

## Half Yearly Report to Shareholders

23 January 2012

### 1 Introduction

The Local Government Act 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 seen some changes in the Board with the following Chief Executive appointments, Ken Paterson at Tauranga City Council replacing Christine Jones who was Acting CEO, Marty Grenfell at Whakatane District Council replacing Diane Turner and the permanent appointment of Mary-Anne Macleod as Chief Executive of Bay of Plenty Regional Council. The Board recorded its thanks to Diane Turner and Christine Jones for the valuable contributions they have made to BOPLASS Ltd.

## 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 Broad Band 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;
- Facilitate Joint Procurement of goods and services from sources offering best value, service, and or continuity of supply.
- Communicate with each shareholding council at appropriate levels;
- 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

- Council Regional Network Platform – 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 final connections to Gisborne and Kawerau should be achieved this year.
- Information Services Strategic Plan –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. In order to progress this work BOPLASS Ltd have retained the services of Grant Probert on secondment from BOPRC until June but it is anticipated further resources will be required after that.
- 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.

### Joint Procurement

- Stationery and Office supplies – An agreement for the Joint Procurement of Stationery and Office furniture has been in place for the past 18mths. However, the initiation of All of Government Procurement Contracts has impacted on this project.

- Core Record System (CRS) Land Information Updates – a combined purchase of monthly land information updates saving participating councils more than \$12,000 per annum was completed in August and TCC are now providing this service.
- Insurance Brokerage. - Councils have recently 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 councils were fortunate to have a well managed approach which meant that all of council's maintained cover during this year's renewal process and AON were able to negotiate the best premiums in a difficult market.
- After Hours Telephone Service – Four Councils participated in this project service is provided by Palmerston North City Council. These councils have had significantly improved services 24 hours per day with better management of calls in a contract which is due for renewal this year.
- 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.
- Aerial Photography – The contract with NZ Aerial Mapping Ltd for Ortho rectified imagery and LIDAR is progressing well albeit with some delays generated by both the weather and the Christchurch earthquake which meant the aircraft had to be assigned there for urgent work to record the changes. Since the letting of the \$1.656M contract a further agreement has been reached with NZAM for the outright purchase of the copyright and this has allowed us to on sell the copyright to Land Information NZ and potentially other parties with a significant benefit to BOPLASS Ltd.
- Information Management – 5 of our councils currently use Objective for document management Tauranga are implementing it in Q4 2012 and we are still in discussion with Objective to achieve further benefits for our councils.
- M/W LASS – We continue to maintain a relationship with Manawatu/Wanganui LASS and this year we have involved representatives from the Wellington Region and the Waikato LASS.
- ESRI GIS Licencing – We are now in the second 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.
- Regional Telephony Contract- following a strict tendering process Gen-I, a division of Telecom, became the supplier of telephony services and councils are now looking at a roadmap for future development and collaboration in voice services.
- Video Conferencing – following the completion of a tender process for the supply and support of video conferencing equipment, 7 councils have access to the facility and we are now working to use it to increase the efficiency of our meetings.
- Rates Processing – The project to investigate and identify options for collaboration with valuation services and rates processing has been slow this year but two councils have collaborated to produce a Standard Request for Proposal to tender for rates valuations which will assist in achieving a common standard for valuations.

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 Annual levies for Advisory Groups and service related payments for services accessed by councils.

### 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 and the majority of groups have been levied and councils have paid. As groups are levied annually there may be a decline in levy income for the balance of the year but we are seeing payment for services as they come on line.

### 4. Financial Reports

Financial Reports for the period to 31 December 2010 are attached.

### 5. Variations

Financial reports show total transaction costs whereas the Budget was based on income generated from activities rather than transactions.

### 6. Changes in Equity

The purchase for aerial photography has the potential to significantly increase the value of assets held by the company and discussions are being held with Audit NZ about the treatment of this expense. They have expressed a view that the benefit of the purchase lies with councils and not BOPLASS so that it is not an asset for BOPLASS.

## 9. Staffing, Accommodation and Support

### Staff

The current staffing levels have been in place since October 2010 and have met the current needs of the organisation.

