



BOPLASS Ltd

“COUNCILS PARTNERING FOR VALUE AND SERVICE”

Half Yearly Report as at 20 January 2011

1 Introduction

The Local Government Act 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 appointment of Aileen Lawrie, Chief Executive Officer, Opotiki District Council and Christine Jones, Acting Chief Executive, Tauranga City Council. We appreciate the contribution that both of these directors are making. We also farewelled Stephen Town who was one of the initiators of the collaborative approach and who made a valuable contribution to BOPLASS Ltd.

BOPLASS Ltd

Bay of Plenty Local Authority Shared Services

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

- GIS;
- Rates Collection;
- Joint software support;
- Facilitation and /or provision of Ultrafast Broadband services between Councils;
- Facilitation of regional broad band services in the start up or incubation phase.

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

6 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:

- Initiate at least one shared service each year and no less than two shared services successfully implemented within three years;
- Implement Shared Services demonstrating best practice and added value to participating councils and stakeholders;
- Facilitate Joint Procurement of goods and services from sources offering best value, service, and or continuity of supply.
- Communicate with each shareholding council at appropriate levels;
- Partner with other non shareholding Councils and /or organisations to add benefit to the company.
- Ensure sufficient income is available from activities to sustain a viable company.

The Board believes that these targets are being achieved as is demonstrated by the list of activities below.

7 Current Initiatives

The following initiatives have been under consideration or operating during the first part of the year:

Shared Services

- Council Regional Network Platform – An initiative with FX Networks and the One.Govt consortium providing a 1Gbps fibre connection between the majority of our councils and eventually connecting to all councils by either fiber or microwave.
- Information Services Strategic Plan – A project aimed at creating a process for planning and approval of information sharing and development of information sharing capability between councils. A final draft has been prepared for circulation to councils.
- Shared GIS Services – A project has been initiated to establish Geographic Information as a Shared Service.

Joint Procurement

- Stationery and Office supplies – An agreement for the joint procurement of Stationery and Office furniture has been in place for the past 12mths and a decision has been made to roll the contract over to December 2011 with a fresh tender being called in October/November
- Core Record System (CRS) Land information Updates – a combined purchase of monthly land information updates saving participating councils more than \$12,000 per annum is operating efficiently but will expire in June when it is expected that an other provider will be appointed
- Insurance Procurement – The joint brokerage contract and continued management of the combined offering has delivered \$514758 savings in this financial year and will provide further savings in following years. One result is the fixing of material damage premiums over a rolling two year cycle which will mean

there will be no premium increase even though there was a significant earthquake in Christchurch.

- After Hours Telephone Service – Four Councils participated in this project and the successful bidder was Palmerston North City Council. These councils now provide significantly improved services 24 hours per day with better management of calls in a contract which has two years to run.
- Internal Audit/Business Excellence – a co-operative approach to internal audit and business improvement sharing best practice using a single consultant with resultant cost savings. Several councils have participated and summaries of results have been circulated
- Aerial Photography – a combined approach to bulk purchase of aerial photography with common standards resulting in reduced cost. A contract has been awarded to NZ Aerial Mapping Ltd for \$1.656M with resultant savings in excess of \$240,000 compared with going it alone. Delivery for the final imagery is scheduled for May/June
- Information Management – 5 of our councils currently use Objective for document management and there is interest in the software from other councils. Objective are now offering significant discounts and would like to encourage all councils to use the system
- M/W LASS – We continue to maintain a relationship with Manawatu Wanganui Lass and they are currently looking at climate controlled document storage facility which could be available to our councils.
- ESRI GIS Licencing – A three year contract which has all councils using the same Geographic Information Software with a substantial reduction in costs of approx \$60,000 p.a. over the notional pricing. This provides a foundation for the GIS Shared Services project
- Regional Telephony Contract- following a strict tendering process Gen-I a division of Telecom, are the supplier of telephony services and the combined approach has resulted in significant savings being available to councils from February 2011. Included in the offering was a collaborative pricing arrangement which is a first for the company.
- Video Conferencing – we are concluding a tender process for the supply and support of video conferencing equipment to up to 7 councils which has resulted in 50% saving on previous estimates.
- Rates Processing – Councils are setting up a project to investigate and identify options for collaboration with valuation services and rates processing.
- Fuel - A recent tendering process has identified potential savings for councils and we are working to see these realised in the balance of the year.
- Advertising – A contract has been agreed with Adcorp Ltd as a preferred supplier of newspaper advertising with consequential savings through collaborative procurement.
- Antiviral Software – Sophos Ltd provide antiviral software and offered a special council pricing, through joint purchase we were able to reduce the pricing even further with significant savings to participating councils

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

The organisation is operating within budget and has achieved a reasonable revenue stream for the first half of the year. Included are the Annual levies for Advisory Groups and service related payments for services accessed by councils. The insurance levy this year was significant and will assist in achieving a positive balance at year end. Council's annual contributions have not yet been invoiced and will be reviewed later in the year.

