

GREAT LAKE TAUPŌ

Gareth Green
Chief Executive Officer
Taupo District Council
46 Horomatangi Street
Taupō 3330

26 February 2018

Dear Gareth

Draft Statement of Intent

Please find attached the draft Statement of Intent for Destination Great Lake Taupo. In accordance with the Trust Deed and Local Government Act requirements the draft is due with Taupo District Council at the end of February 2018, so that it can be considered formally by Council, and any comments provided in advance of May 2018.

The board looks forward to the opportunity to discuss the draft with Councillors at the workshop on Tuesday 27 March 2018.

Yours sincerely

Ray Salter
Chairman
Destination Great Lake Taupo Board

Destination Great Lake Taupō

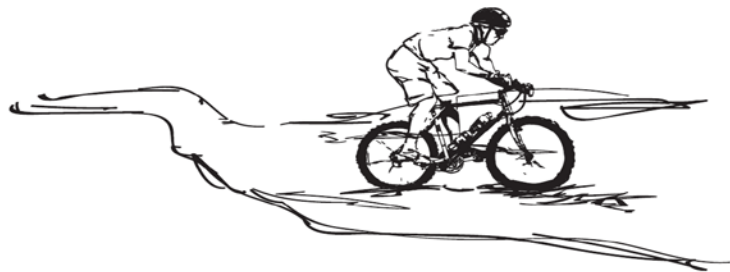
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In association with





**DESTINATION
GREAT LAKE TAUPŌ**
STATEMENT OF INTENT 2018-2021



GREAT LAKE TAUPŌ

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1. INTRODUCTION

Destination Great Lake Taupō (DGLT) is a Council Controlled Organisation (CCO) for the purposes of the Local Government Act 2002. It has no subsidiaries and is a not-for-profit organisation.

DGLT is governed by a Board appointed by the Taupō District Council (TDC) under the Trust Deed (6 September 2010) establishing the CCO. DGLT is funded largely by a grant from the TDC, on behalf of Taupō District ratepayers, along with revenue from sales through i-SITES and industry contributions to various marketing initiatives.

This Statement of Intent (SOI) sets out DGLT’s strategic direction for 2018 -2021. It illustrates how DGLT will contribute to Taupō District Council’s newly adopted Economic Development Strategy, reflecting the expectations of both ratepayers and industry, and describes the context within which the organisation operates. It explains how DGLT will achieve its outcomes through its activities and initiatives, and shows how progress towards these outcomes will be measured.

The role of DGLT is to ensure that the Great Lake Taupō district¹ is marketed as a visitor destination so as to maximise the long-term benefits to the Taupō district economy for the benefit of ratepayers. This marketing effort generates direct benefits for the local tourism industry, and also has a broader benefit for retail, hospitality and most other services in the district economy. DGLT’s specific function is to develop, implement and promote the destination to attract increased numbers of visitors, and to encourage visitors to stay longer and spend more.

The National Visitor Strategy:

In 2014, the Tourism Industry Aotearoa released Tourism 2025, a strategic planning document designed to align the industry nationally towards one common goal of growing tourism expenditure / yield to \$41 billion by 2025. The document outlines the need for a focus across the following key areas:

- **Productivity** – With a focus on addressing seasonality and ensuring the right capability and skills sit within the industry
- **Visitor Experience** – Continuing to provide a great visitor experience
- **Connectivity** – Especially air connectivity
- **Target** – Improving yield
- **Insight** – Making sure we have good data.



The tourism forecasts 2017-2023 project New Zealand will exceed the international expenditure target, at 6.2 percent growth per year to 2023. Visitor arrivals to New Zealand are expected to grow 4.8 percent a year, reaching 4.9 million visitors in 2023 from 3.5 million in 2016. Total international spend is expected to reach \$15.3 billion in 2023, up 52 percent from 2016.

¹ Taupō District refers to the entire region incorporating Taupō, Turangi and Mangakino

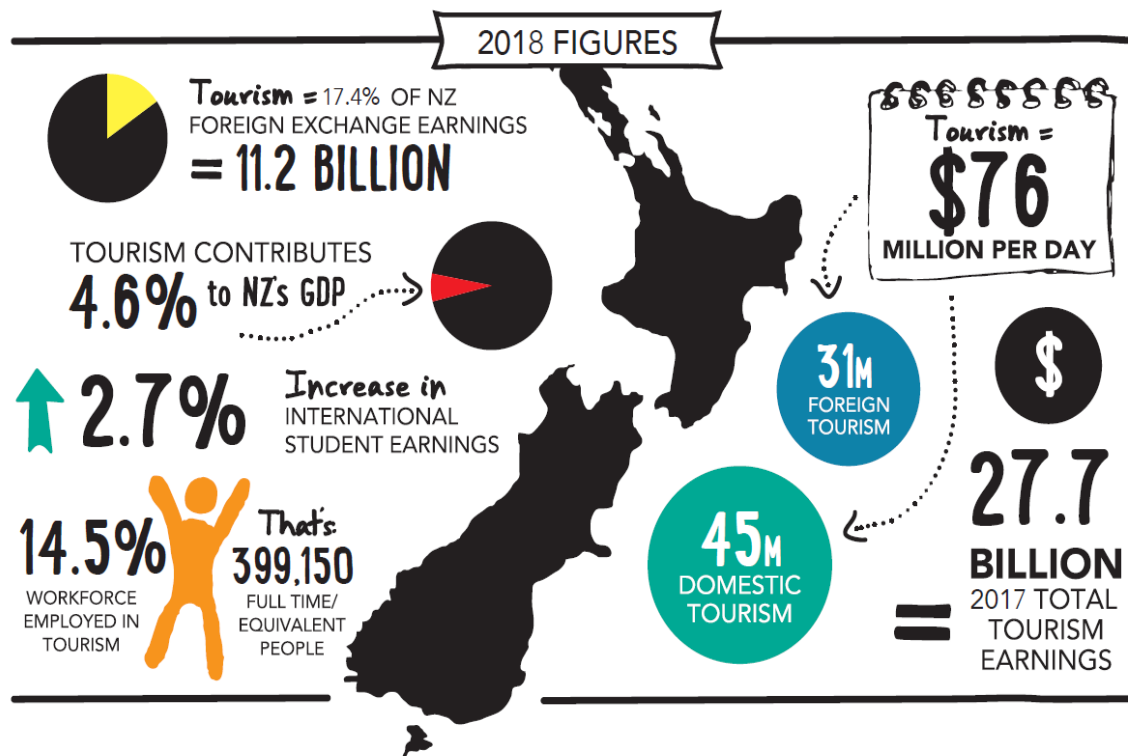
Progress to date:

