

KAI IWI LAKES CAMPGROUNDS

REVIEW OF OPERATIONS AND MANAGEMENT OPTIONS



Prepared for Morvern Group / Kaipara District Council

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Hotel, Tourism and Leisure

A member of Crowe Global

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1 INTRODUCTION

Morvern Group Ltd (“Morvern”) has commissioned Horwath HTL Limited to assist it and the Kaipara District Council (“Council”) with a review of the operational performance of and future options for management of the Kai Iwi Lakes Campgrounds (“Campgrounds”).

1.1 SCOPE OF WORK

This report covers our Scope of Work reviewing the current operation of the Campgrounds under Kaipara District Council management and control, and on alternative management options for the Campgrounds.

Our review of the operations has included:

- operational levels of service and staffing
- occupancy rates and average achieved tariffs
- financial performance
- customer experience
- SWOT analysis
- comparison with other campgrounds in Kaipara District
- suggestions and recommendations for improvement in facilities in order to generate additional revenue.

Our work regarding future management options has included:

- considering improvements to the ‘status quo’
- considering the opportunities and / or restrictions implied in the Resrve Management Plan
- considering alternative management options including contracts for service, a management contract, or a lease
- considering the advantages, disadvantages and implications of the alternatives from a Council perspective.

Our scope of work does has not included:

- an onsite review of operational processes or interviews with staff
- an audit of systems or processes
- a market supply and demand study
- any capital cost estimates
- a feasibility study regarding any development options
- advice or assistance regarding an operator selection process.

1.2 DISCLAIMERS

This report is based on certain assumptions, estimates and other information available to us (the sources of which are stated in our report) and our knowledge of the visitor industry in New Zealand and Northland in particular. We have not carried out an audit or verification of the information supplied to us during the engagement, except to the extent stated in this report.

Our report is intended for the use of Morvern Group Ltd and Kaipara District Council, and not for inclusion in a private offering, prospectus or public offering for equity and / or debt raising purposes or other reasons. Neither the report nor its contents, nor any reference to our firm, may be included or quoted in any offer document, prospectus, valuation or other document without our prior written consent and input.

We reserve the right to (i) review any document for consistency with our report, where there is a reference to our report, or inclusion of any part, and (ii) suggest amendments to your document. This may result in additional engagement by our firm, and therefore additional fees.

Horwath HTL Ltd owes a duty of care to Morvern Group Ltd / Kaipara District Council as our client and cannot be held responsible for any loss suffered by a third party as a result of that party relying on our report. The potential liability of Horwath HTL Ltd under this engagement, or in any way associated with the services rendered, will be limited to the extent of our fees paid to Horwath HTL Ltd in relation to this engagement.

2 REVIEW OF CURRENT OPERATIONS

2.1 BACKGROUND

The Kai Iwi Lakes are located within the 538 hectare Taharoa Domain recreation reserve north of Dargaville in the Kaipara District. The freshwater dune lakes are renowned for their white sand and clear waters.

There are two campgrounds located on the lake foreshore, one at Pine Beach and one Promenade Point. Both campgrounds offer sites for tents, caravans and motorhomes.

The number of campers allowed in Taharoa Domain is limited to a maximum of 600 people per night across both campgrounds. For this reason, bookings are recorded in the reservations / management information system on a per person basis rather than a per site basis.

Unlike most other holiday parks, the parts of the Campgrounds which do not include powered sites are not divided into specific sites.

2.2 CURRENT CONFIGURATION OF CAMPGROUNDS

Pine Beach Campground

The maximum Pine Beach Campground capacity is set at 480 people per night.

Figure 2.1: View of Lake Taharoa looking toward Pine Beach Campground



(Horwath HTL photo)

Guest facilities, amenities and services include:

- 43 powered sites

- ablutions blocks (two toilet blocks with flushing toilets, one with coin operated hot showers)
- mobile shop (over the peak summer period)
- playground (in adjacent reserve)
- accommodation for night security staff over summer.

Promenade Point Campground

The maximum number of campers at Promenade Point is 120 people per night.

Figure 2.2: Promenade Point Campground



(Horwath HTL photo)

Guest facilities, amenities and services include:

- ablutions block (new toilet block with flushing toilets).

The Campgrounds facilities do not include:

- any built accommodation
- any hard stand sites
- kitchen
- laundry
- barbecue facilities
- Wi-Fi.

Cell phone reception at the Campgrounds is unreliable.

Lake Waikare Education Centre

The former waterski clubroom building is mainly used for private bookings and education visits. No alcohol is allowed. There were 24 education bookings in the year ended June 2019.

Figure 2.3: Lake Waikare Education Centre



(Horwath HTL photo)

2.3 CURRENT GOVERNANCE / MANAGEMENT STRUCTURE

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 ('Reserves Act').

The reserve is subject to the current Reserve Management Plan – Kai Iwi Lakes (Taharoa Domain) 2016 ('Reserve Management Plan'). The Plan 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 Reserve Management Plan states that the Vision of the Domain is "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. In relation to

governance and management arrangements, including in relation to the Campgrounds, the aims and objectives include (inter alia):

- Aim 1: *Collaboration* – Local government and tangata whenua will co-govern Kai Iwi Lakes and inspire others to share in its care
 - Objective 1: To have effective co-governance arrangements that reflect the active and equal decision-making of local government and tangata whenua
- Aim 5: *Economic Development* – Kai Iwi Lakes will be promoted and developed as an educational, scientific and tourist destination
 - Objective 1: To promote Kai Iwi Lakes widely as a passive and active recreation visitor attraction
 - Objective 2: To promote Kai Iwi Lakes as an events venue for events that are compatible with the lakes environment and cultural values, whilst ensuring that this does not result in exclusive use
 - Objective 3: To develop Kai Iwi Lakes so that it offers attractions which are used throughout the year
 - Objective 4: To develop services and facilities to attract visitors from education and science sectors
 - Objective 5: To re-establish Kai Iwi Lakes' natural flora and fauna as the centre piece to its economic development and sustainability
- Aim 6: *Resourcing* – Kai Iwi Lakes and its promotion will be managed in a way that encourages a spectrum of resources that support its stewardship
 - Objective 1: To increase revenues from sources other than Council
 - Objective 2: To manage the finances in a business-like manner including an annual business plan and budget
 - Objective 3: To encourage sponsorship and partnerships which contribute resources in cash and / or kind
 - Objective 4: To develop and manage the campground to achieve improved revenue
 - Objective 5: To establish concession arrangements that are assessed for alignment with the Vision and Aims of the Kai Iwi Lakes (Taharoa Domain) Reserve Management Plan.

As documented in Council's "Committee Terms of Reference (2019–2022 Triennium)", the purpose of the TDGC is "To govern the Taharoa Domain in accordance with the Kai Iwi Lakes (Taharoa Domain) Reserve Management Plan and any legislative framework". The 2019 Terms of Reference set out the responsibilities and delegations of the Committee, many of which are advisory:

- Responsibilities:
 - Implement the Reserve Management Plan, and initiate a review of the Plan when appropriate (at least every 10 years)
 - Provide input into the Annual Plan and Long Term Plan processes

- Provide input into policies and bylaws or other regulatory tools for the Reserve
 - Advise on the financial governance of the Reserve
 - Advise on agreements with external organisations for the use of the Reserve, including all leases and Licences to Occupy
 - Advise on external funding sources and applications for the enhancement of the Park
 - Monitor statutory compliance and report any issues to Council
 - Monitor the Reserve’s natural environment and report any issues to Council
- Delegations:
 - Approve the annual works programmes within the allocated budgets in the Annual Plan or Long Term Plan
 - Make recommendations to Council.

2.4 CAMPING-GROUNDS REGULATIONS

The Campgrounds do not currently comply with minimum requirements of the governments Camping-Grounds Regulations 1985. Table 2.1 summarises the requirements of the Camping-Grounds Regulations in terms of each camper facility, the facilities provided at the Pine Beach and Promenade Point Campgrounds, and the shortfall.

Table 2.1: Campgrounds shortfall compared to Camping-Grounds Regulations

Facility	Camp Ground Regulations		Pine Beach		Promenade		Shortfall
	Female	Male	Female	Male	Female	Male	
Showers	6 per 220 then 1 per additional 50	6 per 220 then 1 per additional 50	4	4	Nil	Nil	3 – Male, 3 – Female, Pine Beach 2 – Male, 2 – Female, Promenade
Wash Hand Basins	6 per 250 then 1 per additional 50	6 per 250 then 1 per additional 50	5	5	3		1 – Male, 1 – Female Pine Beach
Toilets	5 per 100 then 1 per 40 additional	3 per 100 then 1 per 40 additional	7	5	5		2 – Male, 2 – Female Pine Beach 2 additional pans Promenade
Camp Plan	See note below ¹		Do not have		Do not have		
Laundry	2 tubs and 1 washing machine for every 200 persons		Do not have		Do not have		6 tubs and 3 washing machines needed either across both sites or located at one

(Source: TDGC Agenda 20 February 2019)

Table 2.1 shows that the Campgrounds currently fall short of the Regulations in several respects including the number of showers, toilets and hand basins, and some of the camp sites are too far from the ablutions blocks. We understand that portable toilets are brought in during the peak season. The Campgrounds do not have a Camp Plan or laundry.

2.5 CAMPGROUNDS INFRASTRUCTURE AND FACILITIES

We are advised that the ability to expand the Campgrounds business during the peak summer season is constrained by both water supply and electricity reticulation – as well as the limit of 600 campers. We are advised that it might be possible to apply for an increased Water Take Resource Consent. However, further investment in the electricity infrastructure would be required in order to supply additional powered sites or built accommodation units in the peak season.

The lack of built accommodation limits the potential to grow the Campgrounds business in the shoulder and low seasons. The lack of cabins also limits the ability of the Campgrounds to accommodate groups, such as school outdoor education groups except in tentage.

None of the powered sites have hard stands which would be desirable to encourage increased off-season motorhome stays.

2.6 CUSTOMER EXPERIENCE

There is no process in place to measure or assess the extent of customer satisfaction with the Campgrounds.

The TDGC Agenda dated 28 May 2020 prepared by the Parks and Recreation Manager states that “[the] Campground was fully booked from the start of Christmas to the end of Waitangi weekend; in general most campers were very well behaved and enjoyed their stay.”

The Agenda dated 9 February 2021 states “Again high numbers of campers with the camp being full from 23rd December; no major issues, just the usual few who try to continue making noise after hours or being a bit rowdy; staff have dealt with this really well and generally it appears everyone has really enjoyed their stay.”

Online forums and social media provide evidence of camper satisfaction:

- ‘Taharoa Domain Kai Iwi Lakes Camping Ground’ has a Tripadvisor rating of 5/5 (ie: excellent) from 9 reviews
- ‘Kai Iwi Sand Lake’ has a Tripadvisor rating of 4.5/5 from 175 reviews. This rating is based on a combination of reviews by day trippers and overnight visitors staying at the Campgrounds, but appears mainly to relate to day visits.

