

2021

# Kai Iwi Lakes Management Options



Jo Wiggins  
Morvern Group  
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## 1. Introduction

Kaipara District Council engaged Morvern Group Ltd, supported by Horwath HTL, to review the current management and operation of the Kai Iwi Lakes campgrounds and to investigate other management and operational models for Council to consider. The full operational review and management options completed by Horwath can be found in Attachment1.

The Kai Iwi Lakes campgrounds are located in the Taharoa Domain on the edge of Lake Taharoa, one of three dune lakes within the Domain. The lakes have exceptionally high-water quality and are of high ecological and cultural significance. Tangata whenua have a long-standing relationship with Kai Iwi Lakes and the wider surrounding area which leads to Māori regarding them as a Taonga and important food source.

The Taharoa Domain is popular for camping, hiking, biking, swimming, water skiing, kayaking, trout fishing and sailing and is an attractive day visitor destination with over 1000 day visitors estimated in peak summer times.

The Pine Beach and Promenade Point campgrounds cater for tents, caravans and motorhomes and are promoted as “wilderness camping”.

Pine Beach has a capacity of 480 people per day and includes 43 powered sites, hot showers (user pays) and toilets, water taps throughout the campground with a mobile shop and ice sales available over the summer. Promenade Point has a capacity of 120 campers per day and provides drinkable water with taps throughout the campground and flush toilets.

There is no built accommodation, hard stand sites, kitchen, barbeque, Wi-Fi or laundry facilities available at either camp site that you may find at competing holiday parks.

## 2. Management and Operational Review

### 2.1 Operations

Two different divisions of Council manage the campgrounds and Domain, with Infrastructure employing the Domain Manager and Customer Experience employing the Campground Administrator. These two roles sometimes overlap with the Domain manager doing grounds maintenance, assisting to manage campground behaviour and being back up for the Administrator. They are supplemented by 8-10 casual staff over the summer months for cleaning, security and ambassador roles across the Domain and campgrounds.

A Property Management System is used to manage bookings but the use of the system to produce accurate reporting information and take online payments can be improved.

There is no process to measure or assess customer satisfaction, but anecdotal and online feedback and repeat visitation indicates campers like their experience.

The pricing structure whilst affordable, is the lowest compared to other holiday parks in Kaipara, except for low season powered sites at Mangawhai Heads Holiday Park.

### 2.2 Occupancy Performance

Figure 1 illustrates relatively good performance for guest nights given the limited facilities, with an upward trend over the last three years (noting 2020 impacted by COVID -19). Figure 2 shows the campgrounds occupancy is highly seasonal with the bulk occurring between October and April each year. Outside of the summer peak, visitation falls to below 25% and to below 5% for 5 months of the year. Most visitors are domestic.

Even though the campgrounds are one of the largest in Kaipara District, a review of accommodation data<sup>1</sup> across Kaipara and Northland revealed they appear to achieve less than their share of camper nights throughout the year. This is partly due to the lack of built

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<sup>1</sup> Source: Accommodation Survey Stats NZ, Accommodation Data Programme (MBIE), campgrounds, Horwath

accommodation and hard stand sites constraining its competitiveness outside peak times and the low number of international visitors attracted to the campgrounds.

