

Notice of Meeting:

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

Date: Thursday 16 March 2023
Time: 9.30am
Meeting Room: Council Chamber and Audio Visual Link
Venue: Municipal Building, Garden Place, Hamilton

Lance Vervoort
Chief Executive

Economic Development Committee

Komiti OOhanga Whakatupu

OPEN AGENDA

Membership

Chairperson Cr Ewan Wilson
Heamana

Deputy Chairperson Cr Mark Donovan
Heamana Tuarua

Members

- Mayor Paula Southgate
- Deputy Mayor Angela O'Leary
- Cr Ryan Hamilton
- Cr Anna Casey-Cox
- Cr Maxine van Oosten
- Cr Angela O'Leary
- Cr Moko Tauariki
- Cr Louise Hutt
- Cr Kesh Naidoo-Rauf
- Cr Andrew Bydder
- Cr Geoff Taylor
- Cr Sarah Thomson
- Cr Emma Pike
- Cr Melaina Huaki

Quorum: A majority of members (including vacancies)

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

Amy Viggers
Mana Whakahaere
Governance Lead
8 March 2023
Telephone: 07 838 6727
Amy.Viggers@hcc.govt.nz
www.hamilton.govt.nz

Purpose

The Economic Development Committee is responsible for:

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

In addition to the common delegations on page 10, the Economic Development Committee is delegated the following Terms of Reference and powers:

Terms of Reference:

2. To drive and enhance Hamilton's economic position by actively promoting Hamilton.
3. To promote investment and business attraction opportunities for Hamilton and the greater Waikato region.
4. To provide advice on strategic initiatives, plans, projects and potential property developments that have a material impact upon the Hamilton economy.
5. To develop, review and monitor the implementation of the Economic Development Agenda.
6. To recommend funding levels for service contracts with Business Improvement District(s), Hamilton and Waikato Tourism and Te Waka, and any others subject to funding approval by Council through the Council's long-term plan process, and approve said contracts with relevant third parties.
7. 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 the Hamilton Central Business Association.
8. To monitor the performance of Council's major event venues operation (H3).
9. To review and monitor the implementation of Council's Event Sponsorship Policy.
10. To approve annual Event Sponsorship funding applications and monitor any grants made to external organisations under the terms of the Event Sponsorship Policy.
11. To support and assist with efforts for external partnerships on Council projects that will provide economic development opportunities for Hamilton and the region.
12. To develop and monitor policy related to the appointment and remuneration of directors of CCOs, CCTOs, and COs.
13. To provide clear direction to Council's CCOs, CCTOs, and COs on Council's expectations, including feedback on draft statements of intent.
14. To receive six-monthly reports of Council's CCOs, CCTOs, and COs, including on board performance.
15. To undertake any reviews of CCOs and CCTOs and agree CCO/CCTO-proposed changes to their governance arrangements
16. To develop policy, approve and monitor implementation of plans and strategies in relation to the performance of Council's investments in the Municipal Endowment Fund and strategic property.

The Committee is delegated the following powers to act:

- Approval of event sponsorship applications annually in accordance with the Event Sponsorship Policy.
- Approval of letters of expectation for each CCO, CCTO, and CO.

- To provide feedback on draft statements of intent for each CCO, CCTO, and CO.
- Appointments to, and removals from, CCO, CCTO, and CO boards
- Approval of proposed major transactions or constitutional adjustments of CCOs, CCTOs, and COs.
- Approval of acquisition or sale or lease of properties owned by the Council or owned by the Municipal Endowment Fund consistent with the Municipal Endowment Fund Investment Policy, for any endowment properties. Note that if the Mayor and Chair consider that a final decision is more appropriately made by Council due to its significance, they may direct that and decision remains recommendatory, requiring ratification by Council.

The Committee is delegated the following recommendatory powers:

- Approval or otherwise of any proposal to establish, wind-up or dispose of any holding in, a CCO, CCTO, or CO.
- The Committee may make recommendations to Council.
- The Committee may make recommendations to other Committees.

Recommendatory Oversight of Strategies:

- Economic Development Agenda
- Tourism, Events and Visitation Strategy

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 Policy*
- *Business Improvement District (BID) Policy*
- *International Relations Policy*

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1 Apologies – *Tono aroha*

2 Confirmation of Agenda – *Whakatau raarangi take*

The Committee to confirm the agenda.

3 Declaration of Interest – *Tauaakii whaipanga*

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

4 Public Forum – *Aatea koorero*

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

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

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

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

Council Report

Committee: Economic Development Committee

Date: 16 March 2023

Author: Chantal Jansen

Authoriser: Amy Viggers

Position: Governance Advisor

Position: Governance

Report Name: Chair's Report

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

Recommendation - *Tuutohu*

That the Finance Committee receives the report.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Economic Development Chairs Report - 16 March 2023



Chair's Report

16 March 2023

I would like to warmly welcome Cr Mark Donovan as deputy of this Committee, he brings great business experience and very valuable networks to the role.

We are living in exciting times.

Hamilton city is not alone in both the economic and environmental challenges we face. Global and, to a lesser extent, local factors that influence the economic drivers and key indicators are, for the most part, out of our direct control or influence. However, the city of Hamilton is well-placed to weather most of these challenges due to its diverse and balanced economy comprised of businesses across dynamic sectors including education, healthcare, logistics as well as technology and innovation.

Often, during challenging times, they are accompanied by opportunities, and Hamilton City is also well-placed and agile enough to develop some of these.

Economic development is a broad concept that can include many activities. Our role in the Economic Development committee is to maximise these opportunities. We will define success as improving economic well-being for Hamiltonians.

My report fits hand in glove with the general managers' report. Where more details are provided of the draft strategy and scope of work for our committee, this has been developed based on the great work led by Cr Ryan in the last term and the talented HCC staff in the economic development area. Ultimately, it's up to this committee to review and challenge the strategy and then measure and monitor the outcomes.

Committee Approach

- We recognise that our decisions have a local and regional economic impact.
- Our priorities are tied to measurable outcomes that benefit the community.

Outcomes

- Commercial Accommodations
- We will remain an advocate and enabler of new commercial accommodations in the city, aiming to confirm development plans for a 4+ star business hotel this year.

Strategic Property/MEF

- My goal when advocating for the reintroduction of the fund was to provide Council with a critical tool, making us an agile facilitator of strategic development projects.

Waikato Regional Airport

- Hamilton city has been one of the founding shareholders of the Waikato Regional Airport ever since the government sold its shares.

- In the last term Council, requested a review and analysis of the shareholding. (Note. This was not a review of the airport's management or operation.) more work needs to be done in this area.

Growth Programmes

- The Central City, Ruakura, and Rotokauri-Northwest growth programmes represent significant opportunities to capture new employment through business expansion and attraction. Hamilton city currently has a significant shortage of industrial land, which remains a barrier to growth.

Economic Development Programme

- Retention and expansion projects solidify our diverse economic base, while business attraction creates new, exciting opportunities for our people.
- Our sector-based approach will continue to focus on manufacturing, logistics, and the wider agritech, technology, and innovation sector.
- We will begin to incorporate Hamilton's healthcare sector into our work, as well as our education sector, particularly as it relates to enhancing our position as a location of choice for developing talent.
- A strategic review of Councils' shareholdings in New Zealand Food Innovation Waikato began last year and will guide future work in this space. It is the goal of economic development staff to action the findings of the review during this triennium.

Advocacy and Strategic Support

- Recognising that economic development encompasses a wide range of activity at the local, regional, and national levels, the committee will strongly advocate for those initiatives that contribute to the economic well-being of the metro Hamilton area.

Recommendation:

That the Economic Development Committee receives the report.

Ewan Wilson
Chair Economic Development Committee

Council Report

Item 6

Committee: Economic Development Committee

Date: 16 March 2023

Author: Blair Bowcott

Authoriser: Blair Bowcott

Position: General Manager Growth

Position: General Manager Growth

Report Name: General Manager's Report

| | |
|----------------------|------|
| Report Status | Open |
|----------------------|------|

Purpose - *Take*

1. To inform the Economic Development Committee on reshaping our economic development agenda for the new triennium.

Staff Recommendation - *Tuutohu-aa-kaimahi*

2. That the Economic Development Committee receives the report.

Executive Summary - *Whakaraapopototanga matua*

3. The start of a new triennium has brought with it the opportunity to work alongside Economic Development Committee Chair Ewan Wilson and Deputy Chair Mark Donovan to reshape our economic development agenda.
4. The result is a series of well-defined outcomes and a plan to allocate strategic resources to deliver results.
5. **Attachment 1** details the approach that will be followed and highlights the purpose of the Committee which is '*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*'.
6. Staff consider the decisions in this report have low significance and that the recommendations comply with Council's legal requirements.

Discussion – *Matapaki*

7. Guided by a core principle to improve economic wellbeings across the wider Hamilton metro area, we will facilitate prosperity through tangible actions.
8. The economic development programme will strengthen Council's relationships with existing businesses and proactively share our value proposition with those seeking to expand or establish operations here.
9. To help achieve this, Council's Economic Development team has recently recruited a Business Relationship Advisor and a Business Growth Advisor with professional experience in corporate sales, customer service, marketing and journalism.
10. Their work will focus on growing business investment across the key sectors identified in the previous triennium: manufacturing, logistics, agritech, as well as technology and innovation.

11. Two additional sectors, healthcare and education, have been prioritised to represent our balanced economy more accurately.
 - i. Healthcare is the city's largest sector by employment; and
 - ii. tertiary education is inextricably linked to our civic identity, contributing mightily to our dynamism and diversity.
12. Additional work that this Committee will oversee includes enabling the development of new commercial accommodation options and enhancing the performance of vital assets such as Hamilton Airport, sports stadiums and our convention venues.
13. Regular assessment of development opportunities for city-owned property and a reinvigorated Municipal Endowment Fund will both play a role in the delivering on the Committee's outcomes.
14. Regionalism will remain a cornerstone of our approach to growth. We are stronger together and will advocate vigorously for policies and projects that strengthen the Waikato while leading efforts that benefit Hamiltonians.

Financial Considerations - *Whaiwhakaaro Puutea*

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

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

16. Staff confirm that recommendation complies with the Council's legal and policy requirements.
17. Staff have considered the key considerations under the Climate Change Policy and have determined that an adaptation assessment and emissions assessment is not required for the matter(s) in this report.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

18. The purpose of Local Government changed on 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
19. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report as outlined below.
20. The recommendations set out in this report are consistent with that purpose.
21. There are no specific social, environmental or cultural wellbeings associated with this report.

Economic

22. The work of Council's Economic Development team directly supports the Economic Development Committee, which is 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.
23. Promoting Hamilton's value proposition forms the basis of efforts to promote new investment and job creation in the city.

Risks - *Tuuraru*

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

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

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

Engagement

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

Attachments - *Ngaa taapirihanga*

Attachment 1 - Economic Development Committee discussion



16 March 2023



Shaping our approach

- Economic development is a broad concept, often referring to a range of activities that improve quality of life for a community
- For Hamilton City Council, economic development is based on delivering economic wellbeing outcomes
- He Pou Manawa Taurikura (prosperity) will also shape our approach

Committee Purpose

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

Our guiding principles

- Success is defined as improving economic wellbeings for Hamiltonians
- Our priorities are tied to measurable outcomes that benefit the community
- Council considers the local and regional economic impact of their decisions
- We prioritise relationships with existing businesses and development partners
- Talent and business attraction efforts are proactive, purposeful and developed in partnership with existing businesses to align with their needs

Existing elements of economic development

- A number of programmes and workstreams within Council already contain elements of economic development

| Programme or Workstream | Examples of economic development work |
|---|--|
| Growth Programmes | Leading delivery of Future Proof Priority Development Areas such as Central City, Ruakura and Rotokauri to unlock subregional economic benefits |
| Data Analytics, Economics & Policy | Economic data (e.g. jobs, housing, commercial, migration) and analytics (e.g. growth modelling, industrial land availability and pipeline, trends/insights) |
| Strategic Property | Municipal Endowment Fund (MEF), strategic land purchases, council-owned sites |
| Tourism, events, and visitation | H3 Group, Hamilton Waikato Tourism, Hamilton Central Business Association, major event sponsorship, leveraging commercial opportunities |
| Council Controlled Organisations and Partnerships | Co-Lab, New Zealand Food Innovation (Waikato) Ltd, Te Waka, Waikato Regional Airport Limited, monitoring performance, SOI |
| Economic Development Programme | Sector-based business engagement and new investment promotion, data-driven insights and forecasts, Maaori economic development, support key initiatives (CCTP, Metro Spatial Plan) |

Targeted outcomes

Commercial Accommodation

- Confirm development plans for a new 4+ star hotel in Year 1
- New hotel under construction in Year 3

New Zealand Food Innovation Waikato

- Shareholder review and plan underway in Year 1 and completed in Year 2 or 3

Strategic Property

- Implement a process for proactively assessing land development opportunities
- Identify and propose investment options for the Municipal Endowment Fund

Hamilton Airport

- Monitor performance and strategic goals with local government shareholders
- Focus on a long-term role as part of the aviation industry and regional economy

Tourism, Events and Visitation

- Generation of visitor nights in order to:
 - Strengthen the business case for commercial accommodation development
 - Capture new business opportunities
- Increase utilisation and commercial opportunities at H3 venues, visitor attractions

Success of Growth Centres

- Central City
 - Measured increases in residential, employment and commercial activity
 - Partnerships to attract and promote events
- Ruakura
 - Enable Waikato-Tainui aspirations at Ruakura Superhub
 - Operational alignment with Tainui Group Holdings
- Rotokauri-Northwest
 - Increased investment and employment from industrial users
 - Realisation of transit-orientated development opportunities

Proactive Engagement

- Execute a business engagement and relationship plan
 - Visit at least 25 businesses from each of three key sectors: manufacturing; logistics; agritech, technology and innovation
 - Quarterly meetings with leaders from the education and healthcare sectors
 - Partnerships with commercial developers to understand market activity

Investment Promotion

- Guide and manage successful retention or expansion projects in our key sectors
- Continue to lead tech sector growth efforts alongside The Cultivate Trust
- Participate in events that showcase Hamilton to business leaders and talent

Shaping Narratives

- Develop and promote our economic development story and value proposition
- Increase an economic growth mindset across all Committee-related activities
- Publish key sector overviews and monthly economic development insights
- Upgrade digital content and increase public engagement with our website

Data-driven Decisions

- Use economic data to support additional industrial/business land designations
- Generate reporting that captures the economic impact of key projects

Advocacy and Strategic Support

- Prioritise elements of the Central City Transformation Plan that support new investment and economic growth
- Align with Hamilton Central Business Association on targeted projects
- Continue to include the Hamilton-Waikato Metro Spatial Plan vision in our work
- Advocate for Southern Links expansion related to Hamilton Airport, Titanium Park
- Support Māori economic development work led by Waikato-Tainui and Te Waka
- Work with Te Waka to expand their reach and influence on behalf of the region
- Champion policies and projects that support our tertiary education providers

Council Report

Item 7

Committee: Economic Development Committee

Date: 16 March 2023

Author: Blair Bowcott

Authoriser: Blair Bowcott

Position: General Manager Growth

Position: General Manager Growth

Report Name: External Agencies and CCO Reporting

| | |
|----------------------|------|
| Report Status | Open |
|----------------------|------|

Purpose - *Take*

1. To inform the Economic Development Committee on matters relating to external agencies and Council-controlled organisations (CCOs), including 6-monthly reports.
2. To seek the Economic Development Committee's approval of the Hamilton Central Business Association (HCBA) Annual Central City Activation Plan and Annual Budget for 2023-24, and endorsement of the draft Statements of Intent for Waikato Regional Airport Limited, Waikato Innovation Growth Ltd, NZ Food Innovation (Waikato) Ltd and Co-Lab.

Staff Recommendation - *Tuutohu-aa-kaimahi*

3. That the Economic Development Committee:
 - a) receives the report;
 - b) approves the HCBA Annual Central City Activation Plan and Annual Budget for 1 July 2023 – 30 June 2024 (**Attachment 3** to the staff report) subject to the \$100,000 budget for this being confirmed in the 2023/24 Annual Plan; and
 - c) endorses the following draft Statements of Intent:
 - i. Waikato Regional Airport Limited draft Statement of Intent 2023/24 (**Attachment 6** to the staff report);
 - ii. Waikato Innovation Growth Ltd, NZ Food Innovation (Waikato) Ltd draft Statement of Intent 2023/24 (**Attachment 8** to the staff report);
 - iii. Co-Lab draft Statement of Intent 2023/24 (**Attachment 10** to the staff report).

Executive Summary - *Whakaraapopototanga matua*

4. Under its terms of reference, the Economic Development Committee is responsible for receiving performance reports and providing clear direction to Council's CCOs, including providing feedback on draft statements of intent. It is also responsible for monitoring the performance and providing guidance on Council's relationship with external agencies including, but not limited to Hamilton Waikato Tourism (HWT) and the Hamilton Central Business Association (HCBA).

5. This report provides information to the Committee as outlined in the table below. Previously, these topics were reported as separate reports; now they are collated into one report which includes:

| External Partner/CCO | Topic |
|---|---|
| Hamilton Central Business Association (HCBA) | Six monthly reporting to 31 December 2022 |
| | Annual Activation Plan and Budget for 2023-2024 |
| Hamilton and Waikato Tourism (HWT) | Six monthly reporting to 31 December 2022 |
| Waikato Regional Airport Limited (WRAL) | Six monthly reporting to 31 December 2022 |
| | Draft Statement of Intent 2023-2024 |
| Waikato Innovation Growth Ltd, NZ Food Innovation (Waikato) Ltd | Six monthly reporting to 31 December 2022 |
| | Draft Statement of Intent 2023-2024 |
| Co-Lab | Six monthly reporting to 31 December 2022 |
| | Draft Statement of Intent 2023-2024 |

6. Staff recommend the Economic Development Committee approves the HCBA Annual Central City Activation Plan and Annual Budget for 1 July 2023 – 30 June 2024, and endorses the draft Statements of Intent for Waikato Regional Airport Limited, Waikato Innovation Growth Ltd, NZ Food Innovation (Waikato) Ltd and Co-Lab.
7. Staff consider the decisions in the report have low significance and that the recommendations comply with Council's legal requirements.

Discussion - *Matapaki*

Hamilton Central Business Association (HCBA)

8. The purpose of this report is for HCBA to present their six-monthly update across the period July-December 2022, and to seek approval for annual CBD Activation Fund plan and budget for 1 July 2023 – 30 June 2024.

Background

9. A Business Improvement District (BID) works on behalf of its members to improve a defined commercial area, funded by a levy charged on all business rate payers in the area. The Hamilton City Council BID Policy sets the process for establishing a BID and related association in return for setting the targeted rate within the defined BID area.
10. The HCBA has been established as the BID for Hamilton's central city, in accordance with the BID Policy.
11. The HCBA:
- represents the central city business voice on issues of strategic importance to the central city;
 - promotes the central city as a bustling, active, innovative, vibrant place that offers exceptional business and experiences; and
 - contributes and collaborates on projects that support the central city business economy.

12. As approved in the 2021-31 Long Term Plan, HCBA receives BID Funding of \$315,000 per annum, which is fully funded by targeted rates and is paid in quarterly instalments to support the operations of the HCBA.
13. The Strategic Plan for 2021-2024 and HCBA Activation Priorities for 2021-2024 were reported to the Economic Development Committee on 11 August 2021.

Six-monthly reporting to 31 December 2022

14. As required under the BID Policy, HCBA has provided a regular six-monthly update for the period July to December 2022 (**Attachment 1**).
15. The previous six-monthly update for January-June 2022 was reported to the Economic Development Committee on 11 August 2022.
16. HCBA continues to recognise, celebrate, support, and promote the businesses based in Hamilton's central city.
17. July-December 2022 saw the majority of the business community resume relatively normal operations without COVID-19 restrictions. This was a welcome relief for sectors with close customer contact, in particular hospitality, retail, health and beauty, and events.
18. There is significant development under way in the central city including the Waikato Regional Theatre, NZ Blood Donor Centre, the ACC build and the next stage of Union Square development, along with some smaller building refurbishment and refits.
19. Commercial enquiry has continued to be encouraging with around 50 businesses opening over the past year.
20. Spending in the central city reached record nominal levels for the December quarter, up 27.0% from December 2021, and the highest annual spend on record.
21. Challenges for businesses continue that impact the health and wealth of the business community, including the increased costs to doing business; from minimum wage increases to higher sickness allowances from increased public holidays to disrupted supply chains, combined with staffing challenges and the ongoing threat of criminal activity. It's expected the impact of the past three years on business will come to fruition in 2023, with the likely closure of new and established businesses.
22. HCBA has been working with Vahry Insurance to offer insurance for businesses in the central city who have between 5-15 employees. This opportunity will provide businesses with an additional recruitment and retention incentive by providing a Group Scheme Cover offer to employees (and families) paid by the organisation. HCBA and Vahry will present this to the business network on 10 March 2023 at Panama House.
23. The HCBA CBD Awards at the Meteor Theatre provided an opportunity to celebrate and recognise central city businesses. With a record-breaking number of entries, there was incredible business engagement across a broad range of sectors. There was a significant amount of press coverage pre- and post-awards with articles in Stuff, the Herald, NZ Business + Management Magazine, Waikato Business News, Post Glo-Box and Mediaworks radio stations.
24. HCBA's Annual Audited accounts for year end June 2022 (**Attachment 2**) are attached for information only.

Central City Activation Plan and Budget 1 July 2023 – 30 June 2024

25. Council approved continuation of funding in the 2021-31 Long Term Plan for Central City Activation for \$100,000 per annum. This fund has been paid to HCBA since 2018. This fund is subject to confirmation of the 2023/24 Annual Plan.
26. A Service Level Agreement (SLA) between Hamilton City Council and HCBA to deliver the Activation Plan and associated funding is in place for the period 2021-2024. The SLA sets out that HCBA is required to submit the Central City Activation Plan and Annual Budget each year for Council (via the Economic Development Committee) prior to the funds being released.
27. The Central City Activation Plan and Annual Budget for 1 July 2023 – 30 June 2024 is attached for the Committee's approval (**Attachment 3**).
28. The outcomes expected to be delivered through HCBA include a cohesive programme of activity that will provide vibrancy, experiences, economic benefits and create a safer environment in the central city.
29. HCBA will report regularly on progress of the Central City Activation Plan and Budget as required under the SLA for the six-month periods ending December 2023 and June 2024.
30. Vanessa Williams, General Manager of Hamilton Central Business Association, and Mike Neale, Managing Director of NAI Harcourts Hamilton, and a member of the HCBA Executive Board, will give a short update and be available for questions.

Hamilton and Waikato Tourism Limited (HWT)

31. The purpose of this update is for Hamilton and Waikato Tourism Limited (HWT) to present its six-monthly update across the period of 1 July to 31 December 2022.

Background

32. HWT is a subsidiary company under the Council Controlled Organisation (CCO) of Waikato Regional Airport Limited.
33. HWT was established from 1 July 2011 as the region's Regional Tourism Organisation (RTO). The role of HWT is to generate competitive economic benefit through regional tourism marketing, visitor sector strategies and development activities focused on increasing visitor length of stay and spend for the Hamilton & Waikato region. HWT is an ambassador of the "Tiaki Promise" programme that promotes care for New Zealand within the visitor industry and by visitors to New Zealand.
34. HWT has a three-year service level agreement with Council for 2021-2024 for \$619,356 + CPI per annum. HWT is supported by five other councils with a total funding pool across all partner Councils of \$1,217,000 + CPI. HWT also raises funding contributions and leverages its partnerships with private sector interests (2022/23 \$229K).

Six-monthly reporting to 31 December 2022

35. Under the Committee's terms of reference, the Economic Development Committee monitors the performance and provides guidance on Council's relationship with HWT.
36. During the first six months of the financial year, HWT have seen strong return of visitation across the country and within the Waikato. However, a range of challenges are being felt across tourism, events, and hospitality sectors.
37. HWT has provided a regular six-monthly update for the period July to December 2022 (**Attachment 4**).

38. Nicola Greenwell (HWT Chief Executive) will attend the meeting and give a short update.

Waikato Regional Airport Limited (WRAL)

39. The purpose of this report is for Waikato Regional Airport Limited (WRAL) to present its six-monthly update across the period of 1 July to 31 December 2022 and provide their draft Statement of Intent 2023/24 for shareholder feedback.

Background

40. The WRAL Group (comprising Hamilton Airport, Hamilton and Waikato Tourism, Titanium Park Limited and Waikato Regional Airport Hotel Limited) 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% |

41. Council's main objective in the ownership of WRAL (and its subsidiaries) is to support and provide economic growth to our community which can benefit from the opportunities WRAL provides.

Six-monthly report to 31 December 2022

42. Following recent trends and despite recent climatic turmoil, WRAL remains on track against their 2022/23 budget. Of note, has been the strong performance of the Jet Park Hotel which was been released as quarantine hotel and resumed regular trading. The property arm of the company is currently working through a land use designation as it seeks to extend its Northern Precinct Airport Zone.
43. WRAL has provided a regular six-monthly update for the period July to December 2022 (**Attachment 5**).

Draft Statement of Intent

44. The Statement of Intent (SOI) sets out the Board's intentions for WRAL for years 2024, 2025 and 2026.
45. The draft Group SOI solidifies WRAL's four core purposes to be:
- An enabler of air services to the region.
 - A supporter and developer of aviation through investment in, and provision of, airport infrastructure and support services for both general aviation and airline activities.
 - The operator of a first class, safe, sustainable, and compliant airport that connects the Mighty Waikato to New Zealand.
 - To strategically position the Group to enhance capital value and be financially self-sustaining through an income diversification strategy.
46. The draft WRAL Group SOI 2023/24 (**Attachment 6**) is available for shareholder feedback. Staff have no feedback to the draft SOI and recommend that the Committee endorses it.

47. Scott Kendall (GM Finance & Commercial) and Ben Langley (GM Airport Operations) will attend the meeting, to give a short update and be available for any questions.

Waikato Innovation Growth Ltd, NZ Food Innovation (Waikato) Ltd

Background

48. The purpose of this report is for Waikato Innovation Growth Group of Companies to present its six-monthly update across the period of 1 July to 31 December 2022 and provide their draft Statement of Intent 2023/24 for shareholder feedback.
49. Waikato Innovation Growth Ltd (WIGL) has a 70% shareholding in New Zealand Food Innovation (Waikato) Limited (NZFIWL); the remaining 30% is held by Callaghan Innovation.
50. NZFIWL has a 11% shareholding in both Melody Dairies Limited Partnership and Melody Dairies GP Limited.

Six-monthly reporting to 31 December 2022

51. Council has received the six-monthly reporting to 31 December 2022 and draft Statement of Intent 2023-24 from the WIGL Group of Companies.
52. The six-monthly report (**Attachment 7**) shows a net loss for the six months to December 2022.
53. NZFIWL is forecasted to have a cash operating deficit. This will be managed within cash reserves and NZFIWL's balance sheet, with no demand on shareholders.

Draft Statement of Intent

54. In early 2022, NZFIWL's performance and outlook prompted an internal review which resulted in recommendations related to the need for structural changes to their business and operating model.
55. Council and Callaghan Innovation commenced a separate and distinct strategic review that assessed Council's overall value proposition as majority shareholder. The work to action the recommended options is further updated in the PX section of the agenda.
56. The draft Statement of Intent 2024/25 (SOI) highlights the strategic review and the need to develop new customers for the business and assist customers with the development of new valued added milk products.
57. The draft Group SOI 2024/25 will be available for shareholder feedback. Staff will review and provide to the draft SOI with recommendation to the Committee.
58. The Group SOI 2024/25 is currently being finalised and will be provided by NZFIWL prior to the 16th March 2023 Economic Committee meeting as a late **attachment 8**.
59. The NZFIWL Board has appointed a new Chief Executive, Gary Stannard, who replaces Tony Giles. Gary Stannard will be available for questions at the meeting.

Co-Lab

Background

60. The purpose of this report is for Co-Lab to present its six-monthly update for period 1 July to 31 December 2022 and provide their draft Statement of Intent 2023/24 for shareholder feedback.
61. Co-Lab, previously known as Waikato Local Authority Shared Services (WLASS), was established in 2005 to provide local authorities in the Waikato Region with a vehicle to procure shared services. Co-Lab drives collaboration between councils and aims to improve customer service and performance, and to reduce costs.

62. Co-Lab is owned, in equal portion, by the 12 Waikato local authorities.

Six-monthly reporting to 31 December 2022

63. Co-Lab's six-monthly report is (**Attachment 9**) to this staff report. Co-Lab has a net surplus before tax of \$1.1M. This is favourable to budget by \$1.2M. This is due to some projects progressing more slowly than planned, meaning less expenditure during the period. This is expected to trend closer to budget over the second half of the financial year. The cash position is \$1.9M on 31 December 2022. Reforecasting is set to occur in March 2023 and will assess the likely year-end cash position.⁶⁵

Some of the six-month highlights:

- i. Co-Lab Water Services continued providing a high level of service over the period and highlights included raising the region's profile and sharing knowledge at industry events – the Trade and Industrial Waters Forum conference and Water NZ conference.
- ii. Co-Lab has worked with the eight councils of the Waikato Building Consent Group (WBCG) to initiate and progress the redesign of the group's Quality System Manual. The WBCG has been central to the Building Consent Cadetship investigation.
- iii. RATA has continued work with the ten Waikato Councils in the roading partnership and nine in the water collaboration partnership. For the roading councils, highlights included the appointment of a professional service provider for the long-term modelling of road pavements which will inform maintenance and rehabilitation strategies.
- iv. Waikato Regional Transport Model (WRTM) programme has concentrated on ongoing updates to the WRTM strategic model and planning for the procurement of the new Hamilton Transport Model (HTM).
- v. Co-Lab Geospatial Services (CoGS) was established as an umbrella for the Waikato Data Portal and Waikato OneView. The Waikato Data Portal provides a mechanism through which council data is made available to the community.
- vi. Structure Asset Management Services (SAMS) is the new name for the retender of two RATA bridge inspection contracts. The service aims to provide participating councils with technical information and advice.
- vii. Council Procurement Support (CPS) is a service offered by CO-Lab to assist councils that are not large enough to warrant a dedicated procurement resource with providing procurement and tendering advice, coaching and mentoring council staff and otherwise monitoring procurement performance.

Draft Statement of Intent 2023/24

64. The Statement of Intent (SOI), refer (**Attachment 10**), sets out the Board's intentions for Co-Lab for years 2024, 2025 and 2026. The draft is available for shareholder feedback.

65. Primary objectives of the Company to note in the draft Statement of Intent:

- i. Develop opportunities that benefit the Waikato region's local authorities; and
- ii. Act as a vehicle to deliver value-added services to those local authorities.

66. Focus areas beyond business as usual include:

- i. Co-Lab Councils: Right People, Right Place – attracting and retaining talent in an increasingly tight labour market and appointing from the same pool;
- ii. People Post 3 Waters (PP3W) – the risk that people are lost from the local government sector when they needn't be;

- iii. Democracy Centre of Expertise – developing capacity to assist councils in improving levels of engagement with their communities and analysing their needs;
 - iv. Low-Hanging fruit – delivering projects not necessarily transformational but do add benefit.
- 67. Opportunity development projects identified are noted below and addressed in more detail on page 10 of (**Attachment 10**):
 - i. Customer Digital Enablement (CDE) – a digital means of engaging with council for those in the community;
 - ii. Shifting Landscapes – supporting councils facing significant central government reform;
 - iii. Establishing an Asset Management Centre of Expertise (AMCE);
 - iv. Building Consent Cadetship;
 - v. WRTM Governance & Management;
 - vi. Asset Valuations and Benefits realisation; measuring benefits to quantify value added.
- 68. The financial forecasts reflect the impact of the 3-Waters reform. This impact is felt from 1 July 2024 with reduced revenue streams from this period. There is a small profit budgeted for in FY23 and then operating losses for the remainder of the forecast period. The expectation is to identify revenue streams to bridge that gap.
- 69. How Co-Lab intends to measure performance remains the same.
- 70. Co-Lab's targets are for a three-year forecast period and form the baseline from which they will continually seek to improve.
- 71. Co-Lab's Chief Executive, Kelvin French, will attend the meeting virtually and be available for questions.

Options

HCBA Central Activation Plan and Annual Budget for 1 July 2023 – 30 June 2024

- 72. There are two reasonable and viable options for the Committee to consider –
 - Option 1** **Approve** the HCBA Central City Activation Plan and Annual Budget for 1 July 2023 – 30 June 2024;
 - Option 2** **Do not approve** the Central City Activation Plan and Annual Budget for 1 July 2023 – 30 June 2024.
- 73. Staff recommend Option 1 – approve the Central City Activation Plan and Budget for 2023-2024 (**Attachment 3**) as it remains consistent with the approved HCBA Activation Priorities and SLA for 2021-2024, and puts a key focus on:
 - i. Culture;
 - ii. Sports and Leisure;
 - iii. Play and Celebration.
- 74. In alignment with the SLA, once the Committee approves the Central City Activation Plan and Annual Budget for 2023-2024, the funding of \$100,000 will be paid in one lump sum to HCBA in July 2023. This enables HCBA to leverage the fund in the most efficient and effective manner, to deliver the agreed outcomes.

WRAL draft Statement of Intent 2023/24

- 75. There are two reasonable and viable options for the Committee to consider:
 - Option 1** **Endorse** the draft WRAL Statement of Intent 2023/24, with no changes or feedback;

Option 2 Provide feedback on the draft WRAL Statement of Intent 2023/24;

76. Staff recommend Option 1, that the Committee endorse the draft WRAL Statement of Intent 2023/24 with no changes. The SOI remains consistent with the expectation of Council and continues to ensure the objectives of a highly strategic asset for the city and region.

WIGL / NZFIWL – draft Statement of Intent 2023/24

77. There are two reasonable and viable options for the Committee to consider:

Option 1 Endorse the draft WIGL / NZFIWL Statement of Intent 2023/24, with no changes or feedback;

Option 2 Provide feedback on the draft WIGL / NZFIWL Statement of Intent 2023/24.

78. Staff recommend Option 1, that the Committee endorse the draft WIGL / NZFIWL Statement of Intent 2023/24 with no changes.

Co-Lab draft Co-Lab Statement of Intent 2023/24

79. There are two reasonable and viable options for the Committee to consider:

Option 1 Endorse the draft Co-Lab Statement of Intent 2023/24; with no changes or feedback;

Option 2 Provide feedback on the draft Co-Lab Statement of Intent 2023/24;

80. Staff recommend Option 1, that the Committee endorse the draft Co-Lab Statement of Intent 2023/24 with no changes.

Financial Considerations - *Whaiwhakaaro Puutea*

81. The budget for HWT funding was approved in the 2021-31 Long Term Plan.
82. The budget for HCBA BID Funding for the HCBA has been approved in the 2021-31 Long Term Plan and includes \$315,000 per annum that is fully funded by a targeted rate.
83. As per the BID Policy, payment is made in quarterly instalments. The payment for Q3 of the 2022-23 financial year has been paid.
84. The Central City Activation Fund has been approved in the 2021-31 Long Term Plan and includes \$100,000 per annum for Years 1–3.

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

85. Staff confirm that the staff recommendations to approve funding complies with the Council's legal and policy requirements.

Climate Change Impact Statement

86. There are no known climate risks or adaption opportunities associated with this option.
87. There is no change in greenhouse gas emissions associated with this option.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

88. 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').

89. 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.

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

Social

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

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

93. HCBA supports people to be healthy and happy through the activities in the Central City to, helping to make Hamilton a great place to play and be active.

94. Many elements of HCBA's work ensures that Hamilton is a place where people feel safe. This includes:

- i. conducting an annual city safety survey of the Central City business community;
- ii. actively supporting City Safe and distributing information to new businesses;
- iii. partnering in Safe Zone provided to students during Orientation Week;
- iv. providing submissions to Council on projects and policies impacting the Central City;
- v. initiating monthly drop-in sessions with the Police to support businesses.

95. HCBA supports making the central city inclusive and accessible to all and has supported initiatives from community groups to advance this including iBeacon, Emerge Aotearoa, Age Concern and Rotary.

96. HCBA continues to hold monthly meetings with the Police and report feedback from the business community.

Economic

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

98. 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.

99. Activities undertaken by HCBA to help Hamilton have a thriving, sustainable business sector include networking events, central city promotion and social media marketing to support economic activity.

100. HCBA supports technology initiatives and helping Hamilton become a hub for innovation via their Cultivate IT partnership.

101. Enabling individuals and businesses to prosper is achieved by HCBA's promotion and support of commercial activity in the Central City.

