

## Half Yearly Report to Shareholders

14 February 2014

### 1 Introduction

The Local Government Act 2002 requires that the Directors deliver to the Shareholders a report within two months of the end of the first six months of the financial year. The report is required to provide information against the objectives set out in the Statement of Intent. The following report records the objectives of the company and reports on performance against a table of specific performance requirements set out in the Statement of Intent.

### 2 Objectives of BOPLASS Ltd

The company exists to provide councils in the Bay of Plenty and Gisborne regions with an umbrella vehicle to investigate, procure, develop and deliver shared services.

Working together with the full support and involvement of staff, we will provide benefit to councils and their stakeholders through improved levels of service, reduced costs, improved efficiency and/or increased value through innovation.

These will be achieved primarily through:

#### Joint Procurement

Being the procurement of services or products by two or more councils from an external provider regardless of whether the service is paid for through BOPLASS or individually by participating councils.

#### Shared Services

Being the participation of two or more councils in the provision of a common service which may be jointly or severally hosted.

### 3 Governance

In the year to date the governance structure has remained stable with the only change being the appointment of the Rotorua Chief Executive, Geoff Williams, to the Board as Director and Shareholder Representative.

In September 2013 Mary-Anne Macleod stood down from the position of BOPLASS Chair and Glenn Snelgrove was appointed as interim Chair until a replacement Chair is elected. The Board acknowledges and thanks Director Macleod for the valuable contribution she has made to BOPLASS Ltd in her role of Chair.

## 4 Nature and Scope of activities

The principle nature and scope of the activities of BOPLASS Ltd is to:

- *Use Joint Procurement to add value to goods and services sourced for its constituent councils.*
- *Facilitate Shared Services that benefit councils and their stakeholders through improved levels of service, reduced costs, improved efficiency, innovation and/or increased value.*
- *Pursue best practice in the management of all activities to obtain best value and minimise risk.*
- *Demonstrate fiduciary responsibility by ensuring that its activities are adequately funded from savings achieved, levies, Council contributions, or Government funding where available.*
- *Allow other councils or organisations to participate in its activities where this will benefit its constituent councils directly or indirectly.*
- *Represent the collective views of its shareholders in matters with which it is associated*

## 5 Future developments

BOPLASS Ltd will continue to work on business cases for Joint Procurement and Shared Services that may be provided in the region.

The Board has recently completed a strategic review of BOPLASS activities and opportunities. The Board has determined that BOPLASS is to become more heavily focussed on joint procurement opportunities and the associated financial returns and benefits to the participating councils. This change is immediate and will result in non-achievement of the SOI Shared Services targets for the balance of the year.

Shared service developments will continue, but without the previous requirement to include all constituent councils. These projects will often now be led by one or more of the participating councils, rather than BOPLASS. Current feasibility studies for shared services include but are not limited to:

- GIS;
- Rates Collection;
- Joint software support;
- Facilitation and /or provision of Ultrafast Broadband services between councils;

Other Shared Services may be provided after the Board has considered each individual business case and formally agreed to take on and deliver (or host/procure etc) the Shared Service.

Joint Procurement initiatives will be considered by the Board and or its advisory groups where there is demonstrated support from two or more member councils.

BOPLASS Ltd will also proactively explore opportunities to partner with other Local Authorities and Shared Services organisations within NZ where they are either developing or considering developing cost effective Shared Services and products that are of value to the Bay of Plenty Councils.

BOPLASS is investigating opportunities to establish a portal for the sharing of information on Shared Services or Joint Procurement opportunities within the wider local government community.

## 6 Performance targets

To ensure the Company continues to operate effectively in both governance and management terms over the next three years the current SOI targets are to:

- Successfully implement two of the Identified Shared Service projects within a 12 month period.
- Investigate a minimum of four Joint Procurement or Shared Services initiatives per year for goods and services from sources offering best value, service, continuity of supply and/or continued opportunities for integration.
- Manage and/or renegotiate existing contracts ensuring appointed vendors remain competitive and continued best value is returned to shareholders.
- Perform self assessment reviews of governance.
- Communicate with each shareholding council at appropriate levels with at least one meeting with each Executive Leadership Team per year.
- Ensure current funding model is appropriate and enables the Company to continue to remain financially viable.

The Board acknowledges that the change in approach to Shared Services will result in non-achievement of the Shared Services target.

The Board believes that all other targets are being achieved, as is demonstrated by the list of activities below.

