Waikato DISTRICT COUNCIL
Te Kaunihera aa Takiwaa o Waikato

Open Meeting

To	Strategy & Finance Committee
From	Tony Whittaker General Manager Strategy & Support
Date	09 November 2017
Prepared by	Juliene Calambuhay Management Accountant
Chief Executive Approved	Y
DWS Document Set #	GOV1318 / 1851655
Report Title	Summary of Movements in Discretionary Funds to 09 November 2017

1. Executive Summary

To provide the Committee with a summarised report giving balances of all the discretionary funds including commitments as at 09 November 2017.

2. Recommendation

THAT the report from the General Manager Strategy & Support be received.

3. Attachments

Summary of Movements in Discretionary Funds to 09 November 2017

Summary of Movements in Discretionary Funds
As of 09 November 2017

		Carry Forward 2016/17	Annual Plan Budget 2017/18	Plus Income 2017/18	Less Expenditure 2017/18	Net Funding Remaining 2017/18	Less Commitments 2017/18	Funding Remaining after Commitments
	Rural Ward	14,573.85	30,963.00	-	11,247.67	34,289.18	6,000.00	28,289.18
	Huntly	26,842.38	24,026.00	-	10,917.00	39,951.38	20,314.33	19,637.05
1	**Meremere**	8,929.26	6,421.00	-	2,025.41	13,324.85	1,750.00	11,574.85
	Ngaruawahia	37,439.11	20,999.00	-	10,000.00	48,438.11	13,580.00	34,858.11
	Onewhero Tuakau	28,515.44	28,878.00	-	899.13	56,494.31	9,807.01	46,687.30
	Raglan	8,078.47	14,271.00	-	-	22,349.47	8,616.61	13,732.86
	Taupiri	2,895.38	1,624.00	-	-	4,519.38	1,100.00	3,419.38
2	**Te Kauwhata**	57,105.16	11,278.00	-	15,000.00	53,383.16	35,606.00	17,777.16
	Mayoral	1,943.58	8,000.00	-	900.00	9,043.58	1,000.00	8,043.58

1 Meremere budget inclusive of budget for salaries of $4,871

2 Te Kauwhata budget inclusive of budget for salaries of $7,080

mjc 9/11/2017

Open Meeting

To	Strategy & Finance Committee
From	Tony Whittaker General Manager Strategy & Support
Date	08 November 2017
Prepared by	Alison Diaz Finance Manager
Chief Executive Approved	Y
DWS Document Set #	GOV1318 / 1950555
Report Title	Waikato Regional Airport Limited Annual Report 2017

1. EXECUTIVE SUMMARY

Waikato Regional Airport Limited ("WRAL") held their Annual General Meeting on 05 October 2017, where they adopted the Annual Report for the year.

There has been an improved financial performance due mainly to increased value of the property investment portfolio (net of a 98Ha property acquisition), and a $200,000 shareholder dividend was declared.

The 'Results at a glance' and 'Chair and Chief Executives' Annual Report' sections summarise the results and highlights for the year.

2. RECOMMENDATION

THAT the report from the General Manager Strategy & Support be received.

3. ATTACHMENTS

- Hamilton Airport Annual Report 2017
- Shareholder Presentation

WAIKATO REGIONAL AIRPORT GROUP

ANNUAL REPORT
– 2017 –

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HAMILTON


HAMILTON

CHAIR'S REPORT

The Board of Directors has pleasure in presenting the annual report of Waikato Regional Airport Limited Group and its subsidiaries ('the Group'), incorporating the financial statements and the auditors' report, for the year ended 30 June 2017. Hamilton & Waikato Tourism Limited (HWT) and Titanium Park Limited (TPL) are fully owned subsidiaries.

The Board of Directors of Waikato Regional Airport Limited authorised these financial statements presented on pages 10 to 43 for issue on 7 September 2017.

For and on behalf of the Board.

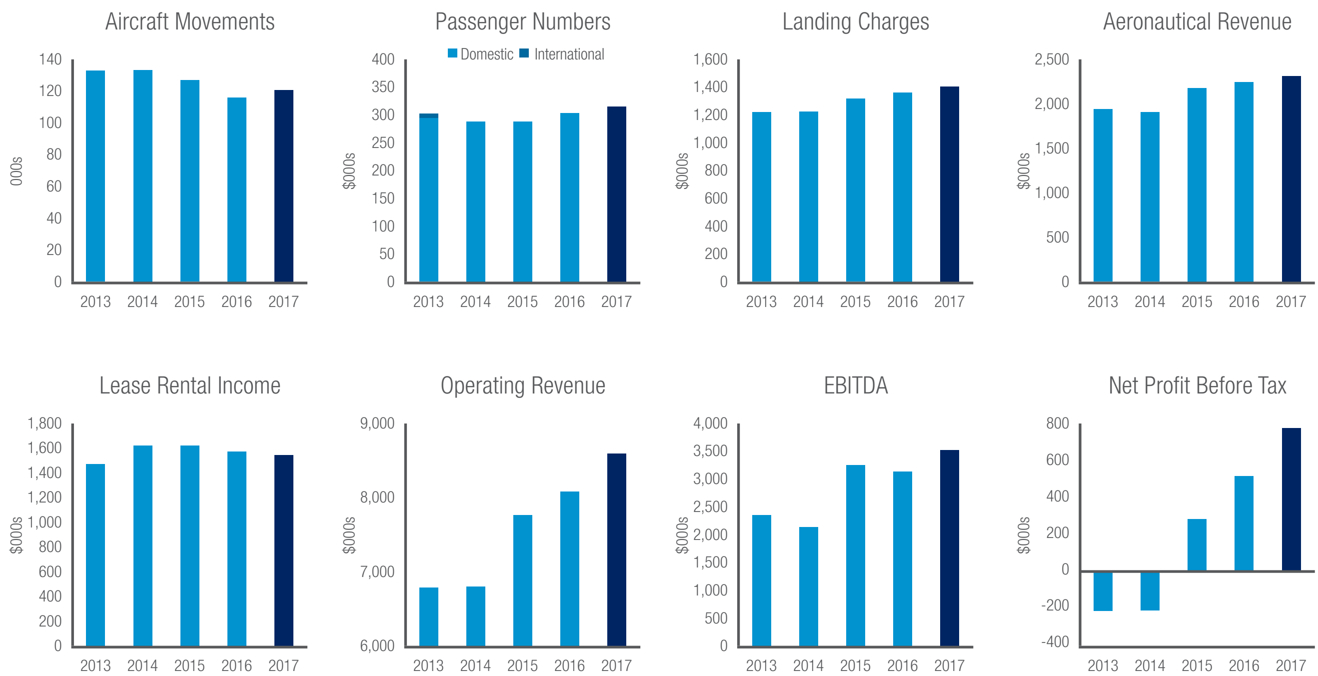
JOHN SPENCER
CNZM, Chair

7 September 2017

2017 RESULTS AT A GLANCE

KEY FACTS

- Operating Revenue $8.6m*; up $0.6m
- EBITDA $3.4m*; up $0.2m
- Operating Profit before Tax $0.8m*; up $0.3m
- Land Sales Net Income $1.0m, up $0.4m
- Investment Property $15.3m; up $11.6m ($8.3m farm purchase, $3.3m valuations)
- 317,000 passengers; up 14,000
- 124,000 aircraft movements; up 8,000



* normalised to exclude investment property valuations

CHAIR AND CHIEF EXECUTIVES' 2017 ANNUAL REPORT

The Board and Management of Waikato Regional Airport Limited (WRAL) are pleased to report a solid operational performance for the 2016/2017 financial year. The Group's operating surplus before tax was $4.1m, due mostly to the increased value in Hamilton Airport's property investment portfolio. Assisting the solid performance was the sale of seven hectares of non-aeronautical land that contributed $1.0m to the Group's operating surplus.

At year end, the Group undertook a comprehensive valuation of land holdings with a resulting uplift of $13.9m on the aeronautical land, $3.3m on the investment property and a further $1.8m on WRAL's 100% wholly owned subsidiary, Titanium Park Limited's (TPL) land resulting in a $19m uplift for the Group. This significant movement has been in part due to the strength of the regional economy combined with a strong level of land sale activity in the area surrounding the airport.

During the year, strong emphasis was placed on providing an improved passenger experience with the introduction of the highly regarded Mavis Café brand, the expansion of conferencing facilities and general enhancements to the terminal ambience. A comprehensive customer survey was commissioned to understand our customer profile and to gain a greater awareness of the expectations of our customers. Other key areas of focus included operational efficiency and the development of the Group's property strategy.

A comprehensive 10 year property development strategy was undertaken by the TPL Board. The plan seeks to generate $1m annual earnings before tax from a design and build property portfolio and to maximise the Group's lease and concession income from existing leases and concessions with the continued focus to deliver maximum benefit from the Group's land holdings. The year has seen a substantial increase in property activity in and around the airport.

Land activity within the Group included WRAL's purchase of an adjoining 98 hectare farm located to the north west of the Airport. As part of the transaction, TPL sold 6.7 hectares of land on the western side of the airport and in doing so discharged their commitments for future western precinct infrastructure costs, estimated to be $1.2m, as per the Titanium Park Joint Venture Terminal Agreement.

Hamilton & Waikato Tourism Limited (HWT), WRAL's 100% wholly owned subsidiary, has had another successful year of operation. Strong and enduring relationships have continued with HWT's seven partner Councils and tourism operators resulting in a combined investment of $1.7m for tourism, marketing and development activities. Tourism numbers and resulting economic contribution to the region continues to grow and HWT finished the year in a sound financial position.

The Board and Management continue to maintain a strong focus on health, safety and wellbeing which included an independent audit during the year of the Group's Health and Safety policies and procedures.

GROUP PERFORMANCE

The Group's operating revenue for the 2016/2017 financial year, excluding investment property valuations, was $8.6m, up on the prior year by $0.6m. This was primarily driven by land sales, growth in commercial landing charges from increased flight traffic, increased passenger numbers, car park revenue and tourism funding.

Group operating expenditure (including depreciation but excluding the cost of land sales) of $7.9m, was $0.3m higher than the prior year due to increased expenditure relating to overhead costs, increased professional services to support a much stronger focus on lease renewals, and depreciation and amortisation expenses.

Group operating profit before tax of $0.8m was $0.3m higher than prior year.

The net cash flow from operating activities is a positive $5.2m offset by the negative net cash flow from investing activities of $9.3m mainly due to the 98 hectare farm purchase. The airport's current core debt position of $11.1m increased from the prior year by $3.7m due to the farm purchase less land sales transacted throughout the year.

The WRAL Group Balance Sheet remains strong and shows Shareholders' Equity of $82.0m, up $17.6m on the prior year, primarily as a result of a valuation-based increase in the value of the Group's land holdings.

WRAL prepares an annual Statement of Intent which is approved by their Shareholders and incorporates financial and performance measures for the year. This year's achievement of financial and non-financial targets is shown in note 30 Performance Targets and Results.

	2017 $000	2016 $000	Variance $000
Operating and Other Revenue*	**8,632**	**8,056**	**576**
Direct Expenses	5,199	4,835	(364)
EBITDA	**3,433**	**3,221**	**212**
Depreciation	2,370	2,278	(93)
Interest Costs	299	455	157
Disposals of Assets	–	2	(2)
Operating Profit before Taxation	**764**	**490**	**274**
Net Cash Flow from Operating Activities	5,247	2,769	2,478
Net Cash Flow from Investment Activities	(9,292)	20	(9,312)
Net Cash Flow from Operating & Investment Activities	**(4,045)**	**2,789**	**(6,834)**

* excludes investment property valuation increase of $3.3m

AIRPORT OPERATIONS

The core purpose and key objective for the 2016/2017 year has been to operate the airport in an efficient and compliant manner whilst maintaining a viable aeronautical business.

Operating revenue of $6.0m was up on prior year by $0.3m driven by a growth in commercial landing charges from increased flight traffic, increased passenger numbers and car park revenue.

Operating expenditure (including depreciation) of $6.1m was up on prior year by $0.2m due to increased professional services to support a much stronger focus on lease renewals, and depreciation and amortisation expenses.

	2017 $000	2016 $000	Variance $000
Operating and Other Revenue*	**6,011**	**5,695**	**316**
Direct Expenses	3,423	3,178	(245)
EBITDA	**2,588**	**2,517**	**71**
Depreciation	2,336	2,257	(79)
Interest Costs	300	452	152
Operating Profit before Taxation	**(47)**	**(192)**	**145**
Net Cash Flow from Operating Activities	2,077	3,414	(1,337)
Net Cash Flow from Investment Activities	(6,036)	(772)	(5,264)
Net Cash Flow from Operating & Investment Activities	**(3,959)**	**2,642**	**(6,601)**

*excludes investment property valuation increase of $3.3m

Hamilton Airport continues to meet Civil Aviation Authority of New Zealand's (CAA) certification obligations regarding safety and security. It also remains New Zealand's second busiest Civil Aviation Part 139 certified airport in terms of aircraft movements. This is primarily driven by high levels of aircraft movements from pilot training school L3 CTS Airline Academy (NZ), formerly CTC Aviation Training. Total aircraft movements for the 2016/2017 financial year were 124,000, up 6.7% on the previous year. The influencing factor in CTS's increased aircraft movements is a strengthening in worldwide demand for commercial pilot training.

A key operational capex project for the 2016/2017 financial year was the upgrade to selected surface areas of the western taxiway to ensure that the ongoing pavement integrity remains safe and secure. This project had a cost of $600k and was aligned to WRAL's 10 year airfield asset plan. The works comprised of a terminal apron upgrade with an estimated area of 9,830m2 that was milled and filled with 50mm of replacement asphalt. These works were undertaken due to forecast aging and surface deterioration as a result of the impacts of weathering and operational use. To avoid disruption and to ensure there was minimal impact to airport operations, these works were undertaken at night. We are pleased to report that the project was completed on time, under budget and there were no health and safety incidents.

AIRLINE AND PASSENGER NUMBERS

Hamilton Airport Management continued to foster strong and positive relationships with Air New Zealand and other airline partners across operational, marketing and strategic levels.

Air New Zealand, as the primary airline operator, has increased seat capacity on its Hamilton routes with increased demand underpinned by the positive regional and national economic conditions. The up gauging of aircraft resulted in increased seat availability and led to a 4.7% year on year growth in volume to 317,000 passengers, up 14,000 on the prior year. This is primarily due to significant growth on the Christchurch and Palmerston North sectors and solid growth on the Wellington service.

TITANIUM PARK

Titanium Park Limited's focus is to maximise property income from existing leases and concessions and to deliver maximum benefit from the Group's land holdings.

A key objective during the year was the completion of a comprehensive Property Business Plan that sets out the Group's property strategy for the next 10 years. The strategic objective is the maximisation of non-aeronautical revenue whilst ensuring that the airport is future proofed through the retention of key aeronautical land holdings.

A key attraction for businesses of Titanium Park, is that the area provides a gateway to regional markets via its position adjacent to Hamilton Airport. Within the region, Titanium Park is well positioned to optimise the growth in the surrounding areas of Te Awamutu, Cambridge and Hamilton. At a regional level, Waikato links the key import/export regions of Auckland and the Bay of Plenty. The completion of the Waikato Expressway, five kilometres from the airport, will further enhance the strategic location of Titanium Park.

Following a period of what can only be described as stagnant industrial growth, the last twelve months has seen a surge of property activity. The strength of the regional economy combined with a clear property focus have been the main contributors to this heightened level of activity.

During the year, TPL sold 6.7 hectares of land on the western precinct and in doing so discharged its commitments for future western precinct infrastructure costs, estimated to be $1.2m, as per the Titanium Park Joint Venture Termination Agreement. In addition, TPL sold several sections totalling just under 1 hectare of land on the central precinct, with construction underway.

A Property Manager was employed to further enhance the Group's property skills base and maximise the opportunities which are ahead of Titanium Park.

HAMILTON & WAIKATO TOURISM

Hamilton & Waikato Tourism (HWT) has had another successful year of operation and positioning the Waikato region as a business and leisure visitor destination. In August 2016, Jason Dawson was appointed as the new Chief Executive. Mr Dawson has led the implementation of the region's Tourism Opportunities Plan which provides a clear direction to realise the visitor potential of the region in partnership with key stakeholders and agencies.

New Zealand's tourism sector is experiencing exceptional growth with international visitor arrivals and expenditure at its highest level ever. This growth is forecast to continue and estimated to reach four million international arrivals in the next four years. Commercial guest nights for the region increased 7.8% to more than $1.4m for the year ending May 2017. This is stronger than the national commercial accommodation growth rate of 4%.

Visitor expenditure for the region is estimated to have climbed to $1.4b for the 12 months ended May 2017. Domestic visitors were the largest contributor at $1.1b, with international at $355m. The Hamilton and Waikato region remains the fifth largest for visitor expenditure behind Auckland, Wellington, Christchurch and Queenstown.

HWT will continue to work with local government and industry by providing compelling "reasons to visit" within key markets with a focus on overnight stays, minimising seasonality, and encouraging regional dispersal to enable the benefits of tourism to be shared more broadly.

HEALTH & SAFETY

WRAL places high importance on the proactive focus and management of health and safety across the Group and leasehold interests. This includes increasing the awareness of risk and ensuring the development of sound policies and procedures. Annually, an independent Health & Safety Audit is undertaken and these audits reinforced that WRAL has a compliant and proactive framework in place. In addition, a Safety Committee comprising WRAL staff and an independent safety consultant meets regularly. WRAL is pleased to note that there have been no notifiable events for the 2016/2017 financial year.

COMMUNITY ENGAGEMENT

During the year, Hamilton Airport hosted preschool and school groups providing guided tours of the airport and its operations.

As a requirement of the District Plan, the airport maintains a structured Noise Management Plan (NMP) with the Airport Community Liaison Group continuing to meet regularly throughout the year with the objective of addressing any aircraft noise issues raised by the community.

BOARD

The WRAL and TPL Boards were unchanged during the year however there have been several changes to the HWT's Board. Former Chair, Graeme Osborne, retired in October and Annabel Cotton, a WRAL Director, was appointed as Board Chair. In addition, two Board vacancies were filled in January 2017 by Karleen Turner-Puriri and Malcolm Phillipps.

CONCLUSION

The WRAL Board would like to thank our five Shareholders and acknowledges the support from the wider councils who participate in the support of the regional tourism organisation. Thanks is also extended to staff across the WRAL Group for their contribution.

The focus for the Group continues to lie in its key objectives of operating an efficient and compliant airport, while maximising revenue diversification through its aeronautical and non-aeronautical property strategy and enhancing tourism growth within the region.

JOHN SPENCER
Chair

MARK MORGAN
Chief Executive

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the Year Ended 30 June 2017

	Note	ACTUAL 2017 $000	ACTUAL 2016 $000
REVENUE			
Operating Revenue	4	7,635	7,428
Land sales	2	4,177	1,071
Finance revenue		–	13
Other gains/(losses)	5	3,306	(3)
Total Revenue		**15,118**	**8,509**
EXPENSES			
Cost of land sales	2	3,187	453
Employee benefit expenses		2,135	1,904
Depreciation and amortisation expense	15,28	2,371	2,278
Operating expenses		2,765	2,680
Directors' fees	6	210	170
Bad debts written off		–	2
Audit fees	7	89	98
Finance costs		298	434
Total Expenses		**11,055**	**8,019**
SURPLUS BEFORE TAX		**4,063**	**490**
Income tax expense	21	293	154
SURPLUS AFTER TAX		**3,770**	**336**
OTHER COMPREHENSIVE REVENUE			
Gain on property revaluation	17	13,856	4,400
Total Other Comprehensive Revenue and Expense		**13,856**	**4,400**
TOTAL COMPREHENSIVE REVENUE AND EXPENSE		**17,626**	**4,736**

The attached Statement of Accounting Policies and Notes forms part of, and is to be read in conjunction with the Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	ACTUAL 2017 $000	ACTUAL 2016 $000
ASSETS			
Current Assets			
Cash and cash equivalents	13	58	433
Receivables	10	431	606
Inventories		91	83
Prepayments		75	19
Development property	14	8,494	11,446
Total Current Assets		**9,149**	**12,587**
Non current Assets			
Property, plant and equipment	15	77,349	64,658
Intangible assets	28	1,062	1,227
Investment property	27	15,307	3,750
Other non current assets	23	74	83
Total Non Current Assets		**93,792**	**69,718**
TOTAL ASSETS		**102,941**	**82,305**

	Note	ACTUAL 2017 $000	ACTUAL 2016 $000
LIABILITIES			
Current Liabilities			
Payables and accruals	9	1,503	1,791
Employee benefits liabilities	24	298	252
Current tax liabilities		195	250
Interest bearing liabilities		91	85
Revenue in advance		79	85
Total Current Liabilities		**2,166**	**2,463**
Non-Current Liabilities			
Interest bearing liabilities		10,962	7,298
Deferred tax liabilities	22	7,781	8,138
Total Non Current Liabilities		**18,743**	**15,436**
TOTAL LIABILITIES		**20,909**	**17,899**
NET ASSETS		**82,032**	**64,406**
EQUITY			
Share capital	17	14,860	14,860
Retained earnings	17	20,238	16,468
Other reserves	17	46,934	33,078
TOTAL EQUITY		**82,032**	**64,406**

The attached Statement of Accounting Policies and Notes forms part of, and is to be read in conjunction with the Financial Statements.

JOHN SPENCER
Chair
7 September 2017

ANNABEL COTTON
Director
7 September 2017

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2017

	Note	ACTUAL 2017 $000	ACTUAL 2016 $000
Balance at 1 July		64,406	59,669
Total comprehensive revenue and expense for the year		17,626	4,736
Balance at 30 June	17	82,032	64,406
TOTAL COMPREHENSIVE REVENUE AND EXPENSE ATTRIBUTABLE TO			
Equity holders of the parent		17,626	4,736
TOTAL COMPREHENSIVE REVENUE AND EXPENSE		**17,626**	**4,736**

The attached Statement of Accounting Policies and Notes form part of, and are to be read in conjunction with the Financial Statements.

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2017

	Note	ACTUAL 2017 $000	ACTUAL 2016 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Revenue		12,064	7,830
Interest received		–	13
Payments to suppliers and employees		(5,185)	(4,245)
Interest paid		(298)	(434)
Income tax paid		(705)	(504)
GST (net)		(51)	43
Cost of development property		(578)	66
Net cash flow from operating activities		**5,247**	**2,769**
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts from sale of property, plant and equipment		24	10
Sale of shares (Paper Plus)		–	25
Purchase of property, plant and equipment		(1,059)	(302)
Funds placed on deposit		–	287
Purchase of investment property		(8,257)	–
Net Cash Flow from Investing Activities		**(9,292)**	**20**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		3,756	–
Repayment of borrowings		(86)	(2,871)
Net Cash Flow from Financing Activities		**3,670**	**(2,871**
Net decrease in cash and cash equivalents		**(375)**	**(82)**
Cash and cash equivalents at the beginning of the year		433	515
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	13	**58**	**433**

The attached Statement of Accounting Policies and Notes forms part of, and is to be read in conjunction with the Financial Statements.

1. STATEMENT OF ACCOUNTING POLICIES

1.1 Reporting entity

The Waikato Regional Airport Limited Group consists of the Waikato Regional Airport Limited, Titanium Park Limited (100% owned) and Hamilton & Waikato Tourism Limited (100% owned). The Waikato Regional Airport Limited Group has designated itself as a public benefit entity (PBE) for financial reporting purposes. The financial statements of Waikato Regional Airport Limited (the Company) and Group are for the year ended 30 June 2017. The financial statements were authorised for issue by the Board of Directors on 7 September 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The Company and Group have prepared the Consolidated Financial Statements in accordance with the Companies Act 1993, the Local Government Act 2002 and the Airport Authorities Act 1966.

These financial statements have been prepared on the going concern basis and are in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with Public Benefit Entity Standards Reduced Disclosure Regime (PBE Standards RDR) and authoritative notices that are applicable to entities that apply PBE Standards.

The Company is eligible and has elected to report in accordance with Tier 2 PBE Standards RDR on the basis that the Company has no public accountability and is not large as defined in XRB A1.

Presentation currency and rounding

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

2.2 Basis of consolidation

The purchase method is used to prepare the consolidated financial statements, which involves adding together like items of assets, liabilities, equity, revenue and expenses of entities in the group on a line by line basis. All significant intragroup balances, transactions, revenues and expenses are eliminated on consolidation.

2.3 Inventory

Stock on hand has been valued at the lower of cost and net realisable value on a weighted average cost basis, after due allowance for damaged and obsolete stock. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.4 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 Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

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

Commitments and contingencies are disclosed exclusive of GST.

2.5 Investments

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

After initial recognition, investments in bank deposits are measured at amortised cost using the effective interest method less any provision for impairment.

2.6 Statement of cash flows

Operating activities include cash received from all income sources of the Company and record the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non current assets.

Financing activities comprise the change in equity and debt capital structure of the Company.

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

2.7 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed.

2.8 Impairment of non financial assets

Non financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets 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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the assets ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

The value in use for cash generating assets is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus/(deficit).

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus/(deficit).

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus/ loss, a reversal of the impairment loss is also recognised in the surplus/(deficit).

For assets not carried at a revalued amount the reversal of an impairment loss is recognised in the surplus/deficit.

2.9 Non current assets held for sale

An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than continuing use. On classification as 'Held for Sale', non current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as 'Held for Sale' are included in the surplus/(deficit).

2.10 Cost of land sales

When development property is sold, the carrying amount of the development property is recognised as an expense in the period in which the related income is recognised. The purchase price of the land is recognised as an expense based on the actual cost of the land and the proportion of the land area sold. This expense also includes a proportion of the capitalised interest which is based on the costs incurred for the development properties. Costs of conversion are recognised as an expense based on the proportion of land area sold. Further work on the property that has already been delivered to the buyer is recognised as a liability and an expense.

2.11 Land sales

Income from the sale of property is recognised where the sale contract is unconditional and the significant risks and rewards of ownership have been transferred to the buyer.

2.12 Changes in accounting policies

There have been no changes to accounting policies during the year.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Critical accounting estimates and assumptions

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

Property, plant and equipment useful lives and residual values

At each balance date the Directors and Management review the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires Directors and Management to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Directors and Management, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the Statement of Comprehensive Revenue and Expense, and carrying amount of the asset in the Statement of Financial Position. Directors and Management minimise the risk of this estimation uncertainty by:

- physical inspection of assets;
- asset replacement programmes;
- review of second hand market prices for similar assets; and
- analysis of prior asset sales.

No significant changes have been made to assumptions concerning useful lives and residual values. The carrying amounts of land, property, plant and equipment (including those assets that were revalued this year) are disclosed in note 15.

The net realisable value of development property is evaluated after forecasting future sales and development expenses. All known factors are included in the evaluation.

(b) Critical judgements in applying accounting policies
Management has exercised the following critical judgements in applying accounting policies for the year ended 30 June 2017:

- Classification of investment property, see note 27.

4. OPERATING REVENUE

Accounting policy

Revenue is measured at fair value.

Revenue from exchange transactions

Operating revenue
Operating revenue is recognised when earned.

Interest revenue
Interest revenue is recognised using the effective interest method.

Rental revenue
Rental revenue arising on property owned by the Company is accounted for on a straight line basis over the lease term.

Revenue from non exchange transactions

Council funding
Hamilton & Waikato Tourism Limited receives council funding and it is recognised as revenue when it becomes receivable unless there is an obligation to return the funds if conditions of the grant are not met. If there is such an obligation, the funding is initially recorded as revenue received in advance and recognised as revenue when conditions of the funding are satisfied.

	ACTUAL 2017 $000	ACTUAL 2016 $000
EXCHANGE		
Car park	1,718	1,591
Landing charges and departure charges	2,367	2,258
Rentals and concessions	1,574	1,566
Shop trading and other	352	363
Total exchange	**6,011**	**5,778**
NON EXCHANGE		
Other	1,626	1,650
Service income	(2)	–
Total non exchange	1,624	1,650
TOTAL EXCHANGE AND NON EXCHANGE	**7,635**	**7,428**

5. OTHER GAINS/(LOSSES)

	Note	ACTUAL 2017 $000	ACTUAL 2016 $000
OTHER GAINS			
Gain on revaluation of investment property	27	3,300	20
Gain/(loss) on sale of property, plant and equipment		6	(2)
		3,306	18
OTHER LOSSES			
Loss on fair value adjustment interest rate swaps	25	–	(21)
TOTAL OTHER GAINS (LOSSES)		**3,306**	**(3)**

6. DIRECTORS' FEES

	ACTUAL 2017 $000	ACTUAL 2016 $000
Waikato Regional Airport Limited Board of Directors	108	104
Hamilton & Waikato Tourism Limited Board of Directors	48	30
Titanium Park Limited Board of Directors	54	36
TOTAL DIRECTORS' FEES	**210**	**170**

7. AUDIT FEES

The Company's audit fees per the Audit Proposal Letter is $62,996 (2016: $62,126).