- based on Google reviews, 'Taharoa Domain Kai Iwi Lakes Camping Ground' has a rating of 4.7/5 from 496 reviews
- 'Kai Iwi Lakes Promenade Point Campground' has a rating of 4.7/5 from 86 Google reviews
- 'Pine Beach Campground' has a rating of 4.5/5 from 46 Google reviews
- 'Kai Iwi Lakes and Campground' has 2,212 followers on Facebook.

Reviewers appear to value the unspoilt scenic lakeside setting and wilderness camping experience. For this, they were generally willing to put up with “basic facilities” and overlook shortfalls in terms of amenities and facilities such as kitchen, laundry, cell-phone reception and Wi-Fi.

The advantages and benefits provided to visitors by the lakes also appear to justify the travel time to the 'remote' location. For example, reviewers comment that “facilities are average however the lake & location supersede all” and “worth the drive”. Several reviewers noted that this was a return visit, or that they intended to make future return visits.

Other positive comments noted that the Campgrounds were family friendly, quiet and peaceful (outside the summer peak).

The main negative comments relate to business and noise during the peak summer period, with the 10.30pm quiet time being too late and / or not enforced.

Some campers would prefer more built facilities including kitchen and laundry, and a few remarked that the dishwashing facilities are in need of an upgrade. Some reviewers noted that the experience is highly weather dependent given the lack of built facilities and accommodation.

There were a few comments that the Campgrounds were overpriced, mainly in relation to powered sites, given the limited basic facilities.

There were mixed reviews about service levels with some reviewers noting friendly helpful staff, and others commenting that the office was unmanned for most of their stay.

According to the Campgrounds Administrator, campers have expressed a desire for dedicated Campgrounds toilet facilities, separate from day visitor toilets, and for cooking facilities and more powered sites. The Campgrounds Administrator has observed an increase in the number of motorhomes and caravans using the Campgrounds, although this data is not recorded in the management information system.

2.7 STAFFING

The Campgrounds was formerly managed in conjunction with the Domain under Council's Parks and Public Spaces division. Two full-time staff were employed between the Domain and Campgrounds.

Following a restructure in 2020, the Campgrounds and Domain are currently managed by two different divisions within Council. The Infrastructure division employs the Domain Manager to look after the Domain including weed / pest management, enforcing bylaws, and planting.

Council's Customer Experience division is responsible for managing the Campgrounds, including employing an Administrator to manage bookings and supervise the Campgrounds cleaning and behaviour.

However there is some overlap between the two key Campgrounds and Domain staff roles. The Domain Manager is also responsible for weed / pest control and planting within the Campgrounds, and acts as a back-up for the Campgrounds Administrator, including helping to manage campground behaviour. This overlap has caused some confusion which can arise over such things as handling event bookings.

An additional 8–11 staff, or more if required, are employed on a casual contract basis over summer to perform cleaning, security and ambassador roles across the Campgrounds and Domain.

Office, lunchroom and storage facilities are shared between the Domain and Campgrounds staff.

2.8 LEVELS OF SERVICE

The Campgrounds Administrator is onsite during normal working hours most days throughout the year. There is no 24 / 7 staff presence at either of the camping grounds, except during the summer peak period.

For eight weeks over the peak season, Promenade Point is managed by two people who live onsite in their own bus for the duration.

The gate at the top of Kai Iwi Lakes Road is locked 9.30pm–7am over summer, but is left open during the off-season.

2.9 CAMPGROUNDS MANAGEMENT INFORMATION SYSTEM

The Campgrounds uses Seekom (a cloud-based Property Management System for accommodation providers) to record guest bookings.

There are some inconsistencies with data entry. The system is not prescriptive in terms of validating some data inputs and allows bookings to be entered with 0 guests, decimal fractions of guests, and inconsistent / incorrect date formats. The system does not allow bookings of groups larger than 100 people to be entered.

Monthly reporting requires the user to manually specify bookings between particular start and end dates. We understand that the data extracted for the TDGC agenda reports is not performed by the Campgrounds Administrator, who

would be the person with the most thorough understanding of the data. Data regarding international and domestic guests is apparently not able to be extracted from the system.

For these and possibly other reasons, the data extracted from the system and reported on a quarterly basis does not appear to have been fully reliable or consistent over time.

For example, during the period July 2018 to March 2020, the numbers described in the quarterly TDGC agendas as campers or visitors were in fact camper nights. In the May 2020 Agenda, the reporting changed to the number of campers, which is a lower number.

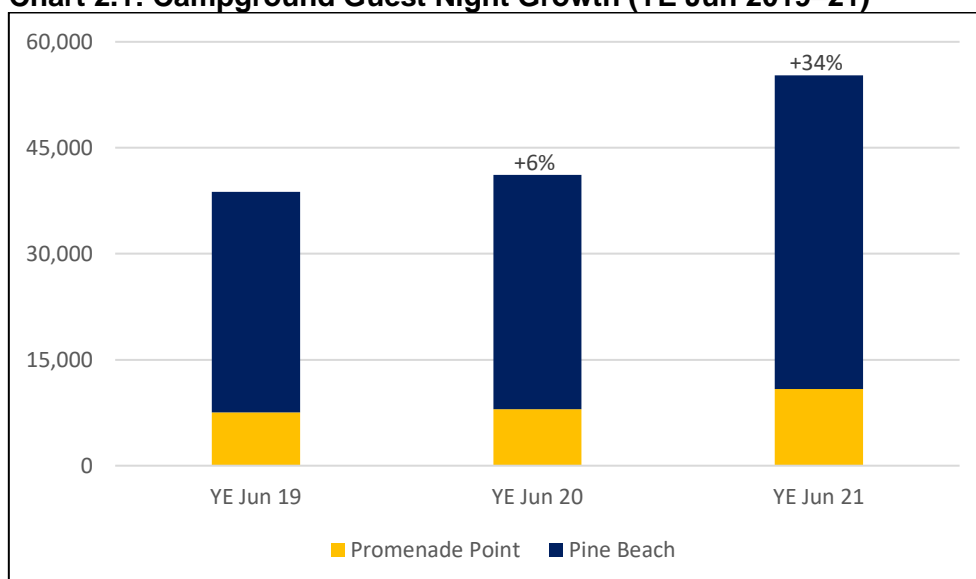
Our analysis in all years in this report is based on the number of camper nights, which we believe to be the most relevant measure, as this should be directly related to total revenue.

Our guest night analysis has involved some minor edits to the camper night data, following our enquiries with the Campgrounds Administrator regarding guest bookings recorded in decimal form, and bookings with 0 guests. We have also edited booking data with incorrectly formatted / entered dates.

2.10 GUEST NIGHT DATA

The Campgrounds has performed relatively well in terms of guest nights in recent years, considering the limited facilities, and there appears to be an upward trend, with very strong growth in the latest Year Ended (YE) June 2021.

Chart 2.1: Campground Guest Night Growth (YE Jun 2019–21)



(Sources: Campgrounds raw data, Horwath HTL editing and analysis)

Guest nights in YE June 2020 were negatively impacted by the COVID-19 lockdowns which closed the Campgrounds for several weeks in the shoulder months of March and April. Therefore some of the 34% increase in guest nights

in 2021 relates to being open for a full year of trading. The rest of the increase relates to a general increase in holiday park visitor numbers throughout New Zealand as a result of the international border being closed.

Pine Beach comprises 80% of the available guest nights and consequently 80–81% of Campgrounds guest nights are booked at Pine Beach.

The Campgrounds is one of the largest in the Kaipara District and the Northland Region. The Campgrounds comprises approximately 63% of holiday park capacity in the Kaipara District and 14% of the Northland Regional Tourism Organisation (“RTO”) capacity, as shown in Table 2.2.

Table 2.2: Campgrounds Performance within the Northland Region

	Campgrounds	Kaipara	%	Northland	%
Guest Nights Available					
YE June 2019	219,000	346,750	63%	2,200,347	10%
YE June 2020	219,000	N/A	N/A	N/A	N/A
YE June 2021	219,000	N/A	N/A	1,595,400	14%
Guest Nights Sold					
YE June 2019	38,777	114,132	34%	830,787	5%
YE June 2020	41,172	N/A	N/A	N/A	N/A
YE June 2021	55,232	N/A	N/A	919,300	6%

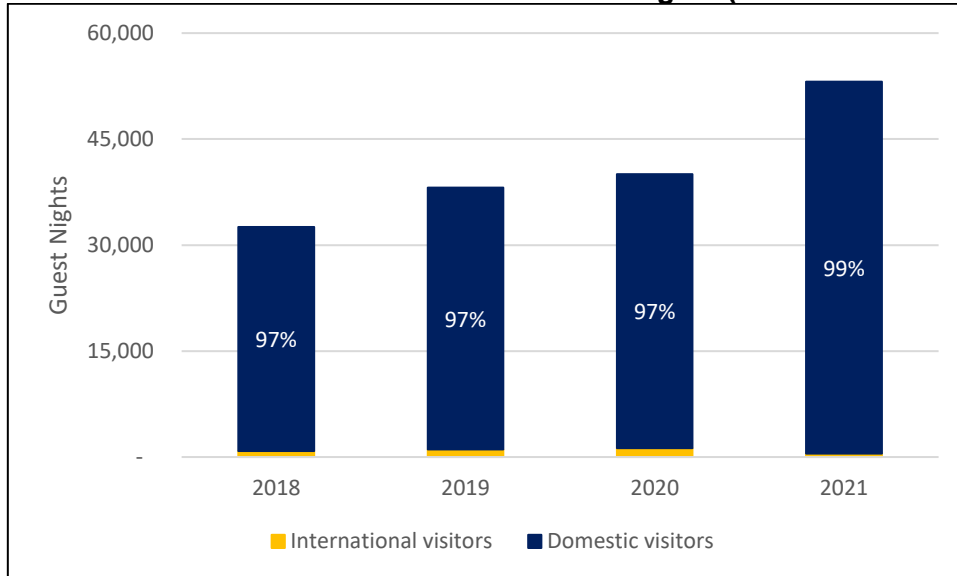
Note: N/A = the data is not available for this time period (Sources: Accommodation Survey (Stats NZ), Accommodation Data Programme (MBIE), Campgrounds, Horwath HTL)

Guest nights at the Campgrounds comprised 34% of holiday park Guest nights in the Kaipara District in YE June 2019, the last year for which there is data available at a District level in Northland. The Campgrounds appear to be achieving less than their ‘fair share’ of camper nights compared to smaller competitors in the District.

5% of Guest nights in Northland were attributable to the Campgrounds in YE June 2019, increasing to 6% in 2021. Again, this indicates that the Campgrounds are not achieving their fair share of guest nights in Northland.

Part of the reason for this is that the Campgrounds attracts only a very small proportion of international guests. International guest nights comprised 33% of all holiday park guest nights in the Northland RTO Region in YE June 2019, but only 3% of guest nights at the Campgrounds, as shown in Chart 2.2.