102. The vision of Co-Lab is: *"Our Councils are maximising the value they provide to their communities"*, thereby contributing to economic wellbeing.

103. Waikato Innovation Growth Ltd (WIGL) contributes to economic wellbeing as the majority shareholder of New Zealand Food Innovation Waikato (NZFIWL) which promotes and enables innovation in the food industry.

Environmental

- 104. Hamilton and Waikato Tourism supports and promotes the local and regional natural environment and green spaces that make Hamilton a great place to live, work, play and visit.
- 105. HCBA's efforts are part of wider initiatives to restore an Waikato Innovation Growth Ltd. (WIGL) contributes to economic wellbeings as the majority shareholder of New Zealand Food Innovation Waikato (NZFIWL) which promotes and enables innovation in the food industry to protect the health and wellbeing of the Waikato River. They have actively pursued river activations through the CBD Activation Priorities and activities supporting environmental initiatives.
- 106. HCBA has purposefully selected awards venues for the CBD Celebration Awards facing the river to honour, enhance and protect our environmental treasures like the Waikato River and have included a sustainability award to recognise businesses successfully implementing sustainable initiatives.

Cultural

- 107. Hamilton and Waikato Tourism has a goal that by 2025 the Hamilton and Waikato region will be recognised by visitors as the home of Kiingitanga with exceptional visitor experiences that enable the visitor to immerse themselves in our unique Māori culture.
- 108. Our city values, respects, protects, and promotes the treasured status of tangata whenua, acknowledges our shared history and celebrates our cultural identity and heritage, underscored by HCBA's support and promotion of culture initiatives in the Central City including the Te Ahurei Maaori Tourism CBD heritage walk.
- 109. Vibrant and attractive public spaces are part of the CBD Activation Priorities, which is supported by HCBA. HCBA supports and promotes the central city through promotion, media, and initiatives.
- 110. Hamilton's rich history and heritage are valued, protected, and celebrated by HCBA's support of cultural initiatives and a diverse range of activations through the CBD Activation Priorities and their promotion of Central City businesses supports local communities.
- 111. Efforts to have a thriving arts and events scene are supported by HCBA's collaboration with organisations to support the implementation of arts and events in the Central City.

Risks - *Tuuraru*

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

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

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

Engagement

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

Attachments - *Ngaa taapirihanga*

Attachment 1 - HCBA six-monthly report to 31 December 2022

Item 7

Attachment 2 - HCBA Annual Audited Accounts to June 2022

Attachment 3 - HCBA Annual Activation Plan and Budget 1 July 2023 to 30 June 2024

Attachment 4 - HWT six-monthly report to 31 December 2022

Attachment 5 - WRAL six-monthly report to 31 December 2022

Attachment 6 - WRAL draft Statement of Intent 2023/24

Attachment 7 - WIGL / NZFIWL - six-monthly report to 31 December 2022

Attachment 8 - WIGL / NZFIWL - draft Statement of Intent 2023-2024

Attachment 9 - Co-Lab six-monthly report to 31 December 2022

Attachment 10 - Co-Lab draft Statement of Intent 2023-2024

Hamilton Central Business Association (HCBA) SIX MONTHLY GM REPORT JULY – DECEMBER 2022

Item 7

Attachment 1



Hamilton Central
Business Association

The last six months of 2022 saw the majority of the business community able to resume relatively normal operations without Covid-19 restrictions. This was a welcome relief for those sectors who have close customer contact, in particular hospitality, retail, health & beauty and events.

Challenges however, continued to exist, as businesses found a level of unpredictability in visitor numbers from the general public in their shopping and dining habits, to many employees continuing to work from home. In addition, there have been a number of increased costs to doing business; from minimum wage increases to higher sickness allowances from increased public holidays to disrupted supply chains, combined with enormous staffing challenges and the ongoing threat of criminal activity. This has significantly affected the health and wealth of the business community. It is expected the impact of the past three years of business interruption and challenges will come to fruition in 2023, which will likely see the closure of some new and established businesses.

On a positive note, the central city has continued to benefit from significant development, including the Waikato Regional Theatre, NZ Blood Donor Centre, the ACC build and the next stage of Union Square development, along with some smaller building refurbishment and refits. This obvious investment has provided a high point for the city and continues to give confidence to new business setting up in Hamilton's CBD, with approximately 50 businesses opening over the past year.

As the development momentum continues in 2023, Hamilton City Council investment in central city improvements to infrastructure and streetscape, including footpaths, lighting, signage and amenity, will ensure the city centre remains a destination for shopping, dining, entertainment and business.

EFFECTIVE OUTCOME 1 - ADVOCACY

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

1. Submissions:

- HCBA submitted to the Creative Communities Fund in support of the Hamilton Arts Festival.
- HCBA submitted on the Hamilton Urban Growth Strategy for central city, transport corridors and greenfield residential.
- HCBA have provided feedback on the process for opening a hospitality venue in the CBD and the development of an online system.
- HCBA completed the Te Waka business sentiment survey.
- HCBA interviewed for feedback on the proposed Local Alcohol Policy.
- HCBA submitted to the Creative Communities Fund and Manatū Taonga Cultural Sector Regeneration Fund in support of the Boon Street Art Festival.
- HCBA submitted to the Aged and Accessibility Policy for Council to support central city development.
- HCBA provided feedback to the draft Hamilton Parking Policy.
- HCBA provided a transportation submission for Waikato Regional Council.

2. Central city

- HCBA lobbied for additional seating to be added to the gravel area in Garden Place. These were repurposed from the Innovating Streets furniture and installed in July.
- HCBA has supported the installation of a hangi pit in Garden Place, to be able to be utilised by business and community groups after successful usage during Matariki Ki Waikato.

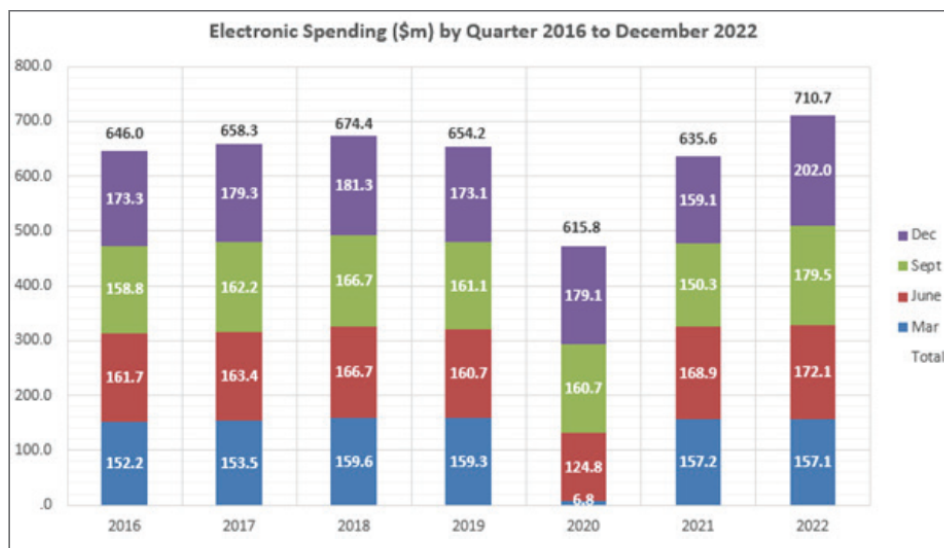
- HCBA provided feedback to the development of the central city design guidelines.
- HCBA attended the Council's Growing Our City Developers Forum at Hamilton Lake.

3. Commercial and residential development

- HCBA held two 'sold out' development tours in conjunction with NAI Harcourts which included visits to the Tower Building above Centre Place, the converted Ward Lane luxury apartment, Designwell, Novotel & Ibis Tainui, Edwards White Architects and Bettle Advertising. This was extremely well received with incredible feedback from participants.
- After the success of these two commercial 'behind the scenes' tours, HCBA is working with NAI Harcourts on a tour of North end town developments to launch in March.

4. CBD trends

CBD spend data

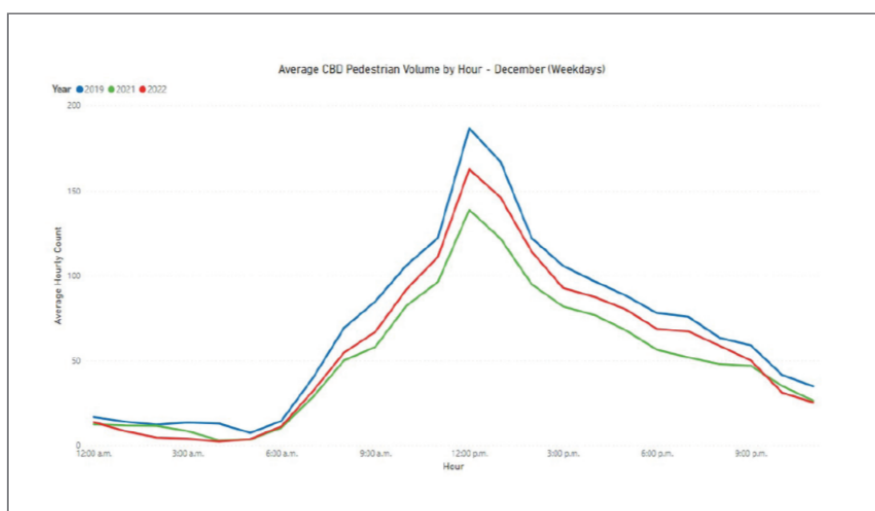


- Spending in the Central City Zone reached record nominal levels for the December Quarter, up 27.0% from December 2021 and the highest annual spend on record.
- This was, similarly to the rest of Hamilton, led by a rebounding Accommodation and Hospitality sector, which was up 87.9% from the same quarter last year.
- Note that the 2022 Accommodation and Hospitality spending was only \$0.2 million up from 2020, hence this should be viewed as a rebound and not growth in this sector.
- In alignment with the Hamilton region, the leading sector in terms of year-on-year growth was the Fuel and Automotive sector, up 51.4% from December 2021.
- It should be noted that inflation will be a factor in this increased spend, with average transaction spend increased by \$3, with spending in the Fuel and Automotive sector rising by \$9 per transaction.
- In terms of the distribution of those who spend in the CBD, Local Hamiltonians made up 60% of the total spend, those from the rest of the Waikato region made up 27%, and those from outside the Waikato region accounted for the final 13%

- The number of Accommodation and Hospitality vendors decreased by 11 to 181, the lowest number on record, additionally, Apparel and Personal reduced by 2 vendors and Grocery and Liquor by 3 vendors.
- Although this is a positive end to 2022, it should be noted that recession impacts are expected to be prevalent in 2023, which will likely see spending shift towards necessary goods and services and away from luxury goods and services.

CBD pedestrian data year ending December 2022

- Pedestrian counts across most locations have increased in 2022 compared to 2021 (up 9.6%).
- Overall, the number of people moving around the CBD is still down on 2019 (pre Covid) numbers. However some locations are doing better, weekdays most noticeably Alexandra Street and South Victoria Street (Union Square & Waikato Regional Theatre development areas) and on weekends it is the shopping areas Barton St, Ward St, Worley Pl, south Victoria St, Collingwood St and Alexandra St.
- Weekends are almost the same as pre-covid levels – it's just the weekdays where we have less foot traffic, particularly in the midday and afternoon peak times.



CBD retail occupancy survey (CBRE Research & NAI Harcourts)

The retail vacancy rate decreased marginally from 5.6% in December 2022 to 5.5% at the end of June 2022. Figures to end of December have not yet been released, however it is anticipated the vacancy figure will rise in response to current market conditions.

CBD office occupancy (CBRE & NAI Harcourts)

Office vacancy increased from 7% to 8.5% to the end of June 2022. Stable in grade A stock at 3.1% with the majority impact in secondary stock mainly in grade B and D. It is again anticipated that the vacancy figure will rise when the December 2022 data is released.

5. Central city safety and wellbeing

HCBA are working with the Crime Unit of Waikato University on a research project

“Preventing Ram Raids” to be completed over Summer 2022/23. HCBA has provided an assessment of 220 retailers as high, medium or low risk and will work with the team to approach high risk businesses to participate.

6. Buying local

HCBA has continued to run the Love the Centre brand with giveaways, promotions and city centre branding throughout 2022. Lovethecentre.co.nz will continue to be utilised for event promotion for the central city.

EFFECTIVE OUTCOME 2 - COLLABORATION

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

1. Economic development initiatives:

Marketing Association

HCBA attended a small business evening, providing marketing initiatives and ideas at the ASB Backing Small Business event held at Panama Square.

Soda

HCBA provided pitch feedback to Rise-up Entrepreneurial shortlisted entrants. HCBA then attended the Rise-Up event held by Soda, a fantastic evening of female entrepreneurs recognised with the winner, Finery, receiving a \$10,000 cheque for international expansion.

BIDs

HCBA successfully hosted 40 BIDs (Business Associations, Town Centres and Town Managers) from around the North Island for a one-day conference in Hamilton. The agenda was heavily dominated with the sharing of successful ideas and projects, guest speaker Jason Dawson presenting on Air NZ and an evening showcasing Hamilton's CBDs. An incredibly beneficial event that will continue and be moved to another location in 2023.

HCBA is working with HCC to consider proposed BID changes including a revenue increase of existing members via an acceleration amount, a BID expansion area to include all business in the HCC CBD boundary and an additional BID for businesses in Hamilton East. All considerations would need to be ratified via the HCBA AGM in August 2023 to be submitted to Council by the December deadline for the annual plan 2024.

NIB Insurance Partners

HCBA has been working with Vahry Insurance around an insurance offering for businesses in the CBD who have between 5-15 employees. This opportunity would provide businesses with an additional recruitment and retention incentive by providing a Group Scheme Cover offer to employees (and families) paid by the organisation. HCBA will benefit from a referral fee for any businesses that sign up. HCBA and Vahry will present this to the business network on 10 March in Panama House, where businesses will be invited to come down for a 'Business Warrant of Fitness' check. Day contributors will include NIB, Vahry Insurance, Maisey Harris & Co and Craigs Investment Partners.

CBD Award Winners

HCBA worked with Moving Media on the creation of a three-minute promotional video of the central city featuring the CBD Award winners from 2022. This has been provided to economic development agencies, Hamilton Waikato Tourism, the media

and HCBA to showcase the CBD business community.

Neat Places

The 6th edition of Neat Places has been completed, featuring Found Store on the cover, with an additional 32 businesses profiled. Neat Places has been distributed throughout the central city business community, including hospitality venues, accommodation providers, tourism providers and supplied to major events & conference attendees. In addition, Neat Places and HCBA have showcased profiled businesses on social media channels.

New Businesses

HCBA facilitated, with assistance from NAI Harcourts, an Auckland spice wholesaler to move operations to the CBD. This has been set up as a sublease to the existing Hazel Hayes site on Victoria Street, not currently operating as a retail sale base, but hoping to upscale over the next 6-12 months.

HCBA has welcomed and promoted 23 new businesses into the CBD over the past six months (July – December 2022). Full list of businesses in appendix 1.

Matariki

HCBA created a Matariki star guide activation for Matariki Ki Waikato in 2022, including storytelling, graphics, a tour map and collaboration with seven local business. HCBA has added to this resource with the production of an audio tour to enhance the experience.

HCBA has called out to businesses for expressions of interest in creating a Matariki event for the Matariki Ki Waikato programme 2023. HCBA discussed the idea around creating an event showcasing the 'Rising Stars' of the CBD, focusing on talented young people in fashion, jewellery, hospitality, hairdressing and art, where an invited guestlist could come along to a collaborative evening featuring people and products. Planning will continue in 2023.

CRM Database

HCBA is working with Cloudland on the development of a CRM to include all existing databases, communications and promotional opportunities via a centralised dashboard. This commenced in December 22 and is expected to be completed in early/mid 2023 for CBD businesses and property owners.

2. Partnership and networking opportunities

- HCBA soft launched the Waikato Berry Festival to the central city hospitality sector in November 2022. A limited number of venues profiled 'berry' specific dishes.
- HCBA, H3 and HWT co-hosted a FIFA event for the business and tourism operators in advance of the FIFA tournaments to be held in Hamilton in 2023.
- HCBA hosted the CBD Progressive Dinner highlighting six hospitality venues in the central city, which was a 'sold out' event. Due to the ongoing success of this event, it will now be held bi-annually in March and November.
- HCBA attended the Property Council awards at the Atrium.
- Social Business conducted from June to December in table below:

| DATE | VENUE |
|---------|--|
| 30 June | Red Bricks – Momentum Share the Stage – COMPLETE |
| 20 July | Union Square Collab with Property Council – COMPLETE |



| DATE | VENUE |
|--------------|--|
| 21 July | Development Tour - COMPLETE |
| 29 July | Development Tour - COMPLETE |
| 15 August | Sustainability Event - Hamilton Waikato Tourism and HCC - COMPLETE |
| 31 August | BIDs Conference - Panama Square - COMPLETE |
| 21 September | AGM - Craigs Investment Partners COMPLETE |
| 12 October | HCBA Awards COMPLETE |
| 17 November | Police Crime Prevention Seminar, Genesis Building - COMPLETE |
| 22 November | FIFA MEMA Event with H3 and Hamilton Waikato Tourism - COMPLETE |
| 14 December | HCBA Christmas Function - Patrons Bar Hood Street COMPLETE |

3. CBD safety initiatives

- HCBA meets monthly with Senior Sergeant Scott Miller regarding police action and initiatives within the CBD.
- HCBA facilitated the Police to be at the Hamilton City Council Neighbourhood Day.
- HCBA attended the Retail NZ & Police crime prevention webinar - HCBA provided a summary of material to central city retailers.
- HCBA met with Community Safety Patrols of NZ to discuss safety plans for the city.
- With the ongoing issues of ram raids and burglary affecting the retail sector, the hospitality sector and beyond, HCBA provided an evening for businesses to attend with the Police at the City Safe offices (in the Genesis building) and the opportunity to see the central city camera network in operation. Although a small turnout, the evening provided some key information for businesses and the opportunity to ask questions directly to the Police. As a direct result of this event, a retail Viber group has been initiated for retailers providing a safe space to share information and images.

4. CBD accessibility initiatives

HCBA provided feedback on the Age Friendly Action Plan for implementation in 2023.

5. Ambassador Programme

Resuming in 2023, Hamilton Waikato Tourism will again be facilitating the course, having been funded by NZ Tourism to provide free for a limited time to attendees. HCBA has met with HWT to work through the course outline. HCBA encourages all elected members to participate in the programme.

6. Executive Committee

The AGM was held in September and the following Executive Committee was voted on:

- Dwight Egelhof - Craigs Investment (Chair)
- Mike Neale - NAI Harcourts (Treasurer)
- Connie Chittick - Waikato Regional Council
- Julie Ashby - Wintec
- Alicia Platje - Precious Metals Hamilton
- Abby Camp - Novotel Tainui

- Fabian Pathirana – Spark Business
- Craig Loveday – Ernest
- Chelsea Fleetwood – Body Fit Training Hamilton CBD
- James McIlvar – Tainui Group Holdings
- Rory McKenzie – Maisey Harris & Co

7. Governance roles and responsibilities

HCBA Governance:

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

Contributor to:

- Aged/Accessibility Friendly City Group
- Waikato Film Office, Boon Street Art Festival and Nourish Magazine
- Council plans for safety, transportation and central city
- NZ Mentor – mentoring a clinical nutritionist from January – December 2022
- Soda Inc panel member until December 2022

EFFECTIVE OUTCOME 3 – PROMOTION

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

1. Social media engagement

HCBA is considering a Tik Tok proposal for 2023 to highlight businesses and offerings in the CBD. This will be branded under the Love the Centre brand.

Facebook Page Followers: 44,642 - Instagram Page Followers: 3,069 - New Followers: 892

A snapshot below of Social Media Posts that include promotion of special deals, events, giveaways, new businesses, product offers.

New Businesses

- Family Garden Centre – reach 43.6K | comments 771 | shares 33
- Up In Smoke – reach 23.4K | link clicks 356
- El Mexicana Restaurant – reach 35.2K | comments 567 | link clicks 705
- Razzle Dazzle Cakes – reach 17.5K

Giveaways

- \$100 Bank Bar & Brasserie voucher – reach 12.K | 398 entries
- School Holiday Activities in the city \$100 voucher giveaway – reach 11.6K | link clicks 3.6K

Events

- All Black Fan Zone event in Garden Place – reach 15K
- Halloween in the City – reach 31.4K | link clicks 162 | shares 109
- CBD Award Winners – reach 9.8K / post clicks 2.5K
- Festive Fun in Garden Place – reach 19K
- Garden Place Movies – reach 29.5K

Business Profiles

- Stuff article - Hart Jewellers Lynley & Clive Hart retiring – reach 16K

- Trek n Travel celebrating 25 years - reach 16.8K | post clicks 225
- Business Showcase Reel - Hanrad Bespoke Rugs - reel 4655
- Flex on Demand (Book it for a buck) - reach 24.7K | link clicks 356 | shares 58
- Kushi Korean Restaurant buffet announcement - reach 50.3K | comments 1.1k | 33 shares
- New Menu at Mexico - reach 29.4K
- Trade Aid 30% off baskets - reach 16.8K | post clicks 1.1K

2. Sector specific initiatives

Sustainability

- HCBA in partnership with Again & Again clothing consignment retailer, have signed off a design for a living footpath sign. This is expected to arrive in early 2023 and is hoped to inspire other businesses to look at similar sustainable signage opportunities.

Tech

- HCBA is looking at the technology potential for maximisation of private inner-city carparks with key developers. This could include better utilisation of day and night parks to cater to different sectors of the business community.

Retail

- HCBA attended the NZ Property Council Retail Conference in Auckland in November, which provided useful insight into retail trends now and in the future. The emphasis on retail is creating more than a shop offering, by looking at opportunities to provide meaningful experiences. The ongoing issue of retail crime was also a key discussion point.

Hospitality

- HCBA is continuing work with Hamilton Waikato Tourism on the development of a Berry Festival for the region. With a view to keeping it small this year, a number of CBD businesses provided a 'berry offering' that was promoted in November. It is intended to further develop the Festival opportunity in 2023.
- HCBA is working with Hamilton Waikato Tourism on a 'Mark of Excellence' brand of the hospitality sector. This is currently under development.

Arts

- The Women's Rugby World Cup hoarding was installed on Victoria Street as a promotional tool for the rugby event.
- HCBA has worked with the Boon Street Art team to provide tours of artworks - two tours are in place for October.
- HCBA attended the launch of the Hamilton Arts Festival and Boon Festival.

3. Profile raising activities

- HCBA interviewed by Stuff, NZ Herald, Waikato Business News and Free FM about the CBD Awards.
- HCBA interviewed by Stuff on ramraids.
- HCBA met with Stuff to discuss potential business stories, including businesses in the central city that have existed over 50 years.
- HCBA had Hood Street Bistro (formerly Memento) profiled on Stuff.
- HCBA interviewed by News Hub and Stuff on Waikato Economic Recovery.
- HCBA interviewed by Stuff for opinion on Hamilton to Kirikiriroa name change, with the article also featuring in Economic Development NZ newsletter.
- Interviewed by Stuff for article on new businesses opening in the CBD.

- HCBA judged round one of the TVNZ Marketing Awards held in Auckland.
- HCBA interviewed on Free FM.
- HCBA attended the University of Waikato Distinguished Alumni event.
- HCBA interviewed by NZ Management + Marketing Magazine on the CBD Awards.
- HCBA interviewed by The Breeze morning radio on the CBD Awards.
- HCBA interviewed by Waikato Business News on the CBD Awards.
- HCBA interviewed by Hamilton Press on the CBD Awards.
- HCBA interviewed by Denise Irvine for Stuff column supporting Trek n Travel's 25 years in business.
- HCBA competed a series of questions for Jack Tame Q & A to Hamilton West candidates.
- HCBA interviewed for Stuff on retail crime.
- HCBA was interviewed by Free FM for a 30 minute programme on all things CBD.
- HCBA interviewed by Stuff on Christmas shopping.
- HCBA interviewed by Stuff on crime in the city.
- HCBA interviewed on Free FM every month to discuss happenings in the CBD.

4. Public space activation

HCBA has had the funding signed off for the next three years to undertake activation in public spaces in the CBD. A number of events over the six months July – December 2022, were impacted by the weather resulting in postponements and cancellations.

OCTOBER

Neighbourhood Day, Garden Place, 1-4pm, 8 October

HCBA supported with Electrify e-bike rides, live music on the stage and Enchanted Disney characters.

Movies in the Park, Garden Place, 6-9pm, September & October

HCBA supported Atticus American Treats to put on outdoor movies in Garden Place with Enchanted Disney characters.

NOVEMBER

Gumboot Friday

HCBA developed a 5km central city walk event in gumboots and completed this with staff from Craigs Investment Partners on 4 November 2022.

DELAYED EVENT Halloween Movies, Garden Place, 12-10pm, 5 November

HCBA arranged outdoor movies, bands on the stage, Boon Street Art tours and a Lime Scooter Scavenger Hunt.

Round the Bridges, Garden Place, 8-12pm, 13 November

HCBA sponsored the 6km event and presented the prizes at the prize giving ceremony following the race. This was a sell-out event.

Glow Ride & Rave, Garden Place, 12-9pm, 19 November – Postponed to February the Hamilton Arts Festival due to weather.

HCBA supported the postponed dance battle in Civic Square, Pops Games and Enchanted Disney characters (originally scheduled for Neighbourhood event date of 1 October).

Boon Street Art Festival, 25-27 November, central city & Dinsdale, November

HCBA sponsors and supporters of the event.



Christmas Tree Lighting, Garden Place, 26 November – Cancelled due to weather.
HCBA tree and activity sponsors.

DECEMBER

First Credit Union Christmas Parade, Anglesea Street, 4 December
HCBA sponsors and parade contributors.

Market Day, Casabella Lane – 10-4pm, 10 December – this may move to the library and Garden Place, as a wet weather contingency
HCBA sponsors and organisers.

Christmas in CBD 19-23 December
HCBA have organised facepainting, Disney characters and Christmas activations supporting CBD Christmas activity.

JANUARY/FEBRUARY 2023

HCBA are working with the Rugby 7s, Chinese Lantern Festival, Hamilton Arts Festival and FIFA Pre-tournament events for 2023.

5. Advantage Club

HCBA produce a fortnightly update to Advantage Club subscribers which includes CBD events, news, special deals and the latest business openings with two lucky subscribers each month winning a \$50 voucher from a central city business.

- December 2022 winners received \$50 vouchers for Nice Studio Ward Street and Penang Street Food voucher on Victoria Street.
- November 2022 winners received \$50 vouchers for Again & Again and Wild Flower on Alexandra Street.
- October 2022 winners received \$50 vouchers for Up In Smoke (Centre Place Dining Lane) and Patrons Brewing on Hood Street.
- September 2022 winners received \$50 vouchers for Family Garden Centre and El Mexicana voucher on Victoria Street.
- August 2022 winners received \$50 vouchers for Escapist on Bryce Street and Alba Beauty on Collingwood Street.
- July 2022 winners received \$50 vouchers for the Escape HQ on Liverpool Street and Heidi Christian Hair in Casabella Lane.

6. CBD Celebration awards

The CBD Awards provided a fabulous opportunity for businesses to be recognised and celebrated with their peers.

At the beginning of the evening, with the weather holding to an ambient temperature, guests were treated to a live jazz band in the Ferrybank Park, while enjoying a Good George cocktail. The development highlight was the Ferrybank Park expansion with the demolition of the Municipal Pools.

The main CBD Awards were held at The Meteor theatre across the road, sponsored by Spark Business and supported by Mediaworks. This was definitely a highlight awards evening, with the Meteor transformed into a formal space and a range of attendees from the business community, through to key stakeholders. With a record-breaking number of entries, it was incredible to see business engagement across such a broad range of sectors and Kelvyn Eglinton was superb as MC. The evening was a great success and certainly reinforced the need to continue with a CBD annual award offering.

There was a significant amount of press coverage pre awards with articles in Stuff, the Herald, NZ Business + Management Magazine and Waikato Business News. Post awards media activity continued with coverage in Stuff, Waikato Herald, NZ Business + Management Magazine, Waikato Business News, Glo-Box and Mediaworks radio stations.

Dwight Egelhof - Craigs Investment Partners
Chair HCBA
December 2022

APPENDIX ONE**NEW BUSINESSES JULY 2022 – DECEMBER 2022**

Retail – 6 | Health & Beauty – 4 | Professional – 2 | Hospitality – 11

Total – 23

The Crust Pizza Bar – 27 Collingwood Street

Swallow in the City – 109 Ward Street

Hood Street Bistro – Corner Victoria and Hood Street (Refurbishment)

Hello Rosie – 9a Casabella Lane

El Mexicano Zapata Mexican Cuisine – 211 Victoria Street

Natures Spa – Casabella Lane

Legacy Funerals – 513 Anglesea Street

Patrons Brewing Co. – 29a Hood Street

Nice Studio – 1 Ward Street

Jacz Gastro Pub – 391 Victoria Street

Up in Smoke – 45 Bryce Street

Golden State Coffee – 4 Thackeray Street

Wild River & Co Floral Studio – 130 Alexandra Street

Little Split P – Preloved Kids Stuff – Cnr Victoria & Liverpool Street

Penang Street Food – 941A Victoria Street

The Crate Flexible Office Space – 526 Victoria Street

Rabbit Tea – 103 Alexandra Street

SS Hair Design – 36 Ward Street

Maple & Co Hair Salon – 125 Ward Street

Lois Ryan – 4/384 Victoria Street

Rebecca O – 313 Barton Street

Razzle Dazzle Cakes – 148 Ward Street

Mindwell – Life Change Consultant – 24 Garden Place

Special Purpose Financial Report

Hamilton Central Business Association
For the year ended 30 June 2022

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Directory

Hamilton Central Business Association For the year ended 30 June 2022

Nature of Business

Promotion and development of business in the Hamilton CBD

IRD Number

104-245-730

Chartered Accountant

Tak CA Limited

Hamilton

Auditor

Hart & Co

Auckland

Bankers

ASB Bank Limited

Hamilton

Approval of Financial Report

Hamilton Central Business Association
For the year ended 30 June 2022

The Executive Committee is pleased to present the approved financial report including the historical financial statements of Hamilton Central Business Association for year ended 30 June 2022.

APPROVED

For and on behalf of the Executive Committee



Chairperson

Date 15/07/2022



Executive Committee Member

Date 15-7-2022

Hart&Co
NORTH SHORE**HAMILTON CENTRAL BUSINESS ASSOCIATION INC**
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 30 JUNE 2022**Report on the Performance Report**

To the Trustees and Board of the Hamilton Central Business Association Inc

Opinion

We have audited the performance report of Hamilton Central Business Association Inc, which comprises the trust directory, the statement of service performance, the statement of financial performance and statement of cash flows for the year ended 30 June 2022, the statement of financial position as at 30 June 2022, and the statement of accounting policies and other explanatory information.

In our unqualified opinion:

- a) the reported outcomes and outputs, and quantification of the outputs to the extent practicable, in the statement of service performance are suitable;
- b) the accompanying performance report presents fairly, in all material respects:
 - the entity information for the year then ended;
 - the service performance for the year then ended; and
 - the financial position of Hamilton Central Business Association Inc as at 30 June 2022, and its financial performance, and cash flows for the year then ended.

Basis for Opinion

We conducted our audit of the statement of financial performance, statement of financial position, statement of cash flows, statement of accounting policies and notes to the performance report in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)), and the audit of the entity information and statement of service performance in accordance with the International Standard on Assurance Engagements (New Zealand) ISAE (NZ) 3000 (Revised). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Performance Report* section of our report. We are independent of Hamilton Central Business Association Inc in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Hamilton Central Business Association Inc.

Responsibilities of the Trustees for the Performance Report

The Trustees are responsible for:

- (a) Identifying outcomes and outputs, and quantifying the outputs to the extent practicable, that are relevant, reliable, comparable and understandable, to report in the statement of service performance;
- (b) the preparation and fair presentation of the performance report on behalf of the entity which comprises:
 - ☐ the entity information;
 - ☐ the statement of service performance; and
 - ☐ the statement of financial performance, statement of financial position, statement of cash flows, statement of accounting policies and notes to the performance report in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit) issued by the New Zealand Accounting Standards Board, and
- (c) such internal control as the Trustees determine is necessary to enable the preparation of the performance report that is free from material misstatement, whether due to fraud or error.

In preparing the performance report, the Trustees are responsible on behalf of Hamilton Central Business Association Inc for assessing the trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate Hamilton Central Business Association Inc or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Performance Report

Our objectives are to obtain reasonable assurance about whether the performance report is 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 conducted in accordance with ISAs (NZ) and ISAE (NZ) 3000 (Revised) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this performance report.

As part of an audit in accordance with ISAs (NZ) and ISAE (NZ) 3000 (Revised), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the performance report, 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.
- 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the use of the going concern basis of accounting by the trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the [entity'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 performance report 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 trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the performance report, including the disclosures, and whether the performance report represents the underlying transactions and events in a manner that achieves fair presentation.
- Perform procedures to obtain evidence about and evaluate whether the reported outcomes and outputs, and quantification of the outputs to the extent practicable, are relevant, reliable, comparable and understandable.

We communicate with the trustees 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.



Auditors

Hart & Co - North Shore
Chartered Accountants
Albany, Auckland

31 July 2022

Entity Information

Hamilton Central Business Association For the year ended 30 June 2022

Legal Name of Entity

Hamilton Central Business Association

Entity Type and Legal Basis

Incorporated society

Entity's Purpose or Mission

To provide advocacy, support and promotional opportunities for the business and property owners located within the Hamilton Central Business Improvement District (Hamilton, New Zealand).

Entity Structure

Executive committee led by a chairperson, with all members carrying voting rights for major events and transactions of the Association.

Main Sources of Entity's Cash and Resources

- Funds received from commercial ratepayers in the Hamilton CBD
- Funds raised from special projects focused on businesses in the Hamilton CBD

Main Methods Used by Entity to Raise Funds

- Funding from Hamilton City Council (Rates from commercial members and funding for special projects)
- Fees and other income received from members for participation and recognition in special projects hosted by the Association

Entity's Reliance on Volunteers and Donated Goods or Services

Minimal, as current expenditure is covered by income and funds received by the Association.

Physical Address

10 Garden Place

Hamilton Central

Hamilton 3204

New Zealand

Statement of Service Performance

Hamilton Central Business Association For the year ended 30 June 2022

Description of Entity's Outcomes

Advocacy - "To support and facilitate environmental, commercial and design projects in the CBD."

1. CBD masterplan development
2. Access Hamilton Initiatives in the CBD
3. Partner on central city improvements
4. Promote CBD businesses and initiatives
5. Commercial and residential development

Promotion - "To market and promote CBD businesses, events and activities."

