



BOPLASS Ltd

“COUNCILS PARTNERING FOR VALUE AND SERVICE”

Statement of Intent for 2011-2012

June 2011

Approved 3rd June 2011

1 Introduction

This Statement of Intent (SOI), developed under schedule 8 of the Local Government Act, is:

- A public declaration of the activities and intentions of BOPLASS Ltd and the objectives to which those activities will contribute.
- Provides an opportunity for the shareholders to influence the direction of BOPLASS Ltd, and
- Provides a basis for the accountability of the directors to the shareholders for the performance of BOPLASS Ltd.
- This Statement of Intent covers BOPLASS Ltd and any subsidiary company established in pursuance of the objectives herein.

2 Background

The Councils that operate within the Bay of Plenty and Gisborne Regions have formed a CCO to investigate, develop and deliver shared services, joint procurement and communications where and when that can be done more effectively for any combinations of some or all of the councils.

The expected benefits that can be achieved through shared services are:

- improved levels and quality of service;
- a co-ordinated and consistent approach to the provision of services;
- reductions in the cost of support and administrative services;
- opportunities to develop new initiatives;
- economies of scale resulting from a single entity representing many councils in procurement;
- these benefits and opportunities can apply to all councils irrespective of location or size.

3 Our Vision

“COUNCILS PARTNERING FOR VALUE AND SERVICE”

4 Objectives of BOPLASS Ltd

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.

5 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.*

6 Governance

BOPLASS Ltd will conduct itself in accordance with its Constitution, its annual Statement of Intent, and the provisions of the Companies Act 1993 and the Local Government Act 2002.

The company is governed by its directors. To ensure total synergy between the companies' activities and its council shareholders' activities, the directors are also the Chief Executives of their respective shareholding councils. The dual roles recognise the interdependence of BOPLASS and its Councils in the undertaking of its activities.

The directors appointed by its shareholding councils are:

Shareholder	Director
Bay of Plenty Regional Council	Bill Bayfield
Gisborne District Council	Lindsay McKenzie
Kawerau District Council	Russell George
Opotiki District Council	Aileen Lawrie
Rotorua District Council	Peter Guerin
Taupo District Council	Rob Williams
Tauranga City Council	Christine Jones
Western Bay of Plenty District Council	Glenn Snelgrove
Whakatane District Council	Diane Turner

In addition, the Board may appoint up to three professional directors to supplement the Directors/Chief Executives' expertise.

At an operational level, each activity or project is managed by an Advisory Group, nominated by the shareholding councils in that particular service. The Board retains the right to approve nominations to the Advisory Groups and all of their material decisions – there is only one board of directors and that remains at the umbrella or holding company level.

Each shared service is subject to a formal service level agreement between BOPLASS Ltd and the participating Councils, outlining the services and activities provided, where, when and how; and reflecting the capital and operational costs being met by each service shareholder.

Joint Procurement initiatives consistent with their nominated role may be undertaken by any advisory group as approved by the directors. Such initiatives will not require the setting up of a separate business unit unless the administration requirements of the procurement process require it

Subject to the approval of shareholders in accordance with the shareholder agreement the directors may decide that a particular activity is best managed as a subsidiary company and proceed accordingly

Any subsidiary company whose objectives are in accordance with the objectives set out in this Statement of Intent shall not be required to have a separate Statement of Intent.

7 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;
- Provision of Ultrafast Broadband services between Councils (CRNP);
- Facilitation of regional broad band services in the start up or incubation phase;
- Asset Management;
- Web services;
- E- Purchasing;
- Business continuity;
- Payroll;
- Telephony platform;
- Consents Processing;

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.

8 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 a minimum of four Joint Procurement initiatives per year for goods and services from sources offering best value, service, and or continuity of supply;
- Communicate with each shareholding council at appropriate levels with at least one meeting with each Executive Leadership Team per year;
- Ensure sufficient income is available from activities to sustain a viable company.

9 Balance Sheet Ratios

The Local Government Act 2002 requires the SOI to include the projected ratio of shareholders funds to total assets within the Forecast Statement of Financial Position. As BOPLASS Ltd has minimal capital (\$9,000 of paid up capital), and does not expect

to acquire any material assets, the Board believes that this ratio does not add any value to the SOI and is therefore not included at this time.

As asset owning shared services are approved, the Board will, if appropriate, provide a mechanism for the recognition of each council's contribution.

The Forecast Financial Statements for the years 2010-2013 are attached to this statement.

10 Accounting Policies

10.1 Statement of Accounting Principles

The company will adopt accounting practices that comply with NZ IFRS, the requirements of the LGA and the Financial Reporting Act 1993.

10.2 Measurement Basis

The company will follow generally accepted international accounting principles for reporting of earnings and financial position.