Chart 2.2: International and Domestic Guest Nights (YE Jun 2018–21)



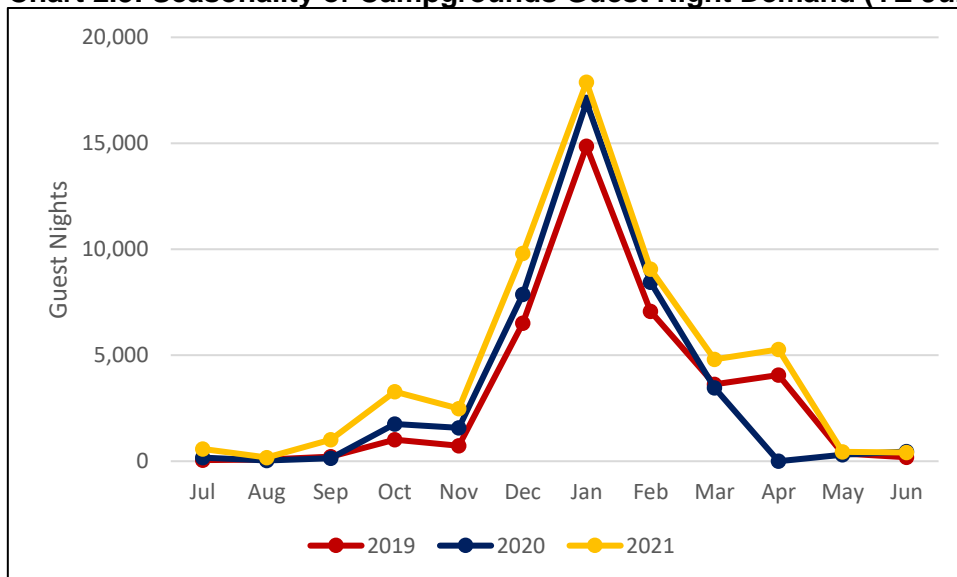
(Source: Taharoa Domain Governance Committee Agendas, Campgrounds)

2.11 SEASONALITY OF GUEST NIGHT DEMAND

Holiday parks operate throughout New Zealand with much lower annual occupancies than other forms of commercial accommodation such as hotels and motels. This is because demand for most holiday park accommodation is highly seasonal.

Chart 2.3 shows the seasonality of guest night demand at the Campgrounds over the three years ended June 2021.

Chart 2.3: Seasonality of Campgrounds Guest Night Demand (YE Jun 2019–21)



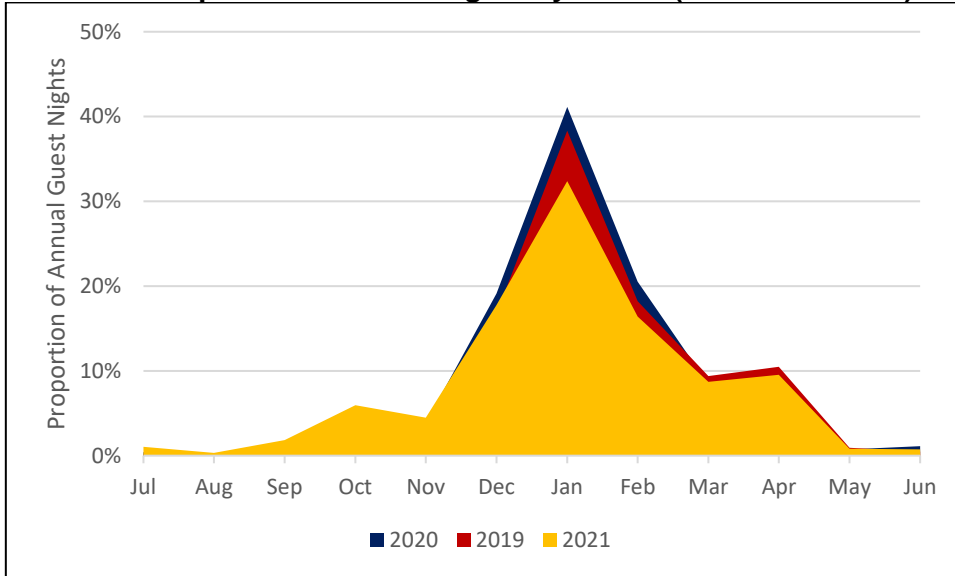
Note: The Campgrounds were closed for the month of April 2021

(Source: Campgrounds, Horwath HTL)

There is a very strong peak over the summer holiday period from December to February. The shoulder seasons extend from October to November and March to April, with five months of low season from May to September.

As the number of guest nights has increased this year, there has been some dispersal of demand into the shoulder months, as shown in Chart 2.4.

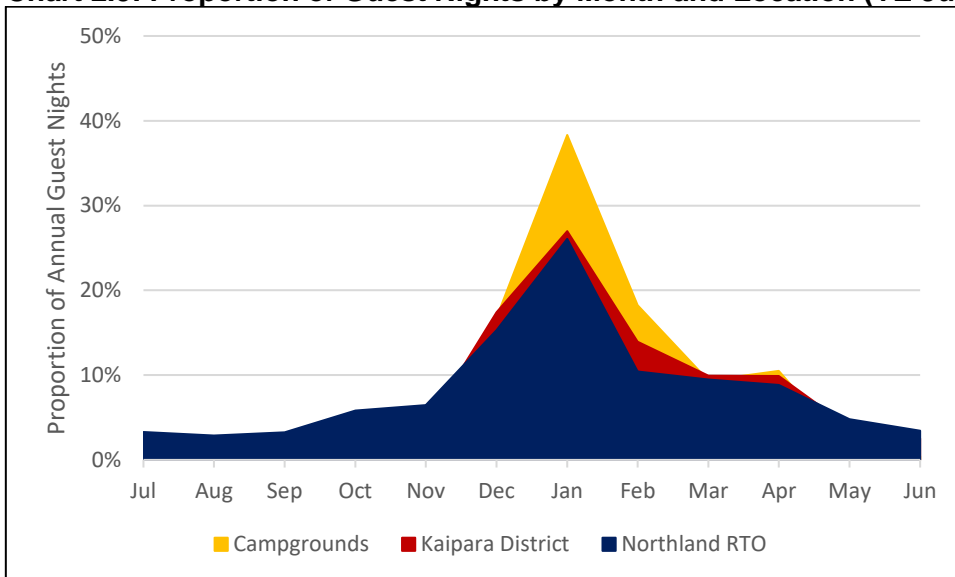
Chart 2.4: Proportion of Guest Nights by Month (YE Jun 2018–21)



(Source: Campgrounds, Horwath HTL)

By comparison with holiday park guest nights in the wider Kaipara District and Northland Region, guest nights at the Campgrounds demonstrate an extreme pattern of seasonality, as shown in Chart 2.5.

Chart 2.5: Proportion of Guest Nights by Month and Location (YE Jun 2019)



(Source: Campgrounds, Horwath HTL)

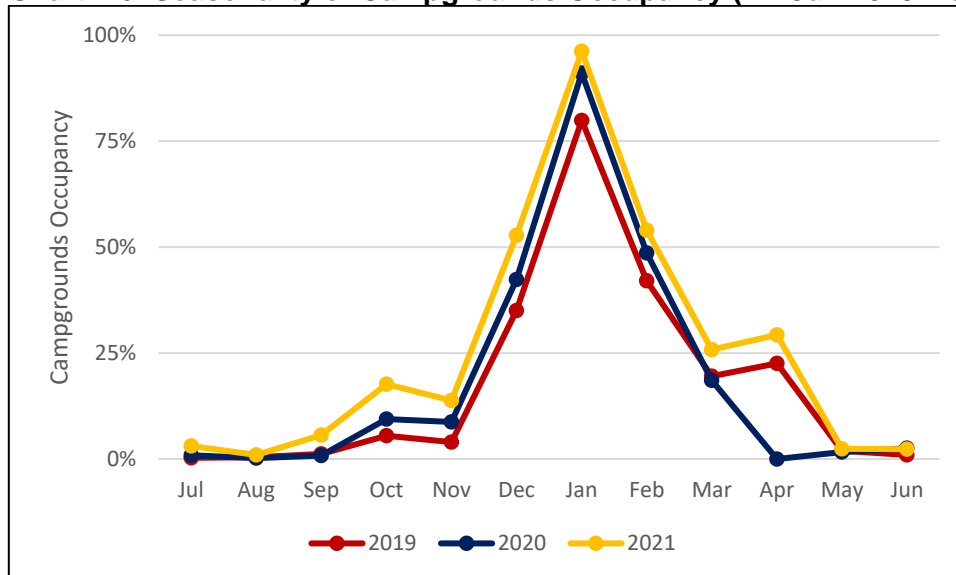
This extreme degree of seasonality compared to its competitors is another reason why the Campgrounds is not achieving its fair share of guest nights.

The lack of any built accommodation and hard stand sites at the Campgrounds constrains its competitiveness in attracting the fewer numbers of available guests outside the peak summer season.

2.12 OCCUPANCY PERFORMANCE

Chart 2.6 shows the occupancy performance of the Campgrounds over the past three years ended June 2021. This occupancy calculation is based on the limit of 600 campers per night.

Chart 2.6: Seasonality of Campgrounds Occupancy (YE Jun 2018–2021)



(Source: Campgrounds, Horwath HTL)

We understand that the Campgrounds is typically full for around eight weeks of the year from the end of December until Waitangi weekend in February. Outside of this summer peak, occupancy typically falls well below 25% and to below 5% for 5 months of the year.

2.13 LAKE WAIKARE EDUCATION CENTRE

Figure 2.4: Exterior and interior views of Lake Waikare Education Centre

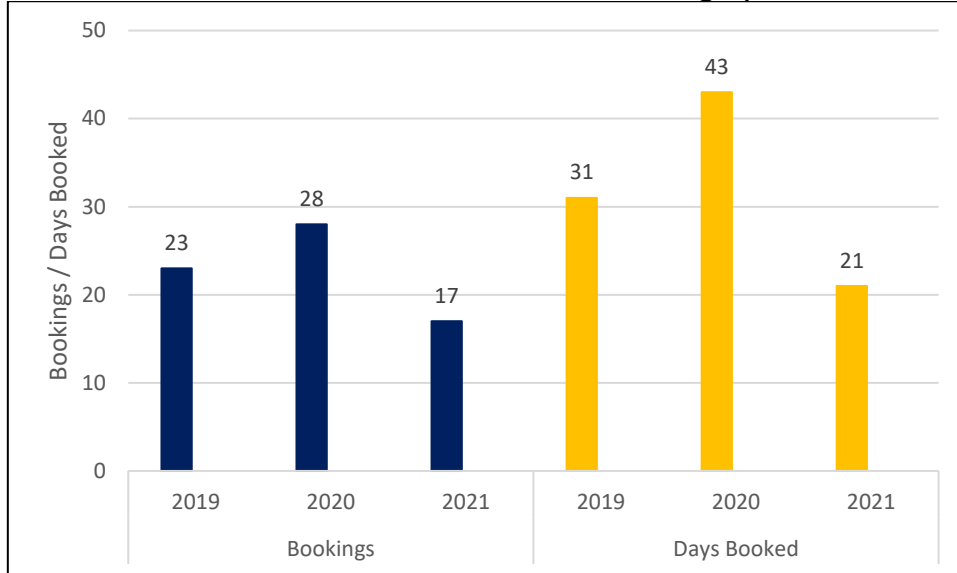


(Horwath HTL photos)

The former water ski club was purchased by Council in 2016 as part of “a key initiative to broaden the appeal of the lakes, widen the range of users, and ensure that future generations understand just how precious they are”.

