

Statement of Intent

2018 - 2021



HE MIHI

Vision 2030 - the Rotorua Way

This is our home.

We are its people.

We're the **heart of Māori culture** and expression.

We're innovative and we share what we learn.

We're driving opportunity, enterprise and diversity.

We're supporting a **legacy of sustainability** for our environment.

Rotorua is a **place for everyone** Tatau, tatau – We together.

Koinei tō tātau kāinga.

Ko tātau ōna tāngata.

Nā tātau tonu i ora ai te ahurea Māori me ōna āhuatanga katoa.

He iwi auaha tātau e tuku nei i tā tātau e ako nei.

E kokiri nei tātau i te angitu, i te hihiri me ngā rerekētanga maha.

E kaha tautoko nei tātau i whakapūmautanga o te taiao.

Mō te katoa a Rotorua...Tatau tatau

FOREWORD

This Statement of Intent (SOI) sets out the strategic framework, activities and performance measures for Rotorua Economic Development Limited (RED) for the next three years in order to deliver on our objectives, and contribute to the Rotorua Lakes Council's targets and priorities. The content of this SOI for 2018-2021 reflects the continued evolution of RED's role and focus from an approach weighted towards visitor services and promotion to one which provides an increasingly balanced and fully leveraged portfolio of business and tourism growth, and investment attraction aligned with destination management.

RED Ltd will continue to work as a key partner in Council's economic development components of the Rotorua 2030 Vision to help deliver transformational shift with particular focus on helping with 3 of Rotorua's 7 Goals:

- Business innovation and prosperity ... Whakawhanake pākihi:
- Employment choices ... He huarahi hōu:
- Outstanding places to play...Papa whakatipu.

making best use of the opportunities afforded by 3 of the City's 4 key strengths:

- Active environment – Toitū te whenua
- Diverse opportunities - Tupu ki roto, tupu ki waho
- Strong culture - Toitū te tangata

and supporting 3 of the City's Big Move Projects:

- Lakefront revitalisation
- Bi-lingual Rotorua
- Whakarewarewa Forest

To this end, during 2018/19 we will undertake a range of projects in the collaborative spirit of Kotahitanga with our broad range of partners, including other Council Controlled Organisations (CCOs), central government, Iwi, industry organisations, education and training providers, private businesses and not for profit groups.

RED also acknowledges the Rotorua Lakes Council's formal partnership model with Te Arawa and the intention of establishing an enduring partnership which creates a future that benefits the whole community.

Our focus will be on fully leveraging our relationships with partners to ensure maximum value for money from our activities for the people of Rotorua.

We are committed to focusing on significant interventions that will leave a lasting legacy for Rotorua and New Zealand. We are pleased to present this document as our statement of this commitment.

Peter Stubbs
Chair

Michelle Templer
Chief Executive

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1. INTRODUCTION

Rotorua Economic Development Ltd (RED) is a Council Controlled Organisation (CCO), 100% owned by Rotorua Lakes Council (RLC). This Statement of Intent (SOI) is prepared in accordance with Section 64(1) of the Local Government Act and sets out at a high-level the CCO's objectives, the nature and scope of the functions to be undertaken and the targets and other measures by which the performance of the company will be judged in relation to the CCO's contribution to Council's expectations.

RED is the Economic Development Agency (EDA) and Regional Tourism Organisation (RTO) for the Rotorua district. RED's key trading activities and brands are Destination Rotorua, i-SITE, Rotoruanz.com and Famously Rotorua.

RLC is responsible for setting the economic development direction for Rotorua, with RED responsible for supporting the development of insights and an ecosystem that encourages business growth and destination development.

RED is led by Chief Executive Michelle Templer, and governed by an independent board of directors, its activities as agreed with RLC are outlined within this Statement of Intent.



Te Puia, Pohutu Geyser

2. ROTORUA ECONOMIC DEVELOPMENT LIMITED

2.1 The Organisation

Our Purpose

To help improve the Rotorua economy, its ability to create employment, wealth and wellbeing for all of our people.

Rotorua Economic Development Limited was created 01 July 2016 following a review of economic development services which resulted in the Council resolving to integrate the functions of the former economic development CCO Grow Rotorua, destination marketing business unit Destination Rotorua and visitor services (i-SITE).

