



BOPLASS Ltd

HALF YEARLY REPORT TO SHAREHOLDERS



Period ended 31 December 2017

“COUNCILS PARTNERING FOR VALUE AND SERVICE”



BOPLASS Chair's Report

It is with pleasure the Directors present their 2017/2018 Half Yearly Report to Shareholders demonstrating the continuing contribution the company makes to collaboration between councils.

The renewal of councils' insurance through BOPLASS in November 2017 was a clear demonstration of the value added to BOPLASS councils through collaboration with other councils and the ability to leverage the buying power of a larger group. Although it is a hardening market for insurers, with significant premium increases being applied to similar NZ organisations, we were able to limit increases for the BOPLASS group while securing higher levels of cover for all councils. Additionally, BOPLASS has continued investigating opportunities to improve councils' insurance protection while also mitigating exposure and risk, with projects continuing for infrastructure hazard loss and loss modelling work.

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

The Board's focus steadfastly remains on the development of shared service initiatives and particularly looking at the opportunities for inter-regional collaboration.

The review of councils' solid waste services determined a number of areas with potential to benefit through collaboration and provide cost savings, operational benefits, and/or diversion of waste from landfill. The Board has approved for proof of concept to be developed for:

- a regional or cross-regional approach to licensing and data collection for waste operators;
- diverting putrescible wastes from landfill;
- a regional facilities strategy.

These are shared service projects of significance from both an operational and community perspective and have potential to provide substantial benefits to a large group of councils.

The Board is in the process of engaging an independent review of the company's governance, but have now extended the review to cover full organisational strategy before focussing specifically on the governance aspects. The Board is currently investigating the opportunity to undertake the review in conjunction with neighbouring LASS.

BOPLASS continues to develop its reputation as an effective example of collaboration within Local Government. We would like to thank the various individuals within all of the councils who continue to support and assist with the progress of these important initiatives.

Yours faithfully

Craig O'Connell

Chair



BOPLASS Ltd

"COUNCILS PARTNERING FOR VALUE AND SERVICE"

HALF YEARLY REPORT TO SHAREHOLDERS

14 FEBRUARY 2018

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.

Craig O'Connell has been reappointed to the position of Chair and continues in his role of independent director.

4 NATURE AND SCOPE OF ACTIVITIES

The principle nature and scope of the activities of BOPLASS Ltd is to:

- *Use joint procurement to add value to goods and services sourced for its constituent councils.*
- *Facilitate shared services that benefit councils and their stakeholders through improved levels of service, reduced costs, improved efficiency, innovation and/or increased value.*
- *Pursue best practice in the management of all activities to obtain best value and minimise risk.*
- *Demonstrate fiduciary responsibility by ensuring that its activities are adequately funded from savings achieved, levies, council contributions, or Government funding where available.*
- *Allow other councils or organisations to participate in its activities where this will benefit its constituent councils directly or indirectly.*
- *Represent the collective views of its shareholders in matters with which it is associated.*

5 FUTURE DEVELOPMENTS

BOPLASS Ltd will continue to work on business cases for joint procurement and shared services that may be provided in the region or cross-regionally.

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

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

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

Other shared services may be provided after the Board has considered each individual business case and formally agreed to take on and deliver (or host/procure etc.) the shared service.

Joint procurement opportunities will continue to be identified and developed with individual councils engaging under the opt-in principle established by the Board. Joint procurement initiatives will be considered by the Board and/or its advisory groups where there is demonstrated support from two or more member councils.

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

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

The BOPLASS Operations Committee will continue to manage responsibility for regular monitoring and governance of operational aspects of BOPLASS projects, allowing the Board to primarily focus on supporting the strategic development of the organisation. The committee members will also be responsible for identifying additional BOPLASS projects that add value to the shareholding councils and advocating these projects within their respective councils.

6 PERFORMANCE TARGETS

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

- Investigate new joint procurement initiatives for goods and services for BOPLASS councils.
- Provide support to BOPLASS councils that are managing or investigating shared services projects.
- Further develop and extend the Collaboration Portal for access to, and sharing of, project information and opportunities from other councils and the greater Local Government community to increase breadth of BOPLASS collaboration.
- Ensure appointed vendors remain competitive and continued best value is returned to shareholders.
- Complete an independent review of 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

- Infrastructure Insurance – BOPLASS recently represented a collective group of 41 councils in negotiations for placement of councils' infrastructure insurance in the London markets. With a total insured value of \$31.5 billion significant leverage was obtained and, despite recent claims, increased limits and higher insured values for the BOPLASS councils, very competitive pricing was received at rates up to 30% cheaper than had councils insured individually.

