

AGENDA



P O Box 747, Gisborne, Ph 06 867 2049 Fax 06 867 8076
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MEMBERSHIP: Her Worship the Mayor Rehette Stoltz (Chair), Josh Wharehinga (Deputy Chair), Meredith Akuhata-Brown, Bill Burdett, Andy Cranston, Shannon Dowsing, Sandra Faulkner, Larry Foster, Debbie Gregory, Isaac Hughes, Tony Robinson, Pat Seymour, Terry Sheldrake and Kerry Worsnop

FINANCE & PERFORMANCE Committee

DATE: Wednesday 6 April 2022

TIME: 10:00AM

AT: Te Ruma Kaunihera (Council Chambers), Awarua, Fitzherbert Street, Gisborne

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Finance & Performance

Reports to:	Council
Chairperson:	Mayor Stoltz
Deputy Chairperson:	Cr Wharehinga
Membership:	Mayor and all Councillors
Quorum:	Half of the members when the number is even and a majority when the membership is uneven.
Meeting frequency:	Six weekly (or as required)

Purpose

To assist Council to oversee financial and non-financial performance, including the delivery of the Council's Capital Programme and oversight of the Council Control Trading Organisation.

To monitor Council activities and services performance against budget, Annual Plans, the Long Term Plan, Annual Reports and corporate and financial policies.

The Finance and Performance Committee also receives enforcement and compliance performance activity reporting to ensure financial and non-financial performance oversight of its regulatory functions.

Terms of Reference

- Set, monitor and review plans and financial measures, practices and policies; the sources of funds, banking arrangements, insurance, investment and debt criteria, future financial arrangements.
- Monitor the performance of Council's treasury function – including strategic, investment and enterprise assets.
- Set fees and charges for Council services (including parking), and ensure these do not conflict with fee setting procedures of Bylaws of the Long Term Plan process and which are not set through the making of Bylaws.
- Approve preferred suppliers for capital projects and contracts where the value of the contract exceeds staff delegations.
- Approve expenditure (including substituted capital expenditure) items that are provided for in the Long Term Plan or Annual Plan where the value of that expenditure exceeds that authority delegated to officers.

- Approve debt write-offs where those debt write-offs are not delegated to staff.
- Consider all matters regarding the Local Government Funding Agency (LGFA).
- Monitor and review Council's strategic investment and enterprise assets – including consideration of the operational and financial effectiveness of Council Organisations, Council Controlled Organisations and Council's Controlled Trading Organisation (CCTO).
- In relation to the CCTO:
 - develop and approve the draft Statement of Intent for the CCTO
 - undertake any reviews of CCTO and make recommendations on any proposed changes to CCTO governance arrangements
 - consider and approve changes to service delivery arrangements arising from the service delivery reviews required under Local Government Act 2002 (LGA) that are referred to the Committee by the Chief Executive.
- Monitor the operational performance of Council's activities and services against approved levels of service.
- Monitor the operational performance of Council's regulatory activities and in particular enforcement and compliance, financial and non-financial performance reporting.
- Review and approve business plans including any related fees, charges and expenditure (including capital expenditure).
- Review the delivery of services under section 17A of the LGA.
- Monitor the delivery of the Council's Capital Programme, including inquiring into any material discrepancies from planned expenditure.
- Implement and review Health and Safety practices to ensure compliance with Council's legal responsibilities.

Power to Act

To make all decisions necessary to fulfil the role and scope of the Committee subject to the limitations imposed.

To establish subcommittees, working parties and forums as required.

To appoint non-voting advisory members and/or Tangata Whenua representatives to assist the Committee.

Power to Recommend

To Council and/or any standing committee as it deems appropriate.

3.1. Confirmation of non-confidential Minutes 16 February 2022

MINUTES

Draft & Unconfirmed



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MEMBERSHIP: Her Worship the Mayor Rehette Stoltz (Chair), Josh Wharehinga (Deputy Chair), Meredith Akuhata-Brown, Bill Burdett, Andy Cranston, Shannon Dowsing, Sandra Faulkner, Larry Foster, Debbie Gregory, Isaac Hughes, Tony Robinson, Pat Seymour, Terry Sheldrake and Kerry Worsnop

MINUTES of the FINANCE & PERFORMANCE Committee

Held VIA Audio Visual Link on Wednesday 16 February 2022 at 10:00AM.

PRESENT:

Her Worship the Mayor Rehette Stoltz, Deputy Mayor Josh Wharehinga, Meredith Akuhata-Brown, Bill Burdett, Andy Cranston, Sandra Faulkner, Larry Foster, Debbie Gregory, Isaac Hughes, Tony Robinson, Pat Seymour, Terry Sheldrake and Kerry Worsnop.

IN ATTENDANCE:

Chief Executive Nedine Thatcher Swann, Director Lifelines David Wilson, Director Internal Partnerships James Baty, Acting Director Liveable Communities De-Arne Sutherland, Director Environmental Services & Protection Helen Montgomery, Chief Financial Officer Pauline Foreman, Chief of Strategy & Science Joanna Noble, 4 Water Infrastructure Manager Neville West, Performance Manager Tim Breese, Democracy & Support Services Manager Heather Kohn and Committee Secretary Jill Simpson.

Secretarial Note: Crs Burdett & Seymour attended the meeting in the Chambers.

The meeting commenced with a prayer.

1. Apologies

MOVED by Cr Wharehinga, seconded by Cr Stoltz

That the apologies from Cr Dowsing and Cr Faulkner (for lateness) be sustained. **CARRIED**

2. Declarations of Interest

There were no interests declared.

3. Confirmation of non-confidential Minutes

3.1 Confirmation of non-confidential Minutes 10 November 2021

MOVED by Cr Sheldrake, seconded by Cr Akuhata-Brown

That the Minutes of 10 November 2021 be accepted. **CARRIED**

21-245 Quarterly Activity Reporting – Land Rivers & Drainage: Councillors will be advised on the completion date for the Taruheru River wall repairs.

3.2 Action Sheet

4. Leave of Absence

There were no leaves of absence.

5. Acknowledgements and Tributes

There were no acknowledgements or tributes.

6. Public Input and Petitions

There were no public input or petitions.

7. Extraordinary Business

There was no extraordinary business.

8. Notices of Motion

There were no notices of motion.

9. Adjourned Business

There was no adjourned business.

10. Reports of the Chief Executive and Staff

10.1 DECISION Reports Finance

10.1.1 22-9 Funding Back Ormond Road Sewer Pump Station Upgrade

Chief Financial Officer Pauline Foreman and Director of Community Lifelines David Wilson answered questions of clarification:

- Forecasting for development contributions looks at the projects that are occurring in the Long Term Plan. It is not a direct one to one relationship to the projects coming through.
- Working with DIA, 3 Waters Reform and a number of developers regarding the pump station upgrades required across the district.
- Funding for Taruheru is in the Long Term Plan, however funding for some of the upgrades required for other pump stations sits further out in the Infrastructure Strategy.
- Have been successful in moving to Phase 2 of the Infrastructure Acceleration Fund and a significant amount of funding is available to support the upgrades for future development.
- The report undertaken to look at the capacity of the wastewater network across the whole of the Turanga area is being peer reviewed. This report looks at where the capacity may lie for additional housing or subdivisions within our existing infrastructure and also what additional infrastructure may be needed. This report will be available to Councillors once peer reviewed.

- There are different funding streams being operated by Central Government that Council are looking into to ensure we get best we can for the region. They are:
 - Infrastructure Acceleration Fund: Ensuring we have the adequate infrastructure for future housing needs.
 - Funding from DIA through the 3 Waters Reform to ensure Councils are not left in a worse position.
 - Funding that Council receives for its assets.

MOVED by Cr Wharehinga, seconded by Cr Foster

That the Finance & Performance Committee:

1. Approves Option A, the bringing forward of \$1,200,000 from Years 6 and 7 of the current LTP 2022 to the 2021/22 Financial Year.

CARRIED

10.1.2 22-18 Draft Annual Plan 2023

Chief Financial Officer Pauline Foreman attended and answered questions of clarification:

- The word cycleway is to be added to the heading relating to the "Uawa Walking and Cycleway".
- The Employee Benefit Expenses recognises the differences in projects not mentioned in the Long Term Plan. The final Plan will show any adjustments made from January 2021.
- The amount of external funding for the Waingake Restoration Project will be emailed to Councillors.
- Bollards was listed as a separate capital project, as it came under Cemetery activity. The Cemetery is rated differently than other open spaces assets like Reserves.
- Lawson Field Theatre have lower Fees and Charges for community events. Local amateur groups, schools and voluntary organisations have fees and charges discounted of up to 40% when compared to commercial or professional groups. In addition, fees for 2022/23 for local community users remain the same as for 2021/22.
- Cemetery Fees and Charges have gone up a relatively small amount to cover the cost of inflation.
- On a case-by-case basis it is very difficult to charge for troublesome dogs.
- The Annual Plan communication to our community will be through social media, newspaper and He Panui.
- There would be a significant impact should building consents fees be reduced. Building consent fees, as opposed to the cost of building a house, are a very small fraction. The value you receive to ensure your building is built to code is peace of mind. Besides adhering to the funding requirements of the Revenue & Financing Policy, Council has an obligation to pay a percentage of the cost of a building consent fee to the Ministry of Business, Innovation and Employment. Should there be a zero fee scheme for our building consents, the general ratepayer would be paying not only the overhead costs but also the fees that Council pays to organisations outside of Council.

Councillors acknowledged the Building, Consents and Resource Consents teams for their professionalism and how accommodating they have been in finding a solution around the emergency housing.

MOVED by Cr Seymour, seconded by Cr Hughes

That the Finance & Performance Committee:

1. Approves the draft 2022/23 Annual Plan estimates.
2. Approves the draft capital works programme for 2022/23.
3. Agrees (having regard to those matters outlined in this report) that it is financially prudent to budget for an accounting surplus in the draft Annual Plan 2022/23.
4. Approves the consultation assessment for the 2022/23 Annual Plan.
5. Approves the 2022/23 draft Fees and Charges document for consultation.

CARRIED

10.2. INFORMATION Reports Finance

10.2.1 22-15 Treasury Report - 31 December 2021

MOVED by Cr Stoltz, seconded by Cr Akuhata-Brown

That the Finance & Performance Committee:

1. Notes the contents of this report.

CARRIED

10.2.2 22-35 Rates and Sundry Invoice Debt Management Report to 31 December 2021

Questions included:

- The rates rebate figure of \$785k has increased as the quantum allowed with regard to the retirement homes has increased. Further information regarding the amount of increase will be provided to Councillors.
- The criteria around low income earners is set by Central Government. The thresholds set by Central Government will be provided to Councillors.
- More detail will be provided in a subsequent report around the 2021 aged rates debt along with payment plans and clarification around Council's process of following through to collect these debts.
- Maori freehold land rates debt is part of a greater piece of work that is being carried out by staff to address the debt.

MOVED by Cr Sheldrake, seconded by Cr Stoltz

That the Finance & Performance Committee:

1. Notes the contents of this report.

CARRIED

Secretarial Note: Cr Wharehinga left the meeting at 10.24am.

10.2.3 22-36 Financial Report - 31 December 2021

Chief Financial Officer Pauline Foreman explained to the Committee that there are some pressure points in terms of supply and the ability to carry out some work on public land. Some projects may need to be carried over.

MOVED by Cr Akuhata-Brown, seconded by Cr Worsnop

That the Finance & Performance Committee:

1. Notes the contents of this report.

CARRIED

10.3 DECISION Reports Performance

10.3.1 22-29 Regional Shared Services Initiative

Performance Manager Tim Breese attended. The main purpose of the initiative is to produce efficiency gains in the delivery of the services currently being provided.

The Chief Executive explained that the Regional Chief Executive were tasked with coming up with a new model for shared services support. There is already a structure in place (effectively a CCO) which some founding Councils have been funding into and other Councils are now joining into that mix and broadening their opportunities to share services across different areas. Firstly, this will focus on the early wins eg Tech solutions and shared information data platforms. In terms of timeliness, it was requested last year and some Councils are already participating however because it is a CCO Council is required to undertake public engagement.

There is a tiered funding system, meaning the bigger the Council the more of the share you pay.

Questions of clarification included;

- BOPLASS will continue as it provides a different service such as significant savings for insurance schemes and other health and safety initiatives.
- The cost of exiting the Scheme will be provided to Councillors.

MOVED by Cr Faulkner, seconded by Cr Akuhata-Brown

That the Finance & Performance Committee:

1. Agrees to consult with the community on becoming a shareholder in the Regional Shared Services Organisation operating as a Council-Controlled Organisation.

CARRIED

10.4 INFORMATION Reports Performance

10.4.1 22-33 Quarterly Activity Reporting - Quarter 2 Financial Year 2021- 2022

Mayor Stoltz requested that questions of clarification be emailed to her and they will be passed onto appropriate staff for feedback.

Questions included:

- Because of the building boom there have been issues keeping up with the demand for Building Consents. A Company has been contracted to help with processing building consents and timeframes will be improved. On-site inspections are being kept up with. The next quarter report will reflect an improvement.
- Kainga Ora do their own processing so not relying on Council to process their consents.
- Acknowledge that the Territorial and Regional Consents are showing a large improvement.
- The Safety of Drinking Water related to different events. With regard to the city supply it was switching over to some of the automation methods. There have been large upgrades at Waingake. This was not around human health but rather around the reporting and the analytics on the quality of the water going through the system.
- A report on the Resource Recovery Centre will be submitted to the April Operations Committee meeting. The report will also cover the waste plans moving forward and the waste collection contracts, in particular around illegal dumping and what can be done.
- Staff are working with contractors around the response times for rubbish collection taking into account whose property the rubbish is sitting on ie Council, Waka Kotahi or Department of Conservation.
- Waste management trucks are fitted with cameras and often the footage is looked at. It has been noticed that on times there was no rubbish out when the truck went past. Waste Management will often revisit the site and pick up the rubbish up if it is out. If the recycling is not picked up it could be that it is contaminated and this will be stickered.
- Some of the dolosse originally set aside for restoration of the Waiapu River are being used on Kaianga Hill and being paid for by internal transfer between the Roding Department and Land Rivers and Drainage. The installation of any further dolosse is contingent on the Waiapu Catchment Plan being agreed to. There is no funding at this stage to install any further dolosse in the Waiapu River.

MOVED by Cr Cranston, seconded by Cr Gregory

That the Finance & Performance Committee

1. Notes the contents of this report.

CARRIED

Secretarial Note: The meeting adjourned at 11.30 for lunch and reconvened at 12pm.