2.2 The Directors

The RED Directors are as follows:

Mr Peter Stubbs (Chairman)

Mr Chris Auld (Director)

Ms Mere George (Director)

Mr Andy Higgs (Director)

Mr James Fitzgerald (Director)

Ms Charlotte Schimanski (Board observer)

2.3 RED Strategic Alignment

RED Ltd will continue to work as a key partner in Council's economic development components of the Rotorua 2030 Vision to help deliver transformational shift with particular focus on helping with 3 of Rotorua's 7 Goals:

- Business innovation and prosperity ... Whakawhanake pākihi:
- Employment choices ... He huarahi hōu:
- Outstanding places to play...Papa whakatipu.

while making best use of the opportunities afforded by 3 of the City's 4 key strengths:

- Active environment – Toitū te whenua
 - Develop innovative land uses to enhance the productive value
- Diverse opportunities - Tupu ki roto, tupu ki waho
 - Develop infrastructure, land and people to support a diverse and sustainably growing community
 - Grow the value of tourism to Rotorua
 - Become a globally recognised centre of excellence for forestry science and innovation
 - Activate waterfront development opportunities
- Strong culture - Toitū te tangata
 - Support growth aspirations of Te Arawa partnership
 - Establish the district as a centre of Māori story telling
 - Support events and festivals that enhance the district's identity and reputation
 - Support the development of Destination Brand

and supporting 3 of the City's Big Move Projects:

- *Lakefront revitalisation*
- *Bi-lingual Rotorua*
- *Whakarewarewa Forest Master Plan*

In addition RED will:

- Contribute to economic development and growth of the film industry in the Rotorua region by working alongside and supporting the BOP Film Trust.
- Work with the Bay of Connections and regional Ministry of Business Innovation and Employment officials to promote Rotorua priorities in key sectors and strategies.
- Support Rotorua Reorua (Bi-lingual Rotorua) alongside Te Tatau O Te Arawa and other key stakeholders. This includes engaging in phase two of the proposed business plan for Rotorua Reorua, and identifying ways which RED can support the implementation of Rotorua Reorua across RED operations and the community.

RED cannot spark economic development on its own; there are a number of critical contributors in both the public and private sector who all need to perform if Rotorua is to achieve its 2030 Vision aspirations.

2.4 How we will achieve our purpose

This strategic framework has been developed to support RED's Statement of Intent - a document required under the Local Government Act which outlines the objectives, activities, scope and targets for the CCO for a three year period.

It is designed to communicate and articulate RED's role to all stakeholders within Rotorua's business, tourism, education and wider communities. It also outlines RED's alignment with and support for Rotorua Lakes Council's 2030 Vision for Rotorua.

To achieve Our Purpose in 2.1 requires:

- Taking a leadership and advocacy role for Rotorua businesses and operations on a local, national and international stage
- The effective and efficient management and development of Rotorua as a destination for all businesses, operations, employees and investment
- Supporting existing businesses to achieve growth
- Developing effective intelligence to identify potential challenges and opportunities, and implementing strategies in order to leverage and address these
- Facilitating connections and conversations between local, national and international partners and stakeholders, and empowering businesses and organisations to create new opportunities
- Protecting, managing and growing Rotorua's brand in all aspects, and developing and leveraging the district's unique selling propositions

Renewed structure and revised framework

Under the overarching umbrella of "destination development", RED has two core areas of activity - Business Development and Investment Attraction.

Business Development covers both generic and specific sector programmes, designed to support existing businesses to grow and develop. It is more effective to grow existing businesses to improve the economy, so the focus is on creating the right environment for that to occur, for example, talent attraction, Accelerate courses, marketing etc.

Investment Attraction involves fostering networks, relationships and joint ventures, developing and attracting new developments and investment and working with Te Arawa to support its commercial objectives. At the same time, there is a focus on positioning Rotorua as a unified, reliable, growing and robust district that can confidently deliver on the opportunities available.

These two core areas of activity cover all key business sectors, including Tourism, Forestry and Wood Processing, Education, Agriculture and Emerging Sectors/Land Use and the Māori economy. It also includes "enabling" activities designed to support the district's businesses and their objectives, for example, addressing housing growth through liaison with developers and creating career pathways via industry centres of excellence.

