

# Council- controlled organisations



# Council-controlled organisations

Taupō District Council has a controlling interest in two council-controlled organisations (CCOs). These are:

- Taupō Airport Authority (TAA)
- Destination (Great) Lake Taupō Trust (DGLT)

Taupō District Council has an interest in four other council-controlled organisations. These are:

- The Lake Taupō Protection Trust – the settlors of this trust are Taupō District Council, Waikato Regional Council and the Ministry for the Environment.
- Local Authority Shared Services Limited (Local Authority Shared Services Ltd) – Council has a shareholding interest in this company together with other local authorities in the Waikato Region.
- Bay of Plenty Local Authority Shared Services Ltd (BoP Local Authority Shared Services Ltd) – Council has a shareholding interest in this company together with other local authorities in the Bay of Plenty Region.
- New Zealand Local Government Funding Agency (NZLGFA) – Council has a shareholding interest in this company together with other local authorities in New Zealand.

Taupō District Council also has a controlling interest in two organisations exempted under section 7 of the Local Government Act 2002 from the definition of 'council-controlled organisation'. These are:

- Data Capture Systems Limited
- Destination Lake Taupō Limited.

This section of the Annual Report describes the performance of these entities in the 2014/15 year.

## Taupō Airport Authority (TAA)

### Background

Taupō District Council and the Crown, represented by the Ministry of Transport, own the Taupō Airport Authority equally. The Taupō Airport Authority is a council-controlled organisation as defined by the Local Government Act 2002.

Taupō District Council, under agreement with the Crown, manages the Taupō Airport Authority. The governance of the airport operations is provided by a committee of Council. The committee consists of Council and business representatives.

Auditors – Audit New Zealand

Bankers – Bank of New Zealand

Solicitors – Le Pine and Co, Taupō

### Significant policies and objectives

The objective of the Taupō Airport Authority is to operate a successful commercially viable business providing land and infrastructure for the safe, appropriate and efficient air transport needs of the Taupō District.

The authority provided for the safe, appropriate and efficient air transport needs of the Taupō District during the year. In meeting this objective the authority operated at a loss.

### Nature and scope of activities

The Taupō Airport Authority is to provide an airport infrastructure to meet the needs of the Taupō District, together with leasehold land for airport-related development. The nature and scope of the activities undertaken by the authority during the year were consistent with this intention.

## Performance

Performance Targets	Results	Achievement
To maintain facilities so as to avoid any diversion or cancellation of scheduled flights other than for weather or airline problems.	<b>Achieved</b>	No diversions or cancellations due to facility maintenance.
The airport will be operated in such a way as to continue to hold CAA Part 139 certified.	<b>Achieved</b>	The airport is CAA Part 139.
A positive financial return on Equity to be achieved annually.	<b>Not achieved</b>	Annual result for the airport is a loss position of \$144k (2014 profit \$165k).
The TAA be self-funding in terms of its own cash flow requirements.	<b>Achieved</b>	Operating cash flow for the year is \$123k (2014 \$40k)

Financial performance for the year ended 30 June 2015	Actual 2015 \$	Budget 2015 \$
Total revenue	443,876	476,650
Total expenditure (including tax expense)	587,478	559,759
Net surplus (deficit) after taxation	(143,602)	(83,109)

## Destination (Great) Lake Taupō Trust (DGLT)

Destination Lake Taupō Trust was established by Taupō District Council to promote tourism in the Taupō District for the benefit of the people in the communities in the Taupō District. The trust was formed on 6 September 2010 and commenced financial operation on 1 November 2010.

The six trustees of the board are appointed by Council after an interview process. The trustees are appointed on the basis that they have identified skills, knowledge and/or experience based on attributes outlined within the Trust Deed.

The trust has chosen to align itself with the Great Lake Taupō brand and operates under the brand name Destination Great Lake Taupō (DGLT).

Bankers – Bank of New Zealand

Auditors – Audit New Zealand

### Significant policies and objectives

The Destination Lake Taupō Trust is a CCO for the purposes of the Local Government Act 2002. It is a charitable trust and the trustees have specific and general powers delegated to them through the Trust Deed.

### Nature and scope of activities

The principle objective of the trust is to ensure we have a destination that remains relevant for visitors and reflects the values of its people and environment for years to come.