11. Public Excluded Business

Secretarial Note: These Minutes include a public excluded section. They have been separated for receipt in Section 14 Public Excluded Business of Council.

12. READMITTANCE OF THE PUBLIC

MOVED by Cr Stoltz, seconded by Cr Seymour

That:

1. The Council re-admits the public.

CARRIED

13. Close of Meeting

There being no further business, the meeting concluded at 12.45pm.

Rehette Stoltz
MAYOR

3.2. Action Sheet

Meeting Date	Item No.	Item	Status	Action Required	Assignee/s	Action Taken	Due Date
27/05/21	12.1	Additional Action Items	In progress	Matters Arising - Minutes of 17 February 2021 Provide Councillors with the technical data arising from the monitoring of swimming pool fencing.	Helen Montgomery, Ian Petty	24/08/2021 Helen Montgomery Technical data arising from the monitoring of swimming pool fencing would be provided as soon as it becomes available. 21/01/2022 Denise Williamson We have completed all the city pools and are now concentrating on zone 4 which is essentially the consented pools on the Poverty Bay flats. There are very few consented pools on the coast. We have completed roughly a third of the zone 4 pools and the owners of the remainder have been contacted. We are fitting them in as soon as we can and attempting to minimise travel times by coordinating BAU inspections in the same area to promote timeframe efficiencies in this very building boom.	02/02/22
10/11/21	10.4.1	21-245 Quarterly Activity Reporting - Quarter 1 Financial Year 2021-2022	Completed	Roads and Footpaths: 1. Email to Councillors the Schedule of Works relating to the \$16.8m emergency works.	Dave Hadfield	10/02/2022 Dave Hadfield A full report will be presented to the next Operations Committee.	15/03/22

Meeting Date	Item No.	Item	Status	Action Required	Assignee/s	Action Taken	Due Date
16/02/22	10.2.2	22-35 Rates and Sundry Invoice Debt Management Report to 31 December 2021	In progress	<p>Provide Councillors with further information regarding the increase in the rates rebate figure in relation to retirement homes.</p> <p>Provide Councillors with the thresholds set by Central Government regarding rates rebate for low income earners.</p> <p>Prepare a report to the 6 April 2022 Finance & Performance Committee with regard to 2021 aged rates debt along with payment plans and clarification around Council's process of following through to collect these debts.</p>	Angelee Brown, Fiona Scragg	<p>18/03/2022 Fiona Scragg</p> <p>The Rates and Sundry Invoice Debt Management Report for 8 June Finance & Performance meeting will have updated rates debt collection figures and analysis, update on our debt collection processes and full information about the rate rebate scheme for 2021/22. For this financial year to date 1,358 rate rebates have been processed with a value of \$835k, 115 of these are for retirement villages worth \$73k.</p>	10/05/22
16/02/22	10.3.1	22-29 Regional Shared Services Initiative	Completed	Provide Councillors with the cost of exiting the Regional Shared Services Initiative.	Tim Breese	<p>17/03/2022 Tim Breese</p> <p>The General Manager of the Regional Shared Services Initiative has indicated there would not be exit costs, but expects there would be a notice period of at least 1 FY to allow the remaining members to adjust their own annual plans and long term plans.</p>	18/03/22

10.1. DECISION Reports Finance



22-86

Title: 22-86 Appointment of New Trustees to Gisborne District Disaster Relief Trust

Section: Finance & Affordability

Prepared by: Ally Campbell - Executive Policy Advisor

Meeting Date: Wednesday 6 April 2022

Legal: Yes

Financial: Yes

Significance: **Low**

Report to FINANCE & PERFORMANCE Committee for decision

PURPOSE

The purpose of this report is to seek Council approval and appointment of new Trustees for the Gisborne District Disaster Relief Trust ("Trust").

SUMMARY

The Trust was established in 2008 to provide a means of receiving donations following a disaster and dispersing funds for welfare purposes.

The Trust Deed provides for Council to appoint at least two Administrative Trustees who are employees of Council. The two current Administrative Trustees are Ben Green – Civil Defence and Emergency Manager, and Nedine Thatcher Swann – Chief Executive.

The Administrative Trustees do not have mandate to participate in decisions around the granting of funds. As Tairāwhiti has experienced three significant emergency events in the past nine months, there is a clear need to appoint trustees who have the power to distribute funds from the Trust during such emergency events.

The Trust is registered as a Charitable Trust and has charitable donations status. It currently has \$73k in funds but under its Trust Deed it must maintain a minimum of \$50k. Council can top the Trust up by \$50k and receive a tax credit for its donation made to the Trust.

Attached is the Gisborne Disaster Relief Trust Deed in **Attachment 1**.

The decisions or matters in this report are considered to be of **Low** significance in accordance with the Council's Significance and Engagement Policy.

RECOMMENDATIONS

That the Finance & Performance Committee:

1. Resolves to appoint the Mayor and one other Councillor as Elected Trustees to the Gisborne District Disaster Relief Trust on their signing of an appropriate Deed of Accession and to provide notification in writing of the appointments to the Charities Services.
2. Agrees to grant \$50k to the Gisborne District Disaster Relief Trust from the Civic expenses of the district budget.

Authorised by:

Pauline Foreman - Chief Financial Officer

Keywords: CDEM, disaster relief trust, charities service

BACKGROUND

1. The purpose of the Trust is to provide financial and any other relief or assistance to meet the welfare and other needs of people who have suffered damage or loss following a natural or man-made disaster in the Gisborne region or elsewhere in New Zealand.
2. Although no payments have been made by the Trust, it remains set up as a vehicle for future funds distribution if and when needed.
3. The Trust Deed includes the following relevant provisions:
 - a. The Trust shall consist of not less than two and not more than nine Trustees.
 - b. Council is responsible for appointing Trustees by notice in writing.
 - c. A Trustee may at any time be removed as a Trustee by the Council by notice in writing.
 - d. There shall be at least two Administrative Trustees who are not elected officials but may be Council employees.
 - e. The Trustees may include no more than two Citizen Trustees who are not elected officials but are resident in the Gisborne district.
 - f. There may be up to five Elected Trustees including the Gisborne District Council Mayor and four Gisborne District Councillors. They will cease to hold office if they no longer hold an elected member of Council.
 - g. All Trustees must sign and deposit with the Council a Deed of Accession binding that person to the terms of the Trust deed.
 - h. Administrative Trustees cannot participate in the decisions of the Trust around the donating and gifting of funds.
4. Currently, the Trust has two administrative Trustees: Ben Green – Civil Defence and Emergency Manager, and Nedine Thatcher-Swann – Chief Executive.
5. The Administrative Trustees attend to the preparation and audit of the Annual Report and any other administrative matters. They do not have the mandate to participate in decisions around the granting of funds.
6. The Trust Deed has been attached in **Attachment 1**.

DISCUSSION and OPTIONS

7. In the past nine months, the Tairāwhiti regions have experienced three significant emergency events being:
 - a. 20 June 2021 – flash floods Tokomaru Bay.
 - b. 4 November 2021 – Gisborne city and district-wide.
 - c. Recent March 2022.
8. During these emergency events, sections of the community and private property owners have been significantly impacted, particularly in coastal areas.

9. Given that the purpose of the Trust is to “provide financial and any other relief or assistance to meet the welfare and other needs of people who have suffered damage as a result of disaster or emergency event” and given the frequencies of emergency events now occurring in our region, it is advisable to stand up the Trust, so it is able to operate for its intended purpose.
10. In order to make the Trust operative, and able to distribute funds, Elected or Citizen Trustees need to be appointed. Staff recommend the Mayor and one other Councillor be appointed as an Elected Trustees. Council could also consider appointing one Citizen Trustee.
11. If in the event that a Councillor is appointed to the role of a Trustee and is either is not re-elected or they chose not to stand again for re-election, that Trustee could still be eligible to continue as a Trustee due to them being a citizen Trustee. If this was to occur, the Trust would need to make a resolution to appoint, and a disclosure note would be recorded within the Annual Report.
12. The Trust Deed sets out the rules for appointment of Trustees and therefore takes precedence over Council’s Board Appointments and Remuneration Policy (Policy) in that regard. Councillors must still consider the Policy criteria in selecting candidates. Appointments should be undertaken in an objective and transparent manner and made on the basis of an assessment of the skills, knowledge and experience, having regard to the nature and scope of the Trust’s objectives and activities.
13. The Trust is set up to take donations from the public and can be utilised more in the future for “give a little” public assistance in events of continuing district disasters. The Trust is a Charitable Trust and as such any donations made to the Trust are eligible to the donors to claim a tax credit (up to the same amount or less than the donor’s taxable income.)

Topping up the Trust

14. Currently, Council can make donations to any registered charitable organisations and receive a tax credit for up to its assessable income. Council’s assessable income for tax purposes is restricted mostly to its revenue received from its Council Controlled Trading Organisation.
15. By giving a donation, to the Trust, Council will be “credited” by 33% of its distribution.
16. Council does have grants within its own area of discretion and rated funds (“Civic Expenses of the District), which has a total budget of \$75k for this current year, of which \$50k is uncommitted.
17. By topping up the Trust by \$50k, net cost to Council after tax donation credit is \$33.5k.
18. It should be noted that Council’s eligibility to claim donation tax credits in the future, will be overturned by new legislation. After 30 June 2022, any donation that Councils may make will no longer be able to claim tax credits.

Other areas of assistance

19. Central Government announced during the most recent March 2022 event, that they would contribute \$175k to the Mayoral Relief Fund (Fund). The criteria for eligibility for donations from the Fund include those that are most impacted by the emergency event and communities in high deprivation areas.
20. The Fund is in addition to the Disaster Relief Trust (Trust) and does not need to be administered from within the Trust Deed.
21. Both the Trust and the Fund can provide aid to meet private individual or community needs, regardless of whether the recipient is a ratepayer or not.
22. Council does have "rates remissions" available for property owners, in the event of "financial hardship and exceptional circumstances," where relief of rates may be given to assist ratepayers who are facing financial hardship and/or adversely impacted by a natural disaster.
23. The Fund, the Trust and the rates remissions can provide relief to private individuals and to private property.

ASSESSMENT of SIGNIFICANCE

Consideration of consistency with and impact on the Regional Land Transport Plan and its implementation

Overall Process: Low Significance

This Report: Low Significance

Impacts on Council's delivery of its Financial Strategy and Long Term Plan

Overall Process: Low Significance

This Report: Low Significance

Inconsistency with Council's current strategy and policy

Overall Process: Low Significance

This Report: Low Significance

The effects on all or a large part of the Gisborne district

Overall Process: Low Significance

This Report: Low Significance

The effects on individuals or specific communities

Overall Process: Low Significance

This Report: Low Significance

The level or history of public interest in the matter or issue

Overall Process: Low Significance

This Report: Low Significance

24. The decisions or matters in this report are considered to be of **Low** significance in accordance with Council's Significance and Engagement Policy.

TANGATA WHENUA/MĀORI ENGAGEMENT

25. There is no tangata whenua/Māori engagement required.

COMMUNITY ENGAGEMENT

26. There is no community engagement required.

CLIMATE CHANGE – Impacts / Implications

27. The occurrence of three significant emergency events in Tairāwhiti over the past nine months, all of which have been primarily related to intense weather and flooding, highlights the need for there to be a focus on climate change and potential climate impacts going forward.
28. Providing access for the distribution of funds from the Trust will enable Council to give support to those who need it following such events, which may help minimise the long-term effects of such emergencies on individuals, and the community as a whole.

CONSIDERATIONS

Financial/Budget

29. The Trust was set up in 2008 with \$60,000 capital and has earned interest over the years. As at 28 February 2022 the Trust had \$73k in total funds. The Trust is to give assistance to individuals relating to private property or private financial assistance. In addition, it may subsidise other organisations or groups sharing similar charitable purposes.
30. In administering the Trust Fund, the Trustees must ensure that the Fund is maintained at the minimum of \$50,000 (clause 2.3 of the Trust Deed). While the current funds available for distributions are not significant, the fact that the Trust is a charitable vehicle for donations, means it could have more use in the future. Especially, if "give a little" or public donations were activated.
31. Council has one further reserve – the Civil Defence Emergency Reserve. This Reserve has about \$236k of uncommitted funds available for rectifying damage to Council property or Council civil defence works. This fund is not distributable to the community based on the community's private needs. The vehicle for giving assistance to private individuals is either the Trust or via remissions.

Legal

32. Only Elected and Citizen Trustees can decide to make a donation or gift out of any property or money of the Trust (clause 5.2 of the Trust Deed).
33. The Trust Deed sets out the rules of appointment for the Trust and therefore takes precedence over the Policy in that regard.

POLICY and PLANNING IMPLICATIONS

34. There are no policy and planning implications.

RISKS

35. There are no risks associated with the Trust.

NEXT STEPS

Date	Action/Milestone	Comments
6 April 2022	Appoint of addition Trustees to the Trust in accordance with the Trust Deed	

ATTACHMENTS

1. Attachment 1 - Gisborne District Disaster Relief Trust Deed 2008 (A 1600603) [**22-86.1** - 20 pages]



The Gisborne District Disaster Relief Trust

TRUST DEED

CHARITABLE TRUST DEED THE GISBORNE DISTRICT DISASTER RELIEF TRUST

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Clause No.

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18. Council Controlled Organisation
19. Definitions and Interpretations

Schedules

- A. Trustees' Powers
- B. Deed of Accession to the Gisborne District Disaster Relief Trust Deed

CHARITABLE TRUST DEED - THE GISBORNE DISTRICT DISASTER RELIEF TRUST

THIS DEED made at Gisborne on the 28th day February 2008

PARTIES

1. **GISBORNE DISTRICT COUNCIL** ("Council")
2. **[LINDSAY RONALD MCKENZIE]** of [Gisborne] and **[KENNETH DOUGLAS BIRT]** of [Gisborne] ("Trustees")

RECITALS

- A. The Council wishes to establish a trust for the charitable purpose of meeting the welfare and other needs of people who have suffered damage or loss following a natural or man-made disaster in the Gisborne District or elsewhere in New Zealand.
- B. The Council has paid into the name of the Trustees the sum of \$60,000 to be held by the Trustees upon the trusts and with the powers set out in this deed.
- C. It is anticipated that further moneys investments or property may from time to time be paid transferred or vested in the names and control of the Trustees.
- D. The Trustees have consented to become Trustees, upon the trusts and with and subject to the powers and provisions expressed in this deed.