10.3 Specific Accounting Principles

The following are principles which will have a significant effect on the measurement of financial position:

- Accounts Receivable are stated at their expected realisable value after writing off any known bad debts and providing for doubtful debts.
- Investments are valued at the prevailing market value.
- Fixed assets are recorded at cost, less accumulated depreciation, other than where freehold lands may be required. The latter will be valued on the basis of normal accounting processes for the valuation of land.
- Any liability for overseas funding of equipment, systems or services is based on the prevailing exchange rate as at balance date.
- Where intangible assets are purchased, such as intellectual property, these are capitalised and written off on a straight line basis over their expected life, but no greater than four years.
- Depreciation is provided on a straight line basis on all assets other than land, and aligns with normal accepted depreciation for the types of services being developed.

- It is not envisaged that the company will hold inventories, other than those that might relate to providing information services to a number of parties. They will be valued at net realisable value.
- Taxation will be provided as required in line with relevant legislation.
- In accordance with the Public Audit Act 2001 and the Local Government Act 2002, the office of the Auditor General will be responsible for the audit of the company's financial statements.

11 Distributions to Shareholders

The Company is not expected to make profits that would ordinarily be distributed by way of dividends. Any surplus funds remaining from an activity or the annual operations of the company shall be carried forward to the ensuing year and may be used to reduce service costs, invest in further developing other services, and/or as the directors may decide.

12 Information to be Provided to Shareholders

The company will deliver the following statements to shareholders:

- On a three monthly basis the Financial Position and Cashflow.
- Within two months of the end of the first half of the financial year: Financial Performance, Movements in Equity, Financial Position, Cashflow and Service Performance.
- Within three months of the end of the financial year the following audited statements: Financial Position, Movements in Equity, Cashflows, Service Performance plus a summary of how the company has fared against its objectives and prospects for the next financial year, and a report on the company's medium to long term plans.
- Regular summaries of activities.

13 Procedures for the Purchase and Acquisition of Shares

The Board will give approval before BOPLASS Ltd subscribes for, purchases or otherwise acquires shares in any company or other organisation, which is external to the group.

14 Activities for Which the Board Seeks Compensation

The ongoing activities to identify, develop, procure shared services will be budgeted for in advance, subject to a business case, and either funded by individual Councils without BOPLASS Ltd involvement; or agreed by the Board to be funded by BOPLASS Ltd with consequent recovery from participating Councils.

Shareholding Councils will make a contribution to the operational costs of the company on an annually agreed basis.

The Company will also seek contributions by way of a levy or administration charges on services provided or administered. In determining an appropriate charge the directors may take into account the cost of running the company, its future operational requirements, the nature and cost of the service provided, benefits achieved and councils ability to pay.

The Company may provide services (at a cost recovery or a cost plus basis) to other non shareholding councils within or beyond the region. Any surplus from such activity will be used to either reduce service costs and/or, invest in further developing that or other services, as agreed by the Advisory Group and by the board.

15 Value of Shareholder's Investment

The Directors estimate that at this stage, BOPLASS Ltd has little or no commercial value. As each shareholder's investment in BOPLASS Ltd is only \$1,000 initially, the board believe that that fairly represents the value of their investment.

The Directors will reassess the value of this shareholding on or about the 1st of March each year.

Operations Forecast 2010-2013					
		actual 2009/10	F/cast 2010-11	F/cast 2011-12	F/cast 2012-13
Income					
Fixed Levy (groups)		\$119,236	70000	72100	74263
Council Contribution		\$60,898	54710	54710	54710
Sales of Service		\$51,644	206072	128500	161500
Interest rsve funds		\$5,763	1000	1000	1000
Project income		\$3	0	0	0
CRNP		\$29,540			
ESRI		\$0			
Shareholder creditor		\$12,443			
Total Income		279526	331782	256310	291473
Expenses					
TCC Loan repayment					
ACC		\$931	1800	1854	1910
Accommodation & Travel		\$157	1000	1030	1061
Accounting & Audit		\$8,470	8640	8899	9166
Administration		\$2,391	25000	25750	26523
Amortisation		\$868	0	0	0
share impairment		\$1,000			
Subscriptions		\$0	300	309	318
Bank Fees		\$146	250	258	265
Board meetings		\$594	1000	1030	1061
conference exp		\$203		0	0
Grant to Bay Broadband Ltd		\$17,867	0	0	0
Insurance		\$3,450	5000	5150	5305
Interest Paid excl crnp		\$7,356	3000	3090	3183
Legal/Tax Advice		\$5,014	6000	6000	6000
Projects		\$125,339			
Salaries		\$113,275	245000	245000	245001
Write Off Debtors		\$40,993			
Total expense		328055	296990	298369	299791
Net profit/(Loss)			34792	-42059	-\$8,318.30
Annual contribution			\$54,710.00	\$54,710.00	\$54,710.00

Note

ESRI refers to the purchase of Geographic Information Software Licences

CRNP refers to lease and connection costs for the 1Gbps fibre link known as the Council Regional Network Platform.

The company has tax credits available to offset against any surplus in 2010-2011.