### Performance measures

KPI	Annual measure	How we did
Build a thriving tourism economy	<p><b>Commercial Accommodation Monitor</b></p> <p>950,000 commercial guest nights as measured by CAM (YE June 2015)</p> <p>Average length of stay as measured by CAM 1.7</p>	<p><b>Achieved</b> – 991,702 commercial guest nights and 1.88 average length of stay. (2014 achieved – 967,262 nights 1.79 average length of stay)</p> <p>The commercial accommodation monitor tracks and records motel, hotel and holiday park bed nights, month-on-month. This information is collated by MBIE (Ministry of Business and Innovation) and our end of year total bed night result was 991,702 against a target of 950,000. International guest nights rose 7.6% to 330,236. Domestic guest nights rose 0.2% to 661,466. Total guest nights for the Great Lake Taupō district grew by 2.5% over the financial year.</p> <p>Our region continued to experience increased length of stay across the year. The annual length of stay has risen from 1.80 to 1.88 nights according to the MBIE data.</p>

	<p><b>Website Statistics</b></p> <p>35,000 visits on average per month to www.GreatLakeTaupo.com as measured by Google Analytics</p>	<p><b>Achieved</b> – 60,744 visits on average per month. (2014 achieved – 47,083 visits per month)</p> <p>The website statistics have been growing exponentially year on year. This year, visits were up 29% from last year, mainly due to the launch of the new responsive website in July 2014.</p> <p>The website has achieved a total of 728,936 visit over the year, with an average of 60,744 visits per month.</p> <p>Priority is on improving content and search optimization, which contributes to 64% of the total traffic. Variations of “Taupo” phrases continue to be the highest search terms people use to find our website.</p> <p>Visits on average to www.greatlaketaupo.com as measured by google analytics</p> <table border="1" data-bbox="689 669 1412 842"> <thead> <tr> <th>Online</th> <th>Q1</th> <th>Q2</th> <th>Q3</th> <th>Q4</th> </tr> </thead> <tbody> <tr> <td>Web Unique Visitors</td> <td>142,377</td> <td>174,795</td> <td>218,701</td> <td>193,063</td> </tr> <tr> <td>Web Avg Time Online</td> <td>3:59</td> <td>3:51</td> <td>3:54</td> <td>3:30</td> </tr> <tr> <td>Web Transactions \$</td> <td>\$2420</td> <td>\$751</td> <td>\$1353</td> <td>\$862</td> </tr> <tr> <td>Facebook followers</td> <td>14,325</td> <td>14,602</td> <td>14,640</td> <td>14,862</td> </tr> <tr> <td>Newsletter Subscribers</td> <td>9235</td> <td>8724</td> <td>8635</td> <td>9,059</td> </tr> </tbody> </table>	Online	Q1	Q2	Q3	Q4	Web Unique Visitors	142,377	174,795	218,701	193,063	Web Avg Time Online	3:59	3:51	3:54	3:30	Web Transactions \$	\$2420	\$751	\$1353	\$862	Facebook followers	14,325	14,602	14,640	14,862	Newsletter Subscribers	9235	8724	8635	9,059
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	<p><b>Annual Visitor Survey</b></p> <p>80% willingness to recommend Taupō region in Annual Visitor Survey</p>	<p><b>Achieved</b> – 95.33% willingness to recommend. (2014 achieved – 89.6%)</p> <p>The Statement of Intent for 2014-17 sets measures around overall visitor satisfaction, assessed annually via survey. The KPI for the visitor survey is 80% preparedness to recommend Taupō as a destination. The methodology for the survey is a minimum of 300 face to face interviews during May and June 2015. The survey is undertaken by an independent contractor. Survey questions are rolled over year to year to provide comparable data. Ideally respondents/participants include a mix of both international and domestic visitors. Respondents are asked the following questions:</p> <ul style="list-style-type: none"> <li>• Where are you from</li> <li>• Main reason for coming</li> <li>• Accommodation type</li> <li>• Number of people in group</li> <li>• Number of nights stayed</li> <li>• Spend</li> <li>• Would you recommend the destination?</li> </ul> <p>Respondent’s comments are also recorded where possible to give greater context/insight.</p> <p>The final question (would you recommend Great Lake Taupō as a holiday destination) is the key KPI in the Statement of Intent. The measure is 80%.</p> <p>The score from the 2015 survey is 95.33%.</p>																														
	<p><b>Special interest group marketing</b></p> <p>Establish market size for 1 special interest group by YE June 2015 (Bike)</p>	<p><b>Achieved</b> – Annual track counter data collected. (2014 achieved)</p> <p>Research has shown that visitor who participate in special interest activities spend more and stay longer than the average visitor. DGLT identified a focus on the biking special interest group as the priority for 2014/15. The focus was on getting the target audience of visitors to consider Taupō as an option for their interest and then to visit. The measure for 2014/15 was to establish current and future market size for cycling / biking.</p> <p>DGLT is trying to establish the current use of existing trails and road use from larger events. Very few of the existing trails have accurate track counter data. DGLT has received annual Great Lake Trail counter data from Bike Taupō which has recorded 58,037 movements from 1 April 2014 – 31 March 2015 (51% were cyclists and 49% walkers). Ongoing collection of this data will enable DGLT to track growth.</p>																														