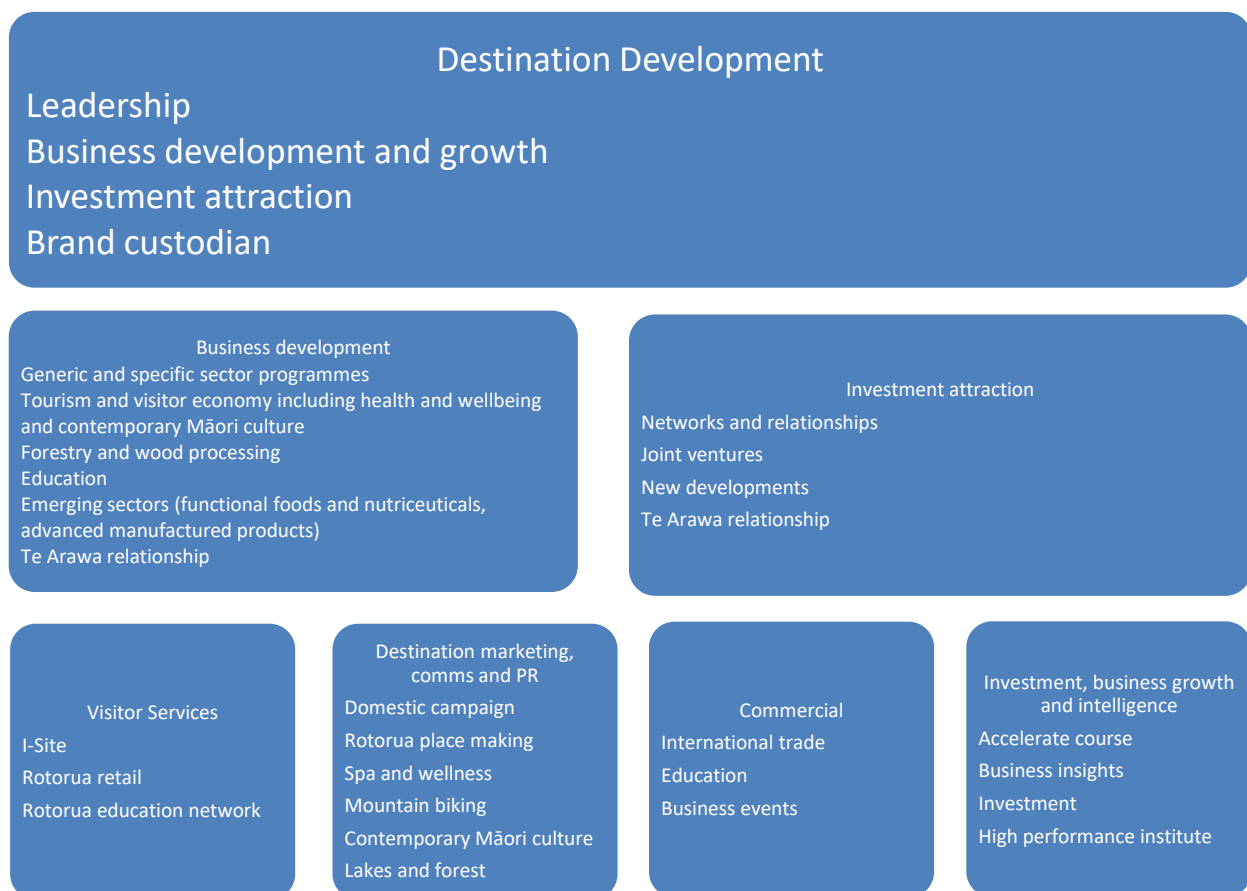
RED continues to undertake its traditional RTO visitor activities, including managing the i-SITE, international trade promotion and liaison, the domestic Famously Rotorua campaign and supporting activities and providing leadership to position Rotorua at the forefront of the industry.

This activity is now undertaken within the context of a wider economic development framework to ensure greater value and growth in the visitor economy, with focus on a transition from a volume based to a value based strategy that delivers more for operators, the local economy and the destination.

In order to deliver on its strategic objectives - and following on from its initial establishment structure - RED has realigned its operating structure into four, closely linked delivery groups, each with responsibility for Specific relationships and activity areas:

- Visitor services: business to customer to consumer
- Destination marketing, communications and PR: business to consumer and stakeholder
- Commercial: business to business
- Investment, business growth and intelligence: broader economic community including business, investor, sector groups and stakeholders

Supporting the overarching role of destination development are two core areas of activity - business development and investment attraction. In turn, these are supported by four operational delivery groups within RED (these are outlined further below).



3. RED OPERATING PRINCIPLES

The Board acknowledges that as part of the Council resolution to establish the CCO, the entity has to be flexible around its service delivery using a combination of facilitation, coordination and working in partnership with other organisations or sector groups. In meeting this challenge the CCO will adhere to the following guiding principles in fulfilling its role:

- Partnering with public and private sector organisations to create a platform for private sector investment
- Identifying and validating potential areas of focus that will support private sector investment, ensuring that robust information is provided to assist decision making
- Assisting with the reduction of regulatory barriers
- Being business insights and intelligence led
- Delivering value for money
- Applying commercial disciplines
- Not duplicating or competing with the activities of the private sector
- Ensuring a disciplined approach to the delivery of services
- Driving a customer centric approach to seamless service delivery
- Contributing to the goals and objectives of the Te Arawa Partnership Agreement
- Destination Development is part of our DNA to deliver value to the Rotorua economy
- Create a High Performance Culture within RED so strong that it fosters and attracts top talent



Lake Rotokakahi Green Lake, Charlaine Croguennec

4. KEY PRIORITIES AND OBJECTIVES

Our services will be aimed at contributing to the achievement of the following priority outcomes as a reflection of the Council's expectations of the CCO:

4.1 Business Development

Objective

To provide support for growth of businesses and organisations through market insights, intelligence and connectivity.

Priority

Support the capability and capacity of businesses¹ and encourage development of new business.

