



BOPLASS Ltd

HALF YEARLY REPORT TO SHAREHOLDERS



Period ended 31 December 2016

“COUNCILS PARTNERING FOR VALUE AND SERVICE”



BOPLASS Chair's Report

It is with pleasure the Directors present their 2016/2017 Half Yearly Report to Shareholders demonstrating the continuing contribution the company makes to collaboration between councils.

There has been only one change to the Board this year and we welcome the Taupo District Council Chief Executive, Gareth Green, to the Board as Director and Shareholder Representative.

The Board have recently completed a strategic review of BOPLASS and examined the opportunities for further shared services collaboration within the councils and also the opportunity to further develop inter-regional collaboration. BOPLASS has been very successful in engaging with other LASS and councils, with a number of recent inter-regional projects completed or undertaken in: health and safety, solid waste, historic aerial imagery, printers, ICT strategy and insurance. The historic aerial photography site, Retrolens, is a great example of councils identifying a common need and then working together to build a single infrastructure and service available to all councils and their communities. The Board sees an opportunity to further extend inter-regional collaboration in this manner and to continue to engage with councils from neighbouring regions or further afield.

While BOPLASS councils continue to leverage benefits through the Collaboration Portal, the sharing of the Portal to additional LASS and councils this year has led to improved visibility of inter-regional opportunities for collaboration and has provided an easily accessible platform for the sharing of council and project information across a wide audience of councils. This sharing through the Collaboration Portal directly assists in further reducing duplication of effort across the councils and opens up the opportunity for further inter-regional collaboration in shared services or joint procurement. The BOPLASS Collaboration Portal is quickly proving to be a valuable tool in NZ Local Government collaboration.

BOPLASS has continued to utilise the availability of All of Government (AoG) contracts in procurement and has ensured these are given early consideration in any procurement initiatives. BOPLASS 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.

With BOPLASS now managing a number of procurement contracts on behalf of the councils, the Board have placed importance upon reviewing, renewing or replacing these contracts to ensure appointed vendors remain competitive and continued best value is returned to our shareholding councils. Contracts for GIS software, network services and aerial photography have been awarded during the first six months of this year; with all contracts providing further benefits and savings to the participating councils.

The company continues to enhance its reputation as a leader in the provision of collaborative services within Local Government and we thank the staff from the participating councils for the support we receive from them.

Yours faithfully

Craig O'Connell

Chair



BOPLASS Ltd

"COUNCILS PARTNERING FOR VALUE AND SERVICE"

HALF YEARLY REPORT TO SHAREHOLDERS

21 FEBRUARY 2017

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 Taupo Chief Executive, Gareth Green, 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.

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;
- After hours call management;
- Collaboration Portal;
- Archive services;
- Health and safety;
- Radio-telephony;
- Security services;
- Internal audit services;
- IT datacentre/hosting;
- Solid waste services.

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. BOPLASS has now extended the Collaboration Portal membership to other LASS and councils; greatly assisting 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

- Historic Aerial imagery – Following the BOPLASS facilitated project for the back-scanning of the region's historic aerial imagery from 1930s to mid-2000s, councils required a service for storage of the imagery and to provide free access to their communities. Working in conjunction with the Local Government Geospatial Alliance, a portal has been developed specifically for the storage and delivery of the region's historical aerial imagery. The portal has been branded 'Retrolens' www.retrolens.co.nz. By collaborating with the other councils a great public resource has been created that would have been otherwise unaffordable had each council tried to do the project on its own.
- Infrastructure Insurance – BOPLASS recently represented a collective group of 39 councils in negotiations for placement of councils' infrastructure insurance in the London markets. With a total insured value of \$16 billion significant leverage was obtained and, despite increased limits and higher insured values for the BOPLASS councils, a 16% reduction of premiums was achieved for our councils. BOPLASS was able to secure an option for a two-year rate agreement enabling these savings to be locked in.

BOPLASS has also been managing a project to insure 100% of the first \$10M of any natural hazard loss to councils' infrastructure to reduce potential exposure/shortfall of the non-guaranteed 60% portion provided from Central Government.

In anticipation of future changes to the current 60/40 natural hazard arrangements, capacity for further coverage has also been secured through the London markets.

- Environmental Insurance / Gradual Contamination Insurance – A LASS level project to provide environmental impairment insurance to cover councils for: gradual pollution, most types of pollutant (including asbestos), 1st & 3rd party loss and restorative/clean-up costs.
- Security Services – BOPLASS investigated the opportunity for a consolidated security contract across multiple councils – covering manpower services, alarm systems, CCTV.
- Multi-Function Devices (printers and copiers) – joint procurement of MFDs resulted in a total upgrade of equipment across all of the BOPLASS fleet, additional functionality, significant cost savings, and a common technology platform supporting the future development of collaborative solutions between councils. All BOPLASS councils are with the same supplier and the agreement has been extended to the Waikato councils.
- Aerial Photography 2016-17 – A collective tender for BOPLASS councils' ortho-rectified imagery was awarded to AAM NZ Ltd. The contract covers specific areas and requirements within the regional flying calendar. The councils' participation in this collaborative contract has resulted in discounted pricing through the reduced effort required from the contractor, while also delivering a common standard of information across the councils and allowing for central management of the data. The collaborative approach through BOPLASS has also resulted in a significant contribution towards the project costs from Land Information NZ.
- GIS Software – Contracts have continued to be renewed or reviewed with a number of software companies. This has provided significant discounts on the purchase and maintenance of software through leveraging the group buying power and the establishment of common technology standards.

