GREAT LAKE TAUPŌ
Taupō District Council

# ATTACHMENTS

## UNDER SEPARATE COVER 1

## Ordinary Council Meeting

## 26 April 2022

# Table of Contents

# 2022 Statement of intent

**(draft for shareholder comment)**

## For the year ended 30 June 2023

Supporting councils to maximise the value they provide to their communities

# Table of Contents



This SOI is a public declaration of the activities and intentions of the Council Controlled Organisation, Waikato Local Authority Shared Services Ltd (WLASS). It outlines the nature and scope of the work it will undertake, the Directors' accountabilities to the shareholders for corporate performance and financial forecasts, as required by Schedule 8 of the Local Government Act 2002. This information is provided in relation to the financial years ended 30 June 2022 to 30 June 2024.

# Message from the Chair

These are extraordinary times: a perfect storm of central government driven reforms, global pandemic, and unprecedented growth in the region. All place an incredible strain on our shareholding councils. We acknowledge that.

For Co-Lab, the future is exciting but, as for our shareholders, increasingly challenging.

Our challenges are largely two-fold:

1) The ability of councils to make staff available to work with Co-Lab in progressing opportunities at a pace that meets councils' expectations; and
2) Ensuring that, even though we are small team, we are set up to continue to serve you as seamlessly as possible when our staff are undoubtedly impacted by COVID-19 – something we know councils are addressing also.

On the first of these challenges, last year I spoke of the need for councils to actively support the company if it is to achieve its potential. I spoke of the need for that support to come from the top down and of the importance, in my mind, of council staff giving sufficient priority to the opportunities Co-Lab is working on. I don't resile from those messages. I do recognise that the macro-environment we operate in means that having access to the council resources Co-Lab would like to see is even harder than when I gave those messages last year.

We are seeing the implications of this in practice. Some, but certainly not all, opportunities are taking longer to develop than we would like and what we believe councils need. Our challenge therefore is progressing them, with less-than-ideal resources available, as fast as possible – to meet your expectations. The most striking example of this is the Customer Building Journey priority project. It is a conundrum: building consenting is an area within councils that is hugely constrained by capacity, meaning councils struggle to make staff available to work with Co-Lab on this project – even though the main purpose of the project is to identify and implement changes that will improve the customer experience while also saving council staff time and effort that can be reinvested into staff training or additional value add services to the industry.

Conversely, we have had great engagement with councils on some of our other priority projects – Shifting Landscapes: Community Needs Analysis (CNA), Customer Digital Enablement and Learning & Development Shared Services (LDSS), are examples of that. And it is the success of those engagements that is cause for excitement over the coming year:

- The LDSS project is in its latter stages at the time of writing. From this project we expect to be able to launch Co-Lab Learning in the second half of 2022. This is a great opportunity to leverage council investment to improve the capability of your staff – we estimate the benefit to be $2.4m across the region over the first three years.
- We anticipate providing on-going support to councils on the central government reforms through the Shifting Landscapes project, building on the CNA work undertaken late 2021/early 2022.
- We also plan to start providing procurement support services in response to a need identified within some of the smaller councils.

These are all great examples of the value Co-Lab can add by working with councils.

Communication is central to acknowledging and helping address the challenges and ensuring we meet your expectations. My greatest concern as that we "don't go fast enough" and therefore we regularly 'check in' with councils on the pace at which opportunities are being developed – we are being told it is about right. More generally we have improved how we communicate with you in recent times and plan to have this as a continued focus. Part of that communication will be conveying our "value-add". We have already started to do that – councils now receive updates on their relationship with the company and the benefits that flow from it. However, we want to get better at articulating the real value.

As with our shareholding councils, ensuring our staff's safety through the ongoing pandemic will also be front of mind.

We refined our vision late last year:

**"Our councils are maximising the value they provide to their communities"**

The only reference to Co-Lab is acknowledging our relationship to you. That is deliberate, because everything we do is for your benefit – not ours. We are you – and you are us. Our purpose is to support councils in achieving that vision by making it easier to identify and realise shared opportunities. We believe we are fulfilling our purpose – and we want to know if you think we are not.

I want to finish by acknowledging two servants of the company who in the past 12 months have stepped down from the Board. Rob, Gareth – my sincere thanks to you both for your time supporting the company. Your wisdom around the board table has been invaluable in successfully steering the company over the past 2 ½ years while it has embarked on its own transformational journey. Beyond that, you have each extended your devotion and efforts by taking up the mantle of project sponsor on one of our priority projects. I have no doubt that your fellow Chief Executives at the councils you represent on the Board, and the Chief Executives across the region generally, share my gratitude towards you both. I wish you all the very best.

Stay safe.

Peter Stubbs
Chair

# Overview of Co-Lab

Co-Lab[1] is owned in equal portion by the 12 Waikato Local Authorities[2]:

- Hamilton City
- Hauraki District
- Matamata-Piako District
- Otorohanga District
- Rotorua Lakes
- South Waikato District
- Taupo District
- Thames-Coromandel District
- Waikato District
- Waikato Regional
- Waipa District
- Waitomo District

The company has two fundamental roles:

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

Our main areas of activity are set out in Appendix I.

# Our vision and the outcomes we are looking for

Our vision, purpose, and the outcomes we are looking for are set out in the company's performance framework. Our vision is not about Co-Lab as such – it is about the councils we exist to serve. However,

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

[2] This is the ownership structure at the time of writing. The company is however, in discussion with Taupo District Council regarding their ongoing involvement as a shareholder, and with Western Bay of Plenty District Council, who have expressed interest in becoming involved

if we can achieve the outcomes we are seeking, we can have confidence that we are going a long way to realising our vision.

The vision was modified following the Board's strategy day in December 2021. The company has also introduced a 'purpose statement'. While these have changed, the outcomes we seek, and our specific objectives, remain as they have done for the past few years.

Unsurprisingly, we will therefore continue to work to fulfil the two fundamental roles of Co-Lab, noted above.

### Co-Lab's Performance Framework

| | | | | | | |
|---|---|---|---|---|---|---|
| **Our vision** | **Our councils are maximising the value they provide to their communities** | | | | | |
| **Our purpose** | **We support them in doing so by making it easier for councils to identify and realise shared opportunities** | | | | | |
| **Outcomes we are seeking** | Council costs are reduced / performance is improved, without increase cost | | The experiences of councils' communities are improved | | Central government investment into and engagement with Waikato councils is increased | |
| **Our specific objectives** | ➢ Achieve effectiveness and efficiency gains<br>➢ Reduce duplication of effort and eliminate waste through repetition<br>➢ Helping the councils achieve an appropriate balance in risk and return | | ➢ Promote and contribute to the development of best practice<br>➢ Make it easier for communities to engage with councils in the Waikato region on a consistent basis<br>➢ Promote business transformation to improve communities' experiences | | ➢ Enable the Waikato councils to collectively be more effective as a region on the national stage<br>➢ Contribute to building central government's confidence in the Waikato region, and to encourage central government investment | |
| **Priorities: How we will achieve our outcomes** | Investigate the right opportunities | Develop opportunities on time and within budget | Ensure opportunity benefits are realised | Provide services that meet the needs of councils | Foster cross-council collaboration | |
| **What we must manage well** | Our relationships | Our services | Our projects | Our people | Our resources | Our reputation |

# Intentions for the coming year

## Focus areas beyond business as usual

Beyond the continuation of our priority projects and ensuring we deliver great services, there are four areas of particular focus for the company in the coming year, with work having commenced on these in the first half of 2022.

5

### Learning and Development Shared Services

Learning & Development Shared Services is the first of two new service offerings planned. The idea had its genesis in a survey Co-Lab sent to the Councils' People & Capability (P&C) Managers. The purpose of the survey was to identify potential opportunities for us to collaborate with councils to improve outcomes for their people.

Several ideas were identified but the one that resonated most with the P&C Managers was looking to establish a means of creating common training material (including on-line modules) and a single platform to access it to leverage the investment required, and centrally coordinating the delivery of face-to-face training.

Co-Lab Learning will save councils on their training costs and perhaps more importantly, will mean that more of what council spend will be on their staff actually receiving training. Across Waikato councils the estimated benefit is $2.4m over the first three years.

### Procurement Services

In the second half of 2021 we engaged with councils who had expressed interest in having access to specialised procurement support. Most of those councils don't currently have – or need – full-time procurement resource. The opportunity to call on resource as and when required is therefore attractive. A formal proposal is being issued to councils in the first half of 2022, with a view to having the service in place at the start of the 2022-23 financial year.

### Communication and engagement

Over the past 12 months we have increased how we engage with our shareholding councils. This has included extending key messages to council executive teams (not only the Chief Executives), and sharing with councils our "Project Benefit Assessments" – reports which consider whether we achieved the benefits set out in the business cases leading to new services. Coinciding with the change in the company's trading name to "Co-Lab", we have also established a LinkedIn page and will use this as another way of keeping our stakeholders informed of what we are up to. While we think we have done a lot to improve in this area, communication and engagement with our shareholding councils will be an increasing focus of the Co-Lab team in the coming year. Part of that engagement will be working with your People & Capability Managers to ensure the change impacts of any projects under development are well managed.

### Reporting the value we add

Related to communication and engagement is how we convey the value we provide our shareholding councils. We have always been completely transparent with you. We are an extension to your council's teams and so if we are not meeting expectations then we want to know about it. In 2021 we provided each council with two documents setting out their relationship with the company – what you invested and where, the services you received, the savings you made (for example from joint procurements), and the other qualitative benefits from being in the relationship. We have committed to updating these documents at least six-monthly.

We think this is a great start but don't want to stop there. In the coming year we will be undertaking an internal project to establish robust methodologies for measuring benefits (recognising there will always be qualitative benefits as well), and use this as the basis for improved reporting on the value you receive from Co-Lab. And if we don't think an area is providing value, and doesn't have a reasonable prospect of doing so, we will stop it.

## Priority projects

In the past we have engaged with our shareholding councils each year to help inform what opportunities the company should be focused on. In 2021 we did so again, but more with a view to ensuring that continuing the priority projects from the prior year remained appropriate in the current environment. We want to ensure we are focusing on those things our shareholders have told us can add the most value.

In the face of significant central government reform, we recognised that councils didn't need the prospect of further structural changes and therefore committed in our 2021 Annual Report to restrict the opportunities we would consider to those that didn't involve change of this nature. One of the priority projects identified last year was about the establishment of a GIS Centre of Excellence. This has the potential to involve structural change and we have therefore made the decision to pause the investigation of this opportunity.

That project aside, we will be continuing to develop the priority projects introduced in last year's Statement of Intent.

### Shifting Landscapes

We see one of our most important roles at present being to support Waikato councils in addressing the significant central government reforms they face. Shifting Landscapes is the banner under which Co-Lab is doing this. We have already undertaken a significant amount of work with councils: The Community Needs Analysis workstream brings together stories of public sector successes, and failures, in meeting the needs of your communities, to support councils in their engagement with the Panel and other stakeholders involved in the Future for Local Government review. We will continue to work with Council executive teams to identify other ways we can help councils with responding to the review, and the RMA and 3-Water reforms.

### Customer Digital Enablement

The Customer Digital Enablement project identified its first initiative, "SR4" – an opportunity for councils to better engage with their communities digitally on sustainability, rubbish, and recycling. Sourcing a supplier to 'build' the product is occurring in the first half of 2022. The coming year should see this product launched.

However, on the journey to selecting SR4 as the first initiative, council staff identified many other opportunities to add value through digital engagement with your communities. From that, a roadmap has been created and Customer Digital Enablement will become an ongoing programme of work.

### Establishing an Asset Management Centre of Excellence

We are continuing work on where RATA can build on existing capability and establish an Asset Management Centre of Excellence to provide more value to councils.

### Customer Building Journey - Building Consent Shared Services

The Customer Building Journey - Building Consent Shared Services project is a significant project for Co-Lab and offers great potential for the region. The indicative business case presented to the Board estimated quantifiable benefits of ~$26.8m over 10 years.

We continue to hear of the challenges the sector faces in the region and of the significant pressure council staff face with increasing consent applications. We know there is opportunity to improve in this area. We encourage councils to embrace the change required to do so.

The project continues to progress over the first half of 2022. Currently, the focus is on working with council staff to understand, in depth, the process customers go through from the start of the build process and the root cause of challenges encountered with that process. Findings from this will be presented to the Board and if approved to progress, the second stage will focus on redesigning a system that resolves the challenges that have been identified.

### Regional policy and by-law development

This opportunity considers the value of having a standard suite of policies across local authorities. It would include benchmarking the existing policies and by-laws and establishing a timetable for review to avoid duplication of effort wherever possible. The opportunity is considered lower priority and will commence once the other opportunities noted above are complete.

## The critical risk to achieving ~~our~~ your goals

Co-Lab's vision is deliberately not about the company, but you – our shareholding councils. The company exists to serve and is guided by what our shareholders tell us. That doesn't mean we won't challenge status quo if we think there may be a better way to maximise the value you provide to your communities – that is part of our role as a laboratory for new ideas. However, we only fulfil our purpose if we pursue opportunities that we know councils will take up and capitalise on, even though they involve some change.

So, the critical risk to Co-Lab fulfilling its purpose and your goals is the willingness and capacity of council staff to help us do so.

The current macro environment emphasises a need for change – the pressure councils are under is unsustainable. Helpfully, COVID-19 won't be with us forever – but it will be with us for a while longer yet and continues to place additional burden on council staff. COVID-19 aside, central government's reform programme will continue for the foreseeable future, as will growth in our communities.

We understand these macro-events mean capacity to devote resource to opportunity development becomes harder. We therefore accept that means Co-Lab's work will take longer than we would like. However, we continue to encourage councils to find a means of making opportunity development – to solve today's problems – a priority. Most of Co-Lab's priority projects have freeing up council capacity as one of their benefits: the Customer Building Journey project has that as its main focus. On the face of it, that suggests these projects have the potential for immense value to councils, if they are allowed. To coin a phrase – "short-term pain for long-term gain".