<p>Commitment to effective stakeholder engagement and participation</p>	<p><b>Stakeholder engagement</b></p> <p>Stakeholder meetings held in 2014/15 are well attended and supported by industry participants and sectors</p> <p>50 separate stakeholder interactions per month across different mediums</p>	<p><b>Achieved</b> – Stakeholder meetings held (including 50 interactions per month). (2014 achieved – 50+ meetings)</p> <p>The SOI sets a primary objective that DGLT should be seen as listening and collaborative (with the local tourism industry). This is measured by KPIs around the number of stakeholder meetings held, and the level of industry participation.</p> <p>DGLT holds a variety of events throughout the year, ranging from small group workshops with select groups of operators through to events which the whole industry are invited to. The number of events is expansive and too long to list in this report, but is held in a log by DGLT. The following list provides a sample of the type of events that have been held this year:</p> <p>Whole industry events (these tend to range from 70 – 120 attendees):</p> <ul style="list-style-type: none"> <li>• Annual Industry Update</li> <li>• Summer Launch</li> <li>• Winter Launch</li> <li>• Christmas Function</li> <li>• TNZ Workshops</li> <li>• AGM</li> </ul> <p>Smaller focus group/workshops (these tend to have strong attendance because they are more targeted and typically range from 10-20 attendees):</p> <ul style="list-style-type: none"> <li>• Special Interest Focus Groups Eg. Bike Marketing Meetings, Backpack and Youth Focus Groups</li> <li>• Geographic Focus Groups Eg. Turangi Updates, Go Tongariro Meetings, Mangakino Representative Meetings, Wairakei Tourist Park Breakfasts</li> <li>• Event Specific Focus Groups Eg. TRENZ, Crankworx, Convene</li> </ul> <p>The bottom line measure is around the volume of interactions per month. The KPI is a minimum of 50 stakeholder interactions per month across different mediums. This was exceeded over the course of the year. This is tracked using a DGLT log.</p>
	<p><b>Annual Visitor Industry Survey</b></p> <p>85% Industry stakeholders are satisfied with DGLT performance as measured by Annual Visitor Industry Survey. Maintaining consistency is listed as the primary performance target.</p>	<p><b>Achieved</b> – The average score is 87% (2014 not achieved – 80%)</p> <p>The Statement of Intent for 2014-17 sets measures around the degree of industry satisfaction with DGLT performance. This is assessed annually via survey.</p> <p>The annual visitor industry survey was completed in June 2015. The following results were achieved:</p> <ul style="list-style-type: none"> <li>• Marketing to domestic visitors (88.68% satisfaction)</li> <li>• Marketing to international visitors (80.77%)</li> <li>• Marketing C&amp;I activity (88%)</li> <li>• Website performance in marketing the region (92.46%)</li> <li>• Social media performance (94.12%)</li> <li>• Work with travel trade (86.53)</li> <li>• Industry engagement (81.13%)</li> </ul> <p>The average score across the 7 categories is 87%.</p>
	<p><b>Partnerships Income</b></p> <p>\$130,500 contributed from key visitor industry participants for DGLT JVs, (to include both cash and in-kind contribution)</p>	<p><b>Achieved</b> - Marketing promotions income of \$163,039 (2014 achieved - \$197,770)</p> <p>Continued work with partnership marketing programmes to build the destination profile has resulted in marketing promotions income of \$163,039. This is relative to an SOI target of \$130,500.</p> <p>This is supplemented by the in-kind contribution, generously given by the industry. This is in the form of accommodation, food and beverage and tourism activities.</p>