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 users pays approach advisory group are levied according to the size of the council being represented and the majority of groups have been levied and councils have paid. As groups are levied annually there may be a decline in levy income for the balance of the year but we are seeing payment for services as they come on line

4. Financial Reports

Financial Reports for the period to 31 December 2010 are attached.

5. Variations

Financial reports show total transaction costs whereas the Budget was based on income generated from activities rather than transactions

9. Staffing, Accommodation and Support

Staff

The Directors identified the need to provide additional resources in order to allow the company to continue to grow. Two areas of need were identified, the first being support and the second resourcing our ability to develop and manage new activities.

Stephen Boyle accepted the position of Business Development Manager and will be developing joint procurement initiatives and providing project support and co-ordination to selected shared services. As the organisation grows we need to support and manage existing activities as well as identify and develop new ones. This means the introduction of project management processes and planning will be important tasks. This is a full time position and will have a significant impact on our ability to respond to Council enquiries.

Kathryn Wilson joined as a part-time support person late last year and has been invaluable. Meeting arrangements and document preparation and management are key issues for us and efficiencies here will reduce pressures on Council staff, especially as we move towards video conferencing and the use of Microsoft Sharepoint for information sharing.

Both positions were budgeted for and it is not expected that there will be any further appointments in the foreseeable future.

Accommodation and Support

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

STATEMENT OF COMPREHENSIVE INCOME				
FOR THE MONTH ENDED 31ST DECEMBER 10				
	Actual YTD	Budget YTD	Total Budget	YTD Variance
Income				
Fixed Levy	\$48,117	\$35,000	\$70,000	\$13,117
Council Contribution	\$0	\$27,355	\$54,710	(\$27,355)
Sales of Service	\$571,073	\$67,588	\$135,175	\$503,485
Recoveries	\$4,472	\$0	\$0	\$4,472
Bank Interest Received	\$15,853	\$500	\$1,000	\$15,353
Lease Income - CRNP	\$115,525	\$0	\$0	\$115,525
Total Income	\$755,039	\$130,443	\$260,885	\$624,597
Expenses				
ACC	\$845	\$900	\$1,800	(\$55)
Accommodation & Travel	\$0	\$500	\$1,000	(\$500)
Accounting & Audit	\$1,258	\$4,320	\$8,640	(\$3,063)
Administration	\$6,066	\$12,500	\$25,000	(\$6,434)
Amortisation	\$0	\$0	\$0	\$0
Subscriptions	\$0	\$150	\$300	(\$150)
Bank Fees	\$5,533	\$125	\$250	\$5,408
Board meetings	\$1,619	\$1,000	\$2,000	\$619
Conferences	\$760	\$0	\$0	\$760
Grant to Bay Broadband Ltd	\$542	\$0	\$0	\$542
Insurance	\$3,450	\$2,500	\$5,000	\$950
Interest Paid - TCC Loan	\$3,373	\$1,500	\$3,000	\$1,873
Interest Paid - CRNP Loan	\$6,844	\$0	\$0	\$6,844
Legal/Tax Advice	\$3,634	\$3,000	\$6,000	\$634
Lease Expense	\$72,476	\$0	\$0	\$72,476
Projects	\$482,899	\$0	\$0	\$482,899
Salaries	\$92,515	\$103,000	\$206,000	(\$10,485)
Total Expenses	\$681,813	\$129,495	\$258,990	\$552,318
Net Profit / (Loss)	\$73,227	\$948	\$1,895	\$72,279

BOP LASS LTD		
STATEMENT OF FINANCIAL POSITION		
AS OF DECEMBER 10		
		Actual YTD
Current Assets		
Cheque Account		\$24,632.95
Trust A/c Aerial Photography		\$1,379,418.54
Trade and other receivables		
Trade Debtors		\$126,959.50
Accrued Revenue		\$0.00
Bay Broadband Ltd		\$0.00
Inter Company Receivables		\$0.00
Prepayments		\$172,410.80
Total Current Assets		\$1,703,421.79
Non-current assets		
Office equip at cost		\$3,622.00
Office equip depreciation		(\$2,668.99)
Share Purchase Bay Broadband		\$0.00
Total Non-current assets		\$953.01
Total Assets		\$1,704,374.80
Current Liabilities		
Trade and other payables		
Trade Creditors		\$6,674.61
Accrued Expenses		\$0.00
Income in Advance		\$1,433,000.00
TCC Loan		\$18,000.00
TCC Loan - FX Contract		\$165,736.19
Shareholders advances		\$0.00
Employee benefits		\$0.00
PAYE Accruals Payable		\$7,698.50
GST Collected		\$336,007.41
GST Paid		(\$132,164.12)
GST Payments/refunds		(\$156,394.23)
Total Current Liabilities		\$1,678,558.36
Total Liabilities		1,678,558.36
Net Assets		\$25,816.44
Equity		
Share capital		\$9,000.00
Retained Earnings		(\$56,410.31)
Current Year Earnings		\$73,226.75
Total Equity		\$25,816.44