

Statement of Intent

Vbase Ltd. Year Ending 30 June 2021



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INTRODUCTION

This Statement of Intent (SOI) is prepared by Vbase Ltd (Vbase) in accordance with Section 64(1) of the Local Government Act 2002.

This SOI specifies the objectives, nature and scope of the activities to be undertaken by Vbase, and the performance targets and other measures by which the performance of the Company may be judged in relation to its objectives.

The SOI is a public and legally required document which is reviewed and agreed annually with the Company's sole shareholder, the Christchurch City Council (Council) and covers a three-year period. This SOI covers the period from 1 July 2020 to 30 June 2023.

Contact details for both the Chair and Chief Executive are at the Vbase registered office:

Address: 81 Jack Hinton Drive
Addington
Christchurch 8024

Telephone: +64 3 339 3599

Website: www.vbase.co.nz

Vbase is a council-controlled trading organisation for the purposes of the Local Government Act 2002

NATURE AND SCOPE OF ACTIVITIES

Vbase is the Christchurch City Council (Council) owned venues and event management company.

The Company owns, manages and operates the Christchurch Town Hall, Horncastle Arena (Arena) and holds venue and/or event management service agreements for the Airforce Museum, Orangetheory Stadium and Hagley Oval.

The purpose and direction of Vbase is aligned with the following Community Outcomes arising from the Council Strategic Framework;

- Strong Communities
- Liveable City
- Healthy Environment
- Prosperous Economy

Vbase undertakes the following activities;

- Venue marketing and event attraction
- Event planning, delivery and venue operations
- Retail and banqueting catering
- Facilities management and maintenance

We believe it is a special privilege to serve the venues and the Christchurch community.

CURRENT POSITION

Vbase is transitioning back to an independently governed and managed Council Controlled Organisation [CCO] having been managed by Council since 2011.

This process commenced in October 2019 and is expected to take 12-18 months to fully complete. It involves the review and reset of the business purpose, direction and plan; the strengthening of leadership, culture and capability; enhancement of systems; and improvement of performance.

Progress to date has included;

- Reset of purpose, strategic direction, objectives and key priorities
- Transfer of all staff from Council to Vbase
- Organisational redesign and appointment of Executive leadership
- Establishment of Human Resources, Finance and Administration functions
- Bringing catering in-house from 1 April 2020
- Investing in Arena technology transformation and digital experience

The decision to end the long-term catering outsourcing contract and to bring catering in-house is significant and will enable local procurement for food and beverage, enhance the client and guest experience and improve financial outcomes.

There are key strategic opportunities and challenges material to the future of the business. These include;

- Severe impacts of COVID-19 on the Vbase business. *This SOI takes account of the impact of COVID-19.*
- Opening of Te Pae in 2021. This will substantially increase venue supply in Christchurch at a time when event demand is contracting. The primary purpose of Te Pae is to grow Christchurch's share of the international conference and convention market however this strategy is increasingly undermined by environmental issues (flight shaming) and boarder restrictions. *This SOI does not factor in a potential shift in focus by Te Pae to the national and local market event market and the associated loss of revenue for Vbase*
- Confirmation Vbase will own and operate Christchurch Multi Use Arena (CMUA) as intended in the Investment Case approved by Government and Council. Vbase will therefore need to resource early engagement in the venue design and build process. *This SOI does not allow for this expenditure which is anticipated to be a CMUA project cost.*
- Extended operation of Orangetheory Stadium to the end of 2024 and the sustainability of the commercial arrangements under which Vbase provides venue management and event day services. *This SOI assumes the status quo and no improvement in commercial arrangements for Vbase.*

COVID-19

Covid-19 has decimated not only the events industry, but the associated hospitality, travel and tourism sectors.

As New Zealand moved quickly through Covid-19 response Alert Levels into a nationwide lockdown, the Company experienced an immediate loss of all event revenues. With long term border restrictions and recessionary economic outlook, the recovery to pre Covid-19 event levels is forecast to take more than three years.

The Government Employer Wage Subsidy enabled the retention of all staff while the longer-term impact and implications of Covid-19 were assessed.

In the short-term the Company shifted its focus from attracting, planning, and delivering events to business survival and recovery. This resulted in the right sizing and repositioning of the business to a leaner, more agile, variable cost model while also continuing with necessary venue repairs, maintenance and improvements to take advantage of the venue and event downtime.