<p>Fiscal responsibility in the way we do business</p>	<p><b>Revenue</b></p> <p>2.5% annual growth for commissions, advertising and retail profit margin, plus online contribution through i-SITEs and online sales (YE June 2015)</p>	<p><b>Not achieved</b> – Commissions, advertising and retail revenue of \$486,430 (1.55% growth). (2014 achieved – \$478,999 6.19%)</p> <p>Revenue has not exceeded the 2.5% year on year growth target in the SOI (relative to the 2013/14 result). This reflects variable results between the two i-SITEs and between commissions, advertising, and retail.</p>
	<p><b>Policies and Procedures</b></p> <p>Continued maintenance and development of policies and procedures document</p>	<p><b>Achieved</b> – Policy approach approved and adopted. (2014 Not achieved version 1 draft)</p> <p>To ensure that the RTO is fiscally responsible and has a focus on business practice, it was identified that a KPI should be completion of a robust policies and procedures approach.</p> <p>A formal policy and delegation approach was signed off by the DGLT Board at its June 2015 meeting. This included a formal policy framework and review schedule, as well as board approval of the following key policies:</p> <ul style="list-style-type: none"> <li>• Delegated authorities</li> <li>• Risk, audit and fraud</li> <li>• Sensitive expenditure</li> <li>• Conflict of interest</li> <li>• Complaints</li> <li>• Privacy</li> </ul> <p>Management policies are also in place to cover the following:</p> <ul style="list-style-type: none"> <li>• Workplace rules and procedures</li> <li>• Staff management and HR</li> <li>• Drug and alcohol</li> <li>• Motor vehicles</li> <li>• Technology</li> <li>• Purchasing and expenditure</li> <li>• Document management</li> <li>• Brand management</li> <li>• Communications</li> <li>• Digital marketing and social media</li> <li>• Gifts, invitations and hospitality</li> <li>• Familiarisation programme</li> <li>• Crisis management</li> </ul>
	<p><b>Human resource plan</b></p> <p>Development of Human Resource Plan to ensure continued capability building</p>	<p>ONGOING - This work is ongoing.</p>

Financial performance for the year ended 30 June 2015	Actual 2015 \$	Budget 2015 \$
Total revenue	2,597,891	2,391,326
Total expenditure (including tax expense)	2,574,045	2,312,847
Net surplus (deficit) after taxation	23,846	78,479

## The Lake Taupō Protection Trust (LTPT)

### Background

The Lake Taupō Protection Trust (LTPT) was formed and became operative at the time of establishment of the Lake Taupō Protection Project on 9 February 2007. The trust will administer an \$81.5 million fund over a 14-year period to protect Lake Taupō's water quality.

Settlers of the trust are Taupō District Council, Waikato Regional Council and the Ministry for the Environment.

Auditors – Audit New Zealand

### Significant policies and objectives

Over a 14-year period, beginning from the 9 February 2007, the trust will reduce the nitrogen flowing into Lake Taupō by at least 153 tonnes from within the Lake Taupō Catchment Area as defined by Waikato Regional Council.

### Nature and scope of activities

The trust's Treasury Policy (incorporating Liability Management and Investment Policies) guides the trust investments and financial transactions and was reviewed and approved by the trust in February 2015.

The trust has in place a projected cash flow analysis which indicates projected income, operating costs, and potential call on funds until 2018. This document allows trustees to both measure progress but also to support their financial management governance role.

### Fund management

The trust's Treasury Policy (incorporating Liability Management and Investment Policies) guides the trust investments and financial transactions and was reviewed and approved by the trust in February 2015.

As mentioned above the trust has in place a projected cash flow analysis which indicates projected income, operating costs and potential call on funds until 2018. This document allows trustees to both measure progress but also to support their financial management governance role.

### Performance Measures

Actions	Performance Measures	Performance against targets
Maintain a projected Cash Flow Budget until 2018 indicating the potential agreements and potential funding commitments.	Cash Flow Projection in place and current and available to trustees and the joint committee members on request.	<b>Achieved</b>
Purchase (if available on the trading market) the remaining 20,000kg of nitrogen needed to achieve the overall nitrogen reduction target of 170,000kg.	Nitrogen reduction target achieved in full.	<b>Achieved</b>

## Local Authority Shared Services Limited (LASS Ltd)

### Background

The councils of the Waikato Region have put in place a Council-Controlled Organisation (as defined in Part 5 of the Local Government Act 2002), to deliver shared services across the Waikato Region. Over the period the company has been operating benefits have been delivered in the form of:

- Improved level and quality of service
- Coordinated approach to the provision of services
- Reductions in the cost of services
- Opportunity to develop new initiatives
- Opportunity for all councils irrespective of location or size to benefit from joint initiatives
- Leveraging procurement opportunities from economies of scale resulting from a single entity representing councils

At this stage these gains have been realised by shareholders in the Shared Valuation Data Service (SVDS), the Waikato Regional transport model (WRTM), and through joint procurement contracts.

The ability of LASS to contribute to a greater extent in terms of shared services and also at a strategic collaboration level has been the subject of discussion and agreement through the Waikato Mayoral Forum.