THIS DEED NOW RECORDS AS FOLLOWS:

1. ESTABLISHMENT OF TRUST

- 1.1 The Council has contemporaneously with the signing of this deed paid to the Trustees the sum of \$60,000 ("**Trust Fund**") which the Council directs the Trustees to hold and which the Trustees acknowledge and declare that they hold upon the trusts and with the powers set out in this deed.

Name

- 1.2 The name of this trust shall be "**THE GISBORNE DISTRICT DISASTER RELIEF TRUST**".

Registered Office

- 1.3 The registered office of the Trust shall be at the offices of Gisborne District Council, Fitzherbert St, Gisborne.



2. CHARITABLE PURPOSES

2.1 The Charitable Purposes of the Trust shall be:

- (a) to provide financial and any other relief or assistance to meet the welfare and other needs of people who have suffered damage or loss following a natural or man-made disaster in the Gisborne District or elsewhere in New Zealand; and
- (b) all such other things as are incidental or conducive in the attainment of the Charitable Purpose described in clause 2.1(a).

("Charitable Purposes").

Means of Achieving Charitable Purposes

2.2 The Trustees may, in order to achieve the Charitable Purposes, in addition to all other powers vested in the Trustees:

- (a) accept and receive subscriptions, donations, subsidies, grants, endowments, gifts, legacies, loans, and bequests in monies or in kind or partly in both;
- (b) publish and distribute newsletters, on-line assistance and brochures and any other means of disseminating information relating to the Trust and its purposes;
- (c) subsidise, encourage and incorporate with, any other person, organisation or group (whether incorporated or not) sharing similar charitable purposes with the Trust;
- (d) establish, promote, or foster educational facilities, workshops, training programmes and other activities;
- (e) make known and advertise the Trust and its purposes by such use of any of the media as the Trustees may decide; and
- (f) undertake such other activities and enterprises as the Trustees may decide will further the Charitable Purposes.

Limitations

2.3 In carrying out the Charitable Purposes, the Trustees shall:

- (a) take reasonable steps to ensure that all financial and other relief or assistance paid, given or granted to any person under this Trust is used by that person in accordance with the Charitable Purposes; and
- (b) in administering the Trust Fund:
 - (i) be entitled to retain the amount of the Trust Fund which the Trustees consider must be maintained for administration of the Trust; and
 - (ii) ensure that the Trust Fund is maintained at the minimum of \$50,000 at all times.

3. TRUSTS

3.1 The Trustees acknowledge that the Trustees stand possessed of the Trust Fund upon the trusts and with the powers set out in this deed.

3.2 The Trustees shall hold the Trust Fund upon trust:

Administration Expenses

- (a) to pay all expenses, costs and commissions of and incidental to the administration of the Trust;

Application of Income

- (b) to use or apply, or decide not to use or apply, any annual income for each Financial Year or such part thereof as the Trustees think fit for the Charitable Purposes; and

Application of Capital

- (c) to use or apply any of the capital of the Trust Fund for the Charitable Purposes as the Trustees may from time to time determine, without first using or applying the whole or any portion of any income of the Trust Fund for any Financial Year.

Application in New Zealand

3.3 The capital and income of the Trust Fund shall be applied within New Zealand to meet the Charitable Purposes.

Reserves

3.4 The Trustees may set aside reserves or accumulations for future use or application.

Perpetuity

3.5 The Trust created by this deed shall continue in perpetuity unless the Trustees decide to wind up the Trust.

4. TRUSTEES

Number of Trustees

4.1 The Trustees shall consist of not less than two and not more than nine Trustees.

Power of Appointment

4.2 The power of appointment of Trustees shall be vested in the Council who may appoint the Trustees by notice in writing.

Power of Removal of Trustees

4.3 A Trustee may at any time be removed as a Trustee by the Council by notice in writing.

Rules of Appointment

4.4 The Trustees shall be appointed in accordance with the following principles:

- (a) at all times the Trustees shall include no less than two "**Administrative Trustees**" who shall not hold any elected office in any Local Authority, but may be employees of the Council, during their term of office as Trustees.

- (b) the Trustees may include no more than two "**Citizen Trustees**" who shall not hold any elected office in any Local Authority and who shall be a resident of the Gisborne District. The Citizen Trustees will be appointed by council.
- (c) the Trustees may include up to five "**Elected Trustees**" including:
 - (i) the Mayor of the Council; and
 - (ii) up to a further four elected members of Council appointed by Council.
- (d) where an Elected Trustee is unable or unwilling to act, or ceases to hold office pursuant to clause 4.5, that position as Elected Trustee can be left vacant or filled by a further Council appointment.
- (e) the total number of Trustees in office shall not exceed nine at any time.

Cessation of Office of Trustee

- 4.5 A Trustee shall cease to hold office and shall be deemed to have retired if that Trustee:
- (a) resigns by giving notice to the Trustees which resignation shall take effect as from the date stipulated in that notice; or
 - (b) being an Elected Trustee, no longer holds the elected office with the Council which qualified him or her as an Elected Trustee; or
 - (c) becomes of unsound mind or subject to an order under the Protection of Personal and Property Rights Act 1988, or otherwise becomes unfit or unable to act as a trustee; or
 - (d) becomes insolvent or commits an act of bankruptcy; or
 - (e) dies; or
 - (f) is removed from office by the person holding that right by notice in writing to all Trustees (which in the case of an Elected Trustee must apply to all Elected Trustees); or
 - (g) is convicted of an offence punishable by a term of imprisonment of not less than two years and has been sentenced to imprisonment for that offence; or
 - (h) is prohibited from becoming a director or promoter or being concerned or taking part in the management of any company under sections 382, 383 or 385 of the Companies Act 1993.

Consequences of Retirement or Removal

- 4.6 A Trustee who has ceased to hold office, retired or been removed shall cease to be a Trustee immediately except for the purpose of carrying out the acts and deeds necessary for the proper vesting of the Trust Fund in the continuing Trustees, which acts and deeds shall be carried out at the expense of the Trust Fund.


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Deed of Accession

- 4.7 No person shall take up office as a trustee of the Trust unless and until that person has signed and deposited with the Council a deed of accession binding that person to the terms of this deed in, or substantially in, the form appearing as schedule B.

5. TRUSTEES' POWERS/LIMITED POWERS OF ADMINISTRATIVE TRUSTEES**Powers of Natural Person**

- 5.1 Subject to clause 5.2, to achieve the Charitable Purposes, the Trustees shall have in the administration, management and investment of the Trust Fund all the rights, powers and privileges of a natural person and, subject always to the trusts imposed by this deed, may deal with the Trust Fund as if the Trustees was the absolute owner of and beneficially entitled to the Trust Fund and, accordingly, in addition to any specific powers vested in the Trustees by law, in dealing with the Trust Fund or acting as Trustees of the Trust, the Trustees may do any act or thing or procure the doing of any act or thing or enter into any obligation whatever, including, without limitation, exercising unrestricted powers to borrow and raise money, and to give mortgages, other securities, guarantees and indemnities and appointing an attorney or attorneys.

Limited Powers of Administrative Trustees

- 5.2 Any decision to make a donation or gifting out of any Property or money of the Trust or Trust Fund to a third party shall be made by the Elected and Citizen Trustees only and no Administrative Trustee shall participate in such a decision.

Specific Powers

- 5.3 Without limiting the generality of clause 5.1, and subject to clause 5.2, the Trustees shall have all of the powers set out in schedule A, which may be exercised either by the Trust on its own or jointly with other persons or groups.

Investment

- 5.4 In exercising their powers of investment the Trustee may acquire any property, or retain or deal with any property which from time to time comprises the whole or part of the Trust Fund notwithstanding that any act or omission by the Trustee in the exercise of those powers and discretions would be, or could be, contrary to the principles governing the investment of trust funds set out in the Act. This clause expresses a "contrary intention" for the purposes of section 13D of the Act.

6. POWER TO DELEGATE**Delegation**

- 6.1 The Trustees may from time to time appoint any committee and may delegate in writing any of its powers and duties to any such committee or to any person, and such committee or person (as the case may be) may, without confirmation by the Trustees, exercise or perform the delegated powers or duties in like manner and with the same effect as the Trustees could themselves have exercised or performed them. It shall not be necessary for any person who is appointed to be a member of any such committee, or to whom any such delegation is made, to be a Trustee, but no such delegation shall prevent the exercise of any power or the performance of any duty by the Trustees.

Terms and Delegation

- 6.2 Any committee or person to whom the Trustees have delegated powers or duties shall act in accordance with the terms of this deed.

Revocation of Delegation

- 6.3 Every such delegation shall be revocable at will by resolution of the Trustees.

7. OFFICERS**Officers**

- 7.1 The Trustees shall appoint the officers of the Trust by resolution, as follows:
- (a) the Chairperson, who shall be the Mayor of the Council, if a Trustee, and otherwise a Trustee appointed for the time being by the Trustees; and
 - (b) the Secretary/Treasurer, who shall not be an Elected Trustee.

Term of Office

- 7.2 Except where provided otherwise, all officers of the Trust shall hold office for such terms as the Trustees shall decide.

Removal of Officers

- 7.3 Any officer of the Trust, subject to compliance with the requirements of employment legislation in the case of officers who are employees of the Trust in respect of their employment duties, may be removed as an officer of the Trust in the same manner as he or she was appointed pursuant to clause 7.1.

8. MEETING OF TRUSTEES**Meetings**

- 8.1 The Trustees shall meet to conduct business at such intervals required by law or, in the absence of any direction at law, at such intervals as the Trustees may decide, provided that at least a 24 hours notice of meeting is given to the Trustees. The Trustees may invite to such meeting whatever other person or persons as the Trustees may decide to assist with their deliberations.

Notice of Meetings

- 8.2 Each notice of meeting shall specify the time and place of the meeting. Notice shall be deemed to have been given to any Trustee if it has been posted or faxed to the last known address of the Trustee and shall then be deemed to have been received the day after the notice is posted or faxed. The accidental omission to give notice to any Trustee or the non-receipt by any Trustee of a notice shall not invalidate the meeting to be held.

Quorum

- 8.3 At any meeting of the Trustees there shall be a quorum if there is a majority of the Trustees present (excluding any vacancies) and no business shall be transacted unless a quorum is

present. If a meeting is short of a quorum at its commencement, or falls short of a quorum, and if no quorum is present within 15 minutes, the meeting shall lapse.

Chairperson

- 8.4 The Chairperson shall preside at all meetings of the Trustees at which he or she is present. In the absence of the Chairperson in any meeting the Trustees present shall appoint one of their number to preside at that meeting.

Voting

- 8.5 All matters requiring decision at a meeting of the Trustees shall be decided by consensus. Where a consensus decision is unable to be reached on a matter it shall, unless otherwise specified in this deed, be put as a motion to be decided by a majority of votes of those permitted to determine the matter. Each Trustee present, including the Chairperson, shall have one vote. If the voting is tied the Chairperson shall have a second or casting vote.

Resolution in Writing

- 8.6 A resolution in writing signed by all the Trustees permitted to determine the matter shall be as valid and effectual as if it has been passed at a meeting of the Trustees. Any such resolution may consist of several like documents each signed by one or more Trustees.

Meetings by Telephone

- 8.7 The contemporaneous linking of the Trustees by telephone shall constitute a meeting of the Trustees and the provisions of this clause as to meetings of the Trustees shall apply to such meetings provided the following conditions are met:
- (a) **Notice:** Each Trustee shall be entitled to at least a 24 hours notice of such a meeting by telephone and to be linked by telephone for the purposes of the meeting.
 - (b) **Hearing:** Each of the Trustees taking part in the meeting by telephone must be able to hear each of the other Trustees taking part during the whole of the meeting.
 - (c) **Acknowledge Presence:** At the commencement and conclusion of such meeting each Trustee must acknowledge his or her presence.
 - (d) **Withdrawal:** A Trustee may not withdraw from such a meeting unless that Trustee has previously obtained the express consent of the Chairperson of the meeting to do so.
 - (e) **Quorum:** A Trustee linked by telephone for the purposes of the meeting shall be conclusively presumed to form part of the quorum of such meeting throughout the meeting unless that Trustee obtains the express consent of the Chairperson to withdraw from such a meeting.

Minutes

- 8.8 The Secretary shall keep minutes of all meetings of Trustees which shall be available for inspection by the Trustees at a reasonable time. Every such minute shall be prima facie evidence of the matters recorded.

9. TRUSTEES LIABILITY AND INDEMNITY

No Liability of Trustees

- 9.1 No Trustee or former Trustee shall be responsible for any loss to the Trust unless the same is attributable to his or her or their own dishonesty or to the wilful commission or omission by him or her or them of any acts known to be a breach of trust. No Trustee shall be bound to take any proceedings against a co-Trustee or former Trustee for any breach or alleged breach of trust committed by a co-Trustee or former Trustee.

Indemnity of Trustees

- 9.2 Each Trustee or former Trustee shall be entitled to a full and complete indemnity from the Trust Fund for any personal liability which that Trustee may incur in any way arising out of or in connection with that Trustee acting or purporting to act as a Trustee of the Trust, provided such liability is not attributable to that Trustee's own dishonesty, or to the wilful commission or omission by that Trustee or an act known by that Trustee to be a breach of trust.

10. INTERESTED TRUSTEE

Disclosure of Interest

- 10.1 Any Trustee who is or may be in any other capacity whatever interested or concerned directly or indirectly in any property or undertaking which the Trust is or may be in any way concerned or involved shall disclose the nature and extent of that Trustee's interest to the other Trustees, and shall not take any part whatever in any deliberations of the Trustees concerning any matter in which that Trustee is or may be interested other than as a Trustee of the Trust.

Recording of Interest

- 10.2 A disclosure by an interested Trustee shall be recorded in the minutes of the meeting at which such disclosure is made. If any question shall arise at any meeting as to the materiality of a Trustee's interest or as to the entitlement of any Trustee to vote and such question is not resolved by that Trustee voluntarily agree to abstain from voting, such question shall be referred to the Chairperson and the Chairperson's ruling in relation to that Trustee shall be final and conclusive except in any case where the nature or extent of the interest of that Trustee has not been fully disclosed.

11. NO PRIVATE PECUNIARY PROFIT FOR ANY INDIVIDUAL AND EXCEPTIONS

No Private Pecuniary Profit

- 11.1 No private pecuniary profit may be made by any person from the Trust, except that:
- (a) any Trustee may receive full reimbursement for all expenses properly incurred by that Trustee in connection with the affairs of the Trust;
 - (b) the Trust may pay a reasonable remuneration to any officer or servant of the Trust (whether a Trustee or not) and in return for services actually rendered to the Trust;
 - (c) any Trustee may be paid all usual professional, business or trade charges for services rendered, time expended or all acts done by that Trustee or by any firm or

entity of which that Trustee is a member, employee or associate in connection with the affairs of the Trust;

- (d) any Trustee may retain any remuneration properly made to that Trustee by any company or undertaking with which the Trust may be in any way concerned or involved for which that Trustee has acted in any capacity whatsoever, notwithstanding that the Trustee's connection with that company or undertaking is in any way attributable to that Trustee's connection with the Trust.