The scorecard so far is somewhat mixed, with strong growth in international arrivals and spend due mainly to the opening of new airline routes and new airlines flying into New Zealand, however the effects of this are not being felt throughout the entire country. Regional dispersal and reducing seasonality are two of the key pillars of the productivity target, and they are not yet being achieved, although significant work is going into this challenging area. The remaining targets of yield, visitor satisfaction and connectivity are certainly being achieved, and MBIE are constantly improving the data sets available, so that robust decision making can be undertaken. Tourism Industry Aotearoa have also released a web tool called DGiT, which is helping to fill the gap on domestic tourism research.

On the positive side:

- Spending by international tourists in New Zealand in the year ended December 2017 was \$14.5 billion – a decrease of 0.9% percent. The number of short-term international visitors increased 8.9% over the same period.
- Domestic tourism spending increased 4.0% to \$21.4 billion.
- Total tourism expenditure increased 6.0% to \$27.7 billion, following a 5.8% increase in the previous year.
- International tourism expenditure contributed 20.7% to New Zealand's total exports of goods and services.
- Tourism generated a direct contribution to GDP of \$11.3 billion – 4.6% of GDP.
- The indirect value added of industries supporting tourism generated an additional \$11.3 billion for tourism – 4.6% of GDP.
- 399,150 people were directly employed in tourism – 14.5% of the total number of people employed in New Zealand.
- Tourists generated \$3.3 billion in GST revenue.

Our Aspirational National Goal is to Grow Tourism to: **\$ 41 BILLION BY 2025**



Source: Tourism Industry Association of New Zealand

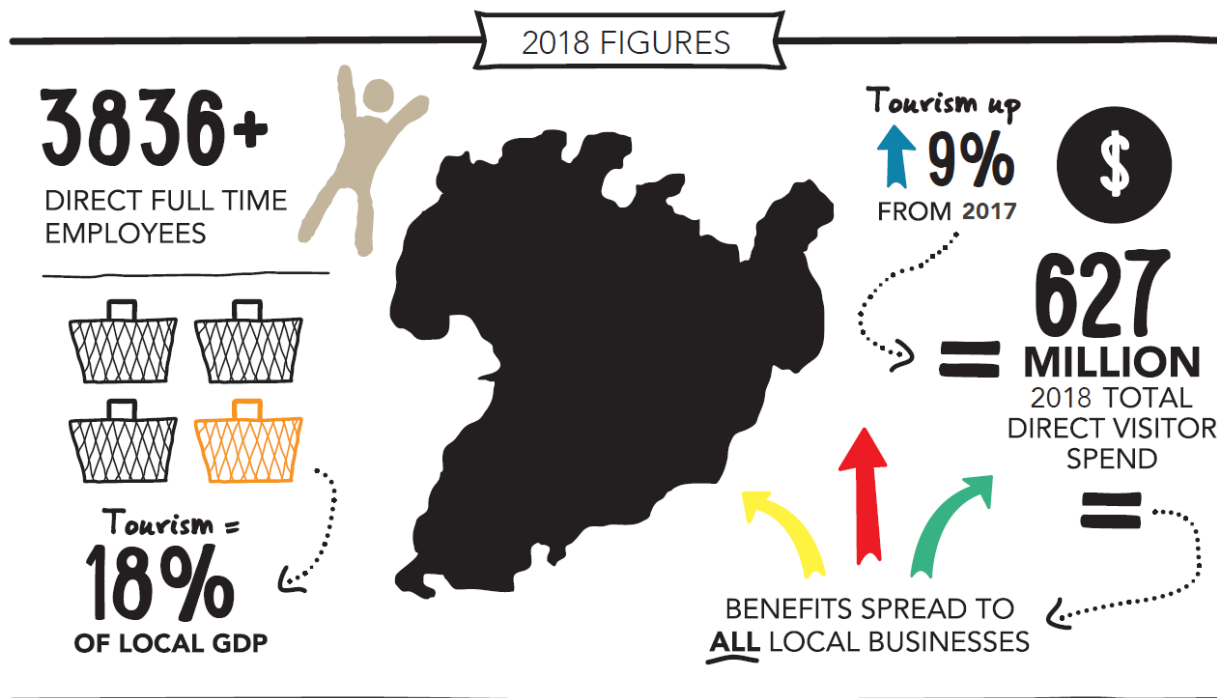
The Great Lake Taupō proposition:

In 2018, DGLT estimates that the Taupō District experienced just over 3.4 million guest nights, using a combination of private and commercial accommodation. This comprises approximately 2.2 million domestic nights, and 1.2 million international nights. Roughly one third of guest nights are in commercial accommodation, with the remainder in private accommodation.

