



ROTORUA

Economic Development
Te Whanaketanga Ōhanga o Rotorua

Statement of Intent 2020-2021

HE MIHI

Vision 2030 - the Rotorua Way

This is our home.

We are its people.

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

We're innovative and we share what we learn.

We're driving opportunity, enterprise and diversity.

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

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

Koinei tō tātau kāinga.

Ko tātau ōna tāngata.

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

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

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

E kaha tautoko nei tātau i whakapūmautanga o te taiao.

Mō te katoa a Rotorua...Tatau tatau



FOREWORD

Like almost every city around the world, Rotorua is now looking at the future from a very different perspective to where it started 2020.

We began the year on a surge of consumer confidence with the Bay of Plenty recording the highest level of optimism of any New Zealand region in the quarterly Westpac-McDermott Miller Regional Economic Confidence survey. A lot of this sentiment was driven by visible signs of infrastructure investment, with the opening of the new 5-star Pullman Hotel, stage one of the Whakarewarewa Forest development complete, development of the Lakefront started, and a number of other big commercial projects well underway.

In March, the Government indicated further confidence in Rotorua's long term future by announcing that it would invest another \$17m into the city for a purpose-built new facility for QE Health and to help Pukeroa Oruawhata Group develop Wai Ariki Hot Springs and Spa.

While the COVID-19 pandemic has impacted both consumer and business confidence, this investment provides a strong foundation for the city's rebuild, as there has never been a better time for quality development projects that strengthen our destination.

Rotorua Economic Development is now focused on cushioning the economic and social impacts of the virus in Rotorua by working with iwi, local businesses, Rotorua Lakes Council and Central Government to position Rotorua for recovery.

In April 2020, we set up a Rotorua Inc. Whakahouhia te Whare Ohanga Steering Group and four Sector Groups to:

- foster a collaborative approach to building back better, driven by the business sector and Te Arawa
- provide focused support to Rotorua business sectors that have been severely impacted and are central to Rotorua's current economic development plans
- foster innovative, disruptive and sustainable business and sector development that aligns with Rotorua's unique strengths

As a Council Control Organisation (CCO), RED focuses on priorities set by the Rotorua Lakes Council in an annual letter of expectation. This year's priorities are driven by the recommendations from the Whakahouhia Te Whare Ohanga groups and the projects they have deemed to be most necessary to the city's long term future. This Statement of Intent details how we will respond to their priorities for the period 1 July 2020 to 30 June 2021, with an update on our strategic framework and the activities and performance measures we are focusing on.

Partnerships play an important role in our work and we continue to collaborate with local and central government, iwi, local businesses and educators to transform the city. 2020/21 will bring a focus on destination management and continued work to diversify our portfolio of economic development projects to ensure that Rotorua remains a place that people want to live, work, study, visit and invest in.



John McRae
Chair



Andrew Wilson
Interim Chief Executive



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1. INTRODUCTION

This Statement of Intent (SOI) sets out the strategic framework, activities and performance measures for Rotorua Economic Development Limited (RED) in order to deliver on our objectives, and contribute to the Rotorua Lakes Council's (RLC's) targets and priorities. The content of this SOI for 2020 - 2021 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 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 RLC'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 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 Rotorua Find Your Element.

RED is led by Interim Chief Executive Andrew Wilson, 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:

John McRae (Chairman)

Mr Chris Auld (Director)

Dr Ganesh Nana (Director)

Mr Tim Cossar (Director)

Mr Mana Newton (Director)

Mr Aaron Donelley (Director)

Ms Anna Grayling (Board Observer)

3. ALIGNMENT WITH ROTORUA'S 2030 VISION

RED Ltd will continue to work as a key partner in the economic development components of the Rotorua 2030 Vision to help deliver transformational shift, with particular focus on helping with 5 of Rotorua's 7 Goals:

- Business innovation and prosperity ... Whakawhanake pākihi
- Employment choices ... He huarahi hōu
- Outstanding places to play...Papa whakatipu
- Vibrant city heart ... Waahi pūmanawa
- Homes that match needs ... Kāinga noho, kāinga haumaru

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
 - Leverage events and festivals that enhance the district's identify and reputation
 - Support the development of a Destination Brand

4. ASSUMPTIONS AND CONSTRAINTS

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.

Within this Statement of Intent, RED has set out a series of outcomes and performance measures by which our impact can be tracked. However, we've also made a number of assumptions about the external factors that will affect our ability to deliver. These include:

1. Rotorua has sufficient and affordable housing to support people moving to the district
2. Rotorua has a vibrant inner city that is attractive to businesses and investors
3. Rotorua has suitable commercial land and premises available to support business growth
4. RED receives funding from RLC to support any new initiatives listed in the letter of expectation.