The Lake Waikare Education Centre receives a relatively low level of utilisation with fewer than 30 bookings annually over the past three years ended June. The total number of days booked reflects an annual occupancy of 6–12%.

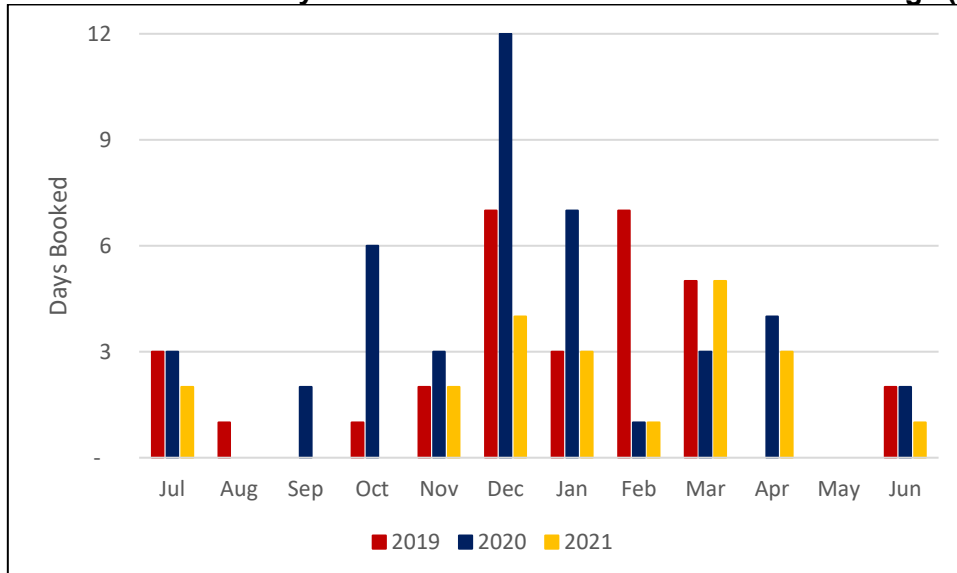
Chart 2.7: Lake Waikare Education Centre Bookings (YE Jun 2019–21)



(Source: Campgrounds, Horwath HTL)

Chart 2.8 illustrates the seasonality of the Lake Waikare Education Centre usage, which follows the same general pattern as guest night demand for the Campgrounds.

Chart 2.8: Seasonality of Lake Waikare Education Centre Bookings (YE Jun)



(Source: Campgrounds, Horwath HTL)

We are advised that bookings are mainly private events with a few school visits and sporting events utilising the Lake Waikare Education Centre.

2.14 CAMPGROUNDS PRICING

Over the summer peak season Campgrounds prices are \$15 per adult and \$8 per child (both prices including GST). During the winter low season the prices are reduced to \$12 per adult camper and \$6 per child. Campers can upgrade to a powered site, where available, for an additional \$10 throughout the year. Table 2.3 shows the hireage rates for the Lake Waikare Education Centre incl. GST).

Table 2.3: Lake Waikare Education Centre Pricing

Hirer	Hire Period	Fee
Private / profit-making group	24 hours	\$300
	1 hour	\$60
	bond	\$300
Community group	24 hours	\$150
	1 hour	\$30
	bond	\$150
Social services / voluntary group	24 hours	\$100
	1 hour	\$20
	bond	\$0

(Source: Kaipara District Council)

2.15 FINANCIAL PERFORMANCE

Table 2.4 shows the Revenue, Operating Costs and Net Operating Profit achieved by the Campgrounds over the four years ended June 2021, and the budget for the YE June 2022.

Table 2.4: Campgrounds Financial Performance Summary (YE Jun 2018–2022)

	Actual YE Jun 18	Actual YE Jun 19	Actual YE Jun 20	Provn YE Jun 21	Budget YE Jun 22
Revenue					
Total Camping Fee Revenue	392,761	481,152	493,510	670,371	500,000
Operating Costs					
Transport Costs	1,277	2,520	3,605	237	-
Resource Consents	126	-	-	904	-
Grounds Maintenance	29,439	24,850	40,261	17,277	40,000
Building Maintenance	22,617	27,087	42,979	14,551	50,000
Professional Services	36,560	59,077	16,708	-	-
Advertising and Promotion	-	174	11,982	15,601	15,000
Staff Salaries and Employee Costs	<i>150,000</i>	183,624	135,774	211,723	161,414
Insurance	2,107	822	788	706	996
Power and Water Costs	6,936	18,140	8,056	12,150	5,000
Refuse Disposal	27,163	15,868	22,516	36,857	18,000
Sundry	26,559	25,556	23,137	28,543	34,500
Total Operating Costs	302,784	357,718	305,806	338,549	324,910
Net Operating Profit (NOP)	89,977	123,434	187,704	331,822	175,090
(before rates, internal charges, depreciation)					

(Source: TDGC Agendas (2018-21), except for Horwath HTL allocation in italics)

Note: YE Jun 18 incl. Horwath estimate of staff / employee costs, re-allocated from Domain

Care needs to be taken in interpreting the financial information in the years ended June 2018 and 2019, as does the apparent trend of revenue and profitability. This is principally because the Campgrounds was under different management during the first two years of the period.

The Campgrounds appears to achieve a relatively high level of revenue given its limited facilities and extreme seasonality, with approximately 40% of the revenue (\$200,000) earned in a period of less than 6 weeks. Increased domestic travel over the past year, including in the shoulder season, has driven the revenue up to \$670,000 in YE June 2021.

We are advised that Camping Fee revenue includes revenue from ice sales and hot showers (\$2), concession revenue earned from the mobile shop and hire of the Lake Waikare Education Centre.

As shown in Table 2.4, the Campgrounds has achieved an average revenue per guest night of \$12–13 (excluding GST).

Table 2.5: Average Revenue per Guest Night

	2018	2019	2020	2021
Guest Nights	33,132	41,349	42,860	53,164
Total Revenue	392,761	481,152	493,510	670,371
<i>Total Revenue per Guest Night</i>	<i>\$ 11.85</i>	<i>\$ 11.64</i>	<i>\$ 11.51</i>	<i>\$ 12.61</i>

(Source: TDGC Agenda reports, Horwath HTL analysis)

The Operating Costs typically total around \$300,000, with the most significant expense being Staff remuneration (approximately \$150,000), and grounds and building maintenance (each in the range of \$20,000–40,000).

We have been advised that, where not incurred directly, operating costs are allocated on a 60/40 basis between the Campgrounds and Domain.

The Campgrounds incurred little or no marketing expenditure in the years ended June 2018 and 2019. From 2020 onwards the Campgrounds has spent approximately 2% of total revenue on advertising and promotion. This totalled \$12,000 in the year ended June 2020 and \$16,000 in 2021. \$15,000 of advertising and promotion expenditure is budgeted in 2022. This is a relatively low amount but is an improvement on previous years. At least \$5,000 of the annual marketing budget is spent on advertising in AA Traveller visitor guides.

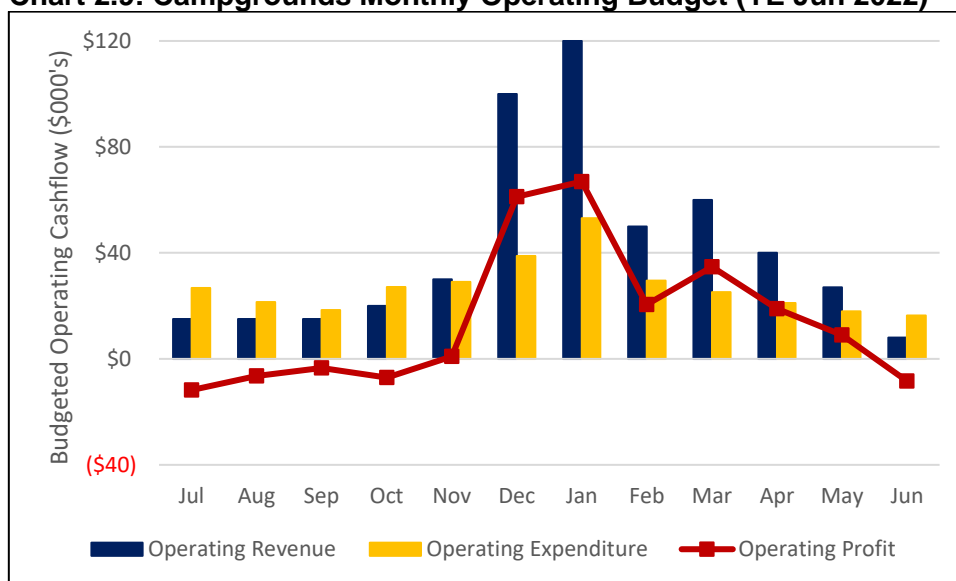
The Campgrounds appears to perform in the expected range in terms of profitability, with a Net Operating Profit (“NOP”) (before rates, internal charges and depreciation) of approximately \$160,000–200,000 between 2018 and 2020. This represents a NOP ratio of around 35–38% of Total Revenue.

In YE June 2021, the Campgrounds achieved an NOP of \$330,000 due to a combination of increased revenue and lower than average expenditure on grounds and building maintenance.

The operating profits of the Campgrounds effectively offsets much of the net operating cost of the Taharoa Domain.

Chart 2.9 shows the budgeted Operating Revenue, Expenditure and Net Operating Profit on a monthly basis for YE June 2022.

Chart 2.9: Campgrounds Monthly Operating Budget (YE Jun 2022)



(Source: Campgrounds, Horwath HTL)

Based on the monthly budget for YE June 2022, the Campgrounds is cashflow positive (before Council charges) for seven months of the year from November to May and makes an operating loss for the remaining five months.

2.16 CAPITAL EXPENDITURE

Capital expenditure projects completed over the past four years include:

- tractor shed
- UV and filtration systems for all water supplies
- toilet facilities at Lake Waikare
- caravan dump station
- security cameras in the main office and around the camping area
- extension of powered sites.

Future capital expenditure projects to be completed in the short-term include the conversion of unused changing rooms at Pine Beach to toilets and the installation of further security cameras and security gates for each of the Campgrounds.

