



Promoting economic development and helping provide cost-effective services

COUNCIL CONTROLLED ORGANISATIONS

Ngā Roopu Mahi Tahi-a-Te Kaunihera ō Whakatāne



INTRODUCTION

A Council Controlled Organisation (CCO) is a company or organisation in which the Council, or a number of councils, holds 50% or more of the voting rights, or can appoint 50% or more of the trustees, directors or managers.

The Council enters into this form of partnership where it provides more effective, efficient and financially viable means of delivering services.

The Whakatāne District Council is a shareholder in four CCOs, including:

- Whakatāne Airport
- Toi Economic Development Agency (Toi-EDA)
- Bay of Plenty Local Authority Shared Services Limited (BoPLASS)
- Local Government Funding Agency (LGFA)

This section summarises the services these organisations will aim to deliver over the next year and how their performance will be monitored. More detailed information on these CCOs can be found in the following documents and websites:

TO FIND OUT MORE:

WHAKATĀNE AIRPORT

Whakatāne Airport Statement of Intent
Whakatāne Airport 10 Year Business Plan
LTP 2012-22
www.whakatane.govt.nz

TOI-EDA

Toi-EDA Economic Development Plan
LTP 2012-22
www.toi-eda.co.nz

BOPLASS

BoPLASS Statement of Intent
www.boplass.co.nz
LTP 2012-22
www.whakatane.govt.nz

LGFA

LGFA Statement of Intent
LTP 2012-22
www.lgfa.co.nz



WHAKATĀNE AIRPORT

The Whakatāne Airport was formed as a Council Controlled Organisation (CCO) in 2006. The Airport is a valuable community asset, which contributes to residents' quality of life and makes an important contribution to the economic well-being of the District. Today, daily air services are provided to and from Auckland. The Airport is a joint venture operation between the New Zealand Government (Ministry of Transport) and the Whakatāne District Council, with each partner owning a 50% share. The Whakatāne Airport Board provides governance oversight of the Whakatāne Airport CCO and implements the Whakatāne Airport 10-year Business Plan. The Board provides advice to the Council, which is ultimately responsible for decision making in relation to the airport. The day-to-day operation and maintenance of the airport, including the delivery of projects, services and initiatives, is managed by the Council.

OBJECTIVES OF THE WHAKATĀNE AIRPORT:

- Provide high quality facilities and services commensurate with existing levels of aviation activity and in accordance with all the appropriate Acts, Regulations and Rules pertaining to airport and aviation operations in line with the size of the Whakatāne Airport.
- Operate the Airport in a sound and business like manner.
- Ensure that the Airport is administered efficiently, effectively and safely to the benefit of scheduled flight operations, commercial operators and recreational users.
- Improve the long term value and financial performance of the Airport while improving the economic value of the Airport to Whakatāne.
- To promote a safe, accessible, affordable and reliable air transport system for the benefit of the economic and social development of the Eastern Bay of Plenty.

HOW PERFORMANCE WILL BE MEASURED

Financial performance measures and targets

- Operate and maintain the airport's assets within the operational expenditure and capital expenditure budgets (excluding corporate overheads and depreciation). These budgets will be outlined in the Whakatāne Airport Statement of Intent each year.

Non-financial performance measures and targets

- Maintain the Airport as a non-certified aerodrome in accordance with Civil Aviation Authority aerodrome design for aircraft at or below 5,700kg Maximum Combined Take-off Weight (MCTOW).

Further performance targets are likely to be introduced as part of the Whakatāne Airport 10-year Business Plan. Any new performance measures will be disclosed in the Statement of Intent for the year they relate to.

WHAT WE ARE GOING TO DO

We are planning to undertake the following major projects this year.

DESCRIPTION	TOTAL (\$)	FUNDING SOURCE
Airport pavement resurfacing*	100,000	Renewal 50% Restricted Reserves 50%
Airport renewals*	13,000	Renewal 83% Restricted Reserves 9% Loan 8%

* Multi-year project



BAY OF PLENTY LOCAL AUTHORITY SHARED SERVICES (BOPLASS)

BoPLASS is a CCO formed in 2007 to investigate, develop and deliver shared services, joint procurement and communications for the participating councils.

Joint procurement includes the purchase 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 the participating councils. Shared services include the participation of two or more councils in the provision of a common service, which may be jointly or severally hosted.

The Whakatāne District Council holds a one-ninth share in BoPLASS alongside eight other councils in the Bay of Plenty and Gisborne regions. The Board of Directors of BoPLASS consists of nine directors appointed by the shareholding councils. To ensure total synergy between the companies' activities and its council shareholders' activities, the Directors are also Chief Executives of their respective shareholding councils.

The services, projects and initiatives of BoPLASS are delivered through a small team of staff based in Tauranga and through advisory groups made up of representatives of the different councils interested in a particular service.

Advisory group membership is essentially a user-pays system based on involvement in the shared services developed under the BoPLASS umbrella.

The Whakatāne District Council pays a membership levy to BoPLASS of \$1,000 per year per advisory group.

HOW WILL PERFORMANCE BE MEASURED?

The specific performance targets for BoPLASS will be set annually through the BoPLASS Statement of Intent and will be based on the framework outlined below.

Performance measures and targets:

- 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.
- Investigate a minimum of four joint procurement initiatives per year for goods and services from sources offering best value, service, continuity of supply and/or opportunities for integration.
- Communicate with each shareholding council at appropriate levels with at least one meeting with each Executive Leadership Team per year.
- Ensure sufficient income is available from activities to sustain a viable company.



