



DESTINATION  
GREAT LAKE TAUPŌ

**Statement of Intent 2019-2022**



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# 1. INTRODUCTION

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

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

This Statement of Intent (SOI) sets out DGLT's strategic direction for 2019 -2022. It illustrates how DGLT will contribute to Taupō District Council's newly adopted Economic Strengthening Document, reflecting the expectations of both ratepayers and industry, and describes the context within which the organisation operates. It explains how DGLT will achieve its outcomes through its activities and initiatives; and shows how progress towards these outcomes will be measured.

The role of DGLT is to ensure that the Taupō district<sup>1</sup> is marketed as a visitor destination so as to maximise the long-term benefits to the economy for the benefit of district ratepayers. This marketing effort generates direct benefits for the local tourism industry, and also has a broader benefit for retail, hospitality and most other services in the district economy. DGLT's specific function is to promote the destination to attract increased numbers of visitors, and to encourage visitors to stay longer and spend more. In executing it's focus on long term benefits to the district DGLT also has an advocacy and leadership function around management and development of the destination. This includes work with infrastructure providers, capability building, product development and work with the community.

### **The National Visitor Strategy:**

In 2014, the Tourism Industry Aotearoa released Tourism 2025, a strategic planning document designed to align the industry nationally towards one common goal of growing tourism expenditure / yield to \$41 billion by 2025. The document was updated in 2018 to reflect a change in the wider tourism industry's vision for 'Growing a sustainable tourism industry that benefits New Zealanders', developing an industry that is deeply **connected** to the world and aligned as an industry, and has the **knowledge** required to make informed decisions, enable innovation and manage progress. The update focused on the following elements:

- **Economy** – delivering opportunity and prosperity across the New Zealand economy
- **Environment** - tourism contributes to protecting, restoring and enhancing the environment
- **Community** – New Zealanders understand, support and benefit from tourism operating in their communities
- **Visitor** – New Zealand delivers world leading experiences for international and domestic visitors
- **Sustainability** – at the heart of the framework, leading the world in sustainable tourism

The document also has introduced the values of:

- **Manaakitanga** - showing respect, hospitality, generosity and care for others
- **Kaitiakitanga** - guardianship and protection of our natural, built and cultural resources for the benefit of current and future generations
- **Whanaungatanga** – a sense of family and belonging; relationships built on shared experiences and working together

### **TOURISM 2025 & BEYOND** A SUSTAINABLE GROWTH FRAMEWORK



The tourism forecasts 2018-2024 project spend per visitor to New Zealand will increase by 4.9 percent growth per year to 2024. Visitor arrivals to New Zealand are expected to grow 4.6 percent per year, reaching 5.1 million visitors in 2024, up from 3.7 million in 2017. Total international spend is expected to reach \$14.8 billion in 2024, up 39.7 percent from 2017.