Trustees to Comply With Restrictions

- 11.2 The Trustees, in determining all reimbursements, remuneration and charges payable in terms of this clause, shall ensure that the restrictions imposed by the following clause 12 are strictly observed.

12. RESTRICTIONS ON BENEFITS TO AND INFLUENCE BY INTERESTED PERSONS

Recipients not to Influence Benefits

- 12.1 Notwithstanding anything contained or implied in this deed, any person who is:
- (a) a Trustee of the Trust; or
 - (b) a shareholder or director of any company carrying on any business of the Trust; or
 - (c) a settlor or trustee of any trust which is a shareholder of any company carrying on any business of the Trust; or
 - (d) an associate person (as defined by the Income Tax Act of 2004) of any such settlor, trustee, shareholder or director,

shall not by virtue of that capacity in any way (whether directly or indirectly) determine, or materially influence in any way the determination of the nature or the amount of any benefit or advantage or income or the circumstances in which it is or is to be received, gained, achieved, afforded or derived by that person.

Professional Account and Influence

- 12.2 A person who in the course of and as part of carrying on of his or her business of a professional in public practice shall not, by reason only of his or her rendering professional services to the Trust or to any company by which any business of the Trust is carried on, be in breach of the terms of this clause 12.
- 12.3 Nothing in this clause 12 shall prevent or restrict the Trustees from properly fulfilling or carrying out the Charitable Purposes.

13. ACCOUNTS AND REPORTING

Accounts and Reporting

- 13.1 The Trustees shall keep true and fair accounts of all monies received and expended for each Financial Year. All accounts and reports shall be prepared and made available to the Council as required of a Council control organisation under the Local Government Act 2002.

Audit

- 13.2 All accounts shall be audited as part of the Council audit process.

14. ALTERATION OF TERMS OF DEED**Power to Alter**

- 14.1 The Trustees may, with the prior approval of the Council, revoke, vary or add to any of the provisions of this deed. Any amendment or change to this deed shall require a resolution to be passed by three-quarters rounded up to the nearest whole number of the total number of Trustees.

Not to Affect Tax Status

- 14.2 No alteration of this deed shall be valid if it has the effect of depriving the Trust of any exemptions available to it under the Income Tax Act 2004.

15. INCORPORATION AND COMMON SEAL**Incorporation**

- 15.1 The Trust shall have the right to apply for incorporation under the provisions of the Charitable Trusts Act 1957 under the name "The Gisborne District Disaster Relief Trust", or such other name as shall be approved by the Register of Incorporated Societies and the Trustees. The Trust shall also seek registration as a charitable entity under the Charities Act 2005.

Affixing of Seal

- 15.2 The Trust shall have a common seal which shall be affixed to documents only in the presence of and accompanied by the signature of two Trustees.

Authority

- 15.3 No person dealing with the Trustees shall be bound or concerned to see or inquire as to the authority to affix the seal, or to inquire as to the authority under which any document or seal or in whose presence it was sealed.

16. WINDING UP**Resolution**

- 16.1 The Trust may be wound up on the unanimous resolution of all the Trustees at a meeting of the Trustees called for that purpose, which meeting shall be called on not less than 30 days notice of such a meeting to the Trustees.

Surplus Property

- 16.2 If upon the winding up or dissolution of the Trust there remains after satisfaction of all its debts and liabilities any property whatsoever the same shall be paid or distributed exclusively to some exclusively charitable organisation or organisations operating in New Zealand and having such objects and purposes similar to the Charitable Purposes.

Alternatively, any surplus property remaining after the winding up or dissolution of the Trust may be disposed of upon the direction or order of the High Court of New Zealand.

17. GOVERNING LAW

- 17.1 The Trust shall be governed by and construed in accordance with the laws of New Zealand.

18. COUNCIL CONTROLLED ORGANISATION

- 18.1 It is acknowledged that the Trust is a council controlled organisation for the purposes of the Local Government Act 2002. As the holder of the right to appoint the majority of the Trustees, the Council shall be deemed to be the "shareholder" and the only "shareholder" of the Trust with all the rights and obligations as such under the Local Government Act 2002. So long as the Trust remains such a council controlled organisation, the Trust shall comply with all applicable provisions of the Local Government Act 2002.

19. DEFINITIONS AND INTERPRETATIONS

Definitions

- 19.1 In this deed the following terms where the context admits shall have the following meanings:

"Administrative Trustees" means the Trustees appointed pursuant to clause 4.4(a).

"Chairperson" means a person appointed as such pursuant to clause 7.1.

"Charitable Purposes" are as set out in clause 3.

"Chief Executive" means the chief executive for the time being of the Council.

"Citizen Trustees" means the Trustees appointed pursuant to clause 4.4(b).

"Elected Trustees" means the Trustees appointed pursuant to clause 4.4(c).

"Financial Year" means a period of 12 month ending on 30 June each year.

"Local Authority" means a regional council or territorial authority and includes council-controlled organisations, council-controlled trading organisations and local government organisations within the meaning of the Local Government Act 2002.

"Property" means any real or personal property of any kind or nature and includes any right or interest therein.

"Secretary/Treasurer" means the person appointed as such pursuant to clause 7.1.

"Trust" means the trust established by this deed.

"Trustees" shall include the trustee or trustees for the time being of this deed whether original, additional or substituted.

"Trust Fund" means:

- (a) the sum of \$60,000 referred to in clause 1.1 of this deed being the initial capital settled on the Trustees; and
- (b) all other moneys or Property paid or transferred to or acquired by the Trustees to be held by them upon the trusts established by this deed; and
- (c) all accumulations of income of the Trust and all other accretions to capital; and
- (d) all moneys invested and Property from time to time representing the items mentioned in (a), (b) and (c) of this definition.

Interpretation

19.2 In this deed:

- (a) the singular includes the plural and vice versa;
- (b) references to clauses, schedules and attachments are to clauses in, and the schedules and attachments to, this deed (unless stated otherwise). Each such schedule and attachment forms part of this deed;
- (c) where the context permits, references to a "person" include any individual, firm, company, corporation or unincorporated body of persons, any public, territorial or regional authority, any government, and any agency of any government or of any such authority; and
- (d) all references to legislation are (unless stated otherwise) references to New Zealand legislation and include all subordinate legislation, any re-enactment of, or amendment to, that legislation and all legislation passed in substitution for that legislation.

EXECUTION

The Common Seal of THE GISBORNE DISTRICT COUNCIL was affixed in the presence of:



[Handwritten signature in blue ink]

(Meng Foon)

District Mayor

[Handwritten mark]

SIGNED by LINDSAY RONALD MCKENZIE)
as Trustee in the presence of:)



J M Marden
(Signature of Witness)

J m marden
(Name of Witness)

Secretary/PA
(Occupation of Witness)

Gisborne
(Address of Witness)

SIGNED by KENNETH DOUGLAS BIRT as)
Trustee in the presence of:)



J M Marden
(Signature of Witness)

J m marden
(Name of Witness)

Secretary/PA
(Occupation of Witness)

Gisborne
(Address of Witness)



SCHEDULE A

TRUSTEES' POWERS

Subject to clause 5.2, the Trustees shall have all of the following powers, which may be exercised either by the Trust on its own or jointly with other persons or groups.

- (a) **Advertising and Inform:** to make known and further the Charitable Purposes and to advertise the manner in which the Trust Fund has been or is being or will be applied both by working with representatives of the established media and by advertising in any medium and to disseminate whether by written publication or otherwise information and material of any nature or whatever relating to the Trust and the Charitable Purposes;
- (b) **Collect Funds:** to collect funds and raise money by all lawful means and to receive, accept, encourage and enlist financial and other contributions, subscriptions, donations, legacies, endowment or bequests from any source and conduct fundraising campaigns and activities in order to further the Charitable Purposes;
- (c) **Receive Grants and Subsidies:** to receive from the New Zealand Government or any council, board or body under its jurisdiction or any other Government, state, national, regional or local body or organisation or any trust or any church organisation or any international organisation, any grant, subsidy or payment whatsoever in order to further the Charitable Purposes.
- (d) **Specified Trust:** to carry out any specified trust attaching or relating to any contribution, subscription, donation, legacy, endowment, bequest, grant, subsidy, or payment received to the extent that such specified trust conforms with the Charitable Purposes;
- (e) **Apply Funds:** to apply any money forming part of the Trust Fund to the promotion, advancement and development of the Charitable Purposes;
- (f) **Invest Funds:** to invest any money forming part of the Trust Fund in any of the ways authorised by law for investment of trust funds and also if the Trustees think fit on mortgage of land either by the Trustees alone or together with any person or persons as a contributor mortgagee;
- (g) **Acquire Property:** to acquire any real or personal property or interest therein (in New Zealand only) whether by purchase, lease, exchange or otherwise, howsoever and upon and subject to such terms and conditions as the Trustees shall think fit;
- (h) **Sell and Reinvest:** to sell, join in selling, call in or convert all or part of any real or personal property forming part of the Trust Fund in such manner (including the granting of options to purchase and repurchase) and subject to such terms and conditions as the Trustees shall think fit (including the granting of time for repayment of the purchase price without security) and to reinvest the proceeds of such sale, calling in or conversion in such manner as the Trustees shall think fit;
- (i) **Postpone Sale:** to postpone the sale of any real or personal property forming part of the Trust Fund so long as the Trustees shall think fit notwithstanding that such property may be wasting, speculative or reversionary in nature;
- (j) **Lease:** to let or lease or bail to any person or persons any freehold or leasehold property, whether plant and chattels and interest therein forming part of the Trust Fund either from year to year or for any term of years or otherwise at such rent and subject to such covenants and conditions as the Trustees shall think fit (including if the Trustees shall think

fit an option or compulsory purchasing clause) and also to accept surrenders of leases and tenancies and generally to manage them as the Trustees shall think fit;

- (k) **Pay Debts:** to pay any income or capital of the Trust Fund in, for or towards payment of any fees, costs, disbursements, debt, other liabilities or any part thereof, owing by or in respect of the Trust Fund incurred in connection with the trusts of this deed, whether or not the fees, costs, disbursements, debts or other liabilities are charged upon the Trust Fund or on any part thereof and whether or not the Trustees are contractually liable for payment of these fees, costs, disbursements, debts or other liabilities;
- (l) **Establish Reserve Fund:** to start or subscribe to any depreciation or reserve fund for the Charitable Purposes the Trustees shall deem advisable and determine in their discretion whether that fund is income or capital;
- (m) **Join in Partition:** to consent to and join in the partition of any assets in which the Trust Fund is interested and to take a transfer of a divided or undivided share or interest in any such assets;
- (n) **Maintain Property:** generally to maintain, manage, repair, and improve or develop any real or personal property or interest which forms part of the Trust Fund in such manner as the Trustees think fit;
- (o) **Borrow:** to borrow or raise any moneys on mortgage or overdraft or otherwise with or without security from any person or persons at such rate of interest for such terms and generally on such conditions as the Trustees shall think fit and to sign any mortgage, deed, agreement or other document in connection therewith, provided such moneys are required in the interest (direct or indirect) of the Trust Fund or of the promotion of the Charitable Purposes;
- (p) **Guarantee:** to enter into or join in entering into any guarantee by the Trustees alone or together with any other person or persons the giving of which the Trustees shall consider to be in the interest (direct or indirect) of the Trust Fund or of the promotion of the Charitable Purposes and to authorise any company in which the Trustees shall hold shares to enter into such a guarantee or to enter into any other arrangement which the Trustees shall deem to be in the interest of the Trust Fund or of the promotion of the Charitable Purposes;
- (q) **Give as Security:** to give security alone or together with any other person or persons the giving of which the Trustees shall consider to be in the interest (direct or indirect) of the Trust Fund or of the promotion of the Charitable Purposes and to authorise any company in which the Trustees shall hold shares to give such security;
- (r) **Settling Accounts:** to agree and settle accounts with all persons liable to account to the Trustees and to compromise all questions relating to the Trust Fund and to grant the effectual receipts, discharges and releases;
- (s) **Appoint Attorney:** at any time and for any period to appoint any person to act as an attorney for all or any of the Trustees anywhere in the world for all or any of the Charitable Purposes;
- (t) **Appoint Agents:** to instruct and pay any person whatsoever, including the employment of persons, to transact all or any business or to do any act required to be transacted or done in execution of the trusts of this deed including the receipt and payment of money and the Trustees shall not be responsible for the default of any person appointed in good faith or for any loss occasioned by such person's instruction;
- (u) **Bank Accounts:** to open or maintain such current or other accounts in such banks or other institutions and in such manner as the Trustees may from time to time think fit;

- (v) **To Insure:** to insure against loss or damage by any cause whatsoever any insurable property forming part of the Trust Fund, and to insure against any risk or liability against which it would be prudent for a person to insure if he were acting for himself, in such amounts and on terms as the Trustees may from time to time think fit;
- (w) **Contributions:** to contribute to any charitable trust with substantially similar objects and purposes as the Charitable Purposes;
- (x) **Statutory Authorisation:** to do all or any of the things which the Trustees are authorised to do by the Trustee Act 1956 or the Charitable Trusts Act 1957; and
- (y) **General:** to do all such other things as in the opinion of the Trustees are incidental or conducive to the attainment of the Charitable Purposes.

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- (b) covenants to comply with the terms of the Trust Deed and observe and perform the covenants and conditions in the Trust Deed on the part of a Trustee, as if the New Trustee were a signatory to the Trust Deed.

4. GOVERNING LAW

4.1 This deed shall be governed by and construed in accordance with the laws of New Zealand.

EXECUTED AS A DEED

SIGNED by)
 NEW TRUSTEE)
 in the presence of:) _____
 ((Initials and Surname))

(Signature of Witness)

(Name of Witness)

(Occupation of Witness)

(Address of Witness)

10.2. INFORMATION Reports Finance



22-76

Title:	22-76 BOPLASS Statement of Intent and Half Yearly Financial Report to 31 December 2021
Section:	Finance & Affordability Financial Accounting - Management Accounting
Prepared by:	Amanda O'Sullivan - Management Accountant
Meeting Date:	Wednesday 6 April 2022

Legal: No

Financial: Yes

Significance: **Low**

Report to FINANCE & PERFORMANCE Committee for information

PURPOSE

The purpose of the report is to provide BOPLASS Ltd's Half Yearly Report for the period ending 31 December 2021 and their Draft Statement of Intent for 2022–2025.