The insurance negotiations and placements were supported by loss modelling and risk quantification projects undertaken by the BOPLASS councils in 2017.

BOPLASS is continuing to manage 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.
- Media Distribution Services – BOPLASS is investigating opportunities for regional coordination for release and distribution of media notifications through common software and standardisation of services.
- 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.
- 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 and significant cost savings. This common technology platform now supports the future development of collaborative solutions between councils. Current projects for electronic document management, accounts payable, and digitalisation will be developed through utilising this common infrastructure.
- Aerial Photography 2016-18 – 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 also resulted in a significant contribution towards the project costs from Land Information NZ.
- Inter Council Network – An initiative with FX Networks/Vocus and the One.Govt consortium providing a 1Gbps fibre connection between the majority of BOPLASS councils. A technology and service review in 2017 has resulted in reduced costs for this foundation service.

- 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 further development of the on-line contractor health and safety prequalification scheme and promotion of the scheme to other councils. 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.
 - 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.
 - Occupational Health Services – a tender is being formed for the appointment of a preferential supplier for occupational health services across BOPLASS councils – providing for cost efficiencies and consistency in service.
- Enterprise Content Management – Several BOPLASS councils are reviewing options for electronic document management. With the majority of councils currently using the same supplier this presents an opportunity for a collective review of options.
- 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 – Opportunities for collaboration in solid waste services have been investigated, with three projects prioritised:
 - A regional or cross-regional approach to licensing and data collection for waste operators
 - Diverting putrescible wastes from landfill
 - A regional facilities strategy

Options for developing these opportunities on a cross-regional basis are under investigation. Further opportunities have also been identified with regional benefits through development of collective services in solid waste minimisation management or the establishment of aligned standards.
- 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.
- Internal Audit Services – The collective BOPLASS agreement with KPMG provides for the sharing of information and learnings across the greater group. A Challenges and Insights Panel session has recently been held where council representatives were able to workshop with KPMG the latest thinking and emerging trends in risk, technology and fraud in local government.
- 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.

- 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 partnerships. This improved visibility of other councils' workstreams encourages more inter-council collaboration initiatives.

A number of other councils and government organisations are now using the Portal but sharing of information remains fairly low. A project has been undertaken to survey users and reconfigure the Collaboration Portal to encourage a higher level of sharing.

- Governance Review – The Board has commenced the process of engaging an independent review of the company's governance. Following an initial assessment of BOPLASS strategy the review has now been extended to cover full organisational strategy and establishing a first principles strategic review before focussing specifically on the governance aspects.

BOPLASS is also investigating the opportunity to share information and independent reports with neighbouring LASS currently undertaking similar reviews.

- Communication – BOPLASS continues to regularly engage with our constituent councils, senior management and shareholders to ensure opportunities continue to be developed to the benefit of all stakeholders.
- Viability of Current Funding Model – The sources of BOPLASS funding and the viability of the funding model are regularly reviewed with financial reporting provided to the BOPLASS Board.

8 FINANCIAL REPORTS

1. Financial Support and Accounting Services

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

2. Accounting Policies

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

3. Tier 2 PBE Accounting Standards Applied

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

4. Financial Reports

Financial Reports for the period to 31 December 2017 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 lower than budget due to reduced secondment of the BOPLASS IT Manager to councils for specific IT projects.

ICN expenditure is currently reporting higher than revenue as programmed changes to the ICN, and the associated cost reductions, could not be implemented by suppliers in the expected timeframes. The additional cost will be recovered in Q3 and Q4.

Aerial photography expenses are less than budget due to delays in capture from the supplier.

9 STAFFING, ACCOMMODATION AND SUPPORT

Staff

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

Accommodation and Support

We continue to appreciate the office space provided at Tauranga City Council and the support that is offered for IT and Accounting services. Although there is a monthly fee there is still a contribution in kind.

BOP LASS LTD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE MONTH ENDED 31 DECEMBER 2017