Hamilton & Waikato Tourism Limited's audit fees per the Audit Proposal letter is $11,187 (2016: $10,710).

Titanium Park Limited's audit fee per the Audit Proposal letter is $15,235 (2016: $14,922).

8. DONATIONS

During the year the Company made donations to charities totaling $857 (2016: $261).

9. PAYABLES AND ACCRUALS

Accounting policy

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days.

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

	ACTUAL 2017 $000	ACTUAL 2016 $000
Payables	659	604
Accrued expenses	844	1,187
TOTAL PAYABLES AND ACCRUALS	**1,503**	**1,791**

10. RECEIVABLES

Accounting policy

Receivables are generally short term and non interest bearing. Therefore, the carrying value of the receivables approximates their fair value.

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of sale of the receivable.

	ACTUAL 2017 $000	ACTUAL 2016 $000
Receivables	431	606
GROSS RECEIVABLES	**431**	**606**

The carrying amount of receivables that are past due date, but not impaired, whose terms have been renegotiated is nil (2016: nil).

At balance date, all overdue receivables have been assessed for impairment and no provisions are required. As at 30 June 2017, the Company has identified no debtors that are insolvent.

11. COMMITMENTS

Accounting policy

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

There are no non cancellable operating leases.

Capital commitments
The Group had no capital commitments as at 30 June 2017 (2016: $1.8m).

12. CONTINGENT LIABILITIES

The Group has two contingent liabilities at 30 June 2017.

Firstly, in respect of the Water Supply Upgrade Agreement between Waipa District Council, Waikato Regional Airport Limited, Titanium Park Limited and Titanium Park Development Limited that provides for the parties to upgrade the current water supply. The cost of the upgrade is $845k with 59.4% payable jointly by Waikato Regional Airport Limited and Titanium Park Limited, and 40.6% payable by Titanium Park Development Limited. The Board of Directors cannot reasonably estimate the timing of the water upgrade as this is contingent on future land development.

Secondly, in respect of the Memorandum of Agreement between New Zealand Transport Agency, Waikato Regional Airport Limited, Titanium Park Limited and Titanium Park Development Limited for the construction of a roundabout and an intersection upgrade on the adjacent State Highway 21 that is triggered by traffic volumes. Should the liability be triggered TPL would be liable for a proportionate share of the cost. The Board of Directors cannot reasonably estimate the cost and timing of the liability due to New Zealand Transport Agency's long term planning for developing and managing its State Highway network and the contingent timing and traffic volumes associated with the liability.

13. CASH AND CASH EQUIVALENTS

Accounting policy

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.

Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

	ACTUAL 2017 $000	ACTUAL 2016 $000
Cash on hand	9	8
Cash at bank	49	425
TOTAL CASH AND CASH EQUIVALENTS	**58**	**433**

14. DEVELOPMENT PROPERTY

Accounting policy

Development property is stated at the lower of cost and net realisable value. Development property comprises land, infrastructure and other costs incurred that are directly related to the development activity. Net realisable value is the discounted value of forecast sales less estimated costs of completion and the estimated selling expenses. Development property is not depreciated. Holding costs (e.g. interest) are capitalised against the carrying value of the development property as incurred or accrued. Marketing and administration expenses related to development property are expensed when incurred.

	ACTUAL 2017 $000	ACTUAL 2016 $000
Development property	8,494	11,446
TOTAL DEVELOPMENT PROPERTY	**8,494**	**11,446**

Waikato Regional Airport Limited's subsidiary Titanium Park Limited has 29.8 hectares of land (2016: 37.2 hectares). This was valued at 30 June 2017 by Telfer Young (Waikato) Limited.

15. PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Property, plant and equipment consists of:

- Operational Assets - these include land, buildings, security fences, furniture and fittings, computer equipment, motor vehicles and plant and equipment.
- Infrastructure Assets - these include runways, aprons and taxiways, other paved areas and underground reticulated systems.

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

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

(ii) Disposals
Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus/(deficit).

When revalued assets are sold, the amounts included in the asset revaluation reserves in respect of those assets are transferred to retained earnings.

(iii) Subsequent Costs
Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Company and the Group, and the cost of the item can be measured reliably.

The costs of day to day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

(iv) Depreciation
Depreciation is provided on a straight line basis on all property, plant and equipment at rates that will write off the cost of the assets over their estimated useful lives. The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

The estimated useful lives of the major classes of assets are:

Class of asset depreciated	Estimated useful life
Buildings	5 – 59 years
Runways, aprons and taxiways	5 – 74 years
Other paved areas	9 – 14 years
Motor vehicles	5 – 15 years
Furniture and fittings	3 – 50 years
Plant and equipment	2 – 50 years
Computer equipment	2 – 6 years
Fencing	10 – 47 years
Reticulated systems	4 – 74 years

(v) Revaluation
Valuations are performed when there has been a material difference in carrying amount in fair value, which is assessed and determined on an annual basis. Valuations take account of observable prices in active markets. Where estimates are made, they are made on the basis of appropriate valuation techniques.

(vi) Operational Land and Buildings
The valuation is fair value determined from market based evidence. All valuations are undertaken or reviewed by an independent registered valuer and are performed when there is a material difference in carrying amount.

Land was revalued at 30 June 2017.

(vii) Infrastructure Assets
At fair value determined on a depreciated replacement cost basis by an independent registered valuer and performed when there is a material difference in carrying amount.

ASSET CLASS	VALUATION APPROACH	VALUER	FAIR VALUE
Land	Fair market, highest and best use basis determined from prevailing market based evidence and conditions	Telfer Young Ltd	**36,670**
Buildings and security fencing	Fair market or, where appropriate, depreciated replacement cost	Beca Valuations Ltd	**18,949**
Runways, taxiways, aprons and other paved areas	Optimised depreciated replacement cost	Beca Valuations Ltd	**20,412**
Reticulated systems	Optimised depreciated replacement cost	Beca Valuations Ltd	**1,217**
Plant and equipment	Cost less depreciation	Not applicable these assets are not valued	
Furniture and fittings	Cost less depreciation		
Motor vehicles	Cost less depreciation		
Computer equipment	Cost less depreciation		

The effective date of buildings and security fencing, runways, taxiways, aprons and other paved areas and reticulated systems valuations (excluding land) is 30 June 2016.

All land was revalued with an effective date of 30 June 2017 ($36,670,000).

Neither valuer has an interest or relationship with any party that would impair its objectivity or independence.

2017	LAND $000	BUILDINGS $000	RUNWAYS, APRONS & TAXIWAYS $000	PLANT & EQUIPMENT $000	FURNITURE & FITTINGS $000	MOTOR VEHICLES $000	OTHER PAVED AREAS $000	FENCING $000	RETICULATED SYSTEMS $000	COMPUTER EQUIPMENT $000	WIP $000	TOTAL $000
COST / VALUATION												
Balance as at 1 July 2016	22,814	18,751	18,586	1,586	1,261	1,190	1,826	198	1,217	249	67	67,745
Year ended 30 June 2017												
Additions	–	35	648	199	32	107	4	–	–	64	(30)	1,059
Disposals	–	–	–	–	–	(55)	–	–	–	(67)	(1)	(123)
Revaluation	13,856	–	–	–	–	–	–	–	–	–	–	13,856
Transfers	–	–	(97)	–	–	–	97	–	–	–	–	–
Balance as at 30 June 2017	**36,670**	**18,786**	**19,137**	**1,785**	**1,293**	**1,242**	**1,927**	**198**	**1,217**	**246**	**36**	**82,537**
2016												
COST / VALUATION												
Balance as at 1 July 2015	**22,817**	**19,886**	**18,734**	**1,586**	**1,218**	**1,215**	**2,307**	**566**	**1,229**	**235**	**1,529**	**71,322**
Year ended 30 June 2016												
Revaluation surplus	–	(1,118)	(360)	–	–	–	(504)	(367)	(56)	–	–	(2,405)
Additions	–	5	212	–	43	–	23	–	21	70	(183)	191
Disposals	(3)	–	–	–	–	(25)	–	–	–	(57)	–	(85)
Transfers	–	(22)	–	–	–	–	–	(1)	23	1	–	1
Transfers to intangibles	–	–	–	–	–	–		–	–	–	(1,279)	(1,279)
Balance as at 30 June 2016	**22,814**	**18,751**	**18,586**	**1,586**	**1,261**	**1,190**	**1,826**	**198**	**1,217**	**249**	**67**	**67,745**

2017	LAND $000	BUILDINGS $000	RUNWAYS, APRONS & TAXIWAYS $000	PLANT & EQUIPMENT $000	FURNITURE & FITTINGS $000	MOTOR VEHICLES $000	OTHER PAVED AREAS $000	FENCING $000	RETICULATED SYSTEMS $000	COMPUTER EQUIPMENT $000	WIP $000	TOTAL $000
ACCUMULATED DEPRECIATION												
Balance as at 1 July 2016	–	–	–	(1,272)	(1,014)	(624)	–	–	–	(177)	–	(3,087)
Year ended 30 June 2017												
Disposals	–	–	–	–	–	42	–	–	–	63	–	105
Depreciation charge	–	(393)	(1,132)	(95)	(100)	(86)	(280)	(34)	(45)	(39)	–	(2,204)
Balance as at 30 June 2017	**–**	**(393)**	**(1,132)**	**(1,367)**	**(1,114)**	**(668)**	**(280)**	**(34)**	**(45)**	**(153)**	**–**	**(5,186)**
2016												
ACCUMULATED DEPRECIATION												
Balance as at 1 July 2015	**–**	**(2,221)**	**(3,458)**	**(1,198)**	**(951)**	**(549)**	**(748)**	**(169)**	**(126)**	**(197)**	**–**	**(9,617)**
Year ended 30 June 2016												
Revaluation surplus	–	2,793	4,421	–	–	–	937	201	163	–	–	8,515
Disposals	–	–	–	27	27	14	–	1	–	58	–	127
Depreciation charge	–	(572)	(963)	(101)	(90)	(89)	(189)	(33)	(37)	(38)	–	(2,112)
Balance as at 30 June 2016	**–**	**–**	**–**	**(1,272)**	**(1,014)**	**(624)**	**–**	**–**	**–**	**(177)**	**–**	**(3,087)**
NET BOOK VALUE												
Balance as at 30 June 2017	**36,670**	**18,393**	**18,003**	**419**	**179**	**573**	**1,647**	**164**	**1,172**	**93**	**36**	**77,349**
Balance as at 30 June 2016	**22,814**	**18,751**	**18,586**	**314**	**247**	**566**	**1,826**	**198**	**1,217**	**72**	**67**	**64,658**

*In the Buildings asset class, $1.7m for buildings on Boyd Road are pledged as security for liabilities (refer note 16).

16. INTEREST BEARING TERM LIABILITIES

Accounting policy

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

BNZ bank loan Facilities

At 30 June 2017, the Company had the following facilities with the BNZ Bank:

(i) An overdraft facility of $1,000,000 repayable on demand (2016: $500,000). The interest rate on this facility is the BNZ Bank's market connect overdraft base rate plus a margin.

(ii) A Customised Average Rate Loan (CARL) of up to $10,000,000 that matures on 30 November 2020. The amount outstanding on this facility at 30 June 2017 was $8,060,000 (2016: $6,043,000).

(iii) A second Customised Average Rate Loan (CARL) of $1,253,425 that matures on 30 November 2020. The amount outstanding on this facility at 30 June 2017 was $1,253,425 (2016: $1,339,840).

(iv) A third Customised Average Rate Loan (CARL) of up to $1,739,100 matures on 17 May 2022. The amount outstanding on this facility at 30 June 2017 was $1,739,100 (2016: $0).

The $1.3m CARL facility is secured over buildings at Boyd Road, Hamilton.

17. EQUITY

Accounting policy

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

	ACTUAL 2017 No. 000's	ACTUAL 2016 No. 000's	ACTUAL 2017 $000	ACTUAL 2016 $000
ORDINARY SHARES ISSUED				
Balance of shares as at 1 July	4,974	4,035	14,860	14,860
Repurchase uncalled capital	–	939	–	–
Issued paid shares at 30 June	**4,974**	**4,974**	**14,860**	**14,860**

During the prior year, the Company repurchased all 939,334 shares of uncalled capital.

All ordinary shares carry equal voting rights and the right to share in any surplus on winding up. None of the shares carry fixed dividend rights. The shares have no par value.

The shareholding of the Company as at 30 June 2017 is as follows:

SHAREHOLDER	NUMBER OF SHARES	PERCENTAGE
Hamilton City Council	2,486,752	50.0%
Waipa District Council	777,110	15.6%
Matamata Piako District Council	777,110	15.6%
Waikato District Council	777,110	15.6%
Otorohanga District Council	155,422	3.2%
	4,973,504	**100.0%**

	ACTUAL 2017 $000	ACTUAL 2016 $000
RETAINED EARNINGS		
Balance at 1 July	16,468	16,132
Surplus for the year	3,770	336
Balance 30 June	**20,238**	**16,468**
ASSET REVALUATION RESERVE		
Balance at 1 July	33,078	28,677
Revaluation gains	13,856	6,112
Deferred tax on movement	–	(1,711)
Balance 30 June	**46,934**	**33,078**
ASSET REVALUATION RESERVES FOR EACH ASSET CLASS CONSIST OF:		
Land	28,284	14,428
Buildings	4,092	4,092
Fencing	232	232
Reticulated systems	777	777
Runways, aprons and taxiways	12,388	12,388
Other paved areas	1,161	1,161
Total	**46,934**	**33,078**

18. RELATED PARTY TRANSACTIONS

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that are reasonable to expect that the Company and Group would have adopted in dealing with the party at arm's length in the same circumstances. Related party disclosures have also not been made for transactions with entities within the Group (such as funding financial flows) where the transactions are consistent with normal operating relationships between the entities and are on normal terms and conditions for such group transactions.

The following transactions carried out with related parties were not on normal commercial terms:

- Titanium Park Limited was not charged interest during the year on the $2.953m advance provided to it by the Company.
- Titanium Park Limited was not charged rent on four property lots that it leased from the Company during the year.

Due to the difficulty in determining the full time equivalent for Directors, the full time equivalent figure is taken as the number of Directors.

Key management personnel comprises Directors and the Group's management team.

	ACTUAL 2017 $000	ACTUAL 2016 $000
KEY MANAGEMENT PERSONNEL REMUNERATION		
Directors		
Remuneration	210	170
Full time equivalent members	13	12
Senior management		
Remuneration	766	628
Full time equivalent members	4	3
TOTAL KEY MANAGEMENT PERSONNEL REMUNERATION	**976**	**798**
TOTAL FULL TIME EQUIVALENT PERSONNEL	**17**	**15**

19. EVENTS AFTER THE BALANCE DATE

There were no events after the balance date that would require disclosure in, or adjustment to, the financial statements.

20. FINANCIAL INSTRUMENTS

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The financial risks relate to the following financial instruments: receivables, cash and cash equivalents, payables and borrowings.

Risk management is carried out by the Company's Board of Directors. The Board identifies and evaluates financial risks and provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and investing excess liquidity.

	ACTUAL 2017 $000	ACTUAL 2016 $000
LOANS AND RECEIVABLES		
Cash and cash equivalents	58	433
Receivables	431	606
	489	**1,039**
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		
Payables	1,503	1,791
Interest bearing liabilities	11,053	7,383
	12,556	**9,174**

21. INCOME TAX

Accounting policy

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantively enacted by 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 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 calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

Current tax and deferred tax is charged or credited to the statement of comprehensive revenue and expense, except when it relates to transactions recognised in other comprehensive revenue and expense or directly in equity.

	ACTUAL 2017 $000	ACTUAL 2016 $000
COMPONENTS OF TAX EXPENSE		
Current year	650	398
Movement in temporary differences	(357)	(244)
Total Tax Expense	**293**	**154**

	%	2017 $000	%	2016 $000
RECONCILIATION OF EFFECTIVE TAX RATE				
Surplus for the period excluding income tax		4,062		490
Prima facie income tax based on domestic tax rate	28.00%	1,138	28.00%	137
Effect of non deductible expenses	1.99%	79	3.42%	17
Effect of tax exempt income	(22.74)%	(924)	–%	–
	7.25%	**293**	**31.42%**	**154**

22. DEFERRED TAX LIABILITIES

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

$000	PROPERTY, PLANT AND EQUIPMENT	FINANCIAL ASSETS	EMPLOYEE ENTITLEMENTS	OTHER	TOTAL
Balance as at 1 July 2015	6,959	(171)	(23)	(94)	6,671
Charged to surplus and deficit	(496)	171	(2)	77	(250)
Tax loss recognised	-	-	-	6	6
Charged to equity	1,711	-	-	-	1,711
Balance as at 30 June 2016	**8,174**	**-**	**(25)**	**(11)**	**8,138**
Balance as at 1 July 2016	8,174	-	(25)	(11)	8,138
Charged to surplus and deficit	(360)	-	(1)	4	(357)
Tax loss recognised	-	-	-	-	-
Charged to equity	-	-	-	-	-
Balance as at 30 June 2017	**7,814**	**-**	**(26)**	**(7)**	**7,781**

23. OTHER ASSETS

	ACTUAL 2017 $000	ACTUAL 2016 $000
L3 CTS apron costs (amortise over lease period)	74	83
TOTAL OTHER ASSETS	**74**	**83**

Operating lease incentive

During the year ended 30 June 2005 the Company leased land to CTC Aviation Training (NZ) Limited for the purpose of establishing a flight training school. As an incentive to attract CTC to enter the lease, the Company agreed to pay 50% of the costs of constructing an apron.

During the year, CTC Aviation Training (NZ) Limited changed its name to L3 CTS Airline Academy (NZ) Limited.

As this payment is considered to be an operating lease incentive, the cost to the Company has been separately identified and will be amortised over the period of the 20 year lease as a reduction in lease income.

24. EMPLOYEE BENEFITS LIABILITIES

Accounting policy

Short term employee entitlements

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

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

The Company recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

	ACTUAL 2017 $000	ACTUAL 2016 $000
Annual leave	105	102
Accrued salary and wages	193	150
TOTAL EMPLOYEE BENEFITS LIABILITIES	**298**	**252**

25. DERIVATIVE FINANCIAL INSTRUMENTS

Accounting policy

The Company uses derivative financial instruments to manage exposure to interest rate risks arising from financial activities.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re measured at their fair value at each balance date.

The gain or loss from re measuring derivatives at fair value is recognised in the surplus/deficit.

The Company is party to financial instruments with off balance sheet risk to meet financing needs. These financial instruments include a bank overdraft facility.

Revenues and expenses in relation to all financial instruments are recognised in the surplus/deficit and are shown in the Statement of Financial Position at their estimated fair value.

	ACTUAL 2017 $000	ACTUAL 2016 $000
Fair value interest rate swaps – 1 July	–	(611)
Loss during the year	–	(21)
Swap closed out during the year	–	632
FAIR VALUE OF INTEREST RATE SWAP	**–**	**–**

There were no derivative financial instruments in place during the year.

26. OTHER FINANCIAL ASSETS

Accounting policy

The Company classifies its financial assets into the following four categories:

- fair value through surplus or deficit;
- loans and receivables;
- held to maturity investments; and
- financial assets at fair value through other comprehensive revenue and expense.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re evaluates this designation at every reporting date.

Financial assets are initially measured at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus/deficit.

Purchases and sales of investments are recognised on trade date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through surplus or deficit

This category has two sub categories: financial assets held for trading and those designated at fair value through surplus or deficit at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

After initial recognition they are measured at their fair values. Gains or losses on re measurement are recognised in the surplus/deficit.

Loans and receivables

These are non derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the surplus/deficit. Loans and receivables are classified as “Receivables” in the Statement of Financial Position.

Held to maturity

Held to maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturities that the Company has the intention and ability to hold to maturity. After initial recognition they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or de recognised are recognised in the surplus or deficit.

Fair value through other comprehensive revenue and expense

These investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit. On derecognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

(i) Impairment of financial assets

At each balance sheet date, the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the surplus/deficit.

	ACTUAL 2017 $000	ACTUAL 2016 $000
Shares - Paper Plus 1 July	–	25
Shares - Paper Plus sold	–	(25)
TOTAL OTHER FINANCIAL ASSETS	**–**	**–**

There were no impairment provisions for other financial assets.

27. INVESTMENT PROPERTY

Accounting policy

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its cost, including transaction costs.

After initial recognition, all investment property is measured at fair value at each reporting date.

Gains or losses arising from a change in the fair value of investment property are recognised in the surplus/(deficit).

The Company's investment properties are valued annually at fair value effective 30 June. All investment properties were valued on open market evidence and conditions that prevailed as at 30 June 2017. The valuation was performed by Doug Saunders, Registered Valuer, BCom (VPM), FNZIV, FPINZ, an independent valuer from Telfer Young Limited. Telfer Young Limited is an experienced valuer with extensive market knowledge in the types of investment properties owned by the Company.

There were no contractual obligations for capital and operating expenditure on the investment property.

	ACTUAL 2017 $000	ACTUAL 2016 $000
Opening balance	3,750	3,730
Fair value gain on valuation	3,300	20
Additions during the year	8,257	–
TOTAL INVESTMENT PROPERTY	**15,307**	**3,750**

28. INTANGIBLE ASSETS

Accounting policy

Computer acquisition

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

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

Costs associated with the development and maintenance of the Company's website are recognised as an expense when incurred.

Other Intangible Assets

Other Intangible Assets include Designation Assets.

The Light Designation asset has a carrying value of $201k at 30 June 2017 (2016: $268k) with a remaining amortisation period of three years (2016: four years). The Runway Designation asset has a carrying value of $857k at 30 June 2017 (2016: $952k) with a remaining amortisation period of nine years (2016: ten years).

Amortisation

Computer software licences are amortised on a straight line basis over their estimated useful life of three years. The Light Designation asset is amortised on a straight line basis over its estimated useful life of five years. The Runway Designation asset is amortised on a straight line basis over its estimated useful life of 15 years. Amortisation begins when the asset is available for use and ceases at the date that the asset is disposed of. The amortisation charge for each period is recognised in the surplus/(deficit).

	ACQUIRED ASSETS $000	TOTAL $000
YEAR ENDED 30 JUNE 2016		
Opening net book value	107	107
Additions	111	111
Disposals	(107)	(107)
Amortisation charge	(170)	(170)
Transfers from property, plant and equipment	1,286	1,286
Closing net book value	**1,227**	**1,227**
AT 30 JUNE 2016		
Cost	1,394	1,394
Accumulated amortisation and impairment	(167)	(167)
Net book value	**1,227**	**1,227**
YEAR ENDED 30 JUNE 2017		
Opening net book value	1,227	1,227
Additions	–	–
Disposals	–	–
Amortisation charge	(165)	(165)
Closing net book value	**1,062**	**1,062**
AT 30 JUNE 2017		
Cost	1,394	1,394
Accumulated amortisation and impairment	(332)	(332)
Net book value	**1,062**	**1,062**

29. ASSET IMPAIRMENT

There has been no impairment of assets recognised in 2017 (2016: nil).

30. PERFORMANCE TARGETS AND RESULTS

The Company, TPL and HWT each prepare an annual Statement of Intent, which is approved by Shareholders and incorporates financial and performance measures for the ensuing year.

A comparison of the Group's actual results for the year are shown below against forecast. These results exclude gains on investment property valuations and also excludes TPL land sales and tax associated with those land sales.

The Group has achieved most of the financial performance targets for 2017 and all of the non-financial performance targets (2016: achieved all of the financial performance targets and most of the non financial performance targets).

FINANCIAL PERFORMANCE TARGETS AND RESULTS FOR GROUP	ACTUAL 2017 $000	TARGET STATEMENT OF INTENT $000	MET	COMMENT	ACTUAL 2016 $000	TARGET STATEMENT OF INTENT $000
Net surplus / (deficit) after tax	($305)	($366)	Y	Result is better than planned due to higher than forecast passenger activity.	($282)	($421)
Net surplus/(deficit) after tax to average shareholder funds	(0.42%)	(1.00%)	Y	Result is better than planned due to higher than forecast passenger activity.	0.54%	(1.00%)
Net surplus/(deficit) after tax to total assets	(0.30%)	0.00%	N	Slightly worse than planned.	0.41%	(1.00%)
Earnings before interest, taxation and depreciation and amortisation (EBITDA)	$2,443	$2,279	Y	Result is better than planned due to higher than forecast passenger activity.	$2,585	$2,061
Net Operating cash flow	$5,247	$1,594	Y	Result is better than planned due to higher than forecast passenger activity.	New target in 2017	
Net Investing cash flow	($9,292)	($1,540)	N	The result reflects the 98 hectare farm purchase.	New target in 2017	
Funding Titanium Park Limited	$3,161	($505)	Y	Result is better than expected due to TPL reducing their loan advance to WRAL.	New target in 2017	
Net cash flow (operating & investing)	($884)	($451)	N	The result reflects the 98 hectare farm purchase.	$2,789	($632)
Net Debt	$10,994	$8,287	N	The result reflects the 98 hectare farm purchase.	New target in 2017	
Total liabilities/shareholders' funds (debt/equity ratio)	20:80	26:74	Y	The ratio is better than planned due to increased land valuations.	21:79	25:75
PARENT COMPANY OPERATIONS ONLY						
Percentage of non landing charges revenue	81%	76%	Y	Result is better than planned due to higher than forecast passenger activity.	81%	64%
Interest cover	8.63	6.56	Y	Result is better than planned due to higher than forecast passenger activity.	5.81	2.86
Net profit before tax, interest, re-valuations to total assets	0.25%	NEW				
Net profit before tax, interest, re-valuations to shareholder funds	0.30%	NEW				
Net profit after tax and re-valuations to total assets	3.15%	NEW				
Net profit after tax and re-valuations to shareholder funds	3.79%	NEW				

Non Financial Performance targets and results (Group)

2017 TARGET	COMMENT	MET	2016 TARGET	COMMENT	MET
Facilitate Health & Safety meetings every 2 months with representatives from each company department.	Health and Safety meetings are undertaken on monthly basis.	Y	Facilitate Health & Safety meetings every 2 months with representatives from each company department.	Health and Safety meetings are undertaken on monthly basis.	Y
Zero Work Safe notifiable accidents/injuries.	There were no notifiable incidents.	Y	Zero Work Safe notifiable accidents/injuries	There was one notifiable incident.	N
Independently review and implement the company's Health & Safety framework to align with the requirements of the Health and Safety at Work Act 2015.	An independent audit was undertaken in September 2016. Enhancements to the existing procedures in relation to notifiable incidents and company responsibly were implemented. All existing H&S frameworks have been undertaken to include the provisions of the Health and Safety at Work Act 2015 requirements.	Y	Commission independent review of the company's Health & Safety framework. Implement recommendations from the independent review to ensure best practice compliance.	An independent review was undertaken and recommendations completed. Enhancing of existing tenant and contractors H&S control procedures were implemented. All existing H&S frameworks have been updated to include the provisions of the Health and Safety at Work Act 2015 requirements.	Y
To achieve the Airport Certification Standards as required by the Civil Aviation Authority and as evidenced by Civil Aviation Authority audit reports	The airport continues to meet the Airport Certification Standards.	Y	To achieve the Airport Certification Standards as required by the Civil Aviation Authority	Two audits were undertaken by the Civil Aviation Authority of New Zealand (CAA) during the year and the airport continues to meet the Airport Certification Standards.	Y
Ensure airport is operationally available for all scheduled passenger services (except for uncontrollable events)	There have no incidences of scheduled flights being operationally impacted by controllable events.	Y	Ensure airport is operationally available for all scheduled passenger services (except for uncontrollable events)	There have no incidences of scheduled flights being operationally impacted by controllable events	Y
Facilitate noise management meetings each 4 months in accordance with the Noise Management Plan	Meetings have been facilitated every 4 months.	Y	Facilitate noise management meetings each 4 months in accordance with the Noise Management Plan	Meetings have been facilitated every 4 months.	Y
Collect, document and act (where viable) on customer feedback forms to continuously monitor and improve the customer experience. Maintain a database to ensure recurring negative feedback is promptly acted upon.	There were 43 customer feedback cards collected during the period 1 July 2016 to 30 June 2017. All items are considered by the management team and addressed where appropriate. Personal complaints are responded to.	Y	Collect, document and act (where viable) on customer feedback forms to continuously monitor and improve the customer experience. Maintain a database to ensure recurring negative feedback is promptly acted upon.	During the period 1 July 2015 to 30 June 2016, customer feedback cards were positioned in the terminal with 19 cards collected and documented. All items are considered by the management team and addressed where appropriate. Personal complaints are responded to.	Y

TPL's financial and non financial targets

TPL's performance measures were mostly met against their Statement of Intent targets for the year ended 30 June 2017. TPL had three objectives for the 2016/2017 year, with the first objective being to conclude all outstanding conditions relating to the Joint Venture Termination Agreement (JVTA). This objective was met with some of the major work being a new water supply agreement, discharging the payment liability to New Zealand Transport Authority for contribution to the intersection roundabout of State Highway 3 and State Highway 21, and a technical review of the waste water infrastructure and treatment plant for the eastern side of the Airport. During the year, TPL sold 7.3479 hectares of land comprising of two land sales on the Central Precinct totaling 0.6621 hectares and a further 6.6858 hectares on the Western Precinct. The sale of the Western Precinct land discharged the remaining infrastructure commitment costs from the JVTA that had an estimated liability of $1.2m.