2.17 CURRENT STRENGTHS AND WEAKNESSES OF THE CAMPGROUNDS

We summarise the Strengths and Weaknesses of the Campgrounds as follows:

Strengths

- Council has direct control over the Campgrounds business
- Campgrounds generate a positive net operating cashflow before Council charges and capital expenditure
- there is a high degree of repeat visitation which indicates strong customer satisfaction and loyalty from those guests
- extensive well-maintained grounds with beautiful lakeside settings
- environmental impact of Campgrounds is minimised most of the year
- hot showers and flushing toilets

Weaknesses

- Campgrounds management by a different division of Council from the overall Taharoa Reserve has potential to be problematic
- existing booking / information system is limited in terms of the production of regular effective management information
- capability of the online booking system to accept electronic payments has not yet been implemented, resulting in potential loss of bookings
- current check-in and payment processes operate effectively on an honesty basis
- there is no onsite built accommodation (eg: cabins) or caravans for those that don't have their own caravan, campervan or tent accommodation
- no on-site laundry or kitchen facilities
- Campgrounds do not meet the minimum requirements of the Camping-Grounds Regulations 1985
- there is no 24/7 staff presence throughout the year
- number of campers is limited to 600, constraining summer revenue
- power supply constraints
- at peak times there are occasions when the Campgrounds exceeds its Water Take Resource Consent.

2.18 CONCLUSION

By comparison with many holiday parks in New Zealand, the Campgrounds are relatively under-developed, certainly by comparison with their potential.

Nevertheless, many campers with their own tents, caravans and campervans find the 'wilderness' camping experience to their liking.

3 COMPETING KAIPARA CAMPING GROUNDS

According to the Accommodation Survey (Stats NZ) there were eight holiday parks in the Kaipara District in 2019 totalling 950 stay units (tent sites, powered sites, beds in bunk rooms and motel units).

We have reviewed the location, facilities, amenities, pricing and Tripadvisor ratings of the Campgrounds' nearest competitors for comparison purposes.

3.1 BAYLYS BEACH HOLIDAY PARK, DARGAVILLE



(Source: Camping ground websites)

The holiday park is located a 5 to 10 minute walk from Baylys Beach, the longest driveable beach in New Zealand. The Baylys Beach Holiday Park has a Tripadvisor rating of 4.5/5 (208 reviews).

Accommodation options at Baylys Beach include:

- 2 x 3-bedroom cottages (which sleep up to 6 people)
- 4–5 x motel units
- 2 x ensuite cabins
- 5 x budget cabins
- powered sites (approximately 24)
- unpowered camp sites (approximately 25).

Facilities and amenities at Baylys Beach include:

- showers and toilets
- large communal kitchen
- covered barbecue area
- laundry
- playground
- high-speed internet.

Low season prices at Baylys Beach range from \$20–25 for powered and unpowered sites and one adult. An extra charge of \$20 per additional adult and \$10 per child applies. Prices range from \$80–\$95 for a bunkroom cabin, and up to \$175 for a 3-bedroom cottage.

Peak season prices reflect a \$5–\$10 premium and range from \$25 for a powered or unpowered camp site up to \$185 for a cottage.

3.2 DARGAVILLE HOLIDAY PARK



(Source: Camping ground websites)

Dargaville Holiday Park is located in a suburban area opposite a community pool, skatepark and playground, and within walking distance of restaurants and shops. Dargaville Holiday Park has a Tripadvisor rating of 4/5 from 46 reviews.

Accommodation options at Dargaville Holiday Park include:

- studio motel units
- 1-bedroom motel unit
- tourist flats
- family cabins
- standard cabins
- 50 powered and unpowered sites.

Facilities and amenities at Dargaville Holiday Park include:

- shower and toilet block
- laundry
- kitchen
- outdoor kitchen and barbecue area
- outdoor tv area
- children's playground
- campervan dump station.

Prices at Dargaville Holiday Park range from \$20–21 per person for powered and unpowered sites, \$70–110 for a cabin and up to \$155 for a 1-bedroom motel unit.

3.3 TROUNSON KAURI PARK CAMPGROUND



(Source: Camping ground websites)

Trounson Kauri Park Campground is a DOC campsite located inland near a small kauri stand. DOC Trounson Kauri Park has a Tripadvisor rating of 4.5/5 (19 reviews).

Accommodation options at Trounson Kauri Park Campground include:

- 8 powered sites
- 12 unpowered sites.

Facilities and amenities at Kauri Coast Holiday Park include:

- bathroom with hot showers and flushing toilets
- communal kitchen.

Unpowered sites at Trounson Kauri Park Campgrounds are priced at \$20 per adult and \$10 per child. Powered sites are an additional \$3 per adult and \$1.50 per child.

3.4 KAURI COAST TOP 10 HOLIDAY PARK, DARGAVILLE



(Source: Camping ground websites)

Kauri Coast Holiday Park is set on two hectares of parkland surrounded by native bush and river. Kauri Coast Holiday Park has a Tripadvisor rating of 4.5/5 from 697 reviews.

Accommodation options at Kauri Coast Holiday Park include:

- motel rooms / units
- cabins
- 60 unpowered sites
- 30 grass powered sites
- 8 hard standing sites for motorhomes.

Facilities and amenities at Kauri Coast Holiday Park include:

- bathrooms
- onsite shop
- cafe area
- communal kitchen with ovens, hobs, fridge / freezers and lots of work space
- communal dining area and TV lounge
- outdoor kitchen with family picnic area
- laundry
- children's play area
- 3 barbecue areas
- campervan dump station
- Sky TV
- Site wide Wi-Fi
- special repeaters provide limited mobile reception.

Prices at Kauri Coast Holiday Park start at \$44–48 for a powered or unpowered site for two adults. Additional adults are charged at \$22–24 and children at \$12. Prices range from \$79–99 for a cabin and \$120–140 for a motel over the winter low period.

Over the summer peak prices rise to \$52 for an unpowered grass site up to \$60 for a hardstanding powered site and two adults. Additional adults are charged at \$26–30 and children at \$16. Cabin prices rise to \$110–127 and motel units from \$140–190. Minimum stays of 3–5 nights apply for some dates during the peak period.

3.5 MANGAWHAI HEADS HOLIDAY PARK, MANGAWHAI



(Source: Camping ground website)

Mangawhai Heads Holiday Park is located on a tranquil harbour, with an adjacent boat ramp. Mangawhai Heads Holiday Park has a TripAdvisor rating of 4/5 (271 reviews).

Accommodation options at Mangawhai Heads Holiday Park include:

- 73 x tent sites
- 106 x powered sites / annual onsite vans
- 2 x 2-bedroom holiday units
- 3 x family holiday cabins
- economy cabin

Facilities and amenities at Mangawhai Heads Holiday Park include:

- 3 x ablutions blocks with coin-operated showers
- 2 x laundries

- 2 x kitchens
- free unlimited Wi-Fi
- picnic tables and barbecue area
- dump station
- playground.

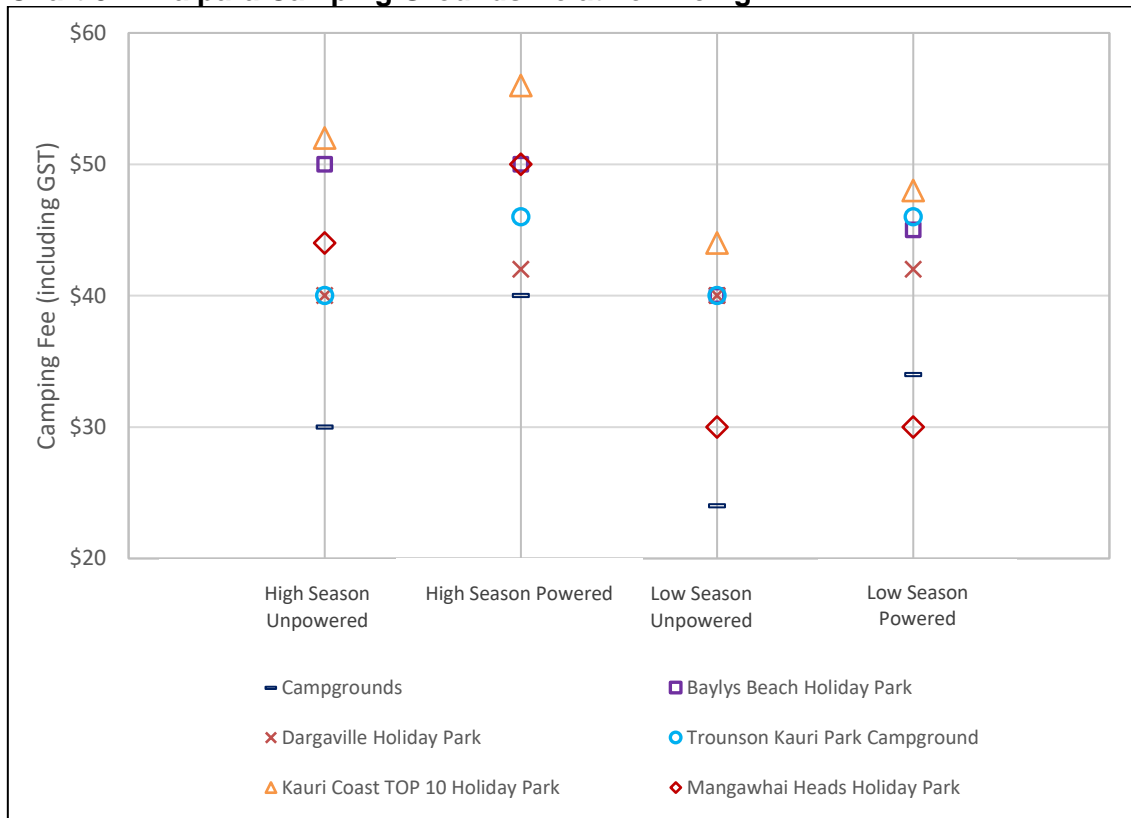
Powered and unpowered sites at Mangawhai Heads are \$15 per adult and \$10 per child during winter. The economy cabin is \$70, family holiday units \$135 and 2-bedroom holiday unit is \$140.

Over the summer peak, unpowered sites are \$44 and powered sites are \$50–60 (including two adults). Additional adults are \$22 and \$25 respectively, and children \$10 each. The economy cabin is \$95, family and 2-bedroom holiday units are \$240. Five night minimum stay periods apply to the built accommodation units at peak times.

3.6 PRICING COMPARISON

Chart 3.1 summarises the current pricing of the Campgrounds by comparison with the competing Kaipara holiday parks for each site type, powered and unpowered, and high and low season. The prices are for two adults per site and include GST.

Chart 3.1: Kaipara Camping Grounds Relative Pricing



(Source: Camping ground websites)

The Campgrounds' pricing is the lowest of the group, with the exception of low season powered sites, which are \$4 higher than Mangawhai Heads Holiday Park.

Kauri Coast Top 10 Holiday Park is the most expensive of the set, which is consistent with providing the greatest range of facilities and amenities.

Trounson Kauri Park Campground has the most similar level of facilities and amenities to the Campgrounds, with only a communal kitchen. It may be possible for Trounson to charge prices significantly higher than the Campgrounds whilst maintaining good levels of occupancy, due to its much smaller size with only 20 sites.