Despite the lower cost base the performance of the Company has been hit hard and is forecast to remain immensely challenging for some considerable time as event revenues slowly recover and venue fixed costs endure.

The Company has sufficient cash reserves along with committed FY21 Council grant funding to sustain operations and fund essential capital expenditure until mid FY22. Funding of the Company beyond this point is subject to consideration by Council as detailed in the Compensation Sought From Council section of this SOI. The Covid-19 impact on Council/CCHL Group profitability is forecast to materially reduce the availability of tax subvention cash receipts by the Company which have historically been a critical source of funding.

The outlook for the events industry is uncertain and unpredictable and the Company is forecasting a long, slow recovery that extends beyond the three-year horizon of this SOI.

PURPOSE AND DIRECTION

Vbase exists to own, manage and operate venues for the Council on behalf of the people of Christchurch. We also manage and operate venues on behalf of other owners in support of the City's post-earthquake recovery.

Our mission is to attract, plan and deliver events and take care of the venues in a sustainable, commercially prudent manner with the aim that the economic, social and cultural benefits deliver a compelling return on investment relative to the whole of life costs of developing, maintaining and operating the venues.

Christchurch's major venues are places for locals and visitors to connect for celebration, education, trade and entertainment.

Our venues exist for **COMMUNITY CONNECTION**, to deliver social, cultural and economic benefits for our community:

- **Social benefits** through inclusion and unity.
- **Cultural benefits** through celebration of identity, pride in us and our City.
- **Economic benefits** through employment, trade, visitor spending and City promotion.

Doing good for our community through the generation of economic, social and cultural benefits is at our very core and the ultimate measurement of success.

We aim to spend cautiously, invest wisely and minimise operating grant funding from Council while at the same time not allowing the latter to materially constrain economic, social and cultural impact. At a minimum the quantifiable economic and social benefits derived from the venues are expected to exceed the whole of life cost of developing, maintaining and operating the venues.

Our people believe it is a special privilege to serve the venues and the community.

OBJECTIVES AND KEY PRIORITIES

Economic Impact – deliver benefits from employment, trade, visitor spending and city promotion

- Attract more commercial and business events and grow event yields
- Seed new event opportunities with local partners
- Leverage the opportunity of the move to in-house catering operations
- Fulfill food and beverage requirements from local sources of supply wherever it is commercially viable

Social and Cultural Impact – deliver benefits from inclusion, unity, pride in us and our City

- Maintain reasonable venue access for local cultural, community and not-for-profit groups
- Attract major ticketed concerts and events
- Support local business through a regional procurement strategy wherever it is commercially viable
- Secure venue naming rights for the city and region through syndicates of local partners with genuine and vested interest in giving back to our community

Client and Guest Experience – great to work with and the venues are great places to visit and enjoy

- Enhance the client event experience journey from contracting to planning, delivery, post event and administration
- Provide a warm, friendly and welcoming venue experience complimented by quality, value for money services and authentic Christchurch and Canterbury hospitality

People and Relationships – a coveted employer and collaborative, respected partner in the success of Christchurch

- Create a culture and capability where our people are enabled to innovate, disrupt the status quo and find new and better ways of delivering value to clients, guests and the community at large
- Develop a holistic approach to wellbeing that supports the mental, physical, social and spiritual health of our people and strengthens the connection between us
- Work with Council, Christchurch NZ and Te Pae to secure more events for Christchurch in the best interests of the community.

Asset Care – take care of the venues day to day and over their whole of life

- Implement long-term asset management and preventive maintenance plans to maintain the value of the assets on the balance sheet

Health and Safety – a culture of safety leadership

- Pursue collective and continuous improvement, enablement and engagement underpinned by quality systems and processes

Sustainability – respectful guardians of our environment for future generations

- Reset environmental sustainability strategy for the entire business to reduce carbon footprint and achieve Council's policy goal of net zero greenhouse emissions by 2045

Legislative Compliance – meet our obligations under relevant legislation and regulations

- Consolidate and centralise control of legislative compliance programs

Risk Management – identify and manage key risks

- Review, reset, maintain and monitor risk registers

Shareholder Relations – nurture a respectful and open relationship in the best interests of the City

- Keep the shareholder fully informed of all material matters
- Operate on a no surprises basis

COMMUNITY

Vbase primarily supports the community by managing and operating the venue assets owned by the people of Christchurch for their economic, social and cultural impact.