Tourism makes a major contribution to the overall economic and social fabric of the Great Lake Taupō district.

- Data released by the Ministry of Business, Innovation and Employment (MBIE), indicates a total direct visitor spend for the district of approximately \$627 million for the year ending December 2017.
- Spending by domestic visitors accounts for \$424 million (or 68%), while international visitors account for \$203 million.
- Tourism’s contribution to the local GDP is estimated at 18%².
- Tourism remains the largest employment sector in the region, with 3836 direct full time equivalent employees (FTEs); when indirect employment related to tourism is added this rises to 5453 FTEs³.

Our Aspirational Regional Goal is to Grow Tourism to: **\$ 800 MILLION BY 2026**



² Source – Economic Impact of Tourism Spending on Taupō Economy – December 2017: Note, in 2017 Taupō District Council changed the source of its economic reporting from the Economic Monitor produced by Sean Bevin to the report produced by Infometrics. These two reports use a different methodology and the data above is therefore different to the 2017-2020 SOI.

³ Source – Economic Impact of Tourism Spending on Taupō Economy – December 2017

2 GREAT LAKE TAUPŌ – THE NEXT BIG THING!

The Great Lake Taupō Strategy Journey

In the mid 2000's a tourism strategy was developed to position Great Lake Taupō tourism through to 2016 (2006-16 Tourism Strategy). There was a perception of declining performance in both the domestic and international markets. The vision was that "...the Lake Taupō District would be recognised for its identity founded on the iconic and unique volcanic features of the lake and mountains, as well as its cultural history and people." DGLT has been progressively working to implement that strategy.

In 2016 the DGLT board reviewed and updated our strategy – to ensure that our tourism industry has a strategic approach that is current and which also provides a clear vision for the future. In August 2016, the DGLT board adopted a new 2016-2026 Strategic document – "*Great Lake Taupō – The next big thing*". Our vision is that Great Lake Taupō will be 'the North Island holiday destination'.

We have reviewed our destination from both a domestic and international visitor perspective:

Our domestic market

The Taupō district is well recognised domestically, but we can grow this through innovative approaches to marketing and creating aspirational reasons to visit and thus achieve our vision.

Domestic visitation remains the driver of tourism in the district, accounting for approximately 65-70% of both visitation and spending. Our largest market is Auckland by a significant margin, followed by Waikato, Wellington and Bay of Plenty. Our central location means we get good visitation from the entire North Island, however, the district is almost exclusively a North Island destination, due largely to the lack of direct air connectivity to the South Island.

While Great Lake Taupō is well known by most New Zealanders as a holiday destination, there is increasing competition from other New Zealand regions and from offshore locations. Our district remains strong in the family market but the challenge is to ensure a Great Lake Taupō holiday has 'brag factor' and appeals to a wider market. The additional markets that this strategy will target include couples, groups and baby boomers, to improve seasonality and increase yield. The 'new New Zealander' domestic market of predominately Chinese and Indian immigrants living in Auckland will also be a focus.

However, the visitor mix is diverse across the district, with different types of visitor between Taupō, Mangakino and Turangi. We will therefore need to ensure that a diversity of visitors is retained so that small settlements such as Turangi don't lose ground.

While the town of Taupō has proximity to Tongariro National Park and Whakapapa Ski Area, we have not historically positioned it as a winter/ski destination. The southern settlements (Motuoapa, Turangi, Tokaanu, Omori/Pukawa/Kuratau) have benefited from some 'ski' visitation, but the ski area has largely developed over time around club or on-mountain accommodation. 'Snow play', as opposed to the traditional winter sports of skiing and snowboarding, is now becoming popular. There is a real winter opportunity for all parts of the district to pursue around these winter activities, by positioning the district, particularly Taupō, as the resort town for Whakapapa ski field.

Our international market

Our vision is that we will have stronger brand recognition internationally. Our goal is to lift the profile of the district so we become part of the must-do itinerary for international visitors. To do this we will need to become more active in our international marketing and we will need an expanded offering of experiences.

The number and importance of international visitors has grown over the last 10 years. Our largest market is UK/Europe, followed by Australia, and then the US. Chinese visitors are increasing rapidly and are becoming an important source market (albeit still significantly behind traditional western markets).

Further product development, and increased international marketing (alongside surrounding regional tourism organisations) is required if the Great Lake Taupō district is to significantly grow international visitor volume, grow other markets, or increase

visitation outside summer/peak periods. There is real potential to increase the profile of the district offshore, and to increase the Great Lake Taupō presence in itineraries prepared by travel wholesalers. This would significantly increase and diversify international visitation.

Our aspiration is to significantly grow the scale and profitability of the region's tourism while maintaining acceptance and integration of visitors into the community.

3 PRINCIPAL OBJECTIVES

There are two main groups of objectives covered in this Statement of Intent:

- A series of objectives aimed at implementing the vision in the 2016-2026 strategic document (the focus of our work)
- A series of objectives around DGLT Trust operations (the way we work).

3.1 Our focus - Establish Great Lake Taupō as 'THE North Island holiday destination', centred around our natural environment and attractions.

We have identified four objectives in our 2016-2026 Strategic Document:

3.1.1 *Diversify what we do to grow both domestic and international visitor numbers.*

Domestic tourism is growing but there is competition for these visitors both within NZ and from long haul destinations. Whilst we are already a strong family destination, there is great potential for growth in couples and new New Zealanders. NZ is experiencing high growth in **international** arrivals and we need to ensure we are getting our share of this growth. Key growth markets include Australia, the US, China and India.

