



BOPLASS Ltd

“COUNCILS PARTNERING FOR VALUE AND SERVICE”

HALF YEARLY REPORT TO SHAREHOLDERS

Period ended 31 December 2014



BOPLASS Chair's Report

It is with pleasure the Directors present their 2014/2015 Half Yearly Report to Shareholders demonstrating the continuing contribution that the company makes to collaboration between councils.

Following a strategic review of BOPLASS governance the Board initiated the recruitment of an independent director to bring further complimentary skills and experience to the organisation. Additionally, a sub-committee of council delegates has been established to manage responsibility for the monitoring and support of operational aspects of BOPLASS projects, allowing the Board to primarily focus on supporting the strategic development of the organisation. These committee members will also be responsible for identifying BOPLASS projects that add value to the shareholding councils and will be an advocate for these projects within their respective councils.

The current BOPLASS development of an inter-council Collaboration Portal will lead to improved visibility of opportunities for collaboration and provide an easily accessible platform for the sharing of council information across a wide audience of councils. This will directly assist in further reducing replication of effort across the councils. It is planned to eventually 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 further increase the breadth of BOPLASS and inter-council collaboration.

BOPLASS has continued to work closely with other LASS and has recently been involved in a multi-million dollar collaborative tender for insurance broker services involving 25 councils. Opportunities for leveraging benefits in other categories through cross-LASS initiatives continue to be actively developed.

With BOPLASS now managing a number of procurement contracts on behalf of the councils, importance is placed 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 office supplies, 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. Further information about current projects is available in the attached report.

We thank staff from the participating councils and acknowledge the support we have received from them.

Yours faithfully



Russell George

Chair



BOPLASS Ltd

“COUNCILS PARTNERING FOR VALUE AND SERVICE”

Half Yearly Report to Shareholders

17 February 2015

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 no changes to the Board.

The Board has elected to appoint an independent director with specific skills and experience to add to and be complementary to those held by current directors. At the time of reporting the final stages of the appointment process are being completed.

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 remains committed to the organisation remaining heavily focussed on joint procurement opportunities and providing the associated financial returns and benefits to the participating councils.

Shared service opportunities will continue to be identified and developed with individual councils engaging under the opt-in principle established by the Board. These projects will often now be led by one or more of the participating councils, rather than BOPLASS. Current feasibility studies for shared services include but are not limited to:

- GIS;
- IT Hosting;
- Joint software support;
- High speed network and ultrafast broadband services between councils;
- After hours call management

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 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 continue to 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 and products that are of value to the Bay of Plenty Councils.

BOPLASS has begun the development of a collaboration portal for the sharing of information on shared services or joint procurement opportunities within the constituent councils and this is planned to eventually be made available to the wider local government community.

A sub-committee of council delegates is being established by the Directors to manage responsibility for regular monitoring and governance of operational aspects of BOPLASS projects, allowing the Board to primarily focus on supporting the strategic development of the organisation. The council representatives will also be responsible for identifying BOPLASS projects that add value to the shareholding councils and being an advocate for 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.
- Develop a Collaboration Portal for access to, and sharing of, project information from BOPLASS councils and the greater Local Government community.
- Manage and/or renegotiate existing contracts.
- Perform self-assessment reviews of governance.
- 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:

Joint Procurement

Highlights

- Stationery and Office Supplies – The BOPLASS contract with OfficeMax recently came to end of term and a procurement process was undertaken with the All of Government (AoG) suppliers invited to respond. OfficeMax was reappointed as supplier with further savings and benefits achieved by the BOPLASS councils.
- Insurance Brokerage – In 2012 Councils agreed to renew the contract with AON NZ for another three years with a moderate increase in price. With the turmoil brought about by the Christchurch Earthquake, BOPLASS councils were fortunate to have a well-managed approach which meant that all of council's maintained cover during the renewal process and AON were able to negotiate the best premiums in a difficult market. BOPLASS has recently managed a project for insurable risk analysis and alternative insurance for councils' infrastructure and underground assets. A project for appointment of insurance broker to the BOPLASS councils has been recently initiated and has been extended to include 24 participating councils.
- Aerial Photography – A new tender for councils' ortho-rectified imagery and LIDAR has recently been completed with the contract awarded to Aerial Surveys Ltd. This tender represents an interim flying programme within the regional calendar.

Other Projects

- Information Management – Eight of our councils now use Objective for document management. BOPLASS is continuing to negotiate enterprise options with Objective to achieve further benefits for our councils.
- GIS Software – Contracts have continued to be renewed or reviewed with a number of software providers to provide significant discounts on the purchase and maintenance of software through leveraging the group buying power and the establishment of common technology standards.
- Travel Management Services – BOPLASS has managed a procurement process for the appointment of travel service companies to the BOPLASS councils. Air Travel options were included in the process with councils now having access to corporate level discounted flight and exclusive online booking services.
- Media Monitoring – A tender for a media monitoring portal has been completed by BOPLASS with the participating councils benefiting from heavily discounted rates and services covering, print, broadcast and social media monitoring.
- Reprographic – The BOPLASS contract with Konica Minolta, as provider of print and photocopy equipment, has provided a significant reduction in costs for all

councils, optimisation of equipment fleets and a common technology platform providing integration with other core council systems.