The second key objective was to complete a comprehensive business plan. This was achieved with the key intent of the business plan providing a 10 year Group property strategy. The plan seeks over the ten year period to generate $1m annual earnings before tax from a design and build property portfolio and maximising group lease and concession income. This plan initially sees TPL selling land to enable the further development of land and infrastructure which will generate equity to fund the property portfolio. This strategy will in the longer term support the aeronautical group income. The execution of the Business Plan is on track as demonstrated by $4.2m of land sales in the current financial year.

The remaining key objective for the 2016/2017 financial year was to maximise revenue from the current lease portfolio. When comparing the current lease income to the prior year, TPL did not increase their lease income primarily as a result of the reduced lease income from the land settled under the JVTA.

TPL's Shareholders' Funds to Total Assets is 47% (2016: 34%).

HWT's financial and non financial targets

HWT's performance measures were mostly met against their Statement of Intent targets for the year ended 30 June 2017.

HWT had three objectives for the 2016/2017 year which included growing website traffic by 20%, receiving Industry Partnership contributions of $400k and maintaining a positive cashflow.

The website traffic increased by 8.3% (2016: 26.9%) on last financial year with 600,161 visits this year compared to 554,250 in 2016, resulting in an increase of 45,911 visits. The contributions received from Industry Partnerships totalled $453,338 (2016: 455,299) and exceeded the target of $400,000 with the year being on par with 2016. The cash flow target surplus was achieved with a final bank and cash in hand value of $183,785 (2016: $298,037).

HWT's Shareholders' Funds to Total Assets is 35% (2016: 31%).

PERFORMANCE TARGETS TO 30 JUNE 2017	TARGET STATEMENT OF INTENT	ACTUAL 2017	ACHIEVED 2017	ACHIEVED 2016
Growth in website traffic (total visits)	20%	8.3%	Not achieved	Not achieved
Industry partnership contributions	$400,000	$453,338	Achieved	Achieved
Cash flow	To ensure the company has sufficient cash to fund activity for the year without recourse to the shareholder	Surplus	Achieved	Achieved

31. OTHER INFORMATION

Directors' interests

The following directors have made a general disclosure of interest with respect to any transaction or proposed transaction that may be entered into with other entities on the basis of that person being a director, shareholder, partner, trustee or officer of those entities.

DIRECTOR	ENTITY	INTEREST
J Spencer CNZM	Advisory Board for Iron Duke Limited	Chair
	Derby Street Limited	Director
	Mitre 10 (New Zealand) Limited	Director
	Mitre 10 Holdings Limited	Director
	Mitre 10 Imports Limited	Director
	Mitre 10 Retail Limited	Director
	Raukawa Iwi Development Limited	Chair
	Taupo Mega Limited	Director
	Te Awamutu Mega Limited	Director
	Tertiary Education Commission	Chair
	Waikato Regional Airport Limited	Director
	Wellington Mega Limited	Director
A Cotton	Access IR Group Limited	Director, Shareholder
	Anamallai Tea Estates & Ropeway Company Limited	Shareholder
	Anamallai Tea Kettle Limited	Director, Shareholder
	Donny Trust	Trustee
	Enigma Nominees Limited	Shareholder
	Farmy McFarm Limited	Director, Shareholder
	Hamilton and Waikato Tourism Limited	Chair
	Merlin Consulting Limited	Director, Shareholder
	Merlin Group Limited	Director, Shareholder
	RAW 2014 Limited	Director
	Trust Investments Management Limited	Director
	Waikato Regional Airport Limited	Director
C da Silva	Andrew Johnson Business Trust	Trustee
	Certus Group Limited	Director, Shareholder
	Columbus Financial Services Limited	Director
	Consumer Finance Limited	Director
	Consumer Insurance Services Limited	Director
	Coromandel Trust	Trustee
	Da Silva Advisory Limited	Director, Shareholder
	Da Silva Children's Trust	Trustee

DIRECTOR	ENTITY	INTEREST
	Fisher & Paykel Finance Limited	Chair
	Flexi Cards Limited	Director
	Flexi Financial Services Limited	Director
	Gardon Limited	Director
	Guarda Trust	Trustee
	Homeopathic Trust	Trustee
	IT Partners Group Limited	Director, Shareholder
	IT Partners Limited	Director
	Jarvis Trading Limited	Director
	Larsen Family Trust	Trustee
	Lightwire Limited	Director
	Ocean Sands Trust	Trustee
	Retail Financial Services Limited	Director
	Seguro Trust	Trustee
	Te Maunga Trust	Trustee
	Titanium Park Limited	Director
	Trelise Cooper Group Limited	Director
	Trelise Cooper Properties Limited	Director
	Waikato Regional Airport Limited	Director
	Waikato Rental Trust	Trustee
M Devlin	Auckland City Water	Director
	City Care Limited	Director
	Harrison Grierson Consultants Limited	Chair
	Harrison Grierson Holdings Limited	Director, Shareholder
	Indepen NZ Limited	Director, Shareholder
	Institute of Directors New Zealand Incorporated	Chartered Fellow
	Institute of Directors Waikato Branch	Committee Member
	IT Partners Group Limited	Director
	Meteorological Services of New Zealand Limited	Director
	National Infrastructure Advisory Board	Member
	Titanium Park Limited	Chair
	Waikato District Council Audit & Risk Committee	Chair
	Waikato Electricity Limited	Director

DIRECTOR	ENTITY	INTEREST
	Waikato Networks Limited	Director
	Waikato Plan Joint Committee	Chair
	Waikato Regional Airport Limited	Director
	Waikato University Risk Management Committee	Member
	Watercare Services Limited	Chair
	WEL Electricity Limited	Director
	WEL Energy Group	Director
	WEL Generation Limited	Director
	WEL Networks Limited	Chair
	WEL Power Limited	Director
	WEL Services Limited	Chair
	WINTEC	Councillor
	Women in Infrastructure Network	Chair
G Dwyer	427 Port Road Limited	Director
	789 Heaphy Limited	Director
	ACE Training Limited	Director
	Acorn Holdings Limited	Director
	Acorn Trust	Trustee
	Agenda Waikato	Member
	Conor Jaspers Trust	Trustee
	Hughes Jaspers Trust	Trustee
	Joel Limited	Director
	LCP Alpha Limited	Director
	Realty Plus Waikato Limited	Director
	Titanium Park Limited	Director
	Waikato Federated Farmers Charitable Society	Trustee
D Scarlet	Hamilton and Waikato Tourism Limited	Director
	Lower Waikato River Enchancement Society	Advisory Trustee
	Maungatautari Ecological Island Trust	Trustee
	Mercury NZ Limited	Key Relationships Manager
	National Wetland Trust	Secretary
	PD & DW Scarlet Family Trust	Trustee
	PD Scarlet Medical Services Limited	Director, Shareholder
	Waikato Catchment Ecological Enhancement Trust	Trustee
	Waikato Means Business Steering Group	Member

DIRECTOR	ENTITY	INTEREST
G Osborne	Destination Coromandel	Director
(retired Oct 2016)	Hamilton and Waikato Tourism Limited	Director
	The New Zealand Company Limited	Director
	Manukau Institute of Technology Facility of Business	Associate Dean
	Museum of Transport and Technology	Director
	Mangere Mountain Education Trust	Chair
	Osborne Family Trust	Trustee
	Te Pere Limited	Director
K Turner Puriri		
(appointed Jan 2017)	Envision Projects Limited	Director, Shareholder
	Hamilton and Waikato Tourism Limited	Director
	Tainui Honey Limited	Director, Shareholder
M Phillipps		
(appointed Jan 2017)	Hamilton and Waikato Tourism Limited	Director
	Phillipps Consulting 2015 Limited	Director, Shareholder
	Pure Vinyl Limited	Director, Shareholder
	Electric Kiwi Limited	Director
M Morgan	Hamilton and Waikato Tourism Limited	Director
	KASM Property Limited	Director, Shareholder
	Morgan Inheritance Trust	Trustee
	Patuone Property Limited	Director, Shareholder
S Douglas	Hamilton and Waikato Tourism Limited	Director
	The New Zealand Automobile Association Limited	Policy Manager
	SADD Aotearoa Students Against Driving Drunk Charitable Trust	Secretary

Use of Company Information

No notices were received from Directors requesting use of Company information received in their capacity as Directors that would not have been otherwise available to them.

Share Dealing

No Director holds shares in the Company nor acquired or disposed of any interest in shares in the Company during the year.

Directors' Remuneration

Director remuneration paid during the year was as follows:

		2017 $000
J Spencer	WRAL Chair	35
M Devlin	WRAL Director, TPL Chair	41
A Cotton	WRAL Director and Audit and Risk Chair, HWT Chair	40
C da Silva	WRAL Director, TPL Director	41
G Dwyer	TPL Director	18
D Scarlet	HWT Director	10
K Turner Puriri (appointed Jan 2017)	HWT Director	6
M Phillipps (appointed Jan 2017)	HWT Director	6
S Douglas	HWT Director	10
G Osborne (retired Oct 2016)	HWT Director	3
		210

An additional remuneration payment of $2,000 was made to G Dwyer for chairing the Property Subcommittee of Titanium Park Limited in June 2017 whilst he was a Director of Titanium Park Limited.

Insurance

Directors' and Officers' liability insurance is with Vero Liability Insurance Ltd, with the policy for the parent Company extending to the Group.

Remuneration of Employees

		EMPLOYEES
$280,000	$289,999	1
$190,000	$199,999	1
$160,000	$169,999	1
$110,000	$119,999	1

Remuneration includes salary, performance bonuses and motor vehicle allowances received in their capacity as employees.

32. FIVE YEAR REVIEW

	2017 $000	2016 $000	2015 $000	2014 $000	2013 $000
Revenue*	8,632	8,056	7,765	7,022	7,225
Increase/(Decrease)	7%	4%	11%	(3)%	(10)%
Expenditure	7,868	7,565	7,476	7,274	7,475
Increase/(Decrease)	4%	1%	3%	(3)%	-%
Operating Surplus before Taxation*	764	494	273	(245)	(245)
Increase/(Decrease)	55%	81%	(211)%	-%	(171)%
PERFORMANCE INDICATORS					
Net Surplus (after abnormal item & taxation) to Average Shareholder's Equity	0%	1%	0%	0%	0%
Percentage of Non Landing Charges Revenue to Total Revenue	81%	85%	81%	82%	81%
Total Equity	82,032	64,405	59,669	59,500	59,732
Total Liabilities	20,909	17,899	18,874	20,937	19,967
Total Assets	102,941	82,304	78,543	80,437	79,699
Net Asset Backing per Share ($)	16.49	15.96	14.79	14.75	14.80
Shareholders' Equity Ratio	80%	78%	76%	74%	75%
PASSENGERS					
Domestic	317	303	291	294	295
International	–	–	–	–	11
	317	**303**	**291**	**294**	**306**

*Includes TPL land sales (incorporating the cost of land sales) but excludes investment property revaluation movements

AUDIT REPORT

For the Year Ended 30 June 2017

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Waikato Regional Airport Limited Group's financial statements and performance information for the year ended 30 June 2017

The Auditor-General is the auditor of Waikato Regional Airport Limited Group (the Group). The Auditor-General has appointed me, Clarence Susan, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the Group, on his behalf.

Opinion

We have audited:

- the financial statements of the Group on pages 10 to 34 and 38 to 42, that comprise the statement of financial position as at 30 June 2017, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Group on pages 34 to 37.

In our opinion:

- the financial statements of the Group on pages 10 to 34 and 38 to 42:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2017; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with the Financial Reporting Act 2013, Local Government Act 2002 and Companies Act 1993.
- the performance information of the Group on pages 34 to 37 presents fairly, in all material respects, the Group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Group's objectives for the year ended 30 June 2017.

Our audit was completed on 7 September 2017. This is the date at which our opinion is expressed.

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

Basis for opinion

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

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

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

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

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

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

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Group for assessing the

AUDIT REPORT

For the Year Ended 30 June 2017

Group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

AUDIT REPORT

For the Year Ended 30 June 2017

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 9, 43 and 47, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

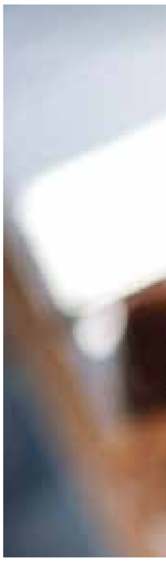
We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners, issued by New Zealand Auditing and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

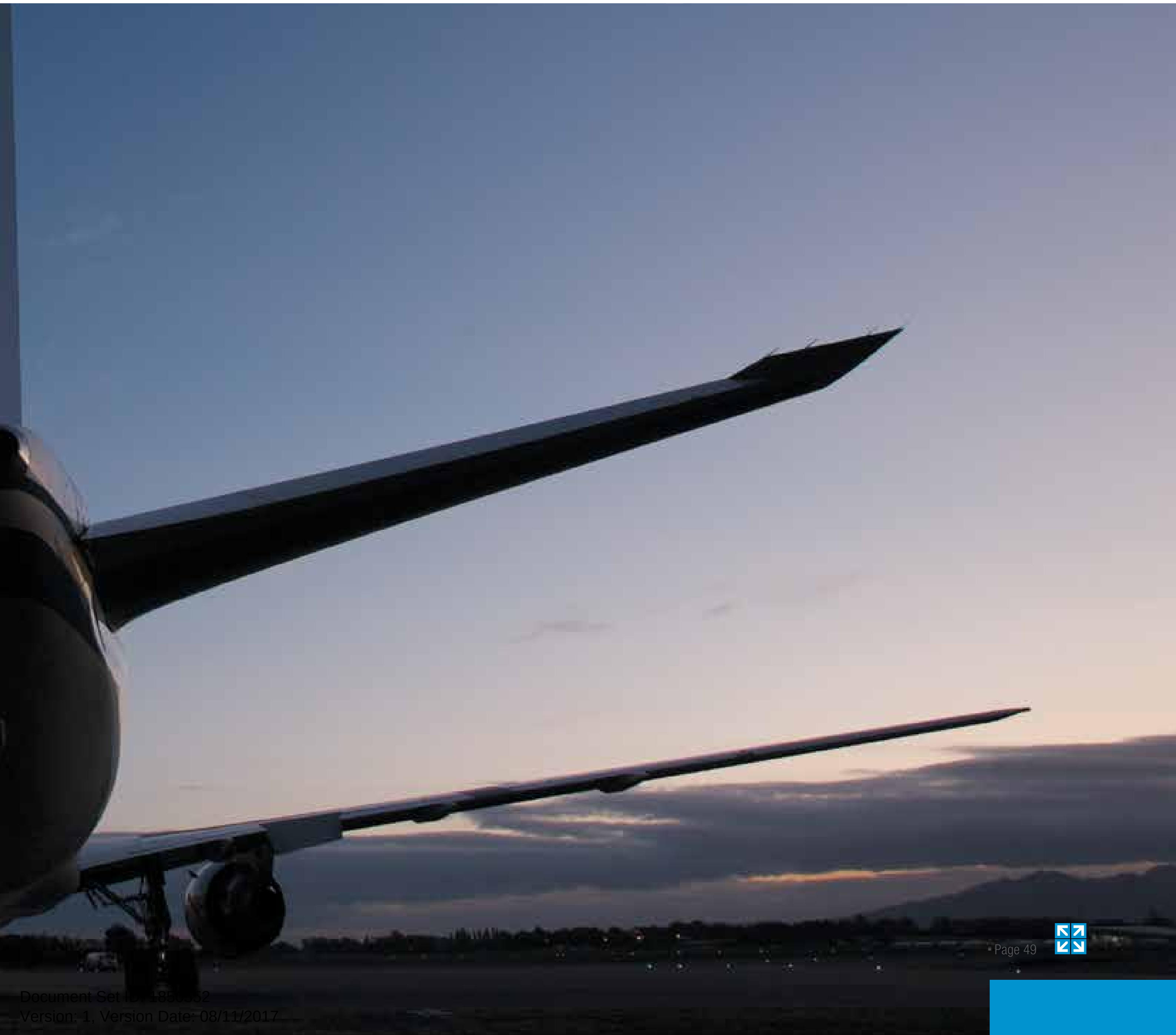
Other than the audit, we have no relationship with, or interests in, the Group.

Clarence Susan
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand

CORPORATE DIRECTORY

Directors	John Spencer CNZM (Chair) Annabel Cotton Carlos da Silva Margaret Devlin
Chief Executive	Mark Morgan
General Manager Operations	Simon Hollinger
Finance Manager	Nikki Orange
Registered office	Hamilton Airport Terminal Building, Hamilton Airport, Airport Road, RD 2, Hamilton 3282
Telephone	07 848 9027
E mail	wral@hamiltonairport.co.nz
Auditor	Audit New Zealand, Tauranga on behalf of the Controller and Auditor-General
Solicitors	Ellice Tanner Hart, Hamilton
Bankers	Bank of New Zealand
Website address	www.hamiltonairport.co.nz






HAMILTON


HAMILTON

Shareholder Presentation

5 October 2017

WRAL GROUP

Welcome to the WRAL Group 2016/17 Shareholders' Update

The WRAL Directors and Senior Management would like to extend a warm welcome to Shareholder Mayors and CE's to the 2016/17 Shareholders' Update.

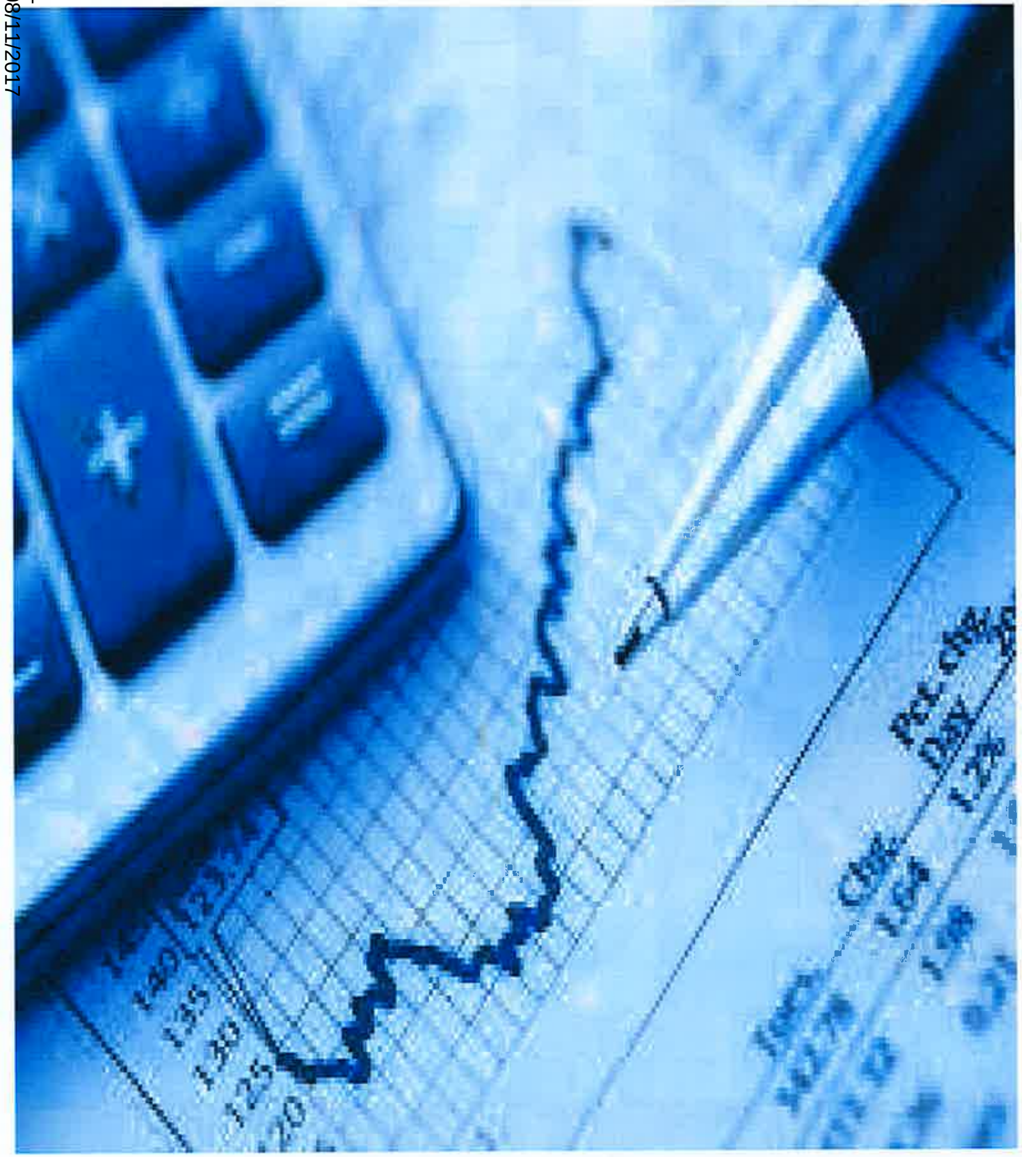
Key Themes

- Financial Performance
- Statement of Intent
- Airport Update
- Group Property Update
- HWT Update
- Consumer Research
- 2017/2018 Business Plan
- Conference Facilities

Hamilton City Council Te kaunihera o Kirikiriroa | Otorohanga District Council | Waipa District Council | Waikato District Council | Matamata Piako District Council

Financial Performance

WRAL GROUP



- Financials at a glance - Group
- Financials at a glance - Airport
- Land Valuations, Sales and Purchases
- Balance Sheet
- Statement of Intent Report Card

Financials at a glance – WRAL Group

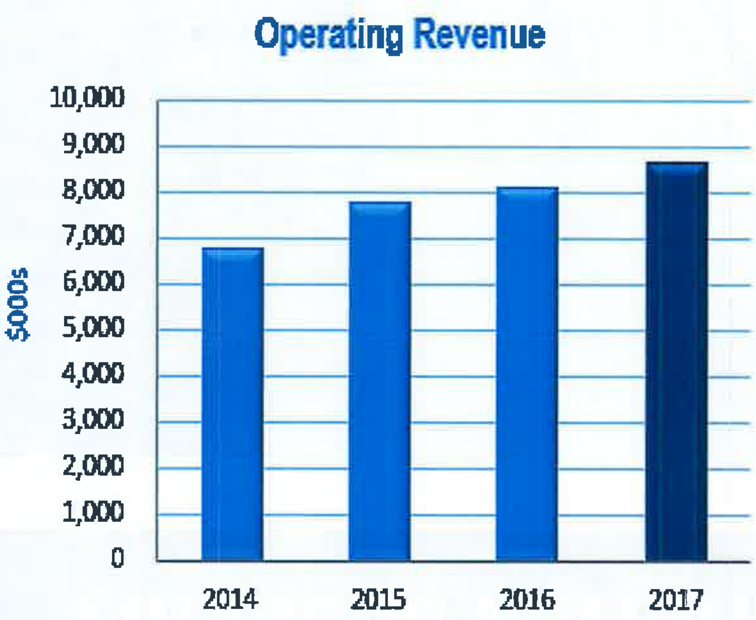
normalised to exclude investment property valuation gains

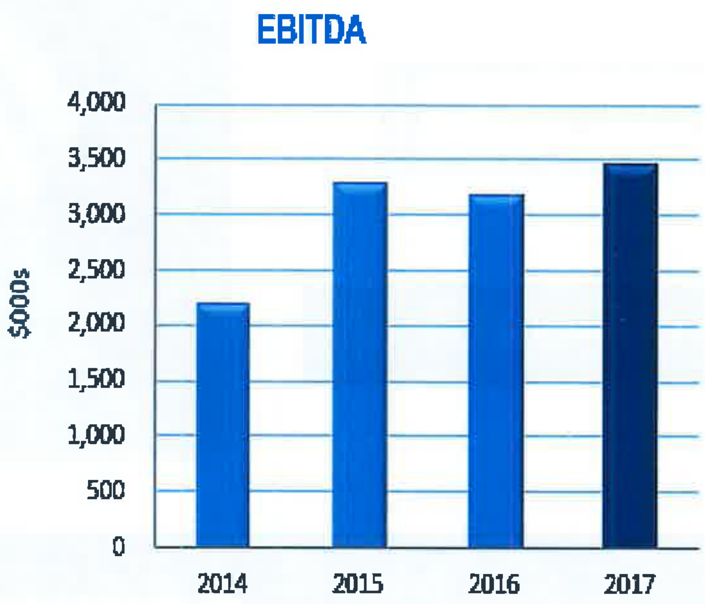
WRAL GROUP

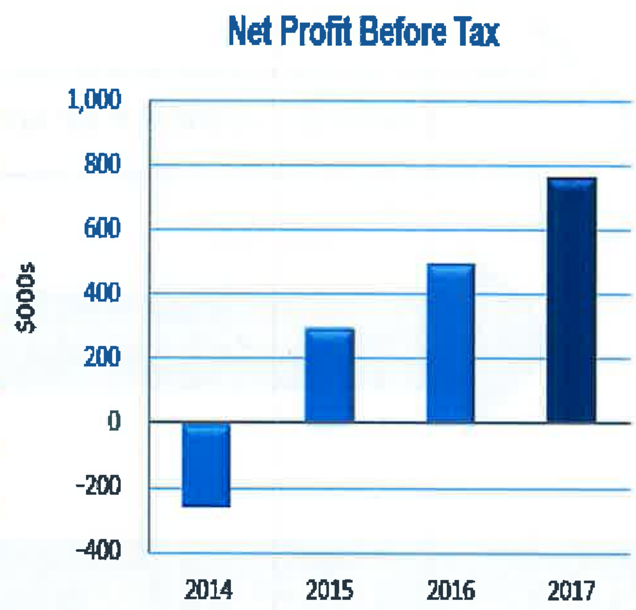
OPERATING REVENUE
$8.6m up 7% YOY
2016: $8.1m

