

## Half Yearly Report to Shareholders

7 February 2013

### 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 appointment of Christine Jones, as Director and Shareholder Representative until a Chief Executive is appointed for Tauranga City Council.

Mary-Anne Macleod was appointed as BOPLASS Chair with Glenn Snelgrove standing down from the position and taking on the role of Deputy Chair. The Board acknowledges and thanks Director Snelgrove for the valuable contribution he has made to BOPLASS Ltd in his 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. 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;
- Facilitation of regional Broadband services in the start up or incubation phase;

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.

## 6 Performance targets

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

- Initiate at least one Shared Service each year and no less than two Shared Services successfully implemented within three years;
- Implement Shared Services demonstrating best practice and added value to participating councils and stakeholders;
- Investigate a minimum of four Joint Procurement initiatives per year for goods and services from sources offering best value, service, continuity of supply and or opportunities for integration;
- Communicate with each shareholding council at appropriate levels with at least one meeting with each Executive Leadership Team per year;
- Partner with other non shareholding councils and /or organisations to add benefit to the Company.
- Ensure sufficient income is available from activities to sustain a viable company.

The Board believes that these 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 fiber or microwave. The fiber connection to Kawerau District Council was completed in late 2012 with the final connection to Gisborne District Council expected to be completed this year.
- 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. This work has seen good progress with the secondment of Grant Probert from BOP Regional Council to this project. The secondment finished in September 2012 and the Board has recognised that there is a need for further resources to ensure continued progress of this work and have approved recruitment of a fixed term IT Manager.
- Geographic Information Services as a Shared Service – Following the approval of the Inception Report a project has been established to establish a Shared Service. Councils already share common Geographic Information Software and are developing a web interface for Intranet and Internet using GeoCortex. Architecture has been prepared, and a project team is working on common processes. A pilot test environment for hosting of shared GIS services has been established and a production environment is under development.

## Joint Procurement

- Stationery and Office supplies – An agreement for the Joint Procurement of Stationery and Office furniture has been in place for the past two 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. - 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 council's maintained cover during the renewal process and AON were able to negotiate the best premiums in a difficult market.
- After Hours Telephone Service – Four Councils initially participated in this project with service currently provided by Palmerston North City Council. The contract is due for renewal this year and BOPLASS has requested expressions of interest from after hours call management service providers.
- Internal Audit/Business Excellence – A co-operative approach to internal audit and business improvement sharing best practice using a single consultant with resultant cost savings. Several councils have participated and summaries of results have been circulated. This contract has recently concluded and BOPLASS is looking to continue the service and appoint a provider.
- Aerial Photography – The contract with NZ Aerial Mapping Ltd for Ortho rectified imagery and LIDAR is progressing well with imagery capture completed and the majority delivered. Since the letting of the \$1.656M contract a further agreement was reached with NZAM for the outright purchase of the copyright and 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 implementing it in 2013. We are currently negotiating an enterprise agreement 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 – We are now in the third year of a three year contract 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. Renewal of the contract is under negotiation.
- 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.
- Regional Telephony Contract- Following a strict tendering process Gen-i became the supplier of telephony services and councils are now looking at a roadmap for future development and collaboration in voice services. Additional savings have been released this year by incorporating some components of the All of Government pricing into the telecommunication agreement.
- Video Conferencing – Following the completion of a tender process for the supply and support of video conferencing equipment, seven councils have access to the facility and it is being used to increase the efficiency of meetings.

- Rates Processing – A project to investigate and identify options for collaboration with valuation services and rates processing has begun this year. In the initial phase, a common standard for valuations and for the appointment of valuation service providers across the region is being established. 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, negotiations are in progress to appoint a preferred supplier to the BOPLASS councils for postal and courier services. It is anticipated that councils will receive improved rates and services 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.

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 Support and Accounting Services**  
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 are yet to be invoiced.
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 2012 are attached.
5. **Variations**  
Financial reports show total transaction costs whereas the Budget was based on income generated from activities rather than transactions.

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

### **Staff**

Following the retirement of Ross Carter in April 2012 and the completion of the IT Manager's secondment from BOPRC, BOPLASS has operated with reduced staff numbers with staff consisting of an Acting CEO and a part-time administrator.

The Directors have identified the need to provide additional resources in order to allow the company to continue to grow and for the scope of projects to increase. As the organisation grows we need to support and manage existing activities as well as identify and develop new ones.

The appointment of an IT Manager has recently been approved and has been budgeted for. This is a fulltime fixed-term position and will have a significant impact on our ability to progress the establishment and implementation of the ISSP and shared services projects.

