



ROTORUA

Economic Development
Te Whanaketanga Ōhanga o Rotorua

Statement of Intent 2019-2020

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

Cover page image, Lake Tarawera, Adrian Hodge



FOREWORD

Rotorua is a vibrant, growing city with a pipeline of investment projects underway that will change the face of the district over the next five years. The population is expanding to reflect the work opportunities that this investment brings and also in recognition of Rotorua's unparalleled lifestyle.

A series of recent investment announcements, including the Rotorua Airport upgrade, the Lakefront and Forest developments and the Pullman Hotel development all demonstrate confidence in the future of the district and will create hundreds more jobs.

This development and business confidence presents opportunities to attract more investment and unlock economic growth for local businesses. Our role at RED is to continue to attract that investment, help businesses grow, and work with them to nurture and develop the talent they need to support that growth.

As a Council Control Organisation (CCO), RED focuses on priorities set by the Rotorua Lakes Council (RLC) in an annual letter of expectation. In its latest letter, RLC has identified three key areas of focus for RED that will support the Rotorua 2030 Vision: business development, investment attraction and growing the visitor economy.

In 2018, RED's Statement of Intent detailed how we will respond to these priorities over a three-year period. This latest Statement provides an update on our strategic framework and the activities and performance measures that we are focusing on to create a lasting legacy for Rotorua and New Zealand.

Peter Stubbs
Chair

Michelle Templer
Chief Executive

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Te Puia, Pohutu Geyser





1. INTRODUCTION

This Statement of Intent (SOI) sets out the strategic framework, activities and performance measures for Rotorua Economic Development Limited (RED) in year two of a three-year period in order to deliver on our objectives and contribute to the Rotorua Lakes Council's targets and priorities. The content of this SOI for 2019-2020 reflects the continued evolution of RED's role and focus from an approach weighted towards visitor services and promotion. RED now provides an increasingly balanced and fully leveraged portfolio of business and tourism growth, and investment attraction aligned with destination management.

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.

2. ABOUT ROTORUA ECONOMIC DEVELOPMENT LIMITED

RED is committed to developing and promoting Rotorua as a destination of choice to work, study, visit, invest and live in. We connect people, land, capital and ideas. Our work directly supports the development of Rotorua's economy, unlocking opportunities for commercial investment and providing employment, wealth and wellbeing for all our people.

RED works in partnership with iwi, private sector business, local government, community organisations and central government to support their growth aspirations and enhance Rotorua's identity and reputation. We operate as a neutral entity and a trusted advisor, balancing the needs of each group of stakeholders for the benefit of the destination.

RED is a Council Controlled Organisation (CCO), 100% owned by Rotorua Lakes Council (RLC).

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 and it also operates as Rotorua's Convention Bureau.

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.

RED's Directors are:

Mr Peter Stubbs (Chairman)

Mr Chris Auld (Director)

Ms Mere George (Director)

Mr Andy Higgs (Director)

Mr James Fitzgerald (Director)

3. OUR STRATEGIC FRAMEWORK

As the combined EDA and RTO for the Rotorua district, our work focuses on the economic development of the district, encompassing business and investment attraction, business growth, talent attraction and skills development, as well as the sustainable growth of the visitor economy. According to Infometrics, tourism GDP makes up 17.2% of Rotorua's GDP so growth in this sector will contribute to the overall economic growth of the city. The more vibrant and attractive the city is to visitors, the more people will want to live, work, study and invest here.

The work we do helps to:

- lift economic performance across the Rotorua district, with a particular focus on tourism, forestry and wood processing, natural hot springs and wellness, film/TV/creative technology, alternative land use opportunities, and Te Arawa investments
- attract, retain and grow investment, talent and business across the district
- ensure the impact of change achieves a balance between social, environmental, economic and wellness benefits for the people of Rotorua
- create unforgettable memories for all our visitors, including business event delegates
- support RLC's partnership with Te Arawa to help them realise their aspirations.

We do this by focusing on five key priorities:

- Destination development
- Business growth and investment attraction
- Skills, education and talent
- Sustainable business practices
- Growing the visitor economy

These priorities reflect the key areas of focus that the RLC set out for us in their annual letter of expectation, while also acknowledging that the need to champion the development of the destination, a skilled workforce and sustainable business practices sit comfortably within our remit.

