



BOPLASS Ltd

“COUNCILS PARTNERING FOR VALUE AND SERVICE”

Statement of Intent for 2015-2016

June 2015

Approved 29 May 2015

1 Introduction

This Statement of Intent (SOI), developed under Schedule 8 of the Local Government Act 2002, 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 combination of some or all of the councils.

The expected benefits that can be achieved through Shared Services are:

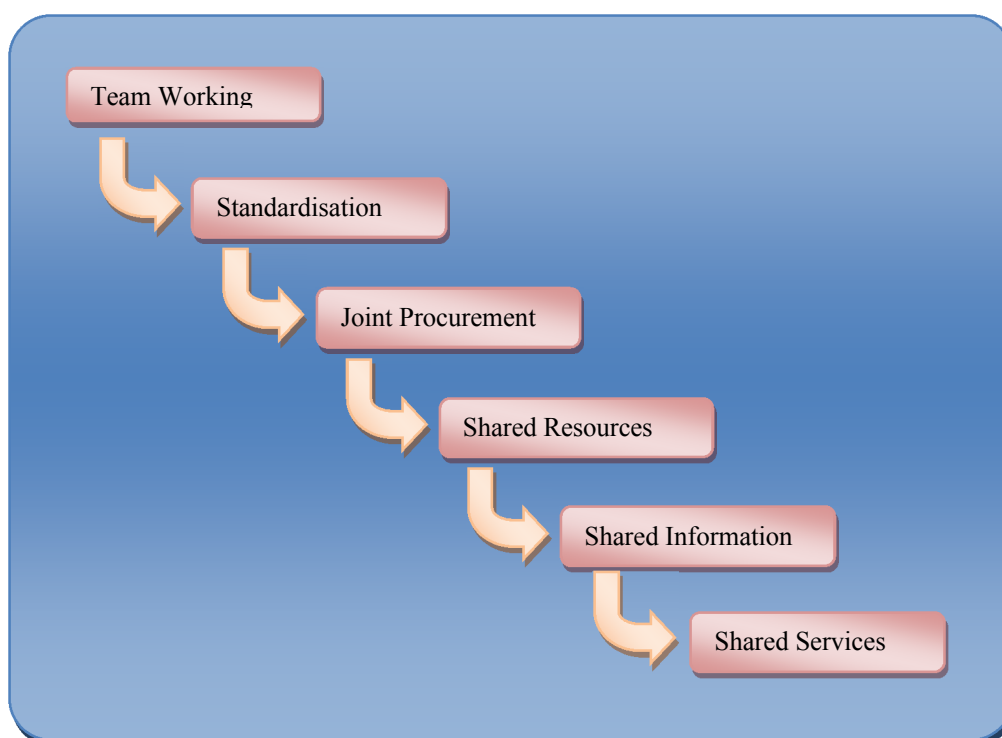
- improved levels and quality of service;
- a co-ordinated and consistent approach to the provision of services;
- reductions in the cost of support and administrative services;
- opportunities to develop new initiatives;
- economies of scale resulting from a single entity representing many councils in procurement;

These benefits and opportunities can apply to all councils irrespective of location or size.

Business processes, information architectures and functional tools differ in each council to varying degrees. It is not therefore possible to create Shared Service solutions instantly for these services. The BOPLASS strategies facilitate a journey of progressive development using the approach identified in the BOPLASS Strategy and Action Plan to:

- Enhance the capability to provide Shared Services,
- Encourage the elimination of barriers to collaborative action and
- Provide Shared Services that deliver viable business cases.

A generic sequence or stages of collaboration between multiple councils is followed to develop Shared Services, as shown in Figure 1.



Many of the BOPLASS Joint Procurement projects have supported the development of standard products, services or solutions across the councils. These standards assist in creating a foundation for the delivery of Shared Services within the councils.

Examples of procurement and projects to support the delivery of Shared Service have been:

- Establishment of 1GB fibre Inter Council Network (ICN)
- Information Services Strategic Plan
- GIS ESRI enterprise agreement
- GIS software
- Security and technology policies
- Data centre and hosting services
- Electronic purchasing
- Reprographic equipment
- Aerial photography
- Voice and data services
- Video conferencing
- IT applications and software
- Collaboration Portal

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:

- Establish the underlying technology, framework, platform and policies to enable and support the delivery of Shared Services.
- 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.
- Actively monitor and engage with Shared Service developments across the public sector to identify opportunities for further development and establishing best practice.
- 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 Company's activities and its council shareholders' activities, the nine Directors are also the current 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 Board also includes an independent Director, appointed with specific skills to add incremental value and appointed by the Board for a term of 12 months. This appointment brings experience and specialist skills that are complementary to those held by the other Directors.