### **Progress to date:**

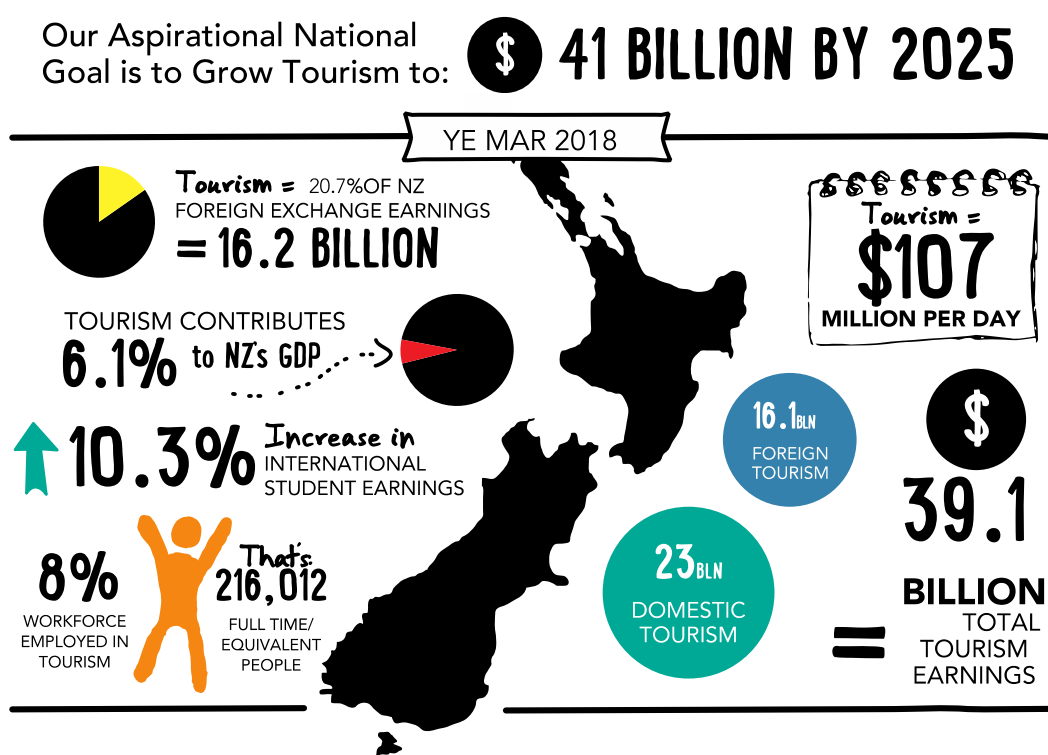
The scorecard so far is somewhat mixed, with continued growth in international arrivals and spend due mainly to the opening of new airline routes and new airlines flying into New Zealand, however the effects of this are not being felt throughout the entire country, and there are signs on the horizon of an oncoming slow-down in international arrivals. Tourism 2025 & Beyond has a focus on people and place, with the core focus being on developing and growing a sustainable visitor industry that

<sup>1</sup> Taupō District refers to the entire region incorporating Taupō, Turangi and Mangakino

benefits all New Zealanders and protects our natural environment. There is still a strong focus on overcoming regional dispersal and seasonality issues, so spreading the tourism load across the year will help to achieve these targets. MBIE are constantly improving the data sets available, so that robust decision making can be undertaken.

On the positive side:

- Spending by international tourists in New Zealand in the year ended March 2018 was \$16.2 billion – an increase of 9.6% percent.
- Domestic tourism spending increased 6.5% to \$23.0 billion.
- Total tourism expenditure increased 7.7% to \$39.1 billion, following a 8.8% increase in the previous year.
- International tourism expenditure contributed 20.6% to New Zealand’s total exports of goods and services.
- Tourism generated a direct contribution to GDP of \$15.9 billion – 6.1% of GDP.
- The indirect value added of industries supporting tourism generated an additional \$11.1 billion for tourism – 4.3% of GDP.
- 365,316 people were directly employed in tourism – 13.5% of the total number of people employed in New Zealand.
- Tourists generated \$3.6 billion in GST revenue.



Source: Tourism Satellite Account: 2018

**The Taupō proposition:**

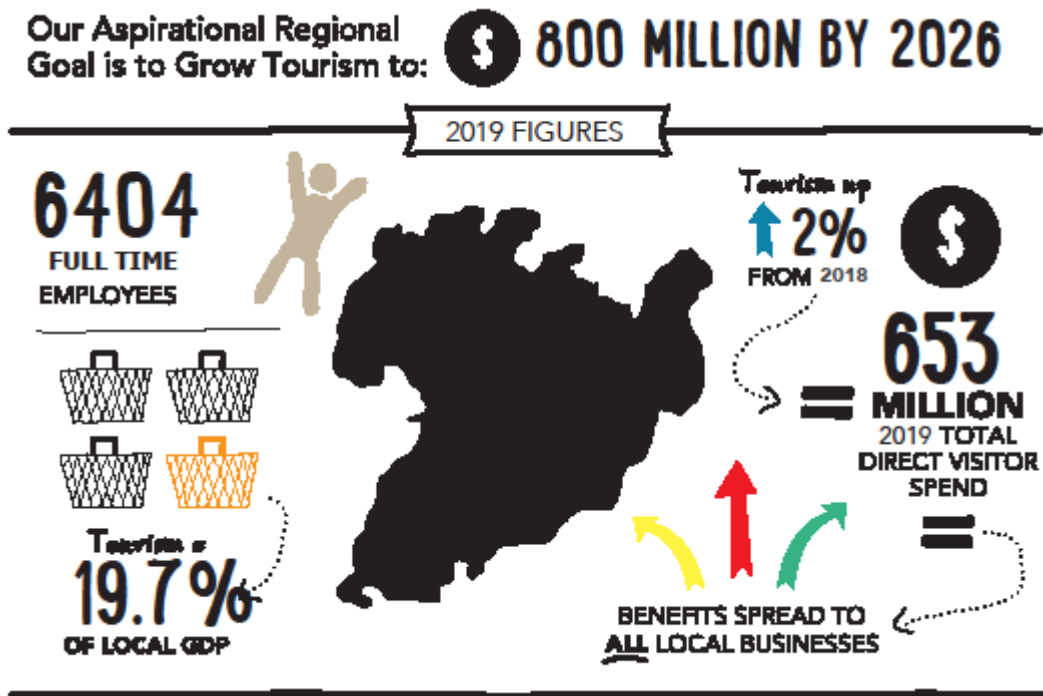
In 2019, DGLT estimates that the Taupō district experienced just over 3.4 million guest nights, using a combination of private and commercial accommodation. This comprises approximately 2.2 million domestic nights, and 1.2 million international nights. Roughly one third of guest nights are in commercial accommodation, with the remainder in private accommodation or freedom camping.

