealand's 10th on home soil but the first in Hamilton.
- Like in previous years, the festival atmosphere of the event proved popular, with many patrons choosing to spend time between watching the games on field and the myriad of off-field attractions. Due to the high temperatures expected, the event organisers installed numerous shades, water and cool-down stations to help keep attendees comfortable.
- Prior to the event, NZ Rugby alongside 37 South had announced a desire to take the 2021 event to another city and at the time of writing this report, a decision on where the event will take place has not yet been made.





- FMG Stadium Waikato also hosted three Super Rugby matches in February and early March – including Chiefs v Crusaders (11,794), Chiefs v Brumbies (8,188) and Chiefs v Hurricanes (13,746). The venue also hosted a special celebration in late February, a private wedding of two passionate rugby supporters.
- Unfortunately, due to COVID-19 restrictions, the open day (supported by FMG) and unveiling of the Stadium History Wall was postponed, but staff plan to reconvene these events when possible later in the year.

### **SEDDON PARK**

- Seddon Park began Q3 with bumper cricket content including several international cricket matches – India v Blackcaps T20 and India v Blackcaps ODI. In addition, the White Ferns played two matches against South Africa, plus NZ A Team played India in a three day warm up match. Team trainings also took place at the venue with a number of Indian team supporters watching on. During the quarter, domestic cricket (Backyard Smash, Plunket Shield) and kids community cricket also took place.
- Hamilton's reputation as a host city for international sporting events was further enhanced with the announcement the city will host a semi-final, as well as pool matches including the White Ferns, for the ICC Women's Cricket World Cup in February and March 2021. Hamilton is one of six host cities and this announcement is testament to the quality of the city's premier cricket facility at Seddon Park.
- A new event took place at Seddon Park at the end February – Sunset Cinema. This was an exclusive chance to sit on the field and watch outdoor movies on the Seddon Park big screen in the open air. This proved to a popular addition to the summer event calendar for families with over 2800 attendees attending across four event nights.

### **FOUNDERS THEATRE**

- Founders Theatre remained closed for all but essential maintenance. A decision on the future of the site is yet to be made.
- 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. This activity could be further delayed as a part of budget savings however holding costs of \$100k per annum would remain.



# 2. FINANCIAL SUMMARY

## 2.1 H3 Financial Summary

TABLE 1: RESULT FOR THE PERIOD 1 JULY 2019 TO 31 MARCH 2020

	Actual YTD	Budget YTD	Variance favourable/ (unfavourable)	Annual Budget
	\$000	\$000	\$000	\$000
<b>Revenue</b>				
Subsidies and Grants	-	-	-	-
Capital Revenue	-	75	(75)	100
Revenue from Activities	5,993	4,447	1,545	6,115
<b>Total Revenue</b>	<b>5,993</b>	<b>4,522</b>	<b>1,470</b>	<b>6,215</b>
<b>Direct Operating Costs</b>				
Cost of Sales	2,430	1,495	(935)	2,050
Personnel Costs	3,918	3,978	60	5,301
Operating and Maintenance costs	1,648	1,533	(114)	2,139
Professional Costs	50	141	91	188
Administrative Costs	665	709	44	945
Property Costs	1,207	1,227	20	1,640
<b>Total Direct Operating Costs</b>	<b>9,917</b>	<b>9,083</b>	<b>(834)</b>	<b>12,263</b>
<b>Direct Operating Surplus/(Deficit)</b>	<b>(3,924)</b>	<b>(4,561)</b> ✓	<b>637</b>	<b>(6,048)</b>
<b>Indirect Revenue</b>				
Interest Income	99	93	6	124
<b>Indirect Overhead Costs</b>				
Depreciation and Amortisation	4,010	4,118	108	5,491
HCC Overhead Allocation	1,962	2,002	40	2,705
Finance Costs	1,321	1,232	(89)	1,643
<b>Total Indirect Operating Costs</b>	<b>7,293</b>	<b>7,353</b>	<b>60</b>	<b>9,839</b>
<b>Net Indirect Costs</b>	<b>(7,193)</b>	<b>(7,260)</b> ✓	<b>66</b>	<b>(9,715)</b>
<b>Net Surplus/(Deficit)</b>	<b>(11,118)</b>	<b>(11,821)</b> ✓	<b>703</b>	<b>(15,763)</b>
<b>Gains and Losses</b>				
Total Gains and (Losses)	-	-	-	-
<b>Surplus/(Deficit)</b>	<b>(11,118)</b>	<b>(11,821)</b> ✓	<b>703</b>	<b>(15,763)</b>

### PERATING EXPENDITURE

#### 2. COST OF SALES

Additional costs relate to the ongoing uplift in revenue.