The directors have been tasked with identifying ways to progress these initiatives. This will involve resourcing and funding a range of initiatives that will potentially extend the services currently offered by LASS. The LASS Directors will continue to seek any new opportunities, either from internal investigations, or shareholder initiatives that are presented to it with a sound business case.

New services that are intended to be initiated under the LASS umbrella will only be adopted where a business case shows that they provide some form of benefit to the shareholders. The benefits that may be gained include development of intellectual property through new business services, protection of Council data, improved levels of service and/or reduced cost. All such proposals will be presented to the Shareholders for approval prior to implementation.

Auditors – Audit New Zealand

### Significant policies and objectives

Local Authority Shared Services (LASS) has been promulgated to provide the Councils in the Waikato region with a vehicle to procure shared services. It provides a mechanism for the development of new services which are available to be joined by any shareholder that so chooses. It also provides those Councils that wish to develop new services with a corporate structure under which they can develop and promote services to other local authorities.

In the early to mid 2000s the relationship between local authorities within the Waikato Region continued to strengthen. As a result of this a range of initiatives were considered by Waikato local authorities with the most beneficial being the establishment of Local Authority Shared Services (LASS). At the inception of this initiative the shareholders identified that improvements could be made in back of office activities by implementing shared services, improvements being gained through cost savings, streamlining of work processes and improved services.

### Nature and scope of activities

There are two major established operations under the LASS umbrella.

Firstly, the Shared Valuation Data Service (SVDS). This operational system is providing both timely and accurate valuation data to member Councils and shareholders. The SVDS has become the accepted valuation database in the region.

Secondly, the Waikato Regional Transportation Model (WRTM). This model became fully operational in February 2010. This Model, built within its budgeted cost, provides accurate information to Councils for their transport modelling requirements. The WRTM is the only recognised strategic transport modelling resource in the Waikato Region. The model is currently being updated to reflect the new census data from 2013.

During the year, the company has continued to pursue contracts for additional shared services. These include a number of shared insurance policies, a contract for computer generated print, mail and Eservices, a contract for accessing online economic profile data, a contract for postal and courier services, legal services and another for fleet tracking systems. A joint information technology strategic planning process was progressed during the year and a decision will be reached soon on the composition of a professional services panel for four of the shareholding councils.



A range of further shared service opportunities are being considered at the present time. Some opportunities in the area of procurement have been identified and the shareholders are looking to progress these opportunities.

The company is acting as the legal entity to manage contracts arising from the work of the Waikato Mayoral Forum.

Based on feedback from shareholder councils, and the Chief Executive Forum, the LASS Directors will continue to discuss their role in the development of business cases for shared services at its future meetings. These investigations will include reporting to shareholders and the Waikato Mayoral Forum on the alternative mechanisms to develop shared services.

Directors are mindful of the current political environment, and see these investigations of possible shared services as a key focus of their role.

## Performance measures

The following performance measures were incorporated into the Statement of Intent for the 2014/15 financial year.

Performance Measure	Actual Outcome
The Statement of Intent is informed by the annual survey and independent benefits review.	<b>Achieved.</b> A draft Statement of Intent (SOI) for 2015/16 was distributed to all shareholding councils for comment and feedback on 26 February 2015. The annual survey of shareholders was completed and presented to the Board at their meeting on 22 May. The draft benefits review was presented to the Board at their meeting on 22 May. The final SOI was adopted by the Board on 26 June 2015 and distributed to all shareholders on 29 June.
<b>Costs Control:</b> Administration expenditure shall not exceed that budgeted by more than 5% unless prior approval is obtained from the directors.	<b>Achieved.</b> actual expenditure was \$16,439 favourable to budget.
<b>Cashflow:</b> The company maintains an overall positive cashflow position.	<b>Not achieved</b> this year as cashflow was intentionally operated at a negative level in order to use up surpluses. The Company still maintains a safe cash position with the cash, cash equivalents and bank accounts balances at the end of June 2015 being \$693,617.
<b>Reporting:</b> The board will provide a written report on the business operations and financial position of the LASS on a six monthly basis.	<b>Achieved.</b> The 2013/14 Annual Report was sent to all shareholders on 22 September 2014. A 6-month report was sent to all shareholders on 26 February 2015.
<b>Statutory Adherence:</b> There will be an annual report to directors that all statutory requirements of the LASS are being adhered to.	<b>Achieved.</b> All parties have confirmed that there were no legislative breaches during the year, and this will be reported to the LASS Board at their August meeting when the Annual Report is presented.
<b>SVDS Availability:</b> That SVDS is available to users at least 99% of normal working hours.	<b>Achieved.</b> SVDS was available to users 99.8% of normal working hours.
<b>SVDS Sales Data Delivery:</b> That at least 98% of agreed timelines are met for sale and property files that have been delivered to the FTP server for access to customers.	<b>Achieved.</b> 100% of agreed timelines were met.
<b>SVDS Major Enhancement Development Hours:</b> All Capital enhancement development work is supported by a business case approved by the Advisory Group.	<b>Not applicable</b> this year, as only minor work items of \$5,000 or less have been undertaken as per the road map approved by the SVDS Advisory Group.
<b>WRTM:</b> That all required modelling reports are actioned within the required timeframe.	<b>Achieved.</b> All modelling services were delivered within the required timeframe, or time extensions were agreed with the model partner/ 3rd party concerned.
<b>WRTM:</b> That the base model adheres to "Screenline Validation Standards" as set out in the NZTA Economic Evaluation Manual (EEM) as indicated by an external independent peer review.	<b>Achieved.</b> The WRTM is going through an update process to bring it up to the 2013 census base. The peer reviewer has reviewed all technical notes and has advised that the revised base model meets the EEM standards. This has been documented in the peer reviewer's report. The modelling services undertaken were all done using WRTM version 7, which was last peer reviewed in 2013. No changes have been made to the model since that time.
<b>WRTM:</b> That a full report on progress of the model be provided to the LASS Board twice each year.	<b>Achieved.</b> The WRTM Contract Manager reported to the LASS Board in September 2014, October 2014, December 2014 and May 2015.