The Company also operates non-Council owned venues on behalf of other venue owners in support of the recovery of Christchurch post the February 2011 earthquakes. These arrangements, the most notable of which is Orangetheory Stadium, are both a significant cost to the Company and an important social impact contribution to the community.

At the request of Council, Vbase endeavour to maintain reasonable local cultural and community event access to the Christchurch Town Hall and Horncastle Arena through the provision of discounted venue hire rates. Venue compliance, maintenance and operating costs, particularly in relation to the heritage listed Christchurch Town Hall, is making affordability for these groups more challenging.

GOVERNANCE

The Board is responsible for the strategic direction and control of the Company. The Board guides and monitors the business and affairs of Vbase on behalf of the Shareholder to whom it is accountable within the framework of the purpose, direction and objectives set out in this SOI.

During the initial period of transition back to an independently governed and managed CCO the roles of Chair and CEO have been combined in the temporary position of Executive Chair. A CEO has been appointed effective 1 June 2020 to lead the business and oversee day to management of the Company. The position of Executive Chair will become non-executive from 31 July 2020.

All Directors are required to comply with a formal Code of Conduct, based on the New Zealand Institute of Directors' Principles of Best Practice.

The Chair will conduct a biennial review of Board performance and effectiveness.

PERFORMANCE TARGETS

Financial Performance Targets

The financial performance targets for Vbase are as follows:

	2020/21	2021/22	2022/23
	\$000	\$000	\$000
Direct operating income	9,804	12,501	14,021
Operating grant revenue received from Council	1,500	3,000	3,000
Less: Direct operating expenses	9,538	10,368	10,871
Less: Net operating overheads and fixed costs	4,153	5,638	6,005
EBITDA	(2,387)	(505)	145

The forecast capital structure and ratio of shareholder's funds to total assets for the next three years is:

	2020/21	2021/22	2022/23
	\$000	\$000	\$000
Issued shares and other equity instruments	242,892	248,092	251,692
Debt	15,885	15,885	15,885
Total Assets	207,008	203,897	200,129
Shareholder funds to total assets ratio	81%	81%	81%

The forecast capital expenditure for Vbase owned venues is detailed below:

	2020/21	2021/22	2022/23
	\$000	\$000	\$000
Asset management plan	2,714	4,297	3,168
Operational equipment	580	946	486
	3,294	5,243	3,654

Operational Performance Targets

In addition to the above financial performance measures, Vbase will report to the Shareholder on a quarterly basis the progress against our stated objectives. Vbase will also use the following measures to assess its operational performance:

OBJECTIVE AND STRATEGY	PERFORMANCE MEASURE		
	2020/2021	2021/2022	2022/2023
Economic Impact			
Attract and manage events that generate positive financial impact contributing to a Prosperous Economy, Liveable City and Strong Community as is defined under the Council strategic framework outcomes	Maximise visitor spending by holding at least 6 major ticketed events at Vbase venues ¹ . 'Events Economics Tool' used to estimate visitor spending on a sample of major events	Maximise visitor spending by holding at least 13 major ticketed events at Vbase venues ¹ . 'Events Economics Tool' used to estimate visitor spending on a sample of major events	Maximise visitor spending by holding at least 14 major ticketed events at Vbase venues ¹ . 'Events Economics Tool' used to estimate visitor spending on a sample of major events
Grow catering contribution through enhanced procurement	Implement a local procurement strategy whereby regional ² sourced products and suppliers are prioritised where it is commercially viable	Continuously look to engage new regional ² sourced products and suppliers where it is commercially viable	Continuously look to engage new regional ² sourced products and suppliers where it is commercially viable
Social and Cultural Impact			
Maximise attendance at Vbase venues which contributes to a Liveable City and Strong Community as is defined under the Council strategic framework outcomes	Guests to venues exceed 370,000	Guests to venues exceed 450,000	Guests to venues exceed 530,000
Develop and implement a prioritisation framework to reflect non-discretionary community benefit events.	Prioritisation framework completed	Prioritisation framework updated	Prioritisation framework updated
Make venues available to support local cultural, not for profit and charitable organisations	At least 30 events receive the local cultural rate	At least 40 events receive the local cultural rate	At least 40 events receive the local cultural rate

1 **Major Events are defined as follows:**

Arena: Event attendance > 5000

Orangetheory Stadium: Ticketed events other than Super Rugby and Mitre 10 Cup games

Hagley Oval: International cricket or large ticketed matches such as the Black Clash

- 2 Regional is Christchurch and Canterbury. This can include National or International suppliers if their point of origin is Canterbury.