Shareholder	Appointed Director
Bay of Plenty Regional Council	Mary-Anne Macleod
Gisborne District Council	Judy Campbell
Kawerau District Council	Russell George
Opotiki District Council	Aileen Lawrie
Rotorua District Council	Geoff Williams
Taupo District Council	Rob Williams
Tauranga City Council	Garry Poole
Western Bay of Plenty District Council	Miriam Taris
Whakatane District Council	Marty Grenfell
Independent Director	Craig O'Connell

A sub-committee of council delegates has been established by the Directors to manage responsibility for regular monitoring and governance of operational aspects of BOPLASS projects, allowing the Board to primarily focus on supporting the strategic development of the organisation.

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.

The Board has established a principle that participation in each initiative is decided by individual councils on an 'opt in' basis.

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 Operations Committee. In considering Joint Procurement initiatives the Company will take into account the opportunities available through All of Government (AoG) purchasing arrangements and, where there is demonstrated benefit to the Company or its constituent councils, support such initiatives. In assessing the benefits of a Joint

Procurement initiative, opportunities for integration shall be considered. The Board has recognised that the availability of All of Government procurement options has the potential to impact on BOPLASS' ability to provide procurement options in some categories.

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.

The Board will continue to primarily focus BOPLASS on joint procurement opportunities and the associated financial returns and benefits to the participating councils.

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.

Identification of shared service opportunities and development of existing services will continue, with councils participating on an opt-in basis. These projects will often be led by one or more of the participating councils, rather than BOPLASS.

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 or Joint Procurement involving products or services that are of value to the Bay of Plenty councils.

BOPLASS has established a collaboration portal for the sharing of information on Shared Services or Joint Procurement opportunities. The intention is to make this available to the wider local government community after testing has been completed within local councils.

Strategic Changes from 2014-15 SOI

- An experienced independent director has been appointed to the Board to introduce additional and specific skills at governance level.
- A sub-committee of council delegates is now responsible for regular monitoring and governance of BOPLASS projects
- The online collaboration portal will be further developed to assist with identifying opportunities for councils to collaborate further both in projects and information sharing, both within the region and with other LASS/councils.

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:

Target	How	Measure
Investigate new Joint Procurement initiatives for goods and services for BOPLASS councils.	Procure from sources offering best value, service, continuity of supply and/or continued opportunities for integration. (Current identified projects are listed in Appendix A.)	A minimum of four new procurement initiatives investigated. Initiatives provide financial savings and/or improved service levels to the participating councils.
Provide support to BOPLASS councils that are managing or investigating Shared Services projects.	BOPLASS to provide 0.25 FTE resource and expertise to assist councils in shared services developments and projects.	Quarterly satisfaction reviews with participating councils. Resource assignment measured from project job tracking.
Further develop and extend the Collaboration Portal for access to, and sharing of, project information and opportunities from other councils and the greater Local Government community to increase breadth of BOPLASS collaboration.	Provide access to the Collaboration Portal for councils outside of BOPLASS and utilise technologies to provide secure access. Proactively market the benefits to councils.	All NZ councils are made aware of the Collaboration Portal and its benefits. Portal is operational outside of the BOPLASS group with a minimum of five additional councils having utilised the portal.
Ensure appointed vendors remain competitive and continued best value is returned to shareholders.	Manage and/or renegotiate existing contracts.	Contracts due for renewal are tested for competitiveness in the marketplace. New suppliers are awarded contracts through a competitive procurement process involving two or more vendors.
Review governance performance and structure to ensure it supports BOPLASS' strategic direction.	Perform review of governance.	Affirmative feedback received from shareholding councils at least annually.
Communicate with each shareholding council at appropriate levels.	Meeting with each Executive Leadership Team.	At least one meeting per year.
Ensure current funding model is appropriate.	Review BOPLASS expenditure and income and review council contributions and other sources of funding	Performance against budgets reviewed quarterly. Company remains financially viable.

9 Balance Sheet Ratios

The Local Government Act 2002 Schedule 8 (9) requires the SOI to include the projected ratio of shareholders funds to total assets within the Forecast Statement of Financial Position. As at 30 June 2014 the consolidated Shareholder funds comprised \$56,644 and the total assets were \$1,189,166. The resulting ratio is 4.8%

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

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 IPSAS Accounting Standards

As a Public Sector Public Benefit Entity (PS PBE), the Company has elected to report using International Public Sector Accounting Standards for Public Benefit Entities under Tier 3 PBE standards.

10.3 Measurement Basis

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

10.4 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.
- 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.
- All assets are depreciated over their expected useful lives. Depreciation is provided on a diminishing value basis over the estimated useful life, at the same rate as is allowed by the Income Tax Act 1994.

- 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 (after tax) 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 and Financial Position.
- 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 tracked against its objectives and prospects for the next financial year, and a report on the Company's medium to long term plans.
- Six monthly summaries of project activities included in Half Yearly and Annual Reports.

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 of 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 less than \$20,000, 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.

16 Financial Forecasts

The Forecast Financial Statements for the years 2015-2018 are included.

Core revenue includes the recovery of costs for BOPLASS salaried staff when seconded to individual council projects.

A continued increase in Recoveries has been forecast to reflect the direct recovery of purchases made on behalf of councils through joint procurement projects. It is the company's intention to always fully recover costs incurred on behalf of participating councils.