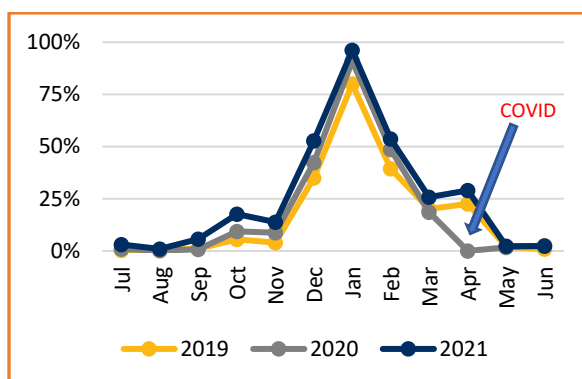
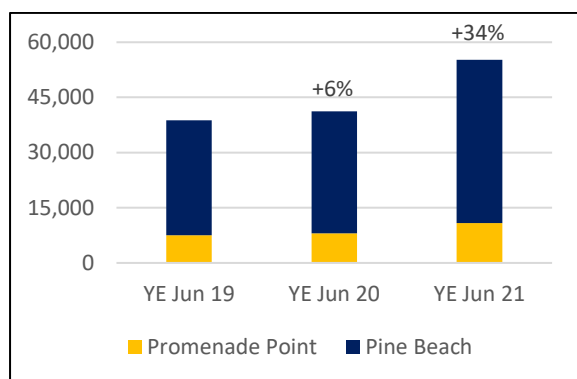


Figure 1 Campground Guest Night Growth

Figure 2 Seasonality of Occupancy (YE Jun 2019-21)

Sources: Campgrounds raw data, Horwath editing and analysis

Additionally, Lake Waikare Education Centre sits on Lake Waikare and operates as a venue for hire, but is underutilised, with less than 30 bookings per year.

### 2.3 Financial Performance

The campgrounds financial performance has been improving over the period 2018-2021, noting they were under different management in 2018 and 2019. The campgrounds achieve a relatively high level of revenue given their basic facilities and extreme seasonality, with approximately 40% of the revenue (\$200,000) earned in a period of less than 6 weeks.

The campgrounds appear to perform in the expected range of profitability in YE 2020 with a net operating profit (NOP) of \$187,000 representing a ratio of around 38% of total revenue. The NOP however is not optimised in terms of potential revenue reached or investment made. Yield could be improved by providing more powered sites and / or a higher level of facilities and amenities to justify higher camping fees. This could be further improved if new users further up the value chain were attracted and paying for example, \$70–80 for a cabin, rather than \$12– 15 per person for an unpowered site.

In YE 2021 a NOP of \$330,000 was achieved with higher revenue from increased domestic travel, including the shoulder season, due to COVID-19 and lower than average expenditure on grounds and building maintenance. This exceptional performance may not be sustainable in the long run, if and when international travel resumes, without other investment.

	Actual YE Jun 18	Actual YE Jun 19	Actual YE Jun 20	Provn YE Jun 21	Budget YE Jun 22
<b>Total Camping Fee Revenue</b>	392,761	481,152	493,510	670,371	500,000
<b>Total Operating Costs</b>	<b>302,784</b>	<b>357,718</b>	<b>305,806</b>	<b>338,549</b>	<b>324,910</b>
<b>Net Operating Profit (NOP)</b> (before rates, internal charges, depreciation)	<b>89,977</b>	<b>123,434</b>	<b>187,704</b>	<b>331,822</b>	<b>175,090</b>

Table 1. Campgrounds Financial Performance Summary (YE Jun 2018–2022)

Source: TDGC Agendas (2018-21) Note: YE Jun 18 incl. Horwath estimate of staff / employee costs, re-allocated from the Domain.

Operating costs typically total around \$300,000, with the most significant expense being staff remuneration and grounds and building maintenance. Marketing expenditure, at \$16,000 was increased to 2% of total revenue in 2021 but is still a relatively low amount.

Improved facilities and marketing would likely increase usage in the shoulder season. An increase in occupancy during the shoulder seasons would increase some direct operational costs, but should achieve good flow-through to net cashflow.

The YE June 2022 budget on a monthly basis shows the operation is cashflow positive (before Council charges) for seven months of the year (November to May) and makes an operating loss for the remaining five months.