RED seeks to employ an adaptive management style to ensure we can respond to emerging opportunities and reflect any changing circumstances. However, international events can have far-reaching economic impact, with significant implications for local businesses. Where possible, we mitigate the impacts of these by diversifying our focus and seeking ways to encourage a culture of resilience and innovation in local industries.

The impact of COVID-19 on the world's economy will be significant and long term so Rotorua's recovery will be affected by the macro-economic landscape that we operate in. RED will continue to play a significant role in the rebuild process, working in partnership with other entities to deliver against the priorities set out in this document.



5. OUR STRATEGIC FRAMEWORK

RED's vision for Rotorua is a place for everyone offering diverse opportunities, a unique natural environment and a vibrant centre of Māori culture and expression.



Our purpose is to unlock the potential of Rotorua, by:

- Lifting economic performance across the Rotorua district, with a particular focus on tourism, forestry and wood processing, natural hot springs and wellness, film/TV, alternative land use opportunities, and Te Arawa investments
- Attracting, retaining and growing investment, talent and business across the district
- Ensuring the impact of change achieves a balance between social, environmental, economic and wellness benefits for the people of Rotorua
- Inspiring visitors to come to the destination and create unforgettable memories
- Working closely with existing entities and networks to continue to grow the Te Arawa economy.

To achieve these outcomes, we focus on four priorities:

- Develop and promote the destination - Connect people with place
- Attract investment - Connect ideas with capital
- Build business capability and capacity - Connect business with resources
- Attract and develop talent - Connect business with people

These priorities reflect the key areas of focus that the RLC set out for us in their annual letter of expectation.

We've also identified a number of 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. Create an investor eco-system to show that Rotorua is open for business
5. Build and support a resilient, sustainable and thriving tourism industry
6. Lead engagement with groups that participate in the Rotorua economy to provide insights into RLC's Long Term Planning process
7. Improve capacity and capability of local construction workforce to meet residential development demand
8. Lead the engagement and development of recommendations from property owners to RLC for the refresh of the inner city strategy

Our vision: Rotorua is a place for everyone offering diverse opportunities, a unique natural environment and a vibrant centre of Māori culture and expression

Develop & promote the destination
Connect people with place

Build business capability & capacity
Connect business with resources

ROTORUA

Attract investment
Connect ideas with capital

Attract & develop talent
Connect business with people

Our purpose: To unlock the potential of Rotorua



6. OUR WORK PLAN

Develop and promote the destination

Connect people with place

We will continue to 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 what makes Rotorua special: diverse opportunities, a unique natural environment and a vibrant centre of Māori culture and expression.

We will position Rotorua as a place of talent, innovation and investment and provide tools and assets to help local businesses share their own stories of success. We will also seek opportunities to identify and promote the local people behind the success stories, helping to showcase the innovative people who make this place their home.

The outcomes of our work in this area include:

- A strong Rotorua place brand and consistent brand story that improves the desirability of Rotorua as a place to live, study, work, do business and visit.
- Rotorua people are engaged with the development of the destination, recognising the benefits that new investment, economic development and a strong tourism sector offer.
- Engaged community hosts and improved visitor satisfaction through the provision of destination marketing and management programmes.
- Target of \$1 billion in visitor expenditure by 2030 and a balanced portfolio of domestic and international visitors representing a range of markets.



Build business capability and capacity

Connect business with resources

We will leverage our connections with regional and central government agencies, private sector and education providers to identify trends and market information that will support investment and reinvestment decision making by local businesses and landowners. We'll share our data and insights including market overviews for start-up businesses, market intelligence for investments underway, information for feasibility studies and collation of industry specific insights for national investment.

The outcomes of our work in this area include:

- A coordinated Rotorua business network to showcase success, and foster connectivity, collaboration and a voice for "Rotorua Inc".
- Businesses have access to a range of valued business growth and innovation services tailored to address Rotorua business capacity and capability needs that accelerate growth, improve competitiveness and reduce their environmental footprint.
- RED is a recognised source of market insights that support quality decision- making, reduce risk, build resilience and improve productivity and the commercialisation of successful ideas.
- Rotorua is recognised as a leader in business events and conference delivery.
- I-SITE services are self-sustainable.



Attract investment

Connect ideas with capital

We will continue to create collateral to attract investment in targeted sectors by showing that Rotorua is a desirable, safe and stable destination, offering a strong marketing opportunity for investment. We will also galvanise support from local employers, educators, membership bodies, central government institutes, local government and iwi to build a persuasive business relocation programme. Built around the theme - Our Future is Bright Together, our approach to businesses seeking a new location includes compelling information on local developments, connections and the benefits of relocating here.