<p><b>Insurance:</b> The key performance indicators from Appendix 4 of the brokerage contract are met.</p>	<p><b>Achieved.</b> The KPIs in the brokerage contract are as follows:</p> <ol style="list-style-type: none"> <li>1. Failure to undertake Gap Analysis and Risk profiling for each of the Councils. <b>Achieved.</b> The Gap Analysis was completed.</li> <li>2. Not Achieving at least an overall saving of 15% based on like for like coverage in non-property areas of the insurance profiles of LASS. <b>Achieved.</b></li> <li>3. Failure to give appropriate strategic advice on programme structure and improve coverage for the Councils in LASS. <b>Achieved.</b> A number of discussions and amendments have been made to and around the programme since the appointment of Aon. An example would be the Infrastructure Insurance programme that has been put in place and the current work being done on the JLT/ Riskpool offering.</li> <li>4. Failure to provide adequate and reasonable day to day service to the councils in the LASS group. <b>Achieved.</b> Most of the time, all Councils receive this level of service. Occasionally there are times when the response to queries may be slightly delayed. To address this, more resource has been applied to the Aon team handling the LASS account. Regular advice is provided on specific areas, e.g. Contract Terms and Conditions, policy responses to specific scenarios put forward, claims.</li> </ol>
<p><b>Joint Procurement:</b> That any joint procurement projects deliver as per project approved objectives.</p>	<p><b>Achieved.</b> A joint procurement initiative was completed as per the project's objectives for a Professional Services Panel for four of the shareholding councils.</p>
<p><b>Advice to the Waikato Mayoral Forum:</b> In response to requests from shareholders, the Company will provide regular reports and updates to the Waikato Mayoral Forum regarding progress with shared service initiatives.</p>	<p><b>Achieved.</b> Written and verbal update reports were provided to the Mayoral Forum at their meetings on 30 July, 15 September and 4 November 2014, 23 February, 20 April, and 15 June 2015.</p>
<p><b>Independent Benefit Review Plan update:</b> The independent benefit review plan will be reviewed, updated and signed off by the LASS Board by 31 May of the year immediately preceding the year the plan relates to.</p>	<p><b>Achieved.</b> As part of preparing the 2015/16 Statement of Intent, a new performance measure to assess the benefits being achieved by LASS was developed and included in the SOI's revised set of performance measures.</p>
<p><b>Independent Benefit Reviews:</b> Those reviews timetabled in the plan for the current year be completed by the end of the year.</p>	<p><b>Achieved.</b> The draft benefits review was presented to the Board at their meeting on 22 May. A copy of the final benefits report will be sent to shareholders with this Annual Report.</p>

## Bay of Plenty Local Authority Shared Services Limited (BoP LASS)

### Background

The councils that operate within the boundaries of the Bay of Plenty region have formed a council-controlled organisation to investigate, develop and deliver shared back office services and communications where and when that can be done more effectively for any combinations of some or all of the councils. Taupō District Council has a one-ninth ordinary shareholding in Bay of Plenty Local Authority Shared Services Limited (BoP LASS).