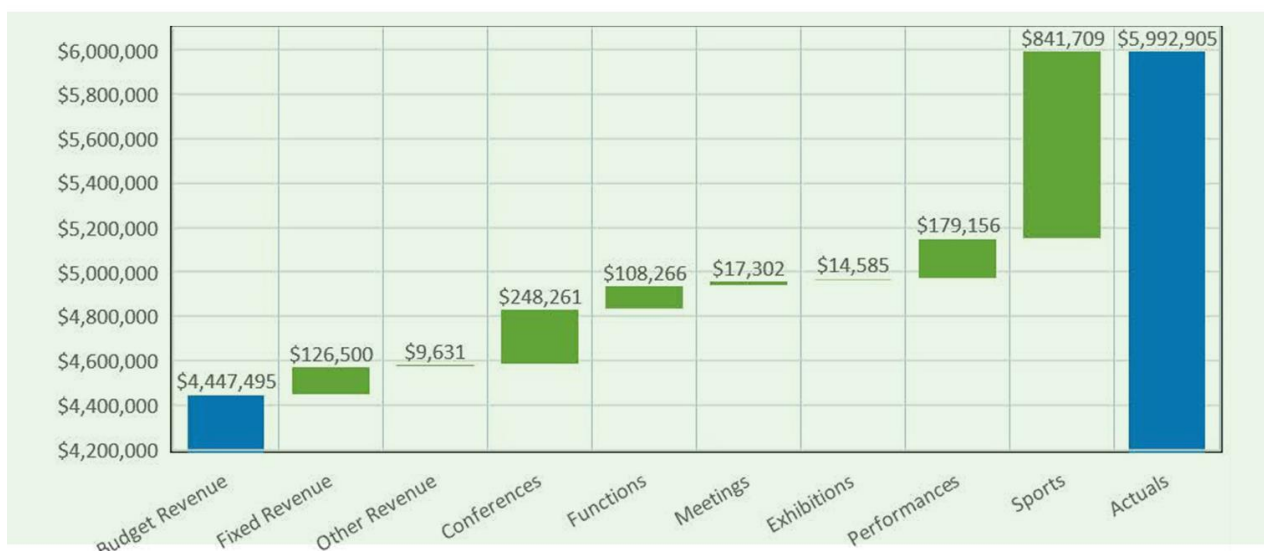
#### 3 OPERATING AND MAINTENANCE COSTS

These costs will continue to track above budget for the year, along with costs for work carried out in previous year flowing into current year.



# REVENUE SUMMARY

## 2.4 - GRAPH 1: 2019/20 H3 REVENUE VARIANCE TO BUDGET (EXC. CAPITAL) FOR PERIOD 1 JULY 2019 TO 31 MARCH 2020



- Total revenue year to date was above budget by \$1.545m (35%) and close to our annual budget for the year.
- Conference revenue was \$248k above budget with higher yield conferences, partially offset by lower event volumes.
- Performance revenue was \$179K above budget due to higher than expected yields.
- Sporting events revenue was \$842k above budget with higher than expected yields, attendees and hire days (Event example: NZ Darts Masters, All Blacks v Tonga and the HSBC NZ Sevens).
- Functions event revenue was \$108k above budget with higher event volumes.
- Exhibitions revenue was \$15k above budget, driven by higher than expected attendees and hire days but offset by lower than expected event volumes.



4 and Rotary Nationals at Claudelands, January 2020



The Great Kiwi Beer Festival at Claudelands, March 2020



# STADIA RESULT

## 2.5 - GRAPH 2: 2019/20 STADIA REVENUE FOR THE PERIOD 1 JULY 2019 - 31 MARCH 2020



### 2.5.1 - TABLE 2: STADIA SUMMARY PERIOD 1 JULY 2019 - 31 MARCH 2020

	Actual YTD	Budget YTD	Variance Favourable/ (unfavourable)	Annual Budget
	\$000	\$000	\$000	\$000
<b>Revenue</b>				
Subsidies and Grants	-	-	-	-
Capital Revenue	-	75	(75)	100
Revenue from Activities	2,482	1,593	889	2,361
<b>Total Revenue</b>	<b>2,482</b>	<b>1,668</b>	<b>814</b>	<b>2,461</b>
<b>Direct Operating Costs</b>				
Cost of Sales	1,145	566	(578)	823
Personnel Costs	1,615	1,669	54	2,220
Operating and Maintenance Costs	876	1,051	175	1,451
Professional Costs	28	80	52	107
Administrative Costs	328	348	20	463
Property Costs	639	650	10	879
<b>Total Direct Operating Costs</b>	<b>4,631</b>	<b>4,365</b>	<b>(267)</b>	<b>5,943</b>
<b>Direct Operating Surplus/(Deficit)</b>	<b>(2,150)</b>	<b>(2,697)</b>	<b>547</b>	<b>(3,482)</b>

- Total Stadia revenue year to date is 56% above budget driven by event revenue. Sport revenue is 133% above budget driven by the HSBC Sevens, which was unbudgeted, due to the event not confirmed at time of budget setting.
- In line with Council resolution, Waikato Rugby Union, The Chiefs and Northern Districts Cricket have received 3 months rent relief for their leased space for the period to June 2020. This is reflected in the revenue forecast provided.



H3 GROUP L03 ACTIVITY REPORT 2019/20



# CLAUDELANDS RESULT

Item 12

## 2.6 - GRAPH 3: 2019/20 CLAUDELANDS REVENUE FOR THE PERIOD 1 JULY 2019 - 31 MARCH 2020



Attachment 1

### 2.6.1 - TABLE 3: CLAUDELANDS SUMMARY PERIOD 1 JULY 2019 TO 31 MARCH 2020

	Actual YTD	Budget YTD	Variance Favourable/ (unfavourable)	Annual Budget
	\$000	\$000	\$000	\$000
<b>Revenue</b>				
Subsidies and Grants	-	-	-	-
Capital Revenue	-	-	-	-
Revenue from Activities	3,511	2,854	657	3,754
<b>Total Revenue</b>	<b>3,511</b>	<b>2,854</b>	<b>657</b>	<b>3,754</b>
<b>Direct Operating Costs</b>				
Cost of Sales	1,285	928	(357)	1,227
Personnel Costs	2,303	2,309	6	3,081
Operating and Maintenance Costs	772	482	(290)	687
Professional Costs	22	61	39	81
Administrative Costs	337	361	24	482
Property Costs	567	577	10	761
<b>Total Direct Operating Costs</b>	<b>5,286</b>	<b>4,719</b>	<b>(567)</b>	<b>6,320</b>
<b>Direct Operating Surplus/(Deficit)</b>	<b>(1,775)</b>	<b>(1,864)</b>	<b>89</b>	<b>(2,566)</b>

- Total Claudelands revenue year to date is 23% above budget driven by strong results across conferences, functions, performances, sport and meetings. These event types finished above budget by 19%, 29%, 41%, 37% and 18% respectively.
- In line with Council resolution, the Waikato Show Trust has received 3 months rent relief for leased space for period to June 2020. This is reflected in the revenue forecast provided.