EBITDA
$3.4m up 7% YOY
2016: $3.2m

NPBT
$0.8m up 56% YOY
2016: $0.5m







Financials at a glance – Airport

normalised to exclude investment property valuation gains

WRAL GROUP

OPERATING REVENUE

$6.0m up 6% YOY

2016: $5.7m

EBITDA

$2.6m up 3% YOY

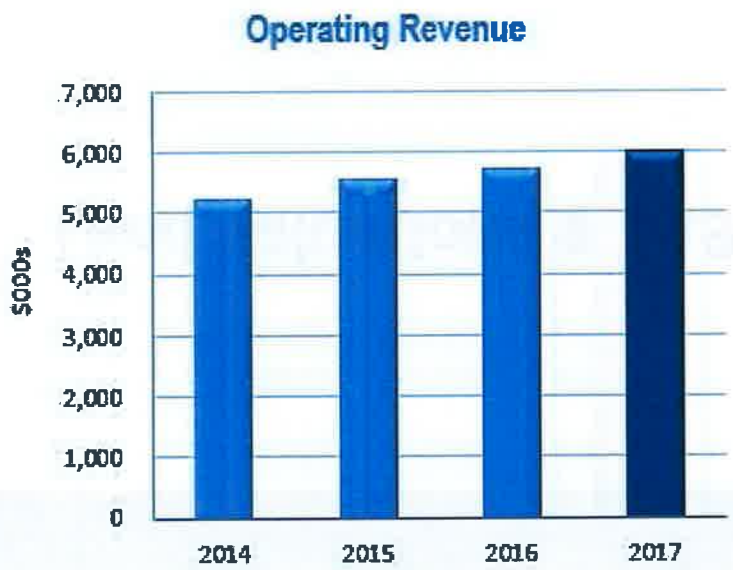
2016: $2.5m

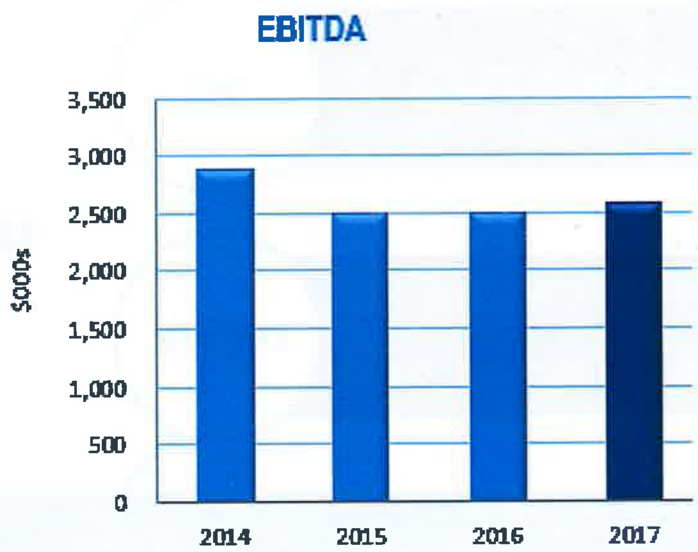
NLBT

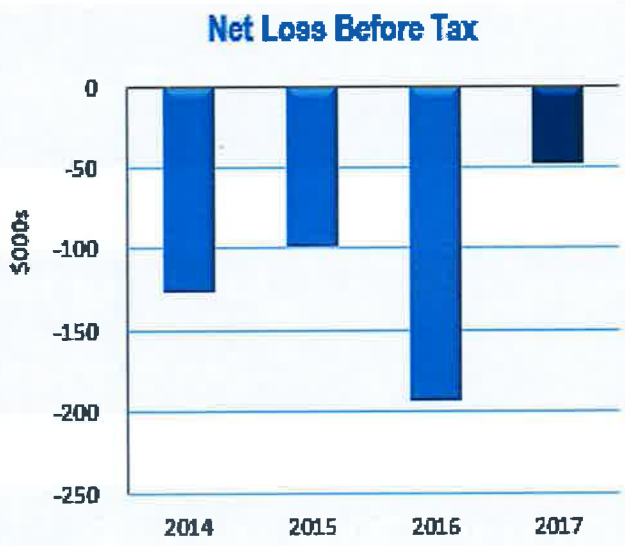
-$47k up 75% YOY

2016: -$192k

$200k Dividend to Shareholders







Financial Performance

WRAL GROUP

Land Valuations ↑ $19m

Airport
- $13.9m Aeronautical Land
- $3.3m Investment Property

TPL
- $1.8m Development Land

Land Sales and Purchases

Airport
- Purchased 98 hectare farm $8.25m

TPL
- Sold 7.3 hectares for $4.2m (gross sale)

Land Holdings up from 256ha to 350ha

Balance Sheet - Group

WRAL GROUP

TOTAL ASSETS
$102.9m up 25% YOY
2016: $82.3m

TOTAL LIABILITIES
$20.9m up 17% YOY
2016: $17.9m

EQUITY
$82.0m up 27% YOY
2016: $64.4m

Positively impacted by:

Land Valuations (Assets & Equity) ✓
Land Purchases & Sales (Assets, Liabilities & Equity) ✓

Shareholders' funds to Total Assets (*Equity Ratio*)

2017:	**80%**
2016:	**74%**

Statement of Intent Report Card

WRAL GROUP

Core Purpose

- Enabler of air services to the region
- Operate a first class, safe and compliant regional airport
- Strategic positioning of the business to enhance capital value

Key Objectives

- Operate an efficient and compliant airport
- Enhance the traveller experience
- Maintain a viable aeronautical business
- Maximise revenue diversification through non-aeronautical business opportunities

SOI Financial Performance Targets → MOSTLY MET

✓	**Revenue - % of non-landing charges**	MET	
✓	**EBITDA**	MET	
✓	**Interest Cover**	MET	
✓	**Net profit after tax to average shareholder funds**	MET	
✓	**Net Operating Cashflow**	MET	
✓	**Funding TPL**	MET	
X	**Net Profit After Tax to Total Assets**	NOT MET	*(land valuation increase + 98 Ha Farm purchase)*
X	**Net Investing Cash flow**	NOT MET	*(98 hectare Farm purchase)*
X	**Total Net Cash flow (from operating & investing)**	NOT MET	*(98 hectare Farm purchase)*
X	**Net Debt**	NOT MET	*(98 hectare Farm purchase)*

SOI Non Financial Performance Targets → ALL MET

Airport Update

WRAL GROUP

PASSENGER NUMBERS

Passengers up
4.7% YOY

WLG:	flat
PMR:	up 100%
WLG + PMR:	up 7%
CHC:	up 17%

1/4-1/3 transit to/from WLG

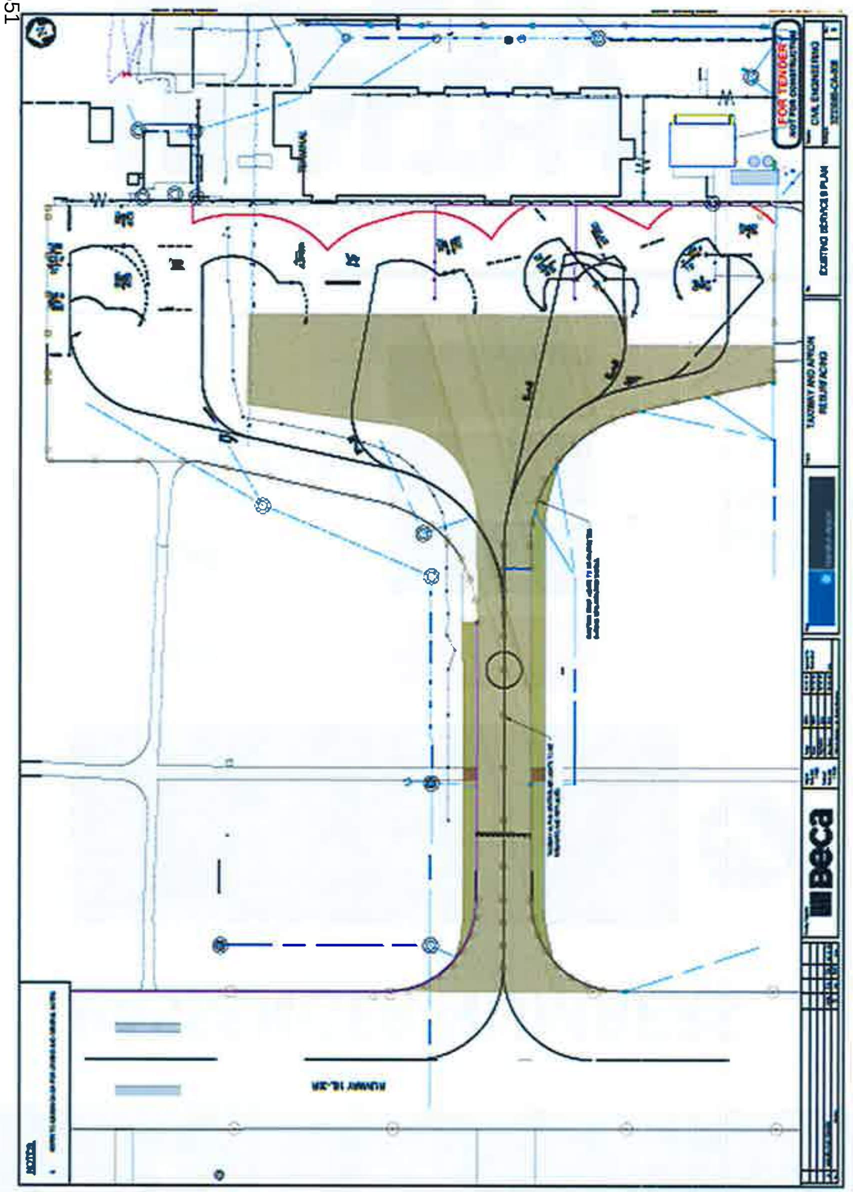
	FY15/16:	FY16/17:
Passengers:	303,218	317,348
Seats:	398,320	429,695
Load factor:	76%	74%

HEALTH+ SAFETY AT WORK

- Independent H&S Audit
- Independent H&S specialist
- Monthly meetings held – key actions completed
- Regular reporting and documentation of H&S incidents/accidents.
- No notifiable incidents reported.

Airport Update FY17

WRAL GROUP

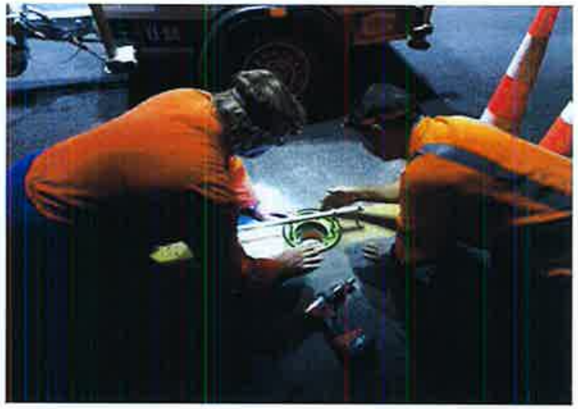


APRON & TAXIWAY RESURFACING PROJECT

Milling of Intersection of RWY 18L/ 36R and Taxiway ‘A’

Asphalt being laid to defective area - Taxiway ‘D’

Milling to Taxiway D – note delaminating Base material due to original 1965 construction.



Airways electricians fitting taxiway centerline bases in preparation for taxiway light fitting

Group Property Update FY17

WRAL GROUP

Titanium Joint Venture Dissolution

- All conditions relating to the Joint Venture Termination Agreement have been completed

TITANIUM PARK
DESIGNED FOR BUSINESS

Sold 7.3 Ha of land in Central Precinct and Western Precinct

Land Sales Completed

Current Airport Lease Portfolio

- Full review of titles/leases and land ownership completed.

L3
HELICORP
HAMILTON AERO
PACIFIC AEROSPACE
HAMILTON AIRPORT HOTEL & CONFERENCE CENTRE

SELL - DEVELOP - OPTIMISE - RESOURCES

Comprehensive Property Business Plan

- Completed and now being implemented

Hamilton & Waikato Tourism Update 2017

Hamilton & Waikato TOURISM

Visitor nights 5% increase of total visitor guest nights vs national	**Result: 6.3%** **NZ growth 3.7%** (Commercial Accommodation Monitor Y/E June 2017)
Visitor spend 5% increase in visitor spend across the region	**Result: 8%** **Annual $1.442 billion** (Monthly Regional Tourism Estimates MBIE, Y/E June 17)
Conventions & business events Grow market share of business events from 9% to 10%	**Result: 10%** (Convention Activity Survey Y/E June 2017)
Visitor awareness & perceptions Improve by 3 points, including Waikato residents	**Result: -1 pts** **2016: -3 points | 2015: -6 points** (Net Promoter Score with Fresh Info & AA Traveller)
Website: hamiltonwaikato.com 20% increase in visits to website on previous year	**Result: 8.28%** **increase on previous year**
Industry investment $400,000 of industry contributions towards activities	**Result: $453,338** (Year ending June 2017)
Return on investment Total visitor spend per dollar of HWT spend	**Result: $1,092** **per dollar of council funding**

Consumer Research FY17

WRAL GROUP

Methodology and timing

- In field Feb-Apr 2017
- Online quantitative study
  - Inbound and local markets: n = 900
  - Tourism survey: n = 1400
- 3 x qualitative sessions (business, leisure, Northern Waikato/Pokeno)
- In depth interviews (business travellers and PAs)

Key insights

Leisure market larger than expected	47% leisure	53% business	
Hamilton Airport struggling to get in the consideration set (72% non-considerers) due to perceived	Reliability	Price	Schedule offer
Airport users would like to see more personality and interest in terminal	'Nothing to do / boring' is most highly correlated with a negative experience at the airport		
Strong interest in potential of conference facilities	Access by air	Volume of parking	Interesting location

17/18 Business Plan Update

WRAL GROUP

Airport Objectives

	Objective	Status
1	Increase passenger numbers by 5%	On track
2	Increase domestic capacity by 10%	On track
3	Increase landside revenue by 10%	On track

Passengers YTD 15.2%

- WLG – up 1% YTD
- PMR – up 110% YTD (approx. 1/4 - 1/3 transit WLG)
- CHC – up 31% YTD

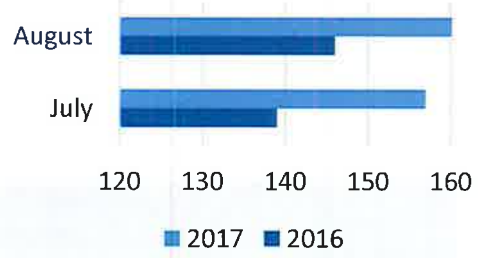
Capacity

Planned capacity over Dec-Feb:

- CHC: **3%** increase (1 add. service per week)
- WLG: **11%** increase (2 add. services per week)
- PMR: 2 weeks add. schedule capacity in January compared to last year.

Landside revenue

- **Car park revenue**



- **New leases**
- **Conference centre**

17/18 Business Plan Update

WRAL GROUP

Property Objectives

	Objective	Status
1	Generate $1.5m in land sales	On track
2	Prepare precincts for commercial development	On track
3	Generate an additional $75k EBT by 30 June 2018	On track

Sell

- TPL have sold 1.0316 Ha of land
- This represents conditional sales of $664,950 (TPL land) & $721,160 (WRAL land).
- Totaling $1,386,110 in conditional sales to date.
- Further enquiries remain strong.

Develop

- Extension of Ossie James Drive scheduled for project start November 2017.
- Further subdivision of Lots 3 – 9.
- Talks with NZTA/Waipa DC regarding new access strategy.

Optimise

- Lease revenue forecasted to be $1.678m.
- This represents a forecasted 11.5% increase.
- Currently in negotiations with a transport company for our first lease build opportunity.

Hamilton & Waikato Tourism 2017-2018

Hamilton & Waikato TOURISM

1 Major Events Strategy

Events audit completed, discovery phase underway & reference group established. First draft strategy due Feb-March 2018.

2 Regional Brand Strategy

Brand audit completed, stakeholder workshops held, draft Waikato visitor proposition & story due Oct-Nov 2017

Hamilton & Waikato TOURISM

3 Investment opportunities

Support drive for investment in hotel accommodation, key infrastructure, new products & current attractions

4 Home of Kiingitanga & Maori tourism

Waikato-Tainui Tourism Symposium held, support & pilot new Maori tourism products, access NZ Maori Tourism funding

5 Marketing – leisure, trade & business

Grow international conference & business events market, refresh domestic & locals campaign, target emerging markets

6 Product development

Domestic research, feasibility studies & new product support

Conference Facilities

WRAL GROUP

Room Specs

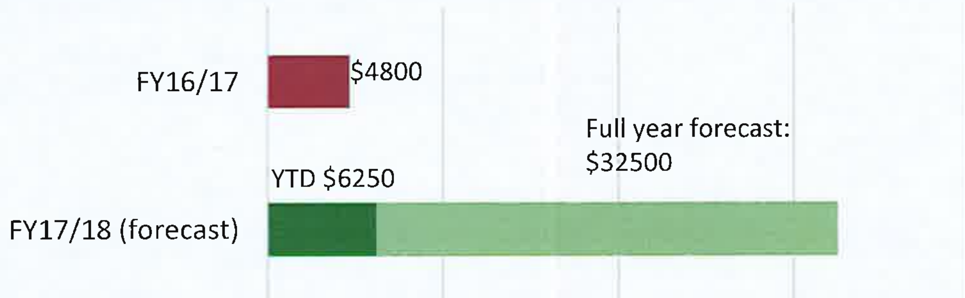
All rooms are set up to provide a 'plug and play' solution and have their own touch screen control panel.

Room	Type	Max capacity	Equipment
Runway Lounge & Duty free room	Medium to large conference groups	200	130" motorised screen, ceiling mounted projector and speakers
Boeing & Airbus rooms	Large board meeting, small conference or workshops	40-50	Ceiling mounted projector and speakers + 110" screen
Beech Boardroom	Meetings and interviews	8	80" TV screen, conferencing capability, speakers

Fully operational from October

Investment	
AV	$48,000
Furnishings	$35,000
Alterations	$15,000
Total CAPEX	**$98,000**

Forecast revenue



THANK YOU

QUESTIONS?

WRAL GROUP

APPENDICES

- Consumer Research
- Airport Capability

Consumer Research FY17

WRAL GROUP

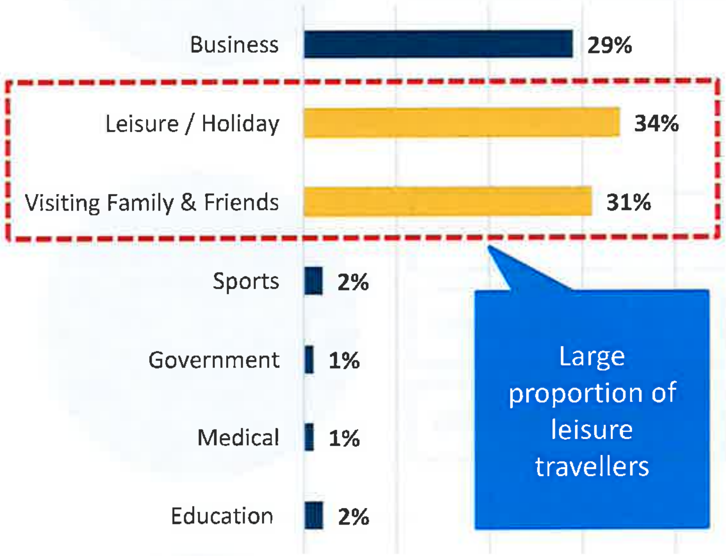
Customer segmentation and experience study to help inform the creation of a strategic marketing plan

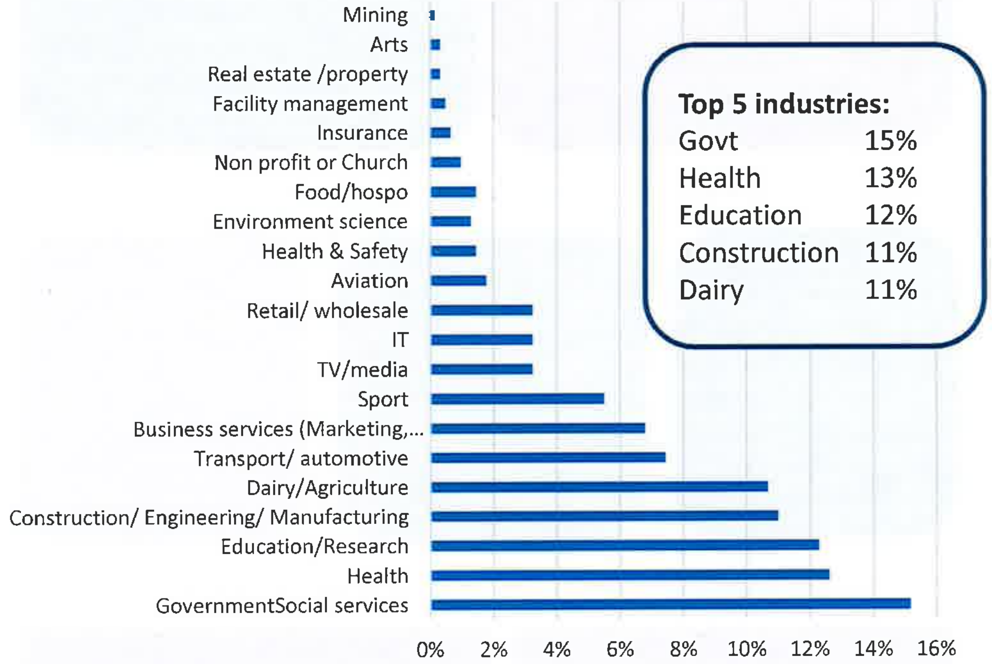
TIMING	December 2016 – January 2017	February 2017	March 2017
METHOD	**Desk Research** • Literature review • Frame the segmentation	**Online Quantitative survey** • 150 inbound • 756 Local Users PLUS additional Tourism survey • 868 visitors to Waikato • 494 non visitors to Waikato	**Qualitative Focus Groups & Depths** • 3 groups (business & leisure travellers) • 4 Depth Interviews (business travellers) • 10 Depths interviews with Personal / Executive Assistants

Consumer Research FY17

WRAL GROUP

REASON FOR TRAVEL

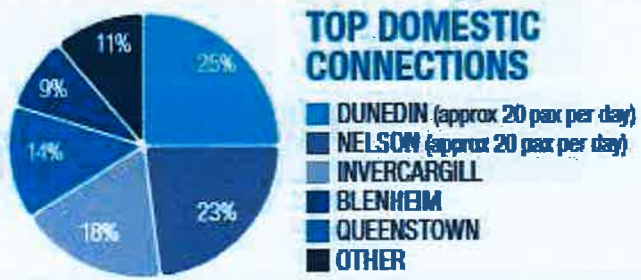




Frequency

Flying on average 2.2 times per year:

- 22% fly 6-12 + times per year (Patient Proficient)
- 21% fly 4-5 times per year (Cautious Proficient)
- 30% fly 2-3 times per year (Relaxed Time Spenders)
- 27% fly 1 time or less per year (Inexperienced Travellers)



Appendix 2

Consumer Research FY17

WRAL GROUP

AIRPORT STRATEGY

- Airport experience
- Airport proposition
- Brand experience

Create personality and interest in terminal

Reliability | Price | Schedule offer

Correct misperceptions | Improve consideration

AERONAUTICAL STRATEGY

- Route development
- Cost of flights
- Scheduling

Opportunities to explore:
- HZL – AKL
- HZL – NSN
- HZL – DUN
- HZL - ZQN

Low cost airline appeal:
- underserviced catchment

Strong leisure market could be better serviced by improved scheduling

NON AERONATICAL STRATEGY

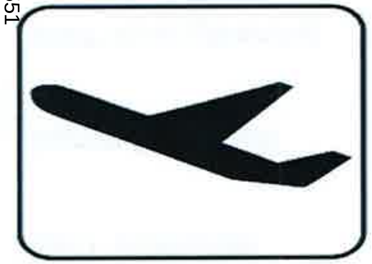
- Meeting facilities
- Mavis Lounge

Strong interest in concept of meeting facilities at Hamilton Airport:
- Convenience of access
- Volume of car parking
- Interesting environment

Mavis promotion opportunities:
- Availability to non travellers
- Low awareness of 2hr free parking

Airport Capability - Current

WRAL GROUP



- Current – Take off 2195m / Landing 2059m.
- Unrestricted A320, 737, limited 767 aircraft.

- 3rd operational longest Civilian Airport RWY in NZ to Australia/ Pacific Islands.
- 5th Longest RWY in NZ (*Wellington RWY 1935m*).

- Apron capable of accommodating total of 1 Wide Body and 4 Narrow Body jet aircraft
- Multiple aircraft parking options available.

- District Planning designation for RWY extension to maximum achievable length of 2984m (2026).

Airport Capability - Future

WRAL GROUP

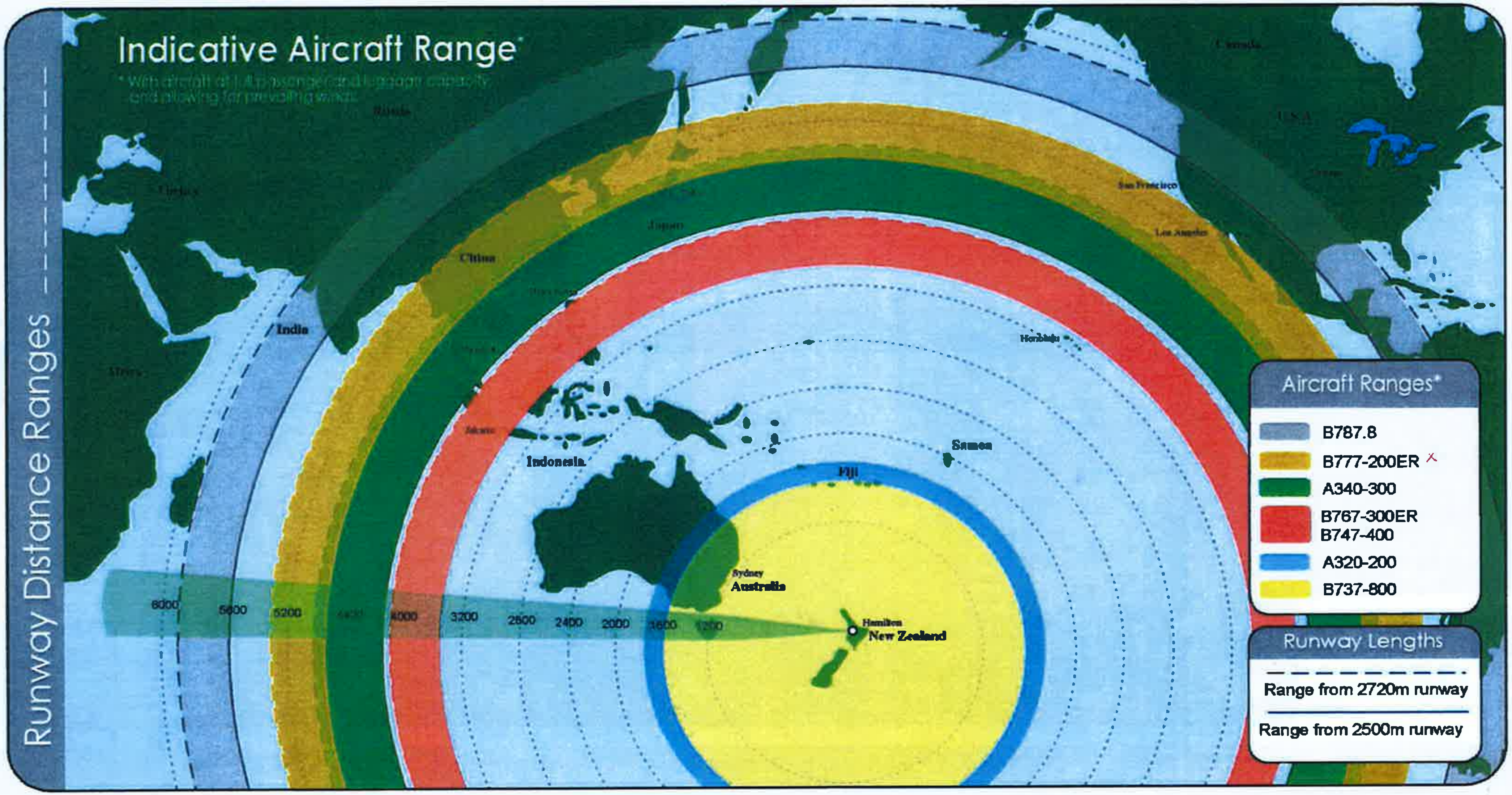
Future Staged Runway Costs based on Regular Code E Twin Turbo Jet Aircraft

	Existing Current Runway Length Commercial range East Coast Australia/Pacific Islands	Maximum Achievable Landing Capability Unrestricted Passenger loads (3-5 tonne freight) Asia/North America	Maximum Achievable Operational Capability Unrestricted Passenger loads Asia/North America
Total Length (metres)	2195m	2688m	2984m
RWY Shoulders & strengthening	✓	✓	✓
Widening of Existing taxiway	✓	✓	✓
Turning Node (one end only)	✓	✓	✓
ILS	Not required	✓	✓
RWY Extension	Not required	✓	✓
Apron Extension	Not required	✓	✓
RWY Strengthening	Not required	✓	✓
Costs Based on 2008 +/- 10% (high level estimates)	**$13m**	**$28.6m**	**$37.4m**