- Health and Safety – BOPLASS has investigated and developed a number of health and safety projects often working in conjunction with the Waikato LASS.
 - Contractor Health and Safety Pre-qualification Portal - BOPLASS and Waikato LASS have worked together on the development of an on-line contractor health and safety prequalification scheme. The Pre-qualification Portal provides a convenient and consistent way for contractors to engage with councils, while also ensuring standardised compliance and simplified and efficient contractor management for council staff.
Development of the portal is a great example of councils working together to address a common issue.
This service is now being rolled out nationally.
 - H&S Legal opinions – provided once to BOPLASS and/or Waikato LASS but made available to all participating councils, delivering significant savings and consistent standards.
 - Inter-council H&S audits – establishment of cross-council auditing processes to provide councils with an external viewpoint on their health and safety management and provide council PCBU Officers, CEOs and managers with an alternative opinion and verification through auditing, without the expense of having to engage consultants.
 - Joint development of H&S policies and terms of reference. Sharing of existing H&S procedures or shared development of new procedures. Includes H&S in procurement, common documentation, processes, H&S liabilities and standard reporting measures for councils and governance.
 - Shared training register established in Collaboration Portal so H&S training requirements are planned and coordinated across multiple councils.
 - Preferential supplier agreement established for training services across Waikato and BOPLASS – providing discounted rates, consistency in training.
 - Development of shared policies for monitoring / auditing of volunteers – developed once and shared across all BOPLASS and Waikato LASS councils.
 - H&S recording and management software – common system established across BOPLASS councils and discounted user licenses through joint procurement.
- Radio Telephony (RT) strategy – A region-wide strategy has been developed by BOPLASS for the sharing and utilisation of Radio Telephone services and technologies. This is considered to be of significant importance in civil defence strategies.
- Solid Waste Management – A solid waste benchmarking survey has been circulated and completed by all BOPLASS councils to assist in identifying opportunities for collaboration in solid waste service. Categories under review for collaboration are:
 - Landfills
 - Collections
 - Recycling
 - Policies
 - Collective lobbying
- Training – Collaborative training has been 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.

- 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.
- Collaboration Portal – The Collaboration Portal was developed by BOPLASS to provide improved visibility of existing and potential collaboration opportunities across councils and to facilitate effective collaboration initiatives. Waikato LASS have joined the Collaboration Portal. The Northland councils, Hawkes Bay LASS and Manawatu Whanganui LASS have formally signed up to the Collaboration Portal and roll outs are underway. The intention is to make the Collaboration Portal available to the wider LG community. The portal currently has over 300 users across 36 local government organisations.
- Section 17a Reviews – Assessment of council’s preparedness for conducting s17A reviews, facilitating, knowledge sharing between councils, sharing existing work, skills and experience across councils, identify services which are candidates for collaboration.
- Other LASS – We continue to maintain a close relationship with MW LASS (Manawatu/Wanganui), HBLASS (Hawkes Bay), Waikato LASS and Northland councils and work on a number of projects together. Identification of further opportunities to share knowledge or collaborate on projects is regularly undertaken.

In addition, there are several other projects either in the formative stage or being reviewed for potential contribution to cost savings, best practice and/or better resource utilisation.

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. Advisory Group Levies

In accordance with a user’s pays approach, advisory groups are levied according to the size of the council being represented. Groups are levied annually and this will report as levy income in the balance of the year.

4. Financial Reports

Financial Reports for the period to 31 December 2016 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 higher than budget due to additional projects being undertaken by BOPLASS.

Sales of service revenue is reduced due to unavailability of the BOPLASS IT Manager in late 2016, resulting in reduction in secondment assignments. The salary variance is caused by the same situation.

On the advice of our accountants, the collaboration portal has been treated as an intangible asset. This has impacted on amortisation, project revenue and project opex budgets. Future budgets will allow for the changed treatment of this asset.

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. As noted in the budget variations, the BOPLASS IT Manager was only available on a part-time basis during the late 2016.