## 3. ACTIVITY SUMMARY

### 3.1: NUMBER OF EVENTS, HIRE DAYS AND ATTENDANCE - 1 JULY 2019 TO 31 MARCH 2020



**813 Events at  
H3 Venues**



**862.5 Hire Days  
across H3 Venues**

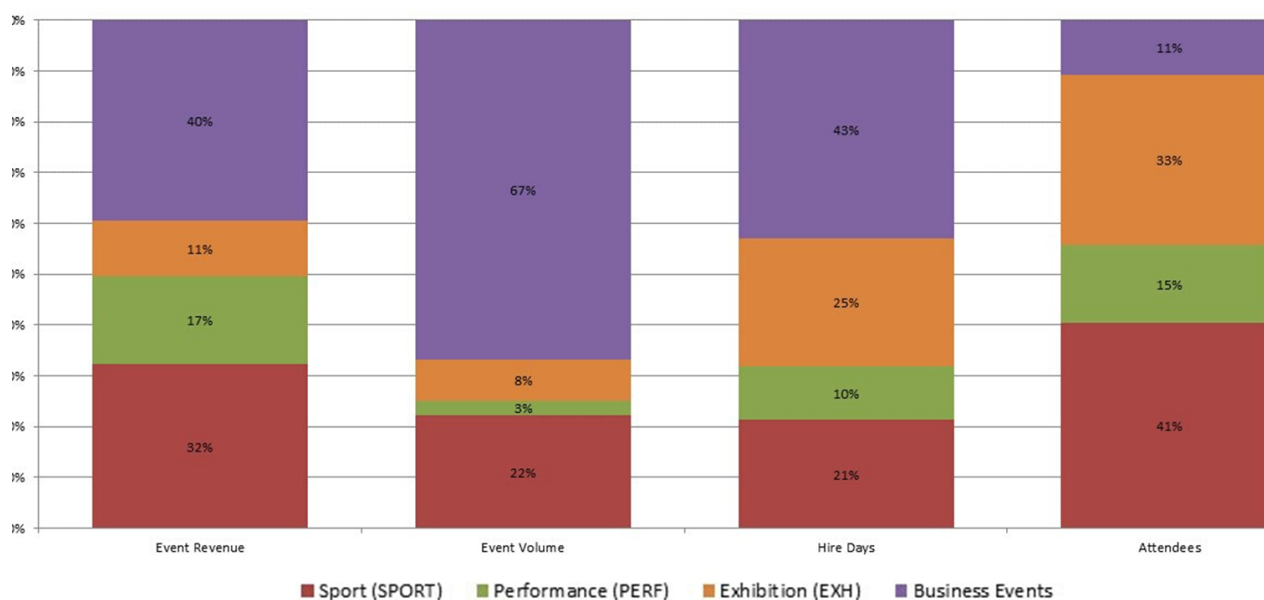


**391,047 attendees  
at H3 Venues**

### 3.2 - TABLE 4: BY EVENT TYPE FOR THE PERIOD 1 JULY 2019 TO 31 MARCH 2020

Event Type	Number of Events				Hire Days				Attendance			
	Q1	Q2	Q3	Total	Q1	Q2	Q3	Total	Q1	Q2	Q3	Total
Business Events	215	200	125	540	134.5	146.75	78.75	360	15,491	21,765	6,149	43,405
Exhibition	29	16	23	68	31.75	57.25	145.75	234.75	36,624	59,575	36,627	132,826
Performance	11	11	1	23	46.75	36.5	4.75	88	33,162	27,681	661	28,375
Sport	59	58	65	182	70.75	51.75	57.25	179.75	42,315	25,766	85,231	162,399
<b>Total</b>	<b>314</b>	<b>285</b>	<b>214</b>	<b>813</b>	<b>283.75</b>	<b>292.25</b>	<b>286.50</b>	<b>862.50</b>	<b>127,592</b>	<b>134,787</b>	<b>128,668</b>	<b>391,047</b>
FY 2018/19 comparison	368	310	240	918	259.25	245	190.25	694.50	111,449	123,485	174,099	409,033

### 3.3 - GRAPH 4: BUSINESS MIX BY EVENT TYPE FOR THE PERIOD 1 JULY 2019 TO 31 MARCH 2020





### 3.4 - 2018-28 10-YEAR PLAN KPIS

TABLE 5: FOR THE PERIOD 1 JULY 2019 TO 31 MARCH 2020

Measure	Target	Q1	Q2	Q3	TOTAL
The number of people attending events at H3 venues	440,000	127,592	134,787	128,668	391,047

- We are forecasting to not achieve the annual target due to the impacts of COVID-19.

### 3.5 - OTHER NON-FINANCIAL KPIS

#### CUSTOMER SATISFACTION

TABLE 6: FOR THE PERIOD 1 JULY 2019 TO 31 MARCH 2020

Survey Type	Q1	Q2	Q3	TOTAL
Business Events Hire Survey (1-10)	9.1	9.5	9.3	9.3
Ticketed Events Attendee Survey (1-10)	8.6	8.7	0	8.7

- We did not survey any ticketed events in Q3 - result not included in average.