## Performance measures

How we intend to measure our performance remains the same.

| Priority | Performance measure | Target |
| --- | --- | --- |
| Prioritise and develop business cases for opportunities that, if implemented, add value to councils by achieving one or more of our objectives<br><br>**Link to outcomes in the performance framework** | ➢ Business cases will include measurable benefits linked to one or more of the outcomes sought<br><br>➢ Businesses cases are supported by councils (evidenced by take up of the opportunity) | Projected savings/increased revenue to councils of at least $300k<br><br>75% of councils |

| Priority | Performance measure | Target |
|---|---|---|
| Develop opportunities and deliver projects within agreed budgets and timelines<br><br>**Link to outcomes in the performance framework** | ➢ Opportunities / projects are developed / delivered within agreed timelines<br><br>➢ Opportunities / projects are developed / delivered, within approved budget<br>➢ Overall, Company Management / Support functions will be undertaken within budget, unless additional expenditure has board pre-approval | 80%<br><br>90% |
| Ensure projects realise their expected benefits<br><br>**Link to outcomes in the performance framework** | ➢ Measurable benefits are actively monitored and reported against<br>➢ Audit & Risk Committee undertake an assessment of projects following implementation (which will include an assessment of whether projected benefits have been realised) | Six-monthly<br><br>For $200k+ Projects (based on cost of opportunity development and ongoing investment)<br>Assessment within 15 months<br>90% of projected quantifiable benefits are realised |
| Ensure existing services are meeting the needs of councils<br><br>**Link to outcomes in the performance framework** | ➢ The services we provide (below) are considered by councils who use that service to meet or exceed their expectations (evidenced by an annual survey):<br>○ RATA – roading & waters<br>○ Waikato Building Cluster<br>○ Regional Infrastructure Technical Specifications<br>○ Energy & Carbon Management<br>○ Professional Services Panel<br>○ Health & Safety pre-qualification | 80% of councils |
| Foster and promote cross-council collaboration and networking to share ideas on improving efficiencies and best practice<br><br>**Link to outcomes in the performance framework** | ➢ Across these groups, ideas for future consideration and/or initiatives are identified each year | Four per annum |

1 Budgets and timelines for opportunity development will be those established following discovery and/or opportunity assessment. A business case will refine these parameters with respect to project delivery.

2 Time and cost targets for the development of opportunities and delivery of projects have been initially set based on what, in practical terms, are consider stretch goals, but achievable. However, we aspire to *always* better, or at least meet, timetables and budgets.

The targets noted above are for the three-year forecast period. They will form the baseline from which we will seek to continually improve.

## Transparency and reporting to councils

The company will continue to deliver the following information to shareholders:

- Within two months of the end of the first half of the financial year, a half-yearly report, including Statements of Financial Performance, Financial Position, and Cashflows and commentary on service performance including an assessment of progress against performance measures; and
- Within three months of the end of the financial year, an audited Statement of Financial Performance, Statement of Changes in Equity, Statement of Financial Position, Statement of Cashflows and commentary on service performance.

## Governance arrangements

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

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

The current Directors of WLASS are:

| Director | Representing |
|---|---|
| Peter Stubbs | Independent Chair |
| Chris McLay | Waikato Regional Council |
| David Bryant | Hamilton City Council |
| Ben Smit | Otorohanga, Rotorua, Taupo, South Waikato and Waitomo District Councils |
| Gavin Ion | Waikato and Waipa District Councils |
| Rob Williams (resigning Feb. 2022 – replacement to be confirmed) | Hauraki, Matamata-Piako and Thames-Coromandel District |

Under the constitution Peter Stubbs' appointment as Independent Chair is due for renewal. Management is engaging with shareholders on this matter. Rob Williams' resignation means no further election is required.

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

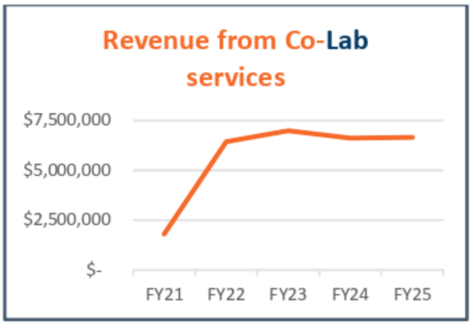
# Financials

## Overview

**Note: The financial forecasts included in this Statement of Intent reflect status quo and do not have regard to the potential impact of central government reforms.**

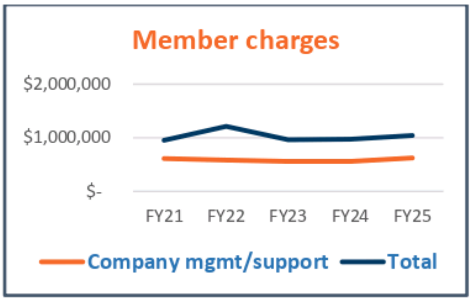
### Service levels

Revenue from service levels significantly increases in the 2022 financial year (FY), being the first full year of activity for Co-Lab Water Services. There is a further increase in the FY23 with the planned launch of Co-Lab Learning and procurement support services.



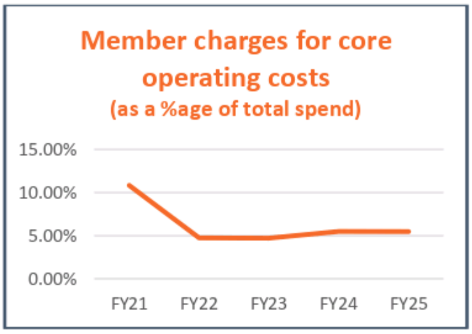

### Member charges

Member charges are expected to remain flat throughout the forecast period.




Member charges to meet core operating costs (company management / support) remain largely flat throughout the forecast period (averaging ~5.1% of total expenditure). The drop from FY21 to FY22 in the graph below reflects the new Co-Lab Water Services offering.

While this offering increased the overall size of the company by revenue, it did not require additional company management. As we continue to gain momentum and bring new services on-line, we expect to see member charges continue to fall in percentage terms.




11

## Statement of Financial Performance

**Co-Lab**
**Company Summary**
**for the forecast financial years ended 30 June 2023-2025**

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| | 2021 SOI | | | 2022 SOI | |
|---|---|---|---|---|---|
| | **Budget 2021/22** | **Forecasted 2021/22** | **Budget 2022/23** | **Budget 2023/24** | **Budget 2024/25** |
| **Income** | | | | | |
| Company Management / Support | 1,391,159 | 1,342,664 | 1,419,684 | 1,429,293 | 1,458,488 |
| Working parties \| projects | 716,183 | 826,450 | 524,535 | 534,494 | 598,100 |
| RITS | 27,000 | 27,000 | 27,000 | 27,540 | 28,091 |
| Information Technology | 772,462 | 861,302 | 417,201 | 47,862 | 48,532 |
| Energy Management | 128,000 | 128,000 | 122,519 | 124,969 | 127,468 |
| Shared Valuation Data Service (SVDS) | 388,115 | 388,112 | 420,934 | 429,457 | 438,046 |
| Road Asset Technical Accord (RATA) | 2,231,000 | 2,235,611 | 2,102,055 | 1,713,376 | 1,649,671 |
| Waikato Regional Transport Model (WRTM) | 1,594,706 | 1,116,701 | 1,757,951 | 761,792 | 1,803,682 |
| Waikato Building Consent Group | 667,083 | 403,500 | 392,959 | 401,081 | 406,696 |
| Waikato Mayoral Forum | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| Water Collaboration | 752,500 | 540,000 | 682,400 | 644,074 | 660,789 |
| WLASS Water Services | 3,327,113 | 3,056,632 | 3,369,578 | 3,408,742 | 3,476,917 |
| Learning and Development Shared Service (LDSS) | 0 | | 540,000 | 540,000 | 547,560 |
| Procurement | 0 | | 176,150 | 190,018 | 195,718 |
| **Total Income** | 12,000,321 | 10,930,972 | **11,957,966** | **10,257,698** | **11,444,759** |
| **Operating Expenditure** | | | | | |
| Company Management / Support | 1,534,552 | 1,384,427 | 1,691,180 | 1,726,489 | 1,760,141 |
| Working parties \| projects | 979,195 | 957,510 | 525,035 | 534,626 | 598,234 |
| RITS | 27,000 | 27,000 | 27,000 | 27,540 | 28,091 |
| Information Technology | 847,833 | 832,804 | 414,455 | 43,962 | 44,578 |
| Energy Management | 127,900 | 126,679 | 122,519 | 124,969 | 127,468 |
| Shared Valuation Data Service (SVDS) | 351,195 | 281,345 | 325,893 | 335,045 | 344,459 |
| Road Asset Technical Accord (RATA) | 2,231,000 | 2,237,015 | 2,101,040 | 1,715,541 | 1,652,640 |
| Waikato Regional Transport Model (WRTM) | 1,594,706 | 1,102,118 | 1,757,951 | 761,792 | 1,803,682 |
| Waikato Building Consent Group | 617,083 | 391,168 | 392,959 | 401,081 | 409,863 |
| Waikato Mayoral Forum | 5,000 | 3,333 | 5,000 | 5,000 | 5,000 |
| Water Collaboration | 752,500 | 540,000 | 682,150 | 644,074 | 660,789 |
| WLASS Water Services | 3,268,219 | 2,973,351 | 3,159,485 | 3,197,954 | 3,261,913 |
| Learning and Development Shared Service (LDSS) | 0 | | 503,000 | 503,060 | 510,121 |
| Procurement | 0 | | 176,150 | 190,018 | 195,718 |
| **Total operating expenditure** | 12,336,183 | 10,856,749 | **11,883,817** | **10,211,152** | **11,402,698** |
| **Earnings before interest, tax and depreciation/ amortisation (EBITDA)** | **(335,862)** | **74,222** | **74,149** | **46,546** | **42,061** |
| **Depreciation / amortisation** | | | | | |
| Company Management / Support | 5,471 | 9,068 | 28,198 | 28,198 | 28,198 |
| WBCG | 0 | 405 | - | - | - |
| WRTM | 14,583 | 14,583 | 14,583 | - | - |
| Total Depreciation / amortisation | 20,054 | 24,056 | **42,781** | **28,198** | **28,198** |
| **Net Surplus (Deficit) before tax** | **(355,915)** | **50,166** | **31,368** | **18,348** | **13,863** |

We are budgeting a small profit in each year throughout the forecast period. As we have done in the past years, we will be reviewing our cash position prior to issuing the final Statement of Intent and if we are able to do so, will utilise any cash reserves to keep member charges to a minimum.

## Statement of Financial Position

**Co-Lab**
**Financial Position**
**for the forecast financial years ended 30 June 2022-2024**

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| | Budget 2021/22 | Forecasted 2021/22 | Budget 2022/23 | Budget 2023/24 | Budget 2024/25 |
|---|---|---|---|---|---|
| **CAPITAL** | | | | | |
| Shares - SVDS | 1,607,001 | 1,607,001 | 1,607,001 | 1,607,001 | 1,607,001 |
| Shares - WRTM | 1,350,000 | 1,350,000 | 1,350,000 | 1,350,000 | 1,350,000 |
| Retained Earnings | (2,418,218) | (1,517,199) | (1,467,033) | (1,435,665) | (1,417,317) |
| Plus Current Year Operating Surplus/(Deficit) | (355,915) | 50,166 | 31,368 | 18,348 | 13,863 |
| **TOTAL CAPITAL FUNDS** | **182,868** | **1,489,968** | **1,521,336** | **1,539,684** | **1,553,546** |
| | | | | | |
| **ASSETS** | | | | | |
| CURRENT ASSETS | | | | | |
| Prepayments | 178,900 | 134,000 | 134,000 | 136,680 | 139,414 |
| Accounts Receivable | 310,270 | 546,549 | 597,898 | 512,885 | 572,238 |
| Bank | 1,080,452 | 2,860,008 | 2,194,055 | 1,620,697 | 1,503,615 |
| GST Receivable / (Payable) | 124,224 | (195,267) | 7,827 | 8,671 | 8,761 |
| TOTAL CURRENT ASSETS | 1,693,846 | 3,345,289 | 2,933,780 | 2,278,933 | 2,224,028 |
| | | | | | |
| NON-CURRENT ASSETS | | | | | |
| SVDS - Intangible Asset | 0 | 0 | 0 | 0 | 0 |
| WRTM - Intangible Asset | 2,296,855 | 2,296,855 | 2,296,855 | 2,296,855 | 2,296,855 |
| MoneyWorks Software | 1,195 | 1,195 | 1,195 | 1,195 | 1,195 |
| *Accumulated Depreciation* | (2,283,467) | (2,283,467) | (2,298,050) | (2,298,050) | (2,298,050) |
| IT Equipment & Office Furniture | 19,000 | 92,469 | 140,065 | 140,065 | 140,065 |
| *Accumulated Depreciation - IT equipment & Office Furniture* | (9,992) | (34,043) | (38,190) | (66,388) | (94,587) |
| TOTAL NON-CURRENT ASSETS | 23,591 | 73,010 | 101,875 | 73,677 | 45,478 |
| | | | | | |
| **TOTAL ASSETS** | **1,717,438** | **3,418,299** | **3,035,655** | **2,352,610** | **2,269,506** |
| | | | | | |
| LESS CURRENT LIABILITIES | | | | | |
| Accounts Payable | 1,451,670 | 1,848,330 | 1,429,108 | 722,765 | 624,594 |
| Accounts Payable Accrual | 35,000 | 35,000 | 32,173 | 32,816 | 33,473 |
| Employee Benefits | 47,900 | 45,000 | 53,038 | 57,345 | 57,893 |
| TOTAL CURRENT LIABILITIES | 1,534,570 | 1,928,330 | 1,514,319 | 812,926 | 715,960 |
| | | | | | |
| **NET ASSETS** | **182,868** | **1,489,969** | **1,521,336** | **1,539,684** | **1,553,546** |

## Statement of Cashflows

**Co-Lab**
**Statement of Cashflows**
**for the forecast financial years ended 30 June 2022-2024**

| | Budget 2021/22 | Budget 2022/23 | Budget 2023/24 | Budget 2024/25 |
|---|---|---|---|---|
| **Cashflows from Operating Activities** | | | | |
| Interest Received | 500 | 2,000 | 2,040 | 2,081 |
| Receipts from Other Revenue | 11,937,767 | 11,904,616 | 10,340,671 | 11,383,325 |
| Payments to Suppliers | (11,183,608) | (12,297,828) | (10,915,225) | (11,502,398) |
| Taxes Paid | 0 | 0 | 0 | 0 |
| Goods & Services tax (net) | (94,596) | (203,094) | (844) | (90) |
| Net cash from operating activities | 660,063 | (594,306) | (573,358) | (117,082) |
| | | | | |
| **Cashflows from Investing Activities** | | | | |
| Capital enhancements | 0 | 0 | 0 | 0 |
| Purchase of PPE | (13,408) | (71,647) | 0 | 0 |
| Purchase of investments | 0 | 0 | 0 | 0 |
| Net cash from investing activities | (13,408) | (71,647) | 0 | 0 |
| | | | | |
| **Net increase in cash, cash equivalents and bank accounts** | 646,655 | (665,953) | (573,358) | (117,082) |
| Opening cash and cash equivalents and bank overdrafts | 433,797 | 2,860,008 | 2,194,055 | 1,620,697 |
| **Closing cash, cash equivalents and bank accounts** | **1,080,452** | **2,194,055** | **1,620,697** | **1,503,615** |
| | | | | |
| **Summary of Bank Accounts** | | | | |
| BNZ - Call a/c | 1,080,452 | 2,194,055 | 1,620,697 | 1,503,615 |
| **Closing Balance of Bank** | **1,080,452** | **2,194,055** | **1,620,697** | **1,503,615** |

14

# Appendix I: What we do - current activities

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

- Energy management
- Health & safety pre-qualification
- Joint procurement initiatives
- LiDAR
- Regional Asset Technical Accord (RATA)
- Regional Infrastructure Technical Specifications
- Waikato GIS tools: the Waikato Data Portal and Waikato One View
- Shared Valuation Data Services (SVDS)
- Waikato Building Consent Group (WBCG)
- Waikato Regional Aerial Photography Service (WRAPS)
- Waikato Regional Infrastructure Procurement (WRIP)
- Waikato Regional Transportation Model (WRTM)
- Co-Lab Water Services (CWS)

## Energy management

WLASS entered into a three-year Collaboration Agreement with the Energy Efficiency Conservation Authority (EECA) in February 2016. Across the programme EECA provided funding of $210,000. Implemented projects have delivered 3.62m kWh in energy reduction annually (as against a target of 2.5m kWh), saved $446,000 per annum.