We've also identified four priority projects that will help us achieve our purpose and improve the Rotorua economy for the benefit of the people who live here. These are long-term projects that will have a significant impact on the city and provide critical levers for economic development.

1. Champion food provenance and establish an indigenous food hub
2. Attract businesses that can provide bespoke wellness experiences
3. Showcase innovation that supports the development of a circular economy
4. Continue to build an investor eco-system to show that Rotorua is open for business

RED Purpose

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

What we do

Lift economic performance

Grow investment, talent and business and help Te Arawa realise their aspirations

Balance social, environmental, economic and wellness benefits

Create unforgettable memories for visitors

How we do it

Destination development

Business growth and investment attraction

Skills, education and talent

Sustainable business

Growing the visitor economy

Priority projects

- Champion food provenance and establish an indigenous food hub
- Attract businesses to provide bespoke wellness experiences
- Showcase innovation that supports development of a circular economy
- Continue to build an investor eco-system to drive new business

4. RED'S THREE YEAR WORK PROGRAMME

To deliver on our five key priorities, RED will undertake the following activities.

Destination Development

Objective

A city that is aligned to recognise and leverage opportunities for economic development, working in partnership for the benefit of all.

Priority

Improve knowledge of the unique attributes that make Rotorua a destination of choice to work, study, visit, invest and live in.

We'll achieve this by:

Sharing our destination story

Develop and share a strong, cohesive Rotorua brand and destination story to communicate the reasons why people want to live, work, study, visit and invest here. We will focus on stories that reflect our natural environment, Māori culture, innovation and success, and the promotion and implementation of Rotorua Reorua (bilingual Rotorua).

Sharing market insights

We are a recognized source of data and intelligence, which we share via our strong industry and iwi networks to support business development strategies, enhance confidence in Rotorua as a business/investment destination and guide major projects.

Supporting RLC's Big Moves projects

RED continues to provide investment acumen and advice to leverage the opportunities offered by the Provincial Growth Fund's investment in the Council's Lakefront and Whakarewarewa Forest development projects. We are leading the work to achieve the project's commercial objectives.

Business growth and investment attraction

Objective

To provide support for the growth of businesses and organisations through market insights, intelligence and connectivity. Our location, land, infrastructure, and people (tangata whenua) come together to create diverse investment opportunities within an active environment.

Priority

Support the capability and capacity of existing businesses and encourage development of new business. Attract new investment in Rotorua's areas of focus and competitive advantage.



We'll achieve this by:

Developing our High Performance Institute

RED helps accelerate business growth and improve competitiveness through capability training, coaching, mentoring, connectivity and the sharing of intelligence and insights. The High Performance Institute operates within three pillars to support local organisations at different phases of their development and enable knowledge sharing within the Rotorua business community.

- The first pillar is a strategy workshop helping organisations set aspirational goals and navigate the capability and capacity developments required to make those goals a reality.
- The second pillar provides access to relevant trusted advisors who can work alongside the business, helping to increase capability in areas that are most essential for success.
- The third pillar is the Accelerate Programme, which helps medium sized businesses grow and achieve their goals through a blend of group training and individual coaching sessions. Topics covered include leadership, governance, strategic marketing, planning and finance, and participation in the programme also provides connections to a network of other like-minded business owners.

Supporting local applications for funding

We connect local organisations to funding opportunities that will help them meet their aspirations to grow, relocate, supersize or pivot their business model. Our work helps unlock both Government funding and private equity and helps businesses navigate the support structures for feasibility studies or business relocation projects. We're also assisting in a number of Provincial Growth Fund applications from the Rotorua region. Our role is to provide coaching and guidance to applicants so they can more easily navigate the process. RED is also supporting PGF applications by offering to put organisations through a tailored iteration of the Accelerate programme (part of our High Performance Institute).

Support development of the hotel and luxury accommodation industry

We maintain an accurate overview of available sites for hotel and luxury accommodation development so we can share these with potential investors and developers.

