



BOPLASS Ltd

HALF YEARLY REPORT TO SHAREHOLDERS



Period ended 31 December 2018

“COUNCILS PARTNERING FOR VALUE AND SERVICE”



BOPLASS Chair's Report

It is with pleasure the Directors present their 2018/2019 Half Yearly Report to Shareholders demonstrating the continuing contribution the company makes to collaboration between councils.

There has been one change to the Board this year and we welcome the Whakatane District Council Chief Executive, Stephanie O'Sullivan, to the Board as Director and Shareholder Representative.

The first six months of this year has seen a number of new projects initiated by BOPLASS and also continued success with ongoing joint procurement. A unique approach to the tender for aerial imagery resulted in a vendor being appointed at approximately \$100,000 less than budgeted, with the participating councils benefiting directly from these additional savings. The lead BOPLASS is providing in coordinating a Provincial Growth Fund application for the capture of LiDAR to provide 3D mapping for the entire BOP region provides the opportunity for our councils to benefit by up to \$1,000,000 through this co-funding.

BOPLASS has continued the investigation of collaborative opportunities outside of back of office services and a project is currently underway to investigate improved coordination of capital works programmes across the region. This provides the potential for collective marketing of a sequenced programme to assist in attracting improved responses from contractors. Scoping of the solid waste projects being led by BOPLASS has now been completed with Waikato and BOP councils currently reviewing the collaborative approach to progressing these projects.

The BOPLASS Health and Safety group continues to deliver significant value through productive collaboration between BOP and Waikato councils. The sharing of information and partnering in projects is a good example of how all parties can benefit through collaboration and how this significantly reduces duplication of effort. A project is currently underway to develop Health and Safety Benchmarking across the councils so councils can continue to benefit from sharing information and learnings. BOPLASS has recently assisted the councils in the procurement of Health and Safety management software. This collective approach resulted in councils achieving significant cost savings and a standard technology platform across the majority of BOP and Waikato councils.

The Collaboration Portal continues to prove its value in the NZ local government community by providing improved visibility of participating councils' work plans and it is becoming an essential conduit for the sharing of information across councils. A project is being managed by BOPLASS to further develop the Collaboration Portal to assist NZ councils in developing a higher level of sharing.

BOPLASS also has a number of active procurement opportunities either in the formative stage or about to go to tender. Additional information about current projects is available in the attached report.

Yours faithfully

Craig O'Connell

Chair



BOPLASS Ltd

"COUNCILS PARTNERING FOR VALUE AND SERVICE"

HALF YEARLY REPORT TO SHAREHOLDERS

27 FEBRUARY 2019

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 Whakatane Chief Executive, Stephanie O'Sullivan, to the Board as Director and Shareholder Representative.

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 or cross-regionally.

The Board has adjusted its strategy to ensure that BOPLASS is focused on lifting the effort on shared services and innovation and delivering wider value than just procurement savings.

Current feasibility studies for shared services include but are not limited to:

- GIS;
- ICT strategy and services;
- Joint software support;
- High speed fibre network services;
- Digitalisation Services;
- Accounts payable processing;
- Collaboration Portal;
- Archive services;
- Health and safety;
- Radio-telephony;
- IT datacentre/hosting;
- Regional waste facilities strategy
- Diversion of putrescible waste from landfill
- Waste collections licensing and data.
- Insurance valuations
- Robotic Process Automation

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 opportunities will continue to be identified and developed with individual councils engaging under the opt-in principle established by the Board. 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.

The Board supports BOPLASS continuing to develop collaboration opportunities outside of the regional boundaries. BOPLASS will continue to proactively explore opportunities to partner with other Local Authorities and shared services organisations within New Zealand where they are developing, or considering developing, cost effective shared services and products that are of value to the Bay of Plenty and Gisborne councils.

BOPLASS development of the Collaboration Portal for the sharing of information on shared services or joint procurement opportunities within the constituent councils has identified a number of duplicate projects across councils that present an opportunity for further collaboration. The BOPLASS Collaboration Portal is now used by other LASS and councils and provides an opportunity to assist with the identification and management of inter-regional collaboration opportunities. BOPLASS will continue to develop the Collaboration Portal and make it available to the wider local government community.