From 1 July 2019 a new energy and carbon management programme was entered into between WLASS and the nine participating councils. In the past 12 months there has been a shift in focus within the programme so that it now includes climate change initiatives.

The programme is currently being reviewed and a new programme of work presented to councils for implementation from 1 July 2022.

## Health & safety pre-qualification

WLASS contracts with RJ Safety Consulting (previously SHE Software), to manage the Local Government Health & Safety Contractor Pre-qualification Scheme on behalf of councils. Twenty councils and one CCO are now using the scheme with approximately 1,600 contractors registered, which enables them to be pre-qualified to work for any of the participating councils.

Further detail on these activities and the councils involved in each can be found on the WLASS website at http://www.waikatolass.co.nz/.

## Joint procurement initiatives

WLASS is a party to numerous joint procurement contracts between the company, shareholding councils and suppliers. Councils choose whether to be a party to a particular contract. Wherever possible we negotiate a syndicated contract with the supplier to allow additional councils to join later.

The most significant suite of contracts comprises the Professional Services Panel (PSP), involving eight councils and upwards of 150 suppliers. The current panel arrangement was established in August 2019. The PSP was reviewed by council Procurement Managers and Co-Lab in the second half of 2021 to assess how it was operating. Significant value is being realised by councils and the contractors – in time saved on procurement activity, and the cost of engagements. The review did identify areas for improvement and these will be progressed as projects in the first half of 2022.

In 2019 standard regional procurement policies, templates and procedures were developed for use by councils and procurement training provided to council staff.

## LiDAR

WLASS is managing a project to create highly detailed 3D maps and models of the Waikato landscape using LiDAR (Light Detection and Ranging) technology. The project's start was delayed with Covid-19. However, flying commenced in January 2021. The project involves funding from ten councils plus several commercial companies and the Provincial Growth Fund (via LINZ). The project is expected to conclude with delivery of the final data sets is expected in FY23.

## Regional Asset Technical Accord (RATA)

RATA was initially established as a centre of excellence for road asset planning in 2014. Waipa District Council employs RATA staff who are then contracted to provide services to WLASS.

The original aim of RATA was to achieve best practice in road asset management by improving capability, capacity and outcomes through effective collaboration.

The second half of 2021 saw the review of RATA's purpose, objectives and KPIs under the guidance of the RATA Advisory Group, and subsequently tested with council roading and water asset managers at an online RATA Forum. The updated RATA Purpose is to provide *"Good practice asset management to improve wellbeing of communities".* Three updated objectives have been established:

- Alignment of asset management principles through COLLABORATION
- QUALITY OF DATA is trusted and is able to increase confidence in decision making by partner councils
- Increase SKILL and capability of partner council staff members.

Socialising these changes with council partners has indicated that Quality of Data is the most important of the RATA objectives. The RATA, Purpose, Objectives and KPIs have been e4stablished through a lens of both roading and waters.

The remainder of FY20/21 and FY22/23 will see the bedding in of these updated objectives together with new performance KPIs in partnership with member councils, as well as incorporating these principles into the renewed collaborative professional service contracts for Structure Asset Management Services (currently the bridge inspection professional service contracts).

Data collection and management activities will continue as before, assisting partner councils with management and support of their roading and waters asset management systems, and data cleansing activities. Knowledge sharing is planned to continue with the well supported RATA asset management forums across and beyond the Waikato. Strategic collaborations with REG, IPWEA and others will also continue, with RATA contributing to working and steering groups for the development and implementation of tools and initiatives aimed at improving asset management practice for our councils and nationally.

Key projects such as the Water Asset Data Quality Dashboard will continue, expanding and improving as the dashboard evolves. DATA collection collaborative contracts are nearing their final year and procurement activities will commence in mid 2022 for replacement contracts, looking to incorporate lessons learned from the current contracts and make improvements for our councils.

## Regional Infrastructure Technical Specifications (RITS)

The RITS document sets out how to design and construct transportation, water supply, wastewater, stormwater and landscaping infrastructure. Prior to developing RITS, each Council had its own technical specifications for infrastructure resulting in different standards having to be met across the Waikato region. RITS provides a single regional guide, making business easier.

The RITS is published on the WLASS website (http://www.waikatolass.co.nz/), and ongoing maintenance of the document is the responsibility of a Project Co-ordinator, managed by WLASS.

### Shared Valuation Data Service (SVDS)

This service provides timely and accurate valuation data to the participating councils. The SVDS has become the accepted valuation database for the region. Data sales significantly reduce the net cost to the participating councils. In the first half of 2020, the transition to a software-as-a-service arrangement with a new provider was completed further reducing cost to councils.

### Waikato Building Consent Group (WBCG)

The WBCG was initially set up by five Waikato local authorities in 2004 to foster co-operation, collaboration and consistency in building functions, legislative interpretation and process documentation across the partnering councils. The activity transferred to WLASS on 1 July 2016 and now comprises eight councils.

The WBCG has developed a common quality assurance system with associated supporting documentation that meets the legislative requirements of the Building Act 2004 and the Building (Accreditation of Building Consent Authorities) Regulations 2006. These regulations cover all aspects of the operational management and compliance of a Building Consent Authority (BCA).

The Quality Manual underpinning each councils' processes and policies regarding compliance with BCA accreditation regulations was redesigned and implemented with each participating member.

Research and evaluation was completed on the accreditation assessment regime to assist councils with a submission to MBIE on proposed changes to the regime in order to increase value and ensure quality assurance practices aligns with the outcome of healthy and safe buildings.

Development opportunity was presented to the group on the integration of virtual inspections into their practices to free up capacity with critical staff.

### Waikato Regional Aerial Photography Service (WRAPS)

WRAPS was set up in the 1990s for the supply of colour, digital, ortho-rectified, aerial photography for the Waikato Region. Photographs are captured periodically (~every 5 years). Most recently contracts were executed in December 2020 to undertake the latest programme, and urban photography was delivered in the second half of 2021.

### Waikato Regional Infrastructure Procurement

WRIP is focussed on encouraging collaboration between the 12 Waikato councils for a regional, strategic approach to procurement and delivery of infrastructure and associated services. Councils have well-established contracts for roads and three waters so WRIP is focusing on specialist contractors that fall outside these contracts. WRIP is undertaking three joint procurements: the renewal of two RATA contracts for bridge inspections and other services, the establishment of a new contract for video inspection and condition analysis of waste and drinking water pipes, and structural bridge maintenance and minor upgrades. The rationale for joint procurement is more than cost savings, if the potential for savings exists, and includes administrative savings, cost certainty, cost visibility, efficiency, standardisation, and consistent supplier performance and risk management.

### Waikato Regional Transportation Model (WRTM)

The WRTM became fully operational in February 2010. It provides accurate information to councils and to external users for their transport modelling requirements. The WRTM is the only recognised strategic transport modelling resource in the Waikato Region and is jointly funded by the Waka Kotahi.

The WRTM is entering an exciting new phase of expansion and improvement. The recently completed business case has set in motion a 9 year programme targeting more fit-for-purpose modelling tools for our region, leading to better informed decision-making for our infrastructure leaders. This future has a suite of complimentary tools rather than the current one-model-to-rule-them-all approach.

The current WRTM is subject to an improvement and update programme incorporating updated census information to create future planning scenarios for the Waikato. In parallel, procurement activities will commence in 2022 for a new Hamilton Transportation Model – a meso model covering the Hamilton metropolitan area and specifically designed to respond to the more detailed urban growth pressures experienced in one of our country's fastest growing metros.

### Co-Lab Water Services (CWS)

Co-Lab Water Services are now providing one or more services to 9 Councils. These services are:

- **Sampling & Analysis** services to support the operation of three waters networks, treatment plants and Drinking Water Standards;
- **Trade Waste** management activities including assessing new applications, monitoring/auditing and providing invoicing data to Councils; and
- **Smart Water** drinking water education programmes to early childhood facilities and schools, commercial customers and the wider community.

Hamilton City Council employs CWS staff who are then contracted to provide services to Co-Lab.

# Appendix II: Policy Statements

## Statement of accounting policies

### Reporting entity

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

The primary objectives of the Company are to:

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

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

## Summary of significant accounting policies

### Basis of preparation

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

#### Statement of Compliance

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

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

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

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

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

#### Measurement base

The financial statements are prepared on a historical cost basis.

#### Presentation currency and rounding

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

### Goods and services tax

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

## Critical accounting estimates and assumptions

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

### Intangible assets

#### Useful lives and residual values

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

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

#### Impairment of intangible assets

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

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

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

## Revenue

### Revenue

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

### Other Revenue

Member charges for all activities are recognised when invoiced to the user (i.e. councils). The recorded revenue is the net amount of the member charges payable for the transaction.
Contributions received for projects that were not completed in a financial year are recognised when the Company provides, or is able to provide, the service for which the contribution was charged. Until such time, contributions are recognised as liabilities.

## Operating expenses

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

## Personnel costs

### Defined contribution schemes

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

## Receivables

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

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

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

## Cash and cash equivalents

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

## Income tax

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

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

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

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

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

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

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

## Intangible assets Other financial assets

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

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

## Payables and deferred revenue

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

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

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

## Employee benefits liabilities

### Short-term employee entitlements

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

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

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

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

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

### Presentation of employee entitlements

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

## Reconciliation of equity

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

## Contributed equity

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

## Retained earnings

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

# DESTINATION
# GREAT LAKE TAUPŌ

## Statement of Intent 2022-2025

GREAT LAKE TAUPŌ

1

**CONTENTS**

## 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 TDC, on behalf of Taupō District ratepayers, along with industry and partnership contributions to various marketing initiatives. In 2020 and 2021 additional funding grants from Central Government were received through the Strategic Tourism Assets Protection Programme in support of Regional Tourism Organisations (RTO's) following the onset of Covd-19. Ongoing funding for 2022 has not yet been confirmed.

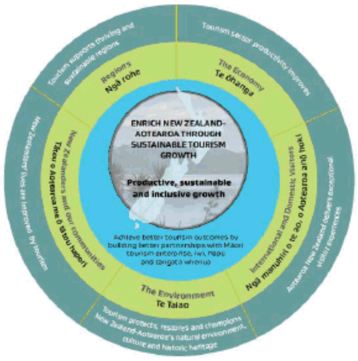
This Statement of Intent (SOI) sets out DGLT's strategic direction for 2022-2025, outlining the RTO's priority objectives and performance measures.

While DGLT's core focus is to promote the destination to attract more visitors, encourage them to stay longer and spend more, the organisation has an increasing advocacy and leadership role around management and development of the destination. Recognising the growing importance of sustainability and regeneration, it is essential tourism not only brings benefit to the local economy but does so in a way that preserves and enhances our environment, our culture and local community whilst delivering an exceptional world class experience for our visitors.

## 2. The National Tourism Strategy


In 2019, Tourism Industry Aotearoa (TIA) released **Tourism 2025 and Beyond,** a strategic planning document designed to align the industry, nationally, towards growing tourism expenditure to $50 billion by 2025. The framework places sustainability at its heart and is built on the foundation of kaitiakitanga (guardianship), manaakitanga (hospitality) and whanaungatanga (belonging).

The Ministry of Business, Innovation and Employment (MBIE) in partnership with the Department of Conservation (DOC) also released the **New Zealand – Aotearoa Government Tourism Strategy** in May 2019. The Government sees its role as one of stewardship ensuring that the whole tourism system is working effectively, helping to shape visitor demand, co-ordinate, facilitate and regulate activity and outcomes across the sector.




Government's goals for tourism are very much in line with TIA's strategy. It is underpinned by a focus on enriching New Zealand-Aotearoa through regenerative tourism growth to significantly boost our economy, bring greater prosperity to our regions, protect, and support our environment and improve New Zealanders quality of life and wellbeing.

TIA announced 5 priority areas for joint action with government agencies to ensure a sustainable tourism future for the country.

These are:

1. Regenerative growth
2. Improved data and insights
3. Building a sustainable tourism workforce
4. Destination management and planning
5. Carbon and climate change

Covid-19 has created significant and long-term impacts on the tourism industry, but it has also provided the opportunity to review the past and re-imagine the future of tourism.

In June 2020, the **Tourism Futures Taskforce** was set up as a public/ private partnership to lead the thinking on the future of tourism in New Zealand. The main purpose of the Taskforce was to advise and recommend what changes New Zealand could make to the tourism system, so that tourism enriches both New Zealand and the wellbeing of New Zealanders.

With a change in Tourism Minister in late 2020, the Tourism Taskforce was disbanded, and the draft recommendations made in December 2020 were taken no further.

In March 2021, the Tourism Minister outlined four key principles for the tourism sector:

- Re-setting and re-building tourism to be more sustainable as the industry can't simply return to business as usual
- Ensuring Aotearoa, New Zealand is seen as one of the world's most aspirational travel destinations
- Recognising that costs and negative impacts associated with tourism must be mitigated or priced into the visitor experience so that neither ratepayers nor taxpayers are bearing the costs of hosting visitors
- More partnership between the government and the tourism industry including with businesses and workers

4

The government has since declared its commitment to tourism with the November 2021 announcement of the Tourism Industry Transformation Plan (ITP) – a partnership model between industry, workers, and government which will have an overall focus on regenerative tourism, ensuring the tourism system gives back more to people and places than it takes from them and the environment.

This will mean investing more in people, deepening the talent pool, and providing better work opportunities for those in the tourism and hospitality industries. For this reason, the first stage of the ITP is about better work, followed by tourism's relationship with the environment. The ITP will build on recent work by the Parliamentary Commissioner for the Environment, Tourism Futures Taskforce, and the Climate Change Commission, among others, to lift industry standards and transform it to a more sustainable model. The first draft of the ITP is due in the second quarter of 2022.