### 3.6 - KEY SUPPLIERS

There were no contracts issued in Q3.

- Recognising the impact COVID-19 is having on the event industry, we are working closely with key suppliers to manage contractual obligations, with the focus on minimizing costs where able.

### 3.7 - OUR PEOPLE

- H3's permanent staff turnover across the first three quarters was 9.85%, with a total of seven staff leaving against an average staff number of 71. In Q3, we had two leavers.
- This is similar to the prior year period result (9.89%). H3 has 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 2019 TO 31 MARCH 2020**

	Q1	Q2	Q3	TOTAL
Injuries	0	2	0	2
Medical Treatment	0	1	0	1
Lost Time Injuries	0	0	0	0

- There were no health and safety instances in Q3. Prior quarter results All three relate to staff and were sprains (2) and a cut finger (1).

Key Health and Safety highlights in Q3 included:

- Implemented Emergency Response Team to manage H3 response to COVID-19
- Adjusted operational procedures for events and venue operation to ensure compliance with Ministry of Health recommendations
- Purchase of freestanding hand-sanitiser stations
- Re-deployed H3 staff to assist with Civil Defense and community response

# 4. MARKETING HIGHLIGHTS

## 4.1 SUMMARY

- In total across the three months from 1 January 2020 to 31 March 2020 HLive's likes on Facebook increased by 579, while FMG Stadium Waikato likes grew by 224. Claudelands experienced a slight and unusual decrease of 35 Facebook likes during this time which may be attributed to the recent cancellation of events due to COVID-19 and decreased activity on site.
- In total H3 had a combined reach of just over 1.6 million people across its HLive, Claudelands and FMG Stadium Waikato Facebook pages over the three-month period, with FMG Stadium Waikato achieving the majority of this reach with around 1.1 million people.

## 4.2 DATABASE SEGMENTATION

- During the period 1 January to 31 March 2020 eight eDMs (electronic direct mails) were sent to the HLive database of around 65,000 subscribers. On average the eDMs had an open rate of 20.9% and click through rate of 0.8%.
- 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. The reduced on-site event activity has given the team the opportunity to focus in on this project and accelerate some of this work.

## 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 49,750 web visitors over the three month period. The site with the most visitors during this time was the Seddon Park website with 12,815 visits – this was also the site with the most visitors on a single day with 2,781 visitors to the site on 28 January, the day prior to the BLACKCAPS v India T20 match. These statistics support efforts made by the team to create and promote a dedicated 'Summer Cricket Guide' webpage where fans could find important condition of entry details to help minimise queries and issues commonly experienced at the gate.

AS AT 31 MARCH 2020

**3,600,000**

COMBINED REACH OVER 9 MONTHS ACROSS H3 SOCIAL MEDIA PAGES



AS AT 31 MARCH 2020

**65,000**

SUBSCRIBERS TO HLIVE DATABASES



H3 GROUP LOGO ACTIVITY REPORT 2019





### Conditions of entry for international TEST matches



### WHAT CAN I BRING TO A TEST MATCH?

- Empty plastic water bottles
- Deck chairs
- Chilly bins
- Umbrellas
- Pushchairs

[FULL DETAILS HERE](#)

Example of Seddon Park Summer Cricket Guide produced - Q3 2020

## 4.4 ENGAGEMENT

The Facebook post with the highest engagement for the period 1 January 2020 to 31 March 2020 was the announcement of the Sunset Cinema series of outdoor movies held at Seddon Park in late February. This post received 4723 engagements including 866 reactions, comments and shares, and 3407 post clicks – highlighting an appetite for this type of event content.

## 4.5 COVID-19 MARKETING RESPONSE

- The Marketing team has played a pivotal role in H3's COVID-19 response - initially sharing hygiene messages and advice through social channels, eDMs, on-site messaging and pre-event emails during the early stages of the pandemic, before rolling out event cancellation/postponement messages, assisting with client messaging and overseeing internal staff messaging as the situation accelerated and alert levels came into effect.
- Currently the team continues to engage with and inform its audiences of event announcements throughout this period, as well as experiment with different types of social media and eDM content to gauge audience engagement levels and build a greater understanding of their preferences.