Auditors – Audit New Zealand

### Significant policies and objectives

The company was set up to provide Bay of Plenty Region councils with an umbrella vehicle to investigate, procure, develop and deliver shared services.

Such services will be initiated under the umbrella of this company where a business case shows that they provide benefit to the (voluntary) council users by either improved levels of service, reduced costs, improved efficiency and/or increased value through innovation.

### 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.

### Performance measures

Target	Result	Narration
<p>Investigate new joint procurement initiatives for goods and services for BOPLASS councils.</p> <p>A minimum of four new procurement initiatives investigated. Initiatives provide financial savings and/or improved service levels to the participating councils.</p>	<b>Achieved</b>	<p>Joint procurement initiatives undertaken for:</p> <ul style="list-style-type: none"> <li>• Print Media Copyright Agency – group agreement providing consistent licensing level to all councils and discounted pricing.</li> <li>• Travel Services Management – discounted travel services and improved reporting and management of council travel expenses.</li> <li>• Air Travel – Air NZ Direct Connect Portal available to all BOPLASS councils, providing preferential booking services and discounted national and international airfares.</li> <li>• Radio Telephony Strategy – collaboration in development of regional-wide RT strategy, providing improved coordination of civil defence and emergency services, reduction in duplication of services, sharing of infrastructure and cost savings.</li> <li>• Aerial Photography – managed tender for new collaborative flying programme, providing savings in capture and production of imagery.</li> <li>• Archiving Services – opportunities for collaborative archiving service and shared facility undertaken.</li> <li>• Joint procurement of High-Volume Print and Mail Services initiated, e.g. rates, water, dog notices.</li> <li>• On-line Services – investigation of collaborative development of online delivery of council services to communities.</li> </ul>

Target	Result	Narration
<p>Provide support to BOPLASS councils that are managing or investigating shared services projects.</p> <p>0.25 FTE assigned to directly developing councils' shared service opportunities.</p>	<p><b>Achieved</b></p>	<p>Support provided to councils in development of the following services:</p> <ul style="list-style-type: none"> <li>• After-hours telephone services – BOPLASS council appointed, providing consistent regional service and direct input of service requests.</li> <li>• Inter Council Network (ICN) Management – monitoring and management of ICN established, including design and architecture, monitoring services and support services – ensuring reliability of network for councils and delivery of services.</li> <li>• Council submissions on Government's Ultra-Fast Broadband (UFB), Rural Broadband Initiative (RBI) and mobile blackspot supported by BOPLASS – assisting councils to promote priority areas and a regional approach to supporting better broadband in communities.</li> <li>• GIS services – collaboration in development of council and regional GIS services.</li> <li>• Regionally based Data Centre – supporting councils and local economic development agencies investigation into a local data centre. 35% of IT Manager's time directly committed to supporting council projects – measured by job- tracking timesheets.</li> </ul>

## New Zealand Local Government Funding Agency (LGFA)

### Background

The Local Government Funding Agency is a significant initiative by the Local Government sector to provide the sector with long term access to debt funding at attractive and stable margins. The LGFA is enabled under the Local Government Borrowing Act 2011 and is a council-controlled organisation for the purposes of the Local Government Act 2002.

On the 30 August 2011 Council resolved to participate in the LGFA as a Principal Shareholding Local Authority.

The LGFA is a limited liability company incorporated in December 2011 and has a current credit rating from Standard & Poor's of AA+. As at the 30 June 2015 there were 31 shareholders made up of 30 local and regional authorities and the Crown.

Council has 100,000 shares at \$1 per share and has \$100,000 of uncalled capital. Council committed to borrowing from the LGFA \$50 million on or prior to 31 March 2012 and retaining that borrowing in the LGFA for the commitment period of three years. As at 30 June 2015 Council has \$100 million of borrowings from the LGFA.

A shareholders council has been established. Its role is to:

- Review the performance of the company and board and to report to all shareholders on these matters.
- Make recommendations to shareholders as to the appointment, removal, re-election, replacement and remuneration of directors.
- Ensure that shareholders are fully informed on matters concerning the company.

Auditors – KPMG on behalf of the Auditor General

### Nature and scope of activities

LGFA will raise debt funding either domestically and/or offshore in either NZ dollars or foreign currency and provide debt funding to New Zealand local authorities, and may undertake any other activities considered by the Board of LGFA to be reasonably related or incidentally to, or in connection with, that business.

The LGFA will only lend to local authorities that enter into all the relevant arrangements with it (Participating Local Authorities) and comply with the LGFA's lending policies.