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

- Data released by the Ministry of Business, Innovation and Employment (MBIE), indicates a total direct visitor spend for the district of approximately \$653 million for the year ending December 2018.
- Spending by domestic visitors accounts for \$448 million (or 68%), while international visitors account for \$205 million.
- Tourism’s (direct and indirect) contribution to the local GDP is estimated at 19.7%<sup>2</sup>.

<sup>2</sup> Source – Economic Impact of Tourism Spending on Taupō Economy – March 2019.

- Tourism remains the largest employment sector in the region, with 6404 full time equivalent employees (FTEs)<sup>3</sup>.



<sup>3</sup> Source – Economic Impact of Tourism Spending on Taupō Economy – March 2019.

## 2. TAUPŌ – THE NEXT BIG THING!

### ***The Taupō Strategy Journey***

In 2016 the DGLT board reviewed and updated our district tourism strategy – to ensure that the industry has a strategic approach that is current and which also provides a clear vision for the future. In August 2016, the DGLT board adopted the new 2016-2026 Strategic document – “**Great Lake Taupō – The next big thing**”.

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

#### **Our domestic market**

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

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

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

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

We are also positioning the district as a winter/ski destination, building on the proximity of Tongariro National Park and Whakapapa Ski Area. As Whakapapa develops and grows there is not sufficient accommodation in the nearby communities, and so both Taupō and Turangi have potential to compete for domestic visitors.

#### ***Our international market***

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

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

#### ***The destination***

We have also reviewed the destination, against this strategy ambition. Our aspiration is to significantly grow the scale and profitability of the region’s tourism while maintaining acceptance and integration of visitors into the community. This means we are going to have to do more work with the community to increase understanding about spreading visitor growth-across the year, and the benefits that accrue as a result.

As noted above, further product development and hotel development is required if the district is to significantly grow international visitor volume, grow other markets, or increase visitation outside summer/peak periods. This means a growing role working alongside potential investors looking at new attractions or investment in the region.

Sustained growth over a number of years is also leading to capacity constraints at many icon sites. DGLT is working alongside infrastructure providers to ensure appropriate upgrades are undertaken at these sites.

There are growing labour / work force issues across the tourism industry, plus the need to invest in building the capability of existing tourism operators to remain successful in an increasingly complex digital environment. This means DGLT has a growing role in supporting tourism operators not just in their marketing, but also in wider aspects of their business development.

## 3. BAY OF PLENTY VISITOR ECONOMY STRATEGY

In 2018 a Bay of Plenty Visitor Economy Strategy was adopted. This sets out key infrastructural priorities required across the region to both cope with and enable tourism growth. The document includes a specific Taupō sub regional strategy. It identifies the need for key infrastructural upgrades to cope with growth pressures, at sites like Tongariro National Park and

Huka Falls. It also sets out key projects that will enable growth and support diversification of the tourism industry. DGLT has a key leadership role in working with land managers and infrastructure providers to plan for such upgrades.