Airport Capability

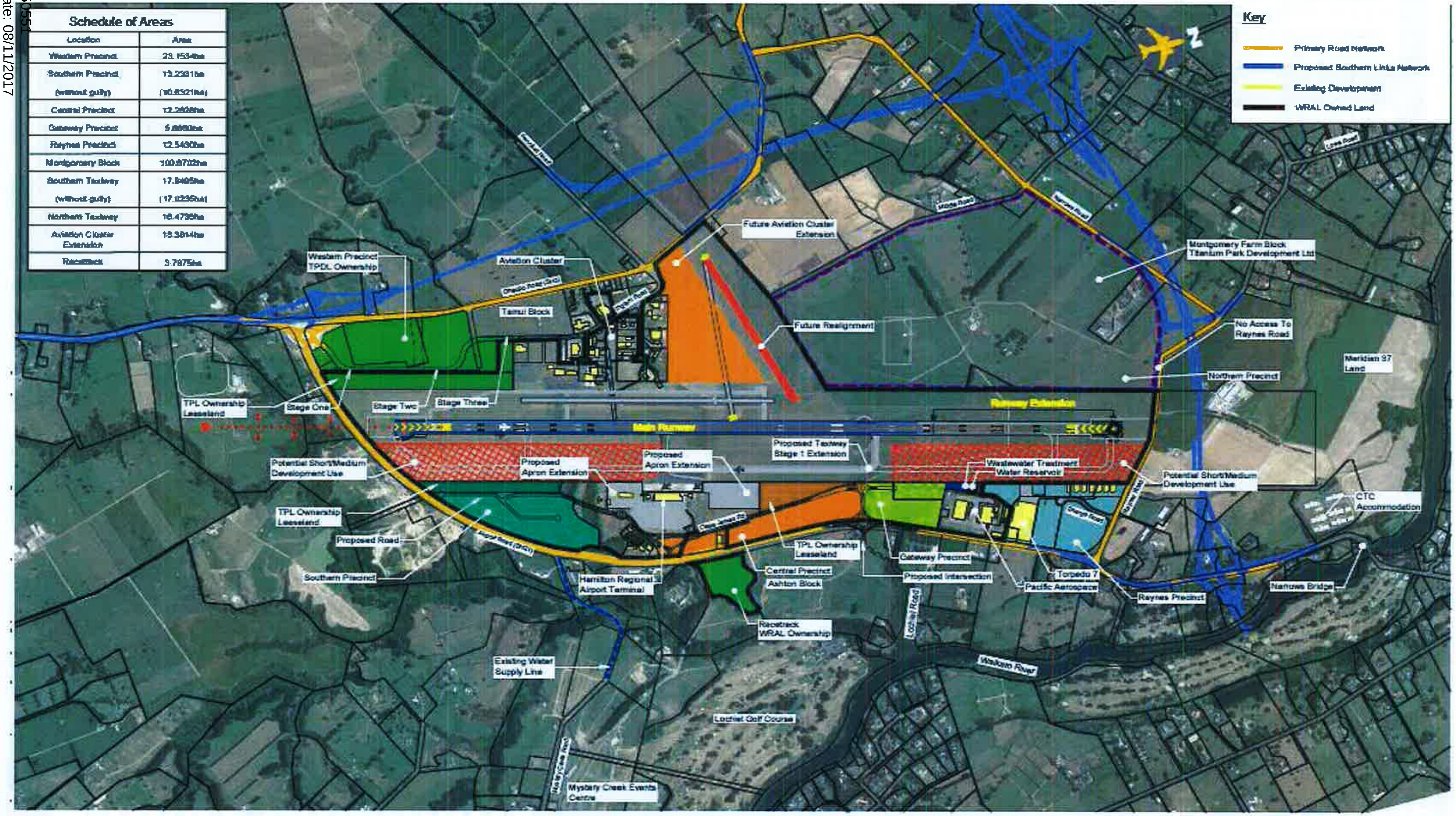
WRAL GROUP

Indicative Aircraft Range Map



Appendix 6

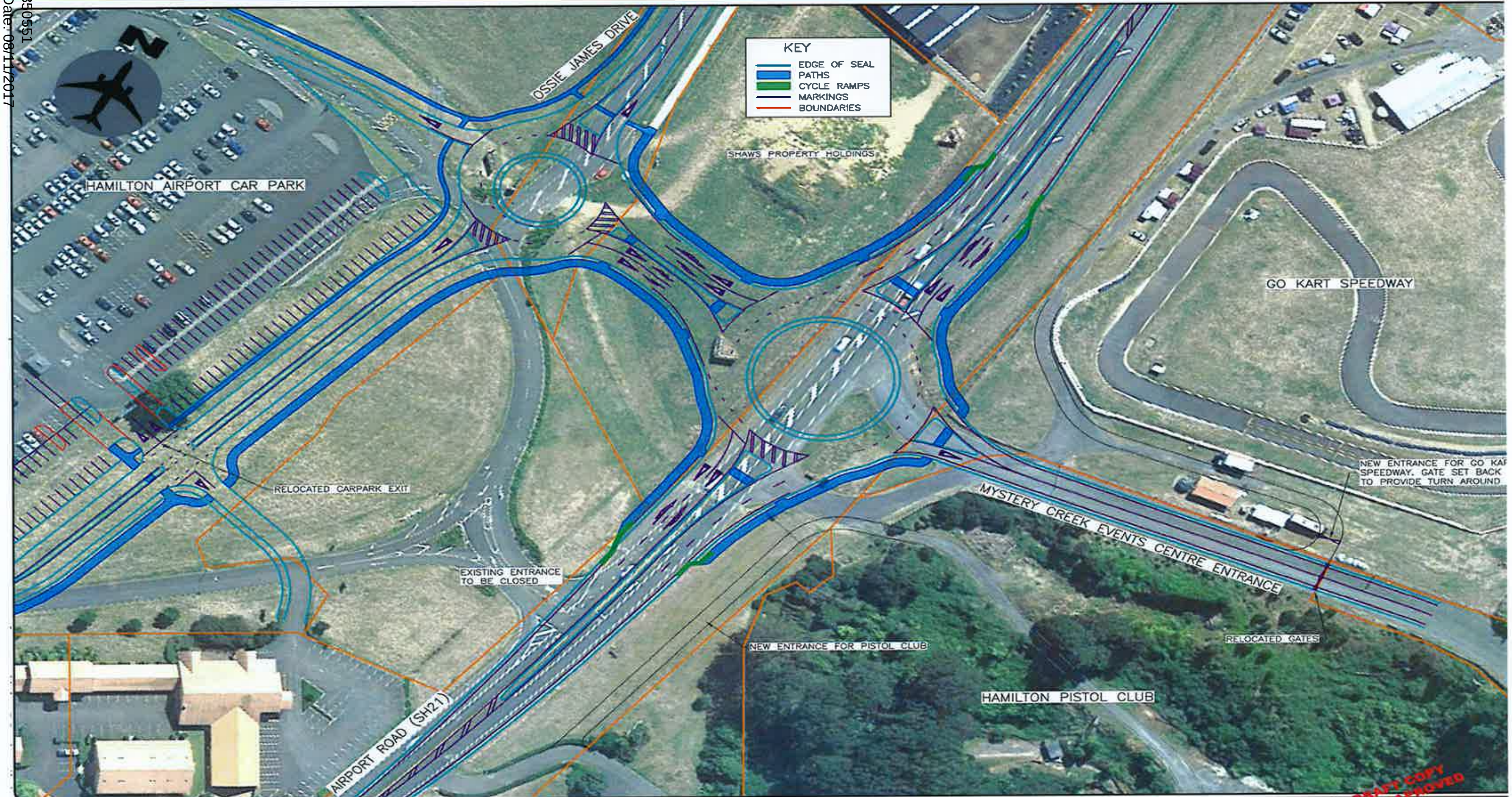
Hamilton Airport



Schedule of Areas

Location	Area
Western Precinct	23.1534ha
Southern Precinct (without gully)	13.2391ha (10.8321ha)
Central Precinct	12.2628ha
Gateway Precinct	5.8690ha
Raynes Precinct	12.5490ha
Montgomery Block	100.8702ha
Southern Taxiway (without gully)	17.9405ha (17.0295ha)
Northern Taxiway	16.4736ha
Aviation Cluster Extension	13.3814ha
Racetrack	3.7875ha

Appendix 7



Date	Issue/revision detail	By	Chk	Appr
A 27.07.2017	INITIAL ISSUE	GT	JS	

Version 2.04 – October 2012

Designed: GT
Checked: JS
Drawn: GT
Approved:

BLOXAM BURNETT & OLLIVER
Phone 64-7-838 0144, Fax 64-7-838 0431

Client: TITANIUM PARK LIMITED

Project: CENTRAL PRECINCT ACCESS CONCEPT ROUNDABOUT

Drawing: GENERAL ARRANGEMENT

Status: PRELIMINARY

DRAFT COPY NOT APPROVED

Date: 27.07.2017
Scale (Original Size A3): 1:1000
Drawing Number: 144380/01 /P /0201
Revision: A

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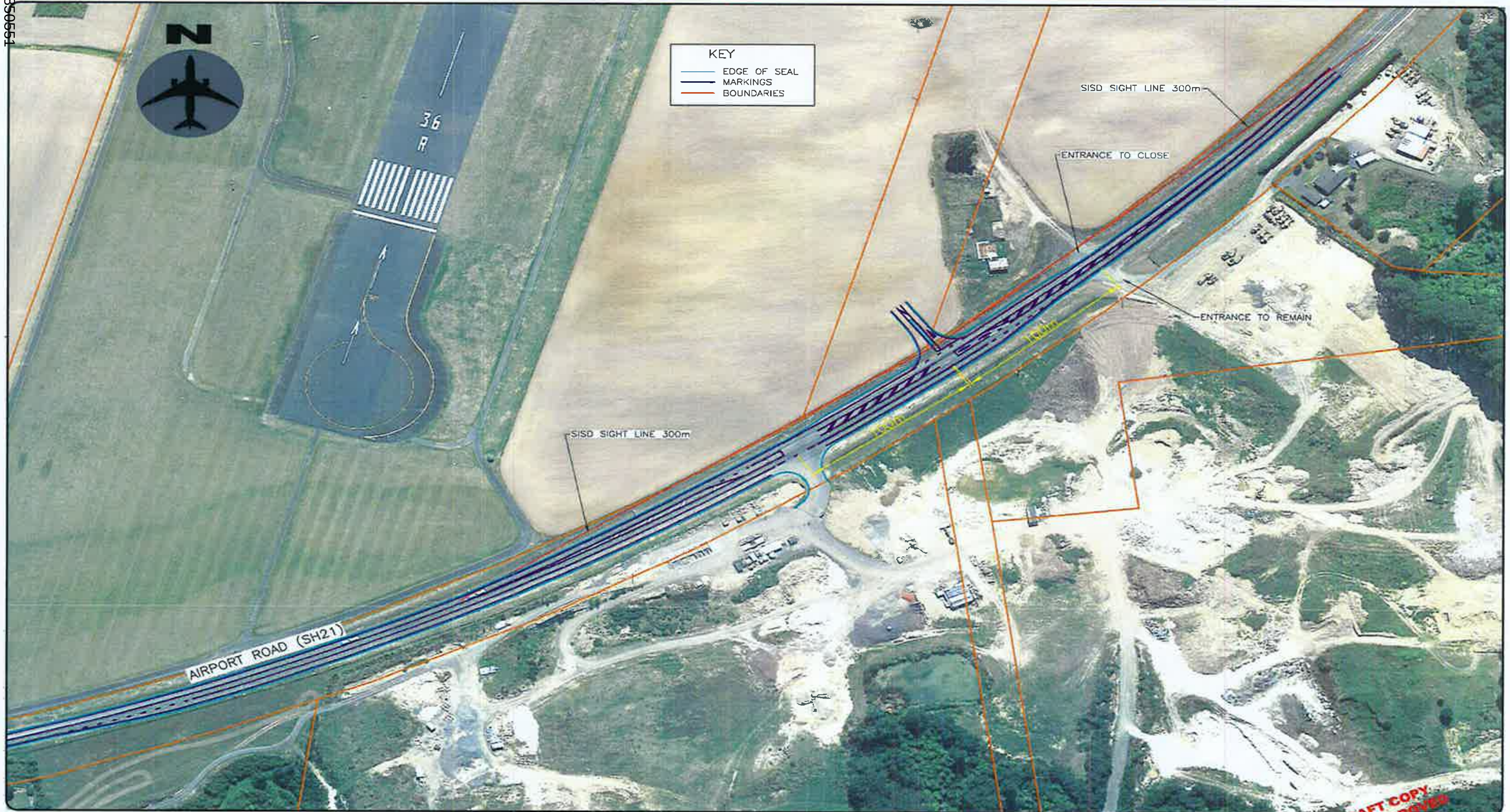
Hamilton Airport



A	27.07.2017	INITIAL ISSUE	GT	JS	
	Date	Issue/revision detail	By	Chk	Appr

Version 2.04 – October 2013

Designed: GT | Checked: JS | Drawn: GT | Approved: | Trix model version:

BLOXAM BURNETT & OLLIVER
Phone 64-7-838 0144, Fax 64-7-839 0431

Client: TITANIUM PARK LIMITED

Project: SOUTHERN PRECINCT ACCESS CONCEPT LAYOUT

Drawing: RIGHT TURN BAY

Status: PRELIMINARY
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Date: 27.07.2017 | Scale (Original Size A3): 1:2000

Drawing Number: 144380/01 /P /0211 | Revision: A

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Appendix 7

Waikato
DISTRICT COUNCIL
Te Kaunihera aa Takiwaa o Waikato

Open Meeting

To	Strategy & Finance Committee
From	Tony Whittaker General Manager Strategy & Support
Date	11 October 2017
Prepared by	Mairi Davis Financial Accountant
Chief Executive Approved	Y
Reference #	GOV1318 / 1822940
Report Title	Treasury Risk Management Policy - Compliance Report at 30 September 2017

1. Executive Summary

The purpose of this report is to inform the Committee of compliance with Treasury Risk Management Policy.

2. Recommendation

THAT the report from the General Manager Strategy & Support be received.

3. Attachments

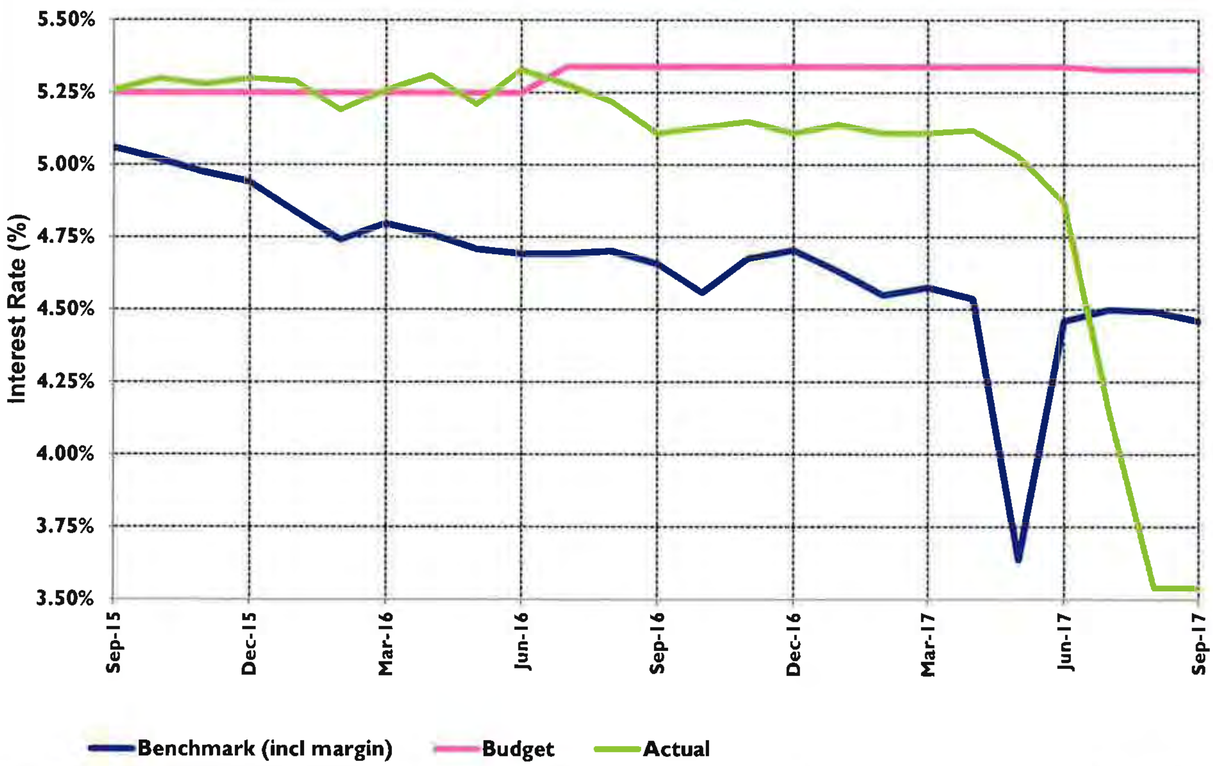
Treasury Risk Management Policy - Compliance Report at 30 September 2017.

Waikato District Council
Treasury risk management policy - Compliance report
As at 30 September 2017

	Policy criteria	Policy limit	Actual	Within policy?
1	The percentage of net external debt to annual revenue	<150%	56.5%	✓
	Net external debt =	total external debt (net of related borrower notes) less term deposits and available cash / cash equivalents		
	Total annual revenue =	earnings from rates, government grants & subsidies, user charges, interest, dividends, financial and other revenue excluding non-government capital contributions (eg developer contributions and vested assets)		
2	Net interest expense on net external debt as a percentage of total annual revenue	<20%	2.9%	✓
	Net interest expense =	total interest and financing costs less interest income		
3	Net interest expense on net external debt as a percentage of annual rates	<25%	4.1%	✓
4	Liquidity ratio	>110%	156%	✓
	Liquidity =	external term debt plus committed bank facilities plus available liquid investments as a percentage of external term debt		

5 Interest rate benchmark chart

Comparison of actual monthly and year-to-date accrued returns vs investing the entire treasury portfolio at the combined average of the 90-day bill rate and the five-year investor swap rate over the last two years.



		Budget	Actual	
6	Actual borrowing costs are <= budgeted borrowing costs			
	Current month	$366,095	$280,890	✓
	Year to date	$1,098,286	$957,742	✓

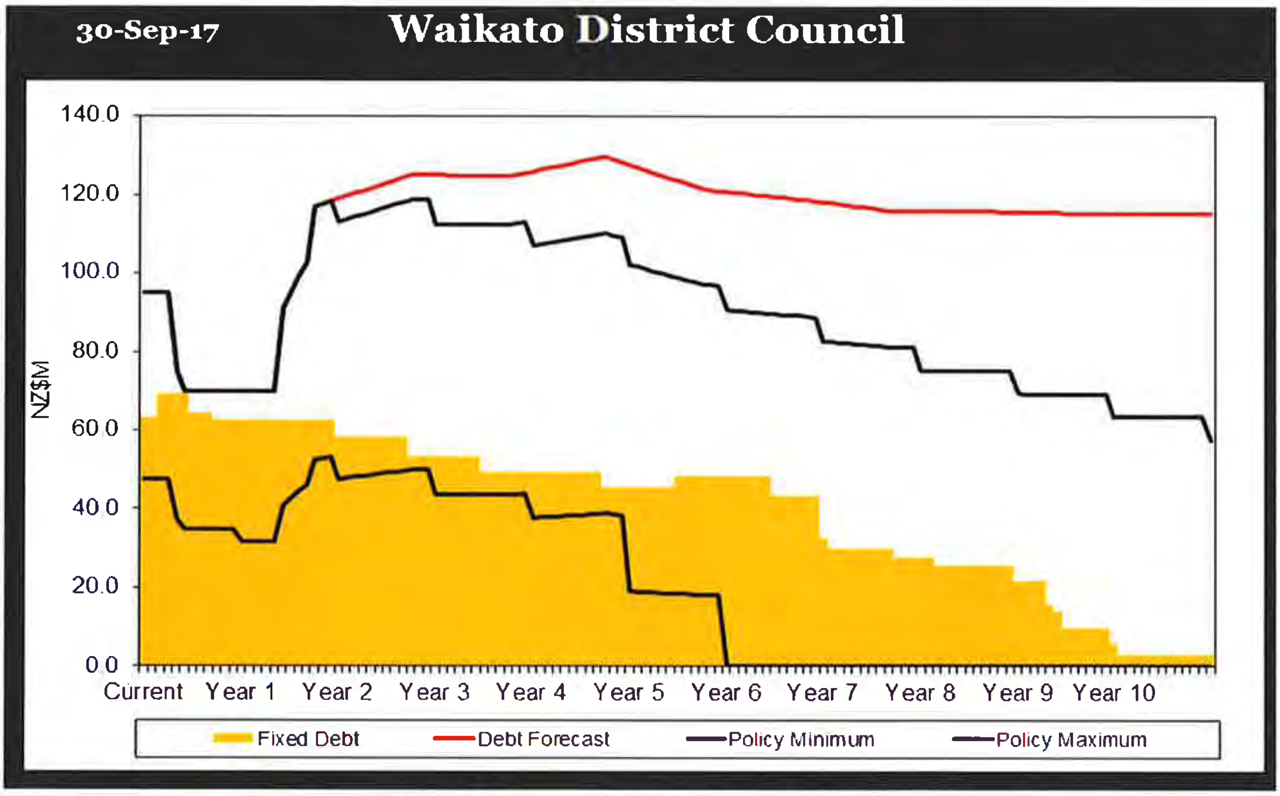
7 Current interest rate swaps (including forward starts)

Amount $	Effective date	Termination date	Fixed rate *(if effective)*
2,000,000	2-Mar-09	22-Mar-21	5.23%
2,000,000	19-Jun-12	20-Oct-20	5.59%
3,000,000	20-Jul-12	15-Mar-18	5.67%
5,000,000	17-Jun-13	19-Mar-21	5.95%
2,000,000	19-Jun-13	22-Mar-23	4.00%
3,000,000	22-Jun-13	22-Jun-22	3.83%
4,000,000	22-Jun-13	23-Mar-20	3.64%
3,000,000	23-Mar-15	23-Sep-19	4.41%
3,000,000	23-Mar-15	23-Sep-24	4.53%
4,000,000	22-Jun-13	23-Sep-19	3.58%
4,000,000	22-Jun-13	25-Mar-24	4.64%
4,500,000	23-Dec-15	21-Mar-24	4.94%
2,000,000	23-Sep-15	23-Sep-24	4.59%
2,000,000	21-Mar-16	22-Jun-18	3.49%
2,000,000	22-Jun-16	23-Sep-24	4.62%
4,000,000	22-Jun-16	20-Mar-18	3.89%
2,000,000	22-Jun-16	29-Mar-18	2.97%
3,000,000	19-Jun-17	23-Jun-25	3.52%
3,000,000	22-Sep-17	25-Feb-27	3.67%
2,000,000	25-Sep-17	29-Jan-27	3.67%
2,000,000	22-Jun-17	23-Sep-24	4.78%
6,000,000	31-Oct-17	16-Sep-19	
2,000,000	15-Mar-18	30-Jun-20	
5,000,000	15-Mar-18	20-Oct-20	
3,000,000	15-Mar-18	1-Dec-25	
2,000,000	1-Mar-19	23-Mar-20	
4,000,000	23-Mar-20	21-Oct-24	
4,000,000	23-Mar-20	25-Mar-24	
4,000,000	23-Sep-19	25-Mar-24	
3,000,000	20-Oct-20	21-Oct-24	
3,000,000	20-Oct-20	22-Jun-29	
3,000,000	22-Mar-23	25-Sep-26	
4,000,000	25-Mar-24	25-Mar-27	
4,000,000	25-Mar-24	23-Sep-27	
4,000,000	23-Sep-24	21-Oct-27	
3,000,000	21-Oct-24	0-Jan-00	
61,500,000	**Total "live" swaps**		
	Average interest rate of live swaps		**4.39%**

8	Forward start period to be no more than 24 months unless there is a match with the expiry date of an existing swap of the same notional amount		9 swaps with start periods > 24 months forward all but one are matched with existing swaps	
9	Counterparty credit risk - swaps			
	NZ registered banks (each)	$30m		
	- ANZ / National		$0m	✓
	- ASB		$0m	✓
	- BNZ		$14.79m	✓
	- HSBC		$0m	✓
	- Westpac		$0m	✓

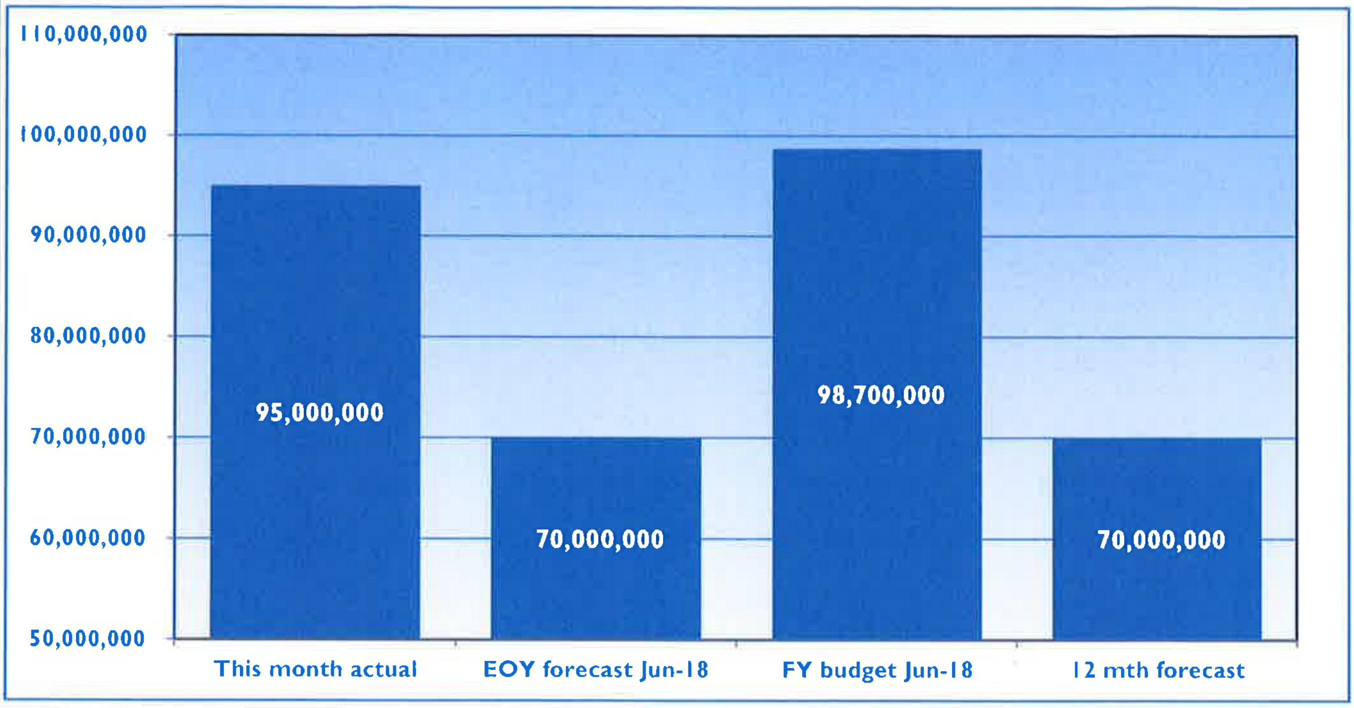
10	Council's net external debt should be within the following fixed/floating interest rate risk control limits.:

Debt period ending	$m	Policy criteria	Actual	Within policy
Current	95	50% - 100%	67%	✓
Year 1	70	45% - 100%	89%	✓
Year 2	119	40% - 95%	49%	✓
Year 3	125	35% - 90%	43%	✓
Year 4	126	30% - 85%	39%	✓
Year 5	128	15% - 80%	36%	✓
Year 6	121	0% - 75%	40%	✓
Year 7	118	0% - 70%	28%	✓
Year 8	116	0% - 65%	24%	✓
Year 9	116	0% - 60%	19%	✓
Year 10	115	0% - 55%	5%	✓