SUMMARY

BOPLASS Ltd is a Council Controlled Organisation (CCO) that was formed to investigate, develop, promote and deliver shared services, and joint procurement for some or all of the member councils. Gisborne District Council is one of nine shareholding councils of BOPLASS. The financial report provides information against the objectives and performance requirements set out in the Statement of Intent.

The Statement of Intent is the key accountability document between Council and the CCO. It sets out the company's strategic direction and it must be consulted on and approved by the directors annually. Schedule 8(9) of the Local Government Act 2002 sets out the content of the document which must cover the next three financial years.

The Chief Executive, as a director of BOPLASS, is requested to review and approve the draft Statement of Intent for 2022–2025 for circulation to shareholders. This was approved by BOPLASS for presentation to councils on 18 February 2022. Following the two months allowed for submissions, the directors must consider any submissions made by the shareholders and approve a final document by 30 June 2022.

The Finance & Performance Committee is invited to provide feedback, at the meeting, to the Chief Executive.

The decisions or matters in this report are considered to be of **Low** significance in accordance with the Council's Significance and Engagement Policy.

RECOMMENDATIONS

That the Finance & Performance Committee:

- 1. Notes the contents of this report.**

Authorised by:

Pauline Foreman - Chief Financial Officer

Keywords: BOPLASS, Statement of Intent, Council Controlled Organisation,

BACKGROUND

1. BOPLASS exists to provide councils in the Bay of Plenty and Gisborne regions with a focus on initiatives to investigate, procure, develop and deliver shared services that can be done more effectively for the benefit of all or some of the councils. BOPLASS is partnering with 25 businesses to provide such savings. With 29 current joint procurement and collaborative projects under way, BOPLASS has also identified 17 potential projects with extensive saving potential.
2. The nine directors that make up the Board are also the current chief executives of their respective shareholding councils. The Board includes an independent chair.
3. The main focal point of the Board is on supporting the strategic development of the organisation, to ensure synergy between the company's activities and the activities of the Council.

DISCUSSION and OPTIONS

4. The discussion below outlines the main highlights from the interim set of accounts and the draft Statement of Intent.

Half yearly report to 31 December 2021

a. **Interim set of accounts**

- The organisation is operating within budget and has received a reasonable revenue stream for the first half of the year.

b. **Insurance procurement continues to be a focus**

- Insurers are becoming more focused on climate change risk and the impact on council's risk profiles.
- Hardening of the global insurance market
- Continuing to build strong relations within the insurance markets, with value added to the renewal of the 2021/22 insurance.

c. **Awarding and management of several large imagery and LIDAR projects**

- Tenders awarded for Aerial Imagery covering the Eastern Bay regions and Gisborne's urban/rural areas which were flown during the 2021-22 Summer. The imagery will be available mid-2022.
- The LiDAR (Light Detection and Ranging) contract is managed by BOPLASS and was completed with co-funding from Land Information NZ.

d. **Inter-Regional collaboration**

- BOPLASS are engaging regularly with other council groups to explore opportunities for further inter-regional alliances. With the development of the collaboration portal it has been made available to the wider New Zealand local government community to share information and visibility on common projects.

e. **GIS (geographic information systems) mapping**

- Key contracts for geospatial software have been renewed through BOPLASS agreements.
- This essential mapping feeds into our insurance data to retain a competitive advantage with the insurers.

Draft Statement of Intent (SOI) or 2022-2025

The SOI is developed under Schedule 8 of the local Government Act 2002, and it provides a basis for the accountability of the Directors to the Shareholders for the performance of BOPLASS Ltd.

a. **Performance targets**

- Ensure supplier agreements are proactively managed
- Investigate joint procurement initiatives
- Identify opportunities to collaborate with other LASS
- Continually developing and extend access to the collaboration portal
- Communicate with each shareholder council at appropriate levels
- Ensure the current funding model is appropriate

b. **Future Developments**

- BOPLASS remains adaptive in a complex and changing work environment
- Joint procurement opportunities will be actively pursued to ensure savings and benefits are delivered
- Initiatives raised by two or more member councils will be considered by the board with councils participating on an opt-in basis
- The board will be looking for commitment from councils to participate in collaborative services and to provide a lead in the identification and management of opportunities and projects

c. **Identified Joint Procurement and Collaborative Projects**

- The board is looking at expanding partnering with other local authorities as they recognise the benefits and the range of opportunities for inter-regional collaboration.

d. **Projects for Consideration**

- The full list of projects for future consideration is included below and within SOI **(Attachment 2)**.

Projects for Consideration

- | | |
|--|--|
| <ul style="list-style-type: none">• Rates Collection• Geospatial services• Joint software support• Asset Management• Web services• Payroll• Consents Processing• CCTV monitoring• Information Services• HR Information Systems• Electronic Document and Records Management System• Business continuity planning | <ul style="list-style-type: none">• Infrastructure development codes• Solid waste regional facilities strategy• Building consents• Regional Civil Defence• Document digitisation• Capital Expenditure projects• Project management office• Windscreen replacement• Driver training• Staff engagement survey systems• Contractor online inductions• Centralised insurance resource |
|--|--|

ASSESSMENT of SIGNIFICANCE

Consideration of consistency with and impact on the Regional Land Transport Plan and its implementation

Overall Process: Low Significance

This Report: Low Significance

Impacts on Council's delivery of its Financial Strategy and Long Term Plan

Overall Process: Low Significance

This Report: Low Significance

Inconsistency with Council's current strategy and policy

Overall Process: Low Significance

This Report: Low Significance

The effects on all or a large part of the Gisborne district

Overall Process: Low Significance

This Report: Low Significance

The effects on individuals or specific communities

Overall Process: Low Significance

This Report: Low Significance

The level or history of public interest in the matter or issue

Overall Process: Low Significance

This Report: Low Significance

5. The decisions or matters in this report are considered to be of **Low** significance in accordance with Council's Significance and Engagement Policy.

TANGATA WHENUA/MĀORI ENGAGEMENT

6. For purpose of this report, engagement with Tangata Whenua is not required.

COMMUNITY ENGAGEMENT

7. The community will not be engaged in the alliance of the nine councils that make up BOPLASS.

CLIMATE CHANGE – Impacts / Implications

8. BOPLASS considers the social, cultural and environmental outcomes as part of its procurement process.
9. However, with the council's adoption of a 2030 carbon neutral target (report **22-30**), feedback could be given to BOPLASS on how this can be achieved through looking at new opportunities or alternative approaches to procurement and shared services in our short, medium and long -term decision making would be opportune.

CONSIDERATIONS

Financial/Budget

10. BOPLASS is bound by the accountability provisions of the Local Government Act 2002, which requires the directors to deliver a report to the shareholders 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 SOI.
11. An annual "council contribution" is provided to BOPLASS for being a member. In addition, we contribute to any project costs that we have a share in. For instance, aerial imagery programme, insurance, multi-function devices (MFD) copier & printer, New Zealand Archaeological Association membership fee to name a few.

Financial Year	2019/20	2020/21	2021/22 (to 28 Feb 2022)
GDC Annual Contribution	\$ 24,874	\$ 24,874.00	\$ 27,831.00
Other BOPLASS contributions	\$103,102	\$101,125	\$105,140
Total	\$127,976	\$125,999	\$132,971

12. The net savings made by the Gisborne District Council between 2009 and 2021 has been \$2.53m, with \$332,330 in the 2020/21 financial year. Coupled with these financial benefits, we have gained many non-financial benefits from our involvement with the group. These include best practice methodology, collaboration portal, networking and contract management efficiencies.

Legal

13. There is no legal implication in this report.

POLICY and PLANNING IMPLICATIONS

14. BOPLASS Ltd states that it will conduct itself in accordance with its constitution, its annual SOI, the provisions of the Companies Act 1993 and the Local Government Act 2002, Schedule 8 (9) which sets out the SOI document which must cover the next three years. The vision of BOPLASS to partnering of councils for value and service are captured within our own community values of Tairāwhiti Piritahi "together making it smart, making it easy and making it happen".

RISKS

15. New Zealand is classed as the second riskiest country in the world (Lloyds of London 2018). The insurance market is quite different from 12 months ago and insurers are focused on increasing climate change risks and the impact on councils' risk profiles. To retain a competitive advantage with the hardening of global insurance markets BOPLASS ensure they have up to date asset schedules and hazard mapping to look at regions susceptible to flood or sea inundations. With a mix on New Zealand and London markets, underwriters cost-effective coverage has proved challenging. However minimal increases and favourable terms were negotiated with savings made of \$279k for Gisborne District Council in the 2021 financial year.

16. There are no real risks associated with being part of BOPLASS.

NEXT STEPS

Date	Action/Milestone	Comments
Prior to 30 April 2022	Submissions by shareholders' representative in writing.	Council members are the shareholders and the shareholders representative is the Chief Executive.
30 June 2022	Shareholders to approve draft SOI Document.	The directors must consider any comments made by the shareholders.

ATTACHMENTS

1. Attachment 1 - Half Yearly Report 2021-22 [**10.2.1.1** - 11 pages]
2. Attachment 2 - BOPLASS SOI 2022-2025 Approved Draft [**10.2.1.2** - 15 pages]



BOPLASS Ltd

HALF YEARLY REPORT TO SHAREHOLDERS



Period ended 31 December 2021

“COUNCILS PARTNERING FOR VALUE AND SERVICE”



BOPLASS Chair's Report

It is with pleasure the Directors present their 2021/2022 Half Yearly Report to Shareholders demonstrating the considerable contribution the company makes to collaboration between councils.

With one change to the Board earlier this year, we farewelled and thanked Miriam Taris for her contribution and welcomed John Holyoake as Director and Shareholder's representative for the Western Bay of Plenty District Council.

The hardening of the global insurance market continued in 2021 with insurers focussing on climate change risks and the impact of this on councils' risk profiles. BOPLASS has continued to build strong relationships within the insurance markets and this again proved its value throughout the renewal process, ensuring favourable terms and competitive rates were achieved. BOPLASS has continued to take a proactive role in ensuring councils provide timely, relevant, and accurate data to support and promote the collective group's engagement with both local and international insurers.

2021 saw the awarding and management of several large aerial imagery and LiDAR contracts, with the benefits not only covering the collective capture of imagery but also providing resource savings through collaborating in the processing and storage of data for the region. Contributions from Land Information NZ to the collective BOPLASS programme were received, which further contributed to council savings.

In addition to the essential uses of the mapping data for internal and external council systems, this GIS work also feeds into insurance data used in our submissions to insurers. The quality of this data and mapping often sets our applications apart from less-informed organisations – resulting in improved pricing and terms for BOPLASS councils.

The BOPLASS team have managed well through the continued challenges and changes of the COVID-19 response frameworks and the Board acknowledges this commitment. Additionally, BOPLASS facilitate a Health and Safety Managers' Advisory Group which has proven to be an essential conduit for the sharing of information as councils work through similar pandemic responses and processes.

Each year the number of established procurement contracts BOPLASS manages on behalf of councils grows, and with it, the importance to maintain competitive contracts to achieve best value for our shareholding councils. BOPLASS has reviewed and renewed several contracts in the first six months of this year and, where able, this has been undertaken in conjunction with the other LASS. In addition, BOPLASS has successfully led the procurement of mail services for BOPLASS, MW LASS, Waikato councils providing each group with substantial savings and an improved level of service. The Board continues to support the development of inter-regional opportunities and collaboration.

Additional 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

Craig O'Connell

Chair



BOPLASS Ltd
 "COUNCILS PARTNERING FOR VALUE AND SERVICE"

HALF YEARLY REPORT TO SHAREHOLDERS

15 FEBRUARY 2022

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 of Directors or Shareholder Representatives.

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 continuing to deliver savings and value to councils through new and existing joint procurement initiatives.

Current feasibility studies for joint procurement and shared services cover 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;*
- *IT datacentre/hosting;*
- *Regional waste facilities strategy;*
- *Diversion of putrescible waste from landfill;*
- *Waste collections licensing and data;*
- *Insurance valuations;*
- *Robotic Process Automation;*
- *Collective training services;*
- *High-volume print.*

Other collaborative opportunities may be progressed after the Board has considered individual business cases and formally agreed to take on and deliver (or host/procure etc.) the project.

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 joint procurement or shared services opportunities within the constituent councils 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, councils and local government organisations 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.

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:

- Ensure supplier agreements are proactively managed to maximise benefits for BOPLASS councils.
- Investigate new joint procurement initiatives for goods and services for BOPLASS councils.
- Identify opportunities to collaborate with other LASS in Procurement or Shared Service projects where alliance provides benefits to all parties.
- 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.
- 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

- Contractor and Employee H&S Inductions – A project is underway to develop a common platform and standard for the development and management of H&S inductions – for both staff and contractor purposes. In addition to the financial savings, a common platform would also provide an opportunity for the single development of modules that could be used across multiple councils.
- Inter-Council Network review and redesign – BOPLASS conducts ongoing reviews to ensure the high-speed inter-council network is cost-effective and the quality of service is maintained. In mid-2021, BOPLASS went out to tender for the ICN service. The tender received significant interest with the resultant contract providing an improvement in service levels and financial savings for all participating councils. The migration of services to the new vendor has been initiated and is expected to be completed early 2022.
- Geotechnical Engineering Panel – Currently the approval of geo-tech consultants is a time-consuming exercise undertaken separately by each council. BOPLASS is investigating opportunities for establishing a preapproved panel for accredited geotechnical engineering consultants.
- Institute of Public Works Engineering Australasia (IPWEA) – BOPLASS negotiated a single BOPLASS membership covering all councils at the same cost of a single large council, providing substantial savings.
- Cross-Regional Licencing of Waste Operators and Waste Data Collection – BOPLASS is leading this project in conjunction with Waikato and Wellington councils. An ROI was undertaken at the end of 2021 and received good responses from the market, with five specialist organisations shortlisted. The ROI was considered an information gathering stage, for both councils and suppliers and will ultimately inform the RFP to be undertaken this year.
- Insurance scorecards – Given the importance of international underwriters being confident in the accuracy of data, schedules, loss modelling and valuations provided by councils, BOPLASS developed council scorecards to help councils assess the quality of their information and highlight any areas that could be improved. The scorecards have assisted BOPLASS to identify where councils may require more training. With the help of Aon, a series of online training modules is currently being developed to build on council staff's understanding of their role in the insurance renewal cycle and the importance of accurate data.
- Insurance renewals
Renewals were completed for all councils under the BOPLASS collective programme with full cover achieved utilising a mix of NZ insurers and London markets. Throughout the renewal process it became obvious that insurers are very focussed on increasing climate change risks and the impact on councils' risk profiles. Insurers continue to look very closely at regions and areas susceptible to flood or sea inundation and now impose stricter underwriting discipline when considering risks. BOPLASS has worked with our brokers to ensure accurate and up to date asset schedules and hazard mapping are provided by our councils to retain a competitive advantage with the underwriters. A very good outcome has been achieved this year with minimal premium increases applied and favourable terms able to be negotiated in all categories.