The outcomes of our work in this area include:

- Rotorua being recognised as an attractive and viable investment destination in areas of comparative advantage with a focus on the following:
 - o Tourism sector including natural hot springs and wellness
 - o Forest and wood processing sector
 - o Film, TV and creative technology sector
 - o Sustainable alternative land use opportunities within the Rotorua lakes catchment
 - o Investments led by Te Arawa that strengthen their asset base and future aspirations
 - o Businesses wishing to establish in the Rotorua district
- Leverage opportunities for increasing awareness and/or the creation of a “centre of excellence” in forestry, wood processing, thermal wellness and the visitor economy
- Where potential growth opportunities are identified, there is a robust and disciplined investment opportunity analysis, case development and promotion process in place to support commercial investment realisation and decision-making.
- Enhanced confidence in Rotorua as a business destination through the provision of quality market intelligence.
- Existence of a coordinated local business investment support network.
- Rotorua is recognised as an attractive and viable tourism industry investment destination



Attract and develop talent

Connect business with people

We work in partnership with youth-focused organisations to support the growth of local talent development infrastructure that helps to unlock the potential of Rotorua rangatahi. We will also continue to fund the ACCELERATE programme as part of our Elements of Success Programme to build capability through coaching, mentoring, connectivity and sharing of intelligence and insights.

The outcomes of our work in this area include:

- Rotorua is able to attract and retain the talent needed to grow businesses
- Industry has opportunities to connect with rangatahi (youth) and showcase career pathways.

7. 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



8. 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.

8.1 Key Performance Measures

| | Measure | 2017/18 Actual | 2018/19 Target | 2019/20 Target | 2020/21 Target | 2021/22 Target |
|--|--|----------------|--|---------------------------|---------------------------|---------------------------|
| Build business capability and capacity | Relevant destination data and insights has been sought 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. | Not available | Target sectors = 7 | At least 6 target sectors | At least 6 target sectors | At least 6 target sectors |
| | Level of satisfaction of businesses going through the ACCELERATE programme | Not available | Achieved 90% satisfaction rate for ACCELERATE Programme (May 19) | New measure | At least 80% satisfaction | At least 80% satisfaction |
| Attract investment | Level of members' satisfaction with the value of the Luminaries Programme | Not available | Not available | New measure | At least 80% satisfaction | At least 80% satisfaction |
| | The number of direct commercial introductions made by RED that contribute to a strong investment ecosystem | Not available | Not available | New measure | At least 30 introductions | At least 30 introductions |
| Attract & develop talent | Introduction of a summer intern programme | Not available | Not available | New measure | At least 10 interns | At least 15 interns |

| | | | | | | |
|--|---|--|---------------------------------------|--|--|--------------------|
| Develop & promote the destination | i-SITE to be financially self-sufficient | Not available | Not available | Cost neutral | Revenue at least 50% pre-COVID levels ++ | Cost neutral |
| | Business events – value of bid won in financial year based on MBIE data and DR lead sheet confirmed conferences | Not available | \$8.8m | At least \$5.3m | At least \$3m ++ | At least \$6.1m |
| | Total international expenditure data for Rotorua (based on MBIE statistics) | \$358m* | \$356m* | At least \$361m | At least \$35m ++ | At least +2% |
| | Total domestic expenditure data for Rotorua (based on MBIE statistics) | \$456m* | \$485m* | At least \$482m | At least +2% | At least +2% |
| | Rotorua Tourism Sentiment score (based on Destination Think) is at least approximately the same or better than the December 2017 base year (=54). Tourism Sentiment Score (ranging from -100 to 100) is a measure of the destination's performance in driving online word of mouth and the perception of Rotorua's tourism offering internationally | 54 points (year ending December 2017) | 59 points (year ending December 2018) | New measure | At least 52 points | At least 52 points |
| Domestic consumer perception - % intend to visit (Delve loyalists + considerers) Rotorua from Auckland AND one target market is at least approximately the same or better than the June 2017/18 year | Auckland 53% Christchurch 25% Wellington 52% | Auckland 52% Christchurch 25% Wellington 43% | New measure | Auckland At least 50% +/-MOE Christchurch At least 20% +/-MOE Wellington At least 40% +/-MOE | Auckland At least 50% +/-MOE Christchurch At least 20% +/-MOE Wellington At least 40% +/-MOE | |

* MBIE estimates are subject to revision and therefore the value as at publication of this document will not reconcile with the latest MBIE release for the stated period. ++ These targets have been adjusted to reflect the impact of the COVID-19 pandemic.