TOI ECONOMIC DEVELOPMENT AGENCY (TOI EDA)

Toi EDA is the Economic Development Agency for the Eastern Bay of Plenty and is based in Whakatāne. The activities undertaken by Toi EDA contribute to the sustainable growth and development of the local economy. Its vision is to grow the Eastern Bay of Plenty to enhance the wealth and quality of life of its people: Tini o Toi – Kia tipu, kia puawai (To create, grow and blossom the myriads of Toi). Toi EDA is an exempted Council Controlled Organisation (CCO) under the Local Government Act 2002. This means Toi EDA does not have to meet the specific reporting requirements related to CCOs.

Toi EDA is a partnership between the three territorial authorities (Kawerau, Ōpōtiki and Whakatāne) and the Bay of Plenty Regional Council, working together with local iwi. A trust board provides governance oversight and advice to Toi EDA. The board operates under the trust deed and is made up of experienced local business people from the Eastern Bay of Plenty, who play a vital role in leading and guiding the organisation. At a higher level, Toi EDA operates within a wider framework under the 'Bay of Connections' strategy. The objective of this strategy is to deliver regional economic development through new and existing initiatives and industries by building on the region's collective strengths. The Council will invest around \$191,000 in Toi EDA this year which will be funded from targeted rates (44%), general rates (30%) and the harbour fund (26%).

Toi EDA's focus is on projects relating to energy, forestry, aquaculture, transport and logistics, and marine industry. This includes projects, services and initiatives to increase employment, income and investment in the Eastern Bay of Plenty Region. The specific objectives of Toi EDA are covered within its economic development strategy

HOW WILL PERFORMANCE BE MEASURED?

Toi EDA considers performance in two ways. Firstly, how the local economy is performing (which is not a direct reflection on the performance of Toi EDA) and secondly, is Toi EDA delivering the services that it promised to deliver?

To consider the performance of the local economy, Toi EDA undertakes monitoring on a six-monthly basis. The Eastern Bay of Plenty monitoring report contains an overview of the region and analyses economic trends.

The specific performance targets for Toi EDA are outlined below:

Financial performance measures and targets

- Manage Toi EDA's operations within the budgets agreed by stakeholders and within the terms of the Trust Deed.

Non-financial performance measures and targets

- Implement key actions annually from the Toi EDA Strategic Plan, these are:
 - » Promote forestry processing opportunities locally and internationally.
 - » Support and promote the Kawerau Industrial Symbiosis project.
 - » Support the Opotiki Aquaculture and Harbour Development projects.
 - » Assist with the implementation of the 'Bay of Connections' strategies ensuring that Eastern Bay of Plenty projects are supported.
 - » Promote Chinese and Korean investment into the region.
 - » Promote, support and facilitate projects that have economic benefits.



LOCAL GOVERNMENT FUNDING AGENCY (LGFA)

The Whakatāne District Council joined the LGFA in 2012 as a principal shareholder. The basic function of the LGFA is to enable councils to borrow funds at lower interest margins than would otherwise be available. The LGFA is a partnership between the participating local authorities and the New Zealand Government. Operationally, the LGFA is run by a small team based in Wellington and is governed by a Board of Directors. The Board is responsible for the strategic direction and control of the LGFA's activities. The Board guides and monitors the business and affairs of LGFA, in accordance with the Companies Act 1993, the Local Government Act 2002, the Local Government Borrowing Act 2011, the Company's constitution, the Shareholders' Agreement for LGFA and its Statement of Intent.

The LGFA only lends to local authorities that enter into all of the relevant arrangements with it (participating local authorities) and that comply with the LGFA's lending policies.

OBJECTIVES OF THE LGFA:

The LGFA operates with the primary objective of optimising the debt funding terms and conditions for participating local authorities. This includes:

- Providing estimated savings in annual interest costs for all Participating Local Authorities of at least 30 basis points, based on the methodology set out in LGFA's Annual Report 2011-12.
- Making longer-term borrowings available to Participating Local Authorities.
- Enhancing the certainty of access to debt markets for Participating Local Authorities, subject always to operating in accordance with sound business practice.

Joining the LGFA has allowed the Council to more effectively and efficiently manage its funding maturity profile, smoothing term of debt and reducing both term and bank concentration risk. The Council has also reduced its funding cost in benefitting from the LGFA's highly rated "AA+" credit rating and access to wider and deeper debt capital markets. The Council has been able to fund via the LGFA at reduced margins of up to 40 basis points relative to commensurate term bank funding.

HOW WILL PERFORMANCE BE MEASURED?

The specific performance targets for the LGFA are set annually through its Statement of Intent. For the 2013/14 year, the LGFA's Statement of Intent contains the following performance targets for the 2013/14 year:

- LGFA's average cost of funds, relative to the average cost of funds for New Zealand Government Securities for the period to:
 - » 30 June 2014 will be less than 0.50% higher
 - » 30 June 2015 will be less than 0.40% higher
 - » 30 June 2016 will be less than 0.40% higher
- The average margin above LGFA's cost of funds charged to the highest-rated Participating Local Authorities for the period to:
 - » 30 June 2014 will be no more than 0.25%
 - » 30 June 2015 will be no more than 0.20%
 - » 30 June 2016 will be no more than 0.15%
- LGFA's annualised operating overheads will be less than \$3.3 million
- Total lending to Participating Local Authorities at:
 - » 30 June 2014 will be at least \$2,500 million
 - » 30 June 2015 will be at least \$2,800 million
 - » 30 June 2016 will be at least \$3,300 million

The full Statement of Intent 2013/14 is available on the LGFA's website www.lgfa.co.nz