Outcomes

RED's activity areas are focused on contributing to the following business development related outcomes:

- A coordinated and unified Rotorua business network to foster connectivity, issues management and collaboration.
- Access to a range of valued business growth and innovation services tailored to address Rotorua business capacity and capability needs that accelerate growth and improve competitiveness.
- Market insights that support quality decision making, reduce risk focused on building resilience and improved productivity.
- Leverage opportunities for increasing awareness and/or the creation of a Centre of Excellence in forestry, wood processing, thermal wellness and visitor economy.

Impact

Significant positive impact on the Rotorua economy and its ability to create employment and wealth.

¹ Businesses that have an aspiration to grow, create employment opportunities, transfer new skills or technologies and earn revenue from outside of the Destination.

4.2 Investment Attraction

Objective

Our location, land, infrastructure, and people (tangata whenua) come together to create diverse opportunities within an active environment.

Priority

Support local companies and organisations to encourage investment and attract new investment in Rotorua's areas of focus and competitive advantage.

Outcomes

The CCO activity areas are focused on contributing to the following investment attraction related outcomes:

- Rotorua being recognised as an attractive and viable investment destination in areas of competitive advantage with a particular focus on the following priority areas:
 - Tourism and visitor economy including health and wellbeing and contemporary Māori culture
 - Forestry and wood processing
 - Education
 - Emerging sectors (functional foods and nutraceuticals, advanced manufactured products)
 - Investments that will complement the Te Arawa asset base and future aspirations
- Where potential growth opportunities are identified there is a robust and disciplined investment opportunity analysis, case development and promotion process in place to support commercial investment realisation and decision making.
- Support for current businesses in the attraction of investment, or the removal of barriers, for growth and retention.
- Enhancing confidence in Rotorua as a business destination with local, prospective businesses, investors and influencers through quality market intelligence, insights and advice.
- Ensuring there is a coordinated and strengthened Rotorua business investment support service network.
- Destination development programs linked to improving the desirability of Rotorua as a place to invest, do business, live and visit.

Impact

Improved vibrancy and resilience, in addition to significant impact on the Rotorua economy and its ability to create employment and wealth.

4.3 Tourism Growth

Objective

Position Rotorua as a leader in authentic visitor experiences that embrace manaakitanga and support a sustainable, growing visitor economy.

Priority

Grow the Visitor Economy, and deliver quality visitor services and experiences.

Outcomes

The CCO activity areas are focused on contributing to the following tourism growth related outcomes:

- Target of \$1.5 billion in Visitor Expenditure by 2030.
- Enhanced position of Rotorua as a premium visitor destination.
- Provision of destination marketing and management programs designed to deliver greater visitor expenditure and improved visitor experiences and satisfaction.
- Rotorua being recognised as an attractive and viable Tourism industry investment destination.
- Creating value for tourism partners through the Rotorua Tourism and Investment Partnership program.
- Develop Rotorua's visitor proposition to attract and grow business year round.
- Rotorua recognised as a leader in business events and conference delivery.
- Support the leverage of Council and private sector led major events.
- i-SITE services self-sustainable.
- Support pathways and initiatives to foster our young talent into the Visitor sector to support an authentic Rotorua experience and storytelling.

Impact

Growth of the largest employment sector in Rotorua, including increased contribution to Destination GDP. Visitor spend is a major positive contributor to growth of retail and hospitality sectors with significant positive indirect impact on other sectors of the economy.

Tourism promotion also has a positive influence on perceptions of the destination as a place to live, work, invest and learn.

5. PERFORMANCE OUTLOOK

The board proposes a two-phase approach to monitoring the performance of the CCO designed to reflect Council expectations.

Phase-One is a set of organisation-wide performance measures and targets which are within the CCO's control and form the basis for accountability to delivering on the priority outcomes in the areas of Business Development, Investment Attraction and Tourism Growth.

Phase- two is a set of key monitoring indicators that reflect outcomes at the regional level which are impacted by a range of factors outside of the CCO's direct control but which the CCO aims to influence at a local level, where possible, through their activity.

Progress against these performance measures and indicators will be monitored by the board on a regular basis and reported to council and stakeholders on a quarterly basis.

The board proposes the following as the controllable organisation-wide performance measures to form the basis for accountability to the Shareholder. The detail of these performance measures will be captured in the separate funding agreement and progress against targets will be reported to council and stakeholders on a quarterly basis.

5.1 Key Performance Measures

Key Performance Measure	Measure	2016/17 Actual	2017/18 Forecast	2018/19 Target	2019/20 Target	2020/21 Target
GROW THE VISITOR ECONOMY						
Promote and develop Rotorua as a national and international visitor and business events destination	i-SITE trading revenue increase by 5% (by 2020)	New measure	New measure	+2%	+5%	+5%
	i-SITE Commission received increase by 2%	New measure	New measure	+2%	+2%	+2%
	i-Site number of customers satisfied with visitor information centre services (customer radar measure)	89%	94%	90%	90%	90%
	Business Events - Value of bids won in financial year based on overnight delegate nights spend Int /dom of \$395, MBIE data and DR lead sheet confirmed conferences	New measure	New measure	\$5M	\$5.2M	\$5.5M
	Business Events – National market share of multi-day business events delegate days (CAS data)	11%	9.5%	9.6%	9.7%	9.8%
	Trade – Direct tourism impact – international expenditure data Rotorua (based on MBIE statistics, accommodation & recreational services and dining)	\$200M	\$218M	\$225M	\$239M	\$253M
	Trade – Strategic partner direct investment	New measure	New measure	\$0.2M	\$0.3M	\$0.6M