## 4. PRINCIPAL OBJECTIVES

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

- A series of objectives aimed at implementing the vision in the 2016-2026 strategic document (the focus of our marketing and promotion work)
- A series of objectives arising from the 2018 Bay of Plenty Visitor Economy Strategy (focussed on managing and developing the destination)
- A series of objectives around DGLT Trust operations (the way we work).

### 4.1 Our focus - Establish Taupō as 'The Next Big Thing'.

Objectives in our 2016-2026 Strategic Document:

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

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

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

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

### 4.2 Our focus – Sustainably manage and develop the destination as an international quality resort style destination.

We have identified 4 objectives relating to the sustainability and long-term growth of the destination, which come out of the DGLT Strategic Document and the Taupō Visitor Economy Strategy:

#### 4.2.1 *Providing quality information to visitors*

Given the increasing number of international visitors, and rapid changes to our source markets, we will have to make changes to ensure we provide quality information to our visitors, including through our online channels, print collateral and through our face-to-face customer services in the two i-SITEs. This will mean greater use of digital technology, more translation and communication through increasingly diverse channels.

#### 4.2.2 *Providing a quality experience for the current level of demand*

Given the aspiration for both rapid and significant growth in visitors, Taupō as a destination must also be engineered to deal with the development challenges and opportunities that will arise. The growth trajectory is positive, but we need to ensure we continue to deliver a world class experience to increasing numbers of domestic and international tourists. This will require upgrades to critical infrastructure, growth in the tourism workforce (to meet demand) and may necessitate demand management at some key sites.

#### 4.2.3 *Enabling future growth*

Thoughtful, strategic and quality investment will significantly enhance attractions, increase the vibrancy of our towns and strengthen our market reach. New product is key to providing reasons to visit at all times of the year and fill periods when

there is capacity in the region, and to making sure our offerings are well suited to existing and future target markets. We will work with both existing operators, new investors and Enterprise Great Lake Taupō to support new product development, further monetise existing attractions and market existing attractions to the travel trade. A specific focus on Turangi, working alongside Ngati Tuwharetoa to develop cultural product and emphasising additional soft adventure/wet weather attractions are also priorities.

#### **4.2.4 *Taking our community with us***

As tourism grows in the region it will deliver significant economic gains for the community through increased employment and spending, town vibrancy and services. However, there is a risk (if not managed correctly) that members of the community will also see negative impacts in terms of congestion at peak periods, environmental degradation etc. It is important, therefore, that DGLT works with other community leaders/organisations to take the community with us. This will mean more communication and more active management of infrastructure/crowding issues.

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

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

#### **4.3.1 *Take industry with us, and work collaboratively***

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

#### **4.3.2 *Be fiscally responsible in the way we do business***

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



## 5. FOCUS OF ACTIVITIES FOR 2018/19

DGLT has planned for a continuation of business as usual activity for the 2019/20 year.

### **Business as usual marketing activity includes the following:**

- Planning and delivery of destination marketing programmes that grow the inbound visitor market (including both domestic and international visitors) to the Taupō district jointly with operators and other groups
- Promotion of the district to the international market collaboratively with the Explore Central North Island grouping of regional tourism organisations and with Tourism New Zealand
- Provision of tourism market information and insights as appropriate for operators to assist in their marketing initiatives
- Work with local, national and international media to gain maximum positive exposure for the district
- Provision of regional visitor information that enables our key markets to make decisions on holidays in the district
- Convention and incentive marketing and facilitation of business conversion
- Delivery of trade and media familiarisations to build profile and opportunity
- Representation of the district at tourism trade shows
- Management of lovetaupō.com and other digital marketing functions
- Event marketing and leveraging the visitor opportunities around events

### **Business as usual destination management/development activity includes the following:**

- Operation of the two i-SITEs within the Taupō district
- Active involvement in discussions about infrastructure and destination management projects, including support for funding applications to central government funding entities
- Support to investors looking to establish new attractions/activities/accommodation in the district
- Planning and delivery of joint marketing / town vibrancy initiatives alongside Turangi, Mangakino and Town Centre Taupō
- Work alongside Ngati Tuwharetoa to interpret and promote cultural stories
- Professional development / capability building for operators

### **Changes to status quo activity for 2019/20 include the following:**

Following the introduction of new central government funding sources including the Provincial Growth Fund, the Tourism Infrastructure Fund and the International Visitor Levy DGLT is now doing significant work alongside infrastructure providers and landowners on funding applications for key tourism infrastructure. This is a significant consumer of DGLT time and activity.