3.1.2 *Create a thriving year-round tourism destination by filling capacity in quieter times and locations.*

We will continue to market the Great Lake Taupō region as a short break destination, but we will also work to lengthen the perceived summer season by targeting marketing activities at Oct/Nov and March/April. We will promote a winter holiday focus with links to ski, snow and après ski experiences. We will grow international markets by increasing awareness of the destination through increased activity with the travel trade. We will also attempt to grow visitation for Turangi through a more targeted approach.

3.1.3 *Encourage and support new investment in product development.*

Thoughtful, strategic and quality investment will significantly enhance attractions, increase the vibrancy of our towns and strengthen our market reach. New product is key to providing reasons to visit at all times of the year and fill periods when there is capacity in the region, and to making sure our offerings are well suited to existing and future target markets.

This means working with both existing operators, new investors and Enterprise Great Lake Taupō to support new product development, further monetise existing attractions and market existing attractions to the travel trade. This will include a specific focus on Turangi, work alongside Ngati Tuwharetoa to develop cultural product and a focus on additional soft adventure/wet weather attractions.

3.1.4 *Ensure the destination meets future challenges and encourages development opportunities.*

Whilst this strategy is largely about growth and change, Great Lake Taupō is already a must-visit summer destination, particularly for families and international backpackers. It is critical that we don't take our eye off these areas.

Given the aspiration for both rapid and significant growth in visitors, Great Lake Taupō as a destination must also be engineered to deal with the development challenges and opportunities that will arise. The growth trajectory is positive, but we need to ensure we continue to deliver a world class experience to increasing numbers of domestic and international tourists.

3.2 Our approach - Run an efficient and effective regional tourism organisation, strongly supported by the local tourism industry.

Our other key objectives are around the efficiency and effectiveness of the organisation. We have identified two objectives:

3.2.1 Take industry with us, and work collaboratively

On-going effective industry and stakeholder communication is vital to ensuring that the district operates as a coherent whole. DGLT will continue to actively engage with operators and stakeholders throughout the strategy implementation.

3.2.2 Be fiscally responsible in the way we do business

DGLT will focus on responsible business practice, cost efficiencies and sustaining revenue streams in conjunction with marketing programmes.

4 FOCUS OF ACTIVITIES FOR 2018/19

DGLT has planned for a continuation of business as usual activity for the 2018/19 year.

Business as usual activity (funded under current resourcing levels) includes the following:

- Planning and delivery of destination marketing programmes that grow the inbound visitor market (including both domestic and international visitors) to the Great Lake Taupō district jointly with operators and other groups
- Promotion of the district to the international market collaboratively with the Explore Central North Island grouping of regional tourism organisations and with Tourism New Zealand
- Provision of tourism market information and insights as appropriate for operators to assist in their marketing initiatives
- Work with local, national and international media to gain maximum positive exposure for the district
- Provision of regional visitor information that enables our key markets to make decisions on holidays in Great Lake Taupō
- Operation of the two i-SITEs within the Great Lake Taupō district
- Convention and incentive marketing and facilitation of business conversion
- Delivery of trade and media familiarisations to build profile and opportunity
- Active involvement in discussions about infrastructure and destination management projects
- Representation of the district at tourism trade shows
- Management of greatlaketaupo.com and other digital marketing functions
- Event marketing and leveraging the visitor opportunities around events
- Planning and delivery of joint marketing activity for Turangi and Mangakino
- Work alongside Ngati Tuwharetoa to interpret and promote cultural stories
- Professional development / capability building for operators

Changes to status quo activity for 2018/19 include the following:

Taupō District Council has produced a draft Long Term Plan which includes the following changes in relation to economic development funding (for 2018/19):

- Separation of the funding for marketing and i-SITE operations so that there are two separate grants (with less co-dependency). Also, an increase to i-SITE funding in recognition of the increasing costs of this service (caused by declining revenue).

A fixed funding environment over a number of years, combined with a need to increase international activity, has resulted in some erosion of domestic and conference/incentive marketing. A separation of i-SITE funding, and an increase in i-SITE funding to mitigate decreasing revenue, will enable some reinstatement of domestic/direct to consumer marketing activity. This will be largely deployed in to digital marketing.

- A renewal of funding to enable continuation of winter/ski campaign activity with Tourism NZ, RAL and Auckland International Airport.

In March 2017 Taupō District Council agreed to provide an additional funding allocation per annum for an Australian winter marketing campaign in conjunction with Tourism New Zealand, Ruapehu Alpine Lifts and Visit Ruapehu. Ruapehu Alpine Lifts is planning \$100 million of investment at Whakapapa Ski Field over the next few years, and with a plan that will transform the visitor experience on the mountain. As part of this development RAL has identified that it needs to reorient and position alongside Taupō as the primary winter resort town to service visitors to the mountain and especially for international visitors. This marketing campaign is being led by Tourism NZ and is designed to raise awareness of the North Island ski proposition and significantly shift both skier days and visitor expenditure. DGLT is anticipating that this funding will be retained in the Long Term Plan, enabling this activity to be retained for 2018/19 and then onward to 2021. The funding is provided directly to Tourism NZ by Taupō District Council and DGLT will support this campaign activity with its own activity and resourcing.

DGLT will support these changes via the submissions process. For the purposes of this SOI DGLT has assumed that the funding changes in the draft Long Term Plan will be retained following the submissions and then deliberations process.

5. FOCUS OF ACTIVITIES FOR 2019/20 AND 2020/21

DGLT has not programmed full implementation of the Strategic Plan in 2018/19, recognising what is possible with funding limitations. Work/actions have been prioritised into 2019/20, 2020/21 and beyond.