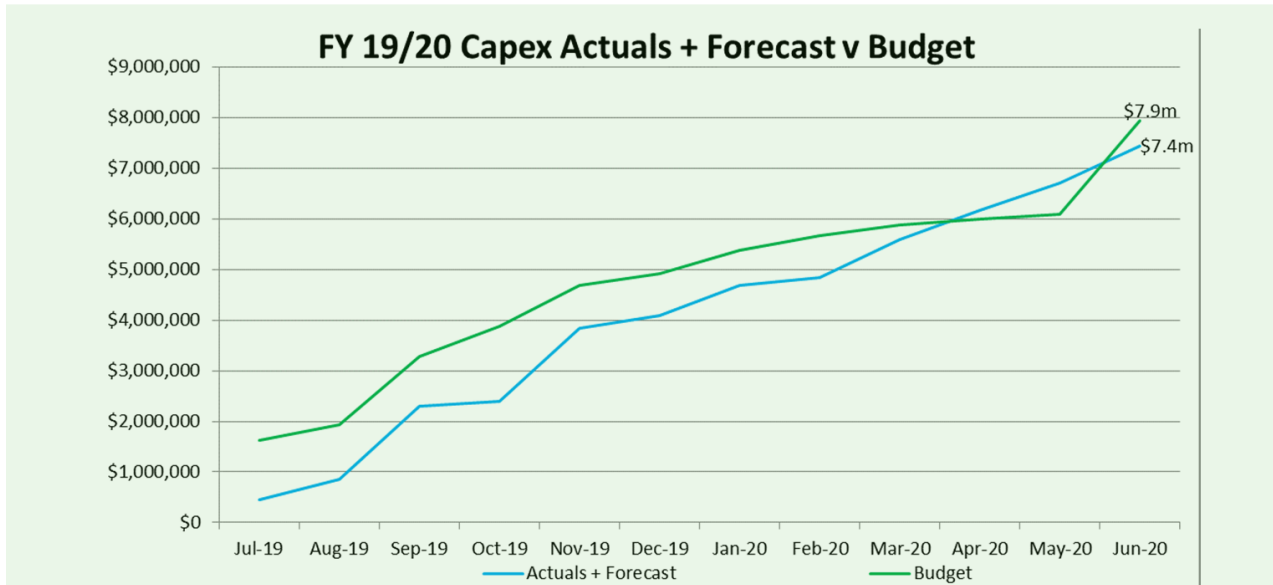


# 5. CAPEX & ASSET MANAGEMENT

Item 12

## 5.1 - 2019-20 CAPEX SPEND ACTUALS VERSES BUDGET

GRAPH 5: FOR THE PERIOD 1 JULY 2019 TO 31 MARCH 2020



- Our capital programme is on track for delivery for the year. H3's forecast accuracy and scheduling of works continues to be refined. Shortfall between budget and forecast are project deferrals.

## 5.2 - ASSET MANAGEMENT

- We are currently reviewing our capital programme recognizing the financial challenges with COVID-19 impacting on contractor availability, timing and budget prioritisations.

### 5.2.1 Seddon Park Light Towers

- The physical works on the light towers are now complete. We are currently working through finalising code of compliance certification as the last step.

### 5.2.2 FMG Stadium Waikato Turf Replacement

- Work to replace the playing surface at FMG Stadium Waikato kicked off in November and was completed in early Q3 in time for the HSBC NZ Sevens. The Turf is performing extremely well and feedback from the players and World Rugby were very complimentary of the quality of the pitch.



Attachment 1

### 5.2.3 FMG Stadium Waikato Light Towers

- Investigation and design work continues which will inform scope and schedule of this work.
- This project will be incorporated into the FY2021-31 Long Term Plan, with timing to occur over the first two years.



Light Towers - FMG Stadium Waikato

### 5.2.4 FMG Stadium Waikato Renewal Works

#### Passenger Lift Replacement

- The lift car has arrived in the country and will be working to accelerate the installation over the coming months.

#### Tie Rods

- These have arrived and are at the wharf, waiting on delivery. Once this is confirmed, the installation schedule will be completed. This will happen over the next 3 -5 months.



New Turf - FMG Stadium Waikato

### 5.2.5 Claudelands – Renewals Work

#### Carpeting

- After 10 years of use, the Conference Centre carpet has been replaced. Feedback from clients has been very positive. The next phase of replacement is the Arena concourse. The order has now been placed, with installation to be scheduled once delivery timelines are confirmed.



# 6.HOT TOPICS

## AREAS OF FOCUS

### COVID-19 Impact on Events in New Zealand

The looking forward section of this report (section 7) will cover the actual and anticipated utilisation and financial impacts of COVID-19 on the H3 operation however there are several new operational issues that have emerged that the business now has to face.

#### 6.1 Transformation Projects

- Workforce Planning – will continue as planned (this is about staff rostering optimisation and cost recovery)
- Event and Venue Security – this programme will be scaled back to fit reduced business levels, a re-calibrated budget and deferral of anticipated capital works costs
- Environmental Sustainability – limited to initiatives within re-calibrated budget resources
- Event Economics - deferred action subject to improved budget conditions

#### 6.2 WEL Networks Stand - FMG Stadium Waikato

- Remediation options assessment continues however the current state of flux for rugby and fan participation needs to be reassessed as a part of any new stadia capital/renewals work. As such, the timeframe for assessing next steps will be determined by our understanding of the future state of the game at high performance level.

#### 6.3 COVID-19 Alert Level 2, Level 1 and beyond

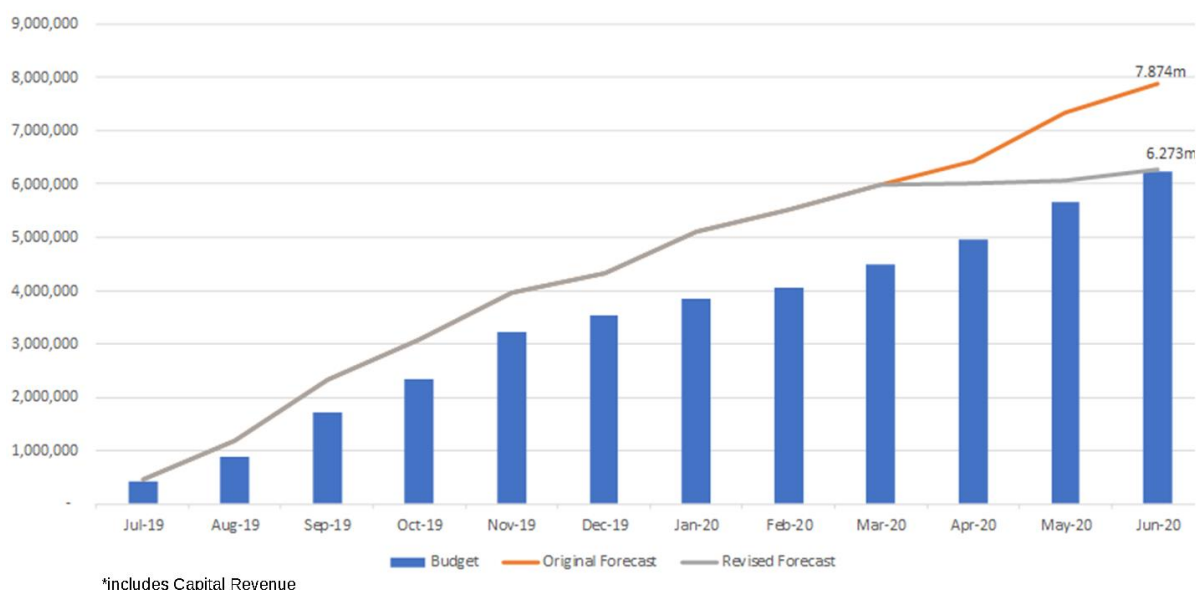
- Major operational planning is now underway for the events and venues management industry as to how it safely resumes operations for the varying types of events that are delivered across H3 venues.
- This work is being coordinated on a national, regional and customer by customer basis and has a major impact upon of onsite operational procedures; staffing, space design, the method of hospitality service and commercial model. This remains a very fluid but resolvable situation.