Aerial photography expense in the 2015/16 year is forecast at a reduced level to recognise the recent completion of an interim flying programme and the extensive regional contract planned for 2016/17.

SOI Forecast 2015/16				
	Budget 2014/15	Forecast 2015/16	Forecast 2016/17	Forecast 2017/18
REVENUE				
Revenue - Core	331,510	398,510	398,510	398,510
Bank Interest Received	5,000	5,000	5,000	5,000
Council Contribution	273,510	273,510	273,510	273,510
Recoveries	53,000	35,000	35,000	35,000
Sales of Service	0	85,000	85,000	85,000
Revenue - Projects	774,700	1,524,300	1,329,300	929,300
Activity Group Fees	60,000	32,000	32,000	32,000
Aerial Photography Income	100,000	800,000	600,000	200,000
Bank Interest Received	20,000	15,000	15,000	15,000
Lease Income - ICN	145,000	205,000	205,000	205,000
Lease Income - Video Confer.	11,700	12,300	12,300	12,300
Recoveries	428,000	450,000	450,000	450,000
Rebates	10,000	10,000	15,000	15,000
Total Operating Revenue	1,106,210	1,922,810	1,727,810	1,327,810
EXPENSES				
Expenditure - Core	443,250	467,250	472,250	472,250
ACC	3,000	3,000	3,000	3,000
Accommodation & Travel	1,500	1,500	1,500	1,500
Accounting & Audit	15,000	14,000	14,000	14,000
Administration	20,000	20,000	20,000	20,000
Amortisation	250	250	250	250
Bank Fees	400	400	400	400
Board meetings	1,000	1,000	1,000	1,000
Catering Expenses	3,000	3,000	3,000	3,000
Conferences	2,000	2,000	2,000	2,000
Consultants	50,000	50,000	55,000	55,000
Depreciation	400	400	400	400
Directors costs	0	15,000	15,000	15,000
Fringe Benefit Tax	6,000	6,000	6,000	6,000
Insurance	8,000	8,000	8,000	8,000
Interest Paid - TCC Loan	10,000	10,000	10,000	10,000
Legal	2,000	2,000	2,000	2,000
Postage & Stationery	100	100	100	100
Salaries	290,000	300,000	300,000	300,000
Staff Support Costs	20,000	20,000	20,000	20,000
Staff Training Costs	2,000	2,000	2,000	2,000
Subscriptions	600	600	600	600
Tax Advice	8,000	8,000	8,000	8,000
Expenditure - Projects	662,960	1,455,560	1,255,560	855,560
Aerial Photography Expense	100,000	800,000	600,000	200,000
Lease Expense - ICN	140,000	200,000	200,000	200,000
Lease Expense - Video Confer.	10,960	12,000	12,000	12,000
Project Expenses ICN	12,000	8,560	8,560	8,560
Projects - Recoveries	400,000	435,000	435,000	435,000
Total Operating Expenditure	1,106,210	1,922,810	1,727,810	1,327,810
Operational Surplus/ (Deficit) before Tax	0	0	0	0

Completed Joint Procurement Projects

Requiring ongoing management for performance, renewal or replacement

- × Office supplies
- × Banking
- × Postal services
- × Courier services
- × Fuel
- × Advertising services
- × Travel and accommodation services
- × Air travel
- × Insurance
- × Aerial photography
- × N3 / GSB
- × ESRI licences
- × GIS software
- × Health insurance
- × Antivirus software
- × Video conferencing
- × GPS vehicle tracking
- × Archaeological services
- × Telephony – voice, data, mobile
- × Reprographic
- × Infrastructure insurance
- × Media Monitoring services

Identified Joint Procurement Projects

- × Civil works contracts
- × Civil works materials
- × Infrastructure valuation services
- × High volume print
- × Web services
- × Electronic document management
- × Archives
- × Document storage
- × Document scanning and storage
- × Agenda management software
- × Security policies
- × Business continuity
- × IT applications
- × Web services
- × Internal audit services
- × Rates collection
- × Property valuation services
- × GIS software
- × Telephony platform
- × Media monitoring
- × Chemicals
- × Digital signatures
- × Recruitment/candidate management
- × Business continuity planning
- × Surveys and research
- × CCTV monitoring
- × EFTPOS services
- × Fleet purchasing
- × Fleet Management

Identified Shared Service Projects

To be managed by BOPLASS or by one or more constituent councils

- × IT hosting / datacentre
- × Security standards and protocols
- × GIS web services
- × ITIL service desk
- × Licence server
- × Radio telephony strategy
- × Collaboration portal
- × After hours services
- × Archive service
- × Electronic Document Management

Shared Service Projects for Consideration

- × Rates Collection
- × Geospatial services
- × Joint software support
- × Asset Management
- × Web services
- × E-Purchasing
- × Business continuity
- × Payroll
- × Telephony platform
- × Consents Processing
- × CCTV monitoring
- × Information Services as a foundation for Shared Services
- × Debt collection
- × Electronic Document and Records Management System