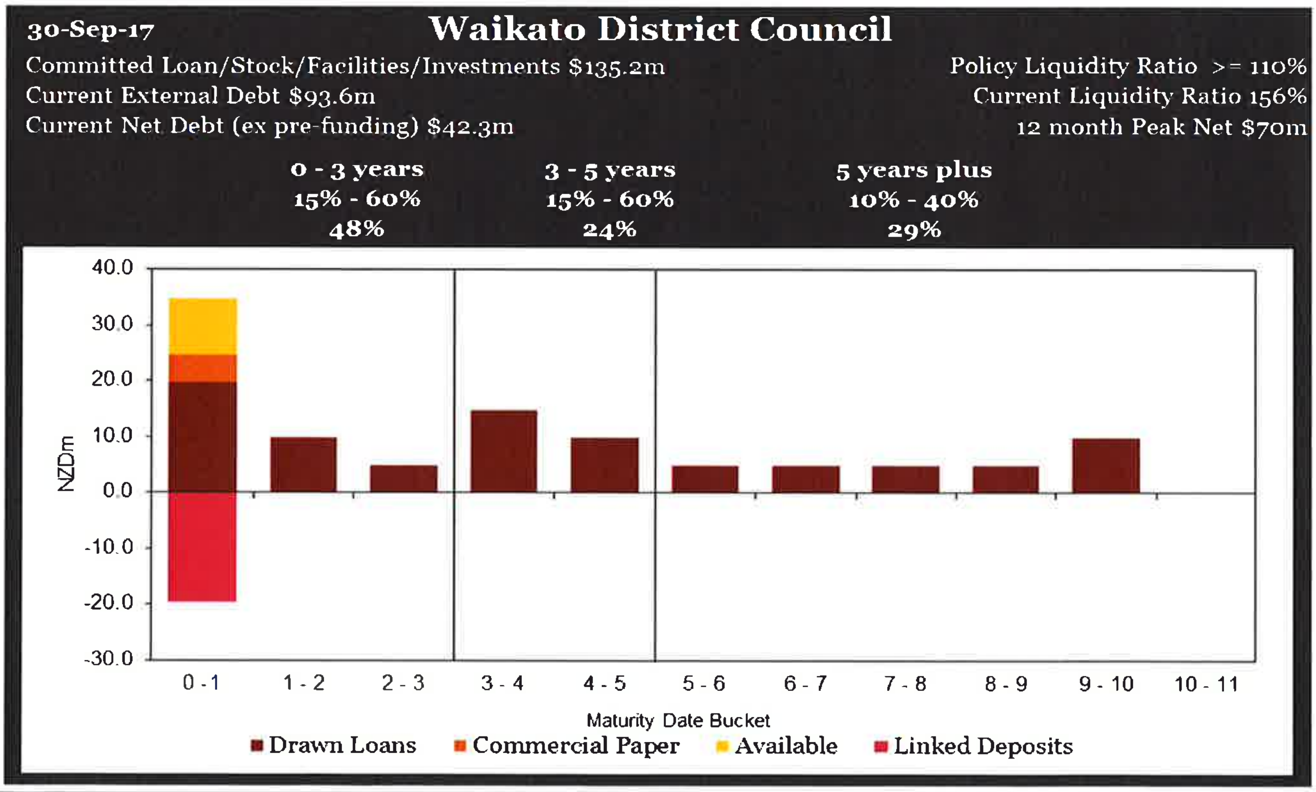


	Policy criteria	Policy limit	Actual	Within policy?
11	Debt affordability benchmark - limit on debt (actual debt <= limit on debt)	$177m	$95m	✓
12	Balanced budget benchmark (revenue / expenses)	>=100%	111%	✓
13	Essential services benchmark (CAPEX / dep'n - infrastructure)	>=100%	100%	✓
14	Debt servicing benchmark (borrowing costs / revenue)	<15%	3.3%	✓
	borrowing costs =	finance expenses per statement of comprehensive revenue and expense		

15	Borrowing at September 2017	This graph depicts actual borrowing - LGFA plus bank (BNZ).		



16	Actual monthly borrowing is within end-of-year budget	$98,700,000	$93,560,000	✓
17	The maturity profile of the total committed funding in respect of all loans and committed facilities			
	0 to 3 years	15% - 60%	48%	✓
	3 to 5 years	15% - 60%	24%	✓
	5 years plus	10% - 40%	29%	✓



18	Financial assets	$'000
	Share investments held for strategic purposes	
	Local Authority Shared Services Limited	219
	Waikato Regional Airport Limited	12,797
	Strada Corporation Limited	700
	NZ Local Government Insurance Corp Limited	63
	Investments held to reduce the current ratepayer burden	
	Community loans as below	308
	Short-term investments held for liquidity & working capital requirements	
	Bank & cash balances	936
	Short-term bank deposits	12,000
	Total investments	**$15,023**
	For treasury purposes, LGFA borrower notes are netted off against related borrowing	

19	Community loans			
	Borrower	**Current balance $$**	**Maturity date**	**Interest rate**
	Tamahere Hall Committee	169,647	Jun-22	all at 6.33%
	Te Kowhai Hall Committee	23,017	Jun-21	
	Woodlands #2	24,767	Jun-19	
	Tauhei Hall Committee	9,522	Jun-20	
	Opuatia Community Centre	5,600	Dec-20	
	Glen Murray Community Centre	10,000	Dec-18	ex Franklin loans @ 0%
	Onewhero Society of Performing Arts	2,200	Dec-18	
		$307,697		

	Policy criteria	Policy limit	Actual	Within policy?
20	Counterparty credit risk - investments			
	NZ Government	unlimited	$0m	✓
	NZD resistered supranationals	$20m	$0m	✓
	LGFA	$20m	$1.44m	✓
	NZ registered banks (each)	$10m		
	- ANZ / National		$3m	✓
	- ASB		$3m	✓
	- BNZ		$22.64m	✗
	- HSBC		$0m	✓
	- Westpac		$3m	✓
21	Council currently acts as guarantor for:	there are no guarantees in place at reporting date.		

22 Cashflow forecast at 30-Sep-17

	Oct-2017	Nov-2017	Dec-2017	Jan-2018	Feb-2018	Mar-2018	Apr-2018	May-2018	Jun-2018	Jul-2018	Aug-2018	Sep-2018
Cash opening balance	**12,335,872**	**11,607,247**	**10,594,938**	**5,205,197**	**8,826,944**	**8,111,462**	**3,430,285**	**2,000,106**	**10,795,809**	**8,311,261**	**4,421,682**	**3,717,172**
Cash in												
Operating income	8,270,942	8,357,209	6,562,250	22,221,435	8,775,856	6,586,478	9,583,050	22,149,057	6,488,443	6,540,401	6,118,309	22,071,538
Interest & dividends	20,000	8,000	5,000	5,000	20,000	10,000	5,000	5,000	6,000	5,939	7,126	5,939
Capital income	1,119,059	1,225,180	1,505,329	1,336,506	1,265,760	1,622,852	1,614,296	1,291,772	1,043,447	924,735	9,251	9,251
Borrowing	-	-	19,640,000	-	-	-	-	-	-	-	-	-
GST refund	1,283,599	1,360,311	-	2,739,690	1,489,998	1,452,728	-	2,493,699	1,893,436	645,073	701,520	829,340
Total cash in	10,693,600	10,950,700	27,712,579	26,302,631	11,551,614	9,672,058	11,202,346	25,939,528	9,431,326	8,116,147	6,836,206	22,916,067
Cash out												
Operating expenses	6,552,926	6,395,203	7,210,793	6,792,686	6,496,470	6,466,093	6,439,095	6,530,710	6,555,963	6,779,793	6,353,990	6,890,433
Borrowing costs	227,280	12,828	907,140	225,435	10,763	892,950	180,514	66,798	929,721	262,524	17,456	1,057,063
Capital expenditure	3,643,860	4,507,460	5,304,387	5,693,317	4,918,891	6,163,686	6,012,916	5,227,126	3,417,898	4,482,977	744,047	1,610,586
Loan repayments	-	-	19,680,000	5,000,000	-	-	-	-	-	-	-	-
GST payment	998,159	1,047,518	-	4,969,446	840,972	830,505	-	5,319,190	1,012,292	480,432	425,222	2,955,692
Total cash out	11,422,225	11,963,009	33,102,320	22,680,884	12,267,096	14,353,235	12,632,526	17,143,825	11,915,874	12,005,726	7,540,715	12,513,774
Change in cash	(728,625)	(1,012,309)	(5,389,741)	3,621,747	(715,482)	(4,681,177)	(1,430,180)	8,795,703	(2,484,548)	(3,889,579)	(704,510)	10,402,292
Cash closing balance	**11,607,247**	**10,594,938**	**5,205,197**	**8,826,944**	**8,111,462**	**3,430,285**	**2,000,106**	**10,795,809**	**8,311,261**	**4,421,682**	**3,717,172**	**14,119,465**

Waikato
DISTRICT COUNCIL
Te Kaunihera aa Takiwaa o Waikato

Open Meeting

To	Strategy & Finance Committee
From	Gavin Ion Chief Executive
Date	5 October 2017
Prepared by	Vishal Ramduny Planning & Strategy Manager
Chief Executive Approved	Y
Reference #	1816608
Report Title	Minutes of the Waikato Plan Leadership Group

1. EXECUTIVE SUMMARY

The purpose of this report is to provide the Committee with the minutes of the Waikato Plan Leadership Group meeting held on 18 September 2017.

2. RECOMMENDATION

THAT the report from the Chief Executive be received.

3. ATTACHMENTS

Minutes of the Waikato Plan Leadership Group meeting held on 18 September 2017.

Waikato Plan Leadership Group
OPEN MINUTES

Minutes of a meeting of the Waikato Plan Leadership Group held Committee Room 1 at Hamilton City Council on 18 September 2017 at 9:30am.

	Present:
Chairperson	Margaret Devlin
Deputy Chairman	Mayor Brian Hanna
	Members
Waikato Regional Council	Chair Alan Livingston
Hamilton City Council	Mayor Andrew King
Eastern Sub-region	Deputy Mayor Toby Adams
Future Proof Sub-region	Mayor Allan Sanson
Southern Sub-region	Mayor Brian Hanna
Business/ Community Members	Bev Gatenby
	Dallas Fisher
	Eric Souchen
	Lale Ieremia
Observers	
Waikato District Health Board	Cr Bob Simcock
New Zealand Transport Agency	Parekawhia McLean
	In Attendance:
Staff	
Project Team	Bill Wasley (Governance Advisor)
	Rachael McMillan (Waikato Plan Programme Manager)
Waikato Regional Council	Vaughan Payne (Chief Executive)
	Alex Williams (Democracy Advisor)
	Stephen Ward (Waikato Regional Council Senior Communications Advisor)
	Urlwyn Trebilco (Principal Strategic Advisor)
Waikato District Council	Gavin Ion – Chief Executive
Hamilton City Council	Blair Bowcott – Executive Director Special Projects
Waipa District Council	Garry Dyet – Chief Executive

The Governance Adviser assumed the chair and opened the first meeting of the Waikato Plan Leadership Group.

Apologies

Apologies were received from Bev Gatenby for lateness.

Accepted

Confirmation of Agenda
(Agenda Item 2)

Cr moved/Cr seconded.

WPLG17/01 **THAT the agenda of the meeting of the Waikato Plan Leadership Group of 18 September 2017, as circulated, be confirmed as the business for the meeting.**

The motion was put and carried (WPLG17/01)

Disclosures of Interest
(Agenda Item 3)

There were no disclosures of interest.

Prior to the commencement of the substantive meeting, the Group congratulated New Zealand Transport Authority Representative: Parekawhia McLean on her recent election success being appointed Chair of Waikato-Tainui.

Proposed Appointment: Independent Chair – Waikato Plan Leadership Group
File: 03 04 32 (Agenda Item #4) Doc #11067909

Presented by Waikato Plan Governance Advisor (Bill Wasley) the report provided the group with a recommendation for an independent Chair of the Waikato Plan Leadership Group. Discussion at the chief advisory group level had recommended that Margaret Devlin (Waikato Plan Joint Committee Chair) be appointed Chair of the Waikato Plan Leadership Group.

Mayor A King moved/Mayor A Sanson seconded.

WPLG17/02 **RESOLVED**
THAT the Waikato Plan Leadership group:
1. **Appoint Margaret Devlin as the Independent Chair of the Waikato Plan Leadership Group.**

The motion was put and carried (WPLG17/02)

The Independent Chair assumed the chair.

Proposed Appointment: Deputy Chair: Waikato Plan Leadership Group
File: 03 04 32 (Agenda Item #5) Doc #11067909

Presented by Waikato Plan Leadership Group Chair (Margaret Devlin) the report provided the Group with a recommendation for the appointment of a Deputy Chair of the Waikato Plan Leadership Group. Discussion at the chief advisory group level had recommended that Mayor Brian Hanna be appointed Deputy Chair of the Waikato Plan Leadership Group.

Chair A Livingston moved/Mayor T Adams seconded.

WPLG17/02 **RESOLVED**
THAT the Waikato Plan Leadership Group:
1. **Appoint Mayor Brian Hanna Deputy Chair of the Waikato Plan Leadership Group.**

The motion was put and carried (WPLG17/02)

Appointment of non-Local Government representatives to the Waikato Plan Leadership Group.
File: 03 04 32 (Agenda Item #6) Doc #11067909

Presented by Waikato Plan Leadership Group Chair (Margaret Devlin) the local government members recommended to the Group the appointment of four business and community representatives to the Group. The Group was advised that the appointment of Iwi and two Government Representatives is still a work in progress and would be reported to the Group at a later date. It was intended there would be Iwi representatives in place by Christmas.

The Group had undertaken discussion of the potential community representatives prior to the commencement of this meeting. Candidates were considered against specific criteria to ensure the best people for supporting implementation of the Plan were selected. The recommended candidates were:
- Dr Bev Gatenby
- Eric Souchen
- Dallas Fisher
- Lale Ieremia

The Group was provided with a schedule of Business and Community members for information.

Mayor B Hanna moved/Chair A Livingston seconded.

WPLG17/03 **RESOLVED**
THAT the Waikato Plan Leadership Group:
1. **Appoint Bev Gatenby, Eric Souchen, Dallas Fisher, and Lale Ieremia as the Community/Business representatives on the Waikato Plan Leadership Group.**
2. **That these appointments be made for a term of 12 months.**

The motion was put and carried (WPLG17/03)

Waikato Plan Implementation
File: 03 04 32 (Agenda Item #7) Doc #11067909

Presented by Waikato Plan Governance Advisor (Bill Wasley) the report outlined the steps taken to date for implementation of the Waikato Plan, and further sought input from the Group on implementation.

During discussion the following points were noted:
- Remuneration for the non-local government members of the Group would be $750/day, and $1666/month for the Independent Chair.
- It is intended that the Chief Executive Steering Group will have a broader membership in the implementation phase, including the Waikato Means Business Programme Manager and further regional agency and government department key staff where appropriate.

- It was suggested that there should be a clear distinction between funding for administration and advocacy, and funding for projects. Funding for projects would come from several sources.
- Concern was raised that there were too many members on the Leadership Group and would prevent the group from being agile and fast moving. In response, the Group was advised that the intention was to not limit engagement on the Committee, to have many more groups involved but not necessarily around the table.

Chair A Livingston moved/Mayor B Hanna seconded.

WPLG17/04 **RESOLVED**
THAT the Waikato Plan Leadership Group:
1. Receive and note the report

The motion was put and carried (WPLG17/04)

Draft Central Government Engagement Strategy
File: 03 04 32 (Agenda Item #9) Doc # 11068362

Waikato Plan Governance Advisor (Bill Wasley) presented the Group with the Draft Central Government Engagement Strategy. This strategy would come back to the next Leadership Group meeting on 16 October for final approval.

During discussion the following points were noted:

- There needed to be a sharper focus with regards to what the Groups expectations were about whom within central government would undertake what tasks/actions. Relationships between Waikato Plan and public organisations would be established as implementation began. There is a need to analyse the government agencies and their roles. Analysis should cover:
    - What are the agencies responsibilities?
    - What plans did they have in place that could potentially integrate with the Waikato Plan?
    - What are the priorities of the organisation and how can we use these to get traction on the Waikato Plan aspirations?

  It was important to ensure that there was interconnected thinking across the 4 wellbeing's when considering appropriate organisations.
- Meetings with relevant agencies need to be undertaken. Identifying who these agencies, and the appropriate contacts within the organisation needed to be considered.
- Aspirations need to be developed in some detail before engagement with central government could be considered. The Group agreed to start with:
    - Future capacity for growth
    - Environment and Water
    - People related aspirations including education and health.

  This would be considered by the Chief Executive Steering Group together with the Project Team.
- The Group agreed that step one for implementation was to draft a briefing paper for central government ministers and officials with the intention of meeting with ministers and local members of parliament within the next two months. The briefing should clearly provide central government officials and ministers with the following:
    - Outline the unison between councils and other groups that the Waikato Plan was created with.

- Identify the problems that the region is facing, based on the evidence gained to date.
- State the aspirations and successes the Waikato Plan is intended to achieve via the Leadership Group and challenge central government to respond to these.
- State that we want a commitment from central government to work with us being specific in regards to what we require both regionally and sub regionally but also outlining how the Waikato Plan can assist central government in delivering on their policies and commitments.

Staff reminded the Group that the actions were a result of engagement. What was not included in the plan was how those actions would be implemented, it was up to this Group to drive this. This was not as simple as appointing a 'lead agency' there needed to be consideration and agreement about who would undertake the work.

- A lot of the organisations that the Group was considering may not be in a position to respond to requests and were all set up differently. It was suggested that there needed to be an offer to organisations to entice them to buy-in and engage.
- The Group suggested that the Waikato Plan/WMB interconnection diagram be reframed to include all the other key lead actors for each section of the five priorities and top 10 actions.

The Group agreed that Governance Advisor (Bill Wasley) together with the Chief Executive Steering Group would provide a briefing paper to the Group for consideration after conversations were had with the Chief Executive Steering Group and the Project Team on interconnected thinking, and depth around the aspirations. The Group requested that aspirations were clarified in respect of what needs to be done and what is sought and considered a sub-regional approach as needs differ across the region and the need to clearly state to government Ministers, officials and agencies what the regional and sub-regional communities would like to see achieved in respect of issues including education and health.

Draft Implementation and Funding Plan.

File: 03 04 32 (Agenda Item #8) Doc #11067415

Following the discussion during the previous item, the Group agreed that the implementation plan needed some rework before the Group considered it in-depth.

A member suggested that South Waikato could make a good project area to begin with as Waikato Means Business was already undertaking work in this space with the indicated support of Government. A member stated that there is a need to consider education needs and outcomes as part of South Waikato economic action plan.

The Group agreed the implementation needed to be clearly outlined with the Waikato Plan as the overarching document, the five priorities down to the actions that will be broken down for consideration. Clear success measures needed to be established.

It was suggested that a 12 month work plan is developed with KPI's.

General Business

The Group was advised that the next meeting would be held on 16 October 2017. Apologies for this meeting were offered from Margaret Devlin, Bob Simcock, and Dallas Fisher. The deputy chair (Mayor Brian Hanna) is to chair the meeting.

- Invitations for the remaining meetings of 2017 would be provided to the Group.
- A list of contacts for the leadership group would be circulated.

The meeting closed at 10.55am.

Doc #11116068

Waikato DISTRICT COUNCIL
Te Kaunihera aa Takiwaa o Waikato

Open Meeting

To	Strategy & Finance Committee
From	Tony Whittaker General Manager Strategy & Support
Date	01 November 2017
Prepared by	Karen Cousins Economic Development Team
Chief Executive Approved	Y
Reference #	GOV1318 / 1847143
Report Title	Raglan Visitor Infrastructure Study

1. EXECUTIVE SUMMARY

The purpose of this report is to receive the Raglan Visitor Infrastructure Study prepared by Strateg.Ease Ltd and to consider the recommendations for adoption. The study identifies the impact of the growing visitor population to the local Raglan economy and current infrastructure.

The options identified for consideration include walkways and cycleways, carparking, transport, wayfinding, events and commercial accommodation. The implementation timeframe of the recommendations would require flexibility to ensure affordability and appropriate support is available.

2. RECOMMENDATION

THAT the report from the General Manager Strategy and Support be received;

AND THAT the recommendations in the Raglan Visitor Infrastructure Study are adopted;

AND FURTHER THAT Council make provision for the recommendations through the Long Term Plan.

3. BACKGROUND

The Raglan Visitor Infrastructure Study was commissioned by the Economic Development team as part of the 2016/17 Work Programme project *Raglan Focus* to further understand the visitor requirements, and to recommend opportunities for the Council to consider. The purpose of the Raglan Focus project was to develop a Raglan visitor infrastructure strategy to support the timely provision of future infrastructure to enhance Raglans tourism proposition.

Raglan is the iconic tourism destination in the Waikato district and is actively promoted by the regional tourism organisation Hamilton Waikato Tourism ("HWT"). Council, together with HWT and local Raglan tourism operators collaborated in 2016 to create a Destination Action Plan ("DAP") to assist with the visitor impacts and management. The implementation of the DAP will be a joint effort between Raglan Chamber of Commerce, Raglan Community Board and Council, and is closely aligned with the community plan 'Raglan Naturally'. The DAP has already resulted in the establishment of a Destination Management Organisation ("DMO").

Raglan has a resident population of around 3,100 and a visitor population in 2017 of 108,000. An estimated 500 'holiday homes' (accounting for close to 30% of the total dwellings in the town) provides capacity for an additional 1,500 to 2,000 persons, implying the overnight 'day to day' population could be closer to 5,100 at regular periods of the year. Higher peak populations occur during seasonal visitor periods such as Christmas / New Year and Easter, when larger groups of friends and family, and visitors occupy holiday homes.

Two different estimates of overnight visitor numbers in Raglan are reported:

1. 30,000 visitors based on Stats NZ Commercial Accommodation Monitor (2016/17 year)
2. 91,700 overnight visitors per month or 22,900 per week over the 2016/17 November – April 'summer' period based on Qrious Ltd data.

The higher Qrious figures suggest that holiday homes rather than commercial accommodation is accounting for the major share of overnight stays.

Ratepayer infrastructure requirements are prioritised, however given the growing quantum of the visitor population in Raglan, infrastructure planning and provision should be considered.

Tourism is a growing sector in Raglan and contributed $120 million spend to the Waikato District economy to year end Sept 2017 (source: Ministry for Business Innovation and Employment ("MBIE")). Tourism expenditure in the district has grown at an average of 8.6% every year for the past three years and is a major contributor to the local Raglan economy.

4. Discussion and Analysis of Options

4.1 Discussion

Expected growth in Raglan's visitor population will increase demand for visitor accommodation and retail goods and services, as well as add pressure on the capacity of infrastructure.

The Raglan Community Board and Council are understandably concerned to ensure that growth in the visitor population can occur in a way that maintains the quality of visitor experience and at the same time, that such growth is perceived by residents to benefit the local economy. The potential for detrimental impacts on the Raglan community and the town's natural and built environment places a responsibility on the council to improve the capacity and/or quality of visitor infrastructure to support growth in the visitor population.

Council has multiple roles as a funder, regulator, infrastructure and community service provider which directly contribute to the attractiveness and quality of Raglan's 'tourism offer'.

Council already supports visitor attraction through its funding for Hamilton Waikato Tourism, and for the 'store-front' operation of the Raglan i-SITE. Having regard to the opportunities to actively encourage visitors as well as the quality of infrastructure concerns identified above, the options below are recommended for consideration by the council for funding support in the Long Term Plan 2018/28 ("LTP 2018/28"). For many actions the level of funding to be provided in the LTP 2018/28 will only be sufficient for initial work to be done to identify future budget requirements, which will then need to be considered for prioritisation in subsequent annual plans and long term plans. Implementation timeframe would require flexibility to ensure appropriate support and budget is available.

4.2 Options

A) Promote awareness of the role of visitors in the local economy

a) Publish analysis of the visitor economy in Raglan on a three year cycle to show trends over time (e.g. on Open Waikato, articles in local media); include data obtained from:

- Stats NZ (resident population, employment);
- Marketview Ltd (retail expenditure by retail category and source location source of spend);
- Qrious Ltd on visitor numbers and origin (i.e. local, domestic, international).

Estimated cost: Staff time plus data costs of $15k every three years.

b) Encourage holiday home owners and local and domestic visitors to consider Raglan as a permanent home and potential workplace for starting new businesses by providing a basic level of assistance to help them commit to move to Raglan. For example information from Council or the Chamber of Commerce could be provided in local media or inside visitor destination premises that directs people to access Open Waikato or other sources of commentary on the Raglan economy. Prospective future business owners should also be able to easily identify a key contact at Council or the Chamber of Commerce who could help them with networking and further enquiries[1].

The message to send could be: "if you like this wonderful place, why don't you think of living here or opening a business here. Interested, we can help: contact [name] at [phone number or email address]". The message might be communicated inside accommodation or via signs in local restaurants, bars, shops, real estate offices, near ATMs, etc.

[1] A retail recruitment effort that added one new retailer/tourist operator each year or two may not seem a big deal, but would have a significant effect on the town's 'offer' over a 10 year period.

Estimated cost: Council staff or Chamber of Commerce members' time.

B) Commercial accommodation, retail and services 'prospecting'

a) Engage with real estate agents and commercial property management companies in Raglan, Hamilton and Auckland to promote awareness of Raglan's growing visitor economy and explore the potential to increase supply of commercial accommodation or new retail development within the town centre (subject to zoning controls such as a height limit of 10m).

Estimated cost: Council staff time plus $5k per annum for making available 'free' information on specific topics (e.g. current property prices/rents, vacant sites, zoning, LIM reports etc.)

C) Transport – Wainui Road road safety improvements and a shuttlebus service

a) Upgrade substandard road segments on Wainui Road segment to Wainui Beach (the main road route to the surf beaches for tourists). Detailed planning of roading improvements (may also be eligible for NZTA subsidy for local roads).

Estimated cost: Council staff time to design works and estimate budget required.

b) Shuttlebus service – Provision of a shuttlebus service between Raglan Wharf and Manu Bay during the November-April period (est. 30 minute journey that would include stops at the Recreation Sports Park carpark, town centre, and Manu Bay).

Estimated cost: Feasibility study to identify route options, ancillary structures required, and commercial viability/subsidy required: $50,000

D) Carparking

a) Promote alternative use for spillover parking (cars, camper vans, buses) from the town centre using carpark space along Marine Parade (and walk over pedestrian bridge to town), and at the Cross Street Raglan Recreation/Sports Reserve carpark.

b) Identify long term options for increasing carpark supply in or nearby the town centre (e.g. Council or private sites; changes in time-based restrictions or charges) to better cater for projected growth in the visitor population at peak times (November-April period). Also consider costs and benefits of installing CCTV in main carparks.

Estimated cost: Council staff time; potential land acquisition and development costs to be identified in next 3 years and considered for inclusion in Annual Plans or the 2021/31 Long Term Plan.

E) Wayfinding

a) Advocate for NZTA to improve signage to Raglan on the Waikato Expressway (e.g. from Rangiriri using the 'back-road' through Huntly West and Waingaro) and SH39 to promote visitor awareness of Raglan and the surf beaches.

b) Develop bilingual wayfinding signage for Raglan which includes cultural and heritage interpretation, coast/surf care, beach access, Mt Karioi bike trails, and roading and walkway connections between Raglan central and Marine Parade (to the west) and Raglan Wharf (to the east).

Estimated cost: Council staff time; $15k for signage design, materials and installation.

F) Walkways/cycleways

a) As proposed by the Whaingaroa-Raglan Destination Management Organisation, investigate options for establishing a complete trail from the Raglan Wharf to the Wainui Beach carpark (to complement with actions C) and D) above). Take account of Council's Trails Strategy' (2016)[2] which identifies indicative locations for potential new trails and links to be developed in the district in the long-term future (refer Figure 2). These links would provide walkways and/or cycleways to enhance pedestrian amenity and provide non-vehicular access to natural amenities and the town centre, thereby relieving road congestion.

Estimated cost: Council staff time and $70k for a feasibility study that scopes options for completing a trail and provides a budget estimate for building the new links (budget for land acquisition and walkway/cycleway construction and bike racks, would need to be considered in future annual plans and Tourism Infrastructure Fund ("TIF ")rounds, or the next Long Term Plan 2021-31).

Note: Walkways may be eligible for NZTA subsidy if they can be demonstrated to relieve congestion or reduce vehicular trips on roads.

b) Two 'stand-alone' component projects could potentially be progressed as initial priority projects:

- Complete footpath/cycleway along Wainui Road (refer Project 1 on map above). Upgrade the existing metal path beside Wainui Road to a 3m wide paved walkway/cycleway (will be narrower in some constrained areas) in the high speed area to the turn-off to Riria Kerepoa Memorial Drive (which gives access to mountain bike tracks and the coastal beach).
- Construct new walkway from the Raglan Sports Reserve's carpark to the main road intersection of Wallis Street /Puriri Street.

Estimated cost:

Description	**Assumptions**	**Cost**
Sub-project i: Improve walking/cycle link to town by constructing shared path.	1000m long, 3m wide concrete path at $100/m^2. Will be narrower in constrained areas.	$300,000
Sub-project ii: Shared path from Sports Reserve Parking to Puriri St	Concrete shared path 250m long, 3m wide, $150/m^2.	$110,000
Total		$410,000

[2] The Final Trails Strategy (Walking, Cycling and Bridle) was adopted by Council on 12 September 2016.

Note: Council would also need to make allowance for maintenance and servicing expenditure in the council's roading and walkways programme in the LTP 2018/28.

G) Arts and Culture/Events

a) Engage with local event operators, tourism providers and iwi to explore the potential to add cultural tourism activities or stage new events, particularly in the winter off-season (e.g. sculpture festival, Matariki festival). Also identify whether availability/access to council land or waterfront space, or funding support is a constraint on the scale or type of events held in Raglan, and consider whether more fixed infrastructure such as rain/sun shelter, BBQs, picnic tables, water fountains, showers and changing rooms should be provided on Council reserve land.