- Insurance – Cyber Security – The global cyber market has become extremely challenging with most insurers now very cautious about providing cyber cover due to the increasing levels of claims in this category. Our insurers deemed some BOPLASS councils as having inappropriate cyber security controls. BOPLASS engaged with each at-risk council to gain clarity on their IT and cyber security roadmaps. The additional information provided by BOPLASS allowed for the collective cover to be reinstated and the premiums reduced overall.
- Occupational Health Services – BOPLASS has recently extended the agreement with Waikato Occupational Health Services for a further 12 months. Waikato LASS have extended their agreement to align with BOPLASS so we can approach the market collectively next year.
- E-Plan Development – BOPLASS councils are required to move current operative plans to an online environment by 2023. BOPLASS continues to review current providers to explore collaborative options and opportunities to leverage a collective group rate.
- Multi-function Devices (Photocopiers and Printers) – The collective agreement was due to terminate at the end of 2021. Due to COVID lockdowns and subsequent working from home policies, councils' print volumes were much lower than forecast. Due to the low usage of print equipment, BOPLASS negotiated a 12-month term extension to the existing agreement with further discounts applied.
- High Volume Print – Councils currently use a variety of solutions for their high-volume print runs including utilising large print equipment, outsourcing to external suppliers, or a mixture of both. BOPLASS is currently investigating alternative solutions with a focus on minimisation of resource and cost reduction.
- Postal & Courier Services – Procurement for councils' mail service has been completed and a preferred supplier appointed. The BOPLASS-led process covers BOPLASS, WLASS, MWLASS and Hawke's Bay councils. Savings for all councils will be substantial, particularly for councils with high volumes of urban mail. The second phase of this project will involve appointment of a courier services provider in 2022.
- GIS Regional Technical Support – The majority of core GIS software used within councils is now procured through collective BOPLASS agreements. However, there were a variety of support models in place with most support being provided on an ad-hoc basis. BOPLASS has established a discounted enterprise support agreement now covering all councils. As well as financial savings, the support model provides for sharing of information and learnings across the GIS teams to reduce any duplication of effort.
- Aerial Imagery – Tenders have now been awarded for aerial imagery services covering both the Eastern Bay regions and Gisborne's urban/rural areas. Both tenders contribute to the greater BOPLASS regional imagery programme and are being flown during the 2021-22 summer with updated imagery available mid-2022.
- BOPLASS LiDAR – LiDAR capture is being undertaken under a separate contract to the aerial imagery but during an overlapping period. This contract is being managed by BOPLASS and completed with central government co-funding in conjunction with Land Information NZ.
- Video Conference Services – BOPLASS has continued to develop Zoom and meeting room video conference services across the councils. While these services proved invaluable during lockdown, there has been continued growth and usage. Further work is being undertaken to ensure participating councils continue to have a reliable and secure service.
- GIS Software and Services – A number of key contracts for councils' geospatial software have been reviewed and renewed through collective BOPLASS agreements.

- Driver Training – BOPLASS continues to investigate options for appointing a preferred provider for driver training services.
- Media Monitoring Service – BOPLASS continues to manage a collective media monitoring service with Isentia that automatically monitors and reports on broadcast, print and social media based upon council requirements. The single BOPLASS portal provides substantial savings to councils while also providing a significant reduction in internal resource requirements. The contract will be put out for tender in mid-2022.
- Print Media Copyright Agency (PMCA) – A collective contract providing savings for all BOPLASS councils has been renewed with PMCA for councils' print and media copyright services.
- Health and Safety Advisory Group – The BOPLASS and Waikato Health and Safety groups continue to collectively develop policies and protocols, significantly reducing the resources required by individual councils and helping ensure common standards and best practice are established across the greater region. This has been particularly beneficial for councils in the development of H&S pandemic responses.
- MahiTahi Collaboration Portal – The Collaboration Portal continues to encourage collaboration between New Zealand local government organisations. Membership has grown further with a mixture of councils and council groups across the country joining. In particular, the regional council national alliance group, MWLASS and Waikato LASS are actively utilising the service with several new projects added.
- Website Quality Assurance – BOPLASS was requested to identify opportunities for a collective agreement for website quality assurance. As council websites are often the first point of contact for many in the community, regular content assurance is only going to become more important. Several BOPLASS councils are now benefitting from the service and the discounted collective agreement.
- Inter-LASS collaboration – A number of procurement projects are underway covering multiple LASS and benefitting from the increased volumes. Collaboration across the regions is driving greater efficiencies within projects under consideration by more than one LASS and allows the projects to be better resourced.
- 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

8.1 Financial Support and Accounting Services

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

8.2 Accounting Policies

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

8.3 Tier 2 PBE Accounting Standards Applied

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

8.4 Financial Reports

Financial Reports for the period to 31 December 2021 are attached.

8.5 Variations

Included are the service-related payments for services accessed by councils.

The organisation is operating within budget and has achieved a reasonable revenue stream for the first half of the year.

Aerial photography revenue and expenditure are higher than budgeted due to delays in the initial flying of LiDAR capture in 2020, with the work being moved forward to 2021. Significant progress has been made with the capture and processing of the data this year.

December salaries include an accrual for the last 12 days of December for salaries and PAYE (\$15,875 total) which would normally be included in the January Accounts as this is when they are physically paid. There is also an accrual for the total leave owing at 31 December. The total accruals of \$26,477 are reversed in January 2022.

Variances with ICN lease revenue and expenditure are due to the transition to a new fibre provider and the requirement to run some services in parallel during the transition.

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 2021				
	Actual YTD	Budget YTD	Total Budget	YTD Variance
REVENUE				
Revenue - Core	153,211	153,172	306,339	39
Bank Interest Received	141	102	200	39
Council Contribution	153,070	153,070	306,139	(0)
Revenue - Projects	993,286	857,000	1,199,000	136,286
Bank Interest Received	1,378	3,000	6,000	(1,622)
Aerial Photography Income	330,099	200,000	300,000	130,099
Collaboration Portal	20,400	30,000	45,000	(9,600)
Lease Income - ICN	91,276	67,500	135,000	23,776
Lease Income - Video Confer.	29,241	15,250	30,500	13,991
Recoveries	520,150	540,000	680,000	(19,850)
Rebates	742	1,250	2,500	(508)
Total Operating Revenue	1,146,497	1,010,172	1,505,339	136,325
EXPENSES				
Expenditure - Core	199,113	196,948	374,950	2,165
ACC	562	800	800	(238)
Accommodation & Travel	1,023	1,000	2,000	23
Administration	7,799	8,650	17,300	(851)
Amortisation	1,569	2,498	5,000	(929)
Audit Fees	0	20,700	20,700	(20,700)
Bank Fees	131	176	200	(45)
Conferences	0	1,000	2,000	(1,000)
Depreciation	540	326	650	214
Directors Costs	9,000	10,500	21,000	(1,500)
Fringe Benefit Tax	1,937	1,750	3,500	187
General & Catering Expenses	1,717	998	2,000	719
Health & Safety	0	502	1,000	(502)
Insurance	9,860	9,000	9,500	860
Interest Paid – TCC Loan	0	500	500	(500)
Legal	0	2,000	2,000	(2,000)
Salaries	153,409	129,000	278,000	24,409
Salaries – Projects Opex	(2,452)	(8,250)	(16,500)	5,798
Staff Support Costs	8,894	8,498	17,000	396
Staff Training Costs	474	1,000	2,000	(526)
Subscriptions	0	1,000	1,000	(1,000)
Tax Advice	4,650	5,300	5,300	(650)
Tax Expense – Prior Years	0	0	0	0
Expenditure – Projects	949,792	818,253	1,130,389	131,539
Aerial Photography Expense	330,099	200,000	300,000	130,099
Collaboration Portal Opex	9,605	16,117	26,119	(6,512)
Lease Expense - ICN	88,189	64,800	129,600	23,389
Lease Expense – Video Confer.	28,252	14,336	28,670	13,916
Projects - Recoveries	493,647	523,000	646,000	(29,353)
Total Operating Expenditure	1,148,905	1,015,201	1,505,339	133,704
Operational Surplus / (Deficit) before Tax	(2,408)	(5,029)	0	2,621

BOP LASS LTD	
STATEMENT OF FINANCIAL POSITION	
AS OF 31 DECEMBER 2021	
	Actual YTD
Current Assets	
Cheque Account	396,179
Trust A/c Aerial Photography	103,125
Term Deposit 182 days @ 1.20%. Maturing 11 April 2022	300,000
Term Deposit 185 days @ 1.15% Maturing 10 February 2022	250,000
Term Deposit 182 days @ 1.15% Maturing 07 March 2022	250,000
Trade Debtors	127,431
Accrued Revenue	170,475
Tax Payable (Tax Receivable)	12,127
Prepayments	19,158
Total Current Assets	329,191
Non-current assets	
Intangible - Computer Software	79,175
Amortisation	(68,266)
Computer Equip at cost	4,516
Computer Equip depreciation	(3,175)
Office equip at cost	0
Office equip depreciation	0
Total Non-current assets	12,251
TOTAL ASSETS	1,640,746
Current Liabilities	
Business Credit Card	207
Trade Creditors	287,996
Accrued Expenses	17,845
Accrued Salaries and Wages	12,410
Accrued Leave Entitlements	10,602
GST Collected, Paid, Payments (Refunds)	(37,704)
Retentions	37,374
Income in Advance	1,256,828
PAYE Accruals Payable	11,770
TCC Loan	0
Total Current Liabilities	1,597,329
TOTAL LIABILITIES	1,597,329
NET ASSETS	43,417
Equity	
Current Year Earnings	(\$2,409)
Retained Earnings	(\$53,176)
Share capital	99,002
TOTAL EQUITY	43,417



BOPLASS Ltd

STATEMENT OF INTENT FOR 2022-2025



June 2022

“COUNCILS PARTNERING FOR VALUE AND SERVICE”

1. Introduction

This Statement of Intent (SOI), developed under Schedule 8 of the Local Government Act 2002:

- Declares a public statement 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.
- 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 Council Controlled Organisation (CCO) to investigate, develop and deliver Joint Procurement and Shared Services projects where delivery is more effective for any combination of some or all of the councils.

Benefits that can be achieved through collaboration are:

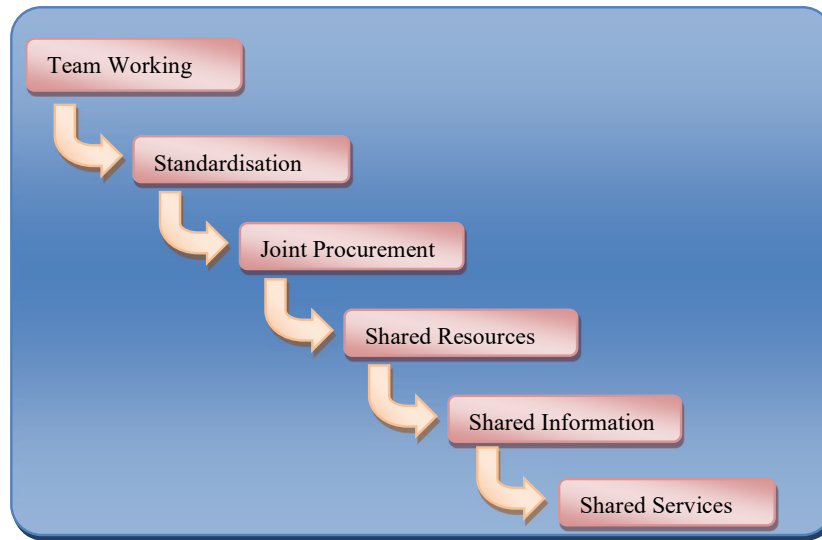
- improved levels and quality of service;
- a co-ordinated and consistent approach to the provision of services;
- reductions in the cost of support and administrative services;
- opportunities to develop new initiatives;
- economies of scale resulting from a single entity representing many councils 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. 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 collaborate;
- encourage the elimination of barriers to collaborative action; and
- identify 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 collaboration within the councils.

Examples of Joint Procurement and collaborative projects are:

- Infrastructure Insurance
- Collective Training
- Aerial Imagery and LiDAR
- Provincial Growth Fund Co-funding for LiDAR Capture
- Standardised Community Engagement App
- Lone Worker Field Solutions
- Robotic Process Automation
- Accounts Payable Automation Software
- Print Media Licencing
- Insurance Valuations
- Contractor Online Inductions
- Health and Safety Management Software
- Radio Telephony (RT) Strategy
- Solid Waste Management
- Insurance Forums
- Health and Safety Inter-Council Audits
- Asbestos Protocols
- Sustainable Public Procurement
- Health and Safety Benchmarking
- Video Conferencing Services
- Council Library and Cloud Services
- Inter-Council Network (ICN) Review, Redesign and Renegotiation
- Debt Collections
- Collaboration Portal
- Capital Construction and Civil Works Projects
- Fortigate Firewall Services
- Wireless WAN
- Inter-LASS Collaboration
- Human Resources Information Systems

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:

- Use Joint Procurement to add value to goods and services sourced for its constituent councils.
- Establish the underlying technology, framework, platform and policies to enable and support collaboration.
- Facilitate initiatives 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 current 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 also includes an independent Chair, appointed with specific skills and knowledge to add incremental value. This appointment brings experience and specialist skills that are complementary to those held by the other Directors.

Shareholder	Appointed Director
Bay of Plenty Regional Council	Fiona McTavish
Gisborne District Council	Nedine Thatcher Swann
Kawerau District Council	Russell George
Opotiki District Council	Aileen Lawrie
Rotorua Lakes Council	Geoff Williams
Taupo District Council	Gareth Green
Tauranga City Council	Marty Grenfell
Western Bay of Plenty District Council	John Holyoake
Whakatane District Council	Stephanie O'Sullivan
Independent Director and Chair	Craig O'Connell

A sub-committee of council delegates has been established by the Directors as an Operations Committee 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.

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.