OBJECTIVE AND STRATEGY	PERFORMANCE MEASURE		
	2020/2021	2021/2022	2022/2023
Client and Guest Experience			
Client Net Promoter Score (NPS ³)	Achieve greater than 40 NPS ³ during the year	Achieve greater than 45 NPS ³ during the year	Achieve greater than 50 NPS ³ during the year
Guest NPS ³	Achieve greater than 40 NPS ³ during the year	Achieve greater than 45 NPS ³ during the year	Achieve greater than 50 NPS ³ during the year
People and Relationships			
Employee NPS ³	Develop a baseline employee NPS ³	Implement an employee NPS ³ target using baseline data	Continuously improve employee NPS ³ year on year
Key business partner NPS ³	Develop a baseline key business partner NPS ³	Implement a key business partner NPS ³ target using baseline data	Continuously improve key business partner NPS ³ year on year
Asset Care			
Ensure assets are maintained at a suitable level for general use at all venues.	The asset management plan (AMP) is reviewed and updated annually, and asset maintenance is compliant with the AMP timetable.	The AMP is reviewed and updated annually, and asset maintenance is compliant with the AMP timetable.	The AMP is reviewed and updated annually, and asset maintenance is compliant with the AMP timetable.
Health, Safety and Wellbeing			
Maintain a comprehensive health, safety and wellbeing strategy	Develop and implement a health, safety and wellbeing strategy	Continuously improve the health, safety and wellbeing strategy	Continuously improve the health, safety and wellbeing strategy
Minimise incidents for visitors	Develop a baseline of number of incidents per total attendees	Implement incident target using baseline data	Continuously improve in order to reduce the incident target year on year
Sustainability			
Contribute to reducing the City's carbon footprint	Develop and implement a sustainability policy and strategy and benchmark carbon footprint target	Reduce carbon footprint	Reduce carbon footprint
Governance			
Report to Shareholder	Meet all Local Government Act (LGA) and Council reporting deadlines.	Meet all LGA and Council reporting deadlines.	Meet all LGA and Council reporting deadlines.

3 Any Net Promoter Score above 0 is 'good' and means that your audience is more loyal than not. A score above 20 is considered 'favourable'. Anything above 50 is excellent and means your organisation has considerably more satisfied customers than dissatisfied ones. An NPS score above 80 is World Class and means customers love you and your company generates a lot of positive word-of-mouth referrals.

ACCOUNTING POLICIES

Vbase has adopted accounting policies that are consistent with New Zealand International Financial Reporting Standards (NZ IFRS), generally accepted accounting practice and the policies adopted by the Christchurch City Council Group.

The Company's detailed accounting policies are available in our most recent annual report for the year ended 30 June 2018, as published in the Council Controlled Organisations section of the Council website, refer <https://www.ccc.govt.nz/assets/Documents/The-Council/Council-Controlled-Organisations/Vbase/Vbase-Annual-Report-2019.pdf>

Our actual accounting policies during the three-year period of this SOI may change as a result of changes to NZ IFRS standards and interpretations.

INFORMATION TO BE REPORTED TO THE SHAREHOLDER

No surprises

Vbase will operate on a 'no surprises' basis in respect of significant Shareholder related matters, to the extent possible in the context of commercial sensitivity and confidentiality obligations. Any sensitive issue that may result in media enquiry will be communicated to the Shareholder as soon as possible.

The Board aims to ensure the Shareholder is informed of all major developments affecting the Company, while at the same time recognising commercial sensitivity may preclude certain information from being made public. Within this constraint, information is communicated to the Shareholder through periodic reports, occasional briefings, regular reports and informal updates on important issues.

Local Government Act 2002 reporting requirements

Vbase will provide information requested by the Shareholder in accordance with the requirements of the Local Government Act 2002.