For our international markets, we will focus work in 2019-2021 to continue/expand work in Australia (in support of the Tourism NZ campaign activity), plus we will do more marketing with the inbound travel trade around the US. We are prioritising this activity ahead of work offshore targeting UK/Europe, China and India.

Work will be required in the 2019-2021 period in the area of product development, to support new activities and infrastructure to meet the needs of new and emerging markets. Work will also be required to ensure the destination is 'China ready', including supporting operators and increasing the amount of translated content available in the region. Chinese visitation to the district is increasing rapidly, but still off a low base. To be prepared for growth from this market, we will need to ensure that Taupō as a destination is able to generate the visitor feedback that will in turn generate repeat business and ensure that it is a "must visit" destination. This means local actions to build capability among industry, signage and collateral development and training/knowledge investment. Such work would need to occur in partnership with Enterprise Great Lake Taupō, the Chamber of Commerce and Industry, Town Centre Taupō and Taupō District Council.

In the future, if either of the Taupō or Turangi i-SITE buildings are replaced, significant work will be required for new fit out and displays. Given recent upgrades in both centres no capital work has been programmed in either building over the period 2018-2021.

Significant work will be required alongside Go Tongariro, the Turangi community and Enterprise Great Lake Taupō to implement any actions arising out of the Turangi Economic Assessment, but at this stage there is no additional resourcing for this purpose.

As the Tuwharetoa treaty settlement occurs it is likely that significant work will be required to realise their tourism aspirations, but at this stage specific projects are unclear.

6. PERFORMANCE AND OTHER MEASUREMENTS

6.1 Analysis of performance against principal objectives:

Performance against the principal objectives shall be assessed using the following success measures.

Objective 1 – Establish Great Lake Taupō as ‘THE North Island holiday destination’, centred around our natural environment and attractions					
As measured by	Data sources	Baseline data	YE 2017-18	YE 2018-19	YE 2019 - 20
<i>Growth in tourism expenditure</i>	Monthly Regional Tourism Estimates	Total direct tourism expenditure of \$627M for year ended December 2017. Based on \$424M domestic and \$203M international.	4.8% annual growth	4.8% annual growth	4.8% annual growth
<i>Visitor experience / satisfaction.</i>	Annual AA Travel Monitor	2017: Net promoter score to be released next quarter 2016: Net promoter score of 49 2015: Net promoter score of 44	Net promoter score of 49	Net promoter score of 49	Net promoter score of 49
Objective 2 - Run an efficient and effective regional tourism organisation, strongly supported by the local tourism industry.					
As measured by	Data source	Baseline data	YE 2017-18	YE 2018-19	YE 2019 - 20
<i>Visitation numbers in the Taupō and Turangi i-sites</i>	i-SITE door counters	Achieved 291,244 visits to Taupō and Turangi i-SITES. Taupō i-SITE: 194,610 visits Turangi i-SITE: 96,634 visits	Achieve 260,000 visits to Taupō and Turangi i-sites	Achieve 240,000 visits to Taupō and Turangi i-sites.	Achieve 220,000 visits to Taupō and Turangi i-sites.
<i>Support for DGLT collateral</i>	Number of operators advertising on www.GreatLakeTaupo.com Number of operators with brochures in the Taupo and Turangi i-SITES.	861 listings on www.GreatLakeTaupo.com . 212 Local operators stocking brochures in the Taupo and Turangi i-SITES.	Listing numbers maintained or growing.	Listing numbers maintained or growing.	Listing numbers maintained or growing.

<i>Support for DGLT marketing initiatives</i>	<i>Measured by free of charge or in-kind support for marketing promotions activity.</i>	Estimated at \$86,000 based on DGLT recording	\$60,000 free of charge or in-kind support for marketing activity	\$70,000 free of charge or in-kind support for marketing activity	\$80,000 free of charge or in-kind support for marketing activity
<i>Stakeholder satisfaction.</i>	<i>Annual Visitor Industry Survey</i> <i>Maintaining consistency is set as the primary performance target</i>	2017: 82.6% Industry satisfaction score. 2016: 92% Industry satisfaction score 2015: 89% Industry satisfaction score 2014: 77% Industry satisfaction score	85% Industry satisfaction score	85% industry satisfaction score	85% industry satisfaction score

6.2 Rationale for performance measures:

This 2017 SOI adopts a new performance measure around growth in tourism expenditure. The purpose of this measure is to track spending as an overall measure of visitor numbers and economic benefit from tourism. This will be tracked through the Monthly Regional Tourism Estimates. This is a dataset published monthly by the Ministry of Business, Innovation and Employment, and it provides an estimate of monthly regional tourism spend. We have adopted a growth target of 4.8% annually. This is consistent with the DGLT Strategic Document, which lists increased tourism spend as the key performance indicator. The strategic document identifies a performance target of \$800 million by 2026, based on a 4.8% increase year on year.

The annual AA Travel Monitor has been retained to measure visitor experience/satisfaction with the destination. The key measure is the net promoter score. The net promoter score for 2017 has been retained as the measure for 2018/19.

We have retained the i-SITE door count as a measure, but under Objective 2. The performance target is a reduction in visitation below current levels. Trends around i-SITES nationally suggest that many are struggling to maintain visitation and profitability (due to competition from digital devices/booking sites). Therefore, the performance target is based on reducing market share and performance over time, rather than predicting significant growth. On the basis of this declining visitation, we believe this measure is better categorised as a measure of the effectiveness of the organisation (as opposed to Objective 1 which measures the success of DGLT work to attract visitors).