	Actual YTD	Budget YTD	Total Budget	YTD Variance
REVENUE				
Revenue - Core	\$156,503	\$197,755	\$335,510	(\$41,252)
Bank Interest Received	\$348	\$1,000	\$2,000	(\$652)
Council Contribution	\$136,757	\$136,755	\$273,510	\$2
Sales of Service	\$19,398	\$60,000	\$60,000	(\$40,602)
Revenue - Projects	\$822,285	\$688,250	\$1,376,500	\$134,035
Aerial Photography Income	\$182,453	\$150,000	\$300,000	32,453
Bank Interest Received	1,265	\$8,250	\$16,500	(\$6,985)
Collaboration Portal	\$64,577	\$62,500	\$125,000	\$2,077
Lease Income - ICN	\$90,470	\$140,000	\$280,000	(\$49,530)
Lease Income - Video Confer.	\$17,545	\$6,500	\$13,000	\$11,045
Recoveries	\$461,957	\$315,000	\$630,000	\$146,957
Rebates	\$4,018	\$6,000	\$12,000	(\$1,982)
Total Operating Revenue	\$978,788	\$886,005	\$1,712,010	\$92,783
EXPENSES				
Expenditure - Core	\$210,156	\$255,900	\$460,300	(\$45,744)
ACC	\$785	\$750	\$1,500	\$35
Accommodation & Travel	\$82	\$750	\$1,500	(\$668)
Accounting & Audit	\$1,281	\$17,500	\$17,500	(\$16,219)
Administration	\$19,313	\$24,000	\$24,000	(\$4,687)
Amortisation	\$6,686	\$10,700	\$21,400	(\$4,014)
Bank Fees	\$313	\$400	\$400	(\$87)
Catering & General Expenses	\$902	\$1,000	\$2,000	(\$98)
Conferences	\$1,350	\$1,000	\$2,000	\$350
Depreciation	\$445	\$0	\$0	\$445
Directors Costs	\$6,643	\$9,000	\$18,000	(\$2,357)
Fringe Benefit Tax	\$2,860	\$3,900	\$7,800	(\$1,040)
Health & Safety	\$0	\$500	\$1,000	(\$500)
Insurance	\$7,146	\$8,000	\$8,000	(\$854)
Interest Paid – TCC Loan	\$844	\$1,000	\$1,000	(\$156)
Legal	\$0	\$1,000	\$2,000	(\$1,000)
Postage & Stationery	\$0	\$50	\$100	(\$50)
Salaries	\$159,324	\$162,500	\$325,000	(\$3,176)
Salaries – C'Portal Opex	(\$9,493)	\$0	\$0	(\$9,493)
Staff Support Costs	\$9,245	\$10,000	\$20,000	(\$755)
Staff Training Costs	\$0	\$1,000	\$2,000	(\$1,000)
Subscriptions	\$980	\$600	\$600	\$380
Tax Advice	\$1,450	\$2,250	\$4,500	(\$800)
Write Off reconciliations	\$0	\$0	\$0	\$0
Expenditure - Projects	\$786,079	\$625,855	\$1,251,710	\$160,224
Aerial Photography Expense	\$139,292	\$150,000	\$300,000	(\$10,708)
Collaboration Portal Opex	\$29,259	\$34,550	\$69,100	(\$5,291)
Lease Expense - ICN	\$135,964	\$135,000	\$270,000	\$964
Lease Expense – Video Confer.	\$14,902	\$6,305	\$12,610	\$8,597
Projects - Recoveries	\$466,662	\$300,000	\$600,000	\$166,662
Total Operating Expenditure	\$996,235	\$881,755	\$1,712,010	\$114,480
Operational Surplus / (Deficit) before Tax	(\$17,447)	\$4,250	\$0	(\$21,697)

**BOP LASS LTD
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 2017**

	Actual YTD
Current Assets	
Accrued Revenue	\$0
Cheque Account	\$74,440
Prepayments	\$12,513
Trust A/c Aerial Photography	\$563,350
Trade Debtors	\$95,176
Term Deposit – 180 days	\$200,000
Term Investment – 1 Year	\$300,000
Withholding Tax	\$10,228
Total Current Assets	\$1,255,707
Non-current assets	
Amortisation	(\$40,374)
Computer equip at cost	\$2,779
Computer equip depreciation	(\$556)
Intangible - Computer Software	\$62,891
Office equip at cost	\$0
Office equip depreciation	\$0
Total Non-current assets	\$24,740
TOTAL ASSETS	\$1,280,447
Current Liabilities	
Accrued Expenses	\$0
Accrued Salaries and Wages	\$4,243
GST Collected	\$2,083,134
GST Paid	(\$1,621,813)
GST Payments/refunds	(\$462,680)
Income in Advance	\$1,090,996
PAYE Accruals Payable	\$7,694
Retentions	\$44,342
TCC Loan	\$0
Trade Creditors	\$101,428
Total Current Liabilities	\$1,247,344
TOTAL LIABILITIES	\$1,247,344
NET ASSETS	\$33,103
Equity	
Current Year Earnings	(\$17,447)
Retained Earnings	(\$48,451)
Share capital	\$99,002
TOTAL EQUITY	\$33,103