   Estimated cost: Council staff time; potential increase in budget for events and associated infrastructure to be identified for the LTP 2018/28 or subsequent annual plans. Options for provision of fixed infrastructure could also be eligible for MBIE TIF funding for a feasibility study.

5. CONSIDERATION

5.1 FINANCIAL

The recommendations have a total financial implication of $565,000 plus staff time. The largest project is walkways/cycleways ($480,000) of which $120,000 is budgeted within the Trails Strategy currently under consideration for the central government Tourism Infrastructure Fund. All other options are non-budgeted.

5.2 LEGAL

NIL

5.3 STRATEGY, PLANS, POLICY AND PARTNERSHIP ALIGNMENT

No foreseen changes to current plans, strategy, policy and partnership alignment.

5.4 ASSESSMENT OF SIGNIFICANCE AND ENGAGEMENT POLICY AND OF EXTERNAL STAKEHOLDERS

(Ascertain if the Significance & Engagement Policy is triggered or not and specify the level/s of engagement that will be required as per the table below (refer to the Policy for more detail and an explanation of each level of engagement):

Highest levels of engagement	**Inform** ☐	**Consult** ☑	**Involve** ☐	**Collaborate** ☐	**Empower** ☐
Tick the appropriate box/boxes and specify what it involves by providing a brief explanation of the tools which will be used to engage (refer	Consultation through the Long Term Plan.				

to the project engagement plan if applicable).	

State below which external stakeholders have been or will be engaged with:

Planned	In Progress	Complete	
✓			Internal
✓			Community Boards/Community Committees
✓			Waikato-Tainui/Local iwi (provide evidence / description of engagement and response)
			Households
✓			Business
✓			Other Please Specify: Raglan Chamber of Commerce, Whaingaroa-Raglan Destination Management Organisation

6. CONCLUSION

The Raglan Visitor Infrastructure Study identifies the significant impact that tourism is having on Raglan and the necessity for Council to plan and provide infrastructure not only based on permanent residents requirements but to account for the growing visitor impact.

It is recommended that Council adopt the study and its recommendations to ensure effective planning and provision of both visitor and permanent residential infrastructure requirements. It is suggested that the implementation of the options have a flexible timeframe to allow for resource support and budget constraints.

7. ATTACHMENTS

Raglan Visitor Infrastructure Study

Raglan Visitor Infrastructure Study

Prepared for

WAIKATO DISTRICT COUNCIL

July 2017

STRATEG.EASE
STRATEGY | BUSINESS & ECONOMIC ANALYSIS

Version control: Final Report October 20, 2017

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Disclaimer
This report has been prepared for Waikato District Council. Although every effort has been made to ensure the accuracy and integrity of information presented in this report, the author accepts no liability for any actions taken on the basis of the information or recommendations contained in this report.

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Executive summary

The **Raglan Visitor Infrastructure Study** has been commissioned by Waikato District Council to recommend opportunities for the council to consider to improve the tourism business environment and visitor experience in Raglan.

The report complements the Destination Action Plan Raglan (DAPR)[1] prepared by Hamilton Waikato Tourism (HWT), which contains many suggested actions intended to guide collaborative efforts between HWT, the Raglan Chamber of Commerce, Raglan Community Board and Waikato District Council to implement the Plan.

The report also includes recent analysis of visitor numbers and retail provider perceptions of infrastructure constraints in Raglan during the summer of 2016/17.

Raglan has a resident population of around 3,100 (2016). An estimated 500 'holiday homes' (accounting for close to 30% of total dwellings in the town), provides capacity for an additional 1,500 to 2,000 persons, implying the overnight 'day to day' population could be closer to 5,100 at regular periods at regular periods of the year. Higher peak populations occur during seasonal visitor periods such as Christmas/New Year and Easter when larger groups of friends and family, and visitors occupy holiday homes.

Two different estimates of overnight visitor numbers in Raglan are reported:

1. 30,000 visitors based on Stats NZ Commercial Accommodation Monitor (over the 2016/17 year)
2. An average of 91,700 overnight visitors per month or 22,900 per week over the 2016/17 November-April 'summer' period, based on Qrious Ltd. data.

The two estimates of overnight visitors based on CAM data and Qrious estimates of overnight visitors cannot be reconciled as they relate to different sources of data and time periods. However, the much higher Qrious figures suggest that holiday homes rather than commercial accommodation is accounting for the major share of overnight stays.

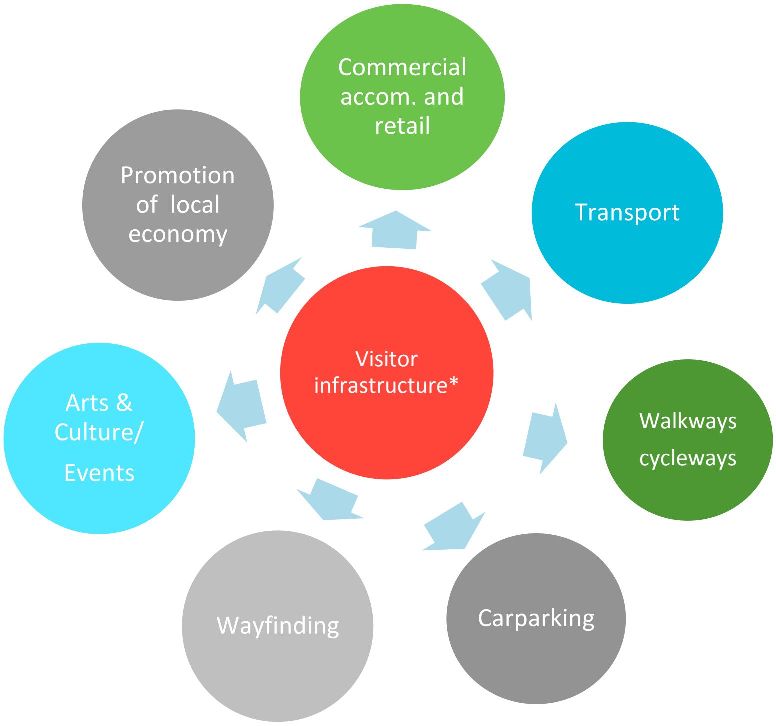
[1] Refer VERSION 01/02/2017 'Finalised for community completion'.

Projected growth in the source populations for visitors from Auckland and Hamilton, and for international tourists arriving at Auckland Airport will be expected to increase tourist numbers in Raglan, at a higher rate of increase than expected growth in the local resident population.

A University of Waikato (2017) survey of business owners were asked to identify their main concerns with constraints on business growth. Their top concerns are with:

1. Seasonality – cited by 40% of businesses (i.e. more than 1 in 2 businesses in the survey).
2. Quality of staff (skills/education) – by 36% of businesses (i.e. over 1 in 3)
3. Quality of infrastructure – by 32% (i.e. 1 in 3)

In response to the above information several proposed actions to support Raglan's visitor economy are outlined in the report under the following headings:



The proposed actions will require further detailed scoping and design work but have been costed at an indicative level for the purposes of considering initial funding support required to progress them, as part of the council's 2018/28 LTP process.

1.0 Introduction

1.1 Background

The **Raglan Visitor Infrastructure Study** has been commissioned by Waikato District Council to recommend opportunities for the council to consider to improve the tourism business environment and visitor experience in Raglan (refer Figure 1).

Infrastructure is defined here to include any amenity, facility, service or activity which will contribute to attracting visitors or encouraging them to stay longer in the town. This report includes information on the local economy (e.g. estimates of the overnight and day-tripper visitor population, and the origin of retail sales) and draws on research on local business perceptions of constraints on the visitor tourism market, undertaken during the summer of 2016/17 by the University of Waikato / Chamber of Commerce.

Figure 1: Raglan map

This report complements the Destination Action Plan Raglan (DAPR)[2] prepared by Hamilton Waikato Tourism (HWT), which contains many suggested actions intended to guide collaborative efforts between HWT, the

[2] Refer VERSION 01/02/2017 'Finalised for community completion'. This Destination Action Plan identifies the priority strategies and actions that if implemented, will improve the competitiveness of the area as a visitor destination within the region.

Raglan Chamber of Commerce, Raglan Community Board and Waikato District Council to implement the Plan. Whilst this report is not directly linked to the review of 'Raglan Naturally (2008),' currently being undertaken by a group formed from the local community, it contains information that will be of interest to that process. Account is also taken of proposals for improving tourism infrastructure by the Whaingaroa-Raglan Destination Management Organisation (WRDMO).

The proposed actions and projects contained in this report include several that are already contained in (or are consistent with) the DAPR as well as two projects identified by WRDMO. The proposed actions will need to be considered by the Waikato District Council for prioritising support and funding in its Long-term plan 2018/28 process which is currently underway (due to be completed in June 2018). Some actions/projects may also be eligible for co-funding from the MBIE Tourism Infrastructure Fund.

1.2 Raglan's tourism context

The Hamilton and Waikato Tourism (HWT) region has a catchment of 2.3 million people within a three-hour drive radius (68% of the North Island's population and 52% of New Zealand's population), as well as a large volume of international visitors passing through the region each year (with Auckland Airport handling around 71% of all international visitor arrivals to New Zealand) [3].

Raglan is conveniently located in relation to two main urban centres:

- Hamilton: 45 kms; drive-time of around 40 minutes
- Auckland: 150kms; drive-time of around 2 hours

The HWT region has a significant tourism sector – the 5th largest in New Zealand accounting for $1.23 billion in visitor expenditure (YE March 2015). For the past four years the HWT region has experienced solid growth from international visitor expenditure and guest nights, performing well above national levels. Over this time there has been modest growth in domestic guest nights, however domestic visitor spending remains below national averages, which is attributed primarily to a lack awareness of what the region has to offer, as well as limited supply of commercial activity/attraction visitor experiences geared to domestic visitors

[3] Refer http://www.hamiltonwaikato.com/media/3202/hwt-opportunities-plan-by-trc-tourism-290716.pdf.

The Hamilton-Waikato Tourism Opportunities Plan 2016[4] plan identifies Raglan as one of the most significant tourism offerings in the Waikato with potential to attract a great number of international visitors given the quality and profile of the surf break.

The 'Raglan Precinct Emerging Experience' is one of three primary experience themes in the plan, which highlights opportunities for tourism growth potential in Cycling, Indigenous tourism, Matariki Festival, and Small Conferences:

> "Raglan, with its bohemian, surfy vibe provides a unique attraction in the Waikato. Whilst the village is already popular with visitors, there are opportunities to strengthen the precinct positioning as a sustainable destination with additional activities available and encourage visitors to stay longer and spend more through new experiences from the hub".

1.3 Scope

This report:

1. Describes Raglan's current state in terms of population, dwellings, visitor numbers (source data and information from the HWT RTO, Stats NZ, MBIE, Qrious Ltd.)
2. Analyses Waikato University/Chamber survey 2016 findings to identify main constraints identified on business growth and identify key actions appropriate for the council to lead and/or contribute to
3. Reviews the Destination Raglan document to identify key actions that are appropriate for the council to potentially lead and/or contribute to

<u>Information sources:</u>

Information for this report was obtained from several secondary sources (qualitative and quantitative) including: Stats NZ, MBIE, Hamilton-Waikato Tourism (HWT), Waikato District Council (WDC), and Qrious Ltd (commissioned by WDC). Information from Qrious Ltd. (August 2017) has been significantly relied on for estimating visitor patterns over the seasonal November-April period.

[4] Refer http://www.hamiltonwaikato.com/media/2878/hwt-opportunities-plan-by-trc-tourism-280616-final.pdf

2.0 Raglan's daytime and overnight population

2.1 Residents, workers and holiday homes

Raglan's core resident population was estimated to be 3,115 in 2016. The NZ census 2013 recorded around 1,200 resident homes and 500 unoccupied 'holiday homes' (accounting for close to 30% of total dwellings) in the town, with the latter having increased by 20% over the previous decade[5]. Around 300 houses are listed on Airbnb and 180 on Bookabatch. These include duplicates but suggest that the majority of holiday homes are made available for visitors at least for some periods of the year.

Assuming an average normal occupancy rate of 3-4 persons per holiday home, they would add capacity for at least 1,500 to 2,000 additional persons at regular periods of the year, implying a resident 'day to day' population of up to 5,100 at such times. Higher peak populations will occur during seasonal visitor periods such as Christmas/New Year and Easter when larger groups of friends and family tend to occupy holiday homes.

The HWT Opportunities Plan notes that 52% of international guest nights and 59% of domestic guest nights in the HWT area are spent 'visiting friends & relatives' (VFR). It is reasonable to conclude that holiday homes in Raglan account for a large share of tourist visitors and similarly service a large VFR (visiting friends and relatives) market – accounting for well over half of all guest nights.

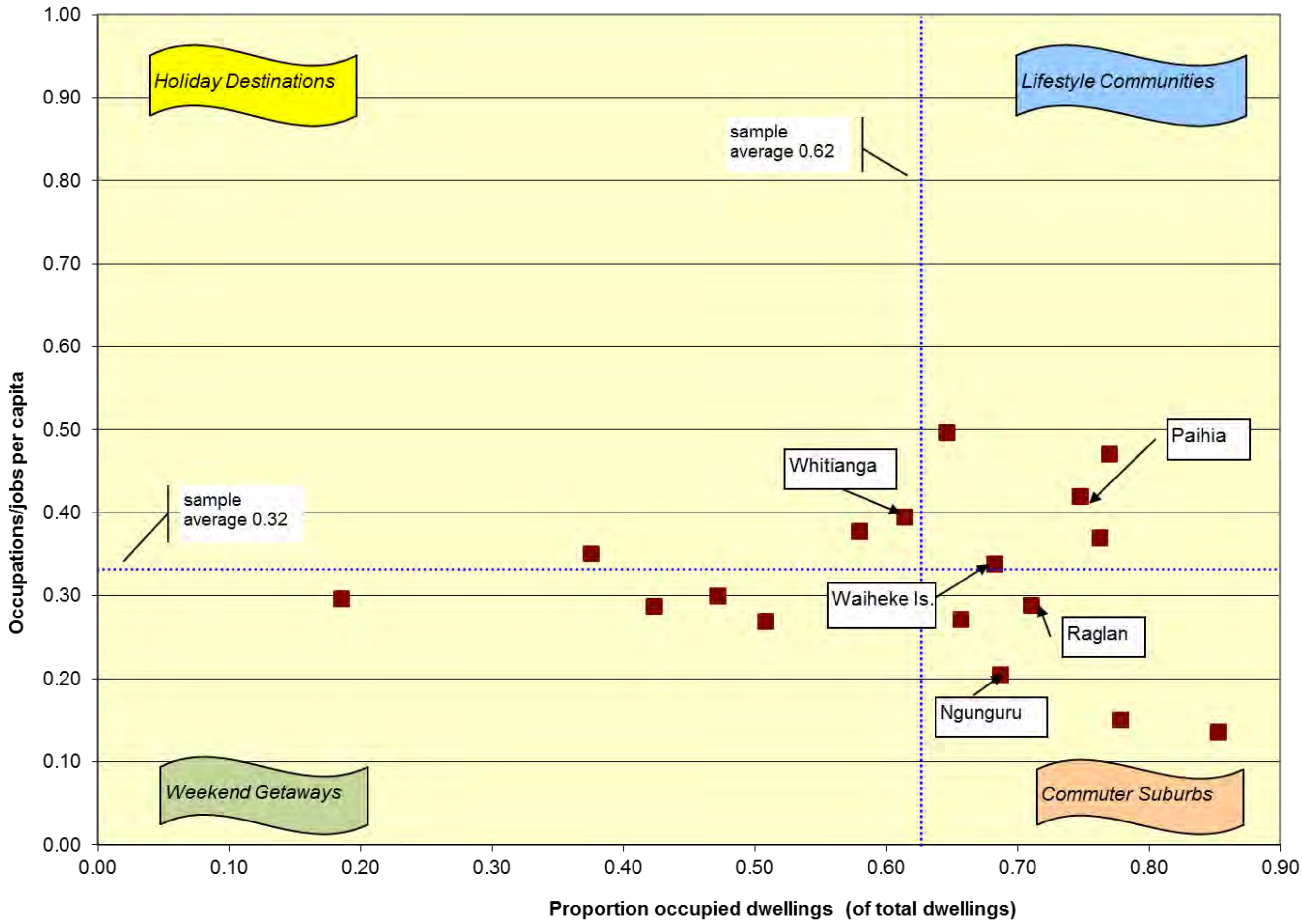
In 2013 there were almost 800 workers with a workplace address in Raglan, implying a relatively high proportion of jobs per capita (of residents) of 29%.

The respective ratios of occupied to unoccupied dwellings and jobs per capita have been used to show a typology of coastal settlements which allows Raglan to be compared with other coastal settlements on a "like for like basis" (refer Figure 1). The results show that Raglan is similar to Waiheke Island and Ngungaru in its mix of permanent homes and holiday homes and the level of employment relative to its resident population. These settlements share attributes of being located near a main urban centre and a local economy that is supported by expenditure from domestic and international visitors.

[5] Refer Stats NZ 2013 Census: 500 'unoccupied dwellings', and 1,200 occupied dwellings. The former increased by 20% over 2001-13 (compared to 'occupied dwellings' at 8%).

However the higher ratio of jobs per capita in places such as Paihia and Whitianga (with populations on a par with Raglan, but located further away from a main urban area[6]) indicates how some settlements can expect to sustain relatively higher levels of employment compared to others.

Figure 1: Coastal settlements typology



Source: K Norgrove and A Norgrove 2015 'Living on the edge', published in NZ Planning Quarterly.

2.2 Raglan visitor population

Raglan attracts visitors from:

1. The 'Local' Waikato region (primarily Hamilton residents)
2. 'Domestic visitors' from neighbouring regions of Auckland and Bay of Plenty, and to a lesser extent elsewhere in New Zealand
3. International tourists

[6] The 2013 Census records the population of Paihia at 3,135 and Whitianga at 4,368.

Local or Domestic visitors include a mix of holiday home occupants and ‘weekend/holiday getaway’ visitors who stay overnight, as well as ‘day-trippers’ who do not stay overnight. Many holiday homes are used by local, domestic and international visitors for overnight stays during the year, with peak occupancy during school and public holiday periods (e.g. Christmas/New Year, Easter, Labour weekend). Similarly, international tourists include day trippers as well as overnight visitors who use commercial accommodation or rent houses booked through sites such as Air B n B or Bookabatch. The latter will include holiday homes as well as houses vacated by residents over peak holiday periods.

It is important to note that whilst the Qrious dataset distinguishes between Local and Domestic visitors (and International ones) and whilst local residents are excluded from the data, the Local and Domestic categories inevitably include holiday home owners/families, and ‘non-tourist’ visitors such as people travelling to Raglan on business or for work. This means the Qrious ‘visitor’ numbers do not distinguish ‘true’ tourists from regular non-resident visitors. Allowance has been made for these factors (where possible) in the report sections below, with working assumptions stated as appropriate.

Over the 2016/17 November to April period[7] the total number of ‘unique’ visitors to Raglan was estimated by Qrious Ltd. (June 2017) to be an average 145,000 per month or 36,000 per week - refer Table 1. Domestic visitors (from outside of the Waikato Region) account for a similar share of Local visitors (Waikato Region) while Internationals account for 20%.

Table 1: Source of Raglan visitors per month (Nov.16-April 17)

Total unique visitors	Total Number '000'	% Share	Est. share O'night	Ave. per month
Domestic	239	41.21%	157	60
International	108	18.62%	55	27
Local	233	40.17%	150	58
Total number of visitors	580		367	145

Source: Qrious Ltd. 2017

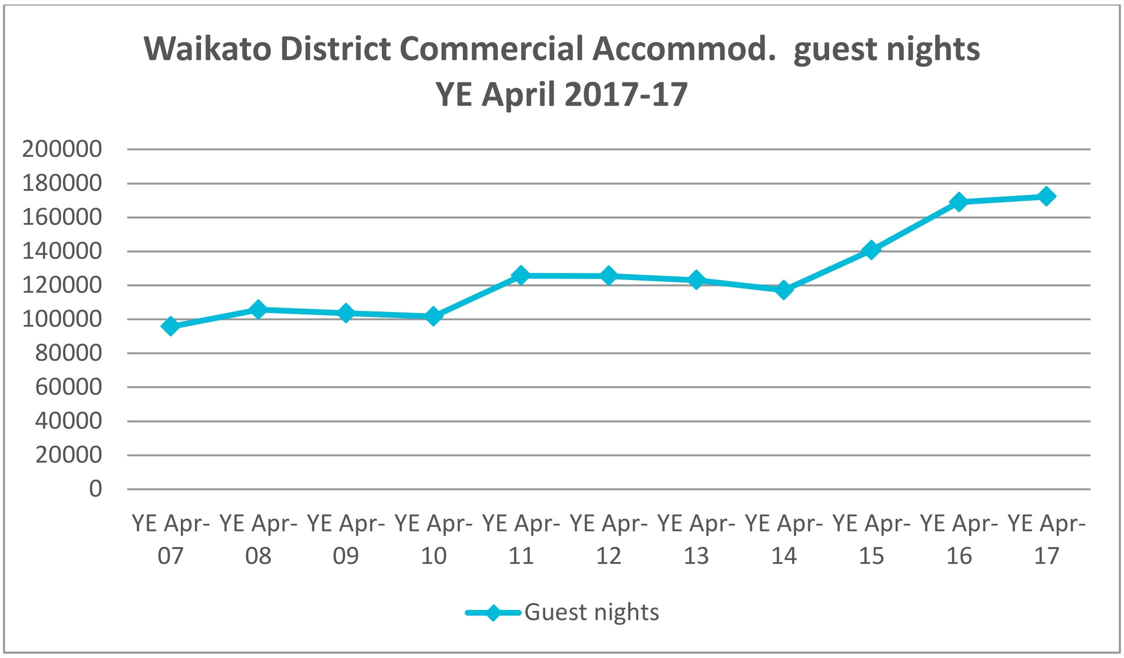
[7] This period includes the Christmas-New Year period but excludes Easter.

The data suggests that 63% of visitors are overnight visitors (367,000) and the rest are day-trippers, and that there were an average 91,700 overnight visitors per month or 22,900 per week over the ‘summer’ period. Over 70% of visitors stayed 1-2 nights only.

It is important to note that the same person may be counted many times in this data if they stay more than 1 week or leave and return in different weeks. As a guide to interpreting the estimate of 22,900 overnight visitors per week, note that one holiday home could account for say 4 different people staying 7 nights a week (equating to 24 unique visitors per week), so 500 holiday homes could account for 14,000 unique people per week (and more if their average occupancy exceeds 4 persons).

Stats NZ (2017) Commercial Accommodation Monitor (CAM) provides another basis for estimating overnight visitors in Raglan on an annual basis. However data is only available for the Waikato District Council area as a whole. For the 20 accommodation providers recorded in the Waikato District guest nights grew at an average 8% per annum over the past 10 years, and rose significantly in the past three years (refer Figure 2).

Figure 2:



The CAM data for the Waikato District as a whole for the past two years is shown below[8].

[8] Based on a survey response rate of 84% of total providers in the region.

Month	Number provid.	Daily capacity (stay-units available)	Monthly capacity (stay-unit nights available)	Stay-unit nights (occupancy)	Guest nights	Average length of stay (days)	Occupancy rate %
YE Apr-07	16	740	270094	61579	95746	1.74	22.80
YE Apr-17	20	903	329467	102825	172198	2.31	31.21

Source: Stats NZ (2017) Commercial Accommodation Monitor

For the year ended April 2017:

- Guest nights rose to 330,000
- The average length of stay rose from 1.74 nights to 2.31 nights
- The overall occupancy rate rose from 23 % to 31%

The current supply of commercial visitor accommodation in Raglan is estimated to consist of eight separate facilities. Their total overnight capacity is not available as several providers also accommodate overnight visitors in huts, camping sites and campervan sites.

Based on the estimate of eight accommodation providers in Raglan accounting for 40% of the total 20 providers shown in the district, overnight guest nights in Raglan are estimated to total 68,800 (in 2016/17). With an average stay of 2.3 days, that implies total unique visitors of close to 30,000.

The two estimates of overnight visitors based on CAM data and Qrious estimates of overnight visitors cannot be reconciled as they relate to different sources of data and time periods. However, the much higher Qrious figures suggest that holiday homes rather than commercial accommodation is accounting for the major share of overnight stays.

2.3 Retail expenditure and sources of demand

As at 2016 there were almost 1,200 jobs (employment counts) and 431 businesses within the Raglan Community boundary. The highest employment sectors were[9]:

1. Accommodation and Food (249),

[9] Refer Market Economics April 2017 'Waikato District Social and economic Profile Addendum report for Raglan Ward and Communities'.

2. Retail trade (137),
3. Construction (126),
4. Education and training (121),
5. Health care and social services (119), and
6. Manufacturing (94)

The first two sectors are driven by retail expenditure which occurs in the town centre and in smaller hubs at the Raglan Wharf and outlets along Wainui Rd., as well as at special 'events' such as the Raglan Creative Market[10]. A Market Economics report commissioned by WDC (2017) indicates the following shares of origin of retail expenditure in the town (note: excludes international tourists)[11]:

- 44% within the Raglan Ward (locals essentially)
- 11% from elsewhere in the Waikato District
- 45% comes from beyond Waikato District (notably Auckland at 14% and Hamilton at 10%).

The high shares of total spend from Auckland and Hamilton reflects their role in generating occasional day or overnight visitors which supplements the 'natural' constraint on retail activity given the small size of the resident population.

Raglan is expected to enjoy moderate growth in both population and employment over the next 15 – 20 years. Available projections show:

1. Population change 2016-35: additional population 800 (total 3,900, or 25% increase)[12]
2. Employment change 2016-31: additional 500 jobs (total 1,656, or 42% increase)[13].

Planned residential development on the Rangitahi peninsula will potentially supply 250 new dwellings in close proximity to the town but population projections suggest demand for new dwellings could be in the order of 400-500 over the 2016-35 period (implying need for additional dwelling development elsewhere in the town to accommodate growth). High demand for additional dwellings will also be driven by the holiday home sector, particularly given expected high rates of population growth in source populations in Auckland and Hamilton.

[10] The market takes place in the Raglan Old School Arts Centre between 10am and 2pm on the second Sunday of every month, offering local produce, clothing, and artworks etc.
[11] Refers to data sourced from Marketview Ltd for the 2016 year.
[12] Refer Draft Future Proof Planning for Growth May 2017 medium projection
[13] *Ibid* Market Economics April 2017 (note for area within Raglan Community boundary)

In general terms a larger permanent and/or occasional population would help to increase the scale and range of retail activities provided in the town and encourage a higher share of household retail spend to be retained in the town, thereby generating higher local employment.

Currently projected growth in the resident population will support effective demand for larger and more retail stores, but Raglan's proximity to Hamilton will likely dampen its ability to capture significant local household spend away from the urban centre (e.g. while chain stores in Hamilton offer an expanded range and/or value for money of groceries, clothing, hardware, or homewares etc.).
However, these type of stores may be regarded as incompatible with the existing community's preferences for Raglan. Growth in the resident pool of family aged households will at least increase the local labour force (which creates demand for jobs) and whilst significant projected growth in the visitor population won't in itself overcome seasonality of business it will create additional demand for retail goods and services.

One additional benefit of visitors besides their direct economic contribution is that they offer a readily available pool from which future retail, service or accommodation providers can be expected to emerge: i.e. today's visitor might become tomorrow's resident. A large proportion of local and domestic visitors are likely to be in the 45+ age group[14] with discretionary income and may be attracted to relocate to the town having experienced the quality of life factors on offer. Quality of life factors have long played a powerful role in determining where many such individuals and their households decide to reside and operate their businesses.

New 'working' residents might commute to Hamilton for work, buy a business or create their own business/job in Raglan. They are also likely to set up shops or services that 'fit in' with the current type of retail mix in the town by establishing niche or bespoke activities rather than be part of a retail chain or franchise (e.g. the development of commercial product to better support cycle trail investments).

3.0 Visitor infrastructure issues

3.1 Constraints identified by businesses

University of Waikato research (UoW 2017) of existing businesses suggests most retailers (88% of respondents) have experienced growth in sales in the past two years, citing "more people and more people

[14] The University of Waikato research results (based on 21 respondents) suggest an average 45% of customers are aged 46-60.

with more money". As a result 60% of the business respondents have employed more staff in the past two years.