1. CBD activation plan
2. Ambassador Programme
3. Advantage Club
4. Sector specific initiatives
5. Social media development
6. PR opportunities
7. Stories of the CBD
8. CBD Celebration Awards

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

1. Economic development opportunities
2. Partnership and networking opportunities
3. CBD safety initiatives
4. Smart city initiatives
5. Cultural awareness opportunities
6. Executive Committee representative of the CBD community
7. CBD brand development and profile raising
8. Governance role: People's Project, Safe Zone, Zeal, Riff Raff Trust, Aged/Accessibility Friendly City Group
9. Smart Waikato Secondary School Employment Programme
10. Contributor to: Waikato Film Office, Boon Street Festival, Waikato Food Inc, Council plans for safety, transportation and CCTP revitalisation, NZ Mentor (mentoring a clinical nutritionist), Soda Inc (panel member)

| | 2022 | 2021 |
|---|--------------|--------------|
| Quantification of the Entity's Outputs | | |
| Activation - CBD | 2,051.33 | 2,639.30 |
| Balance carried forward | 193,814.86 | 105,766.08 |
| Funding | (155,093.54) | (106,354.05) |
| Spending | 40,772.65 | 2,051.33 |
| Total Activation - CBD | | |
| Business Awards | 13,260.83 | 19,013.98 |
| Funding | (26,492.77) | (46,106.26) |
| Spending | (13,231.94) | (27,092.28) |
| Total Business Awards | | |
| Garden Place | 4,000.00 | 4,173.91 |
| Funding | (2,840.39) | (2,697.76) |
| Spending | 1,159.61 | 1,476.15 |
| Total Garden Place | | |
| Neat Places | 18,599.78 | 14,150.00 |
| Funding | (19,697.95) | (14,310.49) |
| Spending | (1,098.17) | (160.49) |
| Total Neat Places | | |
| Safe Zone | 639.43 | 4,713.46 |
| Balance carried forward | - | (4,074.03) |
| Spending | 639.43 | 639.43 |
| Total Safe Zone | | |
| Other Project Spending | (851.12) | (964.39) |
| Special Projects - Advantage Club | (4,750.00) | (11,450.00) |
| Special Projects - Economic Development | (7,459.42) | (1,495.00) |
| Special Projects - Corporate Identity/PR | (5,000.00) | (11,000.00) |
| Sponsorship | (18,060.54) | (24,909.39) |
| Total Other Project Spending | | |

Statement of Financial Performance

Hamilton Central Business Association

For the year ended 30 June 2022

| | NOTES | 2022 | 2021 |
|--|-------|-------------------|-------------------|
| Revenue | | | |
| Rates from Members | | 310,000.00 | 310,000.00 |
| Grants & Special Projects | | | |
| Business Awards - Sales & Sponsorships | | 13,260.83 | 19,013.98 |
| Garden Place Live Music | | 4,000.00 | 4,173.91 |
| Income - CBD Activation | | 193,814.86 | 105,766.08 |
| Neat Places | | 18,599.78 | 14,150.00 |
| Total Grants & Special Projects | | 229,675.47 | 143,103.97 |
| Interest, dividends and other investment revenue | | 180.68 | 64.62 |
| Total Revenue | | 539,856.15 | 453,168.59 |
| Expenses | | | |
| ACC Levies | | 467.57 | 492.90 |
| Accountancy Fees | | 4,598.00 | 3,000.00 |
| Advertising | | 13.04 | 1,412.17 |
| Audit Fees | | 2,997.00 | 3,179.00 |
| Bank Fees | | 92.77 | 138.43 |
| Carparks | | 4,070.00 | 4,440.00 |
| Computer Expenses | | 1,615.88 | 644.44 |
| Depreciation | | 3,302.62 | 3,890.68 |
| Insurance | | 2,348.47 | 2,272.72 |
| Legal Fees | | - | 667.39 |
| Loss on Disposal of Fixed Assets | | 605.50 | 977.91 |
| Marketing | | 1,208.13 | 11,250.53 |
| Meeting Costs - AGM | | 1,216.09 | 1,462.60 |
| Meeting Costs inc Social Business | | 2,682.08 | 3,367.76 |
| Office Cleaning | | 946.40 | 1,951.59 |
| Office Expenses | | 516.20 | 8,142.04 |
| Postage | | 271.11 | 212.53 |
| Power | | - | 607.26 |
| Printing & Stationery | | 1,911.13 | 1,431.15 |
| Rent | | 24,000.00 | 27,668.40 |
| Seminars & Conferences | | 155.39 | 839.88 |
| Special Projects | | 260.87 | - |
| Special Projects - Advantage Club | | 851.12 | 964.39 |
| Special Projects - Business Awards | | 26,492.77 | 46,106.26 |
| Special Projects - CBD Activation | | 155,093.54 | 106,354.05 |
| Special Projects - Corporate Identity/PR | | 7,459.42 | 1,495.00 |
| Special Projects - Economic Development | | 4,750.00 | 11,450.00 |
| Special Projects - Garden Place | | 2,840.39 | 2,697.76 |
| Special Projects - Neat Places | | 19,697.95 | 14,310.49 |
| Special Projects - Safe Zone | | - | 4,074.03 |

These financial statements should be read in conjunction with the attached Independent Auditor's Report and Notes.

Statement of Financial Performance

| | NOTES | 2022 | 2021 |
|---------------------------------------|-------|-------------------|--------------------|
| Sponsorship | | 5,000.00 | 11,000.00 |
| Staff Expenses | | 1,363.66 | 1,029.33 |
| Staff Training & Welfare | | 335.05 | 1,039.48 |
| Subscriptions | | 3,479.31 | 3,840.30 |
| Telephone & Tolls | | 2,488.01 | 2,614.78 |
| Travel Expenses - NZ | | - | 1,449.83 |
| Wages | | 199,831.41 | 199,821.70 |
| Website Maintenance | | 1,830.00 | 1,410.00 |
| Total Expenses | | 484,790.88 | 487,700.78 |
| Surplus/(Deficit) for the Year | | 55,065.27 | (34,532.19) |

These financial statements should be read in conjunction with the attached Independent Auditor's Report and Notes.

Statement of Movements in Funds

Hamilton Central Business Association
For the year ended 30 June 2022

| | 2022 | 2021 |
|----------------------------------|------------------|--------------------|
| Movements in Funds | | |
| Opening Balance | 28,936.76 | 63,468.95 |
| Increases | | |
| Surplus/(deficit) for the Period | 55,065.27 | (34,532.19) |
| Capital Adjustments | 5,116.46 | - |
| Total Increases | 60,181.73 | (34,532.19) |
| Total Movements in Funds | 89,118.49 | 28,936.76 |

These financial statements should be read in conjunction with the attached Independent Auditor's Report and Notes.

Statement of Financial Position

Hamilton Central Business Association

As at 30 June 2022

| | NOTES | 30 JUN 2022 | 30 JUN 2021 |
|----------------------------------|-------|-------------------|------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and Bank Accounts | 12 | 115,394.25 | 44,665.97 |
| Total Current Assets | | 115,394.25 | 44,665.97 |
| Non-Current Assets | | | |
| Property, Plant and Equipment | 13 | 4,722.86 | 5,107.35 |
| Total Non-Current Assets | | 4,722.86 | 5,107.35 |
| Total Assets | | 120,117.11 | 49,773.32 |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and Other Payables | 14 | 13,917.85 | 9,370.49 |
| GST Payable | | 17,080.77 | 11,466.07 |
| Total Current Liabilities | | 30,998.62 | 20,836.56 |
| Total Liabilities | | 30,998.62 | 20,836.56 |
| Net Assets | | 89,118.49 | 28,936.76 |
| Equity | | | |
| Retained Earnings | | 89,118.49 | 28,936.76 |
| Total Equity | | 89,118.49 | 28,936.76 |

These financial statements should be read in conjunction with the attached Independent Auditor's Report and Notes.

Depreciation Schedule

Hamilton Central Business Association
For the year ended 30 June 2022

| NAME | RATE | METHOD | PURCHASED | DISPOSED | SALE PRICE | COST | OPENING ACCUM DEP | OPENING VALUE | PURCHASES | DISPOSALS | DEPRECIATION | CLOSING VALUE | DEP RECOVERED | DEP START DATE | PRIVATE USE AMOUNT | PRIVATE USE % |
|------------------------------------|--------|--------|-------------|------------|------------|------------------|----------------------|-----------------|-----------------|---------------|-----------------|-----------------|---------------|-------------------|-----------------------|------------------|
| Office Equipment | | | | | | | | | | | | | | | | |
| Microsoft Surface Pro 8 x2 | 67.00% | DV | 26 Nov 2021 | | - | 3,523.63 | - | - | 3,523.63 | - | 1,573.89 | 1,949.74 | - | 26 Nov 2021 | - | 0.00% |
| Modern Office | 16.00% | DV | 2 Sep 2019 | | - | 1,148.00 | 312.26 | 835.74 | - | - | 133.72 | 702.02 | - | 2 Sep 2019 | - | 0.00% |
| Microsoft Surface Pro | 67.00% | DV | 27 Feb 2019 | 1 Jul 2021 | - | 2,460.86 | 2,267.68 | 193.18 | - | 193.18 | - | - | - | 27 Feb 2019 | - | 0.00% |
| Office Desks | 13.00% | DV | 31 Jan 2017 | | - | 726.00 | 337.00 | 389.00 | - | - | 50.57 | 338.43 | - | 31 Jan 2017 | - | 0.00% |
| Office Furniture | 16.00% | DV | 9 Jun 2010 | 1 Jul 2021 | - | 1,891.00 | 1,608.70 | 282.30 | - | 282.30 | - | - | - | 9 Jun 2010 | - | 0.00% |
| Surface Pro 256GB i5 8GB w/ Cover | 67.00% | DV | 30 Apr 2018 | 1 Jul 2021 | - | 4,346.07 | 4,216.05 | 130.02 | - | 130.02 | - | - | - | 20 Apr 2018 | - | 0.00% |
| Website - HCBA | 50.00% | DV | 30 Jun 2019 | | - | 9,750.00 | 7,414.07 | 2,335.93 | - | - | 1,167.97 | 1,167.96 | - | 30 Jun 2019 | - | 0.00% |
| Total Office Equipment | | | | | - | 23,848.56 | 16,155.76 | 4,166.17 | 3,523.63 | 605.50 | 2,926.15 | 4,158.15 | - | | - | |
| Plant & Equipment | | | | | | | | | | | | | | | | |
| Samsung 55" PHF Signage Panel | 40.00% | DV | 21 Aug 2017 | | - | 6,880.00 | 5,938.82 | 941.18 | - | - | 376.47 | 564.71 | - | 21 Aug 2017 | - | 0.00% |
| Total Plant & Equipment | | | | | - | 6,880.00 | 5,938.82 | 941.18 | - | - | 376.47 | 564.71 | - | | - | |
| Total | | | | | - | 30,728.56 | 22,094.58 | 5,107.35 | 3,523.63 | 605.50 | 3,302.62 | 4,722.86 | - | | - | |

These financial statements should be read in conjunction with the attached Independent Auditor's Report and Notes.

Notes to the Financial Statements

Hamilton Central Business Association For the year ended 30 June 2022

1. Reporting Entity

Hamilton Central Business Association is an incorporated society incorporated under the Incorporated Societies Act 1908. The financial statements of Hamilton Central Business Association are special purpose financial statements. These financial statements have been prepared for internal purposes and may not be suitable for any other purpose.

2. Basis of Preparation

These financial statements have been prepared in accordance with taxation principles contained within the Income Tax Act 2007 and disclosure requirements contained within the Tax Administration (Financial Statements) Order 2014.

The accounting principles recognised as appropriate for the measurement and reporting of the Statement of Financial Performance and Statement of Financial Position on a tax value basis are followed by an incorporated society, unless otherwise stated in the specific accounting policies.

3. Historical Cost

These financial statements have been prepared on a historical cost basis. The financial statements are presented in New Zealand dollars (NZ\$) and all values are rounded to the nearest NZ\$, except when otherwise indicated.

4. Changes in Accounting Policies

There have been no changes in accounting policies. Policies have been applied on a consistent basis with those of the previous reporting period.

5. Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services, excluding goods and services tax rebates and discounts, to the extent it is probable that the economic benefits will flow to the entity and revenue can be reliably measured.

Sales of services are recognised in the period by reference to the stage of completion of the transaction at the end of the reporting period.

Lease income is recognised on a straight line basis over the life of the lease.

Interest received is recognised as interest accrues, gross of refundable tax credits received.

Dividends received are recognised on receipt, net of non-refundable tax credits.

6. Foreign Currencies

Transactions in foreign currencies are converted at the New Zealand rate of exchange ruling at the date of the transaction. At balance date foreign monetary assets and liabilities are translated at the closing rate and variations arising from these transactions are included in the statement of profit or loss.

7. Accounts Receivable

Accounts receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts. Individual debts that are known to be uncollectable are written off in the period that they are identified.

8. Property, Plant and Equipment and Investment Property

Property, plant and equipment and investment property are stated at historical cost less any accumulated depreciation and impairment losses. Historical cost includes expenditure directly attributable to the acquisition of assets, and includes the cost of replacements that are eligible for capitalisation when these are incurred.

An item of property, plant and equipment or investment property is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of financial performance in the year the asset is derecognised.

9. Depreciation

| Account | Method | Rate |
|-------------------|--------------------------|-----------|
| Office Equipment | Diminishing Value (100%) | 13% - 67% |
| Plant & Equipment | Diminishing Value (100%) | 40% |

10. Provisions

Provisions are recognised when the Association has an obligation which can be reliably measured at balance date as a result of past event and it is probable that the company will be required to settle the obligation.

Where the Association expects some or all of a provision to be reimbursed the reimbursement is recognised as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

11. Goods and Services Tax

All amounts are stated exclusive of goods and services tax (GST) except for accounts payable and accounts receivable which are stated inclusive of GST.

| | 2022 | 2021 |
|-------------------------------------|-------------------|------------------|
| 12. Cash and Bank Accounts | | |
| ASB - 00 | 16,982.78 | 4,011.82 |
| ASB - 01 | 1,250.54 | 639.43 |
| ASB - 50 | 40,155.13 | 40,077.25 |
| ASB - 51 | 58,211.70 | 2,051.33 |
| ASB Credit Card XX-4043 | (1,205.90) | (2,113.86) |
| Total Cash and Bank Accounts | 115,394.25 | 44,665.97 |
| | 2022 | 2021 |

13. Property, Plant and Equipment

| | | |
|--|---------------|---------------|
| Plant and Equipment | | |
| Plant and machinery owned | 6,880.00 | 6,880.00 |
| Accumulated depreciation - plant and machinery owned | (6,315.29) | (5,938.82) |
| Total Plant and Equipment | 564.71 | 941.18 |
| Office Equipment | | |

| | | |
|---|-----------------|-----------------|
| Office equipment owned | 15,147.63 | 20,321.93 |
| Accumulated depreciation - office equipment owned | (10,989.48) | (16,155.76) |
| Total Office Equipment | 4,158.15 | 4,166.17 |
| Total Property, Plant and Equipment | 4,722.86 | 5,107.35 |

2022 2021

14. Trade and Other Payables

| | | |
|---------------------------------------|------------------|-----------------|
| Creditors | 9,182.87 | 4,645.99 |
| Wages & PAYE Payable | 4,734.98 | 4,724.50 |
| Total Trade and Other Payables | 13,917.85 | 9,370.49 |

15. Contingent Liabilities and Guarantees

The Association had no contingent liabilities and no guarantees as at 30 June 2022 (2021: Nil/Nil).

16. Capital and Lease Commitments

The Association has undertaken a new lease at a premises in Garden Place, Hamilton to commence on 1st July 2021 (2021: nil).

2022 2021

17. Related Parties

| | | |
|------------------------------------|-------------------|-------------------|
| Hamilton City Council | | |
| Rates from Members | 310,000.00 | 310,000.00 |
| Grants & Other Income | 190,425.00 | 105,267.39 |
| Total Hamilton City Council | 500,425.00 | 415,267.39 |
| Total Related Parties | 500,425.00 | 415,267.39 |



Hamilton Central Business Association

CENTRAL CITY ACTIVATION FUND

The \$100,000 activation fund provided to the Hamilton Central Business Association (HCBA) from Hamilton City Council (HCC) provides financial support and opportunity to events and activations to come into the Central City and help Hamilton's central city to thrive.

CENTRAL CITY ACTIVATION PLAN 2023-2024

After a number of challenging years for events and activations, HCBA is looking forward to creating, supporting and promoting central city activity. The focus for 2023-2024 will be on continuing to reinvigorate the city centre to encourage visitation and spend for our local businesses. HCBA promote the central city as a destination and ensure that people come to our public spaces to connect, have fun and support our inner city businesses. The motivation for the central city activation programme continues to be around creating interest and excitement through events and activations, large and small, new and returning, for the public.

ANNUAL BUDGET 2023-2024

The key areas of focus allocated for the Activation Fund 2022-2023 are:

- Arts & Culture (A&C) \$25,000
- Sport & Leisure (S&L) \$25,000
- Play & Celebration (P&C) \$25,000
- Collateral/Resources \$25,000
 - Event stand
 - Window decals
 - Digital screen promotion
 - Event materials
 - Advertising

PROPOSED ACTIVATION ACTIVITY PLAN 2022-2023

July – September 2023

- Pop-up event recognition display stand (**resource**)
- Matariki ki Waikato programme of events (**A&C, P&C**)
- FIFA Women's World Cup (**S&L**)
- NZ Master Darts event stand (**P&C**)
- House of Quirks (**P&C**)
- Māori Language Week (**A&C**)
- AMP Show (**S&L**)

October – December 2023

- CBD Progressive Dinner **(P&C)**
- CBD Markets **(A&C, P&C)**
- Boon Street Art **(A&C)**
- Round the Bridges **(S&L)**
- Festival of Architecture **(A&C, P&C)**
- Fieldays event stand **(P&C)**
- Stories in the Garden **(P&C)**
- Live Summer music **(P&C)**
- Christmas activation **(P&C)**
- Christmas Tree **(P&C)**
- Christmas Parade **(P&C)**

January – March 2024

- Orientation Week Safe Zone **(P&C)**
- Hamilton Arts Festival CBD programme **(A&C)**
- Chinese Lantern Festival **(A&C)**
- Bike Month event **(S&L)**
- Children's Day **(P&C)**
- Pecha Kucha outdoors **(A&C)**
- Dance Battle **(P&C, S&L)**
- CBD Progressive Dinner **(P&C)**
- Balloons Over Waikato promotion event **(S&L, P&C)**
- Easter event stand **(P&C)**
- Saw Wave Music Festival **(A&C)**

April – June 2024

- Waikato Show event stand **(P&C)**
- Te Ruru Light Festival **(A&C, P&C)**
- Matariki ki Waikato programme of events **(A&C, P&C)**
- Boon After Dark art & sculpture installation **(A&C)**

COVID-19 lockdowns, restrictions and wet weather conditions have provided challenges to the activation programme over the past three years however HCBA will continue to provide different ways for the public to engage with the central city ensuring the ongoing support of the business community and the vibrancy of the central city.

Please note HCBA will proactively look to support emerging opportunities as they are identified to support central city activation, and shaping a central city where people love to be.

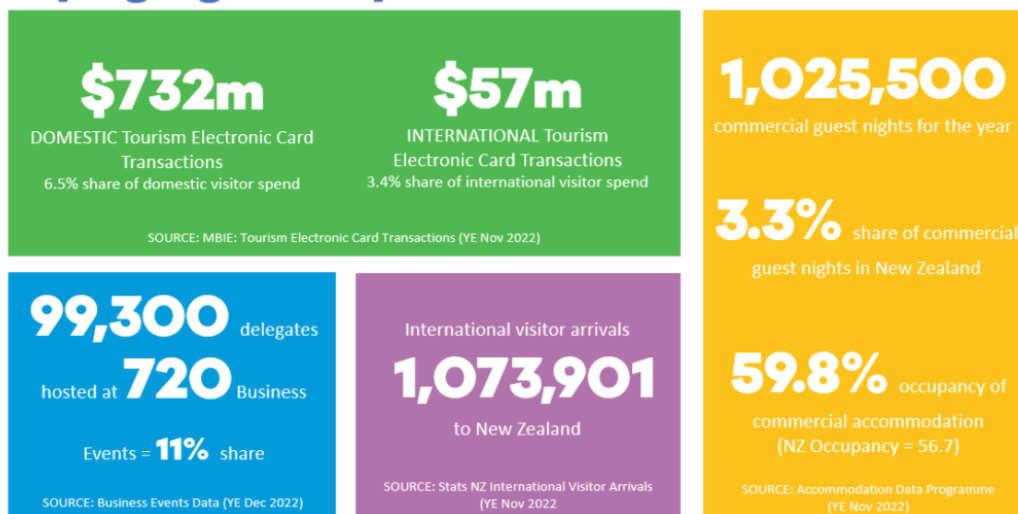
Six Month Update to Hamilton City Council 1 July – 31 December 2022

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

Hamilton & Waikato Tourism is a subsidiary company under the Council Controlled Organisation (CCO) of Waikato Regional Airport Limited. It has a commercial board with Richard Leggat appointed as the Chair in December 2021. Nicola Greenwell was appointed as Chief Executive from 1 July 2022.

HWT is funded through a public/private partnership with the region's tourism industry and six local authorities including Hamilton City, Matamata-Piako, Ōtorohanga, Waikato, Waipā and Waitomo. This is the six-month report covering the period from 1 July 2022 through to 31 December 2022.

Key highlights (July to December 2022)



Executive summary

During the first six months of the financial year we have seen strong return of visitation across the country, and our own region. When the borders opened in August and our Covid restrictions were lifted in September, a sigh of relief was heard and felt across the tourism, events and hospitality sector. We had been looking ahead to the 2023 calendar year with positivity, albeit cautiously.

We have challenges to realising a full recovery. Labour shortages across the sector continue to impact deliverability and availability of some experiences and services. While not part of this six-month reporting period, the weather impacts during January and February have been devastating in our neighbouring regions and across parts of our own region. Waitomo District Council declared a State of Emergency; Matamata-Piako suffered flooding; the road to Raglan is currently closed; the waterways were deemed unsuitable to engage with for a week; and some individual operators suffered damage to properties. The weather continues to impact, with Cyclone Gabrielle now a State of National Emergency; the longer-term impacts are yet to be realised. This weather certainly dampened spirits and the hope of a strong summer season for some of our operators.

Looking ahead, we have some incredible events that bring opportunities for our visitor sector. The FIFA Women's World Cup 2023™ event, with five games being hosted in Kirikiriroa Hamilton, will bring visitation right across region. An estimated \$18 million will be pumped into the Waikato region during the FIFA Women's World Cup 2023™. The spending is projected to come from both international and domestic visitors throughout the main tournament.

Waikato Stadium will host five matches between 20 July – 20 August 2023 and it's estimated the region will see 12,500 unique international visitors spend \$13.7 million in the region. In addition, these matches will see many domestic visitors, who will contribute \$3.9 million into the region economy. These estimates do not include the additional Play Off Tournament being hosted in Hamilton in February.

The FIFA Women's World Cup 2023™ will be the largest women's sporting event ever held globally. TV viewership alone is forecast to be two billion compared to 1.2 billion in France in 2019.

The benefit from hosting provides the opportunity to create legacy for our city and region – for example, the people watching on the other side of the world may be inspired to visit. Those visitors attending the event, if we host them well and offer a great experience in our region, will head home and share their stories with friends and family, increasing our international profile and likelihood of return and future visitation.

The Central Government funding received by all Regional Tourism Organisations was originally required to be utilised by December 2022. Due to many projects being delayed with Covid restrictions, we have an extension for some projects to be delivered by June 2023. Once this funding has been fully utilised, our activity will return to 'business as usual', based on our council funding and industry contributions.

As HWT continues to lead the sector in managing the ongoing impacts of COVID-19 and recovery, key focus areas for the upcoming period include embedding the Destination Management Plan into our regular activities, as well as assisting and encouraging operators to embed Regenerative Tourism and sustainability measures into their own activity.

HWT recognises its role to support event organisers, venues and suppliers with the ongoing challenges with hosting events, including those already experienced in the current year. We will also be continuing to work more broadly with our industry to develop enhanced capability for hosting additional events, both business and major events, in region through the Business Events Strategy for Waikato and the Thermal Explorer Regional Event Fund. With much change in the political and regulatory environment, continue to lobby and advocate for the tourism sector with Government.

Performance targets

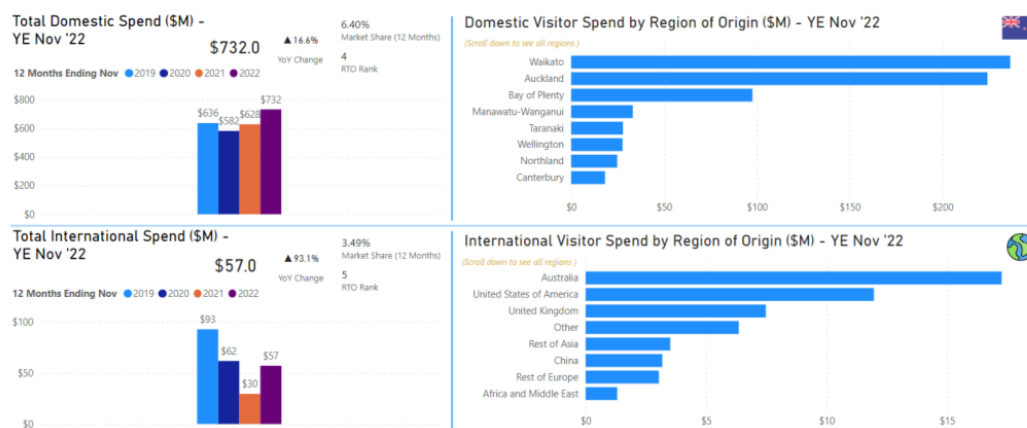
Hamilton & Waikato Tourism (HWT) have eight performance targets which are set in the 'Schedule of Services for Local Government 2022-2023'. The results are provided below.

| Measure | Result | Measure | Result |
|---|---|--|--|
| Visitor nights Hold total visitor nights compared to previous year | 1,025,500 visitor nights (YE Nov 2022) 59.8% occupancy (NZ: 56.7%) <small>SOURCE: MBIE, Accommodation Data Programme Note: Excludes MIQ hotels and MSD motels</small> | Media & travel trade 10 media outlets hosted 150 travel trade trained or hosted | 22 media outlets hosted 34 agents hosted and 174 agents trained (as at 31 Dec) |
| Visitor spend electronic card transactions 5% increase in total visitor spend across region compared to previous year | DOMESTIC 17% increase on last year 15% increase on 2019 \$732million 6.5% market share INTERNATIONAL 93% increase on last year 39% decrease on 2019 \$57million 3.4% market share (YE Nov 2022) <small>SOURCE: MBIE, Tourism <u>Electronic Card Transactions</u> TECT does not capture ALL spend, ie: pre-paid accommodation/experiences or cash purchases, are not included</small> | Govt funded projects Successfully deliver STAPP and RESET funded projects | 99% of funding allocated/spent MBIE have approved extended timeframes to June 2023 for Capability Building and Destination Management projects |
| Conventions & business events Rebuild and restore market share of total business events to 5% | 11% market share of business events 10% of delegates (YE Dec 2022) <small>SOURCE: Business Events Data Programme</small> | Regional Events Fund (REF) Successfully deliver year one of the REF for Waikato, Rotorua, Ruapehu & Taupo | Workshops held in Ruapehu and Waikato Small Contestable funding round opened January 2023 – utilising returned/unutilised allocated funding |
| Industry investment \$100,000 of industry contributions towards marketing activities | \$156,000 partnership \$73,000 Visitor Guide (As at 26 Jan 2023) | Cashflow To ensure the company has sufficient cash to fund activity for the year without recourse to the shareholder | Cashflow maintained |

Visitor statistics

Visitor expenditure in Waikato Region

Domestic visitation contributed \$732m per annum to the regional economy, an increase of 17% on 2021. This ranks the Waikato region fourth against other RTOs and achieves 6.4% market share of all domestic spend in the country. International visitation contributed \$57m per annum to the regional economy; an increase of 93% on 2021. This has Waikato region ranked 5th, with 3.5% market share of international spend.

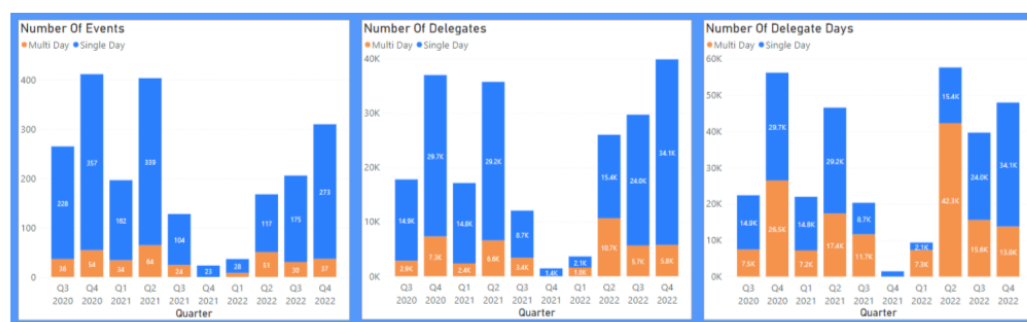


Source: Tourism Electronic Card Transactions, MBIE (Nov 2022) The Ministry of Business, Innovation and Employment (MBIE) have discontinued the Monthly Regional Tourism Estimates (MRTes) as they were becoming unreliable within the COVID-19 environment. They have replaced the data with an interim data set capturing electronic card transactions. The key difference is that this data does not make any estimates for online or cash spending.

Business Events in Waikato Region

Waikato hosted 720 business events; 11% of NZ events. These events hosted 99,300 delegates; 10% market share. Delegates spent an average of \$438 per day.

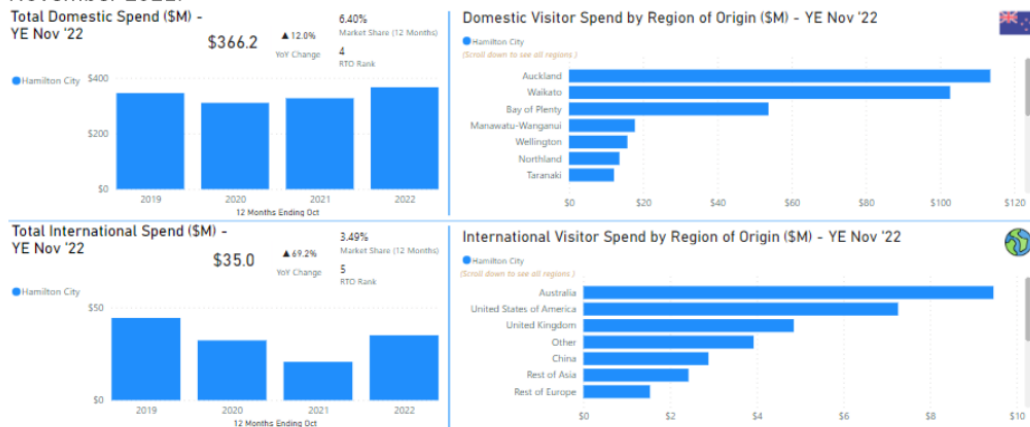
For the third quarter of 2022 (October-December) – we achieved 12% market share of events hosted, 10% market share of delegates hosted, 9% market share of delegate days.



Explanation: The Business Events Data Plan (BEDP) is another new data set developed by Fresh Info; this replaces the older Business Events Research Programme (BERP). The development was co-funded by RTNZ and MBIE, with RTOs contributing annually for access. As per the ADP above, venue are not obliged to provide their data.

Visitor expenditure in Kirikiriroa Hamilton

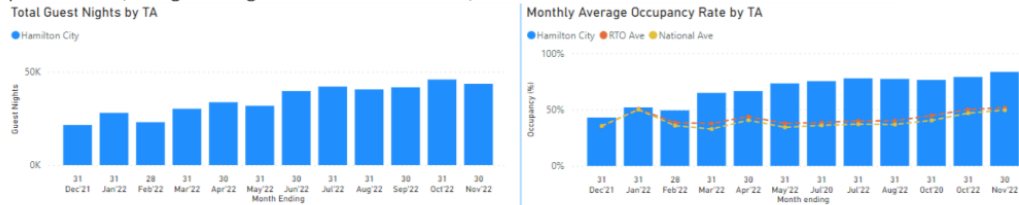
Domestic visitation contributed \$366m per annum to Hamilton City, an increase of 12% from November 2021. International visitation contributed 35m per annum, an increase of 69.2% from November 2021.



Source: Tourism Electronic Card Transactions, MBIE (Nov 2022)

Commercial accommodation in Kirikiriroa Hamilton

Based on Accommodation Data Programme (commercial accommodation), Hamilton City achieved 83.4% occupancy rate for the month of November 2022, an increase of 153.5% on November 2021. The district provided 43,600 guest nights in November 2022, an increase of 188.7% on November 2021.

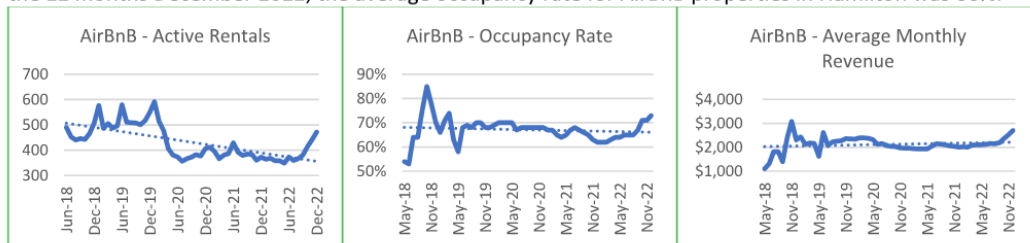


Source: Accommodation Data Plan, MBIE (Nov 2022)

Non-commercial accommodation in Kirikiriroa Hamilton

Hamilton also had 472 properties listed on AirBnB during December 2022 as alternative accommodation to the traditional commercial offerings. This has increased by 99 listings from December 2021.

These properties experienced 73% occupancy during December 2022, 11% more than December 2021. For the 12 months December 2022, the average occupancy rate for AirBnB properties in Hamilton was 66%.



Source: AirDNA (Dec 2022)

Six-Month Update to Hamilton City Council

1 July – 31 December 2022



Destination management

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

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

Destination management requires a holistic and integrated approach across the following 16 components:



A 12-page Destination Management Plan “[Snap Shot](#)” is available on our website. The document provides operators with a brief description of what the management plan entails and how their tourism activities contribute to achieving the common goal of developing a well-managed, sustainable visitor destination.

Positioning Project

Our Positioning Project is now underway with Miles Partnership. Underpinning the DMP, this project will create a destination positioning strategy which identifies three to four key pillars on which the current and future destination marketing and management decisions will be based.

Using our Mighty Waikato brand as a foundation the project will look at what the region ‘owns’ in regards to domestic and international tourism, and how we can position ourselves as a destination going forward ie what we want to become known for.

This is not about a brand, campaign, logo or tagline. It is not about one event, attraction or experience; it is about creating a long-term thematic or values-based framework that will base our destinational positioning on.

It is important that this framework supports the short- and long-term goals of Waikato stakeholders and communities and authentically reflect what the Waikato stands for.

It will shape how we develop and market the region going forward in all aspects – from consumer, business events, travel trade and media activities to product development and regenerative tourism initiatives.

Leisure & Trade Marketing

Domestic marketing

HWT has undertaken a number of marketing campaigns between July and December 2022 to keep Waikato at the front of minds for those looking to travel domestically, and to highlight key experiences, events, F&B and passion points for locals and visitors as they progress through the travel decision-making process. HWT has targeted the drive markets of Auckland, Bay of Plenty, Manawatu and Taranaki; and the fly markets of Wellington and Christchurch; as well as our own Waikato residents. We implemented hero/impact campaigns to drive travel over the summer and winter periods as well as an 'always on' demand layer campaign through Facebook and Google. Similar to our 'always-on' Facebook approach, HWT also undertakes year-round activity through Weibo to promote visiting the Waikato to the Chinese New Zealanders community, predominantly in Auckland.

Matariki

From 10 June to 17 July HWT profiling experiences, accommodation and activities as well as all the fantastic events taking place across the region through Matariki ki Waikato. Working in partnership with Matariki ki Waikato, activity targeted Waikato residents and key drive markets via digital channels and printed newspaper ads. Print ads ran in the Waikato Herald, Bay of Plenty Times, Hamilton Press, Cambridge Edition, Piako Post, Taupo Times, Waikato Times, King Country News and TA Courier with a total reach of 320,856.

Berry Activation

'Berry' has been identified as a key pillar of the region's F&B narrative in our Food & Beverage Tourism Market Development Plan. As such, and in partnership with the F&B Advisory Group, HWT launched the inaugural 'Berry Month' campaign in late November to highlight all the places in the region where Waikato locals can pick your own, try tasty berries on the menu, grab a real fruit ice cream or purchase fresh berries to take home. This campaign was scaled back from initial concept due to the devastating frost that impacted the blue berry producers, but the aim is to expand this activity further in 2023.

Events

HWT continues to support HCC, FIFA and Tourism NZ with tourism related activities in the lead up to the FIFA Women's World Cup 2023 Play-Off Tournament in February and the FIFA Women's World Cup 2023 Tournament in July-August. Alongside Hamilton Central Business Association and Hamilton City Council, HWT co-hosted a FIFA Women's World Cup 2023 information evening on 22 November for retail, hospitality and tourism providers, from around Hamilton and the Waikato region. The purpose of this evening was to allow businesses to learn more about this major event and how they can get involved.

HWT has supported regional events during July-December by profiling them in campaign activity, on social media and coverage on waikatoz.com. Events are an important driver for domestic visitation as well as local expenditure, and post-COVID provide great reasons for repeat visitation to a region. In partnership with the Waikato i-SITE network, HWT exhibited at the Motorhome & Caravan show in September to promote the activities and attractions in the region.

Annual Visitor Guide

50,000 copies of the 2023 Official Regional Visitor Guide were distributed in late December 2022 and early January 2023. They have been distributed nationally through i-SITEs and airports, displayed at visitor attractions, used at trade shows, and conference delegate packs. This guide remained a cost-neutral project with advertising sales funding production and distribution.