Taupō District Council has adopted the 2018-2028 Long Term Plan which includes the continuation of funding to enable ongoing winter/ski campaign activity with Tourism NZ, RAL and Auckland International Airport.

## 6. FOCUS OF ACTIVITIES FOR 2020/21 AND 2021/22

DGLT has not programmed full implementation of the Strategic Plan in 2019/20, recognising what is possible with funding limitations. Work/actions have been prioritised into 2019/20 and further out into 2020/21 and 2021/22.

For our international markets, we will focus work in 2019-22 to continue/expand work in Australia (in support of the Tourism NZ campaign activity), plus we will do more marketing with the inbound travel trade around the US (to make the most of increased air access and arrivals/spend). We are seeing some softening of arrivals into New Zealand from UK/Europe (which is a core source market for our region) so we are also planning on increased activity to try and hold volume/spending from these markets. We are prioritising this activity ahead of work offshore targeting China and India.

Work will be required in the 2019-2022 period in the area of product development, to support new activities and infrastructure to meet the needs of new and emerging markets. Work will also be required to ensure the destination is 'China ready', including supporting operators and increasing the amount of translated content available in the region. Chinese visitation to the district is increasing rapidly, but still off a low base. To be prepared for growth from this market, we will need to ensure that Taupō as a destination is able to generate the visitor feedback that will in turn generate repeat business and ensure that it is a "must visit" destination. This means local actions to build capability among industry, signage and collateral development and training/knowledge investment. Such work would need to occur in partnership with Enterprise Great Lake Taupō, the Chamber of Commerce and Industry, Town Centre Taupō and Taupō District Council.

Given recent upgrades in both the Taupō and Turangi i-SITEs no significant capital work has been programmed in either building over the period 2019-2022. In the future, if the Taupō i-SITE building is replaced or relocated as part of the cultural precinct project, significant work will be required for design, as well as for fit out and displays. This would be beyond the current resources of the trust.

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

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

## 7. PERFORMANCE AND OTHER MEASUREMENTS

### 7.1 Analysis of performance against principal objectives:

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

Objective 1 – Establish Great Lake Taupō as 'The Next Big Thing'					
As measured by	Data sources	Baseline data	YE 2019-20	YE 2020-21	YE 2021 - 22
Growth in tourism expenditure	Monthly Regional Tourism Estimates	Total direct tourism expenditure of \$656M	4.8% annual growth	4.8% annual growth	4.8% annual growth

		for year ended October 2018. Based on \$448M domestic and \$208M international.			
<b>Objective 2 – Sustainably manage and develop the destination as an international quality resort style destination</b>					
<b>As measured by</b>	<b>Data sources</b>	<b>Baseline data</b>	<b>YE 2019-20</b>	<b>YE 2020-21</b>	<b>YE 2021 - 22</b>
Visitor experience / satisfaction.	Annual AA Domestic Travel Monitor	2018: Net promoter score of 45 2017: Net promoter score of 46 2016: Net promoter score of 49	Net promoter score of 46	Net promoter score of 46	Net promoter score of 46
<b>Objective 3 - Run an efficient and effective regional tourism organisation, strongly supported by the local tourism industry.</b>					
<b>As measured</b>	<b>Data source</b>	<b>Baseline data</b>	<b>YE 2019-20</b>	<b>YE 2020-21</b>	<b>YE 2021 - 22</b>
Visitation numbers in the Taupō and Turangi i-SITES	i-SITE door counters	Achieved 216,613 visits to Taupō and Turangi i-SITES in 2017/18.  Taupō i-SITE: 147,267 visits Turangi i-SITE: 69,346 visits	Achieve a combined total of 200,000 visits to Taupō and Turangi i-SITES.	Achieve 200,000 visits to Taupō and Turangi i-SITES.	Achieve 200,000 visits to Taupō and Turangi i-SITES.
Support for DGLT marketing initiatives	Measured by free of charge or in-kind support for marketing promotions activity.	Estimated at \$92,000 based on DGLT recording in 2017/18.	\$80,000 free of charge or in-kind support for marketing activity	\$80,000 free of charge or in-kind support for marketing activity	\$80,000 free of charge or in-kind support for marketing activity
Stakeholder satisfaction.	Annual Visitor Industry Survey  Maintaining consistency is set as the primary performance target	2018: 94.6% Industry satisfaction score. 2017: 82.6% Industry satisfaction score.  2016: 92% 2015: 89% 2014: 77%	85% Industry satisfaction score	85% industry satisfaction score	85% industry satisfaction score