- Post and Courier – The contract with NZ Post has been renegotiated and the councils continue to benefit from reduced rates and improved service levels.
- Fuel – BOPLASS has reviewed the fuel contract with N3 and been able to provide an alternative to metro councils, with further discounts and benefits.
- Health Insurance – A BOPLASS group scheme has been established with Southern Cross Healthcare providing incremental discounts to council staff. The group scheme is offered as an employee benefit to staff with no cost to councils.
- Regional Telephony Contract - Following a tendering process with AoG providers, Gen-i has been reappointed as the supplier of telephony services to the BOPLASS councils. The new contract provides incremental savings for all councils. Councils continue to work together to develop a roadmap for future collaboration and savings in telephony products and services.
- Advertising – A collaborative contract for the management of advertising services has provided discounted rates to the participating councils and improved service levels.
- Other LASS – We continue to maintain a close relationship with MWLASS (Manawatu/Wanganui) and the Waikato LASS. A Memorandum of Understanding has been established and opportunities to share knowledge or collaborate on projects are regularly explored. BOPLASS has also begun working with the relatively newly formed HBLASS (Hawkes Bay).

Shared Services

Highlights

- Inter Council Network – An initiative with FX Networks and the One.Govt consortium providing a 1Gbps fibre connection between the majority of BOPLASS councils. The service has recently been upgraded to include a network management layer and service desk support.
- Collaboration Portal - A Collaboration Portal is being developed by BOPLASS to provide visibility of existing and potential collaboration opportunities and to facilitate effective collaboration initiatives. It is also considered to be a suitable mechanism to internally and publically promote the good work that has been done in local government collaborations. The intention is to make the portal available to the wider local government community after testing has been completed within local councils.

Other Projects

- Geographic Information services as a shared Service – All BOPLASS councils now share common Geographic Information Software under BOPLASS facilitated contracts and are further developing collaboration through a web interface for Intranet and Internet using GeoCortex software. This shared

Service project is being led by the Bay of Plenty Regional Council and Western BOP District Council.

- RT strategy – A region-wide strategy is being 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.
- Archive services – BOPLASS is investigating the feasibility of a shared archive service, physical and/or electronic archiving, on behalf of several councils.
- Bay Datacentre – BOPLASS is working with several councils to investigate hosting of council IT services or infrastructure in a local shared datacentre.

In addition there are several other projects either in the formative stage or being reviewed for potential contribution to cost saving, 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 2014 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.

Project recoveries are currently in excess of project expenses as often costs are invoiced to councils prior to the commencement of projects with the expenses subsequently covered by BOPLASS.

9 Staffing, Accommodation and Support

Staff

Staffing levels are unchanged, with the general manager recently moved to a permanent contract and the BOPLASS IT Manager and a part-time administrator continuing to provide additional project support and management of existing activities.

