



BOPLASS Ltd

“COUNCILS PARTNERING FOR VALUE AND SERVICE”

Statement of Intent for 2014-2015

June 2014

Approved 13 June 2014

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.

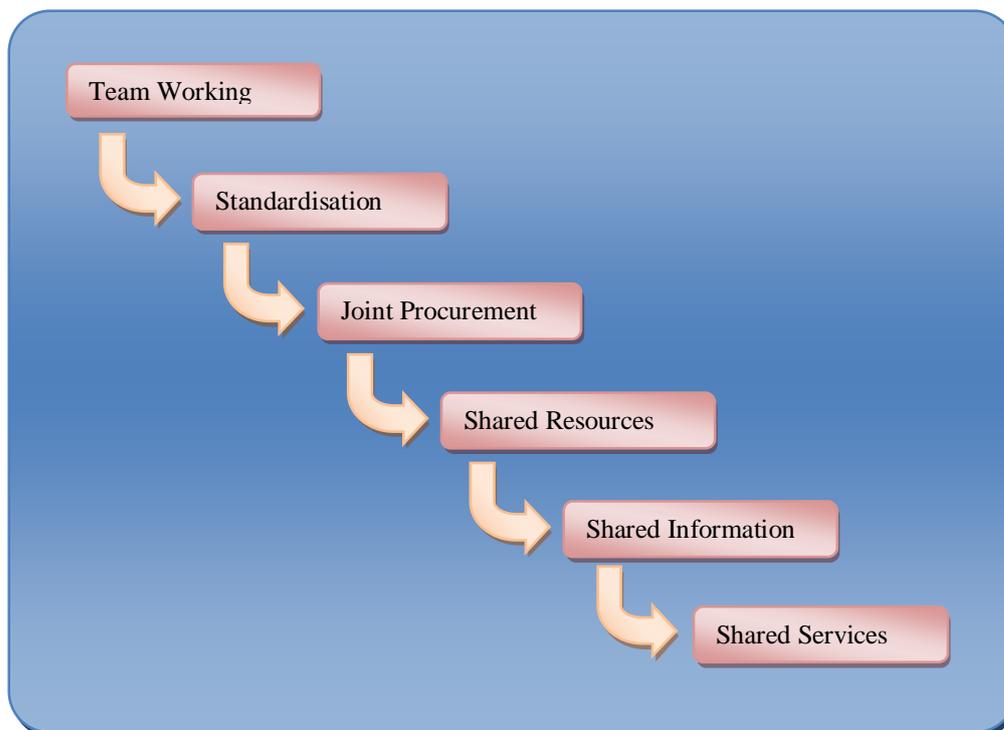
The expected benefits that can be achieved through Shared Services are:

- 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
- Hosting services
- Electronic purchasing
- Reprographic equipment
- Aerial photography
- Voice and data services
- Video conferencing
- IT applications and software

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, nine Directors are also the Chief Executives of their respective shareholding councils. The dual roles recognise the interdependence of BOPLASS and its councils in the undertaking of its activities.

The Board shall also include an independent Director, appointed with specific skills to add incremental value to Board. It is anticipated that an independent Director will have specialist skills that will add to and be complementary to those held by current 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	Glenn Snelgrove
Whakatane District Council	Marty Grenfell
	Independent - TBA

A sub-committee of Directors will be responsible for regular monitoring and governance of operational aspects of BOPLASS projects, allowing the Board to primarily focus on supporting the strategic development of BOPLASS.

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 Directors. 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.

Following a strategic review of BOPLASS activities and opportunities the Board has determined that BOPLASS is to become more heavily focussed on joint procurement opportunities and the associated financial returns and benefits to the participating councils.

Shared service developments will continue, but without the previous requirement to include all constituent councils. These projects will often now be led by one or more of the participating councils, rather than BOPLASS.

Joint procurement initiatives will be considered by the Board and/or its advisory groups where there is demonstrated support from two or more member councils.

BOPLASS Ltd will also proactively explore opportunities to partner with other local authorities and Shared Services organisations within NZ where they are either developing or considering developing cost effective Shared Services or Joint Procurement involving products or services that are of value to the Bay of Plenty councils.

BOPLASS is investigating opportunities to establish a collaboration portal for the sharing of information on Shared Services or Joint Procurement opportunities within the wider local government community.

Strategic Changes from 2013-14 SOI

- BOPLASS will primarily focus on joint procurement initiatives, identifying projects that provide the opportunity to deliver further financial savings and improved services to the councils.
- Shared services projects will be led by the participating councils with BOPLASS providing resource and support.
- Councils will now opt into projects, with the previous default participation and 'opt out' requirement no longer applicable.
- An on-line portal will be established to assist with identifying opportunities for councils to collaborate further both in projects and information sharing.
- A sub-committee of Directors will be responsible for regular monitoring and governance of BOPLASS projects
- An independent director will be appointed to the Board to introduce additional and specific skills at governance level.

8 Performance Targets

To ensure the Company continues to operate effectively in both governance and management terms over the next three years the targets are to:

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 resource and expertise to assist councils in shared services developments and projects.	0.25 FTE assigned to directly developing councils' shared service opportunities.
Develop a Collaboration Portal for access to, and sharing of, project information from BOPLASS councils and the greater Local Government community.	Build and establish an electronic portal utilising technology to provide secure access for all BOPLASS councils.	Shared portal providing upload and download capabilities to all participating BOPLASS councils is operational within 12 months.
Manage and/or renegotiate existing contracts.	Ensure appointed vendors remain competitive and continued best value is returned to shareholders.	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.
Perform self-assessment reviews of governance.	Review governance performance and structure to ensure it supports BOPLASS' strategic direction.	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 2013 the consolidated Shareholder funds comprised (\$35,451) and the total assets were \$939,673. The resulting ratio is (3.8%).