3.7 CONCLUSION

The Kai Iwi Lakes Campgrounds appear to occupy a superior location to most of the other holiday parks, particularly compared to the Dargaville Holiday Park which seems to mainly provide short-stay overnight traveller accommodation. The Kai Iwi Lakes provide a beautiful scenic backdrop and a range of activities, including swimming and other water activities, as well as cycling and walking the tracks around the lakes.

The other local holiday parks have an extensive range of accommodation options including powered sites, hardstanding powered sites for campervans, bunkroom cabins, kitchen cabins and motel units for couples and families. The range of types of built accommodation indicates that they have been added in stages over the years as demand and the success of the holiday parks has generated cashflow for re-investment.

The other holiday parks also have a greater range of facilities and amenities including laundries, well-equipped communal kitchens, lounges, barbecue facilities, Wi-Fi and television.

This enables some of the holiday parks to supplement their accommodation revenue with other revenue from shop sales (ie: a small onsite retail store), laundry (coin operated washing machines and dryers), linen hire, barbecue hire, Wi-Fi, telephone calls, commissions on attractions and activities booked through the holiday park.

The Kai Iwi Lakes Campgrounds perform well against the other holiday parks in terms of satisfaction ratings, with a 4.5/5 or higher rating on several sites. This is in excess of Dargaville Holiday Park's and Mangawhai Heads Holiday Park's rating of 4/5, and may be related to a perception of better value for money.

The Campgrounds are a more affordable option than the other holiday parks in the area. The relatively low prices may lead to lower expectations which appears to result in campers being generally satisfied despite the limited facilities.

4 FUTURE OPERATION OF THE CAMPGROUNDS

The key opportunities for the Campgrounds are those with the potential to increase the number of campers staying outside the peak summer season, and achieve an increased spend from each camper.

Increasing the number of campers in the shoulder seasons could be achieved by attracting new visitor markets to the Campgrounds such as international and domestic visitors travelling the Twin Coast Discovery Highway, including cyclists.

There are a number of physical improvements that could be made to the Campgrounds in order to realise these opportunities.

These physical improvements could be funded by Council and / or a future Lessee. We comment on the need or desire for each of these physical improvements, and the advantages and disadvantages of Council funding the potential improvements below.

We also explore a range of other potential improvements which could improve the operation of the Campgrounds.

4.1 CAMPGROUNDS OPPORTUNITIES AND THREATS

We have identified a number of Opportunities for and Threats facing the Campgrounds business, as follows:

Opportunities

- upgrade the Campgrounds to meet the Camping-Grounds Regulations
- upgrade the power infrastructure to increase the number of powered sites and / or supply built accommodation units
- provide built accommodation to significantly increase revenue in the shoulder and low seasons
- provide hard stand powered sites to encourage motor home visits during the shoulder and low seasons
- refurbish / upgrade the Lake Waikare Education Centre to encourage more education visits
- use targeted marketing to attract new visitor markets to stay at the Campgrounds during the shoulder seasons
- apply for increased Water Take Resource Consent over the allowed 50m³ / day
- provide facilities for a manager to live onsite throughout the year

Threats

- if the current exemption from the Camping-Grounds Regulations 1985 is discontinued, the Campgrounds will need to reduce the maximum camper numbers or close until it complies
- with no built accommodation or kitchen / recreation facilities, the Campgrounds is highly weather-dependent, and the number of campers could drop significantly in the case of wet Christmas / Easter periods
- without continued investment in the Campgrounds facilities, it will increasingly struggle to compete with other holiday parks in the Kaipara District and wider Northland Region, especially if these are further upgraded.

An increase in Campgrounds occupancy during the shoulder seasons would increase some direct operational costs, but should achieve good flow-through to net cashflow.

The Campgrounds could improve its yield 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 the Campgrounds were to attract new users further up the value chain, and paying for example, \$70–80 for a cabin, rather than \$12–15 per person for an unpowered site.

4.2 NEW TARGET MARKETS

There are significant numbers of day visitors to the Lakes during the shoulder season. According to the November 2020 TDGC agenda, there can be an estimated 1,000 visitors onsite per day during the peak season from mid-December to Easter.

An improvement in the Campgrounds facilities such as hard stand powered sites, and / or built accommodation units, could help to convert a portion of these day visitors to overnight guests during the shoulder seasons.

Domestic Travellers

The Campgrounds is located within a reasonable drive of two significant potential markets. Whangārei's population of around 50,000 is 1 hour and 20 minutes away and Auckland's population of 1.7 million is a three hour drive away.

Targeted marketing of the Campgrounds to the Whangārei and Auckland residents in the shoulder seasons could help to further improve occupancy and revenue for the Campgrounds.

Twin Coast Discovery Highway Visitors

The 7-day Twin Coast touring route directs international and domestic visitors from Auckland to Cape Reinga via the Kauri Coast in one direction. The Kai Iwi Lakes feature on Day 1 of the suggested itinerary from Auckland to Opononi. Other local attractions which feature on the itinerary include Ripiro Beach (New Zealand's longest driveable beach) and the Waipoua Forest including Tāne Mahuta.

The Campgrounds is located 11kms from the Twin Coast Discovery Highway and could provide an alternative to Opononi for an overnight stay, if some built accommodation units were available.

International visitors travelling the Twin Coast route represent an opportunity to improve the utilisation of the Campgrounds outside of the peak summer season, for an extra 2–3 months of the year.

Kauri Coast Cycleway Users

Built accommodation could also the appeal to the cyclist market. There is a network of existing cycling tracks around the Lakes including a 2.5km track to Ripiro Beach, and a new local cycle trail which is intended to bring new visitors to the area. The Kauri Coast Cycleway extends north of Dargaville and Kaipara Missing Link trail to the south of Dargaville.

The Kaihu Valley Trail is a 40km walking and biking track being constructed from Dargaville to Donnellys Crossing. It will form part of the Ancient Kauri Trail that extends from Omapere to Maungaturoto and be one of the 23 Great Rides around New Zealand. Construction of the trail is due to begin in October 2021 and be completed in October 2022.

On the Pou Herenga Tai / Twin Coast Cycle Trail, from January 2021 to end of June 2021, there was an average of 10,000 track users per month. According to the August 2021 trail update, Council is confident that a percentage of these users will want to come down to ride the Kaihu Valley Trail.

4.3 UPGRADE CAMPGROUNDS INFRASTRUCTURE

Potential upgrades to the Campgrounds infrastructure and built facilities include:

- additional ablutions facilities
- laundry facilities
- kitchen facilities
- upgrade power infrastructure
- increase number of powered sites
- upgrade Lake Waikare Education Centre and surrounding facilities
- add relocatable accommodation units.

It is clear that Council has an obligation to upgrade the site infrastructure and provide the necessary toilets, wash basins, showers and laundry to satisfy the Camping-Grounds Regulations. This will ensure the continued operation of the Campgrounds business at the current level.

We also suggest that the Campgrounds' power infrastructure should be upgraded to service additional powered sites and / or built accommodation units.

According to the Campgrounds administrator, peak season bookings sell out on the day bookings open and powered sites are the first to sell.

Increasing the number of powered sites would provide more flexibility with more sites being capable of accommodating tents, caravans, motorhomes, and static caravans.

The powered sites will be able to be sold at a higher price than the tent sites and would therefore generate a higher level of annual revenue.

The surplus generated by the Campgrounds would influence the amount of rent the Council would receive under a management contract or lease of the Campgrounds.

4.4 OTHER BUILT FACILITIES

For the majority of Campgrounds users staying in tents currently have to be self-sufficient in terms of food preparation. This limits the market of the Campgrounds to mainly experienced campers who own all of the necessary camping equipment to self-cater, including gas cooker and / or barbecue, chilly bin(s), and cook stand / table / pantry etc. Those that do not wish to cook outside in wet weather will also need to bring their own gazebo or other form of shelter.

A communal kitchen would significantly widen the appeal of the Campground to include many more potential users, particularly families, who either don't have, or don't have room to pack, all of the necessities to self-cater.

Some other holiday parks have communal lounges and television rooms, which are attractive for the family market, particularly in the case of wet weather. However, we don't believe this type of built facility to be either necessary or well-suited to the 'wilderness' experience of the Kai Iwi Lakes.

The Lake Waikare Education Centre has good potential to be made more 'fit for purpose' for use by schools and other groups, especially if this was done in conjunction with adding 'built' accommodation at one or both campsites. Such improvements could further encourage / enable multi-night group stays in the shoulder and off-peak seasons, both of which would contribute significantly to increasing total revenue on an annual basis.

4.5 BUILT ACCOMMODATION UNITS

There is a trend in New Zealand holiday parks towards more 'built' accommodation (eg: cabins, motels). The advantages of having more all-weather accommodation include reduced effects of seasonality experienced in the Holiday Park market. It could also help to attract new markets for the Campgrounds such as international visitors and cyclists.

Built accommodation would also make the Campgrounds more accessible for groups of users who need a higher level of amenity such as families with babies or very young children, the elderly, and other people with mobility issues.

We are advised that a cabin was moved on to the Campgrounds for staff purposes and when not needed for this purpose, the campground manager let it out to campers. This was not advertised, but through 'word of mouth' it proved to be quite popular.

Built accommodation units at the Campgrounds could increase both the annual occupancy of the Campgrounds and be sold at a substantial premium compared to powered and unpowered sites, significantly increasing total revenue achieved.

The feasibility of such an investment would depend on the cost of building the additional units, and would also be subject to obtaining resource consent.

If building permanent accommodation is not considered to be a desirable option, removable buildings (which could be thought of as 'static caravans'), could be used as an alternative form of self-contained accommodation.

We understand there have been some concerns raised about possible disadvantages of built accommodation including:

- a loss of true wilderness camping experience
- a potential negative impact on the pristine and fragile nature of the Lakes environment
- reduced appeal to locals who visit for quiet enjoyment during the low season when there are no campers.

There are a number of provisions in the Kaipara District Plan 2013 to protect the natural environment and character of the Kai Iwi Lakes.

Land use and development in the Kai Iwi Lakes is only enabled where it is compatible with:

- the protection of natural character and landscapes
- maintaining and enhancing the water quality of the lakes
- maintaining and enhancing the significant social and cultural values associated with the lakes.

The scale, location, operation and design of activities, particularly with respect to built form and potential noise impacts, should be managed in such a way as to enhance the natural character, landscape and social and cultural values of the Kai Iwi Lakes.

We suggest it should be possible to build additional visitor facilities at the Campgrounds in compliance with the above objectives and policy. This would ensure the visitor experience at the Campgrounds is enhanced, and performance maximised, without negatively impacting the visitor experience of locals and existing users of the Campgrounds, or the pristine lakes environment.

We are advised that development of built accommodation at the Campgrounds on a small scale should be possible with only minor amendments to the Reserve Management Plan, which are encouraged in response to changing circumstances or increased knowledge. A significant development of the Campgrounds would require a full review of the Reserve Management Plan by Council under the Reserves Act.