Skills, education and talent

Objective

Support skills development and attract the talent needed to grow businesses and create employment, wealth and wellbeing for all residents.

Priority

Identify local needs and agree on regional actions that contribute to better labour market outcomes for our people.



We'll achieve this by:

Developing a labour market strategy

Across the broader BOP region there is a need to improve the functioning of the Labour Market to ensure local people can access good jobs and businesses can grow. RED is coordinating the Rotorua voice to add to a research project to develop and profile the characteristics of the regional labour markets, understand the main issues and challenges, and identify any issues that would make a significant difference.

Establishing the Kuaka Work Experience programme

This is a Rotorua i-SITE initiative designed to provide practical work experience to local rangatahi (young people) studying tourism. In partnership with local education providers; Toi Ohomai, Te Whare Wananga o Aotearoa, and New Zealand School of Tourism, we provide a pathway for students to transition from study to work, by way of a three day 'on-the-job' training practicum. Students who successfully complete the programme receive a certificate of completion in recognition of their achievement.

Partnering with TechWeek

We are helping to position the region as a tech centre and increase interest in Rotorua's tech industry through our involvement in the programme. RED manages Rotorua's contribution to TechWeek by curating content and promoting Rotorua's tech innovators.

Supporting Education Rotorua

RED supports Rotorua's international education network with marketing expertise and collateral to increase value from international students living and studying in Rotorua.

Sustainable business practices

Objective

Position Rotorua as a leader in sustainable business practices that support the wellbeing of the district and advance knowledge in the circular economy. Iwi and community initiatives will be able to access funding and develop the capability and capacity needed for sustainable futures.

Priority

Connect people, land, capital and ideas that together will help bring about positive change.

We'll achieve this by:

Supporting alternative land use projects

We're working with BoP Regional Council to support the development of low nitrogen leaching land use opportunities for land owners in the Lake Rotorua catchment. Our food provenance project is one solution linked to this work.

Collaborating with Scion's Te Ohanga

Our work with Scion's Te Ohanga supports world-changing initiatives that contribute to the circular economy. We collaborated to deliver the first Pacific Ellen McArthur Regional Summit, which aimed to show the critical role that indigenous people play in the circular economy.

Helping create sustainable social enterprises

We work with social enterprises based in Rotorua to help them find a sustainable balance between their social and economic drivers, ensuring their revenue model supports a long term strategy. One example of this is our collaboration with Kai Rotorua to help them develop and achieve their strategic goals.

Growing the visitor economy

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 to reach a target of \$1.5 billion by 2030 and support our operators as they increase value for visitors rather than just increasing the number of people who visit.

We'll achieve this by:

Developing a digital and social media strategy

As a result of a recent review of RotoruaNZ.com and RED's social media channels, the organisation is revising its digital approach with the intent of creating new online, social and video content and a direct-to-consumer digital strategy for select international markets. Better integration between channels, new online and video content, and the sharing of a consistent destination story across all audiences will help RED communicate more effectively to promote the city as a place to live, work, study, visit and invest in.

Piloting Australia and US consumer marketing campaigns

We know that in many of our key markets, more visitors now plan and book travel directly rather than going through travel agents. In order to drive preference for Rotorua, we need to reach international consumers directly during their travel planning process to supplement the work we

do through our Trade and PR programmes. By using granular flight booking data we will be able to get in front of these audiences and provide Rotorua-focused advertising at the right time in their travel planning journey.

Establishing a Google DMO Partnership

We are working with Miles Media to improve the use of a range of Google tools to create better content experiences for current and potential visitors (and others connected to Rotorua). The Google DMO Partnership Support Programme is designed to drive additional impact from the use of the Google tools and maximise the results of a destination's enhanced presence on Google.

Strengthening our media programme

We proactively generate media coverage of Rotorua's stories to help promote the city as a place to live, work, study, visit and invest. We work in partnership with Tourism New Zealand to reach international media alongside delivery of our own programme to bring influential journalists, photographers and social media influencers to Rotorua to experience it for themselves.