Services delivered are 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 or as approved by the Operations Committee. 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

The company recognises the importance of remaining adaptive in what is a complex and changing working environment. BOPLASS continues to look at new opportunities or alternative approaches to progressing projects that benefit our shareholding councils.

The Board recognise that the drive for change and/or collaboration in some key areas of council business will often be led by other groups, e.g. three waters reform, RMA changes. Although BOPLASS may not be leading these specific projects, the organisation may be considered as one of the vehicles available to assist with managing collective regional outputs from these projects.

BOPLASS Joint Procurement opportunities will continue to be actively pursued to ensure maximum savings and benefits are delivered to the participating councils through existing and new contracts.

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, with councils participating on an opt-in basis.

BOPLASS also recognises the importance of social procurement and will continue to consider the broader social, cultural and environmental outcomes as part of its procurement process.

BOPLASS will explore opportunities for councils to develop ICT solutions using middleware and cloud technologies that allow for future sharing and the development of Shared Services without the wholesale replacement of IT systems.

The Board will be looking for commitment from councils to participate in collaborative services and to provide a lead in the identification and management of opportunities and projects.

8. Inter-Regional Collaboration

The board recognise the benefits of BOPLASS proactively partnering with other local authorities and Shared Services organisations where they are either developing or considering developing cost effective services or Joint Procurement initiatives that are of value to the BOPLASS councils. The Board is looking to expand on this activity and the range of opportunities for inter-regional partnering. BOPLASS will work towards providing improved visibility of projects being undertaken in other regions that may provide for multiple councils to participate in.

Where it is practicable, BOPLASS will work with other LASS or councils to leverage off, or participate in, services established by other collective local government groups.

The Collaboration Portal, established by BOPLASS for the sharing of information on Shared Services or Joint Procurement opportunities, has been made available to the wider local government community to provide better visibility of common projects and to encourage further cross-regional collaboration. BOPLASS will continue to market the benefits of inter-region collaboration and assist other councils through providing support and access to the Collaboration Portal.

BOPLASS has provided substantial savings to its shareholding councils through joint procurement and the Board has tasked BOPLASS with leading further inter-regional joint procurement initiatives that will provide benefit to all parties through an aggregated approach.

Significant benefits and savings have been achieved in the placement of councils' insurance through working in conjunction with other LASS. BOPLASS is considered a key contributor to the development of the interLASS insurance collective. Unfortunately, cost-effective placements and coverage are becoming more challenging to achieve as a result of the hardening of global insurance markets. Opportunities for the LASS groups to share a specialised internal resource to ensure we maintain our favourable position within the insurance industry will be investigated.

9. Stakeholder Engagement

BOPLASS recognises the ambitious plans our constituent councils have for their communities and endeavours to support these aspirations through:

- Regular engagement at project, management and governance level;
- Including councils' short, medium and long-term goals within BOPLASS planning;
- Using quality information from councils to guide our decision-making;
- Identifying and developing services that directly benefit councils and/or their communities;
- Monitoring councils' future plans and remaining agile to change to include these aspirations in our own planning;
- Ensuring Operation Committee members include regular communication about individual council LTP developments to assist BOPLASS with aligning with councils' strategic direction;

- Regularly communicating to ensure stakeholders are aware of what we are doing and why we are doing it;
- Involving councils in our decision-making and planning.

10. 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
Ensure supplier agreements are proactively managed to maximise benefits for BOPLASS councils.	Manage and/or renegotiate existing contracts.	Contracts reviewed annually to test for market competitiveness. New suppliers are awarded contracts through a competitive procurement process involving two or more vendors where applicable.
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 B.)	A minimum of four new procurement initiatives investigated. Initiatives provide financial savings of greater than 5% and/or improved service levels to the participating councils.
Identify opportunities to collaborate with other LASS in Procurement or Shared Service projects where alliance provides benefits to all parties.	BOPLASS to regularly engage with other LASS to identify and explore opportunities for further inter-regional collaboration.	Quarterly reporting on engagement and a minimum of one new collaborative initiative undertaken annually.
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.	Increase usage of the Collaboration Portal by providing support and training material for new and existing users. Proactively market the benefits to councils.	Number of listed projects to increase by 5% per year. Number of active users to increase by 5% per year.
Communicate with each shareholding council at appropriate levels.	Meeting with members of 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.

11. 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 2021 the consolidated Shareholder funds comprised \$45,826 and the total assets were \$1,492,395. The resulting ratio is 3.07%.

As asset owning Shared Services are approved, the Board will, if appropriate, provide a mechanism for the recognition of each council's contribution.

12. Accounting Policies

12.1 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.

12.2 IPSAS Accounting Standards

As a Public Sector Public Benefit Entity (PS PBE), the Company has elected to report using International Public Sector Accounting Standards for Public Benefit Entities under Tier 3 PBE standards.

12.3 Measurement Basis

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

12.4 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.
- 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.

13. Distributions to Shareholders

The Company is not expected to make profits that would ordinarily be distributed by way of dividends. Any surplus funds (after tax) 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.

14. 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 tracked against its objectives and prospects for the next financial year, and a report on the Company's medium to long term plans.
- Six monthly summaries of project activities included in Half Yearly and Annual Reports.

15. 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.

16. 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.

17. Value of Shareholder's Investment

The Directors estimate that, at this stage, BOPLASS Ltd has limited commercial value. As each shareholder's investment in BOPLASS Ltd is less than \$20,000, the Board believe 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.

18. Financial Forecasts

The Forecast Financial Statements for the years 2022-2025 are included (Appendix A).

The Aerial Photography revenue/expenses reflects the flying programme determined by the participating councils which includes interim flying programmes and extensive region-wide flying programmes over the next five years.

A continued increase in Recoveries has been forecast to reflect the direct recovery of purchases made on behalf of councils through Joint Procurement projects.

It is the company's intention to always fully recover costs incurred on behalf of participating councils.

SOI Forecast 2021/24	Budget 2021/22	Forecast 2022/2023	Forecast 2023/2024	Forecast 2024/2025
REVENUE				
Revenue - Core	306,339	313,992	321,837	329,878
Bank Interest Received	200	200	200	200
Council Contribution	306,139	313,792	321,637	329,678
Revenue - Projects	1,199,000	1,301,600	1,211,100	1,421,200
Aerial Photography Income	300,000	400,000	300,000	500,000
Bank Interest Received	6,000	4,100	4,100	4,200
Collaboration Portal	45,000	50,000	55,000	55,000
Lease Income - ICN	135,000	130,000	125,000	125,000
Lease Income - Video Confer.	30,500	15,000	15,000	15,000
Rebates	2,500	2,500	2,000	2,000
Recoveries	680,000	700,000	710,000	720,000
Total Operating Revenue	1,505,339	1,615,592	1,532,937	1,751,078
EXPENSES				
Expenditure - Core	374,950	384,570	396,453	404,999
ACC	800	850	900	950
Accommodation & Travel	2,000	2,100	2,200	2,200
Accounting & Audit	20,700	21,300	22,000	22,800
Administration	17,300	17,500	18,000	18,500
Amortisation	5,000	7,700	8,700	9,400
Bank Fees	200	200	200	200
Conferences	2,000	2,100	2,200	2,200
Depreciation	650	650	650	650
Directors costs	21,000	21,000	23,000	24,000
Fringe Benefit Tax	3,500	3,500	4,000	4,500
General & Catering	2,000	2,200	2,400	2,400
Health and Safety	1,000	1,000	1,000	1,000
Insurance	9,500	10,500	12,000	13,000
Interest Paid - TCC Loan	500	500	500	500
Legal	2,000	2,000	2,000	2,500
Salaries	278,000	282,170	286,403	290,699
Salaries - C'Portal Opex	-16,500	-16,500	-17,000	-18,000
Staff Support Costs	17,000	17,500	18,500	18,500
Staff Training Costs	2,000	2,000	2,500	2,500
Subscriptions	1,000	1,000	1,000	1,000
Tax Advice	5,300	5,300	5,300	5,500
Expenditure - Projects	1,130,389	1,231,022	1,136,484	1,346,079
Aerial Photography Expense	300,000	400,000	300,000	500,000
Collaboration Portal Opex	26,119	27,122	27,884	27,979
Lease Expense - ICN	129,600	124,800	120,000	120,000
Lease Expense - Video Confer.	28,670	14,100	14,100	14,100
Projects - Recoveries	646,000	665,000	674,500	684,000
Total Operating Expenditure	1,505,339	1,615,592	1,532,937	1,751,078
Operational Surplus/ (Deficit) before Tax	0	0	0	0

Appendix B**Completed Joint Procurement Projects**

Requiring ongoing management for performance, renewal or replacement:

- Collective Geospatial training
- Aerial Imagery
- Provincial Growth Fund co-funding for LiDAR Capture
- Antenno community engagement app
- Insurance Valuations
- Contractor online inductions
- Eastern BOP Electricity
- Health and Safety Management Software
- Solid Waste Management
- Insurance Forums
- Asbestos protocols
- Sustainable Public Procurement
- Health and Safety Benchmarking
- Council Library and cloud services
- Inter-Council Network (ICN) review, redesign and renegotiation
- Debt Collections
- Collaboration Portal
- Capital Construction and Civil Works Projects
- Inter-LASS collaboration
- Spark Fortigate Firewall Services
- Evolution Networks Wireless WAN
- Office supplies
- Banking
- Postal services
- Courier services
- Fuel
- Advertising services
- Travel and accommodation services
- Air travel
- Insurance brokerage
- Risk management
- N3/GSB
- GIS software
- Health insurance
- Security services
- Antivirus software
- Video conferencing
- Above ground asset insurance
- GPS vehicle tracking
- Archaeological services
- Telephony – voice, data, mobile
- Reprographic – printers/copiers
- Media monitoring services
- EFTPOS services
- Historical imagery digitisation
- Online services
- Internal audit services
- Health and safety training services
- Risk management workshops
- Infrastructure Insurance
- Collective H&S training
- EMA membership
- Environmental insurance
- Print Media Copyright Services
- Health and Safety software
- Tender Facilitation
- Regional LiDAR Capture
- Standards NZ
- Accounts Payable Automation Software
- FME Server
- Human Resources Information Systems

Appendix B

Identified Joint Procurement Projects

- Civil works contracts
- Civil works materials
- Infrastructure valuation services
- High volume print
- Electronic document management
- Archives
- Document storage
- Document scanning
- Agenda management software
- ICT security policies
- Business continuity
- IT applications
- Property valuation services
- Telephony platform
- Chemicals
- Digital signatures
- Recruitment/candidate management
- Surveys and research
- Media distribution services
- CD emergency notifications
- Fleet purchasing
- Push wireless
- Fleet management
- Community communication systems
- Lone worker field solutions
- LiDAR acquisition – PGF
- Drug & alcohol testing
- Electronic agenda and minute management
- Occupational health
- Health & Safety training

Collaborative Projects

Managed by BOPLASS or by one or more constituent councils:

- IT hosting / IaaS
- Shared datacentre
- Internal audit services
- GIS web services
- Shared licence server
- Contractor H&S prequalification
- Radio telephony strategy
- Collaboration Portal
- After hours call management
- Archive service
- Debt management
- Health and safety auditing
- Inter-council network (ICN)
- Smart cities
- Section 17A reviews
- Video conferencing
- GIS imagery data storage
- Historic aerial imagery
- Sustainable procurement
- Diversion of putrescible waste from landfill
- Civil works projects marketing
- Robotics processing automation
- Civil Defence Emergency Management
- Insurance Valuations
- Inter-LASS collaboration
- Regional waste operator licensing and data collection
- Zoom licencing and group plan

Appendix B**Projects for Consideration**

- Rates Collection
- Geospatial services
- Joint software support
- Asset Management
- Web services
- Payroll
- Consents Processing
- CCTV monitoring
- Information Services
- HR Information Systems
- Electronic Document and Records Management System
- Business continuity planning
- Infrastructure development codes
- Solid waste regional facilities strategy
- Building consents
- Regional Civil Defence
- Document digitisation
- Capital Expenditure projects
- Project management office
- Windscreen replacement
- Driver training
- Staff engagement survey systems
- Contractor online inductions
- Centralised insurance resource

Title: 22-77 Gisborne Holdings Limited - Draft Statement of Intent
Section: Finance & Affordability
Prepared by: Ally Campbell - Executive Policy Advisor
Meeting Date: Wednesday 6 April 2022

Legal: Yes

Financial: Yes

Significance: **Low**

Report to FINANCE & PERFORMANCE Committee for decision

PURPOSE

The purpose of this report is to consider and accept the draft 2023-2025 Statement of Intent that has been prepared by Gisborne Holdings Limited (GHL) for the year commencing 1 July 2022 and the Interim Report for six months ended 31 December 2021.

SUMMARY

GHL is a Council Controlled Trading Organisation (CCTO) and must prepare a Statement of Intent (Sol) in accordance with Section 64 (1) of the Local Government Act (LGA). GHL must also provide a half yearly report (i.e., for the period ending 31 December 2021) and include information required by its Statement of Intent (Section 66 LGA).

Statement of Intent

The draft 2023-2025 Sol was submitted to Council on 28 February 2022.

The main changes to the draft Sol were made to address matters raised in the Letter of Expectation from Council, including:

- Changes to ensure strategic alignment with Council and its objectives.
- Changes to wording indicating that a review of services is underway for GHL in 2022.
- Reinforcement that a modified Statement of Intent will be completed post 1 July, to incorporate any material changes, service or strategic outcomes as a result of the service review that is currently underway.

The draft Sol is intended to be an intermediary statement and therefore does not contain any fundamental changes from the previous years approved Sol. Once the Service Review of GHL has been completed, likely in November, this statement of intent will be amended and renewed.

Despite the impact of the current service review, it is necessary to continue following due process and adopt a statement of intent for this time period before the service review has been completed, to ensure there is continued alignment between Council and GHL.

The draft Statement of Intent for 2022 (**Attachment 1**) and Council's Letter of Expectation (LoE) (**Attachment 2**) have been attached.

Interim Half Yearly Report 31 December 2021

The interim half yearly report is attached in **Attachment 3**. Chairman of GHIL Dave Mullooly, provides a commentary on their performance, outlining a \$1.6m gross profit against the YTD budget of \$2m. The gross profit is before expenditure from continuing operations is taken into account.

Overall results after continuing operations expenditure is a net loss for the period of \$1.7m against YTD budget loss of \$962k. Most of the differences from budget arise from changes in valuation.

GHIL are forecasting to have a net profit of \$847k by year end, close to Budget of \$996k.

The decisions or matters in this report are considered to be of **Low** significance in accordance with the Council's Significance and Engagement Policy.