Media

HWT has continued to work on a number of media pitches over the last six months. Born out of our Mighty Local campaign, we have managed to secure a regular editorial spot in the Waikato Herald to showcase our local tourism operators and hospitality. We continue to be successful in pitching to domestic publications including Good Magazine, Motorhomes, Caravans and Destinations Magazine, and Dish Magazine with additional features being worked on for early 2023. International media attention has also increased in line with the border enabling the planning for several key broadcast opportunities in late 2022 and in to 2023 including the Today Show from Australia.

Communications Specialist

HWT employed a 12month Communications Specialist in November 2021. This role was funded from central Government funding. This role sat within the marketing team and created content for all departments across the organisation including media releases and pitches, case studies/testimonials, articles, e-newsletters, web copy and promotional collateral. This was a very welcome addition to the team and allowed HWT to capitalise on further content and media opportunities. Now that this funding has been fully utilised, this contracted position has also ended. The consequence is that we will no longer have the resources to elevate our media/content creation to this same level unless additional funding is able to be secured.

Travel Trade

With international borders opening, we have experienced a hybrid model of trade training and sales activity with on- and off-shore travel trade in the last six months. HWT travelled to North America as part of the 70pax strong NZ contingent for the first Tourism New Zealand KiwiLink event in three years. We represented the region and the wider Thermal Explorer International Marketing Alliance (TEH IMA) of Waikato, Rotorua, Taupo and Ruapehu. HWT also attended KiwiLink Asia; was represented by TEH IMA partner regions at KiwiLink UK/Europe; and undertook several virtual webinars updating North American and Australian travel sellers about the Waikato's tourism experiences and accommodation offering. The last few months have also seen the re-introduction of international trade famils into NZ, with several leisure and incentive famils from the US, UK/Europe and Singapore markets spending time in the region.

HWT had the unparalleled opportunity to host over 100 Tourism New Zealand staff on who were in New Zealand for their Global Hui in November. We hosted 89 staff on a 'surprise and delight' mini famil at Hamilton Gardens, while another group of 19 key TNZ off-shore staff spent two days exploring the region in more depth with us.

Marketing activity for Kirikiriroa Hamilton

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

| Target market | Campaign or activity | Hamilton experiences profiled |
|---|--|--|
| Media – domestic & international famils | Media hosting and famils profiling Hamilton: <ul style="list-style-type: none"> Dish Magazine famil TODAY Show AU Mothership Singapore | Cream Eatery, Duck Island Ice Cream, The Local Taphouse, Gothenburg, Weave Eatery, Hayes Common, Novotel Tainui Hamilton, Good George Brewery, Hamilton Gardens |
| Media - domestic | Hamilton was profiled as part of regional promotions in the following publications: <ul style="list-style-type: none"> Waikato Herald – 24 stories between July-Dec 2022 Waikato Business News Dish Magazine Stuff.co.nz Motorhome, Caravans and Destinations Magazine | Hamilton Zoo, Bowl and Social, Ninja Valley, Shrek the Musical, Mamas Donuts, Duck Island Ice Cream, NZ Darts Masters, Special Olympics, HSBC NZ Sevens, FIFA Women's world Cup, Novotel Tainui Hamilton, Cream Eatery, Mr Pickles, Good George, Meyer Cheese, Te Awa River Ride, ibis Tainui Hamilton, Waikato Museum, Hamilton Gardens, Hamilton Farmers Market, Ruakura Berry Farm, Camarosa, Everyday Eatery, Waiwhakareke, Waikato Regional Theatre, K'aute Pasifika village, Hamilton city river paths, Hamilton Airport, The Local Taphouse, Gothenburg, Weave Eatery, Hayes Common, Kiwi Balloon Company, Skydive Hamilton, Extreme Edge, Waikato A&P Show, Hamilton Mountain Bike Track, EAT Burger, Zone Sports Bar, All Blacks vs Argentina |
| Travel Trade – webinars & training | International trade events and webinars profiling/attended by Waikato: <ul style="list-style-type: none"> eXplore virtual event –AU & NZ wholesalers ECNI Down Under Endeavours virtual training KiwiLink North America KiwiLink Asia KiwiLink UK/Europe Hosted in region: <ul style="list-style-type: none"> Singapore incentive famil TNZ UK 'launch' famil TNZ US 'launch' famil TNZ Global hui – 2 x famils | Trade ready products: Hamilton Gardens, Waikato Museum, Brew Bus – Waikato Tour, Riverside Te Awa cycle packages, Leisure Time Tours, Novotel Tainui Hamilton, Ibis Tainui Hamilton, Ramada Hamilton, Distinction Hamilton, Ventura Hamilton, Ambassador Hamilton |
| Domestic consumer -Local, Hamilton & Waikato | <ul style="list-style-type: none"> Matariki June – July 2022 Always On Facebook Motorhome & Caravan Show Berry Activation | Matariki ki Waikato events, Hamilton Gardens, Victoria on the River, Taitua Arboretum, Waikato Museum, Hamilton Zoo, Te Awa River Ride, City River Walks, Hamilton Lake, Gothenburg, Bowl and Social, Duck Island Ice cream, Novotel Tainui Hamilton, The Base, Hamilton Farmers Market, Hamilton Arts Festival, HSBC NZ Sevens, FIFA Women's world Cup, Ruakura Berry Farm, Camarosa, Waikato Christmas events |
| Domestic consumer - External Drive & Fly Markets | <ul style="list-style-type: none"> Matariki June – July 2022 Winter Campaign Always On Facebook Motorhome & Caravan Show | Ruakura Berry Farm, Camarosa, Matariki ki Waikato events, Hamilton Gardens, Victoria on the River, Taitua Arboretum, Waikato Museum, Hamilton Zoo, Te Awa River Ride, City River Walks, Hamilton Lake, Gothenburg, Bowl and Social, Duck Island Ice cream, |

Six-Month Update to Hamilton City Council 1 July – 31 December 2022

| | | |
|--|--|---|
| | | Novotel Tainui Hamilton, The Base, Hamilton Farmers Market, Hamilton Arts Festival, HSBC NZ Sevens, FIFA Women's World Cup 2023 |
| Domestic consumer – Chinese New Zealanders | Ongoing campaign activity has continued through our Weibo social media channel, blogs, community forums etc | Hamilton Gardens, Duck Island Ice cream, Hamilton Christmas Tree Lighting Festival, Boon After Dark, Cream Eatery, The River Kitchen, Jansen Park, Garden Place Noodle Bar, The Chilli House, Saigon Noon. |
| Domestic & International consumer and trade | 2023 Hamilton & Waikato Regional Visitor Guide | Hamilton City profiled in 'Regional Highlights' section and 'Hamilton' section. Hamilton based tourism operators advertised in their respective sections. Events based in Hamilton have also been profiled in the 'Events' section. |
| Domestic & international consumer, travel trade and media | Quarterly e-newsletters distributed to our consumer, trade and media databases featuring: Ibis Tainui Hamilton, Hamilton Gardens, Hamilton City, Waikato Stadium, FIFA Women's World Cup, Hamilton Arts Festival Toi Ora ki Kirikiriroa 2023, Balloons over Waikato, Claudelands Oval, HSBC New Zealand Sevens, Claudelands' GLOBOX Arena, New Zealand Darts Masters, Wildlife Photographer of the Year exhibition, Waikato Museum Te Whare Taonga o Waikato, Gourmet in the Gardens, Jansen Park, University of Waikato, Hamilton Zoo, Black Caps vs India 2nd ODI, Seddon Park, Duck Island Ice Cream, Taitua Arboretum, Garden Place Noodle Bar. | |
| Domestic & International consumer | <p>Hamilton profiled through HWT's website and various social profiles including Facebook, Instagram, Twitter & YouTube, including:</p> <p>HSBC New Zealand Sevens, New Zealand Special Olympics Summer Games, BOON Hamilton Street Art Festival, Hamilton Lake, FIFA Women's World Cup, Duck Island Ice Cream, Hamilton City, Waikato Museum Te Whare Taonga o Waikato Hamilton Gardens, Taitua Arboretum, FMG Stadium Waikato, New Zealand Darts Masters 2022, Hamilton City walks, Historic Hamilton Walking Tour, Boon After Dark 2022, BOON Street Art Tour, Brewaucracy Brewery & Taproom, Sage restaurant, Hamilton Central Business Association, Te Ahurei Māori Tourism, Ruakura Berry Shop, Hamilton Street Art, Pukete MTB Park/Pukete Farm Park, Victoria On The River, Jansen Park, Kushi Restaurant, Cream Eatery, Tills Lookout, Bowl & Social SkyCity Hamilton, Creative Waikato.</p> <p>Events featured on social media: Hamilton Christmas Tree Lighting Festival, All Blacks v Argentina, Shrek the Musical, Bunnings National Provincial Championship season – Waikato home games, 2022 National Contemporary Art Award, Sticky Fingers – Lekkerboy Tour NZ '22, Led Zeppelin by LEAD ZIPLINE, SkyCity Hamilton, The Wiggles Big Show Tour!, Women's Lifestyle Expo, Bottomless Drag... Brunch, Matariki Glow Show, The Great NZ Food Show 2022, NZ String Quartet First Light, Anita Wig'it - The Life Of A Funny Girl, All You Need Is Love, Glow Ride Glow Rave, Garden Place Movies, Battle of the Bands 2022 National Championship-Waikato Final, Silver Ferns vs Jamaica Sunshine Girls, The Bee Gees Night Fever, Meet the Maker, Waikato Home & Garden Show, Finding Harold, Brewaucracy Oktoberfest 2022, TINA Simply The Best, Pink Walk & Run 2022, Waikato A&P Show, Pacific Rose Bowl Festival, Swan Lake, The World of Musicals, Hamilton Christmas Tree, First Credit Union Christmas Parade, Trees at The Meteor, A Merry Circus SkyCity Hamilton Christmas Party, Wildlife Photographer of the Year, WHITE FERNS v Bangladesh 3rd ODI, Pink Walk/Run.</p> | |

Events and Incentives

Business Events

The HWT partnership model has been reconsidered with the restructured model successfully rolled out and included joint face to face meetings with partners. We have held two successful partner breakfast events.

We have presented seven regional conference bids in the last six months; proposals are proving hard to win due to funds provided from some of our other regional competitors.

The HWT Business Events team have attended MEETINGS, Corporate PA Summit, Office PA Show, AuSAE Linc Conference and tradeshow representing the Waikato as a business events destination to New Zealand and Australian buyers. Have also attended two AuSAE networking events and the BEIA Industry Conference.

We hosted two prestigious business events in region over the past six months, Tourism Summit Aotearoa and the NZ Tourism Awards. We also hosted a number of buyers along with some of our regional business events partners at our annual Wellington Soiree. Other joint hosted activities have included a Christchurch PCO dinner, International Hobbit Day, Wellington Association Executives lunch and an Auckland PCO luncheon. We also wrapped sales calls around those hosting visits and have met with event professionals in Auckland, Wellington, Christchurch and Waikato over the last six months.

We welcomed attendees to Tourism Summit Aotearoa on three pre famil itineraries and in early December we held a Waikato Mega Famil (first since 2019) which saw 13 quality buyers spend two days with us learning what the Waikato has to offer future delegates.

We have started to grow our regional business events image library with a joint Woundcare Conference shoot at Claudelands Conference & Exhibition Centre. We also grew image capacity with capturing our regional Mega famil as well as a shoot at Hamilton Gardens and Jet Park Hotel Hamilton. We have more imagery planned to shoot in the next 6 months also.

Thermal Explorer Regional Events Fund

The four regions of the Thermal Explorer Highway collective including Waikato, Rotorua, Taupō and Ruapehu were approved \$3.75 million for regional events by Tourism Minister Stuart Nash on 18 December 2020. The Regional Tourism Organisations (RTOs), alongside their council partners, developed a collaborative regional events investment plan to drive additional domestic visitation into their regions.

Hamilton & Waikato Tourism were selected as the Lead Entity for the Regional Events Fund across the four regions. The collaboration between Waikato, Rotorua, Taupō and Ruapehu has led to a strong and compelling event proposition for our four regions.

The bulk of the \$3.75 million fund has been allocated through a contestable funding process with successful events being supported over a three-year period. Two rounds of contestable funding have now been allocated. These two rounds have resulted in 34 events being allocated \$2.9million. This sees the contestable fund aspect fully utilised and allocated. There have been a number of events that have not been able to go ahead which has caused previously allocated funds to be returned. In December the panel agreed to move forward with a third contestable funding round. However, this round will be much smaller than previous rounds and is now open, due to close June 2023.

ThermEx capability workshops have been held online and in person over the last six months. Capability will continue for this sector over the next two years including a Thermal Explorer roadshow being planned centred around capability building, event development and feasibility initiatives.



Development and support

Product support provided to cultural operators across the region

The team have provided a variety of support services to our Maori tourism operators. Some of this support has been funded by STAPP/RESET funds allocated to provide consultants; attendance at capability building workshops; and other support has been by the way of one-on-one support with the HWT team:

- Te Ahurei Maori Tourism – now BRONZE Qualmark certified
- Sands of Kawhia Hotel
- Tainui Waka Tourism Inc
- Rangiriri Development
- Okū Tea
- Te Puna Wai Tours
- Move Your Tinana Kawhia (event)
- NZ Maori Tourism connections and strong relationship developing
- IBCPC Dragon Boat Event – connected organisers with local hapu for assistance

In addition, the HWT team have been working more with NZ Maori Tourism and have undertaken Te Reo lessons with Fraser High Schools's Adult Learning team.

Capability Building for the Industry

Our central Government STAPP and RESET funding has provided us with the opportunity to offer an accelerated capability building programme. Symposiums, workshops, webinars and one-on-one support has been provided to a range of operators throughout the region.

The funding timeframe was extended until June 2023 for this activity therefore, we have many more opportunities scheduled for the remainder of this financial year.

Ambassador programmes

Designed for anyone engaging with manuhiri (visitors) who come to the Waikato, our Ambassador Programmes help create storytellers and ambassadors who can connect with people and authentically engage with what all New Zealanders understand as 'manaakitanga' and 'kaitiakitanga'. There are five unique location centric programmes that will support Kirikiriroa Hamilton, Waikato, Waipa, Waitomo/Otorohanga and Matamata-Piako. Programmes have been promoted and commence in March 2023.

Regenerative Tourism

The Mighty Waikato Sustainability Programme has been developed in conjunction with InStep and has been launched to our operators late January. The Programme provides guidance to operators to measure what they do and identify changes to their business to achieve better regenerative outcomes. Operators will sign up by donating \$50 to Waikato RiverCare, then attend an individual sustainability coaching session with InStep. InStep will provide a report of the operator's sustainability actions, carbon emissions and recommendations for improvements. Our aim is to encourage 100 Waikato operators to participate in the programme.

We have introduced a Regenerative tourism section of waikatonz.com for operators, providing advice and resources to assist operators on their journey. The visitors section is underway.

Food & Beverage Tourism Strategy

We utilised STAPP funding to produce a Food & Beverage Tourism Market Development Strategy for the region. The strategy was developed with consultation from producers, hospitality sector, event managers and caterers. We are now implementing the strategy's action plan including:

- Development of an Advisory Group to share in the ownership of the strategy, to help guide direction for the action plan and collaborate on specific projects
- Content creation – new content created and existing refreshed for waikatoz.com, social media content created including Reels, specific media pitching and coverage (see above marketing media section)
- Image library asset creation – photo and video shoot in May in Hamilton, Raglan and Cambridge areas
- Development of a Waikato Provenance Mark – research project currently underway to explore if and what a provenance mark for the Waikato could look like.
- Conducting feasibility work towards developing a new event for the region.

Visitor Perceptions and Positioning

We engaged Angus & Associates to conduct research to ascertain what potential visitors think that Waikato has to offer. The research was updated with new survey data for the year ending December 2022. Key findings:

- 21% of NZers who travelled around NZ last year, visited Waikato
- 48% of NZ travellers associate Waikato with "Gardens, Parks and Reserves"
- 55% of NZ travellers agree that Waikato is a great place to visit for a short-term break
- 36% of NZ travellers agree that they would pay more for a regenerative tourism experience over an otherwise equivalent experience
- 71% agree that Waikato is either "highly appealing" or "somewhat appealing" as a destination to visit.
- However, 83% of those who have recently visited, said that the region is either "highly or somewhat" appealing.

And of our Australia visitors:

- 16% of Australians who travelled to NZ last year, visited Waikato
- 37% of Australian travellers associate Waikato with "Walking & Hiking"
- 65% of Australian travellers agree that Waikato is a great place to visit for a short-term break
- 50% of Australian travellers agree that they would pay more for a regenerative tourism experience over an otherwise equivalent experience
- 71% agree that Waikato is either "highly appealing" or "somewhat appealing" as a destination to visit.
- However, 97% of those who have recently visited, said that the region is either "highly or somewhat" appealing.

This research will now inform the work we are conducting with Miles Partnership to confirm what our Positioning Pillars are and how we then include these in our activity moving forward.

Residents Sentiment towards Tourism

This is another substantive research project carried out by Angus & Associates – this time ascertaining what our residents consider to be the benefits of tourism, and what are the challenges that tourism brings to their community. The first survey period was summer 2021/22, which has already been shared with councils. The results from the new survey, conducted over summer 2022/23, will be shared as results become available.

Insights tool

HWT partnered with Bay of Plenty, Ruapehu, Taupō and Tairāwhiti to develop a data/insights dashboard. This is simple to use, provides interactive filters to produce data for each district/TLA (where its available). This will help our reporting in the future.

Six-Month Update to Hamilton City Council 1 July – 31 December 2022



Weather related State of Emergency

At the time of writing this report, a National State of Emergency has just been announced in response to the damage caused (and ongoing) from Cyclone Gabrielle, which has followed closely behind Cyclone Hale and been even more devastating.

With official advice being “delay travel” and only travel if absolutely necessary, visitation over the two long weekends has been much lower than we would have expected for this time of year. Our operators will be greatly impacted at a time when they had hoped to have some form of recovery over the summer period.

MBIE instigated the Visitor Support Emergency Advisory Group (VSEAG) to support visitors to Auckland. They then invited us, Northland and Coromandel to join the meeting; and extended again to include Tairāwhiti and Hawkes Bay. This group consists of TEC, TIA, TNZ, MBIE, NEMA, MFAT, DOC, Ministry of Education, Immigration NZ etc. The purpose of VSEAG is to support the emergency response when the emergency impacts large numbers of visitors and managing the response for those visitors; and then some small part in the “recovery” afterwards.

Sustainable Funding

Post Central Government Funding

As you are aware, HWT received funding from central Government as part of COVID recovery funding packages, as did all RTOs. This additional funding elevated our existing mahi and allowed further workstreams to be implemented. This funding has now been utilised, with some projects being granted extended timeframes to June 2023.

With this funding concluded, returning to our normal levels of funding will see our activity also return to pre-covid levels. Therefore, the projects/workstreams impacted are:

- Food & Beverage – we now have a fantastic Food & Beverage Tourism Market Development Strategy for the region and have created powerful assets. We will include the food and beverage offering within our usual work but will be unable to elevate further or fully realise the recommendations of the Strategy.
- Regenerative Tourism/Sustainability – we are providing our Mighty Waikato Sustainability Programme for operators until June, and then will need to cease any major work towards this including subsidising the operator assessments.
- Communications Specialist – this was a 12-month fixed term position which enabled increased content creation and cut-through with media articles and coverage. This activity will return to pre-covid levels.
- Ambassador programmes – the 4 additional programmes have been created and workshops will be provided free of charge while this funding is available until the end of June 23. After this funding, we will need to charge an attendance fee to cover the associated costs.
- Capability Building - work will continue as per pre-covid plans – two symposiums per year and our Development Manager available to support operators. However, the extensive and intensive workshop programme which was provided to operators free of charge will no longer be possible to deliver.
- Marketing campaigns - domestic, international and business events promotional activities were elevated and increased in frequency with this funding. This activity will return to pre-covid levels.

Hamilton & Waikato TOURISM

- Mighty Local campaign – this activity was launched during Covid. Building on existing efforts the increased focus on targeting locals proved incredibly beneficial in building ongoing awareness of our visitor offerings. This activity will return to pre-covid levels.
- Attraction of Business Events was increased during this period. We were able to host more event buyers in region and out of region than we are typically able to with usual levels of funding.

We are grateful for the funding we receive, however sustainability delivering to the now elevated stakeholder expectations while also managing rising implementation costs will become challenging. We will need to work with councils to either seek increased funding or decrease expectations.

The above information and comments are not provided for resolution for this council reporting period but are intended to highlight the discussions that we'll be seeking during the next Long Term Plan process.

Conclusion

As we continue to lead the sector with recovering from the impacts of covid, and now cyclones, our key focus areas for the remainder of the financial year and the coming year includes:

- further embedding the Destination Management Plan into our activities
- continuing to assist and encourage operators to embed Regenerative Tourism and sustainability measures into their activity
- delivering the new Ambassador programmes for Waipā, Ōtorohanga-Waitomo, Waikato and Matamata-Piako districts
- supporting event organisers, venues and suppliers with new methods of hosting events
- continuing to work with our industry to develop capability
- delivering enhanced capability building opportunities with the Regional Events Fund for Waikato, Rotorua, Ruapehu and Taupō
- delivering the remaining programmes of work funded under STAPP/Reset
- continuing to lobby and advocate for the tourism sector with Government.

On behalf of the board and management of Hamilton & Waikato Tourism, we thank Hamilton City Council, our local government partners and the industry for their continued support. Your proactive support is greatly appreciated by the tourism sector and our community.

Nicola Greenwell

Chief Executive
Hamilton & Waikato Tourism
March 2023


INTERIM REPORT

WAIKATO REGIONAL AIRPORT LIMITED

For the six months ended 31 December 2022



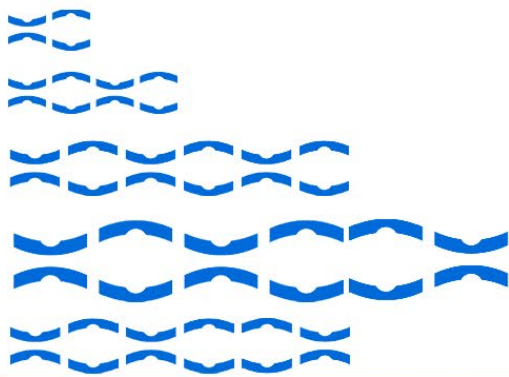
CHIEF EXECUTIVE'S REPORT



Key results at a glance

| | |
|--------------|--|
| + 45% | Total passengers: 201,000 Increase of 73,000 |
| + 4% | Aircraft Movements: 15,600 Increase of 600 |
| + 6% | Operating Revenue: \$9.0m Growth of \$0.5m |
| + 1% | EBITDA before land sales: \$3.2m Growth of \$41,000 |
| + 30% | Shareholder funds: \$227.9m Growth of \$53.3m |

Changes are measured against results for the six months ended 31 December 2021.



Waikato Regional Airport Ltd - Interim Report - six months ended 31 December 2022 - 2

COMMENTARY

Much of the narrative around the WRAL Group's successes during the last three years has been due to the diversification strategy that has sustained the Group through the most challenging times in the Airport's history.

Growth in asset classes underpinned strong land sale prices and property returns, coupled with the benefit of a 24-month MIQ contract that largely offset the financial impacts of the disruption to air travel, including a combined total of three months of complete regional travel restrictions halting all flights to and from the airport in the previous two years.

Without disruption of travel restrictions, the aeronautical business has returned to a sustained period of similar passenger volumes comparable to 2019 levels, and the Group's operating revenue has exceeded 2019 levels by almost \$2.5 million. This growth has pleasingly come from all areas of the Group's activities. Operating cost increases have been well managed and are consistent with general inflation and changes in activity levels.

The Group has continued an extensive \$10.5 million investment and improvement programme in the six month reporting period.

- The cornerstone of our investment over the last 18 months has been the terminal resilience project. After operating from temporary and repurposed parts of the terminal, customers transitioned back to a seismically strengthened and completely renewed interior, with the terminal architecture and new airport brand identity embracing the tapestry of the region's rich cultural heritage. The terminal design was informed by Mana Whenua and key artworks created using local Maaori artists.
- The Jet Park Hotel property returned to the market and traded for 4½ months of the six-month period in the public market, having concluded its MIQ contract in June, then completing the remaining renovations that had been deferred whilst an MIQ facility.
- The Group has also completed the strategic acquisition of two significant properties on the airport and a focus for the second half of the year will be attracting tenants that can rejuvenate aeronautical activity on our airfield, including utilisation of the former flight training academy facilities. Revaluation gains on these properties represent a significant portion of other gains revenue reported of \$9.6 million.

Land sales in this reporting period have yielded a gross margin of almost \$10 million, which provides a significant injection of capital to the Group to maintain a conservative debt position. Ultimately the Group's borrowings sit below the level when compared to December 2019 despite nearly \$30 million of investment undertaken since that time and the disruption to aeronautical activity.

Work has continued to advance the Northern Precinct Private Plan Change with the hearing in March 2023. Engagement with local stakeholders and regulators to date has been positive, although there remain a number of challenges to ensure we can reach agreement on several matters; the most significant centred around ecology and transport. If successful, the re-zoned land will ensure the Airport will continue to be a significant regional industrial/commercial hub, with a supply of land expected to serve market demand south of the Hamilton City over the next two decades.

Hamilton & Waikato Tourism continue to support the recovery of the local tourism industry via multi-year central government funded initiatives to attract tourists to the Waikato, initially focused on domestic tourism, the team has quickly broadened its activity as the country has begun to welcome large numbers of visitors from international markets. In addition, an updated Destination Management Plan is now being given effect to, building local capabilities that embed a more coordinated and united approach for the sector to attract and host visitors in our region moving forward.

The latter half of the financial year will also see some tangible progress in our sustainability vision with installation of a 0.5ha solar farm to meet 50% of energy requirements for the airport terminal and completion of certification requirements for Level 3 Accreditation under the global Airport Carbon Accreditation program making us the first New Zealand regional airport (and second New Zealand airport) to achieve this level.

The management team has been very focused on wellbeing initiatives that genuinely provide support to our people and continue to ensure that WRAL is an employer of choice, retaining our people in a tight labour market who continue to deliver on an ambitious program of work that underpins our 10-year strategy.

Whilst having successfully weathered the challenges of the last three years in the face of the pandemic, the group remains cognisant of new emerging challenges with some economic headwinds looming over our economy creating an uncertain outlook for air travel and tourism which are largely discretionary costs for many.

Mark Morgan
Group Chief Executive



Waikato Regional Airport Ltd - Interim Report - six months ended 31 December 2022 - 3

FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income & Expense

For the six month period ended 31 December 2022
(unaudited)

| | 2022 \$ '000 | 2021 \$ '000 |
|--|-----------------|-----------------|
| Revenue | | |
| Operating revenue | 9,047 | 8,574 |
| Land sales | 14,723 | 770 |
| Other gains/(losses) | 9,591 | 305 |
| | 33,361 | 9,649 |
| Expenses | | |
| Operating expenses | (3,184) | (2,911) |
| Cost of land sales | (4,228) | (574) |
| Employee benefits expense | (2,537) | (2,379) |
| Depreciation & amortisation | (2,033) | (1,708) |
| Finance costs | (295) | (206) |
| Other losses | (147) | - |
| | (12,483) | (7,778) |
| Net surplus/(deficit) before tax | 20,878 | 1,871 |
| Tax expense | (3,169) | (439) |
| Net surplus/(deficit) after tax | 17,709 | 1,432 |
| Other comprehensive revenue & expense | | |
| Revaluation of property, plant & equipment | - | - |
| Deferred tax | - | - |
| Total other comprehensive revenue & expense | - | - |
| Total comprehensive revenue & expense | 17,709 | 1,432 |

These interim financial statements have been prepared in accordance with Tier 2 PBE Accounting Standards. Amounts reported for the six months ended 31 December 2021 have been restated to comply with balances reported in the final 30 June 2021 audited annual report.

Waikato Regional Airport Ltd - Interim Report - six months ended 31 December 2022 - 4

FINANCIAL STATEMENTS

Consolidated Statement of Changes in Equity

For the six month period ended 31 December 2022
(unaudited)

| | Share Capital \$ '000 | Retained Earnings \$ '000 | Revaluation Reserves \$ '000 | Total \$ '000 |
|---|-----------------------------|---------------------------------|------------------------------------|------------------|
| Opening Balance - 1 July 2021 (restated) | 14,860 | 72,189 | 86,143 | 173,192 |
| Net profit/(loss) after tax | - | 1,432 | - | 1,432 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | - | 1,432 | - | 1,432 |
| Dividends paid to shareholder | - | - | - | - |
| Closing Balance - 31 December 2021 | 14,860 | 73,621 | 86,143 | 174,624 |
| Opening Balance - 1 July 2022 | 14,860 | 96,637 | 99,228 | 210,725 |
| Net profit/(loss) after tax | - | - | - | - |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | - | 17,709 | - | 17,709 |
| Dividends paid to shareholder | - | (500) | - | (500) |
| Closing Balance - 31 December 2022 | 14,860 | 113,846 | 99,228 | 227,934 |

Waikato Regional Airport Ltd - Interim Report - six months ended 31 December 2022 - 5

FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

As at 31 December 2022
(unaudited)

| | 2022 \$ '000 | 2021 \$ '000 (restated) |
|---|-----------------|-------------------------------|
| Current Assets | | |
| Cash and cash equivalents | 798 | 1,094 |
| Trade and other receivables | 2,463 | 1,242 |
| Inventories | 500 | 578 |
| Development property | 9,012 | 8,169 |
| | 12,773 | 11,083 |
| Non Current Assets | | |
| Property, plant, and equipment | 159,848 | 124,207 |
| Investment property | 84,470 | 63,584 |
| Intangible & other non-current assets | 788 | 834 |
| | 245,136 | 188,625 |
| Total Assets | 257,909 | 199,708 |
| Current Liabilities | | |
| Trade and other payables | 5,925 | 2,226 |
| Income received in advance | 1,738 | 1,777 |
| Employee entitlements | 549 | 606 |
| | 8,212 | 4,609 |
| Non Current Liabilities | | |
| Provisions for Infrastructure Development | 1,700 | 1,431 |
| Deferred tax liability | 7,063 | 5,149 |
| Borrowings | 13,000 | 13,895 |
| | 21,763 | 20,475 |
| Total Liabilities | 29,975 | 25,084 |
| Net Assets | 227,934 | 174,624 |
| Equity | | |
| Share capital | 14,860 | 14,860 |
| Retained earnings | 113,846 | 73,621 |
| Revaluation reserves | 99,228 | 86,143 |
| Total Equity | 227,934 | 174,624 |

FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows

For the six month period ended 31 December 2022
(unaudited)

| | 2022 \$ '000 | 2021 \$ '000 |
|---|-----------------|-----------------|
| Operating activities | | |
| Receipts from operations | 10,457 | 8,663 |
| Receipts from land sales | 14,723 | 770 |
| Payments to suppliers and employees | (6,571) | (6,417) |
| Payments for construction of development property | (2,318) | (1,315) |
| Payment of interest | (321) | (206) |
| Payment of income taxes | (444) | (1,409) |
| Net cash from/(used in) operations | 15,526 | 86 |
| Investing activities | | |
| Receipts from sale of property, plant and equipment | 4 | 500 |
| Purchases of property, plant & equipment | (10,456) | (2,708) |
| Purchases of investment properties | - | - |
| Purchases of intangible assets | (193) | (44) |
| Net cash from/(used in) investment activities | (10,645) | (2,252) |
| Financing activities | | |
| Receipts from/(repayments of) borrowings | (3,995) | 1,900 |
| Payments of dividends | (500) | - |
| Net cash from/(used in) financing activities | (4,495) | 1,908 |
| Net change in cash for the period | 386 | (266) |
| Add opening cash and cash equivalents balance | 412 | 1,360 |
| Closing cash and cash equivalents | 798 | 1,094 |

PERFORMANCE REPORTING

Performance against Statement of Intent

For the six month period ended 31 December 2022
(unaudited)

| | SOI Full Year 30/6/23 | Actual 6 months 31/12/22 | Forecast Full Year 30/6/23 |
|---|--------------------------|--------------------------------|-------------------------------|
| Financial Targets | | | |
| EBITDA excluding Land Sales | \$4,300 | \$3,325 | \$6,310 |
| EBITDA including Land Sales | \$11,100 | \$13,820 | \$16,146 |
| Net Profit before Tax | \$6,000 | \$11,287* | \$19,831 |
| Net Operating Cash Flow excl Land Sales | \$3,500 | \$3,121 | \$4,040 |
| Total Debt (not exceeding) | \$30,000 | \$13,000 | \$18,430 |
| Percentage of non-landing charges revenue | 60% | 73% | 69% |
| Land Sales | \$14,000 | \$14,723 | \$14,723 |
| Interest coverage | 4.0x | 11.2x | 8.0x |

Net Profit before Tax for the six months ended 31 December 2022 of \$11,287,000 is reported before Other Gains of \$9,591,000.

The group has a number of non-financial performance targets covering the range of activities the group undertakes. At 31 December 2022, the Group was on track to meet substantially all of its targets except for certain targets in relation to an aeronautical development that has been deferred with agreement from the future tenants.





Attachment 6

Item 7

INTRODUCTION

This statement is presented by the Directors in accordance with s.64 (1) of the Local Government Act 2002 and sets out the Board's intentions for the Company and Group for the year ending 30 June 2024 and succeeding two financial years.

STRATEGIC INTENT

The Group has identified its core purposes under its current ten-year strategic plan to be:

CORE PURPOSES

1. An enabler of air services to the region.
2. A supporter and developer of aviation through investment in, and provision of, airport infrastructure and support services for both general aviation and airline activities.
3. The operator of a first class, safe, sustainable and compliant airport that connects the Mighty Waikato to New Zealand.
4. To strategically position the Group to enhance capital value and be financially self-sustaining through an income diversification strategy.

Hamilton Kirikiriroa



ABOUT THE WRAL GROUP

The group comprises the following entities:



- **Waikato Regional Airport Limited (trading as Hamilton Airport)** - is the Group's parent company, and the owner and operator of Hamilton Airport.
- **Titanium Park Limited** - has a goal to develop and optimise land holdings to generate long-term income streams from a diversified property portfolio.
- **Waikato Regional Airport Hotel Limited** - has an intent to provide non-aeronautical earnings to the Group through the operation of a Qualmark 4 Star hotel and conference centre facility at Hamilton Airport.
- **Hamilton & Waikato Tourism Limited** - the Regional Tourism Organisation markets the Hamilton & Waikato region as a visitor and business events destination, and to assist in growing the visitor economy through tourism development and destination management.

KEY OBJECTIVES OF THE WRAL GROUP

The Group's key objectives and activities that will be undertaken to deliver on these include the following:

Operate an efficient and compliant airport.

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

Enhance the traveller experience.

Maximise traveller satisfaction and airport experience through continued investment in passenger facilities and technologies that also assist to drive sustainable outcomes.

Maintain a viable aeronautical business.

- Assist airlines to identify opportunities to increase flight schedules and passenger numbers.
- Identify and activate new development opportunities within the general aviation sector.
- Position and protect the airport as an efficient, cost effective international port.
- Remain collaborative with local authorities and central government agencies for joint infrastructure and transport initiatives.

Maximise revenue diversification through non-aeronautical business opportunities.

- Promote and secure tenants for the airline engineering base and flight training academy facilities to secure new aeronautical operators and enhance a vibrant general aviation community.
- Support Pyper Vision to deliver trials of the fog dispersal technology to improve airline efficiency and customer experience, whilst also enhancing value of WRAL's investment in this venture

- Complete construction of airport infrastructure to support private aeronautical property development.

Develop and optimise the land holdings of the Group to generate a long-term income from a diversified property portfolio.

- Titanium Park Limited will continue marketing for sale, development and optimised investment, all available non-aeronautically strategic land in a planned and co-ordinated approach.
- Support the development of land within the bounds of a sound, strategic approach to long-term planning as defined in the 2022 updated aeronautical master plan.
- Upon notification of the private plan change outcome, complete a detailed master plan for the first stage of Northern Precinct for at least 10ha of land and its enabling infrastructure.

Operate the airport hotel to return to (or exceed) its investment business case growth targets and customer satisfaction targets following the disruptions to its growth strategy from the pandemic.

- Improvement of hotel brand awareness through increased marketing activity.
- Establishment of Propeller Restaurant as a local destination restaurant.
- Complete renovations of guest recreation facilities to improve customer satisfaction.



Assist in the development and marketing of the Hamilton and Waikato region as a visitor destination to domestic and international visitors.

- Implement activities within the Destination Management Plan to assist with the restart and reimagining of the tourism sector in a regenerative/sustainable manner.
- Assist with major event bids and then work with major event promoters to ensure the event is leveraged to activate visitors to the region.
- Maintain and strengthen support for regional tourism through partnerships with local government, the tourism industry and the wider regional community.