The BOPLASS Operations Committee will continue 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. The committee members will also be responsible for identifying additional BOPLASS projects that add value to the shareholding councils and advocating these projects within their respective councils.

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:

- Investigate new joint procurement initiatives for goods and services for BOPLASS councils.
- Provide support to BOPLASS councils that are managing or investigating shared services projects.
- 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.
- Ensure appointed vendors remain competitive and continued best value is returned to shareholders.
- Review governance performance and structure to ensure it supports BOPLASS' strategic direction.
- Communicate with each shareholding council at appropriate levels.
- Ensure current funding model is appropriate.

The Board believes that all targets are being achieved or are on-track to be achieved, as is demonstrated by the following list of current initiatives.

7 CURRENT INITIATIVES

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

HIGHLIGHTS

- Aerial Imagery and LiDAR Tender – A sub-regional tender has been recently awarded to AAM NZ Ltd for Aerial Imagery and *LiDAR, with aerial capture being undertaken during the summer of 2018-19. An additional financial savings of approximately \$100,000 was achieved (beyond the benefits of a collective tender) through a unique flying and capture process being utilised.

**LiDAR (Light Detection and Ranging) data, or height data, is precise laser measurements of the Earth's surface that is used for creating highly accurate 3D maps of the land. LiDAR is particularly useful for flood modelling purposes because it provides accurate terrain and surface models of the land. LiDAR allows us to better understand where water will flow, what protection may be needed and where the areas at greatest risk from flooding are.*

- Provincial Growth Fund Application for LiDAR Capture – BOPLASS is managing a coordinated regional approach to a Provincial Growth Fund application for LiDAR capture for the entire Bay of Plenty region. Co-funding is available through the Fund to invest in an expansion of 3D mapping to assist with supporting major development projects and improve land use management in the regions.
- Account Payable Automation Software – BOPLASS is leading a project to identify collaborative opportunities for the automation of accounts payable processes through specific software or collective development of a shared solution.
- Robotic Process Automation – RPA provides an opportunity for the automation of repeatable processes that can run without intervention. BOPLASS has facilitated workshops with vendors and also with Auckland Council as they have developed a mature process for developing solutions based upon various business units' requirements.
- Drug and Alcohol Testing – BOPLASS is currently managing a tender on behalf of Waikato and BOPLASS councils for drug and alcohol testing services. The majority of Waikato and BOPLASS councils currently use the same provider for alcohol and drug testing services but rates and services are based upon individual contracts and vary across councils.
- Lone Worker Field Solutions – The BOPLASS Health and Safety group have engaged with vendors to review communication and technology solutions for lone or remote workers.
- Video Conferencing – New video conference services have been established using Canon and Zoom to deliver desktop and meeting room services to participating councils.
- Debt Management – BOPLASS has engaged with MWLASS to investigate opportunities for BOPLASS councils to participate in their debt management service (Debt Management Central) as a shared service. The level of engagement will vary from council to council dependent on each council's requirements.
- Community Communications Services – BOPLASS is investigating opportunities for a standard communications platform to allow councils to connect and communicate with their communities through a mobile device app.