Key Performance Measure	Measure	2016/17 Actual	2017/18 Forecast	2018/19 Target	2019/20 Target	2020/21 Target
GROW THE VISITOR ECONOMY						
	Consumer – Impact, total domestic expenditure data Rotorua (based on MBIE statistics)	\$430M	\$450M	\$470M	\$490M	\$490M
INVESTMENT ATTRACTION						
Deliver insights, advice and leverage strategic networks to support and enable initiatives to attract and develop investment in the destination	Support delivery of RLC Big moves and projects through providing investment acumen and advice including RFP management and engagement with relevant networks including central government investment	New measure	New measure	opportunities profiled for investors, as requested, but with the option to cut off at 2	opportunities profiled for investors, as requested, but with the option to cut off at 2	opportunities profiled for investors, as requested, but with the option to cut off at 2
	Provide relevant Destination insights in target sectors to support investment and reinvestment decision making by business. RED works with partners to develop strategies critical to deliver on RLC Big Moves	New measure	New measure	Region (2) Sectors (4)	Region (2) Sectors (4)	Region (2) Sectors (4)
	Maintain key influencer database to develop Rotorua investor ecosystem to accelerate opportunity identification and conversion	New measure	New measure	40 key influencers in CRM 2 events	50 key influencers in CRM 2 events	60 key influencers in CRM 2 events

Key Performance Measure	Measure	2016/17 Actual	2017/18 Forecast	2018/19 Target	2019/20 Target	2020/21 Target
BUSINESS DEVELOPMENT AND GROWTH						
Support business development and growth.	High Performance Institute coaching / aftercare beyond ACCELERATE program	New measure	New Measure	5 businesses	5 businesses	5 businesses
	Emerging local businesses receive targeted support	New measure	10 ACCELERATE	10 ACCELERATE	10 ACCELERATE	10 ACCELERATE
BRAND CUSTODIAN						
Build Rotorua's brand and identity						
Promote and develop Rotorua as a national and international visitor, business and study destination. Support attraction and retention of a skilled workforce and talent.	Famously campaign – achieve an equivalent advertising value ratio of greater than \$1 : \$1.50	\$1:\$1.40	\$1 : \$1.50	1 : \$1.70	\$1 : \$1.80	\$1 : \$2.00
	Domestic consumer perception change in key target markets of AKL and one additional market on increase in "intend to go" (loyalist + considerers based on Delve research)	AKL:52% CHCH:23%	AKL: 53% CHCH: 25% WTN: 52%	AKL:54% CHCH:26% WTN: 53%	AKL:54% CHCH:26% WTN: 53%	AKL:54% CHCH:26% WTN: 53%
	Total sessions on www.rotoruaNZ.com	997,943	1,050,000	1,100,000	1,150,000	1,200,000

5.2 Monitoring indicators

In addition to our performance measures, RED has identified a further set of monitoring indicators. These indicators reflect outcomes at the regional level which are impacted by a range of factors outside of our direct control (e.g. exchange rates, natural disasters, government policy) but which we aim to influence through our activity. As the city's economic growth agency, we take a leadership role in monitoring, reporting and influencing these indicators as we can, however we do not measure the performance of our organisation against them.

Destination Rotorua Statement of Intent

These indicators reflect outcomes at a regional level. As the district's economic growth agency, Destination Rotorua will monitor, report and where possible, influence these indicators at a local level, however they are not the measure of the organisation's performance.



Monitoring Indicators	Year To Date - July to Period			Change over Previous	
	Period	Previous	Current	Rotorua	NZL
Real GDP	Mar-2018	\$2.07b	\$2.16b	4.2% ▲	2.7% ▲
Business Confidence Overall (-100 to +100)*	Dec-2017	+51	+30	-21.0pts ▼	-60.0pts ▼
Finding Skilled Labour	Dec-2017	-32	-39	-7.2pts ▼	
Finding Unskilled Labour	Dec-2017	+27	+22	-4.7pts ▼	
Building Consents					
Residential Consents (Volume)	Mar-2018	82	114	39.0% ▲	4.1% ▲
Non-Residential Consents (Value)	Mar-2018	\$47m	\$39m	-17.0% ▼	8.2% ▲
Net International Migration	Mar-2018	763	720	-5.6% ▼	-7.0% ▼
Workforce					
Employment Rate *	Mar-2018	91.3%	93.3%	2.0pts ▲	0.6pts ▲
Unemployment Rate*	Mar-2018	8.7%	6.7%	-2.0pts ▼	-0.6pts ▼
Job Support Recipients*	Mar-2018	3,364	3,305	-1.8% ▼	-0.5% ▼
Visitor Expenditure	Mar-2018	\$602.8m	\$648.4m	7.6% ▲	9.6% ▲
Rotorua Commercial & Private Visitor Nights	Mar-2018	2,951,217	3,126,060	5.9% ▲	
Commercial Visitor Nights	Mar-2018	1,728,646	1,852,060	7.1% ▲	3.2% ▲
Rotorua Private Visitor Nights	Mar-2018	1,222,571	1,274,000	4.2% ▲	
Rotorua Attraction & Activities Visits	Mar-2018	2,569,080	2,628,481	2.3% ▲	
Rotorua Attraction Monitor Visits	Mar-2018	2,442,323	2,498,385	2.3% ▲	
Rotorua Activities Monitor Visits	Mar-2018	126,757	130,096	2.6% ▲	