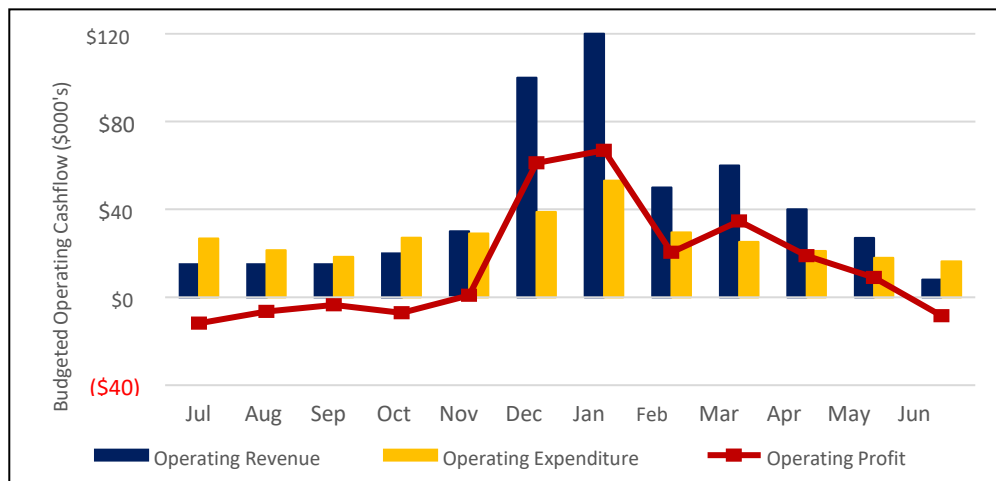


Figure 3. Campgrounds Monthly Operating Budget (YE Jun 2022)  
(Source: Campgrounds, Horwath HTL)

## 2.4 Governance

The Taharoa Domain including the campgrounds is located on Crown land vested in the Kaipara District Council. It is classified as recreation reserve under the Reserves Act 1977. The reserve is subject to the Kai Iwi Lakes (Taharoa Domain) Reserve Management Plan 2016 ('RMP).

The RMP states that "Kaipara District Council voluntarily established co-governance arrangements that provide for the active and equal decision-making that tangata whenua have with local government representatives on the Taharoa Domain Governance Committee" (TDGC). The TDGC was formed in July 2002. Its membership comprises two elected members of Council and two iwi appointees representing Te Roroa and Te Kuihi.

The TDGC responsibilities include implementing and reviewing the RMP and providing input and advice to council on a range of matters such as the annual plan, policies, bylaws, leases and licenses and to make recommendations to council about the Domain.

The RMP provides strategic guidance to the custodianship and enhancement of Taharoa Domain with the Vision of the Domain "To protect and enhance Taharoa Domain as taonga of global significance for the benefit of present and future generations." It also sets out six aims (Collaboration, Cultural, Environment, Recreation, Economic Development, Resourcing) each with several objectives. The objectives, actions and concept plans allow for the future development of the campgrounds, including:

- To establish opportunities for Kai Iwi Lakes to be a source of cultural and environmental education including through the development of an education facility
- To develop Kai Iwi Lakes so that it offers attractions which are used throughout the year
- To develop and manage the campground to achieve improved revenue
- The campground is achieving improved occupancy, including outside of peak season
- Possible second and third phase serviced camp sites for Pine Beach

## 2.5 Summary

The strengths and weaknesses of the campground operation is summarised as follows:

Strengths
<ul style="list-style-type: none"><li>• Council has direct control over the operation and management of the business</li><li>• A positive net operating cashflow is generated before Council charges and capital expenditure</li><li>• A high degree of repeat visitation which indicates strong customer satisfaction and loyalty from those guests</li><li>• Online forums/social media evidence of camper satisfaction indicates they perform well against the other holiday parks, with a 4.5/5 or higher rating on several sites</li><li>• A more affordable option than the other holiday parks in the area</li><li>• Extensive well-maintained grounds with beautiful lakeside settings</li><li>• Environmental impact of the campgrounds is minimised most of the year</li><li>• Hot showers and flushing toilets</li></ul>
Weaknesses
<ul style="list-style-type: none"><li>• The campgrounds' management by a different division of Council from the overall Domain has potential to be problematic where overlaps occur e.g. in event bookings</li><li>• Existing booking / information system is limited in terms of the production of regular effective management information</li><li>• Capability of the online booking system to accept electronic payments has not yet been implemented, resulting in potential loss of bookings</li><li>• Current check-in and payment processes operate essentially on an honesty basis</li><li>• No onsite built accommodation (e.g: cabins) or caravans for those that don't have their own caravan, campervan or tent accommodation where as other local holiday parks have an extensive range of accommodation options</li><li>• No on-site laundry, kitchen facilities or other amenities, limiting the campgrounds' ability to supplement accommodation revenue with other revenue</li><li>• Campgrounds do not meet the minimum requirements of the Camping- Grounds Regulations 1985 for the level of facilities per number of campers</li><li>• There is no 24/7 staff presence throughout the year</li><li>• Number of campers is limited to 600, constraining summer revenue</li><li>• There are infrastructure constraints with the power supply and at peak times there are occasions when the water take resource consent is exceeded.</li></ul>

## 2.6 Development opportunities

Investment in improvements in line with the RMP have gradually occurred over the last few years e.g. more powered sites. Security gates and other security measures will be installed this year along with investment towards meeting the Camping-Ground regulations.

The key opportunities are ones with the potential to increase camper numbers outside the peak summer season and increase the spend per camper. Targeting new markets through marketing and investment in facilities such as hard stand powered sites, built (relocatable) accommodation units, kitchen and laundry facilities, supported by upgraded power infrastructure could attract tourists, beyond your traditional camper, interested in the exploring the likes of the Twin Coast Discovery Highway or Kauri Coast Cycleway.

The Lake Waikare Events Centre also has potential to be made more "fit for purpose" for use by schools and other groups especially if done in conjunction with adding "built" accommodation at one of the campsites. This would also support the RMP objective for Kai Iwi Lakes to be a source of cultural and environmental education.

### 3. FUTURE MANAGEMENT OPTIONS

#### 3.1 Options

Five options for the future management of the campgrounds were considered. Each of the options has different implications for the degree of control, investment and business risk by Council. Table 2 sets out the pros and cons of each option.

##### Option 1. Inhouse Management ('Status Quo')

Council continues to operate the campgrounds as it is currently doing with little change. Council retains the option to change the management in the future.

##### Option 2 Modified Status Quo

Improvements to the status quo are made to optimise the current operations and enhance the benefits of council management. These improvements may be desirable if Council is to make a significant investment to improve utilisation and financial performance.

Opportunities for improvement include:

- Reorganising Taharoa Domain and campgrounds management to achieve greater synergies/ efficiencies, with one General Manager responsible for both and reporting to the TDGC.
- Improving the effectiveness of management reporting and accountability:
  - Management of reservations and advance payments
  - Minimising on-site cash handling and management
  - Real-time (e.g. daily) and periodic (e.g. monthly) management and financial reporting
- Improved management reporting and accountability to the TDGC to increase engagement and trust between stakeholders.

##### Option 3. Contracted Services

As an extension of the Modified Status Quo, Council could contract out some or most services involved in the operation of the campgrounds such as cleaning, security, grounds maintenance, marketing and/or reservations.

Council maintains overall management and financial control, capital development and investment and governance.

##### Option 4. Contracted Management Operation (Management Contract)

Council contracts a third party on commercial terms to manage and operate the campgrounds. Council has no responsibility for day-to day operations and does not own or control the business, except through conditions in the management agreement. Council could earn a rental return based on a fixed or variable annual rental or mix of both. Term likely to be shorter than a lease.

##### Option 5. Lease

Council enters into a commercial lease with a third party. This involves property rights, setting out the rights and obligations of the lessor and lessee, including the following:

- who owns what assets (e.g. in-ground infrastructure, above ground improvements including buildings)
- the level of capital investment required and by whom this is funded
- the basis of the lease rental calculation
- how the lease rental will be revised, including frequency
- the term of the lease, including rights of renewal
- procedures in case of dissatisfaction as a result of either party's failure to comply with their obligations under the lease.