- Infrastructure Insurance – BOPLASS has recently represented a collective group of councils in negotiations for placement of councils' infrastructure insurance into the London markets. Although faced with a hardening insurance market BOPLASS councils were able to achieve particularly good outcomes as a result of our existing underwriter relationships and a good history within the London insurance markets. This was supported by accurate loss modelling information, asset valuations, and risk quantification data, all of which have become essential information in securing appropriate and competitively priced insurance.
- Sustainability in Procurement – BOPLASS has recently supported Toi-Ohomai Institute of Technology in a research report on Sustainable Public Procurement in the Bay of Plenty. BOPLASS is now working with COBOP and The Sustainable Business Network to progress the opportunities identified in the report. The research report investigates how procurement policies and practices of local government authorities in the Bay of Plenty are aligned with the Australian and New Zealand Government Framework for Sustainable Procurement.
- Inter Council Network – An initiative with FX Networks/Vocus and the One.Govt consortium providing a 1Gbps fibre connection between the majority of BOPLASS councils. A technology and service review has resulted in reduced costs for this foundation service.
- Health and Safety Management Software – A BOPLASS preferred supplier agreement has been established with Vault with preferential pricing applied to all participating Waikato and BOPLASS councils. The agreement provides significant savings for all councils and migration to the latest Vault version at no cost to participating councils.
- Health and Safety Benchmarking – The BOPLASS and Waikato LASS health and safety groups are reviewing the opportunity of implementing a local authority health and safety benchmarking system.
- Radio Telephony (RT) Strategy – Push Wireless have been appointed as preferred supplier to coordinate region-wide Radio Telephone services and technologies. Standardisation of services and networks also provides the potential for further alignment in civil defence strategies.
- Solid Waste Management – Scoping for two of the three solid waste services that are being coordinated by BOPLASS has been completed, with significant opportunities for cross-regional collaboration identified:

- A regional or cross-regional approach to licensing and data collection for waste operators
- Diverting putrescible wastes from landfill

The Regional Facilities Strategy project is awaiting commitment from Waikato councils before completing the initial scoping.

- Capital Construction and Civil Works Projects – A regional-wide marketing approach to civil projects is being reviewed. The focus of this approach is to market the project plans of the region as a whole to the construction sector and to help avoid the complex issue of regional versus local prioritisation for delivery of projects. The anticipated benefit of this approach is to attract a better response from contractors for councils across the region.
- Collaborative Training – Cross-council training has continued to be arranged across a number of areas of council business, providing for discounted rates, reduced staff travel (as trainer is prepared to travel to region for a larger group), opportunity to network with peers from other councils and development of tailored material.

- Collaboration Portal – The Collaboration Portal was developed by BOPLASS to provide improved visibility of existing and potential collaboration opportunities across councils and to facilitate improved sharing of information. A project is underway to further develop the Collaboration Portal to enable and encourage a higher level of sharing.
- Inter-LASS collaboration – BOPLASS continues to encourage collaboration between all LASSes and has established quarterly meetings for LASS leaders to share information and identify opportunities for collective partnering.
- Communication – BOPLASS continues to regularly engage with our constituent councils, senior management and shareholders to ensure opportunities continue to be developed to the benefit of all stakeholders.
- Viability of Current Funding Model – The sources of BOPLASS funding and the viability of the funding model are regularly reviewed with financial reporting provided to the BOPLASS Board.

8 FINANCIAL REPORTS

1. Financial Support and Accounting Services

Accountancy services and support continue to be provided by Tauranga City Council.

2. Accounting Policies

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

3. Tier 2 PBE Accounting Standards Applied

The financial accounts are prepared with application of Tier 2 accounting standards.

4. Financial Reports

Financial Reports for the period to 31 December 2018 are attached.

5. Variations

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.

Project expenses, and conversely, project recoveries are reporting lower than budget due to the timing of additional projects being undertaken by BOPLASS.

Revenue from rebates exceeds budget as a supplier rebate is to be paid this year covering a prior period.

An additional video conference service has been established for participating councils resulting in increased expenditure and revenue recoveries.

Savings have been made in core ICN costs and this is reflected in the reduced revenue and expenditure of ICN services.

Aerial photography revenue and expenditure will remain lower than budget this year due to BOPLASS achieving exceptionally good pricing through our most recent tender.

9 STAFFING, ACCOMMODATION AND SUPPORT

Staff

Staffing levels are unchanged with a part-time administrator continuing to provide additional project support and management of existing activities.