## 3. New Zealand Tourism Outlook:

In 2022, the ongoing COVID-19 pandemic continues to be the disruptor event by which the tourism sector monitors its performance. Prior to COVID-19 and the closure of international borders in March 2020 tourism was the number one contributor to the New Zealand economy delivering over $41.9 billion[1] in total tourism expenditure. International visitors spent $17.5 Bn and underpinned the sector's growth and year-round activity. Domestic visitors were an essential contributor to the tourism economy accounting for almost 60% of total spend, predominantly focused on weekend travel and school and public holiday periods. Furthermore, over 8% of the national workforce was directly employed in tourism, and the sector made a direct contribution to GDP of $16.4 billion (5.5%) and generated $3.9Blln in GST of which $1.8Blln came from international visitors.

Following the resumption of domestic travel in May 2020 after the first lockdown there was an immediate uplift in expenditure, and domestic tourism expenditure increased 2.6% ($622 million) to $24.6 billion YE 21. However, this did little to offset a 91.5% decline in international visitor spend of just $1.5 billion compared to the pre-pandemic annual spend of $17.5 billion.

The trend continued downwards into 2021. The much-hyped Trans-Tasman bubble, allowing MIQ-free travel between Australia and New Zealand, opened, and then closed less than four months later as Auckland and parts of Waikato went into a 100 day-plus lockdown due to another Covid-19 outbreak.

The recently released Tourism Satellite Account[2] (YE Mar 2021) captures the continued sluggishness of a sector reliant solely on domestic tourism, showing that total tourism expenditure for YE Mar 2021 was $26.1 billion, a decrease of 37.3% (15.6B) from the previous year. Tourism continues to generate a direct contribution to GDP of $8.5 billion, or 2.9%, a decrease of 47.5% ($7.7B) or 2.6% percentage points, reflecting the impact of Covid-19 on the sector which was previously the countries number one contributor.

As in 2021, sustaining a tourism sector reliant on domestic visitors alone presents challenges, so the news that New Zealand's borders will reopen in stages from February 2022 with fully vaccinated international visitors welcomed back in July 2022 (with isolation requirements) is cause for some optimism. However, the lack of certainty around the self- isolation criteria will be a significant barrier to attracting back lost airline capacity and international travellers in 2022. Additional challenges such as labour shortages, rising inflation (and a potential drop in domestic spending and travel) and

[1] Source: www.stats.govt.nz/information-releases/tourism-satellite-account-year-ended-march-2020
[2] Source: www.stats.govt.nz/information-releases/tourism-satellite-account-year-ended-march-2021

increasing competition from other 'open' international destinations will provide ongoing challenges for the New Zealand tourism sector in 2022-2023.

The number of people attributed to being directly employed in tourism as of March 21 was 146,295, a decrease of 33.1% (72,285 people). The sector directly employed 5.2% of the total number of people employed in New Zealand, a decrease of 2.7% over the previous year. With unemployment currently sitting at 3.2%, an all-time low, and borders remaining closed to migrant workers until at least April 2022, tourism operators are struggling to fill staff vacancies.

The ever-changing global pandemic environment means much uncertainty remains. The Tourism Association Network[3] suggests that it will be summer 2022-23 before there is any significant in-flow of overseas visitors.

There is a possibility international borders will re-open more quickly, particularly with Australia, although the ability to travel across the Tasman poses additional pressure and competition on both Tourism NZ and the Regional Tourism agencies as Tourism Australia and individual States target the Kiwi market with significantly larger marketing budgets.

The challenge ahead is to continue to stimulate domestic spend across the entire week, and to also encourage Kiwis to disperse throughout the entire country as some regions have benefited much more than others post lockdown.

Various surveys regarding Kiwi's intentions around both international and domestic travel have shown that travel plans are affected by fluctuations in news about Covid and these surveys cannot be relied on to predict travel behaviour.

There are no guarantees that travel will recover to pre-COVID-19 levels over the period of this Statement of Intent. In the Tourism Futures Taskforce interim report, released December 2020, the Taskforce suggested a mindset shift needs to occur that acknowledges tourism is part of a larger living system in flux. The challenge is to reinvigorate the sector not to "pre COVID-19 levels" but to a new 'normal'.

## 4. Taupō District Tourism Outlook:

Tourism is a major contributor to the overall economic and social fabric of the Taupō District. Prior to the Covid-19 pandemic it was the region's number one contributor to local GDP (estimated at 17.4%)[4] and provided the largest employment statistics in the region, with over 6,600 full time equivalent employees (FTEs)[5] or 35% of the total workforce.

In the year ending December 2019, visitors contributed $689M[6] to the local economy with domestic visitors generating $462M and international arrivals $227M.

As already noted, our local tourism industry was severely impacted during the first year of the pandemic with businesses closed for lockdown and then many only partially operating up until the traditional busy Christmas and summer holiday period. However, our central location, reputation as an iconic Kiwi holiday destination and our early entry back into market later in 2020 saw the Taupō region initially bounce back better than many. Domestic spend data year ending June 2020

[3] established in 2021 by TIA as a senior leadership forum of tourism sector associations to discuss/respond to strategic tourism issues
[4] Infometrics – March 2019.
[5] Infometrics – March 2019.
[6] MBIE MRTE's – March 2020

rose 40%[7] on the previous 12-month period and was up 30% on pre-covid levels, placing the Taupō District as one of the top performers across the country.

However, the last half of 2021 was very challenging for our local industry with Auckland and parts of the Waikato in an extended lockdown. With our number one source market unable to travel, and a significant number of cancellations from the events sector due to the Covid Red settings (capacity limits of 100 people), our domestic spend dropped dramatically, down 26% for the 4 - month period of August to November 2021[8].

The post-Christmas summer period provided some much-needed respite with all spending across the district rising to a $17.5 million high in early January 2022[9].

Targeted initiatives to build visitation during the week to bridge peak periods for domestic visitation has seen renewed interest in Taupō as a destination for business events. Post lockdown 2020, following a significant increase in enquiry from the Business Events sector, resource and funding was diverted to leverage this unexpected opportunity in partnership with industry. The momentum has slowed under the Red Light setting in line with national trends, which saw a 50 % drop in event numbers in Q4 2021, but work continues to build capability and quality offerings for business events (BE) in the years ahead.

With borders remaining closed until July 2022, our immediate focus will remain on the domestic market with an agile approach to re-entering the international marketplace when the time is right.

In developing the region's Destination Management Plan in partnership with Iwi/hapū and stakeholders it is clear there are great opportunities for the Taupō region to project a unique DNA story to the world in the years ahead. Eighty-one percent of New Zealand travellers and 72% of Australian travellers surveyed in the Dec 2021 Market Perceptions report agree Taupō is a great place to visit for a short break.[10] The challenge is to harness this sentiment, and to effectively target "return visitor" opportunities in the region, after a trying two years which has severely impacted stakeholder confidence.

DGLT will be operating in an extremely competitive environment in 2022 as all regions target the same domestic audience. This will be intensified as the border starts to open and Kiwis look to re-engage their love of international travel. It will be critical DGLT utilises the ongoing funding and one-off grants made available through government STAPP[11] to deliver targeted and compelling marketing campaigns to inspire potential visitors to the region, all the while assisting stakeholders to prepare for a future tourism sector that will look different to the one shuttered when Covid arrived in 2020.

[7] MBIE TECT - June 2020

[8] TECT – Nov 2021

[9] Card transaction data – Worlline network January 2022

[10] Market Perceptions: Taupō July - December 2021, Angus & Associates.

[11] StrategicTourism Assets Protection Progamme – Taupō Disrict has received $1.7 M over 2 years 2020-2022


Sources: *MBIE: TECT Nov 2021 | **Infometrics Feb 2022 | ***Freshinfo and Air DNA Nov 2021

## 5. Taupō District Tourism Strategy – key objectives and activities for 2022

Following the impacts of Covid-19, the DGLT Board has reviewed the organisations strategic direction, our operational priorities and the resources required to meet our objectives for the next 12 months, and as much as possible, beyond 2022. It is critical that DGLT's activity is highly focussed on the key activities that will make a difference to the tourism sector, and our regional economy, as we continue to negotiate the challenges of Covid-19.

The DGLT Trust document outlines two key purposes:

- *To promote the Taupō District as a leading tourism and visitor destination by promoting our tourism and visitor attractions.*
- *Support, promote and assist in activities and projects which will increase the opportunities for employment in the tourism and visitor sector within the Taupō District.*

Our key priorities are:

- To grow the value of our local tourism economy through targeted marketing activity that attracts high value domestic and, once borders reopen, international visitors who disperse across our region and actively share their experience with others.
- To work with local Iwi and hapū, government agencies and local stakeholders to develop a sustainable destination management plan which will outline a shared tourism vision and action plan for the future growth, regeneration, and development of the Taupō District.

8

- To support the ongoing development of the Mana Whakahono co-governance agreement between Taupō District Council and Ngāti Tūrangitukua, the mana whenua of the Tūrangitukua rohe that includes the Tūrangi township and its surrounds. DGLT's focus within this agreement is to build a collaborative partnership through a shared aspiration of working together for the benefit of both Ngāti Tūrangitukua and the wider tourism sector. DGLT wants to work closely with all hapū in the region to develop and expand collaborative initiatives.

- Assist our local tourism industry to leverage campaign opportunities, build capability and support them to deliver an exceptional visitor experience across the entire customer journey.

- To operate an efficient and effective regional tourism organisation which delivers an excellent ROI for all stakeholders.

### 5.1 Grow the value of our local tourism economy.

Domestically we will continue to focus on specific target segments through the delivery of fully integrated marketing campaigns across traditional and digital platforms. We will continue to target prospects who travel for a passion (bike, hike, golf, fishing etc) through a series of brand response acquisition campaigns to build databases that can be retargeted. Our media initiatives will target this activity so that we can firmly establish the destination has an authentic and justified 'brag factor' around these key experiences. We intend developing a media communications strategy to keep these prospects inspired, keep them coming back and to encourage them to share their experience with others.

- Ensure regional content and messaging allows DGLT to jointly design partnership campaign opportunities as and where possible. Examples include Tourism New Zealand campaigns and accompanying media opportunities.

- We plan to work closely with our local industry and tourism partners (Explore Central North Island, Tourism NZ) to grow awareness of the Taupō District, making it a must stop destination on all North Island itineraries – for both domestic and international visitors as borders re-open.

- Our region and its rich history permit connections with our cultural past and heritage. Inspiring stories of our people and land abound. We intend to distribute our content in a compelling and easily consumable way, using fresh imagery and emotive story- telling, across our online channels, our print collateral, and digital platforms.

9

### 5.2 Develop and implement a destination management plan for the Taupō District.

- We aim to work alongside Iwi/hapū, tourism stakeholders, central and local government agencies, to develop a destination management plan that will:
  - outline a shared vision and action plan for the future of tourism across the district.
  - recognise, respect, protect, and enhance the values of mana whenua and embed the tikanga of Ngā Pou E Toru across all sectors of the visitor economy.
  - provide integrated visitor management plans and resources to address pressure on conservation land, infrastructure, access, and amenities.
  - deliver authentic, safe, world-class visitor experiences.
  - Help communities value and support the tourism sector in welcoming and hosting visitors.
  - ensure long-term regional planning and investment to manage visitor growth and meet international and New Zealand best practice standards, always in a sustainable and culturally responsive way.


The foundational values of Ngāti Tūwharetoa 's Ngā Pou E Toru will inform and guide the Destination Management Plan to ensure we develop a region that is capable of sustaining the whole community in a way that creates a 'Destination of Excellence' for tangata whenua, for manuhiri and for residents, the environment and economy.

### 5.3 Support the ongoing development of the joint Iwi/hapū initiatives and agreements to protect, enjoy and advance the values, interests, and aspirations of our communities. Of significant value and importance is the example of the Mana Whakahono co-governance agreement being designed and developed jointly by Taupō District Council and Ngāti Tūrangitukua.

- Work alongside Ngāti Tūrangitukua to better understand their aspirations for their rohe
- Provide opportunities to share their stories, tikanga and history with manuhiri and the broader Taupō regional communities
- Grow our understanding of the history of Ngāti Tūrangitukua recognising their seminal historical Treaty of Waitangi settlement with the Crown.

### 5.4 Support and assist our local tourism industry to deliver an exceptional visitors experience

- Effective stakeholder communication is vital to ensure that the district operates as a coherent and collaborative entity. The DGLT team will focus on meeting with industry through a regular calling schedule, quarterly industry updates and distribution of newsletters as and when required. Co-operative marketing activity will also seek to better access industry funds and in- kind contributions.

- Build digital capability of our local industry through the delivery of a one- on -one mentorship programme to ensure our industry is making efficient use of these channels to enhance customer experience, improve marketing performance and maximise operational efficiency.

- Build operator resilience through the introduction of a series of small business innovative thinking workshops where operators are challenged to explore growth and product improvement, build a strategy, and develop an agile business plan relevant to a changing operational environment.

- Develop and implement a "Pathway to Carbon Zero" programme to assist operators progress their sustainability credentials with the aim of introducing carbon zero itineraries across the destination by 2025

### 5.5 Operate an efficient and effective Regional Tourism Organisation that is focused on delivering an exceptional ROI for all partners and stakeholders.

- Be fiscally responsible in the way we do business. DGLT recognises its responsibility when using ratepayer funds to deliver our annual programme of work. Regular tracking and reporting of all activity will ensure accountability. Return on this investment remains a high priority across the entire operation.

- Create a workplace where the health and wellbeing of employees is highly valued and ensures the provision of a safe and supportive environment in compliance with the Health and Safety Work Act 2015

- Proactive risk management encompassing the identification, analysis and response to risk factors that can impact the future wellbeing, planning and management of the destination.

- Foster a positive spirit and a resilient workplace culture. Championing the strength and health of employees to create a team of innovative and courageous self-starters, who take ownership and responsibility for delivering exceptional results, able to enjoy those results and receiving credit for them where due.