Attracting Business Events

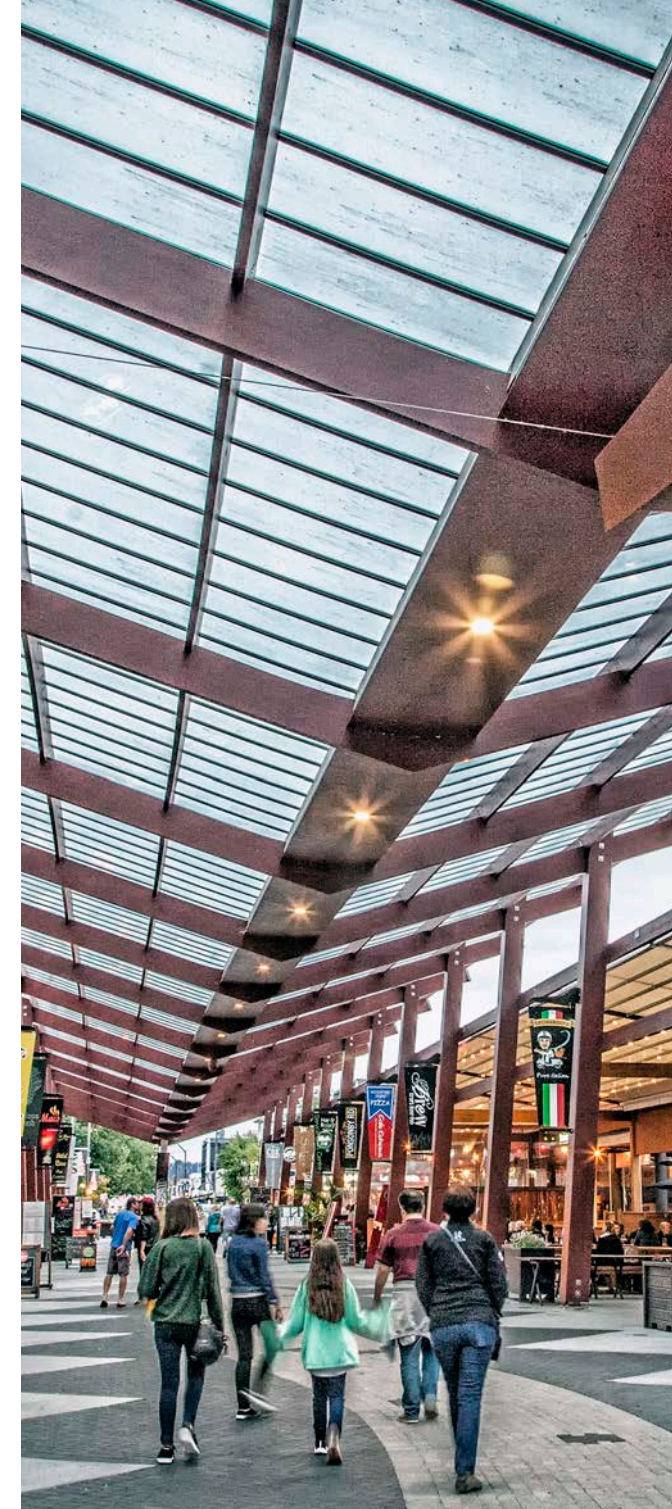
We work to generate and convert conference leads that position Rotorua as a domestically and internationally recognised business events destination. Our focus is on developing a reputation for excellence in the sectors where we have a natural intrinsic advantage: indigenous culture, forest and forest based sciences, geothermal and environmental sciences, health and wellness, and activity rich corporate conferences.

Championing Rotorua product

The Rotorua i-SITE's vision is to sustain a local economy of Rotorua craftspeople and artisans, who share their stories and experiences with our international and domestic visitors and local residents through their unique products and original creations. We commit to support local artists by partnering with Toi Ohomai and Arts Village to feature work by local and emerging artists. We will showcase gallery style art pieces as display items, and stock a range of affordable items such as prints for sale.

International Trade Marketing

We continue to work in partnership with Tourism New Zealand and International Airports, contributing to their offshore trade missions and hosting representatives from key accounts. We focus our efforts on our priority markets of Australia, China, UK/Europe and North America.