# 7. FORWARD POSITION

## 7.1 FORWARD LOOKING FINANCIALS

**GRAPH 6: REVISED H3 REVENUE FORECAST FOR THE PERIOD END 30 JUNE 2020**



- Our favourable revenue position year to date has enabled us to meet our revenue budget for the year. However with the COVID-19 impact, we are anticipating only minor fixed revenue for the remainder of the financial year.

**TABLE 8: H3 DIRECT OPERATING DEFICIT FORECAST FOR THE PERIOD END 30 JUNE 2020**

	Year End Forecast at Q2	Annual Budget	Revised Year End Forecast Q3
	\$000	\$000	\$000
Revenue from Activities	7,635	6,215	6,273
Cost of Sales	2,712	2,050	2,460
Direct Operating Costs (excl COS)	10,920	10,213	10,083
<b>Direct Operating Surplus/(Deficit)</b>	<b>(5,997)</b>	<b>(6,048)</b>	<b>(6,270)</b>

- Our forecast revenue position will result in our cost of sales being unfavourable to budget at year end.
- Direct operating costs are expected to remain consistent with our six-month result, recognising our increased building and asset compliance costs, and the cost to maintain our assets. In addition, electricity costs are forecasted to be higher due to increased charge rates.



**TABLE 9: Revised Provisional Budget 2020-21***Note - this is a working draft budget*

	Annual Budget	Revised Budget	
	Total	Total	Variance
	\$000	\$000	\$000
<b>Revenue</b>			
Subsidies and Grants	-	-	-
Capital Revenue	100	100	-
Revenue from Activities	5,967	3,689	(2,278)
<b>Total Revenue</b>	<b>6,067</b>	<b>3,789</b>	<b>(2,278)</b>
<b>Direct Operating Costs</b>			
Cost of Sales	1,926	1,085	(841)
Personnel Costs	5,624	5,224	(400)
Operating and Maintenance costs	2,009	1,834	(175)
Professional Costs	198	198	-
Administrative Costs	942	817	(125)
Property Costs	1,604	1,454	(150)
<b>Total Direct Operating Costs</b>	<b>12,304</b>	<b>10,613</b>	<b>(1,691)</b>
<b>Direct Operating Surplus/(Deficit)</b>	<b>(6,237)</b>	<b>(6,824)</b>	<b>(587)</b>

**Comments:**

- Revenue From Activities - Quarterly event revenue reductions are (75%), (40%), (30%), (20%) respectively
- Cost of Sales - Linked to reduction in event revenue
- Personnel Costs - Personnel savings due to reduced events and tightening of staff management (i.e. minimal use of casual labour)
- Operating and Maintenance costs - Reduction in operating & maintenance costs due to reduced event use and careful management
- Administrative Costs - Savings through careful management
- Property Costs - Reduction in utilities due to reduced event use



# Council Report

**Committee:** Economic Development Committee

**Date:** 12 May 2020

**Author:** Mike Bennett

**Authoriser:** Jen Baird

**Position:** Key Account Manager

**Position:** General Manager City Growth

**Report Name:** Proposed Economic Development Framework

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

1. To provide the Economic Development Committee with a framework for understanding the partnerships, capabilities, and resources required to refresh and implement an Economic Development Agenda.

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

2. That the Economic Development Committee:
  - a) receives the report;
  - b) approves the proposed Economic Development Framework; and
  - c) requests staff hold a briefing for Elected Members to discuss the strategic objectives which will form the basis of a refreshed Economic Development Agenda.

## Executive Summary -*Whakaraapopototanga matua*

3. The 2019-22 Triennium saw the Council establish an Economic Development Committee responsible for 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.
4. The primary goal of economic development is to make cities and regions an attractive and competitive place to invest and do business.
5. This report presents a proposed framework comprised of three focus areas designed to facilitate decisions and create the basis of a refreshed Economic Development Agenda.
6. The Stand-Up focus area creates a foundation to address short-term and ongoing economic development needs. This area is vital to ensuring the Council is equipped with the proper data, tools, materials and partnerships to respond to the needs of businesses and Hamiltonians.
7. The Enable focus area is designed to organise and coordinate the use of policies or initiatives to implement the Council's Economic Development Agenda, while ensuring input and coordination from key business sectors and community partners.
8. The Delivery focus area captures a proposed structure for carrying out the day-to-day activities that are necessary to create the conditions required for businesses to invest and create economic opportunities for Hamiltonians.

9. This report and the framework that it brings forward assumes that any future Economic Development Agenda will identify the resources needed to achieve its goals.
10. Staff consider the matters in this report have low significance and that the recommendations comply with the Council's legal requirements.