The staff consists of a Chief Executive Officer, Business Development Manager, and an Executive Assistant. In addition, the secondment of an IT Manager from BOPRC for the ISSP project has allowed good progress to be made in that area. This arrangement which is in place until June 2012 will need to be reviewed by the Board as there will be ongoing requirements and secondment may not be the best way of providing for these.

### Accommodation and Support

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

| Period   | BOP LASS LTD                           |                  |                   |                  |
|--|--|------------------|-------------------|------------------|
| 06   |  |                  |                   |                  |
|  | STATEMENT OF COMPREHENSIVE INCOME      |                  |                   |                  |
|  | FOR THE MONTH ENDED 31st DECEMBER 2011 |                  |                   |                  |
|  |  |                  |                   |                  |
|  |  |                  |                   |                  |
|  |  |                  |                   |                  |
|  |  |                  |                   |                  |
|  | Actual YTD                             | Budget YTD       | Total Budget      | YTD Variance     |
| <b>Income</b>                                    |  |                  |                   |                  |
| Activity Group Fees                              | \$68,000                               | \$72,100         | \$72,100          | (\$4,100)        |
| Council Contribution                             | \$54,710                               | \$54,710         | \$54,710          | \$0              |
| Aerial Photography Income                        | \$263,059                              | \$0              | \$0               | \$263,059        |
| Conference Revenue                               | (\$25)                                 | \$0              | \$0               | (\$25)           |
| Sales of Service                                 | \$607,379                              | \$64,250         | \$128,500         | \$543,129        |
| Recoveries                                       | \$30,162                               | \$0              | \$0               | \$30,162         |
| Bank Interest Received                           | \$14,015                               | \$500            | \$1,000           | \$13,515         |
| Lease Income - CRNP                              | \$113,032                              | \$0              | \$0               | \$113,032        |
| Lease Income - Video Confer.                     | \$10,173                               | \$0              | \$0               | \$10,173         |
| <b>Total Operating Revenue</b>                   | <b>\$1,160,506</b>                     | <b>\$191,560</b> | <b>\$256,310</b>  | <b>\$968,946</b> |
|  |  |                  |                   |                  |
| <b>Expenses</b>                                  |  |                  |                   |                  |
| ACC  | \$1,703                                | \$925            | \$1,854           | \$778            |
| Accommodation & Travel                           | \$0                                    | \$515            | \$1,030           | (\$515)          |
| Accounting & Audit                               | (\$150)                                | \$4,450          | \$8,899           | (\$4,600)        |
| Administration                                   | \$9,431                                | \$12,875         | \$25,750          | (\$3,444)        |
| Aerial Photography Expense                       | \$263,059                              | \$0              | \$0               | \$263,059        |
| Amortisation                                     | \$113                                  | \$0              | \$0               | \$113            |
| Bank Fees  | \$75                                   | \$129            | \$258             | (\$54)           |
| Board meetings                                   | \$0                                    | \$515            | \$1,030           | (\$515)          |
| Conferences                                      | \$160                                  | \$0              | \$0               | \$160            |
| Depreciation                                     | \$509                                  | \$0              | \$0               | \$509            |
| Catering Expenses                                | \$3,167                                | \$0              | \$0               | \$3,167          |
| Grant to Bay Broadband Ltd                       | \$0                                    | \$0              | \$0               | \$0              |
| Insurance  | \$4,600                                | \$2,575          | \$5,150           | \$2,025          |
| Interest Paid - CRNP Loan                        | \$5,442                                | \$0              | \$0               | \$5,442          |
| Interest Paid - TCC Loan                         | \$5,833                                | \$1,545          | \$3,090           | \$4,288          |
| Lease Expense - CRNP                             | \$83,526                               | \$0              | \$0               | \$83,526         |
| Lease Expense - Video Confer.                    | \$8,981                                | \$0              | \$0               | \$8,981          |
| Legal  | \$0                                    | \$0              | \$0               | \$0              |
| Postage & Stationery                             | \$16                                   | \$0              | \$0               | \$16             |
| Project Expenses CRNP                            | \$1,588                                | \$0              | \$0               | \$1,588          |
| Projects - Recoveries                            | \$22,515                               | \$0              | \$0               | \$22,515         |
| Salaries   | \$102,142                              | \$122,500        | \$245,000         | (\$20,358)       |
| Wages  | \$0                                    | \$0              | \$0               | \$0              |
| Service Costs                                    | \$514,459                              | \$0              | \$0               | \$514,459        |
| Staff Support Costs                              | \$0                                    | \$0              | \$0               | \$0              |
| Staff Training Costs                             | \$0                                    | \$0              | \$0               | \$0              |
| Subscriptions                                    | \$558                                  | \$155            | \$309             | \$403            |
| Tax Advice                                       | \$4,416                                | \$3,000          | \$6,000           | \$1,416          |
|  |  |                  |                   |                  |
| <b>Total Operating Expenditure</b>               | <b>\$1,032,144</b>                     | <b>\$149,183</b> | <b>\$298,370</b>  | <b>\$882,961</b> |
|  |  |                  |                   |                  |
| <b>Operational Surplus/ (Deficit) before Tax</b> | <b>\$128,362</b>                       | <b>\$42,377</b>  | <b>(\$42,060)</b> | <b>\$85,985</b>  |