Priority projects

1. Champion food provenance and establish an indigenous food hub

There has been a big shift in people's attitudes towards food with more interest now being taken in food provenance and indigenous foods. Food provenance is knowing the root of where your food has come from and knowing how the food was produced, transported and delivered to you.

Rotorua is well positioned to take advantage of this opportunity because of existing indigenous crops, strong stories and connection to Māoridom, changes in land use in the Rotorua caldera, and proximity to NZ's main ports and key markets. As part of this project, we will:

- Measure the size of the market, customers' propensity to buy and barriers in connecting supply and demand
- Identify markets of scale that could be supplied locally
- Support local business owners to convert current land to produce sustainably and profitably to supply the demand
- Partner with BOP Regional Council to align with alternative land use programmes
- Investigate the value in a local /provenance brand
- Lift the economic performance of local existing and developing food businesses through the High Performance Institute.

2. Attract businesses that can provide bespoke wellness experiences

The international wellness market is worth in excess of \$3.7trillion, three times the value of the pharmaceutical industry. The market covers spas, anti-ageing, weight loss, alternative therapies, fitness and healthy eating. With Rotorua's connection to thermal springs already existing in the minds of New Zealanders, Rotorua is well placed to leverage this advantage with domestic and international tourists.

There is room for growth in the market, by offering a wider range of quality experiences to consumers. Diversification needs to occur, by upgrading spa appearance and increasing the number of offerings. There are opportunities to provide unique experiences that are well joined up.

RED's programme of work will include:

- A pre commercial business case to understand the size of the market
- Attracting businesses to provide bespoke wellness experiences
- A feasibility study on new development
- Labour market programme to address challenges in attracting, upskilling and retaining talent
- Lifting economic performance of businesses operating in this market through the High Performance Institute
- Promoting the destination domestically and internationally for its wellness offering.

3. Showcase innovation that supports the development of a circular economy

RED actively encourages innovation and developments in the Rotorua economy to ensure that resources are in use for as long as possible and the maximum value is extracted, after which they can be recovered or regenerated. Examples of our work include:

- Working in partnership with Scion to develop a bio-economy cluster to support collaboration between science, industry, Māori and Government to develop targeted solutions for stakeholders' sustainable goals, such as waste reduction.
- Engaging the Rotorua community to increase interest in technology and showcase its availability.
- Developing forums for sharing ideas and innovations to develop sustainable solutions to business and environmental challenges that can be replicated in other industries/regions/countries.

4. Continue to build an investor eco-system to show that Rotorua is open for business

RED is focused on developing collateral and investor eco-systems to support investor confidence and ensure Rotorua is viewed favourably as an investment destination. We focus on the following priority areas:

- Tourism and visitor economy including natural hot springs and wellness, and contemporary Māori culture
- Forestry and wood processing
- Sustainable alternative land use opportunities
- Education
- Emerging sectors (functional foods and nutraceuticals, advanced manufactured products)
- Film, TV and creative technology sector
- Investments that will complement the Te Arawa asset base and future aspirations

Our work will showcase Rotorua's thriving business sectors and investment ecosystem to investors and talent based outside the region. We will continue to provide quality insights and intelligence to support business development strategies and guide major investment projects.

5. ALIGNMENT WITH ROTORUA'S 2030 VISION

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 the City's Big Move Projects:

- Lakefront revitalisation
- 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.



6. 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
- Leading with business insights and intelligence
- 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



7. 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.

7.1 Key Performance Measures

Measure	2017/18 Actual	2018/19 Target	2019/20 Target	2020/21 Target
Provide relevant destination data and insights in target sectors to support investment and reinvestment decision making by business. Subject matter of insights will be delivered during the year based on relevance and need.	New measure	Regions & sectors (6)	Regions & sectors (6)	Regions & sectors (6)
Level of satisfaction of businesses going through the High Performance Institute coaching	Achieved 90% satisfaction rate for Accelerate Program (May 2018)	Achieve 90% satisfaction rate for Accelerate Program	Achieve an average of 80% satisfaction across all areas of the High Performance Institute	Achieve an average of 80% satisfaction across all areas of the High Performance Institute
The value of international students to the Rotorua economy	\$71m	+2%	+2%	+2%
i-SITE to be self-sufficient	New measure	Cost neutral	Cost neutral	Cost neutral
Business Events - Value of bids won in financial year based on MBIE data and DR lead sheet confirmed conferences	New measure	\$5M	\$5.2M	\$5.5M
Total international expenditure data for Rotorua (based on MBIE statistics)	\$363M	\$351M	\$361M	\$376M
Total domestic expenditure data for Rotorua (based on MBIE statistics)	\$454M	\$470M	\$482M	\$491M

7.2 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.