### **Background - *Kooreo whaimaarama***

11. In mid-2009 the Council entered into a 3-year contract that called for an entity named Opportunity Hamilton to serve as the economic development agency for the city. The contract was not renewed.
12. In late 2012, the Council released an Economic Development Agenda. That agenda can be found here ([Link](#))
13. That agenda was built around four key areas:
  - a) Leadership: setting pro-growth policies and working with businesses and industry sectors to support economic opportunity.
  - b) Responsibility: efficiently servicing the business community, growth planning, enhancing regulatory efforts and providing timely economic data.
  - c) Strategic investment: the Council would take a role in asset ownership where public investment could provide economic growth, as well as delivering cost effective and productive infrastructure.
  - d) Relationships: ensure that the business community was a part of the Council's economic development activities, particularly as it related to identifying and responding to market opportunities.
14. From a regional perspective, the Waikato Mayoral Forum created the Waikato Means Business economic development strategy in 2013 to help develop the region's potential.
15. The 2013 strategy focused on five priority areas: maintaining and building Waikato's location advantage; growing global industries; building, attracting and retaining skills and talent; making business easier, telling the Waikato story.
16. In 2016-17 a review of the Waikato's economic development landscape found that despite our enviable location, people, history and industries, we were not doing as well as other regions in New Zealand.
17. Based on these findings, the Waikato Mayoral Forum agreed that a new regional economic development entity should build upon and replace Waikato Means Business, focusing on business development, innovation, industry development, and investment attraction services.
18. As a result, in July 2018 Te Waka was formed as a limited liability company owned by the Waikato Regional Economic Development Trust with a skills-based Board of Directors, none of whom are elected representatives.
19. Te Waka's mandate is to partner with existing economic development, iwi, business, government and community organisations in order to lift economic performance by attracting and retaining investment, talent and business across the Waikato.
20. The 2019-22 Triennium saw the Council establish an Economic Development Committee responsible for 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.

## Discussion - *Matapaki*

21. The economic development ecosystem in Hamilton consists of a wide range of organisations that include the Council, Te Waka, Waikato-Tainui, Waikato Chamber of Commerce, Hamilton & Waikato Tourism, Hamilton Central Business Association, SODA, Inc. and others.
22. A key strength of this ecosystem has been the ability to create partnerships and leverage operational strengths when responding to opportunities that will support investment and growth in Hamilton.
23. Elements of economic development exist in many of the services that are provided at the local Government level, particularly by high-growth councils. These include in all elements of the growth of a city, redevelopment of suburbs or commercial centres, the location of new or revamp amenity and even in the provision of water and waste water services.
24. The Chair and Deputy Chair of the Committee requested staff construct a framework for understanding the partnerships, capabilities, and resources required to refresh and implement an Economic Development Agenda. That framework is attached (Attachment 1).
25. The framework is the first step to articulating this Council's Economic Development Agenda. An agenda would provide strategic clarity for short-term and long-term initiatives, while positioning the Economic Development Committee to govern investment development opportunities in Hamilton.
26. The proposed economic development framework highlights three focus areas:
  - a) Stand-Up: targeted efforts to respond to short-term opportunities that deliver immediate benefits (i.e. Covid-19 response) while managing ongoing economic development work in research, marketing and networking.
  - b) Enable: utilise policies, initiatives and partnerships to create opportunities for strategic initiatives, plans, projects and potential property developments that have a material impact on the Hamilton economy.
  - c) Delivery: create the conditions required for businesses to invest and create economic opportunities for Hamiltonians while supporting community growth and the Council's major event venues operation.

## Current Economic Development work

27. This framework has not been created within a vacuum. Across Council, economic development work continues.
28. Much of the activity in this triennium has been focused in the 'community growth' area including long-term economic development efforts that strengthen relationships with developers and landowners in the Peacocke and Rotokauri growth cells and key account management for existing businesses and support for the Infrastructure Funding and Financing tool business case.
29. Prior to the Covid-19 pandemic, significant work was undertaken guiding new business inquiries and regional efforts to attract businesses to Hamilton, including an important headquarters opportunity currently assessing several cities across New Zealand.
30. Staff have provided economic development input for the Council's Phase I and Phase II Covid-19 response as well as the regional submission to central Government for shovel-ready projects. These impactful, short-term initiatives are examples of how the Council can create opportunities for ongoing investment and economic growth.

### Next steps

31. If the Economic Development Committee endorses this approach, staff will schedule a briefing to agree on the strategic objectives this Council would like to target which will create the basis of a refreshed Economic Development Agenda.
32. Staff will complete targeted engagement with key partners and interest groups before bringing a proposed Agenda back to this Committee.
33. It is expected the briefing will also provide direction for staff on focus areas which will enable a prioritised work programme to deliver on these objectives by focussing on those parts of the framework determined to have the most impact consistent with the Council's vision for the city and to enhance the wellbeing of Hamiltonians.
34. If the approach is not approved, staff will continue to focus on current work areas only.

### Financial Considerations - *Whaiwhakaaro Puutea*

35. There are no direct financial implications for the Council of the staff recommendation.

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

36. There are no legal implications for the Council of the staff recommendation.

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

37. 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').
38. 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.
39. The recommendations set out in this report are consistent with that purpose.

### Social

40. Social wellbeing and economic wellbeing are strongly linked. Increasing economic development activity in Hamilton provides the opportunity for businesses and their employees to grow and prosper, generating income to support families, whaanau, hapuu and communities and creating opportunities for social connection.
41. Growth in economic opportunity and participation can improve the social and cultural outcomes in a community.