* As at indicated reporting period

6. SUMMARY OF FINANCIALS

Council Funding CCO Budget YE June 30 2019

The total level of Council funding provided for the CCO in financial year 2018-19 to deliver on the expected outcomes contained within this SOL is \$4,319,700 million. For clarity this investment is exclusive of any externally generated revenue by the CCO including the i-SITE, partner programmes, and private sector joint ventures and/or agreements. The details of the terms on which the funding is provided will be captured in a separate funding agreement between the CCO and Council.

Ratio of Shareholders Funds to Total Assets

In accordance with Schedule 8, section 9, 1 (d). The Company's Shareholders Funds are defined as paid up capital, plus retained earnings and reserves. Total Assets are defined as the sum of current assets and non-current assets. The ratio of Shareholders Funds to Total Assets is 100% calculated by the formula Shareholders Funds/Total Assets.

Accounting Policies

The financial statements are prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZGAAP). They comply with the New Zealand equivalents to International Financial Reporting Standards (NZIFRS), and other applicable financial reporting standards as appropriate. The financial standards also comply with the Companies Act 2013, the Local Government Act 2002 and the Financial Reporting Act 2013. A full set of accounting policies are available on request, or from the "CCO" Annual Reports.

Dividend Policy

The CCO is not forecasting to generate any dividend for its shareholder over the next 3 years. Should a situation arise where distributions to the shareholder could be considered the Board will take into account the following elements in any distribution it may consider:

- Company's working capital requirements
- The retention of an appropriate level of earnings for reinvestment in the business.

Acquisition and Divestment Policy

Any subscription, purchase, acquisition or divestment by the CCO of shares in a company or other such investments in organisations will require shareholder approval.

The following summary of financials supports the delivery of the strategic deliverables and key performance measures for RED.

Operating Budgets	Annual Plan		Long-Term Plan	
	2018/19	2019/20	2020/21	2021/22
Revenue	\$	\$	\$	\$
Funding from Rotorua Lakes Council	4,319,700	4,406,094	4,494,216	4,584,100
iSITE commission received	990,125	1,039,631	1,091,613	1,146,193
Trading revenue	1,100,000	1,396,849	1,466,691	1,540,026
Other revenue	556,543	500,000	600,000	700,000
Total revenue	6,966,368	7,342,574	7,652,520	7,970,319
Expenditure				
Employee	3,060,286	3,050,998	3,203,547	3,363,725
Administration & office	371,600	378,464	385,603	397,623
Finance costs and charges	94,700	99,700	104,700	109,700
Council service charges	575,120	597,124	622,050	652,074
Repairs & maintenance	46,000	49,000	53,000	58,000
Operating expenses	2,763,542	3,109,964	3,224,002	3,327,196
Utilities	55,120	57,324	59,618	62,001
Total expenses	6,966,368	7,342,574	7,652,520	7,970,319
Net operating income	0	0	0	0

Other financial information

Current value of assets	The current value of RED Ltd's assets as 30 June 2018 was \$595,000 based on the net asset value of the RED Ltd to be confirmed by the disclosed in the audited financial statements.
Accounting Policies	RED accounting policies are consistent with those of the Rotorua Lakes Council policies.
Financial Reporting	RED financial reporting to Council will be in accordance with requirements of the CCO Governance Manual.
Budget allocation from Rotorua Lakes Council	The funding allocation from Council is based on the Long term plan funding.