## 6. Performance and Other Measurements

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

| Objective 1 – Grow the value of the local tourism economy. | | | | | |
|---|---|---|---|---|---|
| Strategic Priority | Data sources | Baseline data | 2022-23 | 2023-24 | 2024- 25 |
| Growth in tourism expenditure | Monthly Regional Tourism Estimates (MRTE's)<br><br>**Tourism Electronic Card Transactions (TECT's)**<br><br>*(See below for explanation on use of this new dataset.)* | MRTE YE Jun 20: $612M (-10%)<br><br>Total expenditure including domestic and international spend<br><br>TECT YE June 2021:<br>Domestic: $361 M (+40%)<br>International: $14M (-79%)<br><br>TECT YE November 2021:<br>Domestic: $335M (+15%) | Maintain domestic spend<br><br>Grow international spend 100% (if borders open with no isolation requirements) | Grow total spend by 2% | +4% growth in total spend |
| Objective 2 – **Sustainably manage and develop the destination to create a 'Destination of Excellence'** | | | | | |
| Strategic Priority | Performance Measures | Baseline | 2022-23 | 2023-24 | 2024- 25 |
| Develop a Destination Management strategy ensuring the balance of economic growth with the social, cultural, and environmental well-being of the community. | Quarterly meetings of Te Ihirangi Leadership Advisory Group | Development and implementation of Te Ihirangi Destination Management Plan | Ongoing | Ongoing | Ongoing |
| | Grow industry capability. | Industry workshops | Carbon Zero<br>Innovative thinking<br>One-on-one digital | TBC | TBC |
| | Fill product gaps through new product development | Work with Amplify and Iwi to identify new product development opportunities. | Ongoing | Ongoing | Ongoing |
| | Social license - connect with residents. | Annual Community Sentiment Survey, brand, and community workshops. | Ongoing | Ongoing | Ongoing |
| Objective 3 - Run an efficient and effective regional tourism organisation, strongly supported by the local tourism industry. | | | | | |
| Strategic Priority | Data source | Baseline data | 2022-23 | 2023-24 | 2024- 25 |
| Support for DGLT marketing initiatives | Measured by free of charge, in-kind or advertising support for marketing and famils activity. Participation in DGLT hosted activities and campaigns | YE June 2021: $90,900 | $80,000 | $80,000 | $80,000 |
| | | 100 Operator deals listed on loveTaupō.com | 120 Operator deals | TBC | TBC |
| | | $30,000 operator advertising on loveTaupō.com and/or in partnership activity | $30,000 | $40,000 | $40,000 |
| Stakeholder satisfaction. | Annual Industry Survey | 2019: 67%<br>2020: 76%<br>2021: 82% | 85% Industry satisfaction | 85% | 85% |

### 6.1 Rationale for performance measures:

The 2022 SOI retains a performance measure around tourism expenditure. The purpose of this measure is to track spending as an overall measure of the economic benefit generated from tourism. With international borders closed, the historical data source provided by MBIE (Monthly Regional Tourism Estimates) were deemed no longer fit for purpose. MBIE released the new TECT data from November 2020 as an interim measure. MBIE strongly advise that the total spend figures cannot be compared to the MRTE's. They do not provide the total value of tourism to the region as they do not capture cash, online or pre-purchase tourism spend. They recommend using the trend data only and have provided data back to 2018 to enable these comparisons. Once borders reopen in July 2022 this will be reviewed.

For the purposes of this SOI our marketing priorities will remain focussed on the domestic market with an agile approach to international opportunities. It is expected the Australian border will reopen and isolation requirements will be removed late in 2022. If Isolation requirements remain there will be very little growth in international leisure arrivals.

Measuring social license and the value the community places on tourism is a key focus of our Destination Management planning. An annual Community survey will be conducted to monitor sentiment.

An additional measure is included to capture industry support for our activity. This includes in-kind support of our trade and media famils, partnership campaign contributions, participation in DGLT campaign activity e.g.
loading deals onto loveTaupō.com, and advertising on DGLT platforms. Our 2022-23 target is an estimate of our expectations of the level of support that may be available as the industry recovers from the covid-19 pandemic.

As a result of COVID 19 and the suspension of key data sources and series, there is limited ability to set long run KPI's at this time. There may be an opportunity to develop more meaningful KPI's in the future, however this is dependent on high quality national data sources becoming available.

# 7. Financial Disclosure

## 7.1 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 2022/23 within the base funding allocation provided by Council as in the attached Statement of Comprehensive Revenue and Expense.

## 7. 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 Accounting Standard PBE IPSAS for not-for profit organisations. The primary objective of the Trust is to promote the Taupō District to the domestic and international visitor markets with the specific intention of growing visitor arrivals, spend and dispersal, rather than making a financial return. Accordingly, the Trust has designated itself as a public benefit entity for the purposes of Accounting Standard PBE IPSAS for not-for-profit organisations.

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.

## 7.3 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.

## 7.4 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.

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.

### 7.5 Leases

Leases in which substantially all 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, 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.

### 7.6 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.

### 7. 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.

### 7. 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.

### 7.9 Property, Plant, and Equipment

Property, plant, and equipment consist of operational assets, which include office equipment, furniture and fittings, computer equipment, and machinery. 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% |

16

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.

## 7.10 Financial liabilities

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

## 7.11 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.

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 considering 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.

## 7.12 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.

## 7.13 Income Taxation

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

## 7.14 Advertising costs

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

## 7.15 Equity

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

### 7.16 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 of 30 June 2021, the total Trust Equity comprised $166,986 and the total assets were $509,352. The resulting equity to asset ratio is 32.78%.

### 7.17 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.

### 7. 18 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.

### 7.19 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.

### 7.20 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.

**Destination Great Lake Taupo**
**Projected Statement of Comprehensive Revenue & Expense**

| | Projected FY 22/23 Financials | Projected FY 23/24 Financials | Projected FY 24/25 Financials |
|---|---|---|---|
| **Income** | | | |
| Revenue from services provided | 30,000 | 30,000 | 30,000 |
| Grant received from Taupo District Council (Marketing) | 2,063,896 | 2,116,147 | 2,169,050 |
| Grant received from other government organisations | 200,000 | - | - |
| Interest Income | - | - | - |
| **Total Revenue** | **2,293,896** | **2,146,147** | **2,199,050** |
| **Expenditure** | | | |
| Employee benefit expenses | 585,907 | 600,740 | 615,759 |
| Depreciation and amortisatoin | 27,041 | 12,797 | 14,014 |
| Management and administration expenses | 111,200 | 112,263 | 113,340 |
| Other operating expense | 1,569,747 | 1,420,346 | 1,455,938 |
| **Total Expenses** | **2,293,896** | **2,146,147** | **2,199,050** |

Other operating expenses is categorised as follows:

18

| | Projected FY 22/23 Financials | Projected FY 23/24 Financials | Projected FY 24/25 Financials |
|---|---|---|---|
| Other operating expenditure | | | |
| Marketing & Advertising | 1,451,987 | 1,308,330 | 1,341,121 |
| Other | 117,760 | 112,016 | 114,816 |
| | 1,569,747 | 1,420,346 | 1,455,938 |

### 7.21 Capital Expenditure Forecast

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

| Year | $ | Purpose |
|---|---|---|
| 2022/23 | 5000 | IT equipment, furniture replacement |
| 2023/24 | 5000 | |
| 2024/25 | 5000 | |

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

### 7.22 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 | $ |
|---|---|
| 2022/23 | 50,000 |
| 2023/24 | 50,000 |
| 2024/25 | 50,000 |

## 8. Governance Statements

### 8.1 Approach to governance

The Board has a key role in promoting strategy on behalf of the Taupō region's 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 a full outline of its provisions)

### 8.2 Membership

Appointments to the Board have been made for a three-year period; but consider the importance of continuity in terms of existing members. The Council can 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).

### 8.3 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 should 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.

### 8.4 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.

### 8.5 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.

### 8.6 Board Performance and Accountability

- The Board will be responsible for setting an annual Statement of Intent each year and ensure the interim and annual reporting is delivered within the timeframes set out by the Taupō District Council and the Lake Taupō Trust Deed.

- The Chairman and Deputy Chairman will meet with the Mayor and Chief Executive Officer bi- monthly.

- The performance of the Board and its individual members will be reviewed on a biennial basis.

- Professional development training will occur annually, including but not limited to improving cultural competencies to support engagement with the mana whenua of the region.

## 9. Contact Details

Destination Great Lake Taupō
Level 1/32 Roberts Street
Taupō 3351
New Zealand

Telephone: 07 376 0400
Email: info@loveTaupō.com



Dennis Christian
CHAIRMAN

Approved by shareholder on: (Date):

……………………………………………………………………………………………………………………………

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).

## 10. Appendix One: Terms and Definitions

RTO – Regional Tourism Organisation
TDC – Taupō District Council
TIA – Tourism Industry Aotearoa
DOC – Department of Conservation
MBIE – Ministry of Business and Innovation
MRTE – Monthly Regional Tourism Estimates
TECT – Tourism Electronic Card Transactions
ECNI – Explore Central North Island
Amplify – the Economic development Agency for Taupō District
STAPP – Strategic Tourism Assets Protection Programme – funding granted to RTO's by MBIE as part of the Covid-19 Tourism Recovery package

**Marketing terminology:**
Trade: Travel agents, travel wholesalers, Inbound Tour Operators, retail travel sellers and airlines
C&I / Business Events: Conference and Incentive, meetings, and any business-related events

SOI YE 30.6.2023
LTPT Doc # 25233
Draft approved by LTPT: 21.02.2022

Lake Taupo Protection Trust
Te wai, te iwi

# Draft
# STATEMENT OF INTENT
# For the financial year ending 30 June 2023

## 1.0 Background

1.1 The Settlors of the Lake Taupo Protection Project (the project) are Taupo District Council (TDC), Waikato Regional Council (WRC), and the Crown acting through the Lake Taupo Protection Project Joint Committee (the Joint Committee) together with representatives from Ngati Tuwharetoa.

1.2 Science identified that water quality in Lake Taupo was declining which led to the project being set up. The Settlors put in place 'The Lake Taupo Protection Trust' (the Trust) with charitable status with the objective of achieving a 20% permanent reduction of the manageable nitrogen (N) entering Lake Taupo through the expenditure of a public fund.

1.3 The project was constituted on 9th February 2007. Trustees are appointed by the Joint Committee has the responsibility for the appointment of trustees (including succession planning); currently there are four trustees appointed.

1.4 In April 2015, a Monitoring Deed was introduced to address future monitoring requirements for the project. Stemming from the Monitoring Deed are the Taupo Catchment Compliance Monitoring Plan, the Lake Taupo Catchment Compliance Framework, and Communications Plan. Performance against the plan actions is reported to the Joint Committee by the relevant partner agencies which includes the Trust.

1.5 The Trust achieved the contracted N reduction target of 170,300 kgs in 2015 which was a tipping point for the project - four years earlier than predicted, and ahead of budget which coincided with the retirement of four trustees and staff reduced from two to one. Some parties the Trust acquired N credits from, had future dated on farm N reductions to make which were completed at the end of the 2018 calendar year.

1.6 In 2018, a review of the Monitoring Deed resulted in the parties entering a Deed of Variation which provided for the addition of Ngati Tuwharetoa Maori Trust Board as a signatory party effective 1 July 2018. The additions to the Monitoring Deed included minimum reporting requirements for consent compliance and communications, with an additional requirement for the Trust to report to the Joint Committee, on any monitoring activities planned or undertaken in relation to nitrogen reduction agreements.

1.7 The Joint Committee confirmed in 2018 an extension to the 'term' of the project from 30th June 2019 to 30th June 2021 to allow time for project transition planning to complete. The 'term' of trustee's appointments was also extended to align with the extension timeline of 30 June 2021.

1.8 As the project transition planning process did not complete by June 2021, the Settlors agreed to extend the Trust's operating term for a further two-year period to June 2023 with the requirement that an independent review of the project is undertaken and completes by June 2023.

## 2.0 Governance

2.1 The project governance structure comprises a Joint Committee which meets quarterly and receives reports on financial and operational matters on the Trust's activities together with reports from other agencies.

2.2 The immediate governance of the Trust is through the appointment of four trustees who are responsible for ensuring the Trust fulfills its requirements as set out in the Trust and Monitoring Deeds.

2.3 The Joint Committee will notify the Trust of its decision as to the Trust's future during the financial year ending 30 June 2023.

## Objectives

3.1 The Trust will operate in alignment with the Trust and Monitoring Deeds, its annual Statement of Intent, annual operating targets, and in compliance with the provisions applicable to it under the Local Government Act.

3.2 Continue to administer nitrogen reduction agreements (the agreements) for compliance and process any incoming correspondence relating to the agreements.

3.3 Continue to undertake responsibilities identified for the Trust under the approved Taupo Catchment Compliance Monitoring Plan and generally support the operation of that Plan with other joint parties, including the Trust's support of the Lake Taupo Protection Project's Communication Plan.

3.4 The Trust will assist as required in the independent review of the Lake Taupo Protection Project.

## 4.0 Nature and Scope of Activities

4.1 The nature and scope of activities for the year 01 July 2022 to 30 June 2023 are:

### 4.1.1 Fund Management:

Review the Trust's Treasury Policy, Delegation, and Sensitive Expenditure Policies by June 2023 and implement the policy requirements throughout the ensuing financial year.

### 4.1.2 Future Direction:

- All policies and operations will be reviewed to match the different and ongoing responsibilities of the Trust.
- Maintain relationships with N contracted parties (to ensure any issue of contention is proactively settled) and with major partners.
- Take appropriate action to remedy any contractual N failure as required.
- Continue to work with key agencies supporting the overall aims of the project; continue to liaise with Waikato Regional Council to consider ways that monitoring can be carried out effectively and efficiently to support the delivery of the Lake Taupo Catchment Compliance Framework Plan as required by the Monitoring Deed.

### 4.1.3 Administration:

Report six-monthly to the Joint Committee on progress, both financial and qualitative.

## 5.0 Budgetary Parameters

5.1 The Trust will operate within the budgetary parameters set within the approved annual budget and any approved cash flow projection.

## 6.0 Accounting Policies

6.1 The accounting policies of the Trust will comply with 'generally accepted accounting practice' (as defined in the Local Government Act 2002). The financial statements of the Trust are prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practices NZ GAPP, and NZ IFRS standards.

## 7.0 Performance Targets

7.1 The following high line governance performance objectives are:

| Actions | Performance Measures |
|---|---|
| Carry out Trust operations out in accordance with the approved annual budget. | Financial statements are reported to trustees quarterly throughout the year; no surprises. |
| Oversee the financial position of the Trust to meet and maintain budgeted cash flow projection. | Cash Flow Projection in place, updated and reported to Trustees quarterly. |
| Ensure that all nitrogen reduction agreements are being complied with to achieve the overall Nitrogen reduction target of 170,300 kgs. | Nitrogen reduction agreements are compliant; any contractual failure is addressed and if relevant, to achieve repatriation of any loss of nitrogen. |
| Incoming correspondence relating to the nitrogen reduction agreements is processed in a timely manner. | No complaints received because of time delays. |
| Track that annual compliance monitoring letters are received from Waikato Regional Council for farms that the Trust has an interest in. | Monitoring compliance results are received from Waikato Regional Council in accordance with monitoring plan timelines, and the results reported to trustees, and copies provided to Audit NZ for inclusion with the Trust's annual audit. |
| Participate and assistance in the annual audit of the Trust. | Positive audit result. |
| Report the cash flow projection to the Joint Committee (to show the ability of the Trust to operate within budget). | Cash flow projection reported to the Joint Committee before balance date. |
| Keep the Joint Committee up to date with any planned or proposed monitoring activities in relation to the nitrogen reduction agreements as prescribed in the Deed of Variation - Schedule of Changes to the Monitoring Deed. | Joint Committee up to date with any Trust monitoring activities undertaken or proposed by way of quarterly reporting. |

| Actions | Performance Measures |
|---|---|
| Continue to liaise with Waikato Regional Council staff regarding their use of OverseerFM and the regional plan, to ensure there are no impacts that may affect the Nitrogen reduction agreements. | Trustees are kept up to date with any OverseerFM issues that may impact Nitrogen reduction agreements. |
| Carry out Trust responsibilities identified in the Taupo Catchment Compliance Monitoring Plan and provide support in the operation of the plan with other joint parties, which includes the Trust's support of the Lake Taupo Protection Project's Communication Plan. | Trust actions completed and the Taupo Catchment Compliance Monitoring Plan is supported on an ongoing basis. |
| Provide ongoing support as required in the operation of the Lake Taupo Catchment Compliance Framework. | Support provided as required to achieve the aims of the Lake Taupo Catchment Compliance Framework. |
| Participate in the independent review of the Lake Taupo Protection Project from a project management perspective. | Trustees and staff are engaged in the review process. |

## 8.0 Estimate of Distribution to Shareholders

8.1 No distributions will be made to the Funding Bodies and no payments will be made to the Funding Bodies unless in payment for agreed services.