Accommodation and Support

We continue to enjoy 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 2014

| | Actual YTD | Budget YTD | Total Budget | YTD Variance |
|---------------------------------------|--------------------|------------------|--------------------|-------------------|
| REVENUE | | | | |
| Revenue - Core | \$286,821 | \$302,510 | \$331,510 | (\$15,689) |
| <i>Bank Interest Received</i> | \$1,888 | \$2,500 | \$5,000 | (\$612) |
| <i>Council Contribution</i> | \$273,511 | \$273,510 | \$273,510 | \$1 |
| <i>Recoveries</i> | \$7,452 | \$26,500 | \$53,000 | (\$19,048) |
| <i>Sales of Service</i> | \$3,970 | \$0 | \$0 | \$3,970 |
| Revenue - Projects | \$737,009 | \$544,604 | \$774,700 | \$192,405 |
| <i>Activity Group Fees</i> | \$0 | \$0 | \$60,000 | \$0 |
| <i>Aerial Photography Income</i> | \$0 | \$50,000 | \$100,000 | (\$50,000) |
| <i>Bank Interest Received</i> | \$13,164 | \$10,000 | \$20,000 | \$3,164 |
| <i>Lease Income - ICN</i> | \$106,444 | \$72,500 | \$145,000 | \$33,944 |
| <i>Lease Income - Video Confer.</i> | \$0 | \$5,850 | \$11,700 | (\$5,850) |
| <i>Recoveries</i> | \$598,988 | \$401,254 | \$428,000 | \$197,734 |
| <i>Sales of Service</i> | \$18,412 | \$5,000 | \$10,000 | \$13,412 |
| Total Operating Revenue | \$1,023,830 | \$847,114 | \$1,106,210 | \$176,716 |
| EXPENSES | | | | |
| Expenditure - Core | \$182,455 | \$221,625 | \$443,250 | (\$39,304) |
| <i>ACC</i> | \$1,843 | \$1,500 | \$3,000 | \$343 |
| <i>Accommodation & Travel</i> | \$186 | \$750 | \$1,500 | (\$564) |
| <i>Accounting & Audit</i> | \$8 | \$7,500 | \$15,000 | (\$7,492) |
| <i>Administration</i> | \$9,211 | \$10,000 | \$20,000 | (\$789) |
| <i>Amortisation</i> | \$24 | \$125 | \$250 | (\$101) |
| <i>Bank Fees</i> | \$179 | \$200 | \$400 | (\$21) |
| <i>Board meetings</i> | \$0 | \$500 | \$1,000 | (\$500) |
| <i>Conferences</i> | \$942 | \$1,000 | \$2,000 | (\$58) |
| <i>Depreciation</i> | \$128 | \$200 | \$400 | (\$72) |
| <i>Catering Expenses</i> | \$303 | \$1,500 | \$3,000 | (\$1,197) |
| <i>Fringe Benefit Tax</i> | \$2,165 | \$3,000 | \$6,000 | (\$835) |
| <i>Loss on Disposal of Asset</i> | \$134 | \$0 | \$0 | \$134 |
| <i>Insurance</i> | \$6,704 | \$4,000 | \$8,000 | \$2,704 |
| <i>Interest Paid - TCC Loan</i> | \$4,917 | \$5,000 | \$10,000 | (\$83) |
| <i>Legal</i> | \$687 | \$1,000 | \$2,000 | (\$313) |
| <i>Postage & Stationery</i> | \$0 | \$50 | \$100 | (\$50) |
| <i>Salaries</i> | \$142,824 | \$145,000 | \$290,000 | (\$2,176) |
| <i>Consultants</i> | \$0 | \$25,000 | \$50,000 | (\$25,000) |
| <i>Staff Support Costs</i> | \$9,400 | \$10,000 | \$20,000 | (\$600) |
| <i>Staff Training Costs</i> | \$0 | \$1,000 | \$2,000 | (\$1,000) |
| <i>Subscriptions</i> | \$440 | \$300 | \$600 | \$140 |
| <i>Tax Advice</i> | \$2,360 | \$4,000 | \$8,000 | (\$1,640) |
| Expenditure - Projects | \$710,371 | \$531,481 | \$662,960 | \$166,947 |
| <i>Aerial Photography Expense</i> | \$0 | \$50,000 | \$100,000 | (\$50,000) |
| <i>Interest Paid - BOPRC Loan</i> | \$0 | \$0 | \$0 | \$0 |
| <i>Lease Expense - ICN</i> | \$68,186 | \$70,000 | \$140,000 | (\$1,814) |
| <i>Lease Expense - Video Confer.</i> | \$0 | \$5,480 | \$10,960 | (\$5,480) |
| <i>Project Expenses ICN</i> | \$116,144 | \$6,001 | \$12,000 | \$110,143 |
| <i>Projects - Recoveries</i> | \$514,098 | \$400,000 | \$400,000 | \$114,098 |
| <i>Service Costs</i> | \$11,943 | \$0 | \$0 | \$11,943 |
| Total Operating Expenditure | \$892,825 | \$753,106 | \$1,106,211 | \$127,643 |
| Operational Surplus before Tax | \$131,005 | \$94,009 | \$0 | \$36,996 |

**BOP LASS LTD
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 2014**

| | Actual YTD |
|----------------------------------|--------------------|
| Current Assets | |
| Cheque Account | \$108,669 |
| Trust A/c Aerial Photography | \$1,108,889 |
| Trade Debtors | \$248,806 |
| Accrued Revenue | \$0 |
| Withholding Tax | \$6,872 |
| Prepayments | \$0 |
| Total Current Assets | \$1,473,236 |
| Non-current assets | |
| Office equip at cost | \$0 |
| Office equip depreciation | \$0 |
| Computer equip at cost | \$1,849 |
| Computer equip depreciation | (\$1,785) |
| Intangible - Computer Software | \$0 |
| Amortisation | \$0 |
| Total Non-current assets | \$64 |
| | |
| Total Assets | \$1,473,300 |
| | |
| Current Liabilities | |
| Trade Creditors | \$74,386 |
| Retentions | \$0 |
| Accrued Expenses | \$0 |
| Income in Advance | \$944,089 |
| TCC Loan | \$212,550 |
| TCC Loan - FX Contract | \$0 |
| PAYE Accruals Payable | \$6,556 |
| GST Collected | \$1,331,965 |
| GST Paid | (\$1,013,485) |
| GST Payments/refunds | (\$270,405) |
| Total Current Liabilities | \$1,285,656 |
| | |
| Total Liabilities | \$1,285,656 |
| | |
| Net Assets | \$187,644 |
| | |
| Equity | |
| Share capital | \$99,002 |
| Retained Earnings | (\$42,362) |
| Current Year Earnings | \$131,005 |
| Total Equity | \$187,644 |