A new measure was included in 2017 to track support for DGLT collateral. This is to be retained in 2018. DGLT will track the overall number of operator listings on the website and in the i-SITE. This provides a way to measure the number of operators and the value they place in our marketing material (irrespective of the size of their business).

An additional measure is included to capture 'free of charge' or 'in-kind' contributions by industry. The estimated contribution from the 2017/18 financial year has been added as a benchmark and used as the target for 2018/19. As growth occurs, we anticipate that this level of contribution will increase. As a result, the target increases for 2018/19 and 2019/20.

6.3 Changes to performance measures from 2017-2020 SOI:

Changes have been included in performance measures for the 2018-2021 Statement of Intent, reflecting changes to data sets available nationally and the changes outlined in the new DGLT Strategic Document.

In 2017/18 DGLT monitored tourism spending using both the Monthly Regional Tourism Estimates (MRTEs), and the quarterly Marketview report, which tracks electronic card retail transactions (but excludes cash, hire-purchase and online methods of payment). Marketview data is now being incorporated as part of the MRTEs, so it is a duplicate to track/report against both measures. On this basis, the Marketview data/performance metric has been deleted from the SOI.

DGLT has deleted the performance measure around i-SITE costs (as measured by net i-SITE expenditure over income) in favour of measuring i-SITE door count. The i-SITE financial performance is measured elsewhere via the annual report.

7. COLLABORATION WITH LOCAL AGENCIES

Destination Great Lake Taupō's mandate is to attract more visitors however this is more effective for a district of our size if we work together with other partner organisations.

Regional / national relationships

Outlined below are diagrams of the regional and national DGLT operating environment:

PARTNER COLLABORATORS	GOAL
Surrounding Regional Tourism Organisations	Attracting visitors to surrounding districts
Explore Central North Island group	Working collaboratively to attract international visitors to the thermal explorer and pacific coast highways
Central North Island Group Bike Trade Marketing Group	Working collaboratively to attract (domestic and international) bikers to the trails of the central North Island
Tourism New Zealand	Marketing New Zealand
Tourism Industry Aotearoa	Tourism advocacy and support to members
Tourism Export Council	Advocacy and support to the travel trade / travel wholesalers
Inbound travel operators and destination management companies	Working with overseas agents, and directly with consumers, to promote New Zealand
Regional Tourism Organisations of NZ (RTONZ)	Membership organisation for Regional Tourism Organisations
Air NZ (and other airlines)	Working alongside Tourism NZ to promote travel to NZ
Conference and Incentive NZ	Promotion of NZ for conferences and incentive travel
Ministry of Business Innovation and Employment (MBIE)	Monitoring of tourism issues and collection of tourism data
Bay of Connections	Regional Economic Development agency for Bay of Plenty Region
Waikato Means Business	Regional Economic Development agency for Waikato Region

Local relationships

Outlined below are diagrams of the local operating environment:

PARTNER COLLABORATORS	GOAL
Destination Great Lake Taupō	Attracting visitors to the district, increase yield
Tourism operators	Attracting visitors to local tourism businesses
Tuwharetoa Maori Trust Board	Custodians of key Ngati Tuwharetoa assets, including permitting of filming/photography on those assets
Department of Conservation	Management and protection of natural resources, including permitting of filming/photography on conservation estate
Tourism Lake Taupō	Advocacy for tourism development
Taupō Airport Authority	Inbound and outbound air capacity
Enterprise Great Lake Taupō	Encouraging new business and creating jobs
Go Tongariro	Attracting visitors, encouraging new business and creating a vibrant town centre.
Mangakino business community	Attracting visitors, encouraging new business and creating a vibrant town centre.
Chamber of Commerce	Working throughout the community for better business in the district
Towncentre Taupō	Getting locals & visitors spending more in town
Taupō District Events	Attracting event visitors to the district
Bike Taupō	Promoting cycling and advocating for better cycle tracks and services
Taupō District Council	Development of infrastructure to support tourism

8. FINANCIAL DISCLOSURE

8.1 *Reporting entity*

The Trust is a legal entity. The Board has authority to govern Destination Great Lake Taupō (DGLT) under the terms of this Statement of Intent as delegated to it by Council. It seeks to manage its activities in 2018/19 within the base funding allocation provided by Council as in the attached Statement of Comprehensive Revenue and Expense.

8.2 *Accounting policies and basis of preparation and compliance*

These Prospective Financial Statements have been prepared for Destination Great Lake Taupō in accordance with the Local Government Act 2002 and therefore also comply with PBE IPSAS. The primary objective of the Trust is to promote the Great Lake Taupō region to the domestic and international visitor market with the specific intention of growing this market, rather than making a financial return. Accordingly, the Trust has designated itself as a public benefit entity for the purposes of PBE IPSAS.

The prospective financial statements are prepared using the historical cost basis except for certain classes of asset and liability which are recorded at fair value. These are detailed in the specific policies below.

The prospective financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of the Trust is New Zealand dollars.

The accounting policies set out below have been applied consistently to all periods presented in these prospective financial statements. The following accounting policies, which materially affect the measurement of results and financial position, have been applied.

8.3 *Goods & services tax*

The financial statements have been prepared on a goods and services tax (GST) exclusive basis, except for trade and other receivables and trade and other payables.

8.4 *Revenue recognition*

All grants (including the grant from Taupō District Council) and bequests received, including non-monetary grants at fair value, shall be recognised when there is reasonable assurance that:

- the entity will comply with the conditions accounting to them; and
- the grants will be received.

Grants and bequests, other than those related to assets, shall be recognised as revenue over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Grants and bequests of assets are recognised as revenue when control over the asset is obtained.