People

- Implement an organisation-wide strategy that takes a holistic view of employee wellbeing, recognising wellbeing as a measure of our organisation's success.
- Provide training & development to personnel to ensure individually and collectively, our personnel remain leaders of best practice in their respective fields.
- Retain a high performing team to build resilience, capability and responsiveness to growth and change opportunities.

Sustainability

- Achieve Level Three certification under the global Airport Carbon Accreditation Program.
- Maintain the Jet Park Hotel's Qualmark Silver Enviro rating.
- Continue to develop and implement a long-term sustainability plan aligned to advancing levels under the global Airport Carbon Accreditation Program.



KEY PERFORMANCE TARGETS

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

| | Financial year ending | | |
|--|-----------------------|--------------|--------------|
| | 30 June 2024 | 30 June 2025 | 30 June 2026 |
| EBITDA (excluding Land Sales) | \$6.0m | \$6.5m | \$7.0m |
| EBITDA (including Land Sales) | \$8.0m | \$9.5m | \$18.0m |
| Net profit before tax (no less than) | \$1.0m | \$3.0m | \$12.5m |
| Net operating cash flow (excl land sales) | \$6.0m | \$7.0m | \$15.0m |
| Total debt excl. design-build acquisitions (max) | \$30.0m | \$30.0m | \$55.0m |
| Percentage of non-landing charge revenue | 60% | 60% | 60% |
| Land sales | \$3.0m | \$4.5m | \$40.0m |
| Interest coverage (at least) | 4.0x | 4.0x | 4.0x |

The following non-financial key performance targets are proposed for the Waikato Regional Airport Limited Group in relation to its core purpose and key objectives for the year ending 30 June 2024.

Health, safety and wellbeing.

- Zero Work Safe notifiable accidents/injuries
- Operate a workplace the fosters employee wellbeing and improving organisational culture, as measured by the Employee Engagement Survey.

Aeronautical compliance.

- To maintain the Airport Certification Standards as required by the Civil Aviation Authority
- Ensure airport is operationally available for all scheduled passenger services (except for uncontrollable events).

Maintain a viable aeronautical business.

- Assist airlines to identify opportunities to increase flight schedules and passenger numbers.
- Identify and activate new development opportunities within the general aviation sector.
- Position and protect the airport as an efficient, cost effective international port.
- Remain collaborative with local authorities and central government agencies for joint infrastructure and transport initiatives.

Property.

- Complete construction of airport infrastructure to support private aeronautical property development.
- Develop a MOU with local iwi organisations that provides for a collaborative relationship to future developments that will embrace Te Ao Maori principles and celebrating the rich cultural history of our rohe.

Climate Change Response.

- Reduce Group electricity purchases by at least 20% on 2023 levels (measured in kWh used) upon commissioning of the first stage of the solar farm development.
- Achieve Level 3 (Optimisation) accreditation to the Airports Council International's Airport Carbon Accreditation programme.
- Reduce landfill waste through reduced usage of non-recyclable single use materials and improved sustainable material usage in construction.



GOVERNANCE & SHAREHOLDER RELATIONS

Governance and management of the Group.

At all times the Group will behave in a professional and ethical manner in all its business dealings with its customers and stakeholders and strive to be an employer of choice in fostering a high performing organisation. The Group is committed to its obligations under the Local Government Act 2002 to its employees, shareholders, the community including climate change response and Te Tiriti o Waitangi.

The Board and Management will ensure that all requirements to the Health & Safety at Work Act 2015 are maintained including through the engagement of an independent consultant and audit processes to ensure the organisation and its subsidiary companies are maintaining compliant and best practice processes.

Shareholder value.

While no commercial valuation of shares has been completed, the consolidated balance sheet of WRAL as at 30 June 2022 shows shareholder equity of \$211 million based on current independent valuations of the Group's property, plant and equipment and investment properties.

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

Future investment proposals.

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

There are no additional major transactions presently contemplated for which shareholders have not already been consulted over. Major transactions in the WRAL Group are those that would result in 10% of the company's assets (by book value) being acquired or disposed by the group annually before declaring any dividends.





Item 7

Attachment 6

Half Yearly Report

Waikato Innovation Growth Limited

New Zealand Food Innovation Waikato Limited

Financial Results (6 months to December 2022)

| Cash Operating Surplus | YTD Actual \$000 | YTD Budget \$000 | YE Forecast \$000 | YE Budget \$000 |
|-------------------------------------|---------------------|---------------------|----------------------|--------------------|
| WIGL | n/a | n/a | n/a | n/a |
| NZFIW | 50 | (196) | (60) | 38 |
| Group cash operating surplus | 50 | (196) | (60) | 38 |

Net Profit

| | | | | |
|-------------------------|--------------|--------------|----------------|--------------|
| WIGL | n/a | n/a | n/a | n/a |
| NZFIW | (730) | (271) | (1,207) | (522) |
| Group net profit | (730) | (271) | (1,207) | (522) |

KPI's

| | Actual | Budget | YE Forecast | BNZ Covenant |
|---|--------|--------|-------------|--------------|
| Interest Cover— NZFIW | -0.3 | 0.2 | 0.6 | 2.0 |
| Shareholder Funds/Tangible Assets — NZFIW | 49% | 51% | 50.0% | 20.0% |

Debt/Assets

| | As at 31 Dec 2022 \$000 | YE Jun 23 \$000 | | |
|-------------------|----------------------------|--------------------|--|--|
| Secured Bank debt | 5,200 | 5,300 | | |
| Total Assets | 21,953 | 22,612 | | |

Operations Figures

(For the 6 months ended 31 Dec 2022)

| | Act/For | Budget |
|--|---------|--------|
| NZFIW Production Days (Dryer YTD) | 93 | 91 |
| NZFIW Production Days Full Year forecast | 182 | 200 |

Management Commentary

NZ Food Innovation Waikato Ltd

NZFIW is experiencing a challenging year in 2022/23. Over the last 6 month period dryer production kilos have dropped from the YTD budgeted 545k kg's to 472k kg's actual. The dryer continues to make a mix of products (nutritional powders, skim milk & whole milk powders) for a variety of species—cow, sheep, goat and deer.



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

The Melody Plant (Dryer 2) has experienced utilisation overall inline with budget with budget of 66.3% and actual 50% YE 2022 but we are seeing a trend since YE 2022 of a shortfall vs. budget.

CEO Tony Giles stepped down in February 2023, after 14 months in the role, and was replaced by Gary Stannard.

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

It has been agreed by all parties that there the possible sale of all shares and assets of NZFIW is the most viable way forward for FIW. The process is being developed between HCC, FIW Board, Deloitte and Tomkins Wake.



Financial Results

- NZFIW net loss for the 6 months to December was \$730k which is below the budgeted loss of \$271k, by \$(459k).
- NZFIW is forecast to achieve a year-end loss of \$1,207k due to reduced dryer days. This is unfavourable to the full-year budgeted loss of \$522k by \$685k.
- NZFIW is forecasted to have a cash operating deficit of \$60k. The Bank loan to is expected to be \$5,300k at year end.
- There is still potential downside risk to the full-year forecast given the weather conditions and general softening of the customers sales channel forecasting.



Waikato Innovation Growth Limited
New Zealand Food Innovation (Waikato) limited
NZFIW D2 Limited and
11% ownership in Melody Dairies Limited Partnership
11% ownership in Melody Dairies GP Limited
Statement of Intent
01st March 2023

1. Introduction

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

2. Corporate Intent

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

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

3. Achievements to date

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

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

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

| | |
|----------------------|----------------------------------|
| • 2015/16 | 66 MT |
| • 2016/17 | 105 MT |
| • 2017/18 | 156 MT |
| • 2018/19 | 261 MT |
| • 2019/20 | 277 MT |
| • 2020/21 | 191MT FIW / 333MT Melody |
| • 2021/22 | 1082.9 MT FIW / 1730.5 MT Melody |
| • 2022/23 (forecast) | 992.1 MT FIW / 2635.6 MT Melody |
- Despite a 3 month delay due to Covid-19, the construction of the Melody Partnership Dairy plant was completed in June 2020 on budget at \$54m.
- Commercial production from Melody Dairies spray dryer commenced in September 2020 after MPI verification.
- Melody Dairies contribute \$1.1m per annum to NZFIW in the form of management fees, as well as sharing the costs of labour on the plants.

4. Current Status

The 2022/23 season has been more mixed year, starting strongly but experiencing a drop off in milk supply from the new year for. Some of its customers have moved their production to the Melody dryer, we have not had any intended milk from DNIL and the inclement weather conditions have impacted on production. In particular with Goat, the

price pressures coming from a general over supply has dampened demand, and therefore growth.

NZFIW CEO Tony Giles, has stepped down from the role, effective 31st Jan 2023 and been replaced by Gary Stannard. Gary has extensive experience with process provider GEA developing and managing the portfolio for GEA Powder Handling systems included a number of significant acquisitions and integrations.

The NZFIW Board undertook a strategic review in the first half of 2022. The review focused on re-assessing the Company's core purpose and vision, and re-setting the direction and objectives for the business for the next 5 years. This is a timely review given the current stage of the business cycle, and business model of the Company.

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

The outcome of the reviews undertaken by both parties landed at the same outcome, that is the sale of the FIW business, assets and shares on a commercial basis to interested commercial interests.

The process is now underway and is being managed by Deloitte with input from Tompkins Wake as required. An overall committee has been established for regular up date and guidance made up of Deloitte, HCC, FIW senior management.

5. Nature and Scope of Activities to be Undertaken

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

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

6. Key Objectives

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

New Zealand Food Innovation Waikato Limited

2022-2023

1. 186 days of product development and small-scale commercial powder production on the FIW spray dryer thereby enabling exports of >\$35 million.
2. Management of the Melody spray dryer to support the growth of the Melody partners; attracting other customers to the Melody dryer; undertaking support services (e.g., audits) to support the partners. 183 days production forecasted.
3. Develop new customers for the business, and assist customers with the development of new valued added milk products.
4. The Board will complete and execute a Strategic review in conjunction with its shareholders. Subject to HCC's agreement, the Constitution and Shareholder Agreement will be updated.
5. It has been deemed by the board of directors that the shareholders will not be required to provide finance in order for New Zealand Food Innovation Waikato Limited to meet its operating, investing and financing obligations, the company will fund its activities via the overdraft facility.

2023-2024

1. 200 days of product development and small-scale commercial powder production on the FIW spray dryer contributing >\$40 million to the regional economy.
2. Continued management and support of the Melody spray-dryer to support the Melody partners business aspirations. 200 days production estimated.
3. Strategic optimisation of FIW and Melody dryers to benefit both dryers and their customers.
4. It has been deemed by the board of directors that the shareholders will not be required to provide finance in order for New Zealand Food Innovation Waikato Limited to meet its operating, investing and financing obligations, the company will fund its activities via the overdraft facility.

2024-2025

1. 200 days of product development and small-scale commercial powder production on the FIW spray dryer contributing >\$40 million to the regional economy.
2. Continued management and support of the Melody spray-dryer. 200 days production estimated.
3. It has been deemed by the board of directors that the shareholders will not be required to provide finance in order for New Zealand Food Innovation Waikato Limited to meet its operating, investing and financing obligations, the company will fund its activities via the overdraft facility.

2025-2026

1. 210 days of product development and small-scale commercial powder production on the FIW spray dryer contributing >\$42 million to the regional economy.
2. Continued management and support of the Melody spray-dryer. 220 days production estimated

3. It has been deemed by the board of directors that the shareholders will not be required to provide finance in order for New Zealand Food Innovation Waikato Limited to meet its operating, investing and financing obligations, the company will fund its activities via the overdraft facility.

7. Key Performance Targets (\$,000)

| Key Performance Indicators | 2024 | 2025 | 2026 |
|--------------------------------------|---------|---------|---------|
| NZFIW EBITDA | 505 | 414 | 654 |
| NZFIW Cash from Operating activities | 44 | 59 | 96 |
| Net Profit after tax | (1,043) | (1,195) | (1,023) |
| Shareholders' fund/Total Asset | 47.6% | 43.5% | 39.9% |

8. Capital Expenditure (\$,000)

| 8. Capital Expenditure | 2024 | 2025 | 2026 |
|------------------------|-------|-------|-------|
| Food Waikato | (400) | (400) | (400) |

9. Financial Forecasts (\$000)

NZFIW Ltd - Income Statements

| All in \$000's | 2024 | 2025 | 2026 |
|---|----------------|----------------|----------------|
| NZFIW income | 6,912 | 7,325 | 8,126 |
| Income from Melody | 1,205 | 1,254 | 1,305 |
| Total income NZFIW group | 8,118 | 8,578 | 9,431 |
| Expenses | | | |
| Direct expenses | 4,522 | 4,797 | 5,298 |
| Overheads excluding depr'n & interest | 3,091 | 3,367 | 3,478 |
| Total Expenses excluding depr'n & interest | 7,612 | 8,164 | 8,777 |
| EBITDA | 505 | 414 | 654 |
| Depreciation | 1,144 | 1,200 | 1,256 |
| Interest | 404 | 410 | 421 |
| Depreciation & interest | 1,548 | 1,609 | 1,677 |
| Net profit before taxation | (1,043) | (1,195) | (1,023) |

New Zealand Food Innovation (Waikato) Limited Financial Positions

New Zealand Food Innovation (Waikato) Limited Financial Position

| All in \$000's | 2024 | 2025 | 2026 |
|--|---------------|---------------|---------------|
| Current Assets | | | |
| Accounts receivable | 446 | 470 | 576 |
| Bank accounts | | | |
| Inventory | 58 | 58 | 58 |
| Other current assets | 140 | 140 | 140 |
| Total Current Assets | 644 | 668 | 774 |
| Non - Current Assets | | | |
| Buildings | 2,411 | 2,109 | 1,792 |
| Plant and equipment | 13,950 | 13,485 | 12,979 |
| Other non - current assets | 4,417 | 4,429 | 4,443 |
| Total Non - Current Assets | 20,778 | 20,023 | 19,214 |
| Total Assets | 21,422 | 20,691 | 19,989 |
| Current Liabilities | | | |
| Accounts payable | 297 | 301 | 389 |
| Bank overdraft | 108 | 428 | 833 |
| Other current liabilities | 393 | 402 | 409 |
| Total Current Liabilities | 798 | 1,131 | 1,631 |
| Non - Current Liabilities | | | |
| Bank loans | 5,350 | 5,650 | 5,650 |
| Deferred grant income | 1,650 | 1,471 | 1,292 |
| Other non - current liabilities | 3,427 | 3,435 | 3,435 |
| Total Non - Current Liabilities | 10,426 | 10,556 | 10,377 |
| Total Liabilities | 11,224 | 11,687 | 12,008 |
| Net Assets | 10,198 | 9,004 | 7,981 |
| Equity | | | |
| Paid up capital | 7,333 | 7,333 | 7,333 |
| Revaluation reserve | 5,393 | 5,393 | 5,393 |
| Retained earnings | (1,485) | (2,528) | (3,723) |
| Current year profit/(loss) | (1,043) | (1,195) | (1,023) |
| Total Equity | 10,198 | 9,004 | 7,981 |

10. Information to be provided to Shareholders

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

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

11. Governance

Board of Directors

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

The Directors of the NZFIW Board are:

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

12. Health and Safety

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

13. Financial Disclosure

1. REPORTING ENTITY

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

2. BASIS OF PREPARATION

a. Statement of Compliance

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

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

b. Basis of Measurement

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

c. Functional and Presentational currency

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

d. Use of Estimates and Judgements

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

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

e. Change in Accounting Policies

Nil

3. SIGNIFICANT ACCOUNTING POLICIES

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

a. Accounting for Associates

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

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

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

b. Revenue

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

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

c. Foreign Currency Translation

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

d. Finance Costs

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

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

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

e. Cash and Cash Equivalents

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

f. Inventories

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

g. Trade and Other Receivables

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

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

h. Property, Plant & Equipment

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

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

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

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

i. Revaluation

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

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

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

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

j. Work in progress

Work in progress is valued at cost.

k. Intangible Assets

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

Trademarks 10 years

l. Trade and Other Payables

Trade and other payables are stated at cost.

m. Goods and Services Tax (GST)

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

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

n. Income Tax

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

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

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

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

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

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

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

o. Short-term Employee Benefits

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

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

p. Provisions

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

q. Impairment

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

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

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

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

r. Dividend Policy

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

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





Half-yearly report (un-audited)

1 July 2022 to 31 December 2022

**Supporting councils to maximise the value
they provide to their communities by
helping them identify and realise shared
opportunities**

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Statement of service performance

Co-Lab¹ works with its partner councils to:

- Make the councils more effective and efficient; and
- Improve the experience communities have when engaging with councils.

It achieves these outcomes by:

- 1) Acting as An ideas laboratory for developing opportunities that create value to councils;
- 2) Providing shared services to councils; and
- 3) Entering joint procurement arrangements for the benefit of councils.

Six-month highlights

During the first half of the 2022/23 financial year, the management team focused on increasing engagement with council executive leadership teams and other key council staff to prioritise opportunities for development. Feedback was obtained through a survey, and the priorities subsequently canvassed in meetings with council executive leadership teams. Following discussion at the Board's strategy day, this work culminated in the company's Letter of Intent sent to councils in November.

With the start of a new triennium, in December Co-Lab supported councils by hosting a shared induction for elected members across the region. Work also commenced on a new triennium agreement that will guide regional priority workstreams, following "Shifting Landscapes" workshops with council chief executives and other senior staff in September and October.

The period also saw Co-Lab progress the implementation of Co-Lab Learning, our latest service offering, with the key appointment of the Regional Manager for the shared service.

The team progressed several projects, with Board approval to review of the Waikato Regional Transport Model's governance & management structure, and to investigate the Asset Management Centre of Expertise. Further, the Customer Digital Enablement project received an incredible 18 responses to the request for registrations of interest.

The period closed out with the Co-Lab awards, celebrating Co-Lab people that have gone above and beyond to exemplify the company's values of integrity, innovation, and collaboration and partnership.

Finally, we also welcomed our newest shareholder, Western Bay of Plenty District Council. It is great to have them on board.



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

Opportunity development projects

Shifting Landscapes



Waikato councils are faced with significant central government reform: 3-waters, resource management and the Future for Local Government review (FfLG). Councils continue to grapple with what these changes will mean for their organisation, and what the organisation will look like when the changes are complete. "Shifting Landscapes" began with a Community Needs Analysis report (March 2022), providing evidence-based qualitative data to inform councils' early submissions on the FfLG review.

Workshops took place in September and October with council chief executives and other senior staff, and a presentation at the

Mayoral Forum in early December. The next few months will focus on facilitating a new triennial agreement that guides regional collaboration, with supporting programmes of work, and supporting councils' response to the interim report from the FfLG panel.

Discussions have also identified that 3-waters reform presents an opportunity to capture efficiencies and ensure skilled workers are maintained in local government. This will be explored in our new project People Post 3-Waters (PP3W) which will be outlined in our 2023 Statement of Intent.

Customer Digital Enablement (CDE)

The CDE programme underpins a progressive digital transformation of council services. CDE is a collective vision of how councils can meet the expectations of their customers and communities. It isn't about *replacing* existing channels to the community. Rather, it is about adding a digital means of engagement for those in the community who want to do so.

The primary objective of the first stage of CDE is to establish a digital platform and collaborative model for councils to progressively build up digital services. This first stage is called "SR4" and will, beyond being a foundational platform, deliver a customer-centric solution focused on rubbish, recycling and sustainability. SR4 was one of four digital minimal viable product ideas developed during a series of council workshops. SR4 was chosen, in part, because councils field a lot of enquiries from their communities on these topics. The other three options, as well as many other ideas that didn't make the immediate short-list, remain possible development opportunities.

During the period, Co-Lab led a Registration of Interest (ROI) process seeking feedback from the market. 18 entities responded to the ROI which was a great result and testament to the significance of the opportunity. The procurement team selected the top four respondents and have delivered a proposal to councils seeking their support to continue to the Request for Proposal stage.

Asset Management Centre of Expertise (AMCE)

Councils have told us that they are facing significant asset management challenges. Water reform is expected to lead to changes in many councils' organisational structures and have an impact on the services that councils provide. The Co-Lab RATA team is already a proven centre of expertise in asset management and is well positioned to assist councils through its shared service model. AMCE is a project to investigate how else RATA can support councils in strong asset management.

During the period Co-Lab worked with councils to complete the Discovery Phase of the AMCE investigation and the Board agreed the initiative warranted further investigation. Subsequently, six councils (to date) have indicated a desire to be involved and now jointly fund the project. These councils are assisting Co-Lab directly in investigating how RATA can best assist in the following areas of asset management:

- Community Asset Management (parks, reserves, building and 'other' facilities).
- Management and advisory services (assisting with analysis, valuations, renewal programmes, reporting and recommendations for improved practice).
- Joint procurement (to reduce duplication in contract administration and take advantage of regional buying power).

Co-Lab Learning (CLL)

CLL is Co-Lab's latest shared service offering. CLL will create efficiencies in delivering council staff with improved opportunities for personal growth. The councils will agree on common learning outcomes in a particular area, and then Co-Lab will develop learning material that delivers on those outcomes, and increase regional learning opportunities.

Ten councils have chosen to participate in CLL. They will benefit from:

- a) A mechanism to collaborate with other councils on learning & development;
- b) Learning event opportunities (physical and virtual) for their staff;
- c) e-Learning modules informed by council requirements;
- d) Access to content other councils have already developed; and
- e) Dedicated staff supporting them.



During the period, our focus in preparing for the launch of this new service has included partnering with Hamilton City Council, who will support Co-Lab to deliver the service, recruiting and on-boarding new staff, and preparing the first learning opportunities for delivery in early 2023. The Implementation Phase of the project is nearing a successful completion.

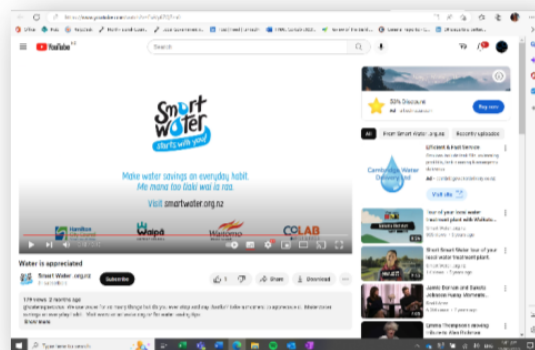
Building Consent Cadetship

Building on work from the Building Consent Shared Service investigation, this project aims to establish a regional approach to recruiting and developing new cadets that are employed as a Building Control Officer to grow the skilled workforce available to Building Control Authorities. The project has delivered the initial investigation into the problem and is now looking to establish options for solutions to be shared in early February.

Service Delivery

Co-Lab Water Services

In addition to continuing a high level of service over the period, highlights for the team included raising the region's profile and sharing knowledge at industry events – the Trade and Industrial Waters Forum conference and Water NZ conference. At the former event, the team gave an informative presentation about how Co-Lab Water Services operates across the Waikato. Ross Wightman, Senior Trade Waste Officer, won an Environment Champion award for some of his work with Rotorua Lakes Council. Ross also contributed to the Rats in your Sewer paper, which won Paper of the Water NZ Conference in October 2022.



Michelle Templeton, Smart Water Coordinator, presented at the Water NZ conference speaking about the Smart Water campaign. An article was published in the Water NZ magazine on “The value of water”, generating a national narrative about how we can build water literacy and a water conservation ethic amongst Kiwis.

In August, Geraldine McHaffie, Sampling & Analysis Team Leader went to Watercare acting as a Technical Assessor for IANZ to help them audit Watercare's accredited sampling processes.

The team also created a new [“Water is appreciated” video](#) which asks people to stop and take a moment to appreciate water and make water savings an everyday habit.

Smart Water attended the Your Neighbourhood event in Civic Square, Hamilton in October. This was a busy event where the team interacted with approximately 180 people and over 50 people took our public pledge to do one thing to save water over the summer.

New Drinking Water Rules came into effect in November 2022 and the Sampling & Analysis team have reviewed all intended schedules as a result of the changes.

Waikato Building Consent Group

Co-Lab has worked with the eight councils of the Waikato Building Consent Group (WBCG) to initiate and progress two significant projects over the period. Firstly, the redesign of the group's Quality System Manual and auditing regime focuses on simplifying the quality manual, making it more fit for purpose for use across the group and easier to adopt, implement and maintain for BCAs. The manual is currently in draft form waiting for the approval of the WBCG Technical Committee before implementation. The adoption of the new quality manual and auditing regime has been supported by establishing a Quality Hub with participating councils. The group of BCA Quality representatives has continued to meet monthly to discuss consistencies and process with a view to using the outcomes from internal audits to direct future continuous improvement opportunities.

Secondly, the WBCG has been central to the Building Consent Cadetship investigation noted earlier.

RATA

RATA has continued work with the ten Waikato councils in the roading partnership and nine in the water collaboration partnership.

For the roading councils, highlights included the appointment of a professional service provider for the long-term modelling of road pavements which will inform maintenance and rehabilitation strategies for the next Long Term Plan and beyond. An emerging initiative is the use of JunoViewer as a shorter-term pavement management tool, and to-date Waipa, Otorohanga, Hauraki and Waitomo have joined the RATA initiative where discounted licencing fees have been negotiated for RATA councils.

RATA has two contracts for inspections of bridges and other structures. The contracts support councils to manage their structural assets and provide the required level of service. The contracts help councils plan for the maintenance and replacement of those structures. These contracts have been retendered and for more information see the procurement section below.

The team continues to support council roading teams as the temporary traffic management guidelines across the country transition to a new regime.

The current professional service contracts for data collection (traffic counting, visual pavement inspections, etc) are due to expire at the end of this financial year. Procurement activities are underway with partner councils confirming the scope of the replacement contracts, and there has been good engagement with councils through multiple workshops.

Water Collaboration has been difficult in the first half of the year. This has been triggered by the Department of Internal Affairs (DIA) becoming more prescriptive around work programmes and intended outcomes. The greatest impact has been on the innovative water data quality dashboard, as the DIA will be replacing this with their preferred alternative. Funds set aside for this initiative have been redirected to more pressing and immediate priorities including the upskilling of water compliance officers and development of reporting systems and templates because of new Taumata Arowai requirements around water quality.

RATA's knowledge sharing initiatives continue to be well received, especially the forum events for roading and water asset managers.

Improving how we report RATA activities to partner councils, and the use of interactive quarterly reports has been positively received.



Waikato Regional Transport Model (WRTM)

The WRTM programme has concentrated on ongoing updates to the WRTM strategic model and planning for the procurement of the new Hamilton Transport Model (HTM).

The success of the base models (based on 2018 census) last financial year led to the development of future scenario models for 2025, 2035, 2045, 2055, 2065. However, the WRTM strategic model updates are progressing very slowly due to the lack of information from partner organisations regarding their future network plans - a critical input into the future scenario models. Another setback has been the availability of public transport data to enable this component of the strategic model.

Other strategic model improvements include the development of a visualisation tool to assist partner organisations with easy access to model inputs and outputs, and testing of the ability to model transport emissions successfully.

The HTM preparations are ongoing including engagement with subject matter experts and potential service suppliers to confirm the scope of the HTM. Critical to this has been the support of the WRTM professional service suppliers to project manage, peer review, and provide specialist technical advice. Our procurement approach has been staged. This year to-date has included a request for information (RFI) to establish the level of interest and capability in the industry, followed by an advertised registration of interest (ROI), from which we received submissions from four service providers. The ROI was evaluated resulting in a short list of two preferred suppliers. A request for proposals (RFP) will be tendered early in 2023.

Throughout the period, the team also focused on addressing the out-of-date partner funding agreement. We have received limited feedback on the draft agreement from partner organisations which poses a risk. Further work on this and an interim agreement covering HTM will be prioritised, as it is critical for the establishment of the HTM.

In parallel, an investigation into the WRTM governance and management structures required to realise the programme's full potential is underway.

Co-Lab Geospatial Services

In July 2022, Co-Lab Geospatial Services (CoGS) was established as an umbrella for the Waikato Data Portal and Waikato OneView. Launched in 2019, the Waikato Data Portal is endorsed by all twelve Waikato councils and provides a mechanism through which council data is made available to the community. In 2021 seven councils in the region collaborated to launch a single web map viewer, Waikato OneView, which presents merged spatial data. Datasets currently available display three waters services, property related data and community and recreation information.

During the period, the team focused on preparation and approval of a workstream budget, appointment of required resourcing and the establishment of an Advisory Group. There was also a strategic planning session with council stakeholders. The vision and strategic objectives of the service will be confirmed by the Advisory Group in early 2023, along with an operational plan to implement the strategy. It has already been recognised that there are opportunities to maximise the value of these tools by increasing their data sets and growing the public's awareness of their benefits.

Procurement

There have been two key outcomes for Co-Lab Procurement during the period: SAMS and CPS.

Structure Asset Management Services (SAMS) is the new name for the retender of two RATA bridge inspection contracts. The contracts were renamed to reflect that they cover more than bridges and inspections. The service aims to provide participating councils with technical information and advice to ensure:

- Structures are maintained in a safe and serviceable condition
- Risks are fully understood, documented, and managed
- Capital works and major maintenance items are identified and programmed so that funding can be made available at the right time.

The number of participating councils has increased from six to nine. The procurement strategy of allocating councils to contract packages as part of the evaluation process was successful in that it was more flexible and maintained competitive tension compared to creating contract packages in advance of

the procurement. This strategy also achieved its objective of introducing a third supplier into this market and the result was of significant value to the participating councils.

Council Procurement Support (CPS) is a new service offered by Co-Lab. Some councils are not large enough to warrant a dedicated procurement resource so Co-Lab has recruited a procurement advisor who, amongst other things, spends one day a week working for Ōtorohanga, Thames-Coromandel, and Waitomo councils. The procurement advisor helps by providing procurement and tendering advice, coaching and mentoring council staff, checking compliance, undertaking reviews, and otherwise monitoring procurement performance.

During the period, Co-Lab conducted a health check of the current state of procurement in the three councils, identified various recommendations, and agreed a prioritised list of actions for the coming year.

Performance framework



Assessment of performance against targets

An update on performance against the targets set in our Statement of Intent, as at 31 December 2022, is shown in the table below.

| Priority | Performance measure | Target | Outcome (progress toward target) |
|--|--|--|---|
| Prioritise and develop business cases for opportunities that, if implemented, add value to councils by achieving one or more of our objectives | ➤ Business cases will include measurable benefits linked to one or more of the outcomes sought | Projected savings/increased revenue to councils of at least \$300k | Various opportunities advanced during the first six months of the financial year. Those opportunities included: ➤ The first initiative under the Customer Digital Enablement programme ➤ The Asset Management Centre of Expertise ➤ Learning & Development Shared Services (LDSS) implementation ➤ Shifting Landscapes ➤ WBCG Regional Building Consent Cadets By their nature, some of these opportunities do not lend to readily quantifiable benefits – for example, Shifting Landscapes. The other projects are under development and yet to reach a point of determining quantifiable benefits (LDSS benefits were reported in the 2021 Annual Report) |
| | ➤ Businesses cases are supported by councils (evidenced by take up of the opportunity) | 75% of councils | Unable to measure: No final proposals have been put to councils during the period. One project did reach a key council decision point. The Asset Management Centre of Expertise 'signature' investigation project successfully attracted financial commitment from six councils. |
| Develop opportunities and deliver projects within agreed budgets and timelines | ➤ Opportunities / projects are developed / delivered within agreed timelines | 80% | 0% Two projects had timelines predicting completion in the 6 months to 31/12/22. The LiDAR project was scheduled to finish in 2022. Although this was not achieved, the data quality is now close to meeting LINZ specifications. The project is now expected to finish by Q2 2023. The Registrations of Interest (ROI) phase of the Customer Digital Enablement (CDE) project was scheduled to finish in 2022. The ROI has been completed, however the key milestone for the phase will not be complete until councils |

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| Priority | Performance measure | Target | Outcome (progress toward target) |
|---|---|---|---|
| | | | have decided to progress. This did not happen in 2022 as hoped. |
| | ➤ Opportunities / projects are developed / delivered, within approved budget | 90% | No projects were concluded during the six-month period. |
| | ➤ Overall, Company Management / Support functions will be undertaken within budget, unless additional expenditure has board pre-approval | | Actual expenditure for Company Management and Support functions is slightly unfavourable to that budgeted for the period but is forecast to be within budget across the entire year. |
| Ensure projects realise their expected benefits | ➤ Measurable benefits are actively monitored and reported against | Six-monthly | Management presented one "Project Benefit Assessment" to the Audit & Risk Committee (ARC) during the period. The assessment covered the SAMS contracts. The ARC also agreed the next three assessments to be undertaken. |
| | ➤ Audit & Risk Committee undertake an assessment of projects following implementation (which will include an assessment of whether projected benefits have been realised) | For \$200k+ Projects (based on cost of opportunity development and ongoing investment) Assessment within 15 months 90% of projected quantifiable benefits are realised | The SAMS Benefit Assessment estimates quantifiable benefits of ~\$500k will accrue to councils from the new contracts. Anticipated quantifiable benefits were not quantified ahead of the procurement. In addition, several other non-quantifiable benefits are expected to flow from the arrangements in place. |

| Priority | Performance measure | Target | Outcome (progress toward target) |
|--|--|-----------------|---|
| Ensure existing services are meeting the needs of councils | <p>➤ The services we provide (below) are considered by councils who use that service to meet or exceed their expectations (evidenced by an annual survey):</p> <ul style="list-style-type: none"> ○ RATA – roading & waters ○ Waikato Building Cluster ○ Regional Infrastructure Technical Specifications ○ Energy & Carbon Management ○ Professional Services Panel ○ Health & Safety pre-qualification | 80% of councils | Not currently measurable: As in the prior year we will be undertaking a survey of council staff in the first half of 2023 to ensure each service offering is continuing to meet the needs of councils. |
| Foster and promote cross-council collaboration and networking to share ideas on improving efficiencies and best practice | <p>➤ Across these groups, ideas for future consideration and/or initiatives are identified each year</p> | Four per annum | <p>Health & Safety Managers had a planning day from which four new collaborative initiatives were identified and are being progressed.</p> <p>Procurement Managers continue to be involved in several joint procurements (DX Mail, RATs kits, SAMs).</p> <p>Three councils expressed interest in access to a central procurement resource. This initiative has been implemented and the Co-Lab Procurement Advisor has developed health checks for each of the councils involved to direct focus in 2023.</p> <p>Co-Lab has facilitated the establishment of a new Communications & Engagement working party.</p> |

Co-Lab's financial position

Summary

The financial results for the six months to 31 December 2022 are favourable to budget. This has occurred because some projects have progressed more slowly than planned meaning less expenditure arose during the period, and because of the sequencing of invoicing. For the full year we are currently forecast to be slightly ahead of budget.

The cash position is:

| | Cash balance @ 1/07/2022 | Cash surplus / (deficit) | Cash balance @ 31/12/2022 |
|---|-----------------------------|-----------------------------|------------------------------|
| Company Management & Support | (250,852) | 44,056 | (206,795) |
| RITS | 69,189 | 12,800 | 81,989 |
| Working Parties Projects | 248,895 | 211,999 | 460,895 |
| Information Technology | 20,052 | 6,560 | 26,612 |
| Energy Management | 86,325 | 14,530 | 100,855 |
| Shared Valuation Data Service (SVDS) | 439,129 | 28,928 | 468,057 |
| Road Asset Technical Accord (RATA) & Waters Collaboration | 324,538 | (228,429) | 96,109 |
| Waikato Regional Transport Model (WRTM) | 276,362 | 449,875 | 726,236 |
| Waikato Building Consent Group (WBCG) | 266,242 | 172,650 | 438,892 |
| Mayoral Forum | (16,124) | 3,934 | (12,190) |
| Co-Lab Water Services | 437,476 | 430,305 | 867,781 |
| Co-Lab Learning | (4,637) | (66,580) | (71,217) |
| Procurement | 0 | (65,406) | (65,406) |
| Geospatial Services | 0 | 101,353 | 101,353 |
| Accounts Receivables | (1,119,406) | (1,494,540) | (2,613,946) |
| Accounts Payables | 1,794,807 | (255,886) | 1,538,922 |
| Total | 2,571,996 | (633,851) | 1,938,145 |

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

We will be reforecasting in March and will reassess the likely year-end cash position for each workstream at that time and take this into account in the company's finalised Statement of Intent issued in June 2023.