### Principal objectives

In accordance with the Local Government Act 2002, in carrying on its business, the principal objectives of LGFA will be to:

- achieve the objectives and performance targets of the shareholders (shareholders) in LGFA (both commercial and non-commercial) as specified in the SOI;
- be a good employer;
- exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so; and
- conduct its affairs in accordance with sound business practice.

#### **Primary objective**

LGFA will operate with the **primary objective** of optimising the debt funding terms and conditions for participating local authorities. Among other things this includes:

- Providing estimated savings in annual interest costs for all participating local authorities of at least 30 basis points, based on the methodology set out in the LGFA's Annual Report 2011-2012
- Making longer-term borrowings available to participating local authorities
- Enhancing the certainty of access to debt markets for participating local authorities, subject always to operating in accordance with sound business practice.

## Performance

Four performance targets are specified for the LGFA in their 2014-15 SOI. Progress against each of these targets is discussed below, including an explanation of any material variances.

Current performance targets		Target	Result	Outcome
1	Average cost of funds relative to NZGS	<0.50%	0.79%	No Refer to (i) below
2	Average margin above LGFA's cost of funds	<0.15%	0.11%	Yes
3	Annualised issuance and operating expenses	<\$4.67 million	\$4.609 million	Yes Refer to (ii) below
4	Lending to participating Councils	>\$4,400 million	\$4,975 million	Yes Refer to (iii) below

### (i) Average cost of funds

The LGFA weighted average cost of borrowing relative to NZGB as measured by the borrowing cost in each of the past twenty-nine tenders is 79 bps. This has improved by 5 bps over the quarter. This is a less relevant measure than a measure based upon current secondary market levels as current levels dictate where a council can borrow from LGFA, rather than a historical average.

The LGFA average cost of borrowing (on a simple weighted basis) relative to NZGB as measured by secondary market levels at 30 June 2015 was 54 bps i.e. 4 bps over the target level of 50 bps. This was 14 bps tighter compared to June 2014 and 1 bps tighter compared to March 2015.

	Dec 2012	June 2013	Dec 2013	June 2014	Sept 2014	Dec 2014	March 2015	June 2015
Average cost of funds relative to NZGS	0.84%	0.84%	0.71%	0.68%	0.55%	0.53%	0.55%	0.54%

On a volume weighted basis the current average margin based upon secondary market levels as at the end of June 2015 is 52.3 bps compared to 58.3 bps as at March 2015 and 71 bps as at June 2014.

Finally, the issuance margin is positively correlated to the term of issuance and we would expect the spread to be wider given that 69 per cent of issuance in the past year has been for terms of seven years and longer.

Maturity	July 2014 to June 2015 Issuance (\$m)
Apr 2015	nil
Dec 2017	55
Mar 2019	40
Apr 2020	365
May 2021	100
Apr 2023	655
Apr 2027	285
<b>Total Issuance</b>	<b>1,500</b>

### (ii) Issuance and operating expenses

Issuance and operating expenses for the 12 months to June 2015 were \$4.67 million compared to a full SOI forecast of \$4.67 million. Over the past year higher Approved Issuer Levy (AIL) payments, legal costs and additional travel expenses were incurred due to servicing the increased offshore investor interest in LGFA bonds. This was offset by a lower than forecast expenditure for the treasury system.

### (iii) Lending to participating Councils

The ongoing strong performance of the agency reflects the support from the local authority sector. Lending to the sector over the year was \$1.443 billion and total nominal loans outstanding as at 30 June 2015 was \$4.979 billion (\$3.696 billion 2013-14).

## Data Capture Systems Limited (DCSL)

### Background

Taupō District Council is the 100 per cent owner of Data Capture Systems Limited (DCSL).

Data Capture Systems Limited was a council-controlled organisation (CCO) as defined by the Local Government Act 2002. In February 2006 the directors of Data Capture Systems Limited resolved that it would cease operations. In June 2006, resolutions were passed to wind down the company during the course of the 2006/07 year. The company is now exempt, under section 7 of the Local Government Act 2002, from definition as a council-controlled organisation.

## Destination Lake Taupō Limited (DLTL)

### Background

Taupō District Council is the 100 per cent owner of Destination Lake Taupō Limited (DLTL).

Destination Lake Taupō Limited is a non-trading company that is held only for name-protection purposes. It has no revenue or expenditure, assets or liabilities. Council has passed a resolution, under section 7 of the Local Government Act 2002, making Destination Lake Taupō Limited exempt from definition as a council-controlled organisation.