Monitoring Indicators	Year Ending							2017-18 change	
	Jun-12	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Rotorua	NZL
Real GDP									
	\$2.502b	\$2.542b	\$2.576b	\$2.606b	\$2.666b	\$2.738b	\$2.812b	2.7% ▲	3.2% ▲
Business Confidence Overall (-100 to +100)*	#N/A	#N/A	#N/A	+26.0	+40.0	+50.0	+21.0	-29.0pts ▼	-64.0pts ▼
Finding Skilled Labour*	#N/A	#N/A	#N/A	-24.7	-38.0	-30.8	-48.8	-18.0pts ▼	
Finding Unskilled Labour*	#N/A	#N/A	#N/A	+25.3	+26.0	+7.8	+2.7	-5.1pts ▼	
Building Consents									
Residential Consents (Volume)	84	98	64	75	118	117	160	36.8% ▲	7.9% ▲
Non-Residential Consents (Value)	\$35m	\$49m	\$37m	\$42m	\$53m	\$58m	\$46m	-20.7% ▼	10.3% ▲
Health Enrolments*	70,582	70,110	67,860	66,503	67,039	68,202	69,145	1.4% ▲	1.8% ▲
Workforce									
Unemployment Rate*	6.8%	6.7%	6.4%	7.4%	5.9%	7.0%	5.4%	-1.6pts ▼	-0.2pts ▼
Job Support Recipients*	3,004	3,154	3,215	3,200	3,046	3,205	3,291	2.7% ▲	3.1% ▲
Visitor Expenditure									
	\$546m	\$540m	\$581m	\$689m	\$751m	\$782m	\$817m	4.4% ▲	6.9% ▲
Commercial Guest Nights									
	1.711m	1.740m	1.814m	1.970m	2.094m	2.206m	2.353m	6.6% ▲	2.4% ▲
Friends & Family Guest Nights									
	1.394m	1.327m	1.320m	1.384m	1.501m	1.566m	1.611m	2.9% ▲	
Attractions & Activities Visits									
	2.231m	2.315m	2.300m	2.545m	3.028m	3.271m	3.302m	1.0% ▲	

* As at the indicated date (ie. versus the YE period)

8. SUMMARY OF FINANCIALS

Council Funding CCO Budget YE June 30 2020

The total level of Council funding provided for the CCO in financial year 2019-20 to deliver on the expected outcomes contained within this SOI is \$4,300,000. 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.

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	Long-Term Plan		
	2019/20	2020/21	2021/22
Revenue	\$	\$	\$
Funding from Rotorua Lakes Council	4,300,000	4,386,000	4,473,720
iSITE commission received	650,000	682,500	716,625
Trading revenue	1,415,000	1,485,750	1,560,038
Other revenue	548,000	648,000	748,000
Total revenue	6,913,000	7,202,250	7,498,383
Expenditure			
Employee	3,074,000	3,227,700	3,389,085
Administration & office	614,700	626,293	645,818
Finance costs and charges	135,240	140,240	145,240
Council service charges	501,938	526,864	556,888
Repairs & maintenance	70,500	74,500	79,500
Operating expenses	2,436,622	2,523,453	2,595,324
Utilities	80,000	83,200	86,528
Total expenses	6,913,000	7,202,250	7,498,383
Net operating income	0	0	0

Other financial information

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.

9. GOVERNANCE

The Council has established a CCO covering the activities of:

- Business Development
- Investment Attraction
- Tourism Growth

9.1 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.
- Practise 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
- 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).

9.2 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.

9.3 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.