4.6 OTHER OPPORTUNITIES

We recommend that Council should activate the electronic payment functionality in the booking system. This would ensure that camping fees are collected in a timely manner not involving cash. This would also prevent fees lost through the honesty-based system, during arrivals when the office is unmanned, or overwhelmed with campers.

We suggest that customer experience measures should be implemented to help understand why people choose the Campgrounds, what they like and don't like, and what improvements campers would like to see.

It is possible that an alternative property management system for managing the Campgrounds bookings may provide for more accurate data entry and ease of management reporting. An example is RMS Cloud which is one of the more popular systems. Council could investigate alternatives to evaluate whether Seekom is still the optimal system to meet its future needs.

Improved marketing of the Campgrounds may have been a factor in the guest night growth recorded in the years ended June 2020 and 2021. Targeted marketing of the Campground to populations of interest in the shoulder seasons could help to reduce the effects of seasonality.

4.7 FUNDING IMPROVEMENTS TO THE CAMPGROUNDS

Funding by Council

The key advantage of Council funding the required capital expenditure include Council control over the standard, specification and configuration of the facilities. The timeframe of the construction works could potentially be shorter than if

Council was required to liaise with a third party operator or funder to agree all the details of the new facilities.

Council should be able to recover its investment through either a higher net cashflow, or a higher return from a third party operator.

Funding by a Third Party Manager or Lessee

It is less likely that a third party operator would be prepared to fund built accommodation improvements at the Campgrounds. If this was to be achieved, the most likely circumstance would be where there is a long-term lease in place (eg: 30+ years).

4.8 STRATEGIC ALIGNMENT BETWEEN THE CAMPGROUNDS AND COUNCIL PLANS

Reserve Management Plan (RMP)

The Reserve Management Plan Kai Iwi Lakes (Taharoa Domain) 2016 outlines the following objectives and actions specifically with regard to the Campgrounds:

- to develop and manage the campground to achieve improved revenue
- camp fees are reviewed and benchmarked against comparable facilities elsewhere in Northland.
- the campground is achieving improved occupancy, including outside of peak season.

The Plan Concept for Pine Beach includes a possible second phase services camp sites and possible third phase of serviced camp sites.

There are a number of objectives and actions stated in the RMP which future development of the Campgrounds could also contribute to satisfying.

Table 4.1 summarises the strategic alignment between the opportunities we have identified for the Campgrounds and the objectives and actions stated in the RMP.

There is some overlap between some of the opportunities and the corresponding objectives achieved.

Table 4.1: Strategic Alignment between the Campgrounds and RMP

<p>Increase the number of powered sites, build hard stand powered sites, provide built accommodation units</p>	<p>Increase revenues from sources other than Council.</p> <p>Develop Kai Iwi Lakes so that it offers attractions which are used throughout the year.</p> <p>Complete a landscape and infrastructure plan to effectively manage visitor needs, with monitoring of its implementation. For example campground improvements including more powered sites at Pine Beach.</p> <p>Complete an Infrastructure Development Plan to include design and assess feasibility for new / extended visitor facilities (including accommodation) and recreational opportunities to generate a wider spread of use and revenues throughout the year.</p>
<p>Refurbish / upgrade Lake Waikare Education Centre</p>	<p>Develop Kai Iwi Lakes so that it offers attractions which are used throughout the year.</p> <p>Establish opportunities for Kai Iwi Lakes to be a source of cultural and environmental education including through the development of an education facility.</p> <p>Promote Kai Iwi Lakes as a venue for events that are compatible with the lakes environment and cultural values.</p> <p>Develop services and facilities to attract visitors from education and science sectors.</p>
<p>Use targeted marketing to attract new visitor markets to stay at the Campgrounds during the shoulder seasons</p>	<p>Complete and implement a promotional strategy to reinforce Kai Iwi Lakes' reputation as a destination, sitting alongside allied local attractions like Waipoua Forest (The Kauri Coast Experience)</p> <p>Position Kai Iwi Lakes to act as a hub for wider walking and cycling linkages.</p> <p>Promote Kai Iwi Lakes as an events venue for events that are compatible with the lakes environment and cultural values.</p> <p>Promote Kai Iwi Lakes widely as a passive and active recreation visitor attraction.</p>

The objectives and actions are relevant to the future management of the Campgrounds, as are the following:

- ensure effective co-governance arrangements that reflect active and equal decision-making by local government and tangata whenua
- expected performance (financial and non-financial) is well-documented with performance monitored against targets
- a comprehensive business plan is established, monitored and revised on an annual basis
- approve concession(s) where they are appropriate to provide alternate revenue and where they provide reinvested revenue for Kai Iwi Lakes.

Tohara Domain Governance Committee (TDGC)

In May 2020, the TDGC recommended a future capital works plan to be included in the draft 2021–2031 Long Term Plan for Council’s consideration. This included five projects specifically related to the Campgrounds and totalling \$245,000 as detailed in Table 4.2.

Table 4.2: Campgrounds Forward Works

Project	Amount	Year
Kitchen facility	\$60,000	2025/2026
Laundry facility	\$40,000	2026/2027
Power upgrade	\$25,000	2024/2025
Extend powered sites	\$20,000	2024/2025
Development of visitor accommodation (cabins)	\$100,000	2026/2027
Total	\$245,000	2024-2027

(Source: May 2020 TDGC agenda)

The Agenda noted that the final decision would be made by Council and depend on the budget available.

Kaipara District Council Long Term Plan (2021–2031)

The Long Term Plan identifies that tourism is becoming increasingly important, particularly domestic travel by Aucklanders. The west coast currently only attracts 10% of tourism expenditure in Northland. There is potential for Kaipara to increase its share of visitor expenditure and therefore an opportunity for the wider community to participate more fully in the benefits of tourism.

Kaipara’s proximity to Auckland makes it well positioned to provide weekend getaways and family road trip experiences.

The Ancient Kauri Coast programme includes development of a Tourism Plan / Strategy and Destination Management Planning. The programme also includes development of key tourism infrastructure projects, including Taharoa Domain upgrades and new investment in cycle tourism projects.

New cycle trails designed for all ages are proposed in Taharoa Domain and the Kaihu Valley Trail. These will create a multiday cycle experience connecting Waipoua Forest with Dargaville.

Council is in the process of reviewing the Campgrounds against the campground standards. A project will be undertaken to assess and complete any works to bring these in line with accepted standards.

The destination management and marketing work programme includes improving regional dispersal, length of stay, expenditure and the appeal of off-peak travel particularly through leverage of the Twin Coast Discovery programme.

Targeted marketing of the Campgrounds is consistent with Council’s strategy of attracting the Auckland market. Development of the Campgrounds with built accommodation could help to achieve Council’s aims of increasing off-peak travel

and provide accommodation for cyclist visitors drawn to the district by the new cycle trails.

4.9 CONCLUSION

Leading holiday parks in New Zealand are investing in improved facilities and infrastructure. Without further investment in facilities and services at the Campgrounds, it is likely that the Campgrounds will gradually slip down the rankings of New Zealand holiday parks.

There has been a reduction in the total number of holiday parks in New Zealand in recent years. It is possible that those that do not invest in maintaining and upgrading their facilities, may struggle to compete and close.

This may be acceptable for some, or most of, the regular campers who return to the Campgrounds annually, in some cases for several generations. However, this will do little, if anything, to attract new types of potential users to visit (ie: those looking for built accommodation, whether of a budget or better standard, or something that offers a wet weather alternative for potential guests without caravans or campervans).

We believe there is a significant opportunity to increase domestic visitor utilisation and revenue generation, especially in the shoulder seasons.

International visitors travelling along the Kauri Coast on the Twin Coast Discovery Highway and cyclists represent other significant market opportunities if built accommodation is to be provided at the Campgrounds.

The increased potential revenue potential could be in the range of at least an additional \$250–\$500,000 per annum, earned over the remaining 45 off-peak weeks of the year including from school and education groups, depending on the extent of investment made in additional facilities, and in marketing the improved facilities.

This higher level of revenue would help to support more staff to provide a higher level of service, continued maintenance and investment in facilities, and sales and marketing.

Increased cashflow and operating surpluses would further contribute to subsidising the operating costs of the wider Domain.

5 FUTURE MANAGEMENT OPTIONS

There are effectively five options in relation to the future management of the Campgrounds. These are:

1. Inhouse Management ('Status Quo')
2. Modified Status Quo
3. Contracted Services
4. Contracted Management Operation
5. Lease.

Each of the options has different implications for the degree of control, investment and business risk by Council.

Potential third parties which could be involved in the future management of the Campgrounds under Options 3–5 could include the likes of:

- DOC
- Te Roroa / Te Kuihi
- a not-for profit organisation (eg: YMCA)
- a commercial operator.

We comment on each of the five options below.

5.1 INHOUSE MANAGEMENT ('STATUS QUO')

Council would continue to manage the Campgrounds on much the same basis as it does currently without any significant change to the management or governance arrangements.

The main advantages of inhouse management from Council's perspective include:

- Council has full and direct management control of the Campgrounds business, and can exercise this control on a day-to-day basis or as required, making all decisions in relation to the operation, strategy and investment in the Campgrounds in consultation with the TDGC and consistent with the Reserve Management Plan
- Council controls the on-site cash management and accounting systems, maximising the net cashflow to Council on an annual basis there are no fees payable to, or profits earned, by third parties
- the Campgrounds operation is simpler to oversee and manage (in conjunction with the TDGC) with no third party involvement
- Council can more directly achieve a return on capital improvements
- Council retains the option to change the control over the management of the Campgrounds at any future time.

The main disadvantages of this option from Council's perspective include:

- Council is responsible for recruiting, training and retaining suitably experienced permanent and casual employees
- Council retains all investment, operational and business risk associated with the Campgrounds.

5.2 MODIFIED STATUS QUO

We have considered the potential ways in which the Status Quo could be improved in such a way that Council may retain most or all of the advantages of the Status Quo, whilst minimising the disadvantages.

These potential opportunities for improvement include:

- reorganising the management of the Domain and Campgrounds to achieve greater synergies / efficiencies
- appointing one General Manager to be responsible for all aspects of the Domain and Campgrounds operation, and reporting to the TDGC
- improving the effectiveness of management reporting and accountability including in relation to:
 - management of reservations
 - fulfilment of advance payment for reservations
 - minimising on-site cash handling and management
 - improved real-time (ie: daily) and periodic (eg: monthly) management and financial reporting – may or may not be integrated with Council financial reporting system
- improving Council management reporting and accountability to the TDGC with the objective of increasing engagement and trust between the stakeholders.

Improvements such as these may be particularly desirable if Council is to make a significant investment in the Campgrounds to improve their utilisation and financial performance.

5.3 CONTRACTED SERVICES

This option could also be described as:

- service contract(s)
- Contract for service(s)
- contracting out of services.

Under this option, which could be seen as effectively an extension of the Modified Status Quo option, Council could contract out some or most services involved in

the operation of the Campgrounds business to one or more third-party contractors.