7. GOVERNANCE

The Council has established a CCO covering the activities of:

- Business Development
- Investment Attraction
- Tourism Growth

7.1 Responsibilities of Directors

The Council has established the CCO board and, consistent with best practice, Directors are appointed under the expectation that in undertaking their role, they will exhibit and ensure to:

- Act as a board of governance for the organisation responsible for the overall direction and control of the company's activities, to act in the best interests of the CCO, and not act as representatives of either their business or the sector they work in.
- Assist the organisation to ensure the activities of the CCO deliver upon the SOI and funding agreements with Council which are driven by the strategies and expectations of Council.
- The board will adopt governance practices and policies that are not inconsistent with those of Council and make the commitment to operate in a manner consistent with adherence to the Companies and Local Government Acts and the principles of the Institute of Directors of NZ and their four pillars of governance best practice for NZ directors.
- Practice sound business in commercial undertakings, operating as an efficient and effective business.
- Implement sustainable business practices.
- Assist in the development of the active Board Intern

Meeting legal requirements

The Board's first duty is to the legal entity. In meeting this duty the Board must ensure that all legal requirements under the relevant Acts are met and that the entity is protected from harmful situations and circumstances in the interests of current and future stakeholders. The Board also has a responsibility to its stakeholders to ensure that the available resources are used to deliver the right outcomes to the right people in the right way.

In particular Directors have the following obligations:

- To act in good faith in the interests of all stakeholders of RED
- To exercise their powers for a proper purpose
- To avoid actual or perceived conflicts of interest
- To act honestly
- To act with reasonable care and diligence
- To not make improper use of their position or of information gained while in that role
- To ensure that RED does not trade while insolvent
- Board members, either individually or collectively, are potentially liable if they act illegally or negligently.

Direction of executive performance

The Board will:

- Select, monitor and if necessary replace the Chief Executive

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- Provide the Chief Executive clear expectations of his/her performance.
 - Provide regular, honest and rigorous performance feedback to the Chief Executive on the achievement of such expectations

Public statements

In all contact with the media the Chief Executive shall be the sole spokesperson on all operating matters relating to RED Ltd. The Chairperson shall represent RED Ltd on all governance matters. The Chairperson may delegate aspects of this responsibility.

Other

The Board will perform such other functions as are prescribed by law or assigned to the Board under RED Ltd governing documents as they relate to being a Council Controlled Organisation (CCO).

7.2 Expectations of Board members

To execute these governance responsibilities Directors must, as far as practicable, possess certain characteristics, abilities and understandings.

Fiduciary duty

Directors must act in RED's best interest at all times regardless of personal position, circumstances or affiliation. They should be familiar with the constitutional arrangements and fulfil the statutory and fiduciary responsibilities of a Director.

Strategic orientation

Directors should be future oriented, demonstrating vision and foresight. Their focus should be on strategic goals and policy implications rather than operational detail.

Integrity and accountability

Board members must demonstrate high ethical standards and integrity in their personal and professional dealings and be willing to act on all Board decisions and remain collectively accountable for them even if these are unpopular or if individual Directors disagree with them. Directors must be committed to speaking with one voice on all policy and directional matters.

Informed and independent judgement

Each Director must have the ability to provide wise, thoughtful counsel on a broad range of issues. He or she must have or develop a sufficient depth of knowledge about RED to understand and question the assumptions, underlying strategic and business plans and important proposals and be able to form an independent judgement on the probability that such plans can be achieved or proposals successfully implemented. Each Director must be willing to risk rapport with fellow Directors in taking a reasoned, independent position.

Financial literacy

Directors must be financially literate. They should be able to read financial statements and understand the use of financial ratios and other indices used for evaluating RED's performance.

Industry and sector knowledge

Each Director is expected to bring a level of industry and sector knowledge sufficient to contribute to the Board's deliberations and considerations on behalf of the organisation.

Participation

Each Director is expected to enhance the Board's deliberations by actively offering questions and comments that add value to the discussion. Each should participate in a constructive manner that acknowledges and respects the contribution of others at the table, including the executive team.

7.3 Governance process policies

Policies are to be clear, unambiguous and provide continuity and a consistent point of accountability.

RED acknowledges Māori as tangata whenua, accepts Te Tiriti/The Treaty as a founding document of the nation and acknowledges its responsibility to ensure Māori needs are met in culturally appropriate ways.

An essential element in the Board's leadership role is its responsibility to set the strategic direction for RED, identify organisation priorities and monitor progress against the strategic goals and objectives.

The Board has a core duty to ensure the financial integrity and viability of RED and to ensure the organisation's funds are used for the purposes for which they have allocated. This requires oversight of financial performance and annually approving the financial budget.

The Board will identify and evaluate the principal risks faced by RED and ensure that systems are in place to avoid or mitigate the risks including the protection of intellectual capital.

The Board may establish standing committees and working parties to support it in its governance work, provided they do not conflict with the Chief Executive's delegated responsibilities.