## 9.0 Information to be provided

9.1 The Trust will deliver to the Joint Committee a six-monthly report and an annual report on the Trust's operations as follows:

- Within two months of the end of the first half of the financial year a Statement of Financial performance, Statement of Changes in Equity**,** Statement of Financial Position, Statement of Cash Flows, and a Statement of Service Performance.

9.2 Within three months of the financial year ending, provide the following audited statements:

a) Statement of Financial performance
b) Statement of Changes in Equity
c) Statement of Financial Position
d) Statement of Cash Flows
e) Statement of Service Performance including a summary as to how the Trust has performed against achieving its objectives and its prospects for the next financial year.
f) A report in relation to the Trust's medium to long term plans.

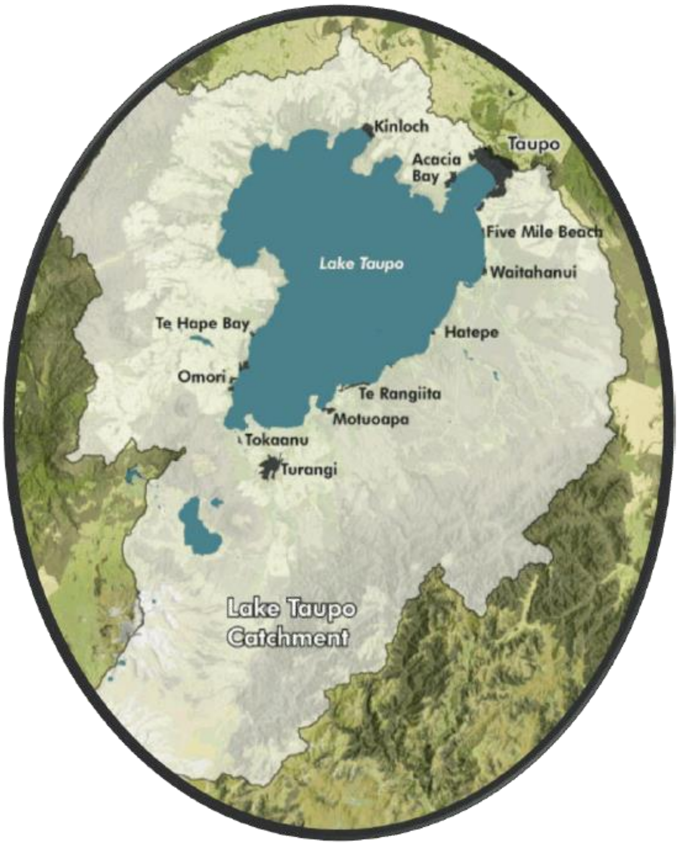
## 10.0 Purchase of Shares in any Company not the CCO or a Shareholder of the CCO

10.1 There is no intent for the Trust to purchase shares or interest in any company.

## 11.0 Estimates of Values by Trustees

11.1 All values of assets will be provided based on appropriate valuation methods which are provided by a qualified registered Valuer appointed by the Trust.

SOI YE 30.6.2023
LTPT Doc # 25233
Draft approved by LTPT: 21.02.2022

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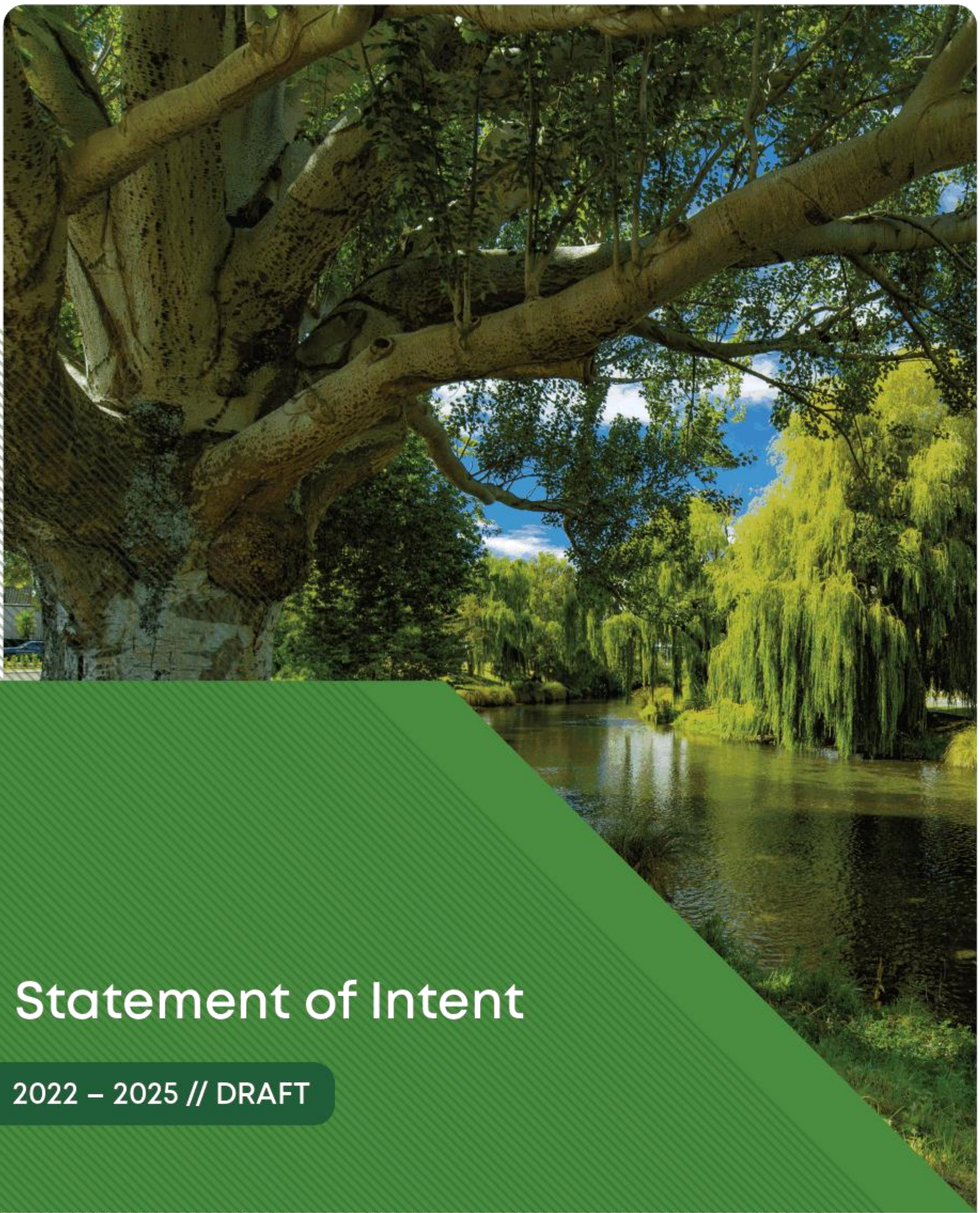
LGFA New Zealand Local Government Funding Agency
Te Pūtea Kāwanatanga ā-rohe



# Statement of Intent

2022 – 2025 // DRAFT

## 1. Introduction

This Statement of Intent (SOI) sets out the nature and scope of the activities, objectives and performance targets for the New Zealand Local Government Funding Agency Limited (LGFA) for the three-year period 1 July 2022 to 30 June 2025.

LGFA is enabled under the Local Government Borrowing Act 2011 and is a council-controlled organisation (CCO) for the purposes of the Local Government Act 2002.

The SOI is prepared in accordance with section 64(1) of the Local Government Act 2002.

## 2. Nature and scope of activities

LGFA raises debt funding for the purpose of providing debt financing to New Zealand local authorities and CCOs (participating borrowers).

LGFA may raise debt funding either domestically and/or offshore in either NZ dollars or foreign currency.

LGFA only lends to participating borrowers that have entered into required relevant legal and operational arrangements and comply with the LGFA's lending policies.

In addition, LGFA may undertake any other activities considered by the LGFA Board to be reasonably related, incidentally to, or in connection with, that business.

## 3. Our purpose Ta tatou kaupapa

**Benefiting local communities through delivering efficient financing for local government.**

**Ka whiwhi painga ngā hapori mā te whakarato pūtea tōtika ki ngā kaunihera.**

## 4. Our values Ō mātau uara

| We act with integrity<br>E pono ana mātau | We are customer focused<br>E arotahi ana mātau ki te kiritaki | We strive for excellence<br>E whakapau kaha mātau kia hiranga te mahi | We provide leadership<br>He kaiārahi mātau | We are innovative<br>He auaha mātau |
|---|---|---|---|---|
| We are honest, transparent and are committed to doing what is best for our customers and our company | Our customers are our council borrowers, investors, and all other organisations that we deal with. We listen to them and act in their best interests to deliver results that make a positive difference | We strive to excel by delivering financial products and services that are highly valued at least cost while seeking continuous improvement in everything we do. | We are here for our stakeholders in being strategically minded, providing resilience and executing our strategy. We embrace a high-performance culture and can be relied upon to deliver results. | To meet our ever-changing customer requirements, we will encourage innovation and provide a diverse range of financial products and services. |

## 5. Foundation objectives

The Shareholders' Agreement is a foundation document and states that, in accordance with the Local Government Act, in carrying on its business the objectives of the Company will be to:

(a) achieve the objectives of the Shareholders (both commercial and non-commercial) as specified in the Statement of Intent. The Shareholders agree that the Company shall carry on its business with a view to making a profit sufficient to pay a dividend in accordance with the Dividend Policy, but that the primary objective of the Shareholders with respect to the Company is that it optimises the terms and conditions of the debt funding it provides to Participating Local Authorities;

(b) be a good employer;

(c) exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so; and

(d) conduct its affairs in accordance with sound business practice.

This Statement of Intent sets out the company's strategic priorities, together with associated objectives and performance targets, which align with the foundation objectives and have been agreed with shareholders.

## 6. Strategic priorities

The following five strategic priorities encompass the foundation objectives and guide the LGFA Board and management in determining our strategy, objectives and associated performance targets.

### Governance, capability and business practice

LGFA is committed demonstrating best practice corporate governance underpinned by sound business practice to ensure its long-term sustainability and success.

### Optimising financing services for local government

LGFA's primary objective is to optimise the terms and conditions of the debt funding it provides to participating borrowers. Amongst other things, LGFA will achieve this by delivering operational best practice and efficiency across our lending products and services.

### Environmental and social responsibility

LGFA recognises the risks inherent in climate change for councils and supports New Zealand's shift to a low-carbon economy. LGFA will exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so.

### Effective management of loans

LGFA will ensure its loan book remains at a high standard by ensuring it understands each participating borrower's financial position and managing assets within an appropriate risk management framework to ensure shareholder value is not compromised.

### Industry leadership and engagement

LGFA will take a proactive role to enhance the financial strength and depth of the local government debt market and will work with key central government and local government stakeholders on sector issues.

## 7. Objectives and performance targets

This section sets out LGFA's objectives and performance targets for SOI 2022-2025.

The financial performance targets are focused on the 2022-2023 year and, as applicable, are based on the financial forecasts outlined in section 8.

## Governance, capability and business practice

| Objectives | How we measure our performance |
|---|---|
| LGFA will: | |
| Demonstrate best practice corporate governance. | The Annual Report outlines our compliance with the eight core principles underpinning the NZX Corporate Governance Best Practice Code. |
| Set and model high standards of ethical behaviour. | LGFA has adopted a formal Code of Ethics, incorporating its Conflicts of Interest and Code of Conduct policies, which sets out the standards and values that directors and employees are expected to follow. |
| Achieve the shareholder-agreed objectives and performance targets specified in this Statement of Intent. | LGFA reports performance against objectives quarterly to shareholders and in our Annual Report. |
| Ensure products and services offered to participating borrowers are delivered in a cost-effective manner. | LGFA prepares annual operating budgets and monitors progress against these monthly. Financial performance is reported quarterly to shareholders and in our Annual Report. |
| Be a good employer by providing safe working conditions, training and development and equal opportunities for staff. | The Annual Report reports on our health and safety and wellbeing practices and policies, including Covid-related safety processes, compliance with the Health and Safety at Work Act, diversity and inclusion and capability and development. |

| Performance targets | 2022-2023 target |
|---|---|
| Comply with the Shareholder Foundation Polices and the Board-approved Treasury Policy at all times. | No breaches |
| Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency. | LGFA credit ratings equivalent to NZ Sovereign. |
| LGFA's total operating income for the period to 30 June 2023. | > $18.3 million |
| LGFA's total operating expenses for the period to 30 June 2023. | < $8.3 million |

## Optimising financing services for local government

| Objectives | How we measure our performance |
|---|---|
| LGFA will: | |
| Provide interest cost savings relative to alternative sources of financing. | Measure LGFA issuance spreads against other high grade issuers in the New Zealand domestic capital markets. |
| Offer flexible short and long-term lending products that meet the borrowing requirements for borrowers. | Measure LGFA's share of overall council borrowing.<br>Survey participating borrowers on an annual basis. |
| Deliver operational best practice and efficiency for lending services. | Monitor settlements errors for new trades and cashflows.<br>Survey participating borrowers on an annual basis. |
| Ensure certainty of access to debt markets, subject always to operating in accordance with sound business practice. | Maintain a vibrant primary and secondary market in LGFA bonds. Monitor participation by investors at our tenders through bid-coverage ratios and successful issuance yield ranges. |

| Performance targets | 2022-2023 target |
|---|---|
| Share of aggregate long-term debt funding to the Local Government sector. | > 80% |
| Total lending to Participating Borrowers. | > $14,558 million |
| Conduct an annual survey of Participating Borrowers who borrow from LGFA as to the value added by LGFA to the borrowing activities. | > 85% satisfaction score |
| Successfully refinance existing loans to councils and LGFA bond maturities as they fall due. | 100% |
| Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements. | 100% |