## 7 Current Initiatives

The following initiatives have been under consideration or operating during the first part of the year:

### Shared Services

- Inter Council Network – An initiative with FX Networks and the One.Govt consortium providing a 1Gbps fibre connection between the majority of our councils and eventually connecting to all councils by either fibre or microwave. The projects for development and management of the network will continue during the balance of the year but now under principal management from the Bay of Plenty Regional Council and Tauranga City Council.

- Information Services Strategic Plan (ISSP) – The development and approval of a comprehensive policy for collaboration and provision of IT services in the future. This includes such things as a common security and access policy, Technology Policy, Service Desk requirements, a Project Management Process and other elements essential to a combined approach to Information Technology.
- Geographic Information Services as a Shared Service – Councils already share common Geographic Information Software under BOPLASS facilitated contracts and are developing a web interface for Intranet and Internet using GeoCortex. Architecture has been prepared, and a project team has been working on common processes. A pilot test environment for hosting of shared GIS services has been established and a production environment is under development. This Shared Service project will now be led by the Bay of Plenty Regional Council and Western BOP District Council.

## Joint Procurement

- Stationery and Office supplies – An agreement for the Joint Procurement of Stationery and Office furniture has been in place for the past three years. The initiation of All of Government (AoG) Procurement Contracts has provided an alternative option for BOPLASS councils, but the majority of councils have remained on the BOPLASS contract following their own assessments.
- Insurance Brokerage. – in 2012 Councils agreed to renew the contract with AON NZ for another three years with a moderate increase in price. With the turmoil brought about by the Christchurch Earthquake, BOPLASS councils were fortunate to have a well managed approach which meant that all of councils maintained cover during the renewal process and AON were able to negotiate the best premiums in a difficult market. BOPLASS is currently managing projects for insurable risk analysis and a review of options for councils' infrastructure insurance.
- Aerial Photography – The contract with NZ Aerial Mapping Ltd for Ortho rectified imagery and LIDAR is now completed with all imagery delivered and only final quality assessments to be completed. Since the letting of the \$1.65M contract, a further agreement was reached with NZAM for the outright purchase of the copyright. This allowed us to on-sell the copyright to Land Information NZ and potentially other parties with a significant benefit to BOPLASS Ltd.
- Information Management – Eight of our councils now use Objective for document management or are currently implementing it. BOPLASS is continuing to negotiate enterprise options with Objective to achieve further benefits for our councils.
- Other LASS – We continue to maintain a close relationship with MWLASS (Manawatu/Wanganui) and the Waikato LASS. A Memorandum of Understanding has been established and opportunities to share knowledge or collaborate on projects are regularly explored.
- ESRI GIS Licencing – A new three year contract has recently been entered into which has all councils using the same Geographic Information Software with a substantial reduction in costs of approx \$60,000 p.a. over the notional pricing. This provides a foundation for the GIS Shared Services project.
- GIS Software – Contracts have been established with a number of software providers to provide significant discounts on the purchase and maintenance of software through establishment of common standards and leveraging the group buying power.

- Video Conferencing – BOPLASS has established a centrally managed service for the support of video conferencing services within the councils. Seven councils have access to the facility and it is being used to increase the efficiency of meetings and to reduce travel requirements.
- Rates Processing – A project to investigate and identify options for collaboration with valuation services and rates processing has progressed. A standard contract for a common standard for valuations and for the appointment of valuation service providers across the region has been completed. Options for a reduction in the costs of the printing and mail out of rates notices through the appointment of a common supplier are also being assessed.
- Reprographic – Following an extensive procurement and evaluation process, Konica Minolta were appointed as provider of print and photocopy equipment to eight of the BOPLASS councils. The contract has provided a significant reduction in costs for all councils, optimisation of equipment fleets and a common technology platform providing integration with other core council systems.
- Post and Courier – In conjunction with the Waikato LASS, NZ Post and CourierPost have been appointed as preferred supplier to the BOPLASS councils for postal and courier services. Reduced rates and improved service levels have been achieved through the aggregation of volumes.
- GSB/Fuel – BOPLASS completed a tender process for a fuel provider to the councils and were able to secure competitive discounts and the required geographical coverage. Following the appointment of GSB as the preferred supplier, BOPLASS has negotiated an annual group membership discount, providing further discounts and benefits to the councils.
- Health Insurance – A BOPLASS group scheme has been established with Southern Cross Healthcare providing incremental discounts to council staff. The group scheme is offered as an employee benefit to staff with no cost to councils.
- Regional Telephony Contract- Following a tendering process with AoG providers, Gen-i has been reappointed as the supplier of telephony services to the BOPLASS councils. The new contract provides incremental savings for all councils. Councils continue to work together to develop a roadmap for future collaboration and savings in telephony products and services.
- Advertising – A collaborative contract for the management of advertising services has provided discounted rates to the participating councils and improved service levels.