Any grants and bequests received without conditions are recognised when control over the asset is obtained.

If there are obligations in substance to return any grants or bequests if conditions of the grant are not met, then the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as revenue.

The main sources of exchange revenue for the Trust are joint venture revenue from the industry to support marketing initiatives, and revenue derived through the i-SITES.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from any services rendered is recognised in proportion to the stage of completion of the transaction at the balance date. The stage of completion is assessed by reference to surveys of work performed.

Interest revenue is recognised as it accrues, using the effective interest method.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

8.5 Leases

Leases in which substantially all of the risks and rewards of ownership transfer to the lessee are classified as finance leases. At inception, finance leases are recognised as assets and liabilities on the Statement of Financial Position at the lower of the fair value of the leased property and the present value of the minimum lease payments. Any additional direct costs of the lessee are added to the amount recognised as an asset. Subsequently, assets leased under a finance lease are depreciated as if the assets are owned.

Operating lease payments

Payments made under operating leases are recognised in the Statement of Comprehensive Revenue and Expense on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Comprehensive Revenue and Expense as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term, so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, foreign exchange losses, and losses on hedging instruments that are recognised in the Statement of Comprehensive Revenue and Expense. The interest expense component of finance lease payments is recognised in the Statement of Comprehensive Revenue and Expense using the effective interest rate method.

8.6 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits, and other short term highly liquid investments with maturities of three months or less.

8.7 Financial Assets

The Trust classifies its investments as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments, which 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 statement of comprehensive revenue and expense.

8.8 Trade receivables

Trade receivables are recognised at their cost less impairment losses.

A provision for impairment of receivables is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

8.9 Inventory

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the first-in, first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

8.10 Property, Plant, and Equipment

Property, plant and equipment consist of operational assets, which include office equipment, furniture and fittings, computer equipment, machinery and vehicles. These assets are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of an item of property, plant or 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 Trust and the cost of the item can be reliably measured.

All the Trust's assets are classed as non-cash generating, that is they are not held with the primary objective of generating a commercial return.

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the surplus or deficit.

Depreciation has been provided on a straight-line basis on all plant and equipment. Depreciation is provided at rates calculated to allocate the asset cost over the estimated useful life. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Class of asset	Estimated useful life	Depreciation rates
Office equipment	4-10years	13.33% - 25%
Furniture and fittings	2-10 years	10% - 50%
Computer equipment	4 years	25%
Machinery	4 years	25%
Vehicles	4-10years	10% - 25%

Property, plant, and equipment and intangible assets subsequently measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

8.11 Financial liabilities

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

8.12 Employee entitlements

Provision is made in respect of the Trust's liability for annual leave. Annual leave has been calculated on an actual entitlement at current rates of pay.

Annual leave has been calculated on an actual entitlement at current rates of pay.

Retiring gratuities and long service leave where there is actual entitlement is accrued at actual entitlement using current rates of pay. In addition, there is an actuarial assessment of value for which entitlement has not yet been reached. This assessment uses current rates of pay taking into account years of service, years to entitlement and the likelihood staff will reach the point of entitlement. These estimated amounts are discounted to their present value.

Superannuation schemes

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the surplus or deficit when incurred.

8.13 Interest-bearing borrowings

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

8.14 Income Taxation

The IRD has confirmed the Trust is exempt from income tax under sections CW 40 of the Income Tax Act 2007.

8.15 Advertising costs

Advertising costs are expensed when the related service has been rendered.

8.16 Equity

Equity is the community's interest in the Trust and is measured as the difference between total assets and total liabilities.

8.17 Balance-sheet ratios

The Local Government Act 2002 Schedule 8 (9) requires the SOI to include the projected ratio of shareholders' funds to total assets within the Forecast Statement of Financial Position. As at 30 June 2017 the total Trust Equity comprised \$121,509 and the total assets were 582,945. The resulting ratio is 20.84%.

8.18 Going Concern

The Trust consider that the continued adoption of the going concern assumption for the preparation of this financial report is appropriate. This conclusion has been reached having regard to assurances from the Taupō District Council that financial support and / or funding will be made available to ensure that the organisation can continue its current operations.

8.19 Distributions to shareholders

The Trust is not expected to make profits; any surplus funds remaining from the annual operations of the Trust shall be carried forward to the ensuing year to continue to meet the primary objective of the Trust.

8.20 Procedures for the purchase and acquisition of shares

The Board will give approval before the Trust subscribes for, purchases or otherwise acquires share in any company or other organisation, which is external to the group.

8.21 Value of settlor's investment

The value of the settlor's (Taupō District Council) investment is \$100 as per the Trust Deed. There is no other equity investment by the Council in the Trust.

Projected Statement of Comprehensive Revenue & Expense

	Projected FY 18/19 Financials	Projected FY 19/20 Financials (incl. LGCI)	Projected FY 20/21 Financials (incl. LGCI)
Income			
Revenue from services provided	716,677	736,677	716,677
Grant received from Taupo District Council (Marketing)	1,750,000	1,785,000	1,824,270
Grant received from Taupō District Council (i-SITEs)	200,000	204,000	208,488
Interest income	7,788	7,800	7,800
Total Revenue	2,674,465	2,733,477	2,757,235
Expenditure			
Employee benefit expenses	1,178,217	1,201,781	1,228,220
Depreciation and amortisation	21,194	21,618	22,094
Finance costs	-	-	-
Management and administration expenses	266,466	271,795	277,774
Other operating expenses (see breakdown below)	1,208,588	1,238,283	1,229,147
Total Expenses	2,674,465	2,733,477	2,757,235
Total Comprehensive Revenue	0	0	0

Notes:

DGLT produces a conference and incentive manual biannually. This adds an extra \$20,000 of revenue and expenditure in 2019/20.