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 2016

	Actual YTD	Budget YTD	Total Budget	YTD Variance
REVENUE				
Revenue - Core	\$150,412	\$168,255	\$336,510	(\$17,843)
Bank Interest Received	\$725	\$1,500	\$3,000	(\$775)
Council Contribution	\$136,756	\$136,755	\$273,510	\$1
Recoveries	\$0	\$0	\$0	\$0
Sales of Service	\$12,932	\$30,000	\$60,000	(\$17,068)
Revenue - Projects	\$886,353	\$834,250	\$1,413,000	\$13,570
Activity Group Fees	\$0	\$16,000	\$32,000	(\$16,000)
Aerial Photography Income	\$188,083	\$200,000	\$400,000	(\$11,917)
Bank Interest Received	\$4,068	\$10,000	\$20,000	(\$5,932)
Lease Income - ICN	\$137,442	\$155,000	\$310,000	(\$17,558)
Lease Income - Video Confer.	\$13,521	\$6,500	\$13,000	\$7,021
Recoveries	\$500,980	\$442,750	\$630,000	\$58,230
Rebates	\$3,728	\$4,000	\$8,000	(\$272)
Collaboration Portal	\$38,533	\$0	\$0	\$38,533
Total Operating Revenue	\$1,036,766	\$1,002,505	\$1,749,510	(\$4,272)
EXPENSES				
Expenditure - Core	\$204,445	\$220,450	\$432,900	(\$16,604)
ACC	\$1,177	\$1,750	\$3,500	(\$573)
Accommodation & Travel	\$673	\$750	\$1,500	(\$77)
Accounting & Audit	\$972	\$7,500	\$15,000	(\$6,528)
Administration	\$14,753	\$11,000	\$22,000	\$3,753
Amortisation	\$11,576	\$0	\$0	\$11,576
Bank Fees	\$59	\$200	\$400	(\$141)
Board meetings	\$0	\$500	\$1,000	(\$500)
Conferences	\$0	\$1,000	\$2,000	(\$1,000)
Depreciation	\$0	\$0	\$0	\$0
Catering & General Expenses	\$866	\$1,000	\$2,000	(\$134)
Fringe Benefit Tax	\$2,289	\$4,000	\$8,000	(\$1,711)
Insurance	\$6,849	\$8,000	\$8,000	(\$1,151)
Interest Paid - TCC Loan	\$679	\$2,500	\$5,000	(\$1,821)
Legal	\$0	\$1,000	\$2,000	(\$1,000)
Postage & Stationery	\$0	\$50	\$100	(\$50)
Directors Costs	\$8,099	\$7,500	\$15,000	\$599
Salaries	\$142,903	\$160,000	\$320,000	(\$17,097)
Staff Support Costs	\$9,245	\$10,000	\$20,000	(\$755)
Staff Training Costs	\$0	\$1,000	\$2,000	(\$1,000)
Subscriptions	\$995	\$300	\$600	\$695
Tax Advice	\$3,310	\$2,400	\$4,800	\$910
Write Off reconciliations	\$1	\$0	\$0	\$1
Expenditure - Projects	\$858,712	\$772,905	\$1,316,610	\$52,518
Aerial Photography Expense	\$188,083	\$200,000	\$400,000	(\$11,917)
Lease Expense - ICN	\$142,695	\$150,000	\$300,000	(\$7,305)
Lease Expense – Video Confer.	\$13,603	\$6,305	\$12,610	\$7,298
Projects - Recoveries	\$481,043	\$414,600	\$600,000	\$66,443
Consultant Costs	\$0	\$2,000	\$4,000	(\$2,000)
Collaboration Portal Opex	\$33,289	\$0	\$0	\$33,289
Total Operating Expenditure	\$1,063,158	\$993,355	\$1,749,510	\$35,914
Operational Surplus before Tax	(\$26,392)	\$9,150	\$0	(\$35,542)

**BOP LASS LTD
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 2016**

	Actual YTD
Current Assets	
Cheque Account	\$102,534
Trust A/c Aerial Photography	\$1,193,336
Trade Debtors	\$25,428
Accrued Revenue	\$12,728
Withholding Tax	\$8,929
Prepayments	\$1,319
Total Current Assets	\$1,344,274
Non-current assets	
Office equip at cost	\$0
Office equip depreciation	\$0
Computer equip at cost	\$0
Computer equip depreciation	\$0
Intangible - Computer Software	\$48,397
Amortisation	(\$12,740)
Total Non-current assets	\$35,658
TOTAL ASSETS	\$1,379,932
Current Liabilities	
Trade Creditors	\$138,280
Retentions	\$25,920
Accrued Expenses	\$5,612
Income in Advance	\$1,179,805
TCC Loan	\$0
PAYE Accruals Payable	\$5,302
GST Collected	\$1,843,634
GST Paid	(\$1,423,447)
GST Payments/refunds	(\$443,819)
Total Current Liabilities	\$1,358,026
TOTAL LIABILITIES	\$1,358,026
NET ASSETS	\$21,906
Equity	
Share capital	\$99,002
Retained Earnings	(\$50,705)
Current Year Earnings	(\$26,391)
TOTAL EQUITY	\$21,906