### **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 2012**

	Actual YTD	Budget YTD	Total Budget	YTD Variance
<b>Income</b>				
Activity Group Fees	\$0	\$40,000	\$80,000	(\$40,000)
Council Contribution	\$0	\$27,355	\$54,710	(\$27,355)
Aerial Photography Income	\$319,324	\$0	\$0	\$319,324
Sales of Service	\$664,430	\$94,700	\$189,400	\$569,730
Recoveries	\$5,057	\$0	\$0	\$5,057
Bank Interest Received	\$11,644	\$3,000	\$6,000	\$8,644
Lease Income - CRNP	\$113,032	\$0	\$0	\$113,032
Lease Income - Video Confer.	\$9,725	\$0	\$0	\$9,725
<b>Total Operating Revenue</b>	<b>\$1,123,211</b>	<b>\$165,055</b>	<b>\$330,110</b>	<b>\$958,156</b>
<b>Expenses</b>				
ACC	\$1,558	\$955	\$1,910	\$603
Accommodation & Travel	\$0	\$750	\$1,500	(\$750)
Accounting & Audit	(\$80)	\$7,000	\$14,000	(\$7,080)
Administration	\$1,622	\$12,500	\$25,000	(\$10,878)
Aerial Photography Copyright	\$8,438	\$0	\$0	\$8,438
Aerial Photography Expense	\$319,324	\$0	\$0	\$319,324
Amortisation	\$45	\$250	\$500	(\$205)
Bank Fees	\$209	\$150	\$300	\$59
Board meetings	\$0	\$500	\$1,000	(\$500)
Conferences	\$0	\$500	\$1,000	(\$500)
Depreciation	\$267	\$250	\$500	\$17
Catering Expenses	\$1,597	\$0	\$0	\$1,597
Fringe Benefit Tax	\$1,672	\$0	\$0	\$1,672
Insurance	\$6,400	\$0	\$0	\$6,400
Interest Paid - CRNP Loan	\$2,488	\$0	\$0	\$2,488
Interest Paid - TCC Loan	\$4,134	\$1,500	\$3,000	\$2,634
Lease Expense - CRNP	\$85,714	\$0	\$0	\$85,714
Lease Expense - Video Confer.	\$8,981	\$0	\$0	\$8,981
Postage & Stationery	\$0	\$50	\$100	(\$50)
Project Expenses CRNP	\$4,932	\$0	\$0	\$4,932
Projects - Recoveries	\$9,905	\$0	\$0	\$9,905
Salaries	\$63,332	\$140,500	\$281,000	(\$77,168)
Wages	\$17,490	\$0	\$0	\$17,490
Service Costs	\$450,759	\$0	\$0	\$450,759
Staff Support Costs	\$7,500	\$0	\$0	\$7,500
Subscriptions	\$0	\$150	\$300	(\$150)
Tax Advice	\$2,625	\$0	\$0	\$2,625
<b>Total Operating Expenditure</b>	<b>\$998,912</b>	<b>\$165,055</b>	<b>\$330,110</b>	<b>\$833,857</b>
<b>Operational Surplus/ (Deficit) before Tax</b>	<b>\$124,299</b>	<b>\$0</b>	<b>\$0</b>	<b>\$124,299</b>

**BOP LASS LTD  
STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 2012**

	Actual YTD
<b>Current Assets</b>	
Cheque Account	\$71,804
Trust A/c Aerial Photography	\$622,240
Trade Debtors	\$6,124
Accrued Revenue	\$0
Withholding Tax	\$24,565
Prepayments	\$0
<b>Total Current Assets</b>	<b>\$724,733</b>
<b>Non-current assets</b>	
Office equip at cost	\$640
Office equip depreciation	(\$343)
Computer equip at cost	\$1,849
Computer equip depreciation	(\$1,271)
Intangible - Computer Software	\$3,622
Amortisation	(\$3,516)
<b>Total Non-current assets</b>	<b>\$981</b>
<b>Total Assets</b>	<b>\$725,714</b>
<b>Current Liabilities</b>	
Trade Creditors	\$120
Retentions	\$31,932
Accrued Expenses	\$0
Income in Advance	\$474,257
TCC Loan	\$118,000
TCC Loan - FX Contract	\$45,385
PAYE Accruals Payable	\$4,036
GST Collected	\$772,734
GST Paid	(\$614,199)
GST Payments/refunds	(\$156,644)
<b>Total Current Liabilities</b>	<b>\$675,622</b>
<b>Total Liabilities</b>	<b>\$675,622</b>
<b>Net Assets</b>	<b>\$50,092</b>
<b>Equity</b>	
Share capital	\$9,000
Retained Earnings	(\$83,207)
Current Year Earnings	\$124,299
<b>Total Equity</b>	<b>\$50,092</b>