Accommodation and Support

We continue to appreciate 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 2018

	Actual YTD	Budget YTD	Total Budget	YTD Variance
REVENUE				
Revenue - Core	166,082	159,750	319,510	6,332
Bank Interest Received	379	498	1,000	-119
Council Contribution	136,755	136,752	273,510	3
Sales of Service	28,948	22,500	45,000	6,448
Revenue - Projects	770,449	979,748	1,563,500	-209,299
Bank Interest Received	5,167	8,250	16,500	-3,083
Aerial Photography Income	85,606	250,000	600,000	-164,394
Collaboration Portal	78,400	63,000	100,000	15,400
Lease Income - ICN	62,851	87,500	175,000	-24,649
Lease Income - Video Confer.	30,196	6,498	13,000	23,698
Recoveries	482,242	560,000	650,000	-77,758
Rebates	25,988	4,500	9,000	21,488
Total Operating Revenue	936,531	1,139,498	1,883,010	-202,967
EXPENSES				
Expenditure - Core	214,580	237,966	440,400	-23,386
ACC	864	1,500	1,500	-636
Accommodation & Travel	540	750	1,500	-210
Accounting & Audit	543	17,500	17,500	-16,957
Administration	15,212	12,000	24,000	3,212
Amortisation	3,335	6,000	12,000	-2,665
Bank Fees	160	204	400	-44
Conferences	2,655	1,002	2,000	1,653
Depreciation	704	0	0	704
Directors Costs	12,126	9,000	18,000	3,126
Fringe Benefit Tax	2,240	3,500	7,000	-1,260
General & Catering Expenses	877	1,002	2,000	-125
Health & Safety	0	504	1,000	-504
Insurance	8,425	8,000	8,000	425
Interest Paid – TCC Loan	1,056	1,000	1,000	56
Legal	0	2,000	2,000	-2,000
Salaries	161,867	162,498	325,000	-631
Salaries – C'Portal Opex	-11,692	-4,998	-10,000	-6,694
Staff Support Costs	12,169	10,002	20,000	2,167
Staff Training Costs	0	1,002	2,000	-1,002
Subscriptions	0	1,000	1,000	-1,000
Tax Advice	3,500	4,500	4,500	-1,000
Write Off reconciliations	0	0	0	0
Expenditure - Projects	662,263	909,306	1,442,610	-247,043
Aerial Photography Expense	85,606	250,000	600,000	-164,394
Collaboration Portal Opex	15,742	19,998	40,000	-4,256
Lease Expense - ICN	54,115	85,002	170,000	-30,887
Lease Expense – Video Confer.	29,635	6,306	12,610	23,329
Projects - Recoveries	477,164	548,000	620,000	-70,836
Total Operating Expenditure	876,843	1,147,272	1,883,010	-270,429
Operational Surplus / (Deficit) before Tax	59,689	-7,774	0	67,463

**BOP LASS LTD
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 2018**

	Actual YTD
Current Assets	
Cheque Account	\$203,036
Trust A/c Aerial Photography	\$374,462
Term Deposit – #1	\$300,000
Term Deposit – #2	\$250,000
Term Deposit – #3	\$250,000
Trade Debtors	\$39,733
Accrued Revenue	58,871
Withholding Tax	\$16,804
Prepayments	\$39,227
Total Current Assets	\$1,532,133
Non-current assets	
Intangible - Computer Software	\$66,465
Amortisation	(\$50,395)
Computer Equip at cost	\$3,995
Computer Equip depreciation	(\$1,908)
Office equip at cost	\$0
Office equip depreciation	\$0
Total Non-current assets	\$18,158
TOTAL ASSETS	\$1,550,290
Current Liabilities	
Trade Creditors	\$96,356
Accrued Expenses	\$180,089
GST Collected, Paid, Payments/refunds	(\$14,359)
Retentions	\$56,761
Accrued Salaries and Wages	\$5,127
Accrued Leave Entitlements	\$11,300
PAYE Accruals Payable	\$10,207
Income in Advance	\$1,105,364
TCC Loan	\$0
Total Current Liabilities	\$1,450,845
TOTAL LIABILITIES	\$1,450,845
NET ASSETS	\$99,445
Equity	
Current Year Earnings	\$59,689
Retained Earnings	(\$59,245)
Share capital	\$99,002
TOTAL EQUITY	\$99,445