Options	Pros	Cons
<b>Status Quo</b>	<p>Direct control of the business and operational, strategic and investment decisions in consultation with TDGC</p> <p>Easy to align with RMP</p> <p>Maximises net cashflows to Council</p> <p>Accountability simplified</p> <p>Direct returns on capital investment</p>	<p>Responsible for recruiting and managing experienced employees</p> <p>Retain all investment, operational and business risk</p> <p>Not seen as council's core business</p>
<b>Status Quo Enhanced</b>	As per above, enhanced performance	As per above
<b>Contracted Services</b>	<p>Reduced operational responsibilities</p> <p>Specialist skills, resources and technology provided by contractors including potential synergies</p> <p>Enables focus on management oversight and governance (incl. cultural and environmental outcomes) in consultation with TDGC</p> <p>Easy to align with RMP</p> <p>Direct returns on capital investment</p>	<p>Loss of control of some day to day services and quality</p> <p>Likely increased costs and reduced returns to council as contractors build in overheads and profit margin</p> <p>Possible inefficiencies if multiple contractors, more complex to manage</p> <p>Retain all investment, operational (including some health &amp; safety) and business risk</p>
<b>Management Agreement</b>	<p>No responsibility for operations or staff</p> <p>Contractor skills, resources and potential synergies</p> <p>Enables focus on strategy and vision for development and enhancing cultural and environmental outcomes in consultation with TDGC</p> <p>Potential contractor investment in lower cost, removable revenue generating improvements</p> <p>Retain some influence over levels and quality of service through the contract</p> <p>May benefit from business success whilst minimising downside risk</p> <p>Retain ownership of assets</p> <p>No requirement to fund working capital</p>	<p>Limited control over service quality except through contract</p> <p>Likely need for upgrade and expansion investment to enhance revenue potential and improve cashflow to make it attractive and viable to a contractor</p> <p>Required upgrades may not be entirely consistent with RMP</p> <p>Relies on audit and review to verify revenue and variable rental, requiring monitoring capability, may add cost</p> <p>Likely to still carry some health &amp; safety obligations</p>
<b>Lease</b>	<p>No responsibility for operations or staff</p> <p>Clear and enforceable property rights and obligations</p> <p>Clear accountability in relation to rest of Taharoa Domain</p> <p>Rent based on commercial terms &amp; fixed component easily budgeted</p> <p>Can negotiate lessee funded improvements traded off with term</p> <p>No requirement to fund working capital</p>	<p>Almost no control over business</p> <p>Risk of non-performance could represent longer term problem than under management contract especially if lessee funded improvements</p> <p>Potential impediment to achieve wider vision for and development of the campgrounds and Domain</p> <p>Intention to lease likely requires public notification and consideration under Reserves Act 1977.</p>

Table 2. Pros and Cons of Management Options

### 3.2 Potential types of third party management

Under a contracted management or lease option, the third party could be a commercial business, Department of Conservation (DOC), Te Roroa/TeKuihi or a not for profit. Interest has not been tested except for Morvern Group and Howarth conversations with Te Roroa, TeKuihi and DOC.

Te Roroa/Te Kuihi have indicated an interest in exploring the possibility of managing the campgrounds and that their primary interest is the conservation of the environment and their objectives closely align with the TDGC. DOC indicated it is not a priority for them to take responsibility for any additional campgrounds not located on conservation land.

### 3.3 Consideration of Management Options

#### **Continuing with Council Management (Option 1, Option 2 and Option 3)**

The current management of the campgrounds by council is a relatively lean operation and returning a net positive cashflow before Council charges and rates. Improvements to the management as outlined in the Modified Status Quo and some basic investment into amenities, built accommodation and hard stand sites should streamline operations, increase visitation and improve financial performance even further. Some functions could be contracted out if proved to be more efficient.