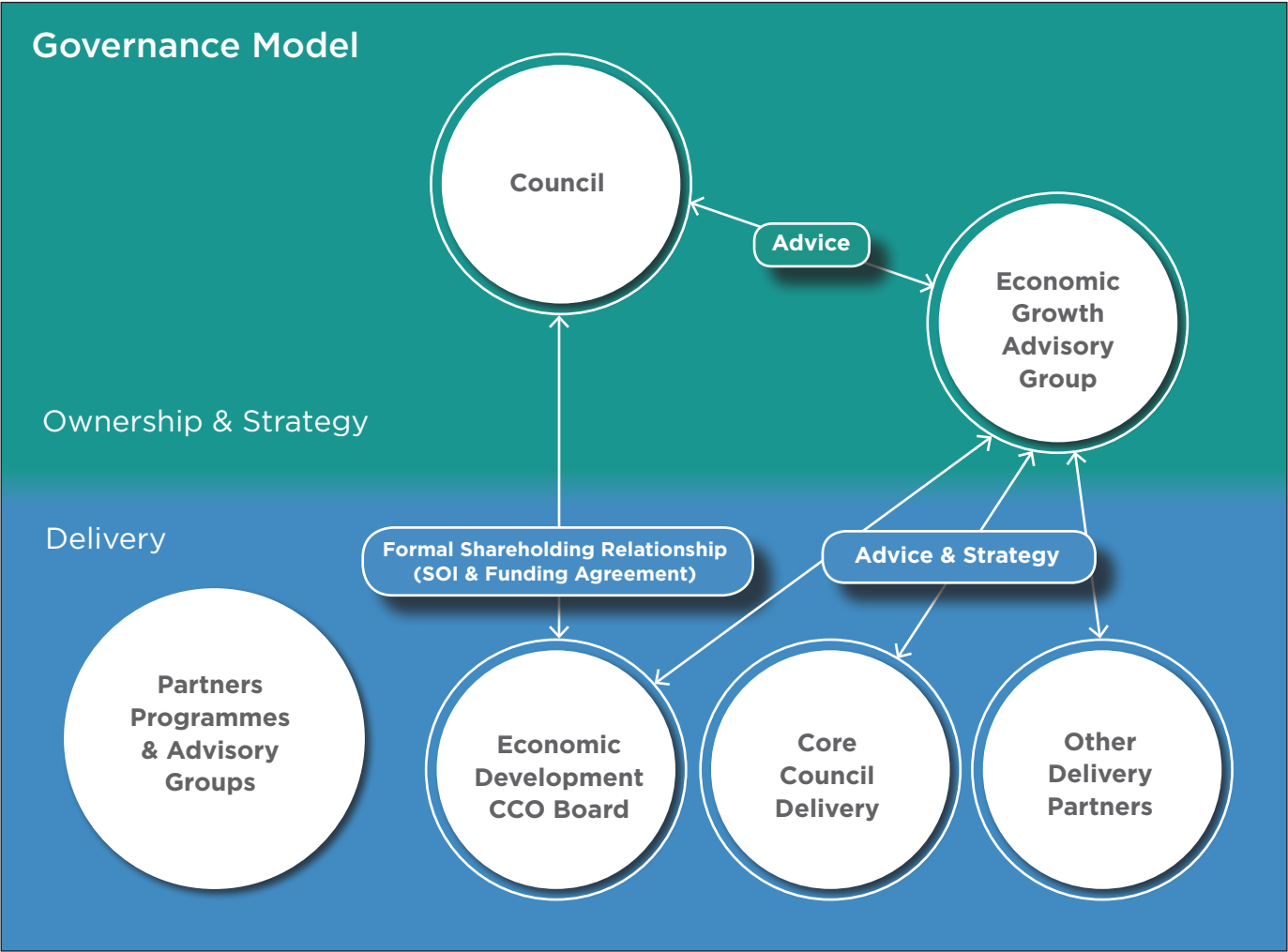
The majority of Board business will be conducted in Board meetings.

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.

9.4 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.

9.5 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.





10. RESPONSIBILITY TO SHAREHOLDER

10.1 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.

10.2 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 mid-September) 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.

11. 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