## Environmental and social responsibility

| Objectives | How we measure our performance |
|---|---|
| LGFA will: | |
| Assist the local government sector in achieving their sustainability and climate change objectives. | LGFA is committed to assist borrowers financing of projects that promote environmental and social wellbeing in New Zealand. Green, Social & Sustainability (GSS) loan applications from councils are appraised by the LGFA Sustainability Committee, with approved loans monitored for ongoing compliance. |
| Improve sustainability outcomes within LGFA. | LGFA is committed to reducing our carbon emissions and formalised processes to measure our greenhouse gas (GHG) emissions, as well as management plans to reduce our company's emissions. |

| Performance targets | 2022-2023 target |
|---|---|
| Comply with the Health and Safety at Work Act 2015 | No breaches |
| Maintain Toitū Carbon Zero certification | Carbon-zero certification maintained. |
| Meet reduction targets outlined in our carbon reduction management plan. | Reduction targets met. |
| Increase our GSS lending book | Two new participating borrowers enter into GSS loans. |
| Ensure Annual Report is prepared in compliance with applicable GRI Standards. | 100% |
| Meet all mandatory climate reporting standards. | 100% |

## Effective management of loans

| Objectives | How we measure our performance |
|---|---|
| LGFA will: | |
| Proactively monitor and review each Participating Borrower's financial position, including its financial headroom under LGFA policies. | LGFA reviews all participating councils and CCOs financial statements on an annual basis and the agendas and management reports on an ongoing basis for all councils on the LGFA borrower watch-list.<br>Participating borrowers are required to complete annual compliance certificates by the end of November each year. |
| Analyse finances at the Council group level where appropriate and report to shareholders. | |
| Endeavour to meet each participating borrower annually, including meeting with elected officials as required, or if requested. | Number of participating borrowers visited in a year. |

| Performance targets | 2022-2023 target |
|---|---|
| Review each Participating Borrower's financial position, its headroom under LGFA policies. | 100% |
| Arrange to meet each Participating Borrower at least annually, including meeting with elected officials as required, or if requested. | 100% |

## 7. Industry leadership and engagement

| Objectives | How we measure our performance |
|---|---|
| LGFA will: | |
| Take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues. | Report on actions undertaken and progress made on sector issues. |
| Assist the local government sector with significant matters such as COVID -19 response and the proposed Three Waters Reform Programme. | |
| Support councils and CCOs in the development of reporting disclosures of the impacts of sector activity on climate change. | |

## 8. Financial forecasts

LGFA's financial forecasts for the three years to 30 June 2025 are:

| Comprehensive income $m | Jun 23 | Jun 24 | Jun 25 |
|---|---|---|---|
| **Net Interest income** | **16.8** | **18.4** | **17.2** |
| Other operating income | 1.5 | 1.5 | 1.5 |
| **Total operating income** | **18.3** | **19.9** | **18.7** |
| Approved Issuer Levy | 0.8 | 0.3 | 0.3 |
| Issuance & onlending costs | 2.9 | 3.0 | 3.1 |
| Operating overhead | 4.7 | 4.9 | 5.2 |
| **Issuance and operating expenses** | **8.4** | **8.3** | **8.6** |
| **Net profit** | **9.9** | **11.7** | **10.0** |
| **Financial position (nominals) $m** | **Jun 23** | **Jun 24** | **Jun 25** |
| Liquid assets portfolio | 1,912 | 2,033 | 2,230 |
| Loans to local government | 14,558 | 15,567 | 16,270 |
| Other assets | - | - | - |
| **Total assets** | **16,470** | **17,599** | **18,500** |
| Bonds on issue (ex Treasury stock) | 15,335 | 16,407 | 17,258 |
| Bills on issue | 500 | 500 | 500 |
| Borrower notes | 303 | 339 | 369 |
| Other liabilities | - | - | - |
| **Total liabilities** | **16,138** | **17,246** | **18,127** |
| Capital | 25 | 25 | 25 |
| Retained earnings | 92 | 103 | 113 |
| **Shareholder equity** | **117** | **128** | **138** |

| Ratios | Jun 23 | Jun 24 | Jun 25 |
|---|---|---|---|
| Liquid assets/funding liabilities | 12.2% | 12.1% | 12.7% |
| Liquid assets / total assets | 11.6% | 11.6% | 12.1% |
| Net interest margin | 0.12% | 0.12% | 0.11% |
| Cost to income ratio | 45.9% | 41.5% | 46.3% |
| Return on average assets | 0.06% | 0.07% | 0.05% |
| Shareholder equity/total assets | 0.7% | 0.7% | 0.7% |
| Shareholder equity + BN/total assets | 2.5% | 2.7% | 2.7% |
| Asset growth | 6.5% | 6.9% | 5.1% |
| Loan growth | 8.5% | 6.9% | 4.5% |
| Return on equity | 9.3% | 10.0% | 7.8% |
| Capital ratio | 12.7% | 13.3% | 13.7% |

Note there is a level of uncertainty regarding the June 2024 and June 2025 financial years forecasts due to the uncertainty relating to the Three Waters Reform and the impact on councils.

Councils prepared their 2021-31 Long Term Plans (and borrowing forecasts) on the assumption that Three Water Reform was not progressing and we have made the same assumption with our forecasts. LGFA projects it could have between $4 to $5 billion of loans to councils in June 2024 that are related to Three Waters. There have been no decisions made to date regarding the transfer of assets and liabilities from councils to the proposed Three Water entities.

## 9. Dividend policy

LGFA primary objective is to maximise benefits to participating borrowers rather than shareholders. Consequently, it is intended to pay a limited dividend to shareholders.

The Board's policy is to pay a dividend that provides an annual rate of return to shareholders equal to LGFA fixed rate bond cost of funds plus 2.00% over the medium term.

At all times payment of any dividend will be discretionary and subject to the Board's legal obligations and views on appropriate capital structure.

## 10. Governance

### Board

The Board is responsible for the strategic direction and control of LGFA's activities. The Board guides and monitors the business and affairs of LGFA, in accordance with the Companies Act 1993, the Local Government Act 2002, the Local Government Borrowing Act 2011, the Company's Constitution, the Shareholders' Agreement for LGFA and this SOI.

The Board comprises six directors with five being independent directors and one being a non-independent director.

The Board's approach to governance is to adopt best practice with respect to:

- The operation of the Board.
- The performance of the Board.
- Managing the relationship with the Company's Chief Executive.
- Being accountable to all Shareholders.

All directors are required to comply with a formal Charter.

The Board will meet on a regular basis and no fewer than six times each year.

### Shareholders' Council

The Shareholders' Council is made up of between five and ten appointees of the Shareholders (including an appointee from the Crown). The role of the Shareholders' Council is to:

- Review the performance of LGFA and the Board, and report to Shareholders on that performance on a periodic basis.
- Make recommendations to Shareholders as to the appointment, removal, replacement and remuneration of directors.

- Make recommendations to Shareholders as to any changes to policies, or the SOI, requiring their approval.
- Ensure all Shareholders are fully informed on LGFA matters and to coordinate Shareholders on governance decisions.

## 11. Information to be provided to Shareholders

The Board aims to ensure that Shareholders are informed of all major developments affecting LGFA's state of affairs, while at the same time recognising both LGFA's obligations under NZX Listing Rules and that commercial sensitivity may preclude certain information from being made public.

### Annual Report

The LGFA's balance date is 30 June.

By 30 September each year, the Company will produce an Annual Report complying with Sections 67, 68 and 69 of the Local Government Act 2002, the Companies Act 1993 and Financial Reporting Act 2013. The Annual Report will contain the information necessary to enable an informed assessment of the operations of the company, and will include the following information:

- Directors' Report.
- Financial Statements incorporating a Statement of Financial Performance, Statement of Movements in Equity, Statement of Financial Position, Statement of Cashflows, Statement of Accounting Policies and Notes to the Accounts.
- Comparison of the LGFA's performance regarding the objectives and performance targets set out in the SOI, with an explanation of any material variances.
- Auditor's Report on the financial statements and the performance targets.
- Any other information that the directors consider appropriate.

### Half Yearly Report

By 28 February each year, the Company will produce a Half Yearly Report complying with Section 66 of the Local Government Act 2002. The Half Yearly Report will include the following information:

- Directors' commentary on operations for the relevant six-month period.
- Un-audited half-yearly Financial Statements incorporating a Statement of Financial Performance, Statement of Movements in Equity, Statement of Financial Position and Statement of Cashflows.

### Quarterly Report

By 31 January, 30 April, 31 July, and 31 October each year, the Company will produce a Quarterly Report. The Quarterly Report will include the following information:

- Commentary on operations for the relevant quarter, including a summary of borrowing margins charged to Participating Borrower's (in credit rating bands).
- Comparison of LGFA's performance regarding the objectives and performance targets set out in the SOI, with an explanation of any material variances.
- Analysis of the weighted average maturity of LGFA bonds outstanding.
- In the December Quarterly Report only, commentary on the Net Debt/Total Revenue percentage for each Participating Local Authority that has borrowed from LGFA (as at the end of the preceding financial year).
- To the extent known by LGFA, details of all events of review in respect of any Participating Borrower that occurred during the relevant quarter (including steps taken, or proposed to be taken, by LGFA in relation thereto).
- Details of any lending to CCOs during the quarter and the amount of CCO loans outstanding.
- Commentary on sustainability initiatives.

### Statement of Intent

By 1 March in each year the Company will deliver to the Shareholders its draft SOI for the following year in the form required by Clause 9(1) of Schedule 8 and Section 64(1) of the Local Government Act 2002.

Having considered any comments from the Shareholders received by 30 April, the Board will deliver the completed SOI to the Shareholders on or before 30 June each year.

### Shareholder Meetings

The Board will hold an Annual General Meeting between 30 September and 30 November each year to present the Annual Report to all Shareholders.

The Company will hold a meeting with the Shareholders' Council approximately every six months – prior to the Annual General Meeting and after the Half Yearly Report has been submitted. Other meetings may be held by agreement between the Board and the Shareholders' Council.

## 12. Acquisition/divestment policy

LGFA will invest in securities in the ordinary course of business. It is expected that these securities will be debt securities. These investments will be governed by LGFA's lending and/or investment policies as approved by the Board and/or Shareholders.

Any subscription, purchase or acquisition by LGFA of shares in a company or organisation will, if not within those investment policies, require Shareholder approval other than as concerns the formation of wholly-owned subsidiaries and the subscription of shares in such wholly-owned subsidiaries.

## 13. Activities for which compensation is sought from Shareholders

At the request of Shareholders, LGFA may (at its discretion) undertake activities that are not consistent with its normal commercial objectives. Specific financial arrangements will be entered into to meet the full cost of providing such activities.

Currently there are no activities for which compensation will be sought from Shareholders.

## 14. Commercial value of Shareholder's investment

LGFA will seek to maximise benefits to Participating Local Authorities as Borrowers rather than Shareholders.

Subject to the Board's views on the appropriate capital structure for LGFA, the Board's intention will be to pay a dividend that provides an annual rate of return to Principal Shareholders equal to LGFA fixed rate bond cost of funds plus 2.00% over the medium term.

As the Shareholders will have invested in the LGFA on the basis of this limited dividend, the Board considered that at establishment the commercial value of LGFA was equal to the face value of the Shareholders' paid up Principal Shares - $25 million.

In the absence of any subsequent share transfers to the observed share transfers on 30 November 2012, the Board considers the current commercial value of LGFA is at least equal to the face value of the Shareholders' paid up Principal Shares of $25 million. This equates to a value per share of $1.00.

## 15. Accounting policies

LGFA has adopted accounting policies that are in accordance with the New Zealand International Financial Reporting Standards and generally accepted accounting practice. A Statement of accounting policies is attached to this SOI.

# Statement of accounting policies

## 1. Reporting entity

The New Zealand Local Government Funding Agency Limited (LGFA) is a company registered under the Companies Act 1993 and is subject to the requirements of the Local Government Act 2002.

LGFA is a council-controlled organisation as defined under section 6 of the Local Government Act 2002. LGFA is a limited liability company incorporated and domiciled in New Zealand.

The primary objective of LGFA is to optimise the debt funding terms and conditions for participating borrowers.

The registered address of LGFA is Level 8, City Chambers, 142 Featherston Street, Wellington Central, Wellington 6011.

The financial statements are as at and for the year ended 30 June 2021.

These financial statements were authorised for issue by the Directors on 30 August 2021.

## 2. Statement of compliance

LGFA is an FMC reporting entity under the Financial Markets Conduct Act 2013 (FMCA). These financial statements have been prepared in accordance with that Act and the Financial Reporting Act 2013. LGFA's bonds are quoted on the NZX Debt Market.

LGFA is a profit orientated entity as defined under the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and they comply with NZ IFRS and other applicable Financial Reporting Standard, as appropriate for Tier 1 for-profit entities. The financial statements also comply with International Financial Reporting Standards (IFRS).

## 3. Basis of preparation

### Measurement base

The financial statements have been prepared on a historical cost basis modified by the revaluation of certain assets and liabilities.

The financial statements are prepared on an accrual basis.

### Functional and presentation currency

The financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless separately identified. The functional currency of LGFA is New Zealand dollars.

### Foreign currency conversions

Transactions denominated in foreign currency are translated into New Zealand dollars using exchange rates applied on the trade date of the transaction.

### Changes in accounting policies

LGFA does not consider any standards or interpretations on issue but not yet effective to have a significant impact on its financial statements.

### Financial instruments

#### Financial assets

Financial assets, other than derivatives, are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents include cash on hand; cash in transit and bank accounts and deposits with an original maturity of no more than three months.

Purchases and sales of all financial assets are accounted for at trade date.

At each balance date, an expected credit loss assessment is performed for all financial assets and is calculated as either:

- Credit losses that may arise from default events that are possible within the next 12 months, where no significant increase in credit risk has arisen since acquisition of the asset, or
- Credit losses that may arise from default events that are possible over the expected life of the financial asset, where a significant increase in credit risk has arisen since acquisition of the asset.

Impairment losses on financial assets will ordinarily be recognised on initial recognition as a 12-month expected loss allowance and move to a lifetime expected loss allowance if there is a significant deterioration in credit risk since acquisition.

### Financial liabilities

Financial liabilities, other than derivatives, are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method.

#### Derivatives

Derivative financial instruments are recognised both initially and subsequently at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively.

#### Fair value hedge

Where a derivative qualifies as a hedge of the exposure to changes in fair value of an asset or liability (fair value hedge) any gain or loss on the derivative is recognised in profit and loss together with any changes in the fair value of the hedged asset or liability.

The carrying amount of the hedged item is adjusted by the fair value gain or loss on the hedged item in respect of the risk being hedged. Effective parts of the hedge are recognised in the same area of profit and loss as the hedged item.