### Economic

42. Increasing economic development activity in Hamilton provides the opportunity for businesses and their employees to grow and prosper, generating income to provide present and future financial security.
43. Creating employment opportunities for Hamiltonians will facilitate economic activity for the city including housing and consumption.
44. Economic growth attracts new people to Hamilton, further expanding our economic base.

### Environmental

45. The Council is committed to ensuring effects of city development are not at the detriment of our natural environment.
46. Economic development and growth can drive innovations that actively respond to the challenges of climate change.

### **Cultural**

47. The Council is committed to working collaboratively with Waikato-Tainui and Mana Whenua, working in partnership to achieve the best outcomes for the people of Hamilton.
48. Commercial growth can be a catalyst for the arts and events scene, protecting and celebrating our rich history and heritage.
49. Economic development provides opportunities to reinvent existing public spaces and create new vibrant areas that embrace our social and cultural diversity.

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

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

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

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

### **Engagement**

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

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

Attachment 1 - Economic Development Framework May 20



# Economic Development Framework – May 2020

STAND-UP		Short-Term	Ongoing		
		Covid-19 Response	Economic Development Research	Economic Development Marketing	Economic Development Opportunities
	Targeted Efforts	Business Support Service (Te Waka) Mighty Local campaign (HWT) Hack The Crisis (SODA, Inc.) Procurement review Economic Intelligence Sessions Economic Innovation Project Submittal of shovel-ready projects Waikato Labour Market Strategy	Industry cluster analysis Labour market analysis Business costs analysis Employer inventory Target industries/businesses	Industry overviews Value proposition(s) Sales approach – Why Hamilton? Success stories Available land/building inventory Central City opportunities (hotel, etc.) Online resources	Respond to business inquiries Host site visits/community tours Customised analytics Coordinate community resources
	Tools/Resources and Partners	Internal HCC, HCC inc., H3 Group Te Waka, Chamber of Commerce, HCBA Hamilton & Waikato Tourism Hamilton Airport	Growth Funding & Analytics Team Regional Labour Market Strategy	H3 Group Hamilton Invest website	H3 Group Hamilton & Waikato Tourism Real estate groups Commercial developers HCBA
	Tasks	Rapid establishment and response Back programs with immediate benefits	Research	Website update/upgrade	Development of resources and toolkit

ENABLE	Policies & Initiatives	Operational Support	Potential External Partners	
	Shovel-ready projects Business Support Initiative Business Improvement District Development Contributions District Plan Growth Funding Municipal Endowment Fund Revenue & Financing Sale & Disposal of Council Land	Internal HCC Te Waka Chamber of Commerce Hamilton & Waikato Tourism Hamilton Airport HCBA	Healthcare, Education, Innovation Sector Food and Primary Industries Sector Manufacturing Sector Construction / Development Sector Transport / Logistics Sector	Tourism & Events Economic Development and Advocacy Industry groups e.g. the Property Council

DELIVERY	Economic Development			Community Growth	Venues, Tourism & Major Events
	<b>Business Retention &amp; Expansion</b> Oversight of Business Support Initiative Business advocacy and policy support Commercial business relationships Commercial developer relationships Central city relationships Liaison: key partner organisations	<b>Business Attraction</b> Proactive industry targeting Proactive business targeting New business inquiries Marketing and messaging Business influencer program Liaison: Te Waka	<b>Research &amp; Marketing</b> Quarterly perspectives Industry updates Developer Forums Industry Forums	<b>Community Growth</b> Municipal Endowment Fund Peacocke & Rotokauri relationships Economic Development support Research & marketing support Special projects (i.e. IFF)  <b>Key Account Management</b> Building Control City Planning	<b>Delivery Functions</b> Major events strategy Event Sponsorship Policy H3 Group Hamilton & Waikato Tourism Hamilton Airport

Item 13

Attachment 1

# Council Report

**Committee:** Economic Development Committee

**Date:** 12 May 2020

**Author:** Jen Baird

**Authoriser:** Jen Baird

**Position:** General Manager City Growth

**Position:** General Manager City Growth

**Report Name:** General Manager's Report

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

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 - *Tuutohu-aa-kaimahi*

2. That the That the Economic Development Committee receives this report.

## Executive Summary - *Whakaraapopototanga matua*

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.

## Economic Innovation Project

4. On 4 May 2020 the first meeting for the Economic Innovation Project took place. At the time of writing this report, the agenda and approach for this meeting was being finalised. The project will take a collaborative, innovation-focused approach to seeking ways to deliver immediate solutions to support the recovery of the Hamilton economy post lockdown, and to deliver ideas, solutions, initiatives that will transform Hamilton's economy for a resilient, prosperous future.
5. While this initiative has been kicked off by the Economic Development committee of Hamilton City Council and supported by Te Waka, the goal is a partnership across sectors and across public and private organisations for the benefit of Hamiltonians.
6. A verbal update will be provided by the Chair at the meeting.

## Regular Economic Analysis

7. From 28 April 2020, the Growth Funding and Analytics team will lead a fortnightly conversation with Elected Members to discuss the latest economic information and analysis.
8. These conversations will be informed by macro-economic data, Council's own data, and intel from the business community gathered by staff from a variety of businesses across sectors and of varying size.

9. A late report to this the Economic Development Committee will share the most recent of these reports and they will be made public each fortnight at [hcc.govt.nz](http://hcc.govt.nz).

**Attachments -*Ngaa taapirihanga***

There are no attachments for this report.

## Resolution to Exclude the Public

### Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

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

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

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Confirmation of the Public Excluded Economic Development Committee Minutes - 10 March 2020	) 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 prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
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