Business owners were asked to identify their main concerns with constraints on business growth. Their top concerns are with:

4. Seasonality – cited by 40% of businesses (i.e. more than 1 in 2 businesses in the survey).
5. Quality of staff (skills/education) – by 36% of businesses (i.e. over 1 in 3)
6. Quality of infrastructure – by 32% (i.e. 1 in 3)

Based on their rating of quality on a scale of (low) 1-10 (high) and additional comments made by respondents, the main concern across the business group with the quality of infrastructure are with the following types (which all ranked below an average of 5)[15]:

Category	Rating
Cycleways	3.08
Carparking	3.48
Rental accommodation	3.91
Walkways	4.04
Bridges	4.08
Amenities (incls. Public toilets)	4.25
Visitor accommodation	4.48
Signage	4.79
Roads	4.84

Whilst ratings of other types of infrastructure close to 5 suggests they are also lacking, for the purposes of this report the weakest areas have been given priority for identifying actions which the council should consider in response. Other categories rated close to average include: 'stormwater' (5.0) 'phone/internet' (5.04)[16], and 'wharves' (5.17).

[15] Only the categories which scored less than an average 5 out of 10 from the list of 16 categories included in the survey are listed here.
[16] This should improve once the Crown Fibre Holdings ultra-fast broadband roll-out in Raglan is completed in the next few years.

3.2 Opportunities identified by Hamilton-Waikato Tourism

The HWT Tourism Opportunities Plan 2016 identifies enablers for tourism growth in the region which can also be applied to Raglan, including:

1. Accommodation – attract investment in additional 4-5 star accommodation in Hamilton for the events and business markets. There is also a need for further investment across the region and in particular in the Waitomo and Matamata areas. This accommodation shortage is particularly lacking for markets seeking 3+ to 5 star accommodation

2. Way-finding Signage – the region's tourist signage is inadequate and detracts from the overall visitor experience, appeal and simplicity of travel. Improved mapping and signage is required to encourage dispersal and linkages across the region.

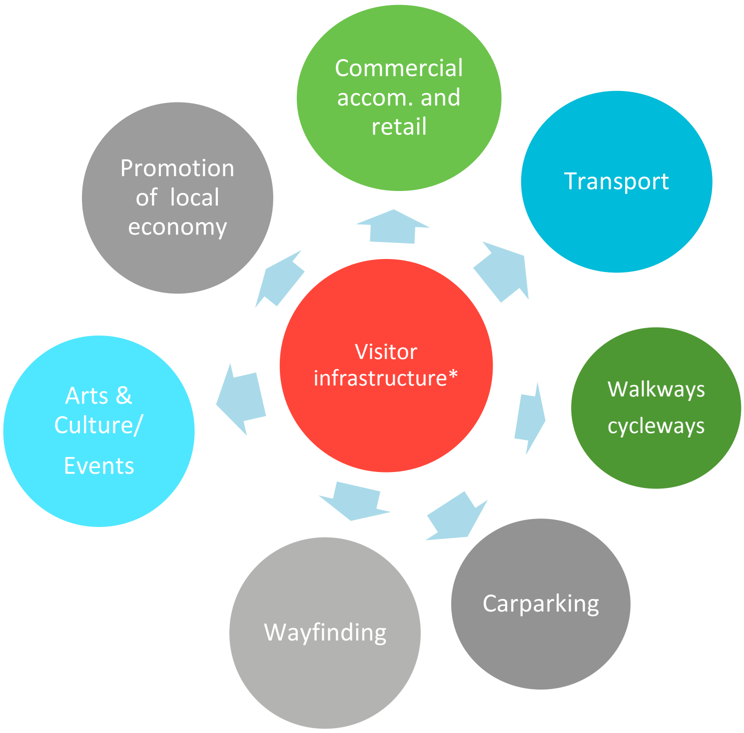
3. Other: work closely with the new Community Board and Waikato District Council to prioritise visitor and tourism infrastructure, including advocacy and funding for the 2017 Long Term Plan (LTP). Example projects include signage, rubbish bins, parking, public transport, etc

4.0 Visitor infrastructure actions for Waikato District Council

Expected growth in Raglan's visitor population will increase demand for visitor accommodation (both commercial accommodation and use of 'holiday homes') and retail goods and services, as well as add pressure on the capacity of infrastructure (i.e. water and wastewater, transport/caparking). The Raglan Community Board and the council are understandably concerned to ensure that growth in the visitor population can occur in a way that maintains the quality of visitor experience and at the same time, that such growth is perceived by residents to benefit the local economy. The potential for detrimental impacts on the Raglan community and the town's natural and built environment places a responsibility on the council to improve the capacity and/or quality of visitor infrastructure to support growth in the visitor population

The council has multiple roles as a funder, regulator, infrastructure and community service provider which directly contribute to the attractiveness and quality of Raglan's 'tourism offer'. The council already supports visitor attraction through its funding for the HWT RTO, and for the 'store-front' operation of the Raglan i-site. Having regard to the opportunities to actively encourage visitors as well as the quality of infrastructure concerns identified above, the actions below are recommended for consideration by the council for funding support in the LTP 2018/28. For many actions the level of funding to be provided in the LTP2018/28 will only be sufficient for initial work to be done to identify future budget requirements, which will then need to be considered for prioritisation in subsequent annual plans and LTPs.

Figure 3: Recommended visitor infrastructure actions



*Note that capital works projects may also be subject to applications for co-funding under the MBIE Tourism Infrastructure Fund (where they require over $100,000 from a fund). The latter fund also provides for grants for feasibility studies.

A) Promote awareness of the role of visitors in the local economy

a) Publish analysis of the visitor economy in Raglan on a three year cycle to show trends over time (e.g. on Open Waikato, articles in local media); include data obtained from:
- Stats NZ (resident population, employment)
- Marketview Ltd. (retail expenditure by retail category and source location source of spend),
- Qrious Ltd. on visitor numbers and origin (i.e. local, domestic, international).

Estimated cost: Staff time plus data costs of $15k every three years.

b) Encourage holiday home owners and local and domestic visitors to consider Raglan as a permanent home and potential workplace for starting new businesses by providing a basic level of assistance to help them commit to move to Raglan. For example information from the council or the Chamber of Commerce could be provided in local media or inside visitor destination premises that directs people to access Open Waikato or other sources of commentary on the Raglan economy. Prospective future business owners should also be able to easily identify a key contact at the council or the Chamber of Commerce who could help them with networking and further enquiries[17].

The message to send could be: "if you like this wonderful place, why don't you think of living here or opening a business here. Interested, we can help: contact [name] at [phone number or email address]". The message might be communicated inside accommodation or via signs in local restaurants, bars, shops, real estate offices, near ATMs, etc.

Estimated cost: Council staff or Chamber of Commerce members time.

B) Commercial accommodation, retail and services 'prospecting'

a) Engage with real estate agents and commercial property management companies in Raglan, Hamilton and Auckland to promote awareness of Raglan's growing visitor economy and explore the potential to increase supply of commercial accommodation or new retail development within the town centre (subject to zoning controls such as a height limit of 10m).

Estimated cost: council staff time plus $5k per annum for making available 'free' information on specific topics (e.g. current property prices/rents, vacant sites, zoning, LIM reports etc.)

C) Transport – Wainui Rd. road safety improvements and a shuttlebus service

a) Upgrade substandard road segments on Wainui Road segment to Wainui Beach (the main road route to the surf beaches for tourists). Detailed planning of roading improvements (may also be eligible for NZTA subsidy for local roads).

Estimated cost: staff time to design works and estimate budget required

b) Shuttlebus service - Provision of a shuttlebus service between Raglan Wharf and Manu Bay during the November-April period (est. 30 minute journey that would include stops at the Recreation Sports Park carpark, town centre, and Manu Bay).

Estimated cost: feasibility study to identify route options, ancillary structures required, and commercial viability/subsidy required: $50,000

D) Carparking

a) Promote alternative use for spillover parking (cars, camper vans, buses) from the town centre using carpark space along Marine Parade (and walk over pedestrian bridge to town), and at the Cross St. Raglan Recreation/Sports Reserve carpark. Links to wayfinding signage and walkways actions below. Refer Project 2 on map below.

b) Identify long term options for increasing carpark supply in or nearby the town centre (e.g. council or private sites; changes in time-based restrictions or charges) to better cater for projected growth in the visitor population at peak times (November-April period). Also consider costs and benefits of installing CCTV in main carparks.

[17] A retail recruitment effort that added one new retailer/tourist operator each year or two may not seem a big deal, but would have a significant effect on the town's 'offer' over a 10 year period.

Estimated cost: Council staff time; potential land acquisition and development costs to be identified in next 3 years and considered for inclusion in Annual Plans or the 2021/31 LTP.

E) Wayfinding

a) Advocate for NZTA to improve signage to Raglan on the Waikato Expressway (e.g. from Rangiri using the 'back-road' through Huntly West and Waingaro) and SH39 to promote visitor awareness of Raglan and the surf beaches.

b) Develop bilingual wayfinding signage for Raglan which includes cultural & heritage interpretation, coast/surf care, beach access, Mt Karioi bike trails, and roading and walkway connections between Raglan central and Marine Parade (to the west) and Raglan Wharf (to the east).

Estimated cost: staff time; $15k for signage design, materials and installation.

F) Walkways/cycleways

a) As proposed by the WRDMO, investigate options for establishing a complete trail from the Raglan Wharf to the Wainui Beach carpark (to complement with actions C) and D) above). Take account of the council's Trails Strategy' (2016)[18] which identifies indicative locations for potential new trails and links to be developed in the district in the long-term future (refer Figure 2). These links would

[18] The Final Trails Strategy (Walking, Cycling and Bridle) was adopted by Council on 12 September 2016.

provide walkways and/or cycleways to enhance pedestrian amenity and provide non-vehicular access to natural amenities and the town centre, thereby relieving road congestion.

Estimated cost: Council staff time and $70k for a feasibility study that scopes options for completing a trail and provides a budget estimate for building the new links (budget for land acquisition and walkway/cycleway construction and bike racks, would need to be considered in future Annual Plans and TIF rounds, or the next LTP 2021-31).
Note: Walkways may be eligible for NZTA subsidy if they can be demonstrated to relieve congestion or reduce vehicular trips on roads.

b) Two 'stand-alone' component projects could potentially be progressed as initial priority projects:

i. Complete footpath/cycleway along Wainui Road (refer Project 1 on map above). Upgrade the existing metal path beside Wainui Rd.to a 3m wide paved walkway/cycleway (will be narrower in some constrained areas) in the high speed area to the turn-off to Riria Kerepoa Memorial Drive (which gives access to mountain bike tracks and the coastal beach).

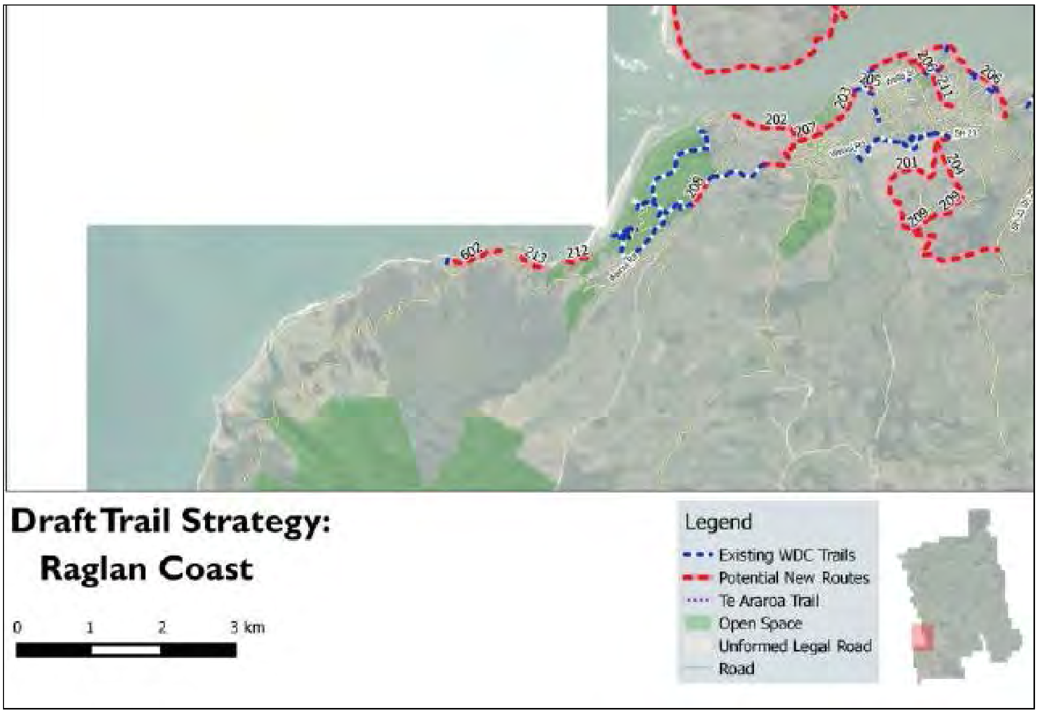
ii. Construct new walkway from the Raglan Sports Reserve's carpark to the main road intersection of Wallis St. /Puriri St.

Estimated cost

Description	**Assumptions**	**Cost**
Sub-project i: Improve walking/cycle link to town by constructing shared path.	1000m long, 3m wide concrete path at $100/m^2$. Will be narrower in constrained areas.	$300,000
Sub-project ii: Shared path from Sports Reserve Parking to Puriri St	Concrete shared path 250m long, 3m wide, $150/m^2$.	$110,000
Total		$410,000

Note: The Council would also need to make allowance for maintenance and servicing expenditure in the council's roading and walkways programme in the 2018/28 LTP.

Figure 2: Extract of indicative location of walkway/cycleway trails in Raglan (WDC Trails Strategy 2016)



G) Arts and Culture/Events

a) Engage with local event operators, tourism providers and iwi to explore the potential to add cultural tourism activities or stage new events, particularly in the winter off-season (e.g. sculpture festival, Matariki festival). Also identify whether availability/access to council land or waterfront space, or funding support is a constraint on the scale or type of events held in Raglan, and consider whether more fixed infrastructure such as rain/sun shelter, BBQs, picnic tables, water fountains, showers and changing rooms should be provided on council reserve land.

Estimated cost: Council staff time; potential increase in budget for events and associated infrastructure to be identified for the LTP 2018/28 or subsequent Annual Plans. Options for provision of fixed infrastructure could also be eligible for MBIE TIF funding for a feasibility study.

MBIE TIF funding

MBIE's Tourism Infrastructure Fund (TIF) requires a project (or package of projects) to have a total cost over $100,000, and an indicative 50:50 co-funding contribution from the council applies. Projects should clearly be targeted to tourists and should not be eligible for potential funding from other government sources such as NZTA. Feasibility studies are not subject to the $100k threshold.

TIF funded projects could potentially include:

- Additional public toilets and waste management facilities at key visitor destinations (e.g. town centre, Ngarunui Beach, Raglan Wharf)
- Walkways/cycleways (if not eligible for NZTA funding)
- Provision of amenities on council reserve land on the coast to cater for peak visitors (e.g. sun and rain shelter; BBQs, picnic tables; showers and changing rooms)

- Feasibility studies for the above (subject to the council doing preliminary work to identify possible options to be further subject to feasibility testing)

The proposed actions/projects in this report which have capital budget implications require further scoping to identify indicative costs and benefits, completion timeframes and their eligibility for funding prior to making funding applications.

Attachments

Attachment A: Hamilton & Waikato Region |Tourism Opportunities Plan| June 2016

Raglan Project

PROJECT DESCRIPTION

Raglan, with its bohemian, surfy vibe provides a unique attraction in the Waikato. The town has a very strong sense of community, with collective input into all aspects of its existence. It has a committed nucleus of eco sustainable tourism operators. Whilst the village is already popular with visitors, there are opportunities to strengthen the positioning of the village as a sustainable destination with additional activities available and encourage visitors to stay longer and spend more through new experiences from the hub.

Cycling could become an important element of the Raglan visitor offering. The Raglan Mountain Bike Club has secured funding to develop 10 km of trails in the Ocean Trails mountain bike park. There are also a number of other on and off road cycling options in the area. The town could position itself as a base for cycle touring on the back roads of the west coast between Tuakau and Kawhia, and further south to Awakino. There is good potential for a cycle tour from Raglan to Nikau Caves, via a boat trip across the harbour. A local operator now rents electric assisted bikes which would enable less fit people to enjoy this.
The Kariori Classic bike race attracts around 350 riders in late July each year. It could be the basis of a “Mid-Winter Bike Festival” over a weekend, with other events such as a mountain bike circuit race, downhill, and downtown criterium (circuit race), kids events and escorted tours to local attractions. An event like this would be a useful way to promote Raglan as a cycling destination.

Indigenous tourism is seen as an opportunity by the local tangata whenua. This would fit well with the wider vision of Raglan being a place to interact in a genuine and meaningful way with locals. How this could be monetised is uncertain, and would require a committed, entrepreneurial approach by those people who want to develop it.

Matariki Festival. In recent years a reasonably low-key Matariki (Māori New Year) festival has been run. This could be developed, possibly with a strong Māori element, and a food focus to highlight Raglan’s local produce and hospitality offering. Te Puni Kokiri, which provides funding for Matariki celebrations, should be approached for assistance.

Small conferences have good potential, especially those which suit a slightly quirky, off-beat theme, using other local attractions and activities. The Raglan Sunset Motel has conference facilities for up to 90 people, and accommodation for up to 50. Other accommodation is available.

Waingaro Hot Springs is a hot pool facility accessible from Ngaruawahia, towards Raglan. It has recently been reopened could become a significant attraction, possibly with a Māori cultural theme. It requires appropriate investment and good management and marketing.

WHY IS THE PROJECT IMPORTANT? Raglan is one of the most significant tourism offerings in the Waikato and has the potential to attract a great number of international visitors given the quality and profile of the surf break.

While not everyone in the community embraces tourism there is a general understanding that Raglan tourism needs to be managed in a flexible and robust manner to ensure sustainability and that the town retains its unique character.

There is a desire to position the town to attract the segments of the market that suit it, which locals feel comfortable with and that doesn't threaten its essential character. The essence of the town as a place for sustainable living and ecotourism needs to be strongly portrayed in messaging to visitors.

WHO ARE THE TARGET MARKETS? Raglan's point of difference is its genuine commitment to the environment and sustainability, and the culture that supports this.

Raglan sees itself appealing to FIT travellers, both domestic and international, who are environmentally aware, active, well educated, lifestyle focused, who want to engage with locals in an unaffected, down-to-earth manner.

Raglan wants to position itself as more of a destination; as a getaway option for the domestic market (especially Auckland), and a longer term stopover for international FITs. This is already happening to some extent with Bookabach and AirBnB enabling private accommodation to supplement the limited accommodation offering.

The domestic market is important year round with typical seasonal ebbs and flows. International visitors are significant during the peak season.

Currently the short visit market is also important with travellers and day trippers from Hamilton and other closer sources coming to Raglan for day trips to enjoy the beaches, coffee culture and eclectic mix of music and arts & crafts.

WHAT IS REQUIRED TO DELIVER THE PROJECT? Close consultation and planning for tourism development with the Raglan community is essential. The community's commitment to sustainability and maintaining its uniqueness are integral to its future as a destination and must be retained. There are strong capable leaders within the community who will provide a conduit in this process.

An updated Community Development Plan, involving the Waikato District Council and Raglan Community Board, is needed to provide a blueprint for development. The Raglan Naturally Plan, produced in the early 2000s, defined the direction for the community at that time. The update should refresh that vision and can include more tourism specific planning. Raglan operators and businesses will need to invest in their future.

Delivering the outcomes that the development plan defines will require marketing and promotion support, and general guidance, by the RTO, and likely ***continued infrastructural investment*** by the District Council [emphasis added].

The two have the potential to grow as a 'sustainable destination' brand.

INVESTOR AND PARTNERSHIP POTENTIAL Smaller owner-operated tourism, hospitality and service businesses best suit the Raglan scene and should continue to be encouraged and supported. There is little need or desire for large scale, corporatised businesses.

Educational Tourism is seen as an important potential element of the town's offering. Nicely described as 'feel good tourism' and 'cool people doing cool things', this would centre on the town's environmental consciousness; recycling, environmental enhancement, the windfarm, permaculture etc. WinTec's Environmental Management Course includes some Raglan based projects and lends credibility to the educational tourism focus. There is potential for courses to attract international students.

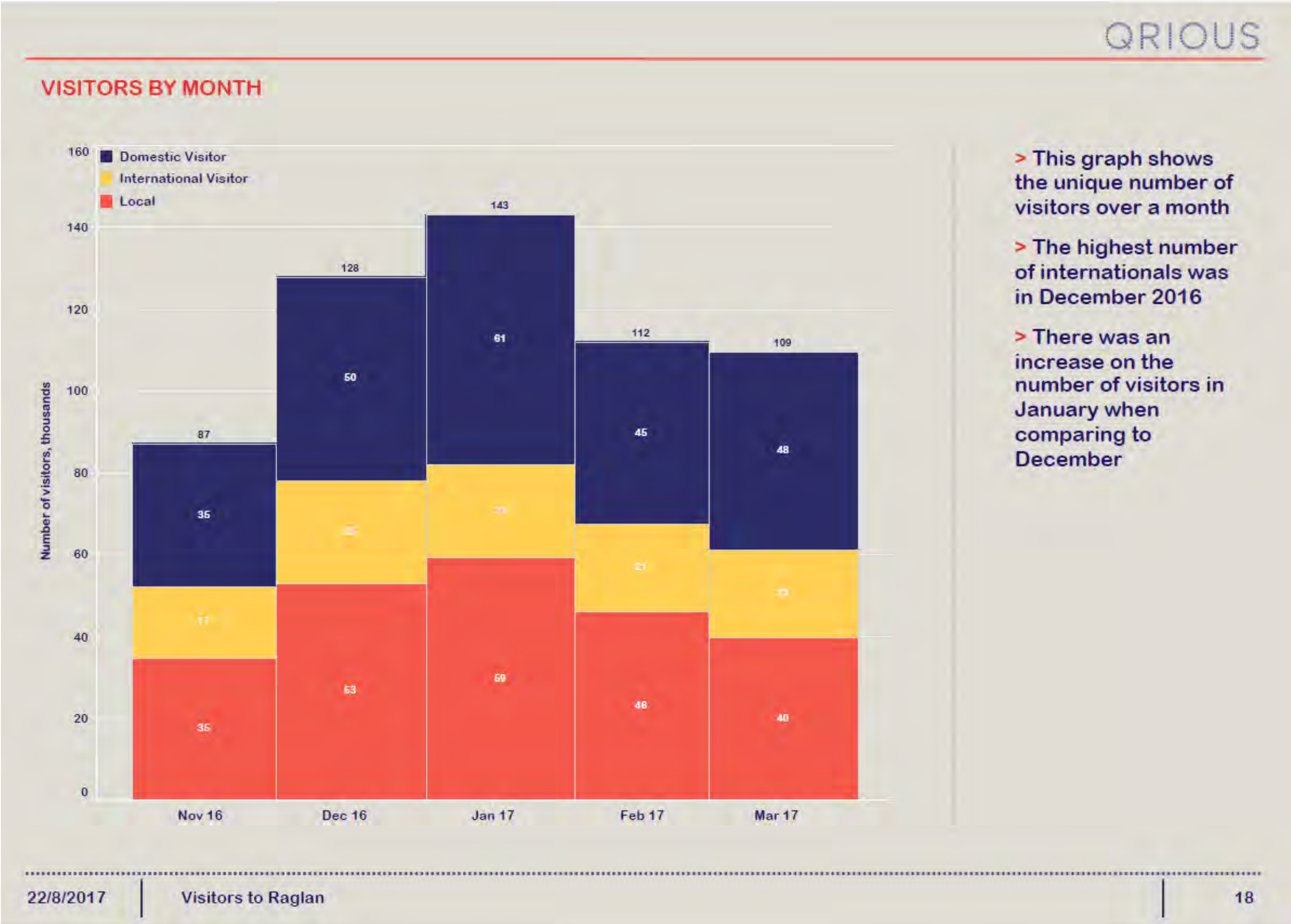
ECONOMIC AND SOCIAL IMPACT The potential impact of tourism on Raglan has been a controversial topic in the community over the past couple of decades so there is clear understanding of the issues in the community.

Targeting specific market segments with a focus on higher spending, longer stay, lifestyle focused visitors will enable higher economic benefit with lower impact than a mass market approach.

At present campervans and freedom campers cause problems due to much higher numbers than in the past. Local government are in the process of implementing a Freedom Camping Bylaw which includes restrictions in Raglan.

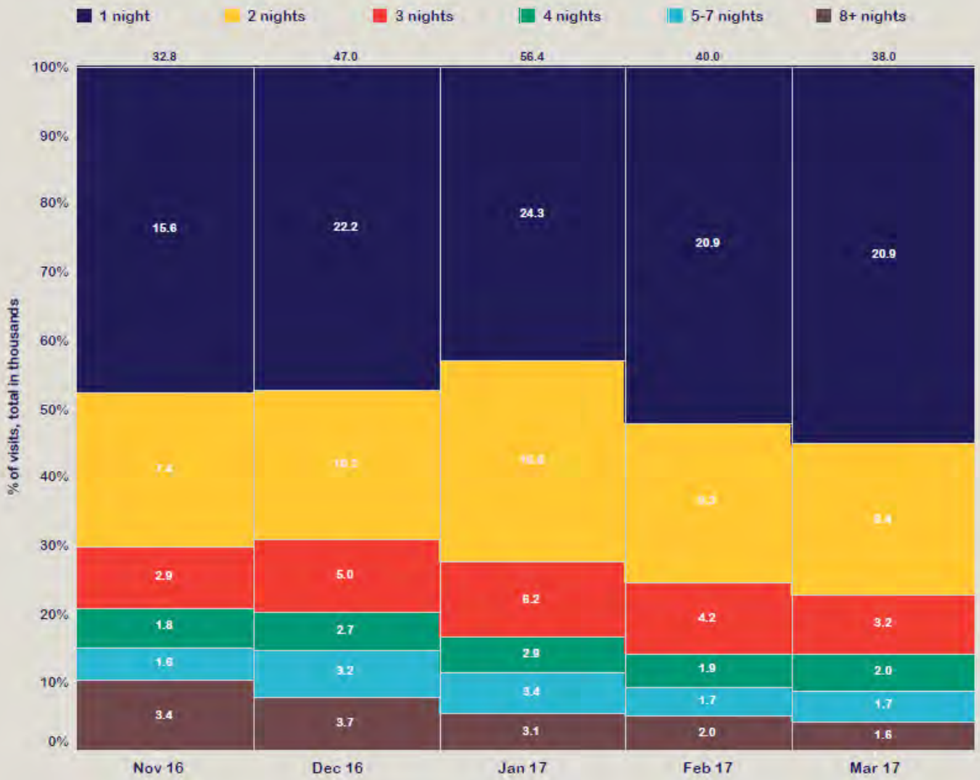
A new residential development on the Rangitahi peninsula is planned to develop up to 250 new homes. It is a long term project requiring the construction of a new bridge. This will significantly add to the town's population and will necessitate and enable new business and support infrastructure in the town.

Attachment B: Qrious Visitors to Raglan (Nov. 2016 – April 2017).



QRIOUS

OVERNIGHT VISITS BY DURATION OF STAY AND MONTH



> Percentages of overnight visits were almost the same over the months

> Over 70% of the visitors stayed 1 or 2 nights. There was an increase of 2 night stay in January probably due the festival

> 10% of visits stayed 8 nights or more and this percentage decreased over the months

Open Meeting

To	Strategy & Finance Committee
From	Gavin Ion Chief Executive
Date	10 November 2017
Prepared by	Lynette Wainwright Committee Secretary
Chief Executive Approved	Y
Reference	GOV1318
Report Title	Exclusion of the Public

1. EXECUTIVE SUMMARY

To exclude the public from the whole or part of the proceedings of the meeting to enable the Strategy & Finance Committee to deliberate and make decisions in private on public excluded items.

2. RECOMMENDATION

THAT the report of the Chief Executive be received;

AND THAT the public be excluded from the meeting to enable the Strategy & Finance Committee to deliberate and make decisions on the following items of business:

Confirmation of Minutes dated Wednesday 27 September 2017

Receipt of Minutes:

- **Audit & Risk Committee dated Friday 22 September 2017**
- **Audit & Risk Committee dated Tuesday 31 October 2017**

REPORTS

a. Economic Development Verbal Update

This resolution is made in reliance on section 48(1)(a) and 48(2)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by sections 6 or 7 of that Act which would be prejudiced by the holding of the whole or the relevant part(s) of the proceedings of the meeting in public are as follows:

Reason for passing this resolution to withhold exists under:	Ground(s) under section 48(1) for the passing of this resolution is:
Section 7(2)(f)(i)(h)(i)(j)	Section 48(1)(3)(a)(d)