An Annual Report will be submitted to the Shareholder. The Annual Report will include audited financial statements and such other details as are necessary to permit an informed assessment performance and financial position of the Company during the reporting period provided to the Shareholder.

Half Yearly Reports will also be provided to the Shareholder. These reports will contain unaudited information and comply with NZ PBE IPSAS 34.

The SOI will be submitted to the Shareholder for consultation annually, as required by the Local Government Act 2002. The Directors will include any other information they consider appropriate and where it is necessary, due to significant changes, revised forecasts will be submitted to the Shareholder.

Other Reporting

Quarterly Reports will also be provided to the Shareholder, which will include the financial and non-financial performance of the Company.

ESTIMATE OF COMMERCIAL VALUE

The Shareholder has recorded the value of its investment in Vbase Ltd as \$151.6 million as at June 2019 and this is considered an appropriate estimation of the commercial value of the Company.

COMPENSATION SOUGHT FROM COUNCIL

At the request of the Shareholder, Vbase may undertake activities that are inconsistent with its commercial objectives. Specific financial arrangements will be entered into to meet the full cost of providing such activities.

Vbase may from time to time provide venue or event management services to Council or for the benefit of ratepayers and Christchurch as a whole. Previous examples include Cricket World Cup, FIFA U20 World Cup and Aroha Nui (You Are Us) concert. On such occasions Vbase will agree with Council any appropriate charges or reimbursement for the services provided.

Public assembly venues such as town halls, entertainment and sporting arenas, and stadia exist to deliver economic and social benefits to their communities. The whole of life costs of developing, maintaining, operating and refurbishing these types of assets is a significant investment by the local authority. The operator of these assets is fully funded for asset development and care and will require some form of operating subsidy to ensure market competitiveness in event attraction and community access.

Funding for operations and finance (debt servicing)

Vbase has secured from Council annual operating and debt financing grant funding of \$2.5 million for the first year of the SOI period. Vbase intends to apply for, via the Council Long Term Plan and Annual Plan application process, an amount of \$4.0 million for the 2022 and 2023 years.

The operating grant reflects high fixed costs associated with the venues particularly insurance, building compliance and venue repairs/maintenance that are unable to be fully recovered from forecast trading. In addition to this, there are significant ongoing unrecovered costs and foregone revenue associated with managing and operating Orangetheory Stadium for the Christchurch Stadium Trust beyond that venues intended lifespan.

The financing grant is to service interest only on debt that remains on the Company's balance sheet from the redevelopment of AMI Stadium/Lancaster Park in 2008-2010.

	2021	2022	2023
Operating grant	\$1.5 million	\$3.0 million	\$3.0 million
Debt financing grant	\$1.0 million	\$1.0 million	\$1.0 million
Total operating and finance funding	\$2.5 million	\$4.0 million	\$4.0 million

Funding for capital expenditure

Vbase intends to apply for, via the Council's Long-Term Plan process, an equity injection of \$5.2 million in 2022 and \$3.6 million the 2023 year. This is for necessary upgrades to Horncastle Arena in support of the Asset Management Plan and replacement of operational equipment that has reached end of life.

The Arena is 21 years old and in a period requiring significant asset renewal and improvement to maintain the quality, safety and functionality of the asset.

The assessment of operational equipment replacement has taken into consideration the impact of the planned Canterbury Multi Use Arena, the intention Vbase operate this venue and that it becomes the operational base for the business including the main catering production kitchen. This has reduced the need for Arena equipment capex over the three year horizon of this SOI.

	2021	2022	2023
Equity Injection	\$0	\$5.2 million	\$3.6 million

ACQUISITION/DIVESTMENT AND OTHER SIGNIFICANT TRANSACTIONS POLICY

The subscription or acquisition of securities in any company or organisation, or a divestment of part of the existing business, will only be considered where it is consistent with the long term strategic and commercial objectives of Vbase.

When the subscription, acquisition or divestment is considered by Directors to be significant to Vbase business operations, it will be subject to consultation with, and where required approval of, the Shareholder.

Major transactions as defined in the Companies Act 1993, s129(2), will be subject to Shareholder approval by special resolution.

DISTRIBUTIONS

During the period of this SOI Vbase will not return capital funds to its Shareholder.