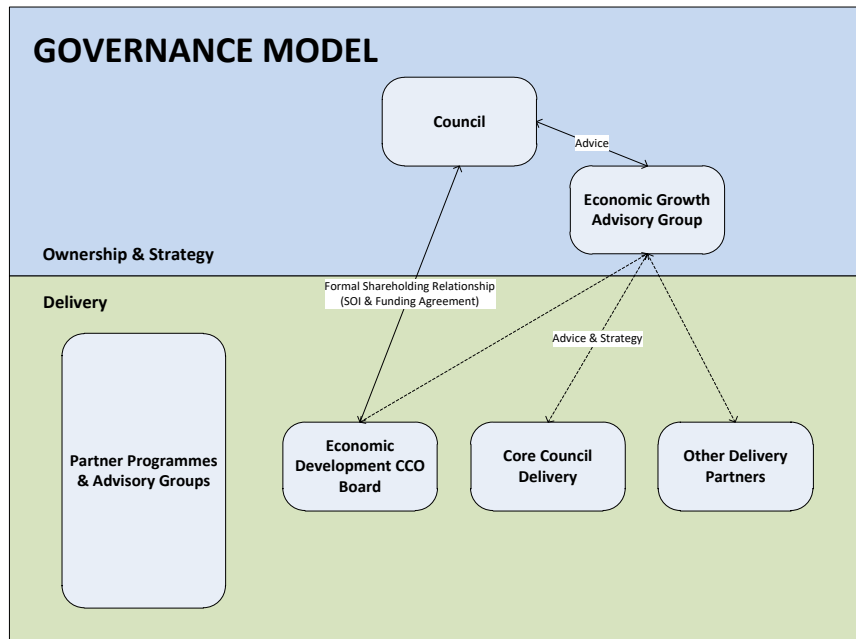
The majority of Board business will be conducted in Board meetings.

The Chairperson provides leadership to the Board, consistent with its policies and represents the Board and the organisation to outside parties. It is expected that the Chairperson will promote a culture of stewardship, collaboration and co-operation, modelling and promulgating behaviors that define sound Board membership.

The Board delegates to the Chief Executive responsibility for implementation of its strategic direction/strategic plan while complying with the Chief Executive delegation policies.

7.4 Rotorua Economic Development Governance Model

As part of establishing the CCO, it was identified that there was a need to have a governance structure that clearly shows the CCO's relationship with Council and other key stakeholders. The adopted governance model follows:



Central to the proposed governance model is a clear distinction between responsibilities for setting strategic direction versus the implementation of that direction. The model reinforces Council's overall role to set strategy and priorities and as the shareholder monitor delivery. To support Council in its role and consistent with Council's portfolio approach, an Economic Development Advisory Group has been established.

The role of this group is fundamental to the success of the CCO and a strong relationship will be maintained through the Chair of the CCO being a member of the Advisory Group.

7.5 Economic Development Advisory Group Role (EDAG)

- To strengthen Council's role in leading the development of strategy and establishing economic development priorities.
- To complement Council's formal shareholder relationship with the Economic Development CCO through:
 - Oversight and ownership of the commissioning and development of the economic development strategies;
 - Providing advice to the Economic Development CCO as required;
 - Advising on the funding agreement with the CCO.
- To coordinate operational activity between the functional delivery areas.
- To bring knowledge and insight about how the local business community can benefit from Economic Development Strategies.

The model recognises that economic development services are delivered by a range of organisations, including the core services of Council that impact upon economic development, which must operate in a coordinated manner with aligned direction and focus if Council is to maximise the benefit from this investment.

The board aims to ensure that the EDAG and the shareholder are informed of all major developments affecting the CCO's state of affairs, while at the same time recognising that commercial sensitivity may preclude certain information from being made public. The board will adhere to a 'no surprises' approach in its dealings with the EDAG and its shareholder.

8. RESPONSIBILITY TO SHAREHOLDER

8.1 Statement of Intent

In accordance with the Local Government Act 2002, the company submits its Statement of Intent (SOI) for the coming financial year to the Shareholder – Rotorua Lakes Council. The SOI sets out the company's overall objectives, intentions and financial and performance targets for the following three years.

8.2 Information flows and reporting

The Board aims to ensure that the Shareholder is informed of all major developments affecting the company's state of affairs, while at the same time recognising that commercial sensitivity may preclude certain information from being made public. Within this constraint, information is communicated to the Shareholder through the following:

- Quarterly reporting against SOI's performance measures and financial forecasts. Reporting to be provided within five weeks of the end of the quarter.
- Delivery of a half year report (draft by mid-February) and an annual report (draft by midSeptember) to the RLC's Chief Financial Officer.
- RED Chair and Chief Executive to meet with the Mayor and Council Chief Executive a minimum of twice per year.
- In addition, RED will proactively develop positive relationships with other local key stakeholders (namely Rotorua Airport Limited) to ensure effective communication of the initiatives being pursued through the implementation of the respective strategic plans.

9. HEALTH AND SAFETY

RED is committed to driving a strategy that delivers a culture of zero harm for employees, contractors, visitors, customers and anyone who may be affected by RED's activities. We will do this by:

- Ensuring that best practice health and safety standards are consistently applied in every aspect of our business activities;
- Complying with all health and safety obligations under relevant legislation; and
- Having a safe, healthy and enjoyable environment for everyone within RED.



Whakarewarewa Forest, The Redwoods, Mark Coker