Statement of financial performance

| Co-Lab Statement of Financial Performance For the six months ending 31 December 2022 | | | |
|--|------------------------------------|-----------------------------------|------------------------------------|
| | Financial year 2023 YTD Actuals | Financial year 2023 YTD Budget | Financial year 2022 YTD Actuals |
| Revenue | | | |
| SVDS Data & Software Sales | 166,810 | 204,338 | 179,809 |
| Interest | 121 | 1,000 | 7 |
| Other Revenue | | | |
| User Charges | 4,757,252 | 5,602,322 | 5,228,851 |
| Total Other Revenue | 4,757,252 | 5,602,322 | 5,228,851 |
| Total Revenue | 4,924,183 | 5,807,660 | 5,408,667 |
| Expenditure | | | |
| Depreciation and amortisation expense | 21,183 | 23,069 | 13,761 |
| Personnel costs | 717,025 | 890,225 | 404,373 |
| Other expenses | 3,054,470 | 4,981,197 | 2,611,574 |
| Total Expenditure | 3,792,678 | 5,894,491 | 3,029,708 |
| Net Profit | 1,131,505 | (86,830) | 2,378,959 |

Statement of financial position

| Co-Lab Statement of Financial Position As at 31 December 2022 | | |
|---|--|--|
| | Financial year 2023 Actual at 31/12/2022 | Financial year 2022 Actual at 31/12/2021 |
| Assets | | |
| Current Assets | | |
| Bank | | |
| Call Account | 29,123 | 28,989 |
| Transaction Account | 1,909,021 | 2,101,214 |
| Total Bank | 1,938,145 | 2,130,203 |
| Accounts Receivable | | |
| Accounts Receivable | 659,483 | 765,740 |
| Accounts Receivable Accruals | 1,952,105 | 2,208,020 |
| Total Accounts Receivable | 2,611,588 | 2,973,760 |
| Prepayments | 0 | 0 |
| Deferred Tax Asset | 2,358 | 3,091 |
| Total Current Assets | 4,552,091 | 5,107,054 |
| Non-current Assets | | |
| SVDS - Original Cost | 0 | 0 |
| WRTM - Original Cost | 2,296,855 | 2,296,855 |
| MoneyWorks Software | 1,195 | 1,195 |
| IT equipment | 79,240 | 40,455 |
| Accumulated Depreciation | (2,333,889) | (2,294,613) |
| Office Furniture | 66,169 | 11,821 |
| Total Non-current Assets | 109,570 | 55,713 |
| Total Assets | 4,661,661 | 5,162,768 |
| Liabilities | | |
| Current Liabilities | | |
| Accounts Payable | | |
| Accounts Payable | 451,819 | 561,345 |
| Accounts Payable Accrual | 25,409 | 709 |
| Total Accounts Payable | 477,228 | 562,054 |
| RWT on Payments | 11,413 | 1,513 |
| Credit Card Balance | 3,633 | 2,962 |
| Revenue in Advance | 880,462 | 722,563 |
| Employee Entitlements | 75,298 | 21,967 |
| GST | 90,887 | 33,184 |
| Total Current Liabilities | 1,538,922 | 1,344,242 |
| Total Liabilities | 1,538,922 | 1,344,242 |
| Net Assets | 3,122,739 | 3,818,526 |
| Equity | | |
| Contributed Capital | 2,957,001 | 2,957,001 |
| Retained Earnings | 165,738 | 861,525 |
| Total Equity | 3,122,739 | 3,818,526 |

Statement of cashflows

Co-Lab

As at 31 December 2022

For the six months ending 31 December 2022

| | Financial year 2023 YTD Actuals | Financial year 2022 YTD Actuals |
|---|------------------------------------|------------------------------------|
| Cashflows from Operating Activities | | |
| Interest Received | 121 | (16) |
| Receipts from Other Revenue | 3,482,790 | 4,199,560 |
| Payments to Suppliers and Employees | (4,184,530) | (3,786,763) |
| Taxes Paid | 9,900 | 0 |
| Goods & Services tax (net) | 96,339 | (69,783) |
| Net cash from operating activities | (595,380) | 342,999 |
| Cashflows from Investing Activities | | |
| Capital enhancements | 0 | 0 |
| Purchase of PPE | (36,112) | (15,060) |
| Purchase of investments | 0 | 0 |
| Net cash from investing activities | (36,112) | (15,060) |
| Net increase in cash, cash equivalents and bank accounts | (631,493) | 327,939 |
| Opening cash and cash equivalents and bank overdrafts | 2,569,637 | 1,802,263 |
| Closing cash, cash equivalents and bank accounts | 1,938,145 | 2,130,202 |
| Summary of Bank Accounts | | |
| BNZ - Call a/c | 29,123 | 28,989 |
| BNZ - Transaction Account | 1,909,021 | 2,101,214 |
| Closing Balance of Bank | 1,938,145 | 2,130,203 |

Policies

The accounting policies on which the preceding financial statements have been prepared are consistent with those used in preparing the Financial Statements for the year ended 30 June 2022, included in the company's Annual Report.

Financial forecasts

Latest financial forecasts are contained in the company's 2023 Statement of Intent issued for shareholder comment in February 2023.

Governance

Co-Lab is owned in equal portion by 12 Local Authorities:

- Hamilton City
- Hauraki District
- Matamata-Piako District
- Ōtorohanga District
- Rotorua Lakes
- South Waikato District
- Thames-Coromandel District
- Waikato District
- Waikato Regional
- Waipā District
- Waitomo District
- Western Bay of Plenty District

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

| Director | Representing |
|----------------|--|
| Peter Stubbs | Independent Chair |
| Chris McLay | Waikato Regional Council |
| Lance Vervoort | Hamilton City Council |
| Ben Smit | Ōtorohanga, Rotorua, South Waikato and Waitomo District Councils |
| Gavin Ion | Waikato and Waipa District Councils |
| Don McLeod | Hauraki, Matamata-Piako, Thames-Coromandel District and Western Bay of Plenty District Council |

Peter Stubbs' appointment as Independent Chair was renewed for a further three years from 1 July 2022.

The independent Chair of Co-Lab receives director fees and reimbursed expenses. Directors representing the councils will not receive any fees or reimbursed expenses for work undertaken on behalf of the company.

Nature & scope of activities

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

- Co-Lab Water Services (CWS)
- Co-Lab RATA
- Co-Lab Learning
- Energy & Carbon management
- Health & safety pre-qualification
- Council Procurement Support and joint procurement initiatives
- LiDAR (Light Detection and Ranging) technology
- Regional Infrastructure Technical Specifications (RITS)
- Shared Valuation Data Services (SVDS)
- Waikato Building Consent Group (WBCG)
- Co-Lab Geospatial Services: Waikato Data Portal and Waikato One View
- Waikato Regional Aerial Photography Service (WRAPS)
- Waikato Regional Infrastructure Procurement (WRIP)
- Waikato Regional Transportation Model (WRTM)

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



2023 Statement of intent

For the year ended 30 June 2024

**Supporting councils to maximise the value
they provide to their communities by
helping them identify and realise shared
opportunities.**

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This SOI is a public declaration of the activities and intentions of the Council Controlled Organisation, Waikato Local Authority Shared Services Ltd trading as Co-Lab (Co-Lab). It outlines the nature and scope of the work it will undertake, the Directors' accountabilities to the shareholders for corporate performance and financial forecasts, as required by Schedule 8 of the Local Government Act 2002. This information is provided in relation to the financial years ended 30 June 2024 to 30 June 2026.

Message from the Chair



We recognise our shareholding councils are facing many challenges right now. Communities are dealing with rising living costs, goods shortages, and deciphering what it means to live in a post-pandemic world. We are going through unprecedented change to the local government sector. In parallel, you continue to seek to provide better services to your communities against record inflation and a tight labour market, trying to navigate these conditions without exacerbating the cost-of-living challenges for communities.

Against this backdrop, we are pleased to have a suite of initiatives to support you in this environment. This includes work to improve participative democracy so that councils' better understand their community's needs. It also includes working with you to transform how you use technology to better meet the expectations of your communities. In the face of 3-waters specifically, and a constrained labour market generally, we will work with you to help improve the attraction and retention of critical skills.

Co-Lab will also change because of the 3-waters reform. The introduction of Entity B will impact on Co-Lab Water Services and RATA. The loss of Co-Lab Water Services from 1 July 2024 in particular leaves us facing a need to increase member charges during the forecast period. We have worked hard over recent years to hold member charges at a constant level. We will now look at ways we can keep anticipated increases to a minimum.

We believe Co-Lab has a bright future. The company is unique in New Zealand and places you in a great position to be an exemplar for local governance. The Future for Local Government report stated that to *ensure better value spend, minimise duplication, and get the best use of people and resources, more effective collaboration, innovation, and shared services are required.*

"No matter what the future system design looks like, there needs to be greater collaboration across local government and increased use of shared services. The Panel considers that there are significant opportunities to deliver better value and ensure resources are applied to best effect, especially having shared information systems and support services in place. The Panel also believes there is great potential for central and local government to work more closely together to create a more joined-up public sector," – Jim Palmer, Chair, Future for Local Government Panel.

Jim's words summarise not only what we *can* achieve together, but what we *must* achieve together.

As you prepare your Long-Term Plans, we ask you to make a conscious decision to create space for collaboration. We are faced with incredibly complex times ahead, but encourage you as a business owner of Co-Lab, to utilise its unique strengths to provide a return on your investment at a very low risk.

Yours Sincerely,
Peter Stubbs
Chair

Sol milestones at a glance



Co-Lab's vision, purpose, and the outcomes we are seeking are set out in the company's performance framework in Appendix II.

Intentions for FY2023/2024

Focus areas beyond business as usual

Beyond the continuation of our priority projects and ensuring we deliver great services, there are four new areas of focus for the company in the coming year 1 July 2023- 30 June 2024. Work on some of these has commenced.

1) Co-Lab Councils: Right People, Right Place (formerly Employee Value Proposition)

Councils are faced with challenges to attract and retain talent in an increasingly tight labour market and are all looking to appoint from the same talent pool.

This idea was a clear leader in our survey results and in discussions with councils' executive leadership teams. Discovery work is already underway which has included discussions with councils' People & Capability Managers. From that, we know that the opportunity to collaborate in this area is about how to attract people with the skills councils will need in the future to work in local government generally, and in our region more particularly. The project will include engagement with LGNZ and Taituarā as we don't want to duplicate what already exists.



Source: unsplash

2) People Post 3 Waters (PP3W)



For some councils, the water reform creates a compelling moment to optimise capability and capacity across the region - the risk is that people are lost from the local government sector when they needn't be.

The Board have discussed an opportunity for councils to determine to what extent, and how, capable staff can be kept within the sector and region, notwithstanding the significant internal changes that will arise for many councils because of the 3-waters reform. The opportunity will consider the benefits of a new delivery model that creates efficient resource centres of expertise for specialist skills that are required by councils and in high demand, but which may be in (increasingly) short supply.

Given the timeline for 3-waters reform, we are already working with councils on the opportunity.

3) Democracy Centre of Expertise



Source: unsplash

Some councils have poor levels of engagement from their communities and varying levels of resource to analyse their communities' needs. The Board discussed developing capacity across the region to allow councils to undertake deliberative and participative democracy. Doing so should support building the public's trust in local government.

Other ideas which councils saw as being of significant value were a regional project management office and framework, and a business intelligence programme (which bears some relationship to the 'Democracy Centre of Expertise'). Co-Lab will progress these ideas as soon as capacity allows following consideration of the top three opportunities noted earlier.

4) Low-Hanging Fruit

More recent discussions with councils have indicated a desire for Co-Lab to strike a balance by spending some time delivering projects that are not necessarily transformational, but still have scope to add value to councils through more immediate cost savings. We see these projects being characterised as delivering councils value but requiring little change within the councils. It could be as simple as councils leveraging what others are already doing.

Part of this stream of work will be developing a matrix of council activities to identify:

- Where councils (likely, particularly, the smaller councils), have skill gaps; and
- What councils are spending externally on these activities to see if there is opportunity to create efficiencies with that spend – either through the appointment of cross-council resource (i.e. bringing it "in-house"), or a joint procurement arrangement;

Our workplan will also look to build in some resource capacity to enable us to be more responsive in supporting unforeseen collaboration opportunities as and when they arise.

Continuation of business as usual

We will be continuing to develop several opportunities signalled in the 2022 SOI. These are detailed in Appendix I. Similarly, we will continue to provide our schedule of shared services to partner councils. These are outlined in Appendix II.

Financials

Overview

This Statement of Intent, for the first time, reflects the impact of 3-Waters reform. That impact is felt from 1 July 2004.

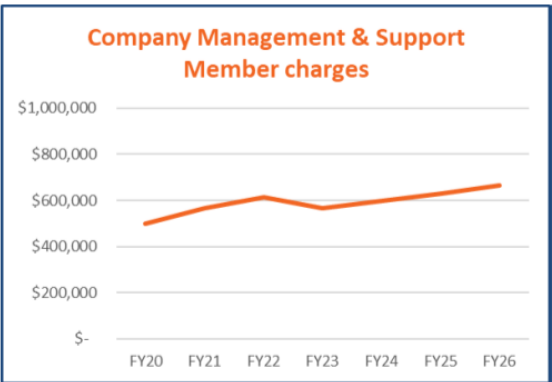
Services

Revenue from services increases in the 2023/24 financial year (FY), with this being the first full year of activity for Co-Lab Learning and Co-Lab Procurement support services.

From FY2024/25, services drop with Co-Lab Water Services and RATA (Waters) no longer being delivered.

Member charges

In the past few years we have held member charges for core operating costs (company management and support) relatively constant. However, the loss of Co-Lab Water Services necessitates an increase in these charges. That said, we have held the increase to ~5% per annum reflecting the assumed inflation rate on expenditure. We will be considering where there are opportunities to reduce costs without undermining our ability to deliver value to you, and how we might otherwise increase revenue streams. Our goal remains to minimise the increase in member charges.



Cashflow

We intend to draw on cash reserves to fund the operating losses that are forecast in the out-years. While doing so our financial position remains robust.

Statement of Financial Performance

| Co-Lab Company Summary for the forecast financial years ended 30 June 2024-2026 | | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| | Budget 2022/23 | Budget 2023/24 | Budget 2024/25 | Budget 2025/26 |
| Income | | | | |
| Company Management / Support | 870,000 | 1,004,125 | 1,050,300 | 1,083,534 |
| Working parties projects | 753,352 | 652,491 | 697,066 | 742,228 |
| RITS | 27,000 | 27,000 | 27,810 | 28,644 |
| Information Technology | 398,201 | - | - | - |
| Energy Management | 123,690 | 137,838 | 141,973 | 146,232 |
| Shared Valuation Data Service (SVDS) | 414,292 | 434,803 | 452,330 | 467,056 |
| Road Asset Technical Accord (RATA) | 2,015,899 | 1,527,614 | 1,477,733 | 1,815,027 |
| Waikato Regional Transport Model (WRTM) | 1,757,951 | 1,055,610 | 1,923,682 | 959,136 |
| Waikato Building Consent Group | 373,663 | 376,350 | 379,194 | 394,157 |
| Waikato Mayoral Forum | 5,000 | 5,000 | 5,000 | 5,000 |
| Water Collaboration | 685,092 | 494,988 | - | - |
| Co-Lab Water Services | 3,373,353 | 3,474,554 | - | - |
| Co-Lab Learning | 489,236 | 423,368 | 486,069 | 504,151 |
| Procurement | 268,600 | 311,600 | 320,948 | 330,576 |
| Geospatial | 64,623 | 70,523 | 72,117 | 73,758 |
| Total Income | 11,619,952 | 9,995,865 | 7,034,222 | 6,549,501 |
| Operating Expenditure | | | | |
| Company Management / Support | 1,203,186 | 1,192,754 | 1,302,835 | 1,376,028 |
| Working parties projects | 753,352 | 652,491 | 672,066 | 692,228 |
| RITS | 27,000 | 15,600 | 16,068 | 16,550 |
| Information Technology | 395,455 | - | - | - |
| Energy Management | 123,690 | 137,838 | 141,973 | 146,232 |
| Shared Valuation Data Service (SVDS) | 325,893 | 309,151 | 318,426 | 327,979 |
| Road Asset Technical Accord (RATA) | 2,011,040 | 1,523,183 | 1,473,169 | 1,810,326 |
| Waikato Regional Transport Model (WRTM) | 1,757,951 | 1,055,610 | 1,923,682 | 959,136 |
| Waikato Building Consent Group | 373,663 | 376,350 | 379,194 | 394,157 |
| Waikato Mayoral Forum | 5,000 | 5,000 | 5,000 | 5,000 |
| Water Collaboration | 682,150 | 492,474 | - | - |
| Co-Lab Water Services | 3,134,485 | 3,238,070 | - | - |
| Co-Lab Learning | 444,760 | 468,159 | 485,535 | 504,554 |
| Procurement | 268,600 | 332,316 | 342,285 | 352,554 |
| Geospatial | 65,123 | 69,170 | 71,245 | 73,382 |
| Total operating expenditure | 11,571,349 | 9,868,167 | 7,131,479 | 6,658,128 |
| Earnings before interest, tax and depreciation/ amortisation (EBITDA) | 48,603 | 127,698 | (97,257) | (108,627) |
| Depreciation / amortisation | | | | |
| Company Management / Support | 31,554 | 41,665 | 43,748 | 45,936 |
| WBCG | 0 | - | - | - |
| WRTM | 14,583 | - | - | - |
| Total Depreciation / amortisation | 46,137 | 41,665 | 43,748 | 45,936 |
| Net Surplus (Deficit) before tax | 2,466 | 86,033 | (141,005) | (154,562) |

We are budgeting a small profit in FY23 and then operating losses for the remainder of the forecast period. As noted above, our expectation is to identify revenue streams to bridge that gap.

Statement of Financial Position

| Co-Lab Financial Position for the forecast financial years ended 30 June 2024-2026 | | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| | Budget 2022/23 | Budget 2023/24 | Budget 2024/25 | Budget 2025/26 |
| CAPITAL | | | | |
| Shares - SVDS | 1,607,001 | 1,607,001 | 1,607,001 | 1,607,001 |
| Shares - WRTM | 1,350,000 | 1,350,000 | 1,350,000 | 1,350,000 |
| Retained Earnings | (1,467,033) | (1,464,567) | (1,378,535) | (1,519,540) |
| Plus Current Year Operating Surplus/(Deficit) | 2,466 | 86,033 | (141,005) | (154,562) |
| TOTAL CAPITAL FUNDS | 1,492,434 | 1,578,466 | 1,437,461 | 1,282,899 |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Prepayments | 134,000 | 3,208 | 3,368 | 3,537 |
| Accounts Receivable | 580,998 | 499,793 | 351,711 | 327,475 |
| Bank | 2,164,346 | 2,129,815 | 1,634,009 | 1,559,232 |
| GST Receivable / (Payable) | 5,097 | (19,155) | 16,662 | 17,422 |
| TOTAL CURRENT ASSETS | 2,884,442 | 2,613,661 | 2,005,750 | 1,907,666 |
| NON-CURRENT ASSETS | | | | |
| WRTM - Intangible Asset | 2,296,855 | 2,296,855 | 2,296,855 | 2,296,855 |
| MoneyWorks Software | 1,195 | 1,195 | 1,195 | 1,195 |
| Accumulated Depreciation | (2,298,050) | (2,298,050) | (2,298,050) | (2,298,050) |
| IT Equipment & Office Furniture | 150,132 | 180,466 | 180,466 | 180,466 |
| Accumulated Depreciation - IT equipment & Office Furniture | (41,546) | (83,211) | (124,876) | (168,625) |
| TOTAL NON-CURRENT ASSETS | 108,587 | 97,255 | 55,590 | 11,842 |
| TOTAL ASSETS | 2,993,028 | 2,710,916 | 2,061,340 | 1,919,507 |
| LESS CURRENT LIABILITIES | | | | |
| Accounts Payable | 1,415,383 | 1,015,947 | 531,063 | 516,643 |
| Accounts Payable Accrual | 32,173 | 33,782 | 35,471 | 37,244 |
| Employee Benefits | 53,038 | 82,721 | 57,345 | 82,721 |
| TOTAL CURRENT LIABILITIES | 1,500,594 | 1,132,450 | 623,879 | 636,608 |
| NET ASSETS | 1,492,434 | 1,578,466 | 1,437,461 | 1,282,899 |

Statement of Cashflows

| Co-Lab Statement of Cashflows for the forecast financial years ended 30 June 2024-2026 | | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| | Budget 2022/23 | Budget 2023/24 | Budget 2024/25 | Budget 2025/26 |
| Cashflows from Operating Activities | | | | |
| Interest Received | 2,000 | 80,625 | 80,625 | 61,875 |
| Receipts from Other Revenue | 11,583,503 | 9,996,444 | 7,101,680 | 6,511,862 |
| Payments to Suppliers | (11,999,086) | (10,105,519) | (7,640,211) | (6,645,567) |
| Taxes Paid | 0 | 0 | 0 | 0 |
| Goods & Services tax (net) | (200,365) | 24,252 | (35,816) | (760) |
| Net cash from operating activities | (613,947) | (4,198) | (493,723) | (72,590) |
| Cashflows from Investing Activities | | | | |
| Capital enhancements | 0 | 0 | 0 | 0 |
| Purchase of PPE | (81,714) | (30,334) | (2,083) | (2,187) |
| Purchase of investments | 0 | 0 | 0 | 0 |
| Net cash from investing activities | (81,714) | (30,334) | (2,083) | (2,187) |
| Net increase in cash, cash equivalents and bank accounts | (695,661) | (34,532) | (495,806) | (74,777) |
| Opening cash and cash equivalents and bank overdrafts | 2,860,007 | 2,164,346 | 2,129,815 | 1,634,009 |
| Closing cash, cash equivalents and bank accounts | 2,164,346 | 2,129,815 | 1,634,009 | 1,559,232 |
| Summary of Bank Accounts | | | | |
| BNZ - Call a/c | 2,164,346 | 2,129,815 | 1,634,009 | 1,559,232 |
| Closing Balance of Bank | 2,164,346 | 2,129,815 | 1,634,009 | 1,559,232 |

Appendix I: Opportunity development projects

Customer Digital Enablement (CDE)

The CDE programme underpins a progressive digital transformation of council services. It is about adding a digital means of engaging with council for those in the community who want to do so. The Customer Digital Enablement project identified its first initiative, “SR4” – an opportunity for councils to better engage with their communities digitally on sustainability, rubbish, and recycling. On the journey to selecting SR4 as the first initiative, council staff identified many other opportunities to add value through digital engagement with your communities. From that, a roadmap has been created and Customer Digital Enablement will become an ongoing programme of work.

Shifting Landscapes

Waikato councils are faced with significant central government reform: 3-waters, resource management and the Future for Local Government review (FfLG). Councils continue to grapple with what these changes will mean for their organisation, and what the organisation will look like when the changes are complete. This project began with a commissioned report, Community Needs Analysis, providing evidence-based qualitative data to inform councils’ submissions on the review.

Following a series of workshops with council chief executives, FY2023/24 work will focus on facilitating a new triennium agreement that will focus on regional collaboration, cogent long-term thinking, in the spirit of the FfLG report and with supporting programmes of work.

Asset Management Centre of Expertise (AMCE)

Councils have told us that they are facing significant asset management challenges. Water reform is expected to lead to changes in many councils’ organisational structures and have an impact on the services that councils provide. The Co-Lab RATA team is already a proven centre of expertise in asset management and is well positioned to assist councils through its shared service model. In FY2022/23, the board commissioned an project to investigate how existing Co-Lab RATA capability could be increased and extended to other asset types and other asset management stages.

Subsequently six councils have indicated a desire to be involved and now jointly fund the project. These six councils are now assisting Co-Lab directly in investigating how RATA can best assist in the following areas of asset management:

- Community Asset Management (Parks, reserves, building and ‘other’ facilities).
- Management and advisory services (assisting with analysis, valuations, renewal programmes, reporting and recommendations for improved practice).
- Joint procurement to reduce duplication in contract administration and take advantage of regional buying power.

Building Consent Cadetship

The Waikato Building Consent Group (WBCG) commissioned an investigation into the establishment of a building consent cadetship scheme, building on the Building Consent Shared Service investigation. The opportunity is to establish a cadetship programme coordinated by Co-Lab that recruits and trains Building Control Officers in partnership with the WBCG councils.

The intent is that the cadets would be available to work in all WBCG councils, would help provide a stable pipeline of building consent staff to meet current and future needs, and reduce council expenditure. Planned work in FY2022/23 is currently focused around implementation.

WRTM Governance & Management

In June 2022, the Board supported a recommendation to investigate management and governance required to realise the full potential of WRTM. This investigation has commenced and will continue into FY23/24.

RATA Asset Valuations

It was identified that there are inconsistencies in Asset Valuations stemming from poor assumptions of replacement costs and asset lives, leading to potential overcharging or underfunding.

Objectives for the project are:

- Develop the tools that enable repeatable, efficient, robust and consistent asset valuations, which support informed decision making.
- Greater level of confidence in the process – connecting of the asset management system and collaboration between engineers and finance teams.
- Ability to help other councils (resourcing) therefore creating resilience in the region.
- Assess the possibility of collaborative procurement for asset valuation services using the Co-Lab Asset Valuation Process.
- The Co-Lab Asset Valuation process is the process of choice for Co-Lab councils.

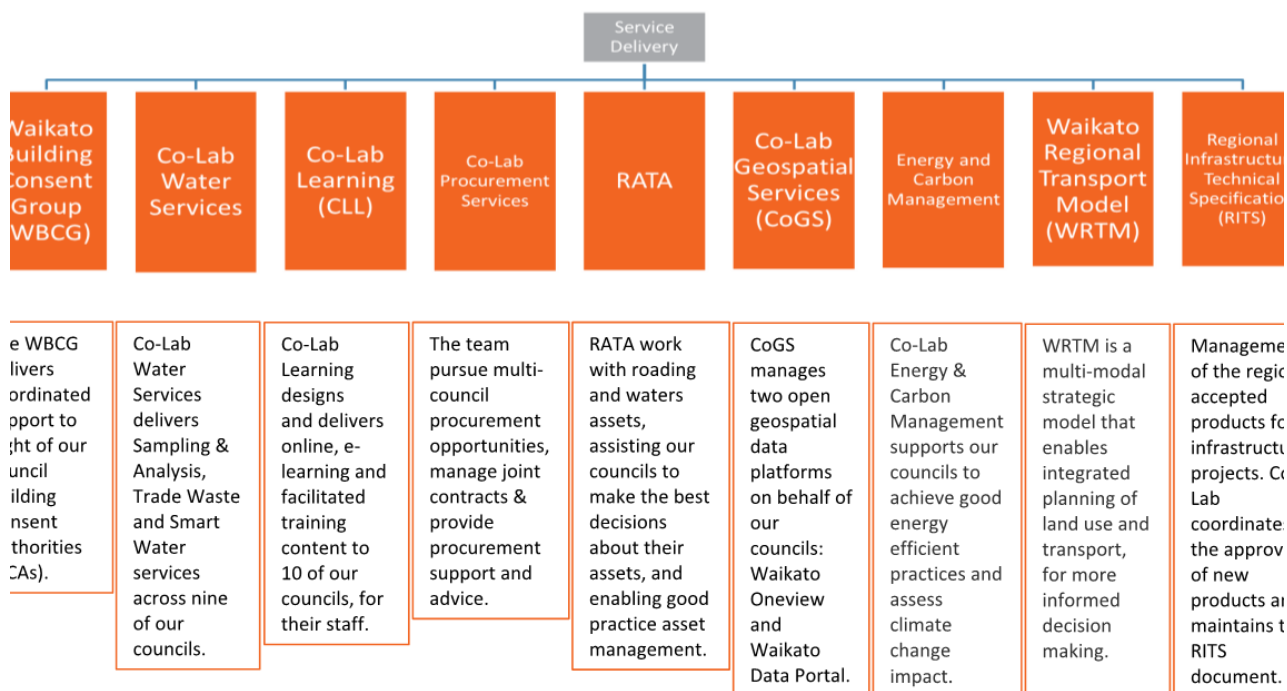
This is a three-year project and FY2023/24 will focus on the implementation phase of the project. With the uncertainty of Three Waters the governance group decided to pilot Transport first, with other asset classes to follow.

Benefits realisation

We will be undertaking an internal investigation to establish robust methodologies for measuring benefits, recognising there will always be qualitative benefits as well, and use this as the basis for improved reporting on the value you receive from Co-Lab. And if we don't think an area is providing value, and doesn't have a reasonable prospect of doing so, we will stop it. This work was originally planned for last financial year, however was deferred due to other priorities.

Appendix II: Nature & Scope of services

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



For more information on our services, please visit our website www.colabsolutions.govt.nz

Appendix III: Performance framework & measures



How we intend to measure our performance remains the same.

| Priority | Performance measure | Target |
|--|--|--|
| Prioritise and develop business cases for opportunities that, if implemented, add value to councils by achieving one or more of our objectives | <ul style="list-style-type: none"> ➤ Business cases will include measurable benefits linked to one or more of the outcomes sought ➤ Businesses cases are supported by councils (evidenced by take up of the opportunity) | <p>Projected savings/increased revenue to councils of at least \$300k</p> <p>75% of councils</p> |
| Develop opportunities and deliver projects within agreed budgets and timelines | <ul style="list-style-type: none"> ➤ Opportunities / projects are developed / delivered within agreed timelines ➤ Opportunities / projects are developed / delivered, within approved budget ➤ Overall, Company Management / Support functions will be undertaken within budget, unless additional expenditure has board pre-approval | <p>80%</p> <p>90%</p> |
| Ensure projects realise their expected benefits | <ul style="list-style-type: none"> ➤ Measurable benefits are actively monitored and reported against ➤ Audit & Risk Committee undertake an assessment of projects following implementation (which will include an assessment of whether projected benefits have been realised) | <p>Six-monthly</p> <p>For \$200k+ Projects (based on cost of opportunity development and ongoing investment) Assessment within 15 months 90% of projected quantifiable benefits are realised</p> |
| Ensure existing services are meeting the needs of councils | <ul style="list-style-type: none"> ➤ The services we provide are considered by councils who use that service to meet or exceed their expectations (evidenced by an annual survey): | 80% of councils |
| Foster and promote cross-council collaboration and networking to share ideas on improving efficiencies and best practice | <ul style="list-style-type: none"> ➤ Across these groups, ideas for future consideration and/or initiatives are identified each year | Four per annum |

- 1 Budgets and timelines for opportunity development will be those established following discovery and/or opportunity assessment. A business case will refine these parameters with respect to project delivery.
- 2 Time and cost targets for the development of opportunities and delivery of projects have been initially set based on what, in practical terms, are consider stretch goals, but achievable. However, we aspire to *always* better, or at least meet, timetables and budgets.

Appendix IV: Governance

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

- Hamilton City
- Hauraki District
- Matamata-Piako District
- Otorohanga District
- Rotorua Lakes
- South Waikato District
- Western Bay of Plenty District Council
- Thames-Coromandel District
- Waikato District
- Waikato Regional
- Waipa District
- Waitomo District

The company has two fundamental roles:

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

Co-Lab conducts itself in accordance with its constitution, its annual Statement of Intent, the provisions of the LGA and Co-Lab policies.

The Board is made up five council representative directors and an independent Chair. There is also a standing Audit & Risk Committee.

The current Directors of Co-Lab are:

| Director | Representing |
|----------------|--|
| Peter Stubbs | Independent Chair |
| Chris McLay | Waikato Regional Council |
| Lance Vervoort | Hamilton City Council |
| Ben Smit | Ōtorohanga, Rotorua, South Waikato and Waitomo District Councils |
| Gavin Ion | Waikato and Waipa District Councils |
| Don McLeod | Hauraki, Matamata-Piako, Thames-Coromandel District and Western Bay of Plenty District Council |

Peter Stubbs' appointment as Independent Chair has been renewed for a further three years from 1 July 2022.

The independent Chair of Co-Lab receives director fees and reimbursed expenses. Directors representing the councils will not receive any fees or reimbursed expenses for work undertaken on behalf of the company.

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

Appendix V: Policy Statements

Statement of accounting policies

Reporting entity

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

The primary objectives of the Company are to:

- Develop opportunities that benefit the Waikato region's local authorities; and
- Act as a vehicle to deliver value-added services to those local authorities.

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

Summary of significant accounting policies

Basis of preparation

Financial statements are prepared on the going concern basis, and the accounting policies are applied consistently throughout the period.

Statement of Compliance

Financial statements are prepared in accordance with the requirements of the LGA, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

Financial statements are prepared in accordance with and comply with Tier 2 PBE Standards reduced disclosure regime (RDR). WLASS is eligible to report under the RDR as it:

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

The accounting policies set out below are consistent with the prior year, other than the inclusion of policy:

- on operating leases, related to the lease of commercial premises;
- employees; and
- property, plant and equipment.

Measurement base

The financial statements are prepared on a historical cost basis.

Presentation currency and rounding

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

Goods and services tax

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

Critical accounting estimates and assumptions

In preparing the financial statements the Company makes estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no areas requiring estimate or assumptions made that are considered to carry a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Intangible assets

Useful lives and residual values

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

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

Impairment of intangible assets

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

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

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

Revenue

Revenue

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

Other Revenue

Member charges for all activities are recognised when invoiced to the user (i.e. councils). The recorded revenue is the net amount of the member charges payable for the transaction.

Contributions received for projects that were not completed in a financial year are recognised when the Company provides, or is able to provide, the service for which the contribution was charged. Until such time, contributions are recognised as liabilities.

Operating expenses

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

Personnel costs

Defined contribution schemes

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

Receivables

Short-term receivables are recorded at the amount due, less any provision for amounts not considered collectable.

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

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

Cash and cash equivalents

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

Income tax

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

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

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

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

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

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

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

Intangible assets Other financial assets

Investments in bank deposits are measured at fair value plus transaction costs.

At each balance date the Company assesses whether there is any objective evidence that an investment is impaired. Any impairment losses are recognised in the income statement.

Payables and deferred revenue

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

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

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

Employee benefits liabilities

Short-term employee entitlements

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

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

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

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

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

Presentation of employee entitlements

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

Reconciliation of equity

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

Contributed equity

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

Retained earnings

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

Council Report

Item 8

Committee: Economic Development Committee

Date: 16 March 2023

Author: Mike Bennett

Authoriser: Blair Bowcott

Position: Economic Development Programme Manager

Position: General Manager Growth

Report Name: Strategic and General Update

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

Purpose - *Take*

1. To inform the Economic Development Committee of both strategic matters and general updates that staff want to bring to Members' attention, but that do not warrant a separate report or require decisions to be made.

Staff Recommendation - *Tuutohu-aa-kaimahi*

2. That the Economic Development Committee receives the report.

Executive Summary - *Whakaraapopototanga matua*

3. This report provides information to Economic Development Committee members on activities, actions, or projects for which the Committee and the relevant General Managers have responsibility to.
4. Topics are grouped under the following themes:

| Theme | Topic |
|---------------------------------------|---|
| Economic Development Programme | <ol style="list-style-type: none">i. Staff resourcingii. Fonterra visitiii. Greengrower facilityiv. Economic Development Insight – March 2023v. The Cultivate Trust – 2023 prioritiesvi. Economic Development Programme – key sectors 2023vii. Te Waka priorities |
| Growth Programmes | <ol style="list-style-type: none">i. Central City, including review of BID Policyii. Ruakuraiii. Rotokauri-Northwest |

| | |
|---|--|
| Data Analytics, Economics and Policy | <ul style="list-style-type: none"> i. Industrial and residential consenting levels ii. Inflation iii. Cyclone Gabrielle |
| Tourism, Events and Visitation | <ul style="list-style-type: none"> i. H3 Activity Report ii. Visitor Destinations Update |

5. This is the first update since the last meeting of the Economic Development Committee on 11 August 2022 at the end of the last triennium.
6. Early in 2023, a Business Relationship Advisor and Business Growth Advisor joined the Economic Development team. These additional resources will help in delivering on the Committee's outcomes.
7. The Economic Development Programme has worked to advance Hamilton's interests in manufacturing, logistics, agritech, as well as technology and innovation. Beginning this year, the programme will add two new sectors, education, and healthcare, while combining agritech, technology and innovation into one sector. The resulting five sectors better represent our balanced economy, employment base, and growth potential.
8. Of the 21 'Priority Development Areas' identified as part of the Future Proof Strategy and Metro Spatial Plan, three – Central City, Ruakura and Rotokauri-Northwest – and are reported on here in terms of economic development activity. (See **Attachment 1** for a map showing the Priority Development Areas.)
9. Staff consider the matters in this report have low significance and that the recommendations comply with the Council's legal requirements.

Discussion - *Matapaki*

Economic Development Programme

Economic Development Team resourcing

10. Two roles have been filled to enable the economic development programme to deliver on the Committee's outcomes. A Business Relationship Advisor and Business Growth Advisor joined the team in early 2023. They bring experience in customer management, client engagement, strategic sales, and marketing.