## 7.2 Rationale for performance measures:

This 2019 SOI retains a performance measure around growth in tourism expenditure. The purpose of this measure is to track spending as an overall measure of visitor numbers and economic benefit from tourism. This will be tracked through the Monthly Regional Tourism Estimates. This is a dataset published monthly by the Ministry of Business, Innovation and Employment, and it provides an estimate of monthly regional tourism spend. We have adopted a growth target of 4.8% annually. This is consistent with the DGLT Strategic Document, which lists increased tourism spend as the key performance indicator. The strategic document identifies a performance target of \$800 million by 2026, based on a 4.8% increase year on year.

The annual AA Domestic Travel Monitor has been retained to measure domestic visitor experience/satisfaction with the destination. There is currently no data set to measure international NPS at a regional level. The key measure therefore is the domestic net promoter score. The net score for 2017/18 has been retained as the measure for 2018/19.

We have retained the i-SITE door count as a measure, but under Objective 3. The performance target is a reduction in visitation below current levels. Trends around i-SITES nationally suggest that many are struggling to maintain visitation and profitability (due to competition from digital devices/booking sites). Therefore, the performance target is based on reducing market share and performance over time, rather than predicting significant growth. On the basis of this declining visitation, we believe this measure is better categorised as a measure of the effectiveness of the organisation (as opposed to Objective 1 which measures the success of DGLT work to attract visitors).

An additional measure is included to capture 'free of charge' or 'in-kind' contributions by industry. The estimated contribution from the 2017/18 financial year has been added as a benchmark and used as the target for 2019/20.

### **7.3 Changes to performance measures from 2017-2020 SOI:**

Changes have been included in performance measures for the 2019-2022 Statement of Intent, reflecting changes to data sets available nationally/internationally and the changes outlined in the DGLT Strategic Document.

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

A new measure was included in 2017/18 to track support for DGLT collateral. This measure tracked the overall number of operator listings on the website and in the i-SITE. It was hoped that this would provide a way to measure the number of operators and the value they place in our marketing material (irrespective of the size of their business). This measure has been deleted in 2019, as operators have multiple listings on the website and in the i-SITE, meaning the listing numbers are not representative of operator support (or otherwise).

## 8. COLLABORATION WITH LOCAL AGENCIES

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

### **Regional / national relationships**

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

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

### **Local relationships**

Outlined below are diagrams of the local operating environment:

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

## 9. FINANCIAL DISCLOSURE

### **9.1 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 2019/20 within the base funding allocation provided by Council as in the attached Statement of Comprehensive Revenue and Expense.

## **9.2 Accounting policies and basis of preparation and compliance**

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

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

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

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

### **9.3 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.

### **9.4 Revenue recognition**

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

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

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

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

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

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

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

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

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

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

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

### **9.5 Leases**

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

#### **Operating lease payments**

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

#### Finance lease payments

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

#### Financing costs

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

### **9.6 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.

### **9.7 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.

### **9.8 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.

### **9.9 Inventory**

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

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

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

### **9.10 Property, Plant, and Equipment**

Property, plant and equipment consist of operational assets, which include office equipment, furniture and fittings, computer equipment, machinery and vehicles. These assets are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of an item of property, plant or equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Trust and the cost of the item can be reliably measured.

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

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

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

Class of asset	Estimated useful life	Depreciation rates
Office equipment	4-10years	13.33% - 25%

Furniture and fittings	2-10 years	10% - 50%
Computer equipment	4 years	25%
Machinery	4 years	25%
Vehicles	4-10years	10% - 25%

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

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

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

#### **9.11 Financial liabilities**

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

#### **9.12 Employee entitlements**

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

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

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

#### **Superannuation schemes**

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

#### **9.13 Interest-bearing borrowings**

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

#### **9.14 Income Taxation**

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

#### **9.15 Advertising costs**

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

#### **9.16 Equity**

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

#### **9.17 Balance-sheet ratios**

The Local Government Act 2002 Schedule 8 (9) requires the SOI to include the projected ratio of shareholders' funds to total assets within the Forecast Statement of Financial Position. As at 30 June 2018 the total Trust Equity comprised \$174,725 and the total assets were 770,625. The resulting ratio is 22.67%.