| <b>BOP LASS LTD</b>                    |  |                       |  |
|--|--|-----------------------|--|
| <b>STATEMENT OF FINANCIAL POSITION</b> |  |                       |  |
| <b>AS OF DECEMBER 2011</b>             |  |                       |  |
|  |  | <b>Actual YTD</b>     |  |
| <b>Current Assets</b>                  |  |                       |  |
| Cheque Account                         |  | \$152,462.52          |  |
| Trust A/c Aerial Photography           |  | \$854,680.09          |  |
| Trade Debtors                          |  | \$79,598.90           |  |
| Accrued Revenue                        |  | \$0.00                |  |
| Withholding Tax                        |  | \$16,097.45           |  |
| Bay Broadband Ltd                      |  | \$0.00                |  |
| Inter Company Receivables              |  | \$0.00                |  |
| Prepayments                            |  | \$89,212.68           |  |
| <b>Total Current Assets</b>            |  | <b>\$1,192,051.64</b> |  |
| <b>Non-current assets</b>              |  |                       |  |
| Office equip at cost                   |  | \$640.00              |  |
| Office equip depreciation              |  | (\$145.06)            |  |
| Computer equip at cost                 |  | \$1,849.00            |  |
| Computer equip depreciation            |  | (\$693.37)            |  |
| Intangible - Computer Software         |  | \$3,622.00            |  |
| Intangible - Aerial Photo.             |  | \$0.00                |  |
| Amortisation                           |  | (\$3,357.99)          |  |
| Share Purchase Bay Broadband           |  | \$0.00                |  |
| <b>Total Non-current assets</b>        |  | <b>\$1,914.58</b>     |  |
|  |  |                       |  |
| <b>Total Assets</b>                    |  | <b>\$1,193,966.22</b> |  |
|  |  |                       |  |
| <b>Current Liabilities</b>             |  |                       |  |
| Trade Creditors                        |  | \$155.00              |  |
| Retentions                             |  | \$65,986.96           |  |
| Accrued Expenses                       |  | \$0.00                |  |
| Income in Advance                      |  | \$819,130.40          |  |
| TCC Loan                               |  | \$102,359.20          |  |
| TCC Loan - FX Contract                 |  | \$131,537.54          |  |
| Shareholders advances                  |  | \$0.00                |  |
| Employee benefits                      |  | \$0.00                |  |
| PAYE Accruals Payable                  |  | \$4,641.07            |  |
| GST Collected                          |  | \$507,990.63          |  |
| GST Paid                               |  | (\$334,560.49)        |  |
| GST Payments/refunds                   |  | (\$165,636.77)        |  |
| <b>Total Current Liabilities</b>       |  | <b>\$1,131,603.54</b> |  |
|  |  |                       |  |
| <b>Total Liabilities</b>               |  | <b>1,131,603.54</b>   |  |
|  |  |                       |  |
| <b>Net Assets</b>                      |  | <b>\$62,362.68</b>    |  |
|  |  |                       |  |
| <b>Equity</b>                          |  |                       |  |
| Share capital                          |  | \$9,000.00            |  |
| Retained Earnings                      |  | (\$74,999.33)         |  |
| Current Year Earnings                  |  | \$128,362.01          |  |
| <b>Total Equity</b>                    |  | <b>\$62,362.68</b>    |  |