Fonterra visit

11. As part of our goal to be engaged and aligned with existing Hamilton businesses, the Mayor, Chair, and Deputy Chair led a group on a tour of Fonterra's Te Rapa facility in early February 2023.
12. The visit highlighted Fonterra's role in our community, their views on the future and economics of dairy, ongoing research and development efforts, and a comprehensive overview of Fonterra's historic and future efforts towards sustainability and environmental protection. Staff are developing plans for similar Elected Member visits to a range of Hamilton businesses.

Greengrower facility

13. Greengrower, a controlled environment farming facility in Waikato Innovation Park, is nearing completion and the start of operations. They are New Zealand's first large-scale vertical farm, with three growing tunnels that will produce a mix of spinach, kale, lettuce, rocket, herbs, and microgreens. The process will use approximately 1 percent of the water that a conventional outdoor farm would use.

14. Staff have worked closely with the business and park owners for over two years, with the project representing an excellent example of Hamilton's place at the centre of the country's agritech, technology and innovation sector.

Economic Development Insights – March 2023

15. Our Economic Development Insights are targeted and topical, designed to showcase Hamilton's competitive advantages for businesses. The March 2023 edition, currently in development, will highlight the global nature of our work.
16. Examples include last year's visit from over 35 foreign diplomats for a two-day tour of Hamilton and the Waikato, designed to strengthen global business connections and facilitate increased economic trade. In February 2023, Mayor Paula Southgate welcomed Sweden's Crown Princess Victoria and her husband Prince Daniel, accompanied by Johan Forssell, Swedish Minister for Foreign Trade and International Development Co-operation.

The Cultivate Trust – 2023 priorities

17. The Cultivate Trust is a collective of business leaders, education providers and public entities working to accelerate the growth, success and diversity of Waikato's technology and innovation sector.
18. Formally established in 2022, the Trust's first work was a website and social media content project called "Tech in the Tron". The project was designed to engage with tech talent across New Zealand and help them to discover job opportunities in our city and region while growing their professional network. During the six months ending in December 2022, Tech in the Tron reached nearly 1.5 million unique people on social media, with over 1 million video views on TikTok.
19. In 2023 The Cultivate Trust will continue to focus on attracting and growing tech talent on behalf of businesses in Hamilton and the Waikato. The trust will be a strong voice within the wider technology and innovation sector across New Zealand, while developing dynamic, practical, industry-led tools and platforms that advance their brand, inform and challenge perceptions, and create value for their partners.

Economic Development Programme – key sectors 2023

20. A sector-based approach to economic development focuses resources on both established industries and those that can diversify an economy. The economic development programme has worked to advance Hamilton's interests in manufacturing, logistics, agritech, as well as technology and innovation. Beginning this year, the programme will add two new sectors, education and healthcare, while combining agritech, technology and innovation into one sector. These five sectors better represent our balanced economy, employment base, and growth potential:
 - i. Manufacturing
 - ii. Logistics
 - iii. Agritech, technology and innovation
 - iv. Education
 - v. Healthcare

Te Waka – 2023 priorities

21. Te Waka have shared their key workforce priorities for 2023, which include creating a framework for local businesses and educators to engage with one another more effectively and continuing to build and maintain ongoing relationships. They will continue to drive for action as a member of the Waikato Regional Skills Leadership Group and their partnership with Hanga-Ara Rau will give further insights into qualification gaps that need filling.
22. Their four priority areas for 2023 are facilitation, connection, advocacy, and data and insights to lift economic performance across the region and improve the wellbeing of Waikato people and communities.

Growth Programmes

23. Across the Future Proof Sub-Region, 21 'Priority Development Areas' (see **Attachment 1**) have been identified as part of the Future Proof Strategy and Metro Spatial Plan. Several of these are within the Hamilton City boundaries.
24. Priority Development Areas have been selected on the basis that they provide a focus on connecting key areas of the sub-region while supporting the core elements of transport, centres, the proposed economic corridor and planned intensification.
25. This Growth Programmes update provides a summary of economic development activity in three of the Priority Development Areas including Central City, Ruakura and Rotokauri-Northwest.

Central City

26. Council is committed to driving economic growth and building our central city to be a real hub for employment, tourism, and commercial opportunities.
27. Staff are advancing work with perspective large employers to inform them of Central City Transformation Plan (CCTP) benefits for their workforce.
28. Staff are in discussions with residential developers for inner-city options. The CCTP is a factor in decisions for new employment opportunities, and work is under way to increase investment in mixed-use central city developments.
29. Plan Change 12 and the focus on 'stage 1' will further encourage redevelopment to occur within the central city and walkable catchment, supported by the IAF grant of \$150.6M. The IAF investment – supported by Council's 2021-2031 LTP, developer contributions and direct infrastructure investment from the development community – to provide strategic infrastructure to support development in the central city that may include approximately \$2B of proposed new residential and commercial development over the next 10 years, providing around 4,000 new homes and 305,000m² of commercial area.
30. Economic activity highlights including central city card spend and pedestrian data were included in the Central City Programme update presented to the Strategic Growth and District Plan Committee on [23 February 2022](#) as part of the Strategic Issues Report.
31. Economic initiatives by Hamilton Central Business Association (HCBA) are highlighted in HCBA's six-monthly update (July-December 2022) in the External Partners/CCO report to this Committee.

Review of BID Policy

32. The policy that applies to establishing and setting up a Business Improvement District (BID) is due for review this year. The policy is used to support the management of BID associations such as HCBA and outlines reporting requirements and performance accountability. HCBA, the existing BID association under the Policy, has indicated that only minor edits to the BID Policy

would be requested. The updated proposed BID Policy will be brought to a future Economic Development Committee meeting for approval.

33. HCBA has also indicated an intention to explore expanding the central city BID area to align with the CCTP boundary, as well as the possibility of a proposal to establish a BID area in the walkable catchment in Hamilton East. Staff are working with HCBA to outline the requirements of these items. Elected Members will be kept updated throughout this process.

Ruakura

34. In the previous triennium, the economic development team and Ruakura Programme Manager aligned to provide letters of support to Tainui Group Holdings as they pursued businesses for the Superhub. Similarly, representatives from Ruakura were supportive partners of Council's role hosting foreign dignitaries, providing a regional economic development overview, and highlighting their superhub project.
35. The Ruakura Programme Manager has begun to integrate new economic development staff members into Council's work to support the long-term aspirations and short-term opportunities of Tainui Group Holdings and the Superhub project.
36. Elements of Ruakura feature prominently in the sector-based approach that has been identified by the economic development programme. The Ruakura Programme Manager will be a resource and collaborator as work progresses to showcase Hamilton as a location for investment and business attraction within the logistics sector.

Rotokauri-Northwest

37. In Rotokauri-Northwest, staff are focused on facilitating conditions that will lead to increased investment and employment opportunities for industrial users. This work includes an industrial land supply scoping study and engaging with developers and industry.
38. Staff are working hard to ensure areas suitable for industrial development are being explored and encouraged with potential developers; for example, staff are advancing proposals with mixed residential/commercial developments.
39. On a related and city-wide note, staff, through FutureProof, are investigating the sufficiency of industrial land supply in the sub-region. This will help inform if we need to make provision for increased areas to accommodate industrial growth, where, and what type. This is critically important work to ensure local and businesses have room to grow and expand and enables new businesses from outside of the sub-region to relocate given the comparative advantage Hamilton and the sub-region offers.

Data Analytics, Economics and Policy

40. Industrial consenting levels continued to be a highlight for Hamilton throughout 2022 with record levels of floor area consented. Commercial consenting has been soft since the outbreak of the Covid pandemic, but around the city we estimate that there is about 61,000m² of commercial floor area under construction, worth around \$261M.
41. In 2022, residential consenting came off the record highs seen in 2021 to 1405 dwellings. Consenting in the infill areas reached a record high level in 2022 while greenfield dropped. This resulted in an infill/greenfield split of all new dwellings consented of 68% infill to 32% greenfield.
42. Inflation continues to be a cause for concern. Capital prices in particular saw significant growth in 2022 – transport infrastructure costs were up 19%, water and sewerage systems up 15% and office/computing machinery up 21%.
43. The Reserve Bank (RBNZ) has now raised the official cash rate to 4.75%, the highest since 2008. Mortgage rates are now mostly over 7% (excluding special rates), with many households

needing to refix their mortgage in the next 12 months. The RBNZ's message remains strong – unless we stop spending, they will need to keep pushing up mortgage rates.

44. Data for 2022 shows that Hamilton performed well, with GDP growth of 4.1% compared to a national rate of 2.8%; unemployment went down, and employment growth was the highest of all metro-cities.
45. Cyclone Gabrielle and the floods in Auckland will have broader economic impacts. There will be inflationary pressure on several things including insurance, food, construction materials, civil construction materials, housing, carpets and furnishings, and wine.
46. The government has said that it will need to prioritise spending and the rebuild. The recovery activity will create economic activity (or GDP growth) too. At this stage, the full costs and the economic impacts are still unclear. Some businesses will benefit, and others will experience disruption.
47. See **Attachment 2** for more information and trends.

Tourism, Events and Visitation

H3 Activity Report

48. H3 is a business unit within the Venues, Tourism and Major Events Group at Council responsible for overseeing the city's premier event venues. H3's purpose is to "attract and deliver exceptional event experiences to Hamilton". The intention of this report is to provide a more focused commentary on H3. This includes financial and non-financial activity for Claudelands, FMG Stadium Waikato and Seddon Park.
49. Attached is a summary of H3's six-month activity, provided for the Committee's information. (**Attachment 3**).

Visitor Destinations Update

50. The Visitor Destinations Unit (Hamilton Gardens, Waikato Museum and ArtsPost, i-SITE, Hamilton Zoo, and Waiwhakareke Natural Heritage Park) is on track for a record-breaking year with the highest combined visitation result ever recorded after the first six months of the financial year. Combined year-to-date visitation is up 100% on this time last year. In the year to date (23 Feb), our visitor destinations have welcomed 575,401 visitors.
51. Waitangi Day commemorations at Waikato Museum Te Whare Taonga O Waikato received overwhelmingly positive feedback from the more than 1750 visitors who attended. This was the highest number of visitors to the museum since 2020, and only 200 visitors short of its highest ever visitation day. Hamilton Gardens hosted a series of fully booked tours of Te Parapara Garden over Waitangi weekend.
52. Waikato Museum is the first and currently only New Zealand venue for the world-renowned Wildlife Photographer of the Year exhibition, on tour from the Natural History Museum and running from December 2022 through to April 2023. This paid exhibition experience has also provided new retail opportunities for Waikato Museum, and both ticket sales and merchandise have added considerably to revenue targets.
53. Our retail offering continues to go from strength to strength. At the end of January, the combined year-to-date revenue was only \$8,500 shy of \$500,000 – a massive achievement. The Zoo achieved their highest ever monthly retail sales in October, and November was the highest 2022 retail sales month for the Gardens. We are currently 20% ahead of sales when compared to the same period last year.

54. School holidays are particularly busy at all sites, boosted by the now established 'Find your Fun' campaign, created to promote the schedule of family-friendly events across our destinations. A new Find your Fun website was launched ahead of the summer holidays, listing not only Visitor Destinations events, but also including events at Hamilton's Libraries and Pools. 'Find your Fun' is consistently being picked up by the media and has proved to be a hugely successful promotional strategy, establishing Hamilton's council-owned destinations as the top pick for school holiday entertainment.
55. The re-launched Hamilton Gardens Highlights Guided Tours have achieved a \$14K gross profit between July 2022 and January 2023, much of this through travel trade bookings. In March 2023, Hamilton Gardens is set to launch a new self-guided audio tour. In addition, a licence to operate has been granted to River Riders to open a depot on site for their bike hire services, leveraging the Gardens central location on the newly completed Te Awa River Ride.
56. Council's purchase of a neighbouring property to the Zoo, secures the integrity of the Zoo's perimeter, futureproofs expansion of zoo activities, provides access to the rear of the zoo, and enhances the future visitor experience by developing an accommodation and hospitality offering. The business model for this offering is currently being developed.

Financial Considerations - *Whaiwhakaaro Puutea*

57. The topics covered in this report are funded by existing budgets. There are no financial implications in relation to the information provided in this report.

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

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

Climate Change Impact Statement

59. There are no known climate risks or adaption opportunities associated with this option.
60. There is no change in greenhouse gas emissions associated with this option.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

61. 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').
62. 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.
63. The recommendations set out in this report are consistent with that purpose.

Social

64. Social wellbeing is defined as the capacity of individuals, their families, whaanau, iwi, hapuu and a range of communities to set goals and achieve them.
65. Thriving businesses in the hospitality, retail and community sectors promote better outcomes for the community at large and help to sustain a more vibrant Hamilton with greater social interaction.
66. H3 venues and events are safe for people to attend, H3 venues are a place where communities can meet, compete, and perform and H3 Venues are place Hamiltonians are proud of.

Economic

67. Economic wellbeing is defined as the capacity of the economy to generate employment and wealth necessary for present and future financial security.
68. The Economic Development Committee is 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.
69. Council is committed to driving economic growth and building our central city to be a real hub for employment, tourism and commercial opportunities.
70. Our sector-based approach to economic development focuses resources on both established industries and those that can diversify an economy.
71. In 2023, the economic development programme will focus on five key sectors – manufacturing; logistics; agritech, technology and innovation; education; and healthcare. This approach will represent our balanced economy, employment base, and growth potential.
72. As part of its work programme, the Growth Programmes team reports on three of the 21 'Priority Development Areas' identified as part of the Future Proof Strategy and Metro Spatial Plan – Central City, Ruakura and Rotokauri-Northwest – in terms of economic development activity.
73. Elements of Ruakura feature prominently in the sector-based approach that has been identified by the economic development programme. The Ruakura Programme Manager will help in showcasing Hamilton as a location for investment and business attraction within the logistics sector.
74. In Rotokauri-Northwest, staff are focused on facilitating conditions that will lead to increased investment and employment opportunities for industrial users.
75. H3 venues attract events that have a positive economic impact to the city; Events held at H3 venues attract people to the city; H3 venue infrastructure is well maintained, and improvements align with industry needs and requirements; H3 financial management and decision making is sound.

Environmental

76. Environmental wellbeing is defined as the capacity of the natural environment to support, in a sustainable way, the activities that constitute community life.
77. The Council's Central City Transformation Plan considers connections between the central city and the river to restore and protect the balance of the environment.
78. H3 venues respond to climate change challenges through several operating and built-in initiatives. However, continuous improvement and attention to this responsibility remains a critical element of the operations reputation and competitiveness. Refer Section 5 of the activity report; H3 venues are healthy environments; H3 cares about reducing, recycling and reusing water, electricity, and waste.

Cultural

79. Cultural wellbeing is defined as the capacity of communities to retain, interpret and express their shared beliefs, values, customs, behaviours, and identities.
80. Our city values, respects, protects, and promotes the treasured status of tangata whenua, acknowledges our shared history and celebrates our cultural identity and heritage.
81. Businesses in the hospitality, retail and community sectors endorse and enhance the cultural identity of the city and event activity helps promote cultural events and awareness of our heritage and history for Hamiltonians and visitors to the city to enjoy and participate in.

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

Risks - *Tuuraru*

83. There are no known risks associated with the matters covered in this report.

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

Significance

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

Engagement

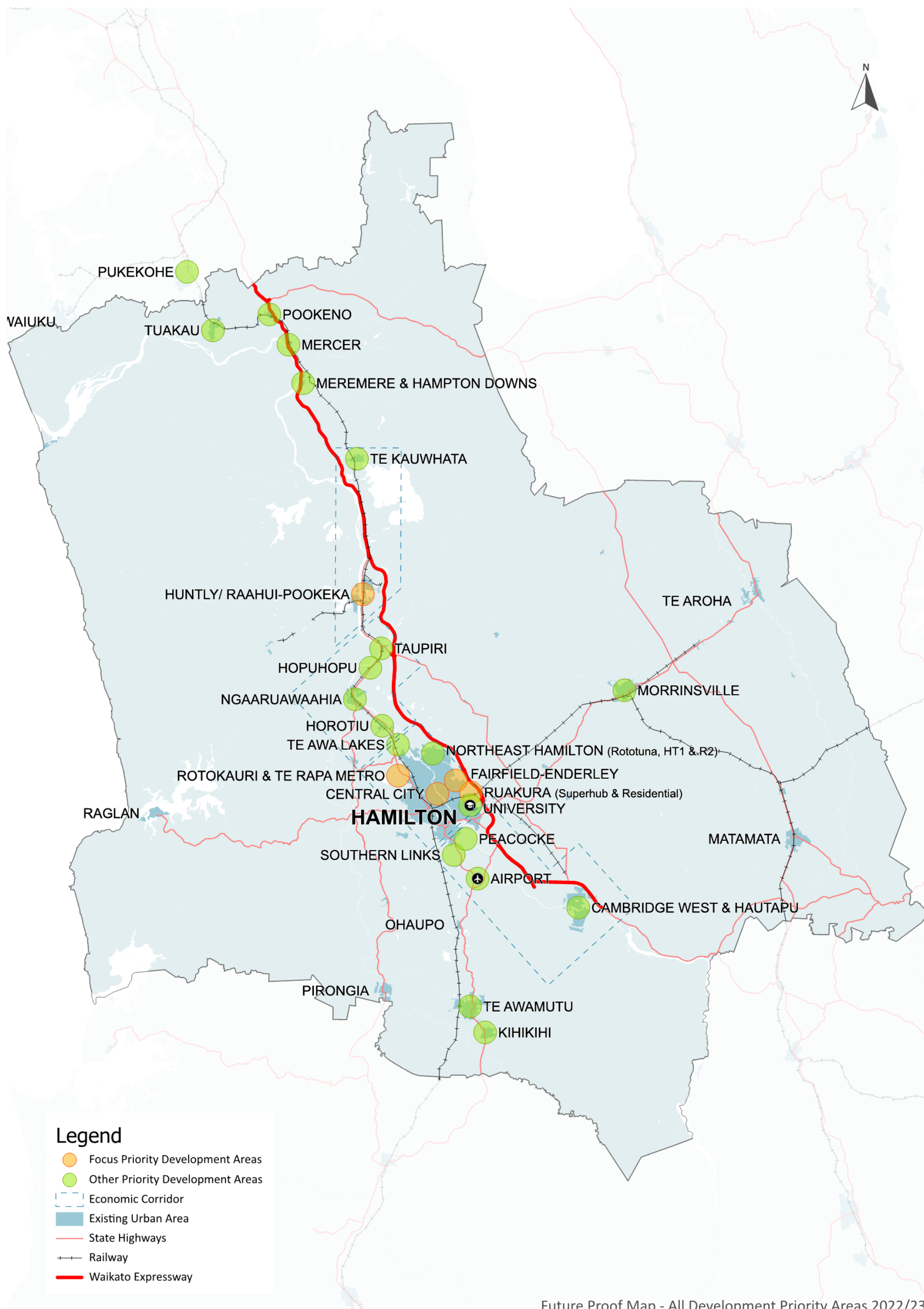
85. Given the low level of significance determined, the engagement level is low. No engagement is required.

Attachments - *Ngaa taapirihanga*

Attachment 1 - Future Proof Priority Development Areas

Attachment 2 - Economic Update

Attachment 3 - H3 Six-Monthly Report 1 July to 31 December 2022



16 March 2023

Economic update

Growth Funding & Analytics Unit

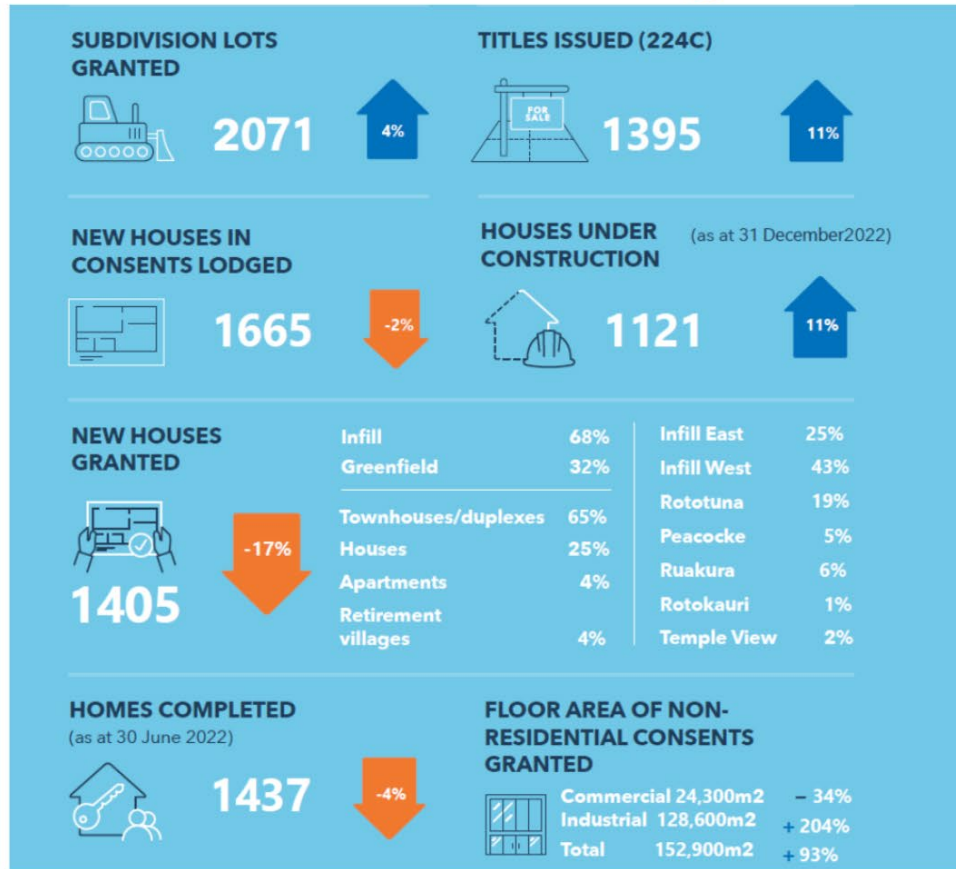


**Hamilton
City Council**
Te kaunihera o Kirikiriroa

Item 8

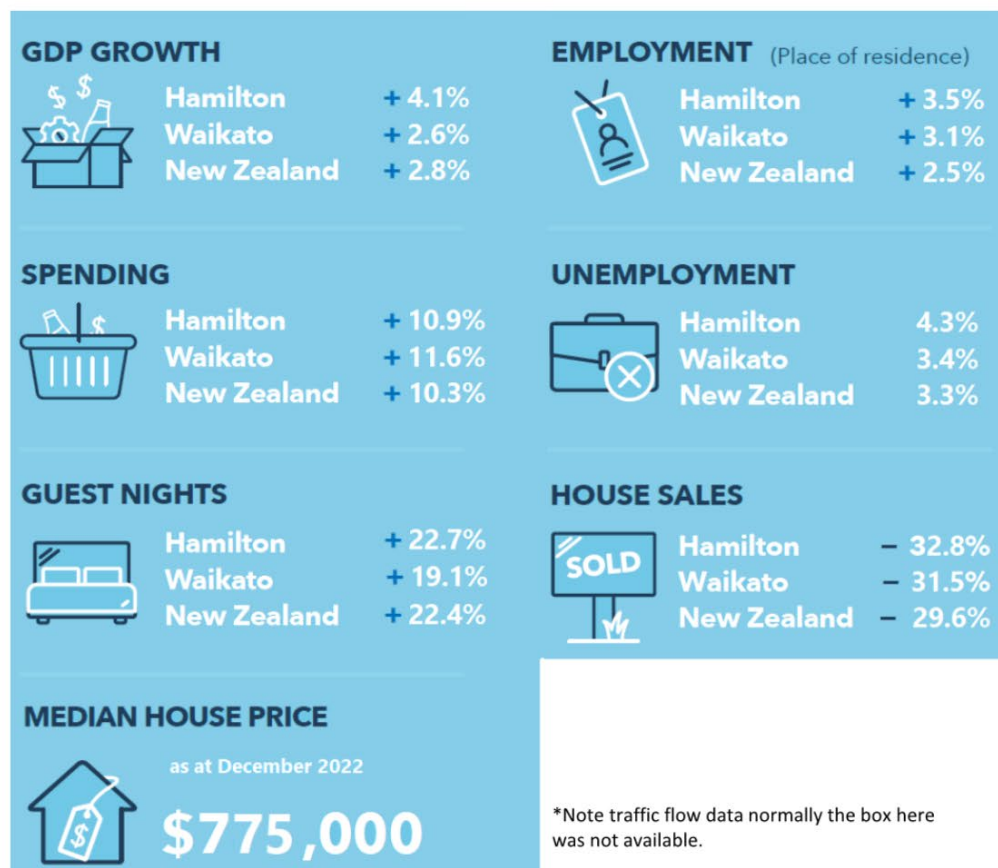
Attachment 2

Hamilton consenting trends – 2022 annual summary



- 2022 was a record year for industrial consenting
- Infill consenting hit record highs but greenfield dropped 42% from the record high in 2021
- Infill made up 68% of all new dwellings consented for the first time
- Townhouses/duplexes reached a record high of 65% of all new dwellings consented
 - Standalone houses hit a record low 25%
- Houses under construction peaked in July at 1292 but came back down as supply pressures eased

Hamilton's Economy – 2022 annual summary



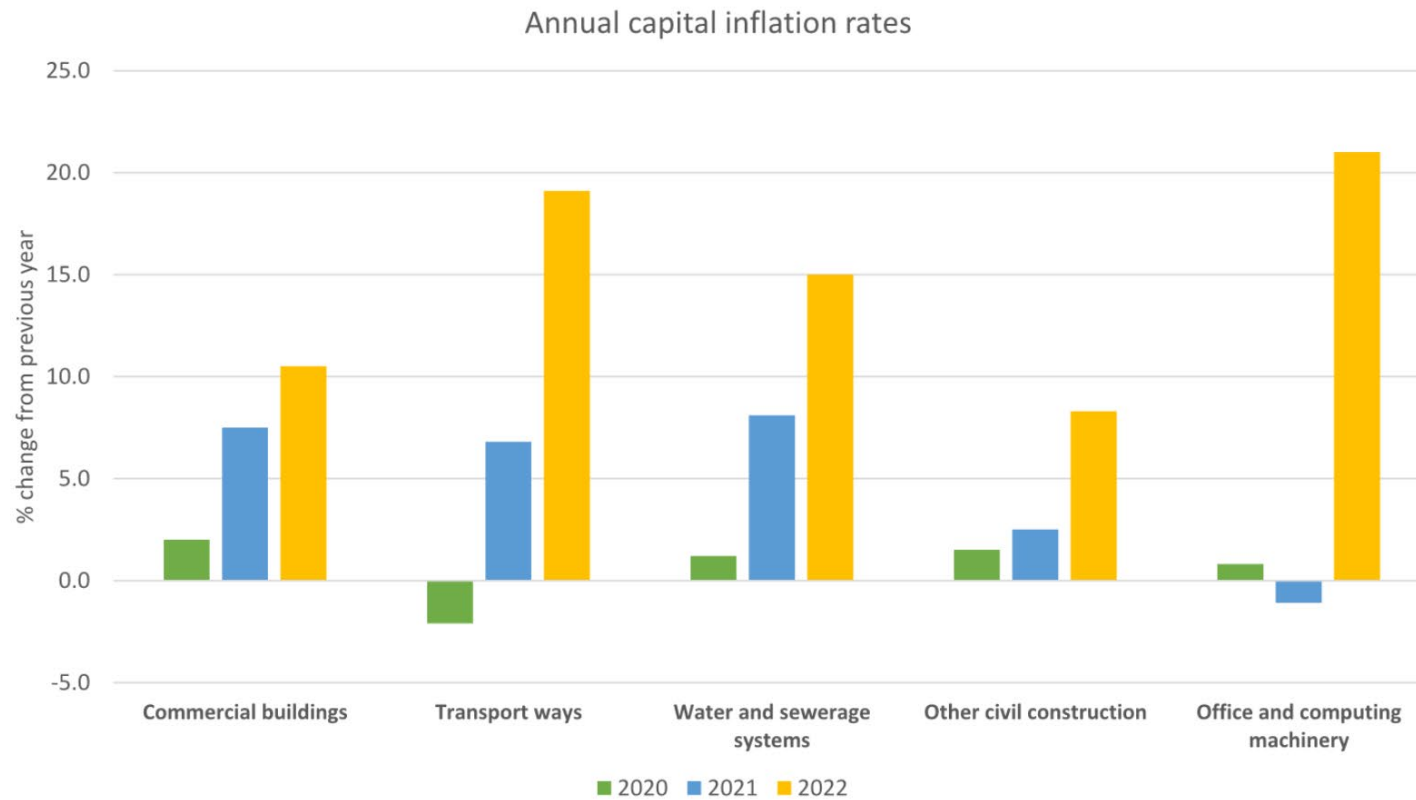
Highlights:

- Hamilton GDP growth remained strong and outpaces Auckland, Waikato and NZ
- Employment growth is the highest for metro-cities
- Annual spending has been resilient

Challenges:

- The median house price is now \$84k (10%) lower than in December 2021
 - Prices remain above early 2021 levels
 - Prices are becoming more reachable for first home buyers.
 - Greenfield prices have held up better, falling 8%
- The OCR increases have pushed mortgage rates over 7%

Capital inflation increased significantly in 2022



Impacts of flooding and Cyclone Gabrielle

- Inflationary impact – e.g food, insurance, construction materials, roading and earthworks, wine and cider, housing in impacted areas
 - Demand for labour and resources for recovery activity will be high.
- Government resources will be prioritised
- Recovery will create economic activity (GDP growth)
- Some businesses will benefit from increased demand as part of the recovery
- Supply chains will be effected for some businesses
- The road to recovery will be long
- Impacts of climate change on future needs and business decisions

Outlook

- Consenting is likely to soften
 - We continue to monitor this, talk to developers and re run our models
- Forecast is still for a recession
 - Migration, tourism and cyclone recovery expected to boost growth to some extent
- RBNZ have raised the official cash rate 0.5 to 4.75%– below what was predicted in November but still the highest level seen since 2008
 - Inflation remains too high and the trade outlook is soft
 - Most banks have already priced in the increase so interest rates unlikely to jump
 - The message is still that we need to spend less
 - But government now needs to spend a lot more on the Cyclone rebuild
 - Labour remains a top concern for businesses

SIX-MONTH ACTIVITY REPORT — 2022/23



 **Hamilton City Council**
Te kaunihera o Kirikiriroa



GLOBOX Arena, Claudelands

SUMMARY

H3 is a business unit within the Venues, Tourism and Major Events Group at Hamilton City Council responsible for overseeing the city's premier event venues. H3's purpose is to "attract and deliver exceptional event experiences to Hamilton". This report is a summary of H3's six-month activity for the 2022/23 financial year and was prepared for Council's Economic Development Committee meeting on 16 March 2023.

SIX MONTHS IN REVIEW

Across the first half of the year, 573 events took place at H3 Venues, with the resumption of almost all event activity without any form of restriction. As previously reported in 2022, due to this and growing confidence across the events industry, several new and returning events took place.

In total, 205,948 people attended events at H3 Venues. Claudelands saw 157,162 people through its doors and our Stadia welcomed 48,786 patrons. Alongside event delivery, planning and preparation continued for the heavy event summer event schedule from January 2023 onwards.

The retention of the majority of H3's 2021 Covid plans to prioritise on-going safety and reassurance for guests at our venues allowed us to continue the safe delivery of events when the restrictions eased and coupled with some assertive marketing campaigns, has resulted in a successful half year for H3.

Year to date, H3 has delivered a direct operating surplus of \$618k favourable variance to budget due to increased revenue and ongoing cost management. H3 is likely to achieve its full year revenue target in February 2023.

In late November, H3 was pleased to see two staff recognised at the Events Venue Association of NZ Annual Awards, with H3's Event Delivery Manager Michael Gilling being awarded Team Leader of the Year, and Elly Moody (Event Manager, Impact Events) being nominated as a finalist in Rising Star of the Year.

A small example of the events held in H3 Venues from 1 July – 31 December 2022 are as follows:



205,948
 PEOPLE
 ATTENDED
 EVENTS AT
 H3 VENUES
 YEAR TO
 DATE

H3 GROUP | SIX MONTHLY REPORT 2022/23

H3 THANKS THE FOLLOWING DELIVERY PARTNERS FOR THEIR SUPPORT:

MONTANA
FOOD AND EVENTS

vidcom NEW ZEALAND LIMITED

SPOTLESS

evolution
ROAD SERVICES

TICKETEK

USI Ungerboeck
Software
INTERNATIONAL

**RED
BADGE**
SECURITY



Globox Arena, Claudelands

H3 GROUP | SIX MONTHLY REPORT 2022/23

2. FINANCIAL SUMMARY

2.1 FINANCIAL SUMMARY 2022/23

TABLE 1: RESULT FOR THE PERIOD 1 JULY TO 31 DECEMBER 2022

| Prior YTD Actual 2021-22 | | Actual YTD | Budget YTD | Variance favourable/ (unfavourable) | Annual Budget |
|-----------------------------|---|----------------|-----------------|---|-----------------|
| \$000 | | \$000 | \$000 | \$000 | \$000 |
| | Revenue | | | | |
| - | Subsidies and Grants | - | - | - | - |
| - | Capital Revenue | - | - | - | - |
| 1,514 | Revenue from Activities | 4,266 | 3,728 | 539 | 7,046 |
| 1,514 | Total Revenue | 4,266 | 3,728 | 539 | 7,046 |
| | Direct Operating Costs | | | | |
| 594 | Cost of Sales | 1,438 | 1,161 | (277) | 2,316 |
| 1,339 | Personnel Costs | 2,949 | 3,067 | 118 | 6,203 |
| 428 | Operating and Maintenance costs | 1,231 | 1,658 | 427 | 3,354 |
| 26 | Professional Costs | 60 | 84 | 25 | 169 |
| 150 | Administrative Costs | 395 | 379 | (16) | 741 |
| 351 | Property Costs | 1,267 | 1,069 | (198) | 2,115 |
| 2,888 | Total Direct Operating Costs | 7,340 | 7,419 | 79 | 14,897 |
| (1,374) | Direct Operating Surplus/(Deficit) | (3,073) | (3,691) | 618 | (7,851) |
| | Indirect Revenue | | | | |
| 5 | Interest Income | 149 | 37 | 111 | 75 |
| | Indirect Overhead Costs | | | | |
| 1,758 | Depreciation and Amortisation | 3,860 | 4,066 | 206 | 8,132 |
| 845 | HCC Overhead Allocation | 2,132 | 2,324 | 192 | 4,648 |
| 265 | Finance Costs | 652 | 573 | (79) | 1,146 |
| 2,868 | Total Indirect Operating Costs | 6,644 | 6,963 | 319 | 13,926 |
| (2,862) | Net Indirect Costs | (6,495) | (6,926) | 431 | (13,851) |
| (4,237) | Net Surplus/(Deficit) | (9,568) | (10,616) | 1,048 | (21,703) |
| | Gains and Losses | | | | |
| - | Gains and Losses | (107) | - | (107) | - |
| - | Total Gains and (Losses) | (107) | - | (107) | - |
| (4,237) | Surplus/(Deficit) | (9,675) | (10,616) | 942 | (21,703) |

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

NOTES:

- **REVENUE:** Favorable due to an increased level of events vs budget.
- **COST OF SALES:** Additional costs relate to the uplift in revenue against budget.
- **PERSONNEL:** Favorable due to close management.
- **OPERATING AND MAINTENANCE COSTS:** Favourable due to the timing of key maintenance work which is scheduled around event activity. Forecasting to spend to budget by year end.
- **PROPERTY COSTS:** Increased utilities charges relate to events being held at the venues.
- **DEPRECIATION:** The imbalance of H3's depreciation budget vs actual costs relates to the assumptions made in the budget preparation. Actuals in line with forecast.



REVENUE RESULT

Item 8

2.2 REVENUE RESULT

GRAPH 1: REVENUE VARIANCE TO BUDGET 1 JULY - 31 DECEMBER 2022



2.2.1 NOTES

H3 contributes to HCC's overall efficiency savings targets by generating additional revenue. H3's revenue budgets were adjusted to allow for efficiency savings targets. The above graph demonstrates how H3 met these efficiency targets by event types. These full year efficiency targets have been met in the first six months of the year.