#### **9.18 Going Concern**

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



9.19 *Distributions to shareholders*

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

9.20 *Procedures for the purchase and acquisition of shares*

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

9.21 *Value of settlor's investment*

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

## Projected Statement of Comprehensive Revenue & Expense

	Projected FY19/20 Financials	Projected FY20/21 Financials (incl. LGCI)	Projected FY21/22 Financials (incl. LGCI)
<b>Income</b>			
Revenue from services provided	736,677	716,677	736,677
Grant received from Taupo District Council (Marketing)	1,790,250	1,831,426	1,871,718
Grant received from Taupō District Council (i-SITEs)	204,600	209,306	213,911
Interest income	7,800	7,800	7,800
<b>Total Revenue</b>	<b>2,739,327</b>	<b>2,765,209</b>	<b>2,830,106</b>
<b>Expenditure</b>			
Employee benefit expenses	1,236,782	1,263,131	1,291,632
Depreciation and amortisation	25,660	17,177	12,130
Finance costs	-	-	-
Management and administration expenses	268,008	270,055	270,059
Other operating expenses (see breakdown below)	1,208,878	1,214,846	1,256,285
<b>Total Expenses</b>	<b>2,739,327</b>	<b>2,765,209</b>	<b>2,830,106</b>
<b>Total Comprehensive Revenue</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Notes:

DGLT produces a conference and incentive manual biannually. This adds an extra \$20,000 of revenue and expenditure in 2019/20 and 2021/22.

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

Other operating Expenses	2019/20	2020/21	2021/22
Marketing & Advertising	837,409	840,198	879,624
i-SITEs	290,585	292,552	294,565
Other	80,884	82,096	82,096
<b>Total</b>	<b>1,208,878</b>	<b>1,214,846</b>	<b>1,256,285</b>

### 9.22 Capital Expenditure Forecast

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

Year	\$	Purpose
2019/20	\$20,000	Computer hardware
2020/21	Nil.	
2021/22	Nil.	

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

Note – no capital expenditure has been budgeted for redevelopment of the Taupō i-SITE, as it is assumed that any changes to the building or displays (were they to occur) would be budgeted as part of the Cultural Precinct Project.

### 9.23 Other financial matters

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

Year	\$
2019/20	179,000
2020/21	179,000
2021/22	179,000

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

Year	Marketing / promotions / destination management	i-SITE funding
2019/20	1,750,000 plus LGCI	\$200,000 plus LGCI
2020/21	1,750,000 plus LGCI	\$200,000 plus LGCI
2021/22	1,750,000 plus LGCI	\$200,000 plus LGCI

## 10. GOVERNANCE STATEMENTS

### 10.1 Approach to governance

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

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

### 10.2 Membership

Appointments have been made for a three-year period; but take into account the importance of continuity in terms of existing members. Two appointees will retire at the end of 2019/20 and be eligible for reappointment. Similarly, two further appointees will retire at the end of 2020/21 and so forth. The Council has the ability to remove one or more Board members at any time should there be clear evidence of non-performance. The Council shall include in its selection panel an independent selector with relevant skills and experience. The Board may co-opt additional non-voting members at its discretion. (Co-opted members will not be eligible for meeting fees or expenses).

### 10.3 Reporting to Council

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

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

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

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

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

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

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

#### **10.4 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.

#### **10.5 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.

#### **10.6 Significant Policies in Place for Accountability**

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

## 11. CONTACT DETAILS

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Email: info@LoveTaupō.com

### Chairperson and Trustees:

Ray Salter (Chair)  
Torben Landl  
Dennis Christian  
Cushla Clarke  
Glyn Williams  
Jonathan Cameron



Ray Salter  
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).

## 12. APPENDIX ONE: TERMS AND DEFINITIONS

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

### Marketing terminology

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