These options will however require at least some Council capital investment and all risk remains with Council.

Other advantages of council management include:

- the relationship with the TDGC and the ability to keep the campgrounds environmental impact low and development consistent with the intent of the RMP
- the relationship with Te Roroa/Te Kuihi and the ability to work alongside them in developing the Lake Waikare Education Centre for environmental and cultural education and furthering discussions about future campground management involvement.
- building up knowledge of the campgrounds potential that will enable it to maximise returns if it should change to third-party management or a lease at any time in the future.

#### **Changing to contracted management or lease (Option 4 and Option 5)**

The main benefits to Council of contracting out the management or leasing the campgrounds is bringing in third party expertise, maximising any commercial, environmental, cultural and/or educational related interests and reducing the operational and business risk of managing the campgrounds. It is questionable whether the campgrounds as they stand are an attractive proposition. The attraction for third parties to manage or lease the campgrounds may be dampened by:

- the current lack of investment in basic facilities that make them competitive with other holiday parks and contribute to cashflow in the shoulder and off seasons
- the need to fund working capital for at least five months of the year

A lessee or contracted party could invest in improvements but that would be traded off against length of tenure and the improvements required may be beyond what the RMP contemplates.

A down side for Council is that the net operating return could be lower than what is currently achieved or potentially reached with improvements, when the return on investment and operating profit requirements of a lessee or contracted manager are taken into account.



## 4. Conclusions

The Kai Iwi Lakes Campgrounds are located in a pristine and scenic setting. They have very high occupancy for six weeks of the year and are well loved by those that camp there even though they are under developed compared to many other holiday parks.

The performance of the campgrounds could be greatly improved by investment in infrastructure, facilities and amenities and target marketing to new markets to improve occupancy and revenue in the shoulder and off-seasons.

There is strong alignment between the RMP and potential investment in some new facilities and amenities including development of Lake Waikare Education Centre. Council working with the TDGC can set out a 10-20 year vision and plan under the RMP to progressively invest in developing Pine Beach campground, potentially leaving Promenade Point as the 'wilderness experience', alongside enhancing the environmental and cultural outcomes for Kai Iwi Lakes.

In considering the future management options, Council are in a good position to benefit from continued management and development of the campgrounds by implementing the suggested management improvements and progressively investing in expanded facilities. There is a strong opportunity to work with Te Roroa/Te Kuihi on developing the Lake Waikare Education Centre and to explore involvement in the campgrounds management in the future.

## 5. Recommendations

### Short Term 1-3 years

- 5.1 Continue with Council, Modified Status Quo, management of the campgrounds
- 5.2 Invest in facilities (toilets, showers, laundry) to meet Camping–Ground Regulations
- 5.3 Test feasibility and return on investment of built accommodation options including relocatable cabins
- 5.4 Seek a resource consent for a greater water take to meet future peak demand
- 5.5 Upgrade the power infrastructure to increase the number of powered sites and / or supply built accommodation units and other amenities e.g. kitchen facilities
- 5.6 Work with iwi on management and options to upgrade Lake Waikare Education Centre to increase utilisation from schools and other groups
- 5.7 Work with the TDGC to develop a vision and capital works plan for development, including facilities for a manager to live onsite, for inclusion in the next Long Term Plan

### Medium Term 4-7 years

- 5.8 Progressively invest in more facilities/amenities at Pine Beach to attract visitors in the shoulder and off seasons including hard stand powered sites for motor homes and built accommodation
- 5.9 Use targeted marketing to attract new visitor markets during the shoulder and off seasons
- 5.8 Continue to work with iwi on the development of the Lake Waikare Education Centre and to explore involvement in the management of the campgrounds
- 5.9 Revisit the campgrounds management options and look for partners that offer commercial, environmental, cultural and/or education synergies to further enhance the attraction of the campgrounds whilst protecting and enhancing the wider Domain.