In addition there are several other projects either in the formative stage or being reviewed for potential contribution to cost saving, best practice and/or better resource utilisation.

## 8 Financial Reports

### 1. Financial

The organisation is operating within budget and has achieved a reasonable revenue stream for the first half of the year. Included are the service related payments for services accessed by councils but annual levies for Advisory Groups and the annual council contributions will be invoiced in the balance of the year.

The company remains in a negative equity position but Letters of Comfort are held from all participating councils. An equity contribution from the shareholding councils to return the company to a positive equity situation has been approved.

**2. Accounting Policies**

The company is compliant with the accounting policies stated in the Statement of Intent.

**3. Advisory Group levies**

In accordance with a user's pays approach, advisory groups are levied according to the size of the council being represented. Groups are levied annually and this will report as levy income in the balance of the year.

**4. Financial Reports**

Financial Reports for the period to 31 December 2013 are attached.

**5. Variations**

Financial reports show total transaction costs whereas the Budget was based on income generated from activities rather than transactions. Reassignment of Recoveries and Sales of Service coding has produced variances against Budget.

## **9 Staffing, Accommodation and Support**

### **Staff**

Following the advertising of the vacant CEO position and an extensive recruitment process in mid-2013, the Board has appointed the Acting CEO, Stephen Boyle, to the role for a 12-month fixed term.

Staffing levels are unchanged, with the BOPLASS IT Manager and a part-time administrator providing additional project support and management of existing activities.

### **Accommodation and Support**

We continue to enjoy the office space provided at Tauranga City Council and the support that is offered for IT and Accounting services. Although there is a monthly fee there is still a contribution in kind.