Such services could include, but not necessarily be limited to:

- Cleaning
- Security
- Grounds maintenance / management
- Marketing
- Reservations.

Contracting out of services such as these would not involve Council contracting out of roles and responsibilities such as:

- Management control
- Management and financial accounting
- Capital development / investment
- Governance.

Potential advantages to Council of contracting out some or all of these services to one or more third parties include:

- reducing the management and operational commitment of Council in relation to some day-to-day responsibilities for the Campgrounds
- enabling Council to focus more clearly on management oversight and governance of the Campgrounds, including in relation to capital development / investment and enhancing the overall environmental and cultural outcomes, in consultation with the TDGC and consistent with the Reserve Management Plan
- gaining access to and benefit from specialist skills, resources and technology provided by contractors, including potential synergies.

Potential disadvantages to Council of this option include:

- loss of day-to-day management and control of some key guest-facing service delivery including timeliness and quality control
- probable increase in operational costs to Council as contractors aim to recover overhead costs and make profits in addition to the direct cost of the services provided
- possible inefficiency with potentially multiple parties visiting the site on a regular basis to provide services, unless one multi-faceted service provider is contracted
- Council retains all investment, operational and business risk associated with the Campgrounds.

5.4 CONTRACTED MANAGEMENT OPERATION

This option could also be described as a Management Contract.

In this option, Council would contract out all or most responsibility for the management and operation of the Campgrounds to a third party on mutually acceptable commercial terms. This would mean that the Council would have no responsibility for day-to-day operations of the Campgrounds, and would not own or control the business.

Council would earn a rental income from the Campgrounds which would likely be based on one of the following options:

- a fixed annual rental, probably adjusted annually on a basis to be agreed (eg: \$100,000 + GST per annum)
- a variable annual rental, probably based on a percentage of the manager's total revenue (eg: 25% of total revenue)
- a variable annual rental but with a fixed minimum (eg: 20% of total revenue but with a minimum of \$100,000 + GST per annum)
- a combination of a smaller fixed annual rental and a lower variable revenue share on top of the fixed annual rental (eg: fixed annual rental of \$75,000 + GST plus 10% of total revenue).

The fixed rental payments would normally be payable monthly, but in the case of the seasonal Campgrounds business, could alternatively be payable in six (or fewer) monthly instalments over the period December– May.

Potential advantages to Council of contracting out the Management Operation on this basis include:

- Council has no responsibility for day-to-day operations, including employment obligations
- the management contractor may bring prior relevant business experience and acumen in addition to what Council might reasonably be expected to have
- the management contractor may invest in some smaller lower cost removable revenue generating improvements (eg: laundry facilities)
- Council would not necessarily need to provide reservations or management information systems or associated computer hardware / software to the management contractor
- Council could still exercise some influence over the levels and quality of service provided, although not control
- Council has potential to participate in the upside success of the business, whilst minimising or eliminating downside risk
- Council not required to fund any working capital

- all staff will be employees of the management contractor rather than Council
- opportunity for Council to terminate the management contract in the case of certain specified defaults by the contractor or, without cause, after a certain period of time (eg: three to five years)
- potential to extend the term of the contract (rights of renewal) if both parties are satisfied with the contractor's performance
- enables Council to focus more strategically on the vision for and development of the Campgrounds and Reserve, including in relation to enhancing the overall environmental and cultural outcomes, in consultation with the TDGC and consistent with the Reserve Management Plan, although without any control over the operation of the Campgrounds business.

Potential disadvantages to Council of this option include:

- limited control over service and quality levels at the Campgrounds, except to the extent negotiated in the management contract
- Council likely to be required to invest to upgrade amenity and expand facilities to enhance revenue generating potential in order to make this attractive and viable to a contracted manager
- required level of upgrading may not be entirely consistent with the Reserve Management Plan
- risk of variable rental being impacted if not all revenue is recorded in the contractor's accounting system, even if a 'review opinion' is provided by the contractor's accountant or appointed auditor / reviewer
- potential need to request independent audits of the accounting system and records, probably at Council's cost
- Council may not be able to successfully contract out of some or all obligations for Health and Safety at the Campgrounds.

5.5 LEASE

A commercial lease involves property rights, setting out the rights and obligations of the lessor and lessee, including the following key terms:

- who owns what assets (eg: 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.

Advantages and disadvantages of a lease

The main advantages of a lease from Council's perspective include:

- the property rights and obligations are clear and enforceable based on the terms of the lease contract
- Council's primary concern will be that the lease rental is paid
- fixed annual rent can be budgeted with a reasonable level of certainty
- regular lease rental income based on commercial terms agreed
- Lessee will be required to fund all working capital requirements including over the five month low season
- all staff will be employees of the Lessee
- clearly documented level of accountability and responsibility between the two parties in relation to the rest of the Taharoa Domain.

The main disadvantages of this option from Council's perspective include:

- Council as Lessor effectively has almost no control over the Campgrounds business
- risk of Lessee not performing to Council's satisfaction, which could represent a longer-term problem than under a management contract
- possible need to resort to dispute resolution process to resolve disagreements with the Lessee
- potential impediment in achieving wider vision for and development of the Campgrounds and Reserve, including in relation to enhancing the overall environmental and cultural outcomes, unless the lease provides for such matters to be covered in side agreements which can be negotiated and updated on a more regular basis
- any intention to lease the Campgrounds will likely require public notification and full consideration to all objections and submissions in relation to the proposal under the Reserves Act 1977.

Ownership of assets and funding of improvements

In most circumstances the owner of the land (the Lessor) funds inground infrastructure and services, including water, wastewater and power, which are leased to the Lessee in addition to existing above-ground built facilities including office and ablutions blocks, unless these are sold to the Lessee at the commencement of the lease.

Under normal circumstances the expectation would be that if the Lessee wants, or is required to, fund improvements to facilities, these improvements would be owned by the Lessee.

At the end of the lease, the leasehold improvements will either need to be removed, sold to the Lessor at an agreed value, or transferred to the Lessor. The valuation of the leasehold improvements is likely to be relatively low due to the

relatively low original cost of the buildings, and the relatively long term of the lease.

Any requirement for a potential Lessee to fund improvements to the Campgrounds will need to be negotiated between the parties. It is probable that the Lessee will be less inclined to invest in new Campgrounds facilities, or upgrade existing facilities, during the latter period of the term.

Lease term

The Reserves Act 1977 limits the lease of a recreation reserve to a term of 33 years. A lease would typically have a reasonable initial term of (say) 10 years, with 2–3 rights of renewal for further shorter periods by mutual agreement.

If the Lessee is to make an investment in Campground facilities, they would likely require a longer term in order to be confident of achieving payback on their investment. This could be, for example, a longer initial lease term (eg: 15 years) with rights of renewal at the Lessee's option only.

However, if Council is prepared to upgrade the Campgrounds facilities to meet the Camping-Grounds Regulations 1985, and does not require the Lessee to fund the capital expenditure for additional built facilities onsite, then the initial lease and renewal terms could be shorter.

Lease rental

Although the Campgrounds are located on Crown Land vested in and administered by Council under the Reserves Act 1977, this shouldn't mean that a Lessee would be expected to pay less rent than if the Lessor was the owner of the land.

An exception to this position may be required if the Lessee is required by the Lessor to fund major capital expenditure either at the start or during the term of the lease, when the Lessee has no certainty as to whether, or on what terms, the lease may be renewed at the end of the lease term. This is because of the maximum 33 lease term under the Reserves Act 1977. The Lessee cannot have certainty that a new Lease may be able to be negotiated and entered into on the expiry of the lease term.

If there is a variable component of the lease rental, the Lessee would normally be required to provide evidence of how the rent has been calculated and the Lessor would have the right to audit the accounting system of the Lessee at its expense.

Council control / influence over the Campgrounds operation

Given that the Lessee owns the business operation, there is usually a provision in the lease that the Lessee shall quietly hold and enjoy the rights of use and occupation of the land without any interruption by the Lessor. The Lessee would not be accountable to Council in relation to the operation of the business, except

in relation to the payment of rent and other requirements or conditions explicitly set out in the lease.

Nevertheless, Council will likely want to ensure that the lease includes terms which require the Lessee to maintain the standard of the Campgrounds including in relation to:

- the quality and standard of facilities (being the existing assets at the time of the lease and all improvements)
- service levels provided to campers
- the reputation of the Campgrounds
- management of guest behaviour.

Dispute resolution

A risk for Council is that it could end up with a long-term Lessee who has funded the investment in new / improved assets but which is not performing to the level of Council's expectations. In this situation Council may need to enter into the dispute resolution process detailed in the lease.

Example lease

We understand that Council successfully negotiated capital investment from the Lessee of the Mangawhai Heads Camping Ground in the first three years of the lease term. Other aspects of this lease include the following:

- a 15 year initial term
- one right of renewal by the lessee if they have met their obligations to the lessor's satisfaction
- a base rent with periodic reviews to the current market
- a variable rent in relation to the gross revenue from the letting of cabins
- a variable rent in relation to the gross accommodation revenue in excess of an annual threshold.

5.6 POTENTIAL TYPES OF THIRD PARTY MANAGEMENT ENTITIES

Under a Contracted Management Operation or a Lease, the third party could be a commercial business, the Department of Conservation (DOC), Te Roroa / Te Kuihi, or a not-for-profit organisation.

It is possible or likely that any parties which express interest in managing the Campgrounds may have related interests whether these be commercial, environmental, cultural and/or educational.

This could bring potential synergies to the operation and more commitment to the business and strategic intention, than a third party which has no existing interest.

Department of Conservation

Our consultation with a Department of Conservation (DOC) representative indicated that DOC is committed to continuing to improving the conservation campsites it is already responsible for on Public Conservation Land. This includes Trounson Kauri Park, 25 minutes drive north of the Campgrounds.

It is not a priority for DOC to take responsibility for any additional campsites that are not located on conservation estate.

Te Roroa / Te Kuihi

We are advised that Te Roroa representatives have been in discussion with Council and are interested to explore the possibility of managing the Campgrounds. We understand that Te Roroa's primary interest is the conservation of the Kai Iwi Lakes environment and that their objectives closely aligned with the TDGC.

Council may need to offer some support, at least initially, to Te Roroa / Te Kuihi to ensure that there is a smooth transition of management responsibility.

Not-for Profit Organisation

It is possible that a not-for-profit (NFP) organisation may wish to take on the responsibility for running the Campgrounds in order to further their own charitable objectives. Examples could include the YMCA, a church or school-related entity, or an entity involved in conservation or conservation education.

Under management by a NFP entity, the Campgrounds would still have an objective of making a cash profit, but the Campgrounds would be more likely to continue to be affordable for families and regular users, because the NFP would be less likely to have the commercial objective of maximising profit.

Council could run an Expression of Interest process inviting proposals by either NFP organisations (to gauge whether there is any interest in the community to run the Campgrounds on this basis) or on a wider 'all comers' basis.