8.2 Monitoring indicators

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

DESTINATION ROTORUA Statement of Intent

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

| Monitoring Indicators | Year Ending | | | | | | | 2018-19 change | |
|--|-------------|----------|----------|----------|----------|----------|----------|----------------|------------|
| | Jun-13 | Jun-14 | Jun-15 | Jun-16 | Jun-17 | Jun-18 | Jun-19 | Rotorua | NZL |
| Real GDP | \$3.084b | \$3.126b | \$3.160b | \$3.234b | \$3.321b | \$3.423b | \$3.496b | 2.1% ▲ | 2.7% ▲ |
| Business Confidence Overall (-100 to +100)* | +13.0 | +26.0 | +26.0 | +40.0 | +50.0 | +21.0 | +1.0 | -20.0pts ▼ | -27.0pts ▼ |
| Finding Skilled Labour* | #N/A | -35.2 | -24.7 | -32.6 | -30.8 | -48.8 | -35.5 | -13.3pts ▲ | |
| Finding Unskilled Labour* | #N/A | +30.5 | +25.3 | +26.4 | +7.8 | +2.7 | +8.3 | 5.6pts ▲ | |
| Building Consents | | | | | | | | | |
| Residential Consents (Volume) | 98 | 64 | 75 | 118 | 117 | 160 | 176 | 10.0% ▲ | 5.9% ▲ |
| Non-Residential Consents (Value) | \$49m | \$37m | \$42m | \$53m | \$58m | \$46m | \$64m | 39.1% ▲ | 7.9% ▲ |
| Health Enrolments* | 70,110 | 67,860 | 66,503 | 67,039 | 68,202 | 69,145 | 68,236 | -1.3% ▼ | 2.2% ▲ |
| Workforce | | | | | | | | | |
| Unemployment Rate* | 6.7% | 6.5% | 7.7% | 6.3% | 7.8% | 6.4% | 4.6% | -1.8pts ▼ | -0.5pts ▼ |
| Job Support Recipients* | 3,154 | 3,215 | 3,200 | 3,046 | 3,205 | 3,291 | 3,682 | 11.9% ▲ | 11.2% ▲ |
| Visitor Expenditure | \$534m | \$574m | \$676m | \$736m | \$774m | \$814m | \$841m | 3.4% ▲ | 3.6% ▲ |
| Friends & Family Guest Nights | 1.327m | 1.320m | 1.384m | 1.501m | 1.566m | 1.611m | 1.640m | 1.8% ▲ | |
| Attractions & Activities Visits | 2.315m | 2.300m | 2.545m | 3.028m | 3.271m | 3.302m | 3.420m | 3.6% ▲ | |

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

9. SUMMARY OF FINANCIALS

Council Funding CCO Budget YE June 30 2021

The total level of Council funding provided for the CCO in financial year 2020-21 to deliver on the expected outcomes contained within this SOI is \$4,350,000. 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 | Annual Plan | Budget | Forecast | |
|------------------------------------|------------------|------------------|------------------|------------------|
| | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
| Revenue | \$ | \$ | \$ | \$ |
| Funding from Rotorua Lakes Council | 4,406,094 | 4,350,000 | 4,584,100 | 4,675,782 |
| iSITE commission received | 1,039,631 | 380,000 | 1,146,193 | 1,169,117 |
| Trading revenue | 1,396,849 | 591,000 | 1,540,026 | 1,578,527 |
| Other revenue | 500,000 | 3,500 | 700,000 | 800,000 |
| Total revenue | 7,342,574 | 5,324,500 | 7,970,319 | 8,223,426 |
| Expenditure | | | | |
| Employee | 3,050,998 | 2,517,000 | 3,363,725 | 3,431,000 |
| Administration & office | 378,464 | 165,700 | 397,623 | 405,575 |
| Finance costs and charges | 99,700 | 90,240 | 109,700 | 111,700 |
| Council service charges | 597,124 | 520,954 | 652,074 | 684,678 |
| Repairs & maintenance | 49,000 | 53,000 | 58,000 | 63,000 |
| Operating expenses | 3,109,964 | 1,917,988 | 3,327,196 | 3,462,992 |
| Utilities | 57,324 | 59,618 | 62,001 | 64,481 |
| Total expenses | 7,342,574 | 5,324,500 | 7,970,319 | 8,223,426 |
| Net operating income | 0 | 0 | 0 | 0 |

Other financial information

| | |
|---|---|
| Current value of assets | The current value of RED Ltd's assets as 30 June 2019 was \$619,000 based on the net asset value of the RED Ltd to be confirmed by the disclosed in the audited financial statements. |
| Accounting Policies | RED accounting policies are consistent with those of the Rotorua Lakes Council policies. |
| Financial Reporting | RED financial reporting to Council will be in accordance with requirements of the CCO with requirements of a CCO under the LGNZ Act |
| Budget allocation from Rotorua Lakes Council | The funding allocation from Council is based on the Long Term Plan funding. |

10. GOVERNANCE

10.1 Responsibilities of Directors

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

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

10.2 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. All Directors must attend at least 90% of Board meetings each year.

10.3 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 behaviours 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.

11. RESPONSIBILITY TO SHAREHOLDER

11.1 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.

11.2 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.
- Delivery of an annual report by 30 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.

12. 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.





ROTORUA
Economic Development
Te Whanaketanga Ōhanga o Rotorua