### Other assets

#### Property, plant and equipment

Items of property, plant and equipment are initially recorded at cost.

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its remaining useful life.

#### Intangible assets

Intangible assets comprise software and project costs incurred for the implementation of the treasury management system. Capitalised computer software costs are amortised on a straight-line basis over the estimated useful life of the software (three to seven years). Costs associated with maintaining computer software are recognised as expenses.

### Other liabilities

#### Employee entitlements

Employee entitlements to salaries and wages, annual leave and other similar benefits are recognised in the profit and loss when they accrue to employees.

### Revenue

#### Interest income

Interest income is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

### Expenses

Expenses are recognised in the period to which they relate.

#### Interest expense

Interest expense is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

#### Income tax

LGFA is exempt from income tax under Section 14 of the Local Government Borrowing Act 2011.

#### Goods and services tax

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

The net amount of GST recoverable from, or payable to, the 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 a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

### Segment reporting

LGFA operates in one segment being funding of participating borrowers in New Zealand.

### Judgements and estimations

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts. For example, the fair value of financial instruments depends critically on judgements regarding future cash flows, including inflation assumptions and the risk-free discount rate.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and these estimates and underlying assumptions are reviewed on an ongoing basis. Where these judgements significantly affect the amounts recognised in the financial statements they are described in the following notes.

The financial statements as at 30 June 2021 include estimates and judgements of the potential impact of COVID-19 and the Three Waters Reform Programme on LGFA's financial position and performance. Whilst there has been no material impact on the estimates and judgements at the date these financial statements are authorised, it is noted that there is significant uncertainty with regards to the medium and long-term effects of COVID-19, as well as the outcome of Three Waters Reform Programme on the local government sector.

# TAUPO AIRPORT AUTHORITY

## STATEMENT OF INTENT

## 2021 – 2023

# Table of Contents

# DIRECTORY

| | |
|---|---|
| **Governing Body** | **Taupō Airport Authority Committee** |
| | Mayor David Trewavas<br>Councillor Kathy Guy (Council Representative)<br>Councillor Christine Rankin (Council Representative)<br>Chris Johnston (Business Representative) |
| **Airport General Manager** | Rhys Frearson |
| **Bankers** | Bank of New Zealand, Taupō – transactional banking |
| **Auditors** | Audit New Zealand on behalf of<br>The Controller & Auditor General |
| **Solicitors / Legal Advisors** | Le Pine & Co, Taupō |
| **Insurance Brokers** | Aon New Zealand Limited |
| **Joint Venture Partners** | Taupō District Council 50%<br>The Crown (Ministry of Transport) 50% |
| **Address** | Anzac Memorial Drive, TAUPŌ,<br>RD 2, TAUPŌ |
| **Telephone** | Airport Manager [07] 378-7771<br>email airport@Taupōairport.co.nz<br>website www.Taupōairport.co.nz |

# INTRODUCTION

The Taupo District Council and the Crown - represented by the Ministry of Transport, own the Taupo Airport Authority (TAA) equally.

TAA is managed, under agreement with the Crown, by the Taupo District Council. Management is represented by the General Manager of the Airport, who reports to the Chief Executive Officer of the Taupo District Council

# STRATEGIC FOCUS & MAJOR PROJECTS

The Taupo Airport will be:

- A destination in its own right
- A vibrant hub for commercial business
- An experience that is authentic and efficient
- A service delivered for the community

How will we get there?

- Infrastructure development
    - Terminal
    - Parking
    - Airport hub environment (look & feel)
- Commercial land development
    - Airside/Aeronautical
    - Landside
- Growth of tourism product
- Increased commercial passenger numbers
- Relationship management
- Strong governance and strategic business planning

Taupo is one of a handful of regional towns in NZ currently experiencing both economic and demographic growth. Taupō Airport, built in 1963, provides a complimentary mix of aviation and commercial activities. This includes scheduled passenger transport services, general aviation, skydiving adventure operations, scenic flights, agricultural aviation operations as well as non-aviation commercial and retail offerings.

## Development

The continued growth of the Taupo district is evident at the airport, reflected by user driven demand for increased facilitation of both scheduled passenger transport operations, and a growing general aviation sector.

The last upgrade to the terminal building and associated infrastructure occurred in 1994. The terminal and carpark currently, does not cope with existing passenger demand nor can it provide the facilities required to cope with future travel demands placed on the infrastructure, in a growing district.

In 2017, the airport was identified as a critical piece of transport infrastructure, requiring urgent investment through the District Economic Strengthening Strategy (produced by Taupo District Council) and the Bay of Plenty Visitor Economy Strategy (produced by the Bay of Connections and partially funded by MBIE).

In 2018/19, the TAA has engaged AirBiz, aviation specialist consultants based out of Auckland to complete a feasibility cost estimate as well as a cost benefit analysis on the most appropriate quantum for the upgrade.

A redeveloped terminal and carpark precinct will create a gateway to the region that provides the amenity and level of service commensurate with Taupo District Council and central government economic growth aspirations.

In 2020, the airport created a new Airport master plan. The Master plan was constructed to provide strategic direction to cater for growing demand for further general aviation and commercial growth at Taupo Airport. The master plan has been adopted by both Taupo District Council, and the Crown.

While it is not possible to quantify future expenditure via this Statement of Intent, the TAA signals that it anticipates that the next few years will be a period of consolidation for Taupō Airport in view of the travel restrictions brought on by the Covid-19 pandemic.

## Governance and structure

Taupo Airport Authority (TAA) and its joint venture partners are committed to operating at best practice level.

In 2019 TDC engaged BoardSense Ltd to carry out an independent review on the Governance structure of Taupo Airport Authority.

The feedback and advice from the consultant was to move TAA from a committee of council, to a full Council Controlled Organisation structure, including the development of an independent Board of Directors, tasked with providing high level governance over TAA.

This structure would mean that TAA would be operating at industry best practice level, whilst still providing stakeholders with the ability to provide valued input on strategic direction.

It is the intent of the joint stake holders to adopt the true CCO structure, and implement changes for the 2021/2022 financial year.

# PERFORMANCE TARGETS

(a) To maintain facilities so as to avoid any diversion or cancellation of scheduled flights other than for weather or airline problems.

(b) The airport will be operated in such a way as to continue to hold CAA Part 139 and part 100 certification.

(c) The airport will manage health and safety risks and provide a safe and healthy environment for everyone affected by the activities of TAA including employees, customers, tenants, contractors and visitors.

(d) That TAA will be self-funding in terms of its own cash flow.

(e) TAA will evaluate and redefine its governance structure, to be more in line with industry best practice.

(f) TAA will investigate and implement action points as per the airport master plan, with the aim of increasing growing demand for general aviation facilitation.

TAA shall continue to review its performance targets to reflect the future growth and development of its services and operations.

# FINANCIAL DISCLOSURES

**REPORTING ENTITY**

The Taupo Airport Authority is a joint venture between Taupo District Council and the Crown with both parties having a 50% interest. Taupo District Council has responsibility for the management of the Authority. Governance is provided by a Committee of Council.

The Taupo Airport Authority has designated itself as a tier one public benefit entity for the purposes of New Zealand equivalents to Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS). These standards have applied from 1st July 2014.

**STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

These financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and therefore also comply with International Public Sector Accounting Standards. The primary objective of the Authority is to operate a successful commercially viable business providing land and infrastructure for the safe, appropriate and efficient air transport needs of the Taupo district, rather than making a financial return. Accordingly, the Authority has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Public Sector Accounting Standards (PBE IPSAS)

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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

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

**ACCOUNTING POLICIES**

The following accounting policies, which materially affect the measurement of results and financial position, have been applied.

1. **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.

2. **Revenue recognition**
   ***Exchange revenue***

   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 (except as described above) 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.

Landing revenue for those operators on bulk invoicing is recognised on a straight-line basis over the term of the payments. All other landing revenue is recognised in the period in which the landing occurred.

Rental revenue from investment property is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental revenue.

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.

Revenue is measured at the fair value of consideration received.

The main sources of income for the Authority are Airfield Landing Charges and Lease Income from leasehold sites at the airport. Income is recognised in the period to which it relates. Payment is received by cash, cheque, automatic payment or direct debit.

**3. Operating Leases**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Payments under these leases are recognised as expenses in the periods in which they are incurred.

**4. 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.

**5. Financial Assets**

Taupo Airport 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 income.

## 6. 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 Authority 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.

## 7. Property, Plant and Equipment

***Valuation methodologies***

Those asset classes that are revalued are revalued on a three yearly valuation cycle. All other asset classes are carried at depreciated historical cost. The carrying values of all assets not revalued in any year are reviewed at each balance date to ensure that those values are not materially different to fair value.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amounts arising on revaluation of an asset class are credited to revaluation reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in the surplus or deficit, the increase is first recognised in the surplus or deficit. Decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the surplus or deficit.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the surplus or deficit during the financial period in which they are incurred.

**Valuation of Land and Buildings**

Airport land was initially valued at fair value by Quotable Value New Zealand as at 1 July 2005 which was deemed cost. The land and buildings were revalued to fair value by Quotable Value New Zealand as at 30 June 2019. Land is not depreciated.

**Valuation of Infrastructural Assets**

Infrastructural assets are the utility systems that provide a continuing service to the airport and are not generally regarded as tradable. They include the runways, roads and stormwater systems together with other improvements of an infrastructural nature. These assets were valued at fair value by Beca Projects NZ Ltd as at 30 June 2014.

All other property, plant, and equipment are stated at cost less depreciation.

**Additions**

Additions between valuations are shown at cost.

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 Authority and the cost of the item can be measured reliably.

**Disposals**

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the surplus or deficit. When revalued assets are sold, the amounts included in other reserves in respect of those assets are transferred to retained earnings.

**Depreciation**

Land is not depreciated. Depreciation has been provided on a straight-line basis on all property, 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:

Infrastructural assets

| | | | |
|---|---|---|---|
| Formation | Indefinite | Pavement | 60 Years |
| Top Surface | 15 Years | Kerb | 50 Years |
| Footpaths | 80 Years | Stormwater | 50 – 80 Years |
| Fencing | 10 Years | Street Lighting | 15 Years |

Operational Assets

| | | |
|---|---|---|
| Buildings | 40 Years | (2.5%) |
| Furniture and Fittings | 10 Years | (10%) |
| Motor Vehicles | 5 Years | (20%) |
| Office Equipment and Plant and Equipment | 4 to 5 Years | (20%-25%) |

The depreciation rates are applied at a component level and are dependent on the expected remaining useful life of each component.

**Assets under construction/work in progress**

Assets under construction are not depreciated. The total cost of a project is transferred to the relevant asset class on its completion and then depreciated. The current carrying amount of items under construction is separately disclosed

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

**Intangible Assets**

Website

The website has been capitalised on the basis of costs incurred to acquire and bring to use the website. This has been valued at cost, and will be amortised over the expected useful life of the website. This is estimated as 4 years (25%).

## 8. Investment Property

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, Taupo Airport Authority measures all investment property at fair value as determined annually by an independent valuer.

Gains or losses arising from a change in the fair value of investment property are recognised in the statement of comprehensive income.

All investment properties have been disposed.

## 9. Financial Liabilities

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

## 10. Employee Entitlements

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

**11. Income Taxation**

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 to 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 income, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

**12 Revenue**

Revenue is measured at the fair value of consideration received.

The main sources of income for the Authority are Airfield Landing Charges and Lease Income from leasehold sites at the airport. Income is recognised in the period to which it relates. Payment is received by cash, cheque, automatic payment or direct debit.

**13 Going Concern**

The Taupo Airport Authority 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 Taupo District Council that financial support and / or funding will be made available to ensure that the Authority can continue its current operations.

**Acquisition of new investments**

Approval of the joint venture partners is required before the joint venture can subscribe for, purchase or otherwise acquire shares in any company or other organisation.

**Local Authority Compensation**

The joint venture does not currently seek compensation from any local authority for any activities.

**Commercial value of the investment**

The joint venture partner's estimate of the commercial value of the joint venture partner's investment in the TAA is equal to the net assets of the airport authority. Some asset classes will be revalued. Where an asset class is revalued, the revaluations will be carried out at least every five years.

**Distribution of profits/reserves to joint venture partners**

Any distribution of profits is allocated 50/50 between the joint venture partners. There is currently no intention to distribute accumulated profits to the joint venture partners, but for the foreseeable future, any capital reserves shall be used to fund Capital Expenditure.

**Information to be provided to shareholders**

The committee will provide the following statements to shareholders

- A draft Statement of Intent will be delivered to shareholders on or before the 1st of March in the year preceding the financial year to which the draft relates setting out its recommendations as per Schedule 8 Part 2 of the Local Government Act 2002.
- A half-yearly report will be delivered within two months after the end of the first half of each financial year. Each report will include the information required by the Statement of Intent.
- Within three months of the end of the financial year the Committee will provide a complete report on the organisations operations during the year including information required by the Statement of Intent, as well as Part 5 Sections 68 and 69 of the Local Government Act 2002.

**Setting of Fees and Charges**

A single till approach shall be taken in setting fees and charges.

**Projected Statement of Comprehensive Revenue & Expense**

| | Projected 30/06/2022 $ | Projected 30/06/2023 $ | Projected 30/06/2024 $ |
|---|---|---|---|
| **Income** | | | |
| Revenue from services provided | 457,489 | 457,524 | 461,033 |
| Other Gains | - | - | - |
| Financial Revenue | - | - | - |
| Total Operating Revenue | 457,489 | 457,524 | 461,033 |
| | | | |
| **Expenditure** | | | |
| Employee benefit expenses | 202,713 | 202,713 | 207,375 |
| Depreciation and amortisation | 210,720 | 206,800 | 194,200 |
| Management and administration expenses | 81,458 | 41,458 | 41,797 |
| Other operating expenditure | 236,953 | 236,953 | 242,357 |
| Total Operating Expenditure | 731,844 | 687,924 | 685,729 |
| | | | |
| **Operating Surplus (Deficit) before taxation** | -274,355 | -230,400 | -224,696 |
| | | | |
| **Taxation (expense)/credit** | - | - | - |
| | | | |
| **Net Surplus (Deficit) after taxation** | -274,355 | -230,400 | -224,696 |
| | | | |
| **Other comprehensive income** | | | |
| Property, plant & equipment revaluations | - | - | - |
| Deferred tax on revaluation | - | - | - |
| Total Other Comprehensive Income | - | - | - |
| | | | |
| **Total Comprehensive Income** | -274,355 | -230,400 | -224,696 |

The projected ratio's of consolidated shareholders funds to total assets are as follows:

| | |
|---|---|
| 2020/22 | 86.0% |
| 2021/23 | 84.0% |
| 2022/24 | 82.0% |

2019/20 Actual 91.63%

This ratio is calculated by dividing the total value of equity by the total value of assets

13