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 Measurement Basis

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

10.3 Specific Accounting Principles

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

- Accounts Receivable are stated at their expected realisable value after writing off any known bad debts and providing for doubtful debts.
- Investments are valued at the prevailing market value.
- Fixed assets are recorded at cost, less accumulated depreciation, other than where freehold lands may be acquired. The latter will be valued on the basis of normal accounting processes for the valuation of land.
- Any liability for overseas funding of equipment, systems or services is based on the prevailing exchange rate as at balance date.
- Where intangible assets are purchased, such as intellectual property, these are capitalised and written off on a straight line basis over their expected life, but no greater than four years.
- 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 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 fared against its objectives and prospects for the next financial year, and a report on the Company's medium to long term plans.
- Regular summaries of activities.

13 Procedures for the Purchase and Acquisition of Shares

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

14 Activities for Which the Board Seeks Compensation

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

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

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

The Company may provide services (at a cost recovery or a cost plus basis) to other non shareholding councils within or beyond the region. Any surplus from such activity will be used to either reduce service costs and/or invest in further developing 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 only \$1,000 initially, the Board believe that that fairly represents the value of their investment.

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

16 Financial Forecasts

The Forecast Financial Statements for the years 2014-2017 are included.

A reduction in Sales of Service and Service Costs is forecast as BOPLASS moves from direct management of shared services to providing support for councils that are managing shared services projects.

An increase in Recoveries has been forecast to reflect the direct recovery of purchases made on behalf of councils through joint procurement projects.

Aerial photography expense in the 2014/15 year is forecast at a reduced level to recognise the recent completion of the current flying programme and imagery contract.

SOI Forecast 2014/15				
	Budget 2013/14	Forecast 2014/15	Forecast 2015/16	Forecast 2016/17
REVENUE				
Revenue - Core	273,510	331,510	331,510	331,510
Bank Interest Received	0	5,000	5,000	5,000
Council Contribution	273,510	273,510	273,510	273,510
Recoveries	0	53,000	53,000	53,000
Revenue - Projects	1,284,212	774,700	1,202,700	1,207,700
Activity Group Fees	80,000	60,000	60,000	60,000
Aerial Photography Income	100,000	100,000	500,000	500,000
Bank Interest Received	30,000	20,000	20,000	20,000
Lease Income - ICN	172,232	145,000	145,000	150,000
Lease Income - Video Confer.	23,787	11,700	11,700	11,700
Recoveries	80,000	428,000	451,000	451,000
Sales of Service	798,193	10,000	15,000	15,000
Total Operating Revenue	1,557,722	1,106,210	1,534,210	1,539,210
EXPENSES				
Expenditure - Core	487,350	443,250	451,250	451,250
ACC	3,000	3,000	3,000	3,000
Accommodation & Travel	1,500	1,500	1,500	1,500
Accounting & Audit	14,000	15,000	16,000	16,000
Administration	10,000	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
Conferences	2,000	2,000	2,000	2,000
Depreciation	800	400	400	400
Catering Expenses	6,000	3,000	3,000	3,000
Fringe Benefit Tax	8,000	6,000	6,000	6,000
Insurance	8,000	8,000	8,000	8,000
Interest Paid - TCC Loan	10,000	10,000	9,000	9,000
Legal	2,000	2,000	2,000	2,000
Postage & Stationery	100	100	100	100
Salaries	396,000	290,000	298,000	298,000
Consultants	0	50,000	50,000	50,000
Staff Support Costs	15,000	20,000	20,000	20,000
Staff Training Costs	2,000	2,000	2,000	2,000
Subscriptions	300	600	600	600
Tax Advice	7,000	8,000	8,000	8,000
Expenditure - Projects	1,070,372	662,960	1,082,960	1,087,960
Aerial Photography Expense	100,000	100,000	500,000	500,000
Interest Paid - BOPRC Loan	6,250	0	0	0
Lease Expense - ICN	168,000	140,000	140,000	145,000
Lease Expense - Video Confer.	17,962	10,960	10,960	10,960
Project Expenses ICN	8,000	12,000	12,000	12,000
Projects - Recoveries	80,000	400,000	420,000	420,000
Service Costs	690,160	0	0	0
Total Operating Expenditure	1,557,722	1,106,210	1,534,210	1,539,210
Operational Surplus/ (Deficit) before Tax	0	0	0	0

Completed Joint Procurement Projects

Requiring ongoing management for performance, renewal or replacement

- × Office supplies
- × Electronic purchasing
- × Banking
- × Postal services
- × Courier services
- × Fuel
- × Advertising services
- × Accommodation services
- × Insurance
- × Aerial photography
- × After hours phone services
- × ESRI licences
- × GIS software
- × Health insurance
- × Antivirus software
- × Video conferencing
- × GPS vehicle tracking
- × Archaeological services
- × Telephony – voice, data, mobile
- × Reprographic

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

Identified Shared Service Projects

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

- × IT hosting
- × Security standards and protocols
- × GIS web services
- × ITIL service desk
- × Electronic Document Management

Shared Service Projects for Consideration

- × Rates Collection
- × Geospatial services
- × Joint software support
- × Provision of ultrafast broadband services between councils
- × Asset Management
- × Web services
- × E-Purchasing
- × Business continuity
- × Payroll
- × Telephony platform
- × Consents Processing
- × After hours phone services
- × Information Services as a foundation for Shared Services
- × Development of shared IT hosting infrastructure
- × Electronic Document and Records Management System