**BOP LASS LTD**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE MONTH ENDED 31 DECEMBER 2013**

	Actual YTD	Budget YTD	Total Budget	YTD Variance
<b>REVENUE</b>				
<b>Revenue - Core</b>	<b>\$54,525</b>	<b>\$0</b>	<b>\$273,510</b>	<b>\$54,525</b>
<i>Bank Interest Received</i>	\$3,108	\$0	\$0	\$3,108
<i>Council Contribution</i>	\$0	\$0	\$273,510	\$0
<i>Recoveries</i>	\$51,417	\$0	\$0	\$51,417
<b>Revenue - Projects</b>	<b>\$541,261</b>	<b>\$602,106</b>	<b>\$1,284,212</b>	<b>(\$60,845)</b>
<i>Activity Group Fees</i>	\$0	\$0	\$80,000	\$0
<i>Aerial Photography Income</i>	\$1,960	\$50,000	\$100,000	(\$48,040)
<i>Bank Interest Received</i>	\$6,301	\$15,000	\$30,000	(\$8,699)
<i>Lease Income - ICN</i>	\$140,862	\$86,116	\$172,232	\$54,746
<i>Lease Income - Video Confer.</i>	\$9,725	\$11,894	\$23,787	(\$2,169)
<i>Recoveries</i>	\$378,158	\$40,000	\$80,000	\$338,158
<i>Sales of Service</i>	\$4,255	\$399,097	\$798,193	(\$394,842)
<b>Total Operating Revenue</b>	<b>\$595,786</b>	<b>\$602,106</b>	<b>\$1,557,722</b>	<b>(\$6,320)</b>
<b>EXPENSES</b>				
<b>Expenditure - Core</b>	<b>\$257,940</b>	<b>\$243,675</b>	<b>\$487,350</b>	<b>\$14,265</b>
<i>ACC</i>	\$1,456	\$1,500	\$3,000	(\$44)
<i>Accommodation &amp; Travel</i>	\$135	\$750	\$1,500	(\$615)
<i>Accounting &amp; Audit</i>	\$519	\$7,000	\$14,000	(\$6,481)
<i>Administration</i>	\$9,515	\$5,000	\$10,000	\$4,515
<i>Amortisation</i>	\$18	\$125	\$250	(\$107)
<i>Bank Fees</i>	\$132	\$200	\$400	(\$68)
<i>Board meetings</i>	\$0	\$500	\$1,000	(\$500)
<i>Conferences</i>	\$940	\$1,000	\$2,000	(\$60)
<i>Depreciation</i>	\$141	\$400	\$800	(\$259)
<i>Catering Expenses</i>	\$1,030	\$3,000	\$6,000	(\$1,970)
<i>Fringe Benefit Tax</i>	\$2,140	\$4,000	\$8,000	(\$1,860)
<i>Insurance</i>	\$6,434	\$4,000	\$8,000	\$2,434
<i>Interest Paid - TCC Loan</i>	\$13,119	\$5,000	\$10,000	\$8,119
<i>Legal</i>	\$0	\$1,000	\$2,000	(\$1,000)
<i>Postage &amp; Stationery</i>	\$0	\$50	\$100	(\$50)
<i>Salaries</i>	\$140,687	\$198,000	\$396,000	(\$57,313)
<i>Consultants</i>	\$69,143	\$0	\$0	\$69,143
<i>Staff Support Costs</i>	\$9,705	\$7,500	\$15,000	\$2,205
<i>Staff Training Costs</i>	\$0	\$1,000	\$2,000	(\$1,000)
<i>Subscriptions</i>	\$300	\$150	\$300	\$150
<i>Tax Advice</i>	\$2,526	\$3,500	\$7,000	(\$974)
<b>Expenditure - Projects</b>	<b>\$636,540</b>	<b>\$535,186</b>	<b>\$1,070,372</b>	<b>\$101,354</b>
<i>Aerial Photography Copyright</i>	\$0	\$0	\$0	\$0
<i>Aerial Photography Expense</i>	\$1,960	\$50,000	\$100,000	(\$48,040)
<i>Interest Paid - BOPRC Loan</i>	\$0	\$3,125	\$6,250	(\$3,125)
<i>Lease Expense - ICN</i>	\$49,482	\$84,000	\$168,000	(\$34,518)
<i>Lease Expense - Video Confer.</i>	\$8,981	\$8,981	\$17,962	\$0
<i>Project Expenses ICN</i>	\$53,094	\$4,000	\$8,000	\$49,094
<i>Projects - Recoveries</i>	\$479,523	\$40,000	\$80,000	\$439,523
<i>Service Costs</i>	\$43,500	\$345,080	\$690,160	(\$301,580)
<b>Total Operating Expenditure</b>	<b>\$894,481</b>	<b>\$778,861</b>	<b>\$1,557,722</b>	<b>\$115,620</b>
<b>Operational Surplus/ (Deficit) before Tax</b>	<b>(\$298,695)</b>	<b>(\$176,755)</b>	<b>\$0</b>	<b>(\$121,940)</b>

**BOP LASS LTD  
STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 2013**

	<b>Actual YTD</b>
<b>Current Assets</b>	
Cheque Account	\$114,444
Trust A/c Aerial Photography	\$541,878
Trade Debtors	\$47,325
Accrued Revenue	\$0
Withholding Tax	\$6,750
Prepayments	\$0
<b>Total Current Assets</b>	<b>\$710,397</b>
<b>Non-current assets</b>	
Office equip at cost	\$640
Office equip depreciation	(\$462)
Computer equip at cost	\$1,849
Computer equip depreciation	(\$1,560)
Intangible - Computer Software	\$3,622
Amortisation	(\$3,580)
<b>Total Non-current assets</b>	<b>\$510</b>
<b>Total Assets</b>	<b>\$710,906</b>
<b>Current Liabilities</b>	
Trade Creditors	\$1,708
Retentions	\$0
Accrued Expenses	\$0
Income in Advance	\$443,036
TCC Loan	\$586,539
TCC Loan - FX Contract	\$0
PAYE Accruals Payable	\$11,335
GST Collected	\$970,860
GST Paid	(\$837,216)
GST Payments/refunds	(\$131,209)
<b>Total Current Liabilities</b>	<b>\$1,045,053</b>
<b>Total Liabilities</b>	<b>\$1,045,053</b>
<b>Net Assets</b>	<b>(\$334,147)</b>
<b>Equity</b>	
Share capital	\$9,000
Retained Earnings	(\$44,452)
Current Year Earnings	(\$298,695)
<b>Total Equity</b>	<b>(\$334,147)</b>