'Other operating expenses' includes marketing/advertising and i-SITEs:

Other operating expenses	2018/19	2019/20	2020/21
Marketing & Advertising	881,814	904,974	888,505
i-SITEs	241,151	245,974	251,385
Other	85,623	87,335	89,257
Total	1,208,588	1,238,283	1,229,147

8.22 Capital Expenditure Forecast

The amount of capital expenditure over the next three years has been determined as follows:

Year	\$	Purpose
2018/19	Nil.	
2019/20	\$20,000	Computer hardware
2020/21	\$20,000	Tradeshow stand build

Any significant capital expenditure is funded from trust equity so comes at the expense of annual operating funding.

8.23 Other financial matters

We utilise services, as per the Shared Service Level Agreement, from the Taupō District Council for which we pay the following:

Year	\$
2018/19	179,000
2019/20	179,000
2020/21	179,000

The draft 2018-2021 Long Term Plan includes two separate core operational grants for the Trust as follows:

Year	Marketing / promotions / destination management	i-SITE funding
2018/19	1,750,000	\$200,000
2019/20	1,750,000 plus LGCI	\$200,000 plus LGCI
2020/21	1,750,000 plus LGCI	\$200,000 plus LGCI

9. GOVERNANCE STATEMENTS

9.1 Approach to governance

The Board has a key role in promoting strategy on behalf of the Taupō tourism industry, the identification and addressing of strategic issues and the provision of destination marketing and tourism product advice to Destination Great Lake Taupō, Council, and the tourism sector.

As determined by the Destination Great Lake Taupō Trust Deed, in sections 4,5,6,7,10, and 11, the approach to governance and details of structure, function and obligations apply. (Please refer to Destination Great Lake Taupō Trust Deed for full outline)

9.2 *Membership*

Appointments have been made for a three-year period; but take into account the importance of continuity in terms of existing members. Two appointees will retire at the end of 2018/19 and be eligible for reappointment. Similarly, two further appointees will retire at the end of 2019/20 and so forth. The Council has the ability to remove one or more Board members at any time should there be clear evidence of non-performance. The Council shall include in its selection panel an independent selector with relevant skills and experience. The Board may co-opt additional non-voting members at its discretion. (Co-opted members will not be eligible for meeting fees or expenses).

9.3 *Reporting to Council*

For the financial year, proceeding the year when Council issues a new Long Term Council Community Plan, the Board shall deliver to Council recommended budgets required to deliver Council's contribution to those outcomes.

At least 5 months prior to the start of the financial year the Board shall deliver to the Council a report setting out its recommendations on the DGLT annual budget, as reflected in the business plan for that year.

After the end of each financial year, the board must deliver to Council and make available to the public, a report on the organisation's operations during that year. The Board shall also deliver to Council and make available to the public, the following statements: Comprehensive Revenue & Expense, Changes in Equity, Financial Position, Cashflows and Service Performance Results. This annual report needs to be completed within two months of the end of the financial year.

Within 2 months after the end of the first half of each financial year, the board must deliver to the Council an interim report on the organisation's operations during that half year.

The Board is obliged to prepare a statement of intent each year setting out its intended activities and objectives. It is also responsible for preparing an interim and annual report – the key elements of these reports being the reporting of performance against the accountabilities outlined in the statement of intent, along with financial information as per the accounting policies, set out in section 5 of this document.

Within 2 weeks after each Board meeting, the Board shall make available to the public the minutes of the previous Board meeting.

The final Statement of Intent will be published for public access from 1 July of each year.

9.4 *Support Services*

Management and operational services for the board shall be provided by Destination Great Lake Taupō.

Board members will be paid an honorarium based on Destination Lake Taupō Trust decisions at the Annual General Meeting.

Board expenses will be funded directly by Destination Great Lake Taupō.

9.5 *Guidance and Resources*

The CCO will conduct itself in accordance with its Trust Deed, its annual statement of intent and the provisions of the Local Government Act 2002.

9.6 *Significant Policies in Place for Accountability*

Apart from the setting of a statement of intent each year and the interim and annual reporting, the Board will interact with Taupō District Council in an informal way during the course of the year as required.

10. CONTACT DETAILS

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Chairperson and Trustees:

Ray Salter (Chair)
Kathy Guy
Dennis Christian
Laura Duncan
Glyn Williams
Jonathan Cameron



Ray Salter
CHAIRMAN

Approved by shareholder on (Date):

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For Taupō District Council

This Statement of Intent is based on “Recommended Good Practice for the Governance of Regional Tourism Organisations” developed by Local Government New Zealand (February 2004).

11. APPENDIX ONE: TERMS AND DEFINITIONS

RTO – Regional Tourism Organisation
MBIE – Ministry of Business and Innovation
CAM – Commercial Accommodation Monitor
MRTE – Monthly Regional Tourism Estimates
ECNI – Explore Central North Island

Marketing terminology

Online	Transactions or marketing that takes place on a website
Digital marketing	All promotion and advertising that takes place either on websites, devices or within a screen environment
Mobile	Mobile phones and tablets that are connected to the internet
Responsive	Websites that respond to specific devices
Channels	The different places or ways that promotional material can appear
Direct spend	Can be sourced directly to specific businesses in relation to tourism
Indirect spend	Expenditure that comes as part of a tourists visit i.e. supermarket shopping but is not classed as tourism
Trade and Business Events	Travel agents, Wholesale and retail travel sellers and Airlines plus Conferences, Incentives and any business-related event