- Fixed revenue was \$179k above budget due to increased volume of offsite catering prepared at H3 kitchens, insurance claims and new commercial partnerships being signed.
- Functions revenue was \$164k above budget due to increased volume of events and yields.
- Meetings revenue was \$150k above budget driven by increased event volume in the first half of the year.
- Sporting events revenue was \$576k above budget driven by the hosting of unbudgeted international rugby (All Blacks v Argentina) and the TAB New Zealand Darts Masters.
- Exhibition revenue was \$82k above budget due to increased volume of events. This reflects an event type hit hard by COVID-19 restrictions returning to the market.

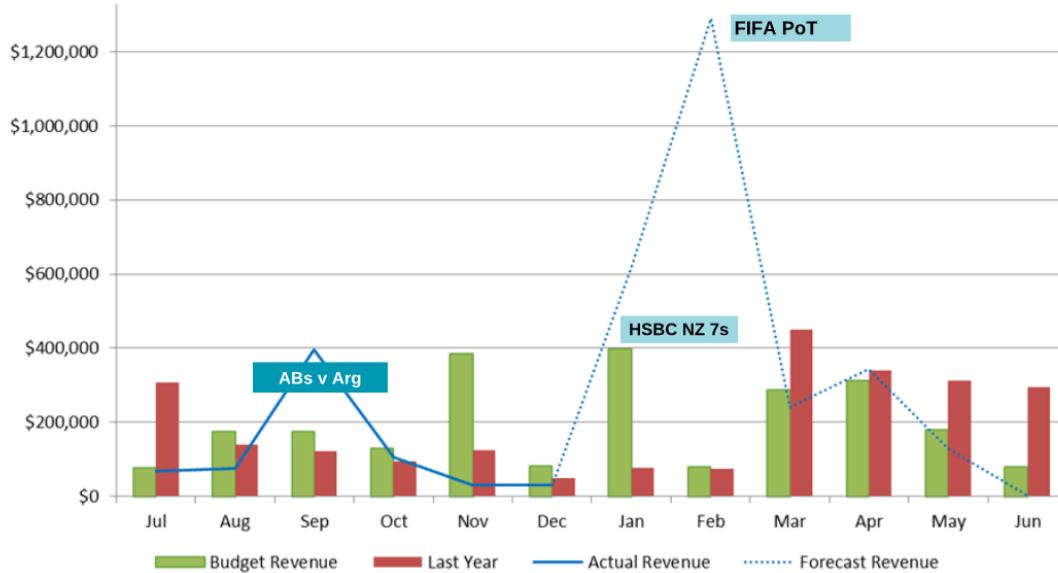


H3 GROUP | SIX MONTHLY REPORT 2022/23

Attachment 3

STADIA RESULT

2.3 GRAPH 2: 2022/23 STADIA REVENUE FOR THE PERIOD 1 JULY - 31 DECEMBER 2022



2.3.1 TABLE 2: STADIA SUMMARY FOR THE PERIOD 1 JULY - 31 DECEMBER 2022

| | Actual YTD | Budget YTD | Variance Favourable/ (unfavourable) | Annual Budget | Full Year Forecast |
|---|----------------|----------------|-------------------------------------|----------------|--------------------|
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| Revenue | | | | | |
| Subsidies and Grants | - | - | - | - | - |
| Capital Revenue | - | - | - | - | - |
| Revenue from Activities | 1,287 | 1,200 | 87 | 2,743 | 4,099 |
| Total Revenue | 1,287 | 1,200 | 87 | 2,743 | 4,099 |
| Direct Operating Costs | | | | | |
| Cost of Sales | 384 | 258 | (126) | 804 | 2,038 |
| Personnel Costs | 1,204 | 1,275 | 71 | 2,589 | 2,589 |
| Operating and Maintenance Costs | 824 | 905 | 81 | 1,833 | 2,373 |
| Professional Costs | 54 | 49 | (5) | 98 | 98 |
| Administrative Costs | 211 | 200 | (11) | 389 | 389 |
| Property Costs | 620 | 524 | (96) | 1,056 | 1,240 |
| Total Direct Operating Costs | 3,296 | 3,210 | (86) | 6,769 | 8,727 |
| Direct Operating Surplus/(Deficit) | (2,009) | (2,010) | 1 | (4,026) | (4,628) |

NOTES:

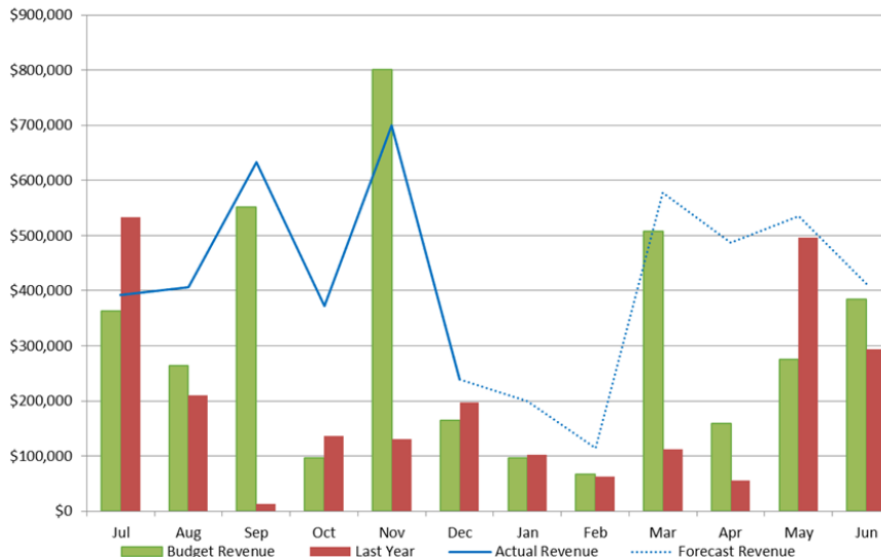
- Total Stadia revenue is above budget driven by the hosting of unbudgeted international rugby (All Blacks v Argentina). We are forecasting to exceed budget with the hosting of the FIFA Women's World Cup play-off tournament in February 2023.
- Cost of Sales increase relates to the uplift in revenue
- Personnel costs are favourable due to close management of staffing costs. Forecasting to spend to budget.
- Operating and maintenance costs – forecasting to exceed budget due to the reprioritization of maintenance budgets in preparation for FIFA tournaments.
- Property costs overspend relates to increased utility charges for hosting events.



CLAUDELANDS RESULT

Item 8

2.4 GRAPH 2: 2022/23 CLAUDELANDS REVENUE FOR THE PERIOD 1 JULY - 31 DECEMBER 2022



2.4.1 TABLE 3: CLAUDELANDS SUMMARY FOR THE PERIOD 1 JULY - 31 DECEMBER 2022

| | Actual YTD | Budget YTD | Variance Fav our able/ (unfavourable) | Annual Budget | Full Year Forecast |
|---|----------------|----------------|---|------------------|-----------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Revenue | | | | | |
| Subsidies and Grants | - | - | - | - | - |
| Capital Revenue | - | - | - | - | - |
| Revenue from Activities | 2,980 | 2,527 | 452 | 4,303 | 5,215 |
| Total Revenue | 2,980 | 2,527 | 452 | 4,303 | 5,215 |
| Direct Operating Costs | | | | | |
| Cost of Sales | 1,055 | 904 | (151) | 1,512 | 2,347 |
| Personnel Costs | 1,745 | 1,792 | 46 | 3,614 | 3,614 |
| Operating and Maintenance Costs | 407 | 753 | 346 | 1,521 | 981 |
| Professional Costs | 6 | 35 | 29 | 71 | 71 |
| Administrative Costs | 184 | 180 | (4) | 352 | 352 |
| Property Costs | 647 | 545 | (102) | 1,060 | 1,294 |
| Total Direct Operating Costs | 4,044 | 4,208 | 164 | 8,128 | 8,658 |
| Direct Operating Surplus/(Deficit) | (1,064) | (1,681) | 617 | (3,825) | (3,443) |

NOTES:

- Total Claudelands revenue is above budget, driven by strong results across business events, exhibitions, and sports events.
- Cost of Sales increase relates to the uplift in revenue.
- Operating and maintenance favourability is forecast due to timing and availability of contractors.
- Property costs overspend relates to increased utility charges for hosting events.



H3 GROUP | SIX MONTHLY REPORT 2022/23

Attachment 3

3. ACTIVITY SUMMARY

3.1 NUMBER OF EVENTS, HIRE DAYS AND ATTENDANCE 1 JULY -31 DECEMBER 2022



578 Events at
H3 Venues



920 Hire Days
across H3 Venues

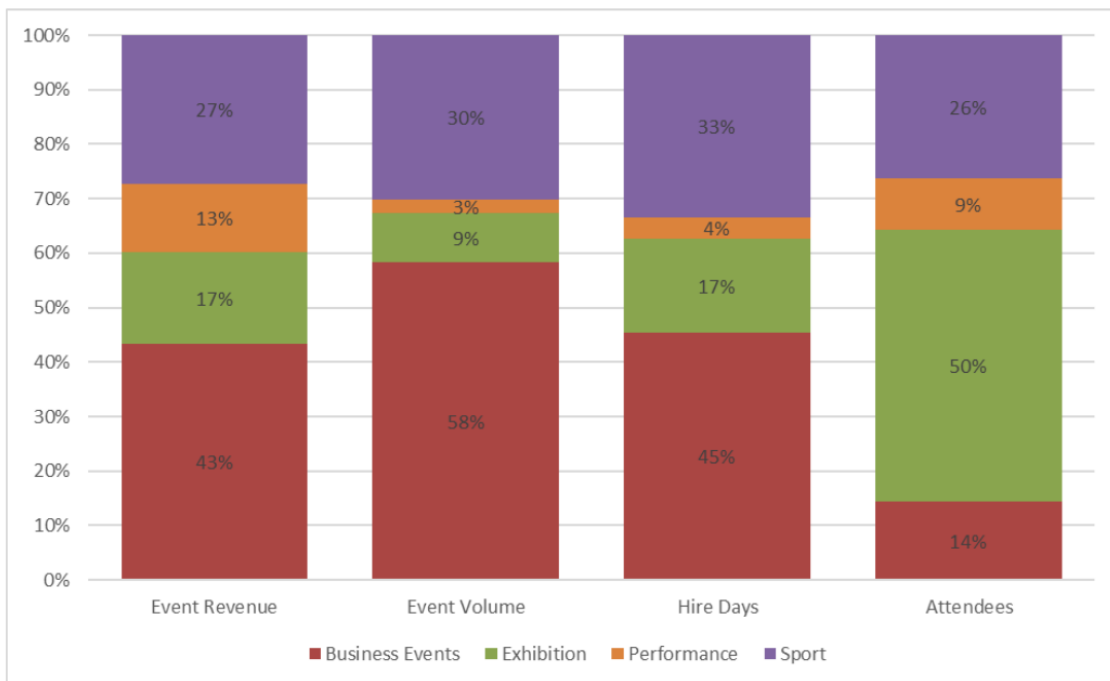


205,948 attendees
at H3 Venues

3.2 TABLE 4: BY EVENT TYPE FOR 1 JULY - 31 DECEMBER 2022

| Event Type | Number of Events | | | Hire Days | | | Attendance | | |
|-----------------------|------------------|-----|-------|-----------|--------|--------|------------|--------|---------|
| | Q1 | Q2 | Total | Q1 | Q2 | Total | Q1 | Q2 | Total |
| Business Events | 190 | 143 | 333 | 216 | 197.5 | 413.5 | 17,403 | 12,047 | 29,450 |
| Exhibition | 30 | 22 | 52 | 102.5 | 56 | 158.5 | 49,176 | 53,615 | 102,791 |
| Performance | 8 | 7 | 15 | 14 | 22.25 | 36.25 | 12,699 | 6,694 | 19,393 |
| Sport | 139 | 34 | 173 | 159.5 | 69.25 | 228.75 | 40,019 | 14,295 | 54,314 |
| Total | 367 | 206 | 573 | 492 | 345 | 837 | 119,297 | 86,651 | 205,948 |
| FY 2021/22 comparison | 213 | 136 | 349 | 196.5 | 105.75 | 302.25 | 78,641 | 19,799 | 98,440 |

3.3 - GRAPH 3: BUSINESS MIX BY EVENT TYPE FOR 1 JULY - 31 DECEMBER 2022



H3 GROUP | SIX MONTHLY REPORT 2022/23

3.4: 2021-31 10-YEAR PLAN KPIS

TABLE 5: FOR THE PERIOD 1 JULY - 31 DEC 2022

| Measure | Annual Target | Q1 | Q2 | Total |
|--|---------------|---------|--------|---------|
| The number of people attending events at H3 Venues | 444,000 | 119,297 | 86,651 | 205,948 |

- We expect to achieve this target based on the resumption of event activity following two years of pandemic interruptions. Q1 was a strong start to the year and Q2 was busy - with a range of events taking place, stretching capacity and resourcing.

3.5: OTHER NON-FINANCIAL KPIS CUSTOMER SATISFACTION

TABLE 6: FOR THE PERIOD 1 JULY - 31 DEC 2022

| Survey Type | Q1 | Q2 |
|--|-----|-----|
| Business Events Hire Survey (1-10) | 9.4 | 9.1 |
| Ticketed Events Attendee Survey (1-10) | 8.9 | 8.6 |

- There were no ticketed events surveyed in Q2 due to re-prioritisation. Surveys for ticketed events recommenced in the last half of the year.

3.6: KEY SUPPLIERS

Contracts approved or renewed during the first six months of 2022/23:

- Claudlands Cardex Upgrade
- Seddon Park Turf Ring Road

3.7: OUR PEOPLE

TABLE 7: LEAVERS FOR THE PERIOD 1 JULY - 31 DEC 2022

| Turnover | Q1 | Q2 | Total |
|-----------------------------|----|----|-------|
| Number of permanent leavers | 3 | 2 | 5 |

- H3's cumulative permanent staff turnover for the first six months is 6.58% with a total of five staff leaving employment with H3. This is below the prior year period result (8.44%). Recruitment is underway on key roles to ensure we remain a competitive market leader.

3.8: HEALTH AND SAFETY

TABLE 7: INJURIES, MEDICAL TREATMENT & LOST TIME

INJURIES FOR THE PERIOD 1 JULY -31 DEC 2022

| | Q1 | Q2 | Total |
|--------------------|----|----|------------------------------------|
| Injuries | 3 | 4 | 1 contractor, 4 customers, 2 staff |
| Medical Treatment | 0 | 1 | 1 Contractor |
| Lost time Injuries | 0 | 0 | |

'Kahu Huru'uru',
Feather Clock tile wall, Claudlands

H3 GROUP | SIX MONTHLY REPORT 2022/23

4. EVENT ECONOMICS

H3 has partnered with Fresh Info, an organisation which provides event economic measurement frameworks, which is building as a template for the events industry.

This has involved setting up robust research processes to identify and measure the range of costs and benefits of sponsoring and hosting events, and to understand the value events generate for the host city. This work is also well aligned with the four wellbeings framework, introduced as a result of the Local Government (Community Wellbeing) Amendment Bill.

In conjunction with the event promoters, we undertook post event reviews of the following events. Fresh Info were contracted to provide post event evaluation of the event and completed the required event research.

CASE STUDY 1: TAB NEW ZEALAND DARTS MASTERS 2022, GLOBOX ARENA :

- 4,439 unique attendees.
- 3,001 visitors were attracted to the host region by the event, being people that do not live in our region
- Approx. 88% of these were overnight visitations
- Generated 5,328 visitor nights in the region
- Average length of stay, for overnight visitors was 2 days
- Generated \$1,484,345 of tourism expenditure in the region – this includes spend by visiting individuals and organisations (including players)
- 60% of respondents either agreed or strongly agreed that their experience at the event has improved their perception of Hamilton as a place to visit
- Benefit to cost ratio was 1:39 – taking into account all of the measured social and economic costs and benefits of hosting the event

CASE STUDY 2: ALL BLACKS V ARGENTINA, FMG STADIUM WAIKATO

- 22,438 unique attendees.
- 14,836 visitors were attracted to the host region by the event, being people that do not live in our region
- Approx. 39% of these were overnight visitations
- Generated 8,519 visitor nights in the region
- Average length of stay, for overnight visitors was 1.48 days
- Generated \$1,736,230 of tourism expenditure in the region – this includes spend by visiting individuals and organisations (including teams)
- 36% of respondents either agreed or strongly agreed that their experience at the event has improved their perception of Hamilton as a place to visit
- Benefit to cost ratio was 1:45 – taking into account all of the measured social and economic costs and benefits of hosting the event



H3 GROUP | SIX MONTHLY REPORT 2022/23

5. MARKETING UPDATE

5.1 MARKETING SUMMARY

- Over the period 1 July 2022 to 31 December 2022, the H3 Marketing team has been focused on supporting and celebrating the return of events across H3 venues and all event types.
- Off the back of Claudelands Conference & Exhibition Centre's national relaunch campaign 'Meet in the Centre', the team created and launched a new H3 'Meet Your Space' campaign into the regional market, which leveraged off H3's new website to promote the wide range of business event spaces available across its suite of venues. The initial push for the campaign ran across radio, print and digital advertising, with the intention to continue to promote this campaign across these local channels over the coming 12 months and beyond.
- In December a local 'Summer of Events' campaign also kicked off, celebrating the upcoming schedule of events taking place in the city to highlight significant events including comedians Jimmy Carr and Michael McIntyre, the FIFA Women's World Cup 2023 Play-Off Tournament, Blackcaps and White Ferns cricket, The Proclaimers, Balloons Over Waikato and the Hamilton Arts Festival. The campaign is running across GLOBOX digital billboards, digital advertising and radio through to March 2023.

113,597
WEBPAGE
VISITS TO
H3 SITES

43,000
SOCIAL
MEDIA
FOLLOWERS

5.2 WEBSITE PRESENCE

- Over the past six months, H3's six websites (h3group.co.nz, hlive.co.nz, claudelands.co.nz, fmgstadiumwaikato.co.nz, seddonpark.com and spoiltforchoice.co.nz) had a combined total of 113,597 visitors – a 33.13% increase on the previous six months.

5.3 SOCIAL MEDIA ENGAGEMENT

- Facebook is H3's main channel for communicating and engaging with audiences on social media. H3's four Facebook pages (@claudelandsnz @hlivenz @fmgstadiumwaikato @seddonpark) have a combined audience of over 43,000 'likers'.
- Our most popular engagement across the period was the announcement that comedian Michael McIntyre would be bringing a show to GLOBOX Arena.

5.4 DATABASE COMMUNICATION

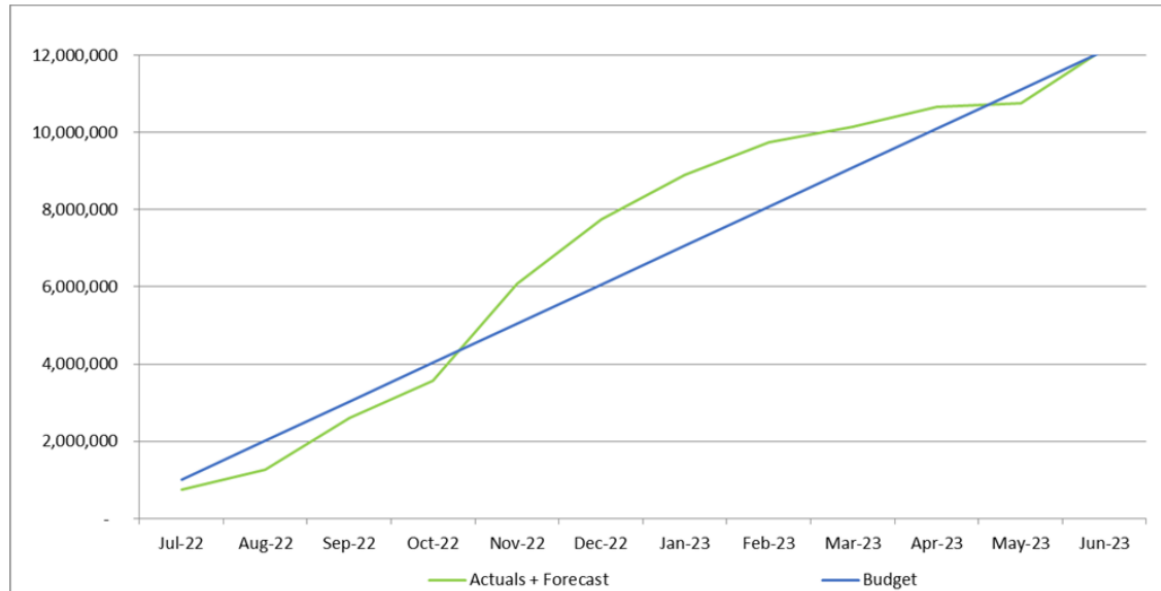
- HLive has a database of over 57,000 subscribers who receive regular event announcements and information. Over the period 1 July 2022 to 31 December 2022, 30 electronic direct mails (eDMs) were sent to the HLive database – achieving an average open rate of 25.89% and click-through rate of 1.42% (industry average for events is 20.5% and 2.36% respectively).

H3 GROUP | SIX MONTHLY REPORT 2022/23

5. CAPEX & ASSET MANAGEMENT

5.1: 2022/23 CAPEX SPEND

GRAPH 5: FOR THE PERIOD 1 JULY - 31 DECEMBER 2022



**The above graph incorporates projects which are externally funded*

5.2 CAPITAL PROJECTS FOCUS 2022/23

- H3's capital programme is forecasting to spend to budget at year end. Significant capital spend has been incurred in the first half of the year on the FMG Lights project, including:
 - FMG Lights replacement completion
 - Claudelands Roof Access – H&S Upgrade
 - FMG Stadium Big Screen Replacement
 - Ongoing security and sustainability programme of work
 - Other minor renewal projects, within planned activity
 - Venue technology and FIFA preparation projects
 - Planning and scheduling for the 2023/24 financial years capital programme
- Incorporates capital revenue received (move above & in italics)

5.3: ASSET MANAGEMENT

FMG STADIUM WAIKATO LIGHT TOWERS

- The work to remove, install and commission the sports lights at FMG Stadium Waikato was completed in the first half of the year. Project was delivered on time and on budget. Minor adjusting/commissioning of the sports lights to occur in Q3.



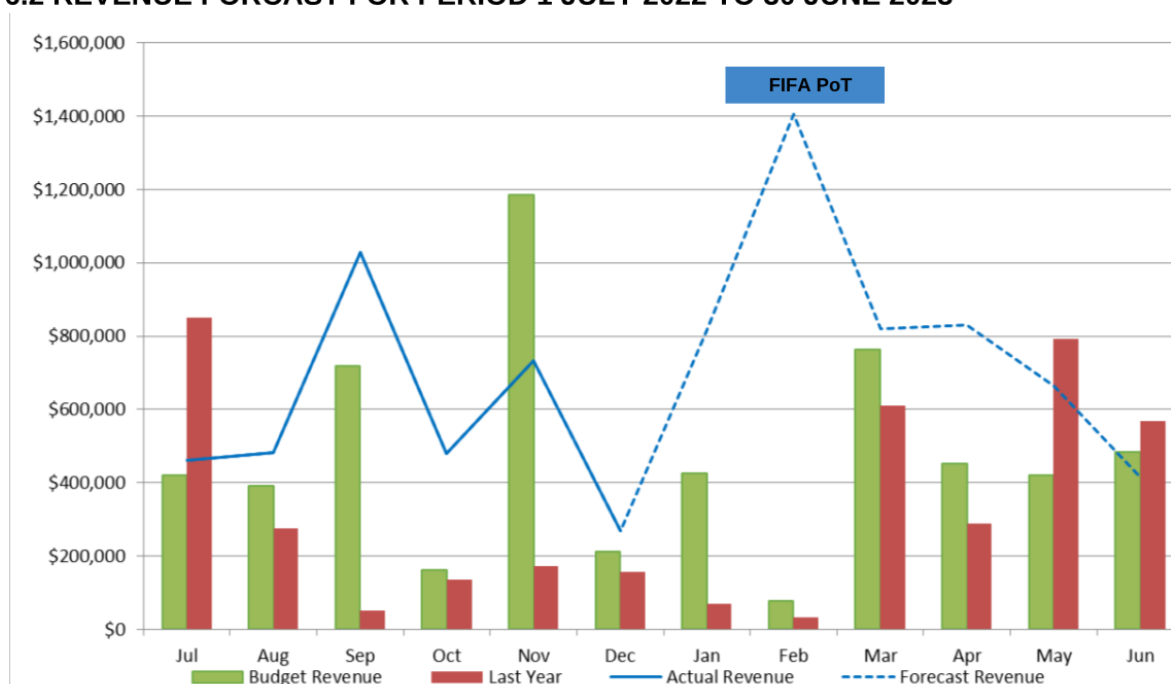
6. FORWARD POSITION

Item 8

6.1 BUSINESS FOCUS 2022/23

- H3's forward booking profile for the second half of the reporting year remains very strong across all market segments.
- While the revenue (and cost) for FIFA Women's' World Cup 2023 will fall in 2023/24 (event date July - August 2023, H3 will remain extremely busy with advance preparations from April - June.

6.2 REVENUE FORECAST FOR PERIOD 1 JULY 2022 TO 30 JUNE 2023



Attachment 3



H3 GROUP | SIX MONTHLY REPORT 2022/23

Council Report

Committee: Economic Development Committee
Date: 16 March 2023
Author: Nicolas Wells
Authoriser: Blair Bowcott
Position: Strategic Property Manager
Position: General Manager Growth
Report Name: Strategic Property update

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

Purpose - *Take*

1. To inform the Economic Development Committee on strategic property matters and the financial performance and position of the Municipal Endowment Fund as at 31 December 2022 (Q1 & Q2 2022/23 FY).

Staff Recommendation - *Tuutohu-aa-kaimahi*

2. That the Economic Development Committee receives the report.

Executive Summary - *Whakaraapopototanga matua*

3. The strategic property matter covered in this report is the Celebrating Age Centre at 30 Victoria Street, Hamilton.
4. This report also contains the regular report on the financial performance and position of the assets of the Municipal Endowment Fund (MEF). It covers the first and second quarters (Q1 & Q2) of the 2022/23 financial year from 1 July 2022 to 31 December 2022.
5. The MEF has a current value of \$57.67M comprised of property assets totalling \$25.83M and reserves of \$31.83M.
6. The overall value of the MEF has increased by \$69K from \$57.60M to \$57.67M over the past two quarters. This is largely attributable to interest revenue received.
7. A profit and loss statement is included as (**Attachment 1**).
8. Staff consider the matters in this report have a low significance and that the recommendation complies with the Council's legal requirements.

Discussion – *Matapaki*

Celebrating Age Centre

9. The Celebrating Age Centre building is on Municipal Endowment land at 30 Victoria Street, Hamilton. The Economic Development Committee has oversight of the Municipal Endowment Fund.

10. The building requires a significant capital investment. On 12 May 2022, the Council considered a [staff report](#) (Item 12, pp 310-329) with high-level options for the building and the activities currently taking place on the site. The existing tenants have been relocated while options for the future of the building are evaluated and considered.
11. Both the existing Celebrating Age Centre site and Norris Ward Park are included as suitable sites for consideration ("the properties"). The scope has been extended to include consideration of options for the Founders Theatre.
12. A project team has been established and has commissioned independent consultants to:

"Identity the property solution which best meets the requirements of Hamilton's Senior Citizens within the parameters of the MEF, financial and community benefits required by Council and in a manner which complements HCC's urban redevelopment programme and regeneration vision for the stakeholders of Hamilton City."
13. The independent consultants have completed comprehensive engagement and have consulted with user-groups, philanthropic groups, funders, developers long-standing clubs and groups with premises in the central city. A draft report with their recommendations has been prepared and is currently being reviewed by staff. The report will be considered by the Community and Natural Environment Committee on 18 April 2023.
14. Ongoing updates will be provided to the relevant Council committees as the investigation progresses.

Municipal Endowment Fund 2022/23 FY Q1 & Q2

15. Council Municipal Endowment Fund (MEF) is divided into 3 parts:
 - i. The Municipal Endowment properties consist of ground leases where Council owns the land only but the improvements and leasehold interest in the land are owned by the lessee. Typically, this asset class returns a low yield. Council has previously encouraged lessees to freehold these properties to free up Council's capital for investment in higher yielding property assets.
 - ii. The Municipal Investment properties consist of property assets purchased to generate the maximum possible yield. They include two industrial properties, and a group of three suburban shops.
 - iii. The Municipal Endowment Reserve (\$31.83M) is invested in term deposits and mixed funds. The reserve is invested in accordance with an independently designed framework that is intended to diversify the investment portfolio, support liquidity, and preserve capital over the long term, as follows:

Term Deposits - \$20M

| Provider | Amount | Term | Maturity | Expected Return |
|----------|---------|----------|-----------------|-----------------|
| ANZ | \$10.5M | 3 months | 15 May 2023* | 4.65% |
| ANZ | \$5M | 6 months | 14 August 2023* | 5.75% |
| ANZ | \$5M | 9 months | 10 August 2023* | 5.73% |

* Term deposits will be rolled over for the same period upon maturity. Term deposit rates in general have been improving as interest rates climb, and the Finance Manager recommends continuing with this strategy at this stage.

Mixed Funds - \$11M

| Provider | Amount | Return* | Expense ratio |
|-----------------------|--------|---------|---------------|
| Milford Balanced Fund | \$6m | 8.44% | 1.05% |
| Forsyth Barr Fund | \$5m | 2.7% | 0.69% |

* 5-year net average return – noting that this figure is based on past historical return averages and does not indicate or guarantee future returns.

| Milford Balanced Fund | | | |
|--|--------------|---------|----------------|
| Description | Units | Price | Value |
| Initial investment | 2,131,135.90 | \$2.820 | \$6,000,000.00 |
| Value at 31 December 2022 | 2,135,124.36 | \$2.838 | \$6,058,628.88 |
| Change in fair value movement – gain/(loss) – note: unrealised | | | \$58,628.88 |

| Forsyth Barr Fund | | | |
|--|--------------|------------|----------------|
| Description | Units | Price/Unit | Value |
| Initial investment | 2,127,388.00 | \$2.350 | \$5,000,000.00 |
| Value at 31 December 2022 | 2,125,846.00 | \$2.276 | \$4,838,426.45 |
| Change in fair value movement – gain/(loss) – note: unrealised | | | (\$161,573.55) |

- Since the last quarterly update, the overall value of the MEF has increased (\$69K) due to the accrued interest income (\$69K) generated during the period (2022/23 FY Q1&2), which is credited to the MEF. In addition to the accrued interest revenue, we have received interest on maturing term deposits of \$294K which will be credited to the MEF at year end.

Financial Considerations - *Whaiwhakaaro Puutea*

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

Ethical Investment

- The ethical status of the institutions providing the MEF investment vehicles were summarised in the [report](#) to the 24 May 2022 Economic Development Committee (pp 377 – 381).

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

- Staff confirm that recommendation complies with the Council's legal and policy requirements.
- Staff have considered the key considerations under the Climate Change Policy and have determined that an adaptation assessment and emissions assessment is not required for the matter(s) in this report.

Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

- The purpose of Local Government changed on 14 May 2019 to include promotion of the social, economic, environmental, and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
- 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.

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

Social

24. The strategic property activity allows the Council to promote better outcomes for the community at large, helping to create a more vibrant Hamilton with greater social interaction.

Economic

25. The MEF will fund key development opportunities to help attract business growth, grow the city's economy, aid potential public and private investment and help with prioritising future funding decisions and business cases.

Environmental

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

Cultural

27. The strategic property activity endorses and embraces the cultural identity of the city.

Risks - *Tuuraru*

28. There are no known risks associated with this matter – noting that the estimated yields from mixed fund investments are based on historical return averages, which does not guarantee future performance or yield.

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

Significance

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

Engagement

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

Attachments - *Ngaa taapirihanga*

Attachment 1 - Municipal Endowment Fund 2022/23 FY (Q1&2) - Profit and Loss Statement

Hamilton City Council

STRATEGIC PROPERTIES

Select Financial Year:

FY20

FY21

FY22

FY23

Select Month:

Jul

Aug

Sep

Oct

Nov

Dec

Jan

Feb

Mar

Apr

May

Jun

How much money is in the Endowment fund today?

\$31,836,720

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

\$363,378

Return on MEF Fund this year

1.14%

What is the value of our MEF Properties?

\$25,835,000

What is the value of our MEF Investment Funds?

\$20,500,000
Term Deposits
\$10,897,055
Mixed Funds

ENDOWMENT FUND: PROFIT AND LOSS STATEMENT

| | Resource | YTD Actuals | YTD Budgets | YTD Variance | Annual Budget |
|-------------------------|---|-------------|-------------|---------------|---------------|
| INCOME | Rental Income | (\$589,198) | (\$565,946) | \$23,252 | (\$1,131,895) |
| | Operating Contributions | (\$83,264) | | \$83,264 | |
| | Water Charges - Internal Charges | \$597 | | (\$597) | |
| | Rates Expense - Internal Charges | \$68,029 | \$76,455 | \$8,426 | \$152,901 |
| | Total | (\$603,836) | (\$489,491) | \$114,345 | (\$978,994) |
| EXPENSES | External Rates | \$10,126 | \$4,402 | (\$5,724) | \$8,803 |
| | Electricity | \$1,885 | | (\$1,885) | |
| | Insurance | \$14,601 | \$13,404 | (\$1,197) | \$26,810 |
| | Legal Services | \$453 | | (\$453) | |
| | Consultants | \$0 | | \$0 | |
| | Service Providers | \$0 | | \$0 | |
| | Contractors | \$0 | | \$0 | |
| | Interest Received Special Funds | (\$363,378) | | \$363,378 | |
| Total | (\$336,314) | \$17,806 | \$354,120 | \$35,613 | |
| GAIN/LOSS | Unrealised Loss on Change in FV other | \$389,213 | | (\$389,213) | |
| | Unrealised Gain on Change in FV Other | (\$678,286) | | \$678,286 | |
| | Gain on Fair Value of Investment Property | | \$1 | \$1 | (\$1,011,371) |
| Total | (\$289,073) | \$1 | \$289,074 | (\$1,011,371) | |
| Total (Surplus)/Deficit | (\$1,229,223) | (\$471,684) | \$757,539 | (\$1,954,752) | |

Total value of MEF assets:

\$57,671,720

STRATEGIC INVESTMENT PROPERTIES: PROFIT AND LOSS STATEMENT

| | Resource | YTD Actuals | YTD Budgets | YTD Variance | Annual Budget |
|-------------------------|----------------------------------|-------------|-------------|--------------|---------------|
| INCOME | Rental Income | (\$247,243) | (\$186,134) | \$61,109 | (\$372,263) |
| | Operating Contributions | (\$44,408) | | \$44,408 | |
| | Fees & User Charges | | (\$128,456) | (\$128,456) | (\$256,494) |
| | Water Charges - Internal Charges | \$1,758 | | (\$1,758) | |
| | Rates Expense - Internal Charges | \$41,766 | \$55,134 | \$13,368 | \$104,134 |
| Total | (\$248,126) | (\$259,456) | (\$11,330) | (\$524,623) | |
| EXPENSES | External Rates | \$4,799 | \$1,764 | (\$3,035) | \$3,524 |
| | Electricity | \$3,471 | \$1,689 | (\$1,782) | \$3,414 |
| | Insurance | \$7,472 | \$6,328 | (\$1,144) | \$12,670 |
| | Vehicle Leases | \$0 | | \$0 | |
| | Advertising & Marketing | | \$2,828 | \$2,828 | \$5,660 |
| | Legal Services | \$740 | | (\$740) | |
| | Consultants | \$0 | | \$0 | |
| | Management Fee | | \$4,114 | \$4,114 | \$8,232 |
| | Service Providers | | \$3,086 | \$3,086 | \$6,174 |
| | Total | \$16,481 | \$19,809 | \$3,328 | \$39,674 |
| Total (Surplus)/Deficit | (\$231,645) | (\$239,647) | (\$8,002) | (\$484,949) | |

What is the value of our SIP Properties?

\$23,000,000

Total Strategic Property asset value:

\$80,671,720

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. Strategic and General Update |) Good reason to withhold information exists under Section 7 Local Government | Section 48(1)(a) |
| C2. Domain Endowment Lease - Freeholding - 5 Cotter Place |) Official Information and Meetings Act 1987 | |
| C3. Strategic Property Update |) | |

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

| | | |
|----------|---|--|
| Item C1. | to enable Council to carry out commercial activities without disadvantage | Section 7 (2) (h) Section 7 (2) (i) |
| Item C2. | to enable Council to carry out negotiations | |
| | to protect the privacy of natural persons | Section 7 (2) (a) |
| Item C3. | to enable Council to carry out commercial activities without disadvantage | Section 7 (2) (h) Section 7 (2) (i) |
| | to enable Council to carry out negotiations | |