RECOMMENDATIONS

That the Finance & Performance Committee:

- 1) Recommends that Council:**
 - a) Approves Gisborne Holdings 2023-2025 Statement of Intent as attached: or**
 - b) Provides Gisborne Holdings Limited further guidance on key issues still to be included in the 2023-2025 Statement of Intent.**
- 2) Acknowledges that there may be an amended 2023-2025 Statement of Intent applied after the GHIL service review has been completed.**

Authorised by:

Pauline Foreman - Chief Financial Officer

Keywords: Statement of Intent, SOI, Letter of Expectation, Gisborne Holdings Limited, GHIL, Interim Half Yearly Report 31 December 2021

BACKGROUND

1. Gisborne Holdings Limited (GHL) is a Council Controlled Trading Organisation (CCTO). A CCTO:
 - a) Operates at arm's length from the Council
 - b) Achieves the objectives of Council (its sole shareholder) as specified in the Statement of Intent
 - c) Has an independent board that is accountable to the Council for the CCTO's performance
 - d) Is a separate legal entity with directors being responsible for overseeing the management of the business.
2. As a CCTO, GHL is required to produce a Statement of Intent which meets the statutory requirements specifically set out in Schedule 8 of the Local Government Act 2002 (LGA02).
3. Council must have an effective governance regime for managing the risks associated with CCTOs. As part of this process, Council provides a Letter of Expectation to GHL which sets out Council's priorities and expectations of the CCTO for years 2023 to 2026.
4. The LoE forms an important part of the Sol process, as it provides the CCTO with direction and highlights any expectations that Council has in terms of the performance and objectives of the CCTO.

Statement of Intent Process – Obligations

5. The LGA02 requires GHL to:
 - a) Present its draft Sol to its shareholder on or before 1 March each year.
 - b) Consider the shareholder's comments by 1 May.
 - c) Complete the Statement of Intent by 30 June; and
 - d) Make it publicly available within one month of completion.
6. The content of the Sol is primarily determined by statute and includes the objectives of the company, the nature and scope of activities to be undertaken, accounting policies, performance targets, distributions, information to be provided to shareholders, procedures to be followed in respect of investments, estimate of the commercial value of the shareholders' investment, and various other matters. The Sol should also reflect the strategic direction of both the Council and GHL.
7. Schedule 8 Section 4 of the Local Government Act allows for a Statement of Intent to be reviewed once it has been adopted. Completion of the current service review process will signal for this to occur.

8. Due to the GHL service review process and the intention for this to be an intermediary Sol, only minor changes have been made to the attached draft Sol when compared to the final Sol from 2021. The main changes that have been incorporated in this draft Sol have been included to facilitate the service review process, ensure alignment with the constitution, and to consider the recommendations made by Council in the LoE.

DISCUSSION and OPTIONS

9. The sections below cover the main changes that have been made to the draft Sol and high level commentary on the Interim Half Yearly Report 2021/22.

Draft 2023-2025 Statement of Intent

10. Most of these changes discussed below align with the recommendations made by Council in their Letter of Expectations.
11. The main changes with the draft 2023-2025 Sol are around:
 - a) Service Review
 - b) Strategic Alignment with Council
 - c) Reporting requirements
 - d) Definition of Major transactions
 - e) Distributions
 - f) Financial Forecasts

Service Review

12. Council highlighted that further recommended changes may arise following completion of the GHL service review, which will need to be reflected within the updated Sol. Providing for the service review and any resulting changes was therefore identified as a key focus in Council's Letter of Expectations for GHL.
13. Changes were made to the draft Sol to include acknowledgment of the service review throughout, namely under:
 - **Section 7** (page 5 of the SOI) Corporate Governance where it is stated that the review of service is underway and may require modifications to any Sol adopted by 30 June 2022, to accommodate any changes of services, and strategic alignment of Council and GHL, in accordance with Schedule 8 Section 4 of the LGA: and
 - **Section 12** (page 11) Reporting to Shareholders which states that a modified Sol will be completed post 1 July 2022 to incorporate any material changes to service outcomes as a result of the current service review.
14. The changes are consistent with the Letter of Expectation.

Strategic Alignment & Constitution

15. The Letter of Expectation stated that while the Constitution of GHL allows a director to act in a manner which they believed to be in the best interests of Council, even if it may not be in the best interests of GHL, the Statement of Intent did not have a clear link to achieve the financial and non-financial objectives of Council.

16. The need for strategic alignment between Council and GHL has been addressed in the draft Sol under **section 5** (page 4 of the Sol) where a new objective has been added "Alignment with the Gisborne District Council Group".
17. Further to this, providing support to Council's strategic direction and objectives, both financial and non-financial, in all business endeavours, has also been incorporated into the Sol under the Company Objectives section (**section 3** page 2), following recommendations from Council.
18. This section also included a recommended change to address the need for GHL to exhibit a sense of social, environmental and cultural responsibility by having regard for the interests of the community and by endeavouring to accommodate or encourage these when able.
19. The changes are consistent with Letter of Expectation.

Reporting Requirements

20. Council's reporting expectations was highlighted in the LoE and it was recommended that in order to maintain consistency with Council's other activities, where there is sufficient content as required by sections 77-79 of the LGA, formal reports should be supplied regularly by GHL, including Financial and Risk reporting.
21. Reporting responsibilities have been addressed in the draft Sol under **section 12** (page 12), where it is noted that all written reports will have sufficient content as required by sections 77-79 of the LGA to enable Council to make good decisions and not limited to situations where:
 - a) Any matter requiring approval
 - b) Financial reporting
 - c) Risk reporting
 - d) Any matter that would be considered a "surprise" to Council
 - e) Business cases
22. The changes are consistent with the Letter of Expectation.

Major Transactions

23. Council recommended that the definition of a Major Transaction in the draft Sol be revised from:

“transactions or disposal of fixed assets, investments and shares where the value exceeds 10% of the total value of the company's assets or \$10m (whichever is the lesser) as determined by reference to the most recent financial statements prepared in terms of this SOI”

To:

“transactions or disposal of fixed assets, carbon credits, investments and shares where the value exceeds \$1m, will be agreed by way of an accepted business case. This does not include ongoing asset renewal which are in accordance with the asset Management Plan. This also excludes regular livestock sales or forestry harvesting decisions in line with normal farm management practices.”

24. The recommended text change has been incorporated into the draft Sol under **section 13** Major Transactions (page 12 of Sol) and it is entirely consistent with the Letter of Expectation.

Distributions

25. The minimum distribution has moved from \$1.9m to \$2m, as outlined in **Section 11** (page 10).
26. It should be noted that the “additional dividend” section that was included within previous (or current 2022-2024 SOI), has been removed. Previously, there was a commitment from GHIL to “... make every effort to return a further \$1.5m over the next 5 years. All investment decisions will be made with this in mind”.
27. This removal of the additional dividend is not consistent with Council's previous LoE or consistent with Council's projections within 2021-2031 Long Term Plan. However, GHIL has noted that until the review is completed and where there is a firm picture and future direction regarding strategic alignment with Council, that a commitment to additional dividend would be premature at this point in time.
28. Any modified Statement of Intent arising from service review would be in a better position to adjust the Distributions to Shareholders for the 2023-2025.

Financial Forecast

29. **Section 20** Forecast Financial Information (pages 15-16) outlines the forecast of
- a) Statement of Comprehensive Income
 - b) Statement of Movements in Equity
 - c) Statement of Cash Flows
 - d) Forecast Capital Expenditure
 - e) Performance Indicators.

30. For the most part the financial forecast information appears to be a placeholder. For instance, (page 16) Forecast Capital Expenditure for 2023 to 2025 ranges in total of between \$500k to \$600k. In the current (2022-2024 Sol), capital expenditure for 2023 & 2024 was forecast to be \$3.3m per year.
31. This "placeholder" forecast is acceptable as there is a comprehensive review underway and better information should be provided at this time. In addition, the capital expenditure is also consistent with the change of definition of major transaction, where amounts above \$1m for new or growth projects requires Council's prior approval.

Interim Report for Six months Ended 31 December 2021

32. The Chairman of GHIL provides a summary of the first six months of 2021/22 financial year.
33. Key messages were:
 - Gross Profit of \$1.6m against a YTD budget of \$2m
 - Last day of operations for the Gisborne Vehicle Testing 3 December 2021, recording a loss of \$145k
 - Wash'n Go recorded a \$286k gross profit, \$22k above budget
 - Waikanae Beach Top 10 Holiday Park recorded gross profit \$500k above budget. While above the forecast budget, it was \$600k down on the previous year impacted by regional lockdowns in Waikato and Auckland as a result of Covid.
34. Other point to note, net loss for the first half of 2021/22 was \$1.7m against a budget \$962k loss. Net loss is higher than expected due to loss movements in valuations (\$1.2m) and higher than budgeted administration costs (\$390k).
35. GHIL is forecast by year end, to have a net profit of \$847k close to full year budget of \$996k.

ASSESSMENT of SIGNIFICANCE

Consideration of consistency with and impact on the Regional Land Transport Plan and its implementation

Overall Process: Low Significance

This Report: Low Significance

Impacts on Council's delivery of its Financial Strategy and Long Term Plan

Overall Process: Low Significance

This Report: Low Significance

Inconsistency with Council's current strategy and policy

Overall Process: Low Significance

This Report: Low Significance

The effects on all or a large part of the Gisborne district

Overall Process: Low Significance

This Report: Low Significance

The effects on individuals or specific communities

Overall Process: Low Significance

This Report: Low Significance

The level or history of public interest in the matter or issue

Overall Process: Low Significance

This Report: Low Significance

36. The decisions or matters in this report are considered to be of **Low** significance in accordance with Council's Significance and Engagement Policy.

TANGATA WHENUA/MĀORI ENGAGEMENT

37. No engagement with tangata whenua has been undertaken regarding the content of GHL's draft Statement of Intent.

COMMUNITY ENGAGEMENT

38. In this instance, as required by GHL's Constitution, Council is the consulted party. No community engagement has been undertaken regarding the content of GHL's draft Sol.

CLIMATE CHANGE – Impacts / Implications

39. Climate change will become a major focus for Council, given that it has set a net-zero target for carbon emissions by 2040.
40. The Sol acknowledges the need to contribute towards reducing carbon emissions and contributing towards a climate resilient future, and highlights that GHL aims to achieve this by:
- Working with Council in the review and update of low carbon Tairāwhiti to deliver an integrated approach to climate change, addressing both emissions reduction (mitigation) and climate resilience (adaptation).
 - GHL will follow Council's approach of region wide climate leadership and will work closely with Council to align the approaches of both organisations.
 - Implementing actions identified within a plan and any future iterations of the plan appropriate for GHL.
 - Embedding climate change considerations into decision-making, planning and policies regarding both emissions reduction and addressing the impacts of current and on-going climate change.

CONSIDERATIONS

Financial/Budget

41. The annual GHL Sol outlines broadly how the company will manage Council's assets over the coming three years. The management of these assets has implications for Council's annual budget and budget forecasting, such as the year on year projections in the Long Term Plan.
42. The Interim Half Year Report from GHL records its performance for the first six months of 2021/22.

Legal

43. The LGA requires local authorities to regularly undertake performance monitoring of CCTOs (s.65(1)). A key part of that performance management is the setting of performance targets through the Sol.
44. If Council does not agree the content of a Statement of Intent (Sol) delivered to it, it must, as soon as practicable, take all practical steps to have the Sol modified (s.65(2)). There is power under the LGA for Council to pass a resolution which requires the Board of a CCTO to modify the Sol by including or omitting provisions. Any Board presented with such a resolution must modify the SOI accordingly (Clause 5 Schedule 8).
45. Half yearly and annual reporting (in accordance with the provisions of the LGA) are also legal requirements (s.66 and 67).

POLICY and PLANNING IMPLICATIONS

46. Providing an LoE is consistent with Council's commitment to maintaining an effective and transparent relationship with GHIL.

RISKS

47. There is a risk that GHIL operations differs from Council's Group policies, and legislation.

NEXT STEPS

Date	Action/Milestone	Comments
By 30 June 2022	Final SOI to be approved	
November/December 2022	Review and amendment of Final SOI following completion of GHIL service review	

ATTACHMENTS

1. Attachment 1 - GHIL Statement of Intent 2023-2025 DRAFT v 3 GDC response (A 2468024) [10.2.2.1 - 18 pages]
2. Attachment 2 - Gisborne Holdings Ltd Letter of Expectation FINAL 2022 [10.2.2.2 - 5 pages]
3. Attachment 3 - GHIL Interim report 31 December 2021 for 2021-22 [10.2.2.3 - 11 pages]



**GISBORNE
HOLDINGS LTD**

Investment for local return

**Statement of Intent
2023 - 2025
DRAFT**

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1. INTRODUCTION

This Statement of Intent (Sol) is prepared in accordance with Section 64(1) of the Local Government Act 2002. The Sol specifies for Gisborne Holdings Limited (GHL or the Company) the objectives, the nature and scope of the activities to be undertaken, and the performance targets and other measures by which the performance of the Company may be judged in relation to its objectives.

The Sol is a public and legally required document, reviewed and agreed annually with the Shareholder, Gisborne District Council (GDC) and covers a three-year period. This Sol covers the period from 1 July 2022 to 30 June 2025.

2. COMPANY MISSION

To provide an appropriate return and growth from subsidiary companies and community assets relative to the industry they operate in.

To establish and efficiently direct an outstanding group of Council-controlled business activities which are aligned with Council's financial and investment strategies.

By bringing the best available expertise to bear upon management of its assets, GHL will contribute to the Gisborne District Council (GDC) by owning and managing selected regional assets and investments in accordance with sound business practice and sustainable development principles. It will provide funds to the GDC while protecting the capital value of those assets under its stewardship.

Investing in, and promoting the establishment of, key infrastructure and community assets in a commercially viable manner.

3. COMPANY OBJECTIVES

The objectives are those as provided in Section 59 of the Local Government Act 2002 including the following specific objects:

- Manage existing businesses to maximise and sustain profit generation.
- Grow the asset base while providing a predictable and sustainable revenue stream to Gisborne District Council.
- Focus on growing non-rates revenue for Gisborne District Council.
- To increase annual distributions to Gisborne District Council or to become an enabler for GDC to deliver projects by leveraging our balance sheet. A natural trade off exists between these options.
- Exhibit a sense of social, environmental and cultural responsibility by having regard to the interests of the community and by endeavouring to accommodate or encourage these when able
- Support Council's strategic direction and Council's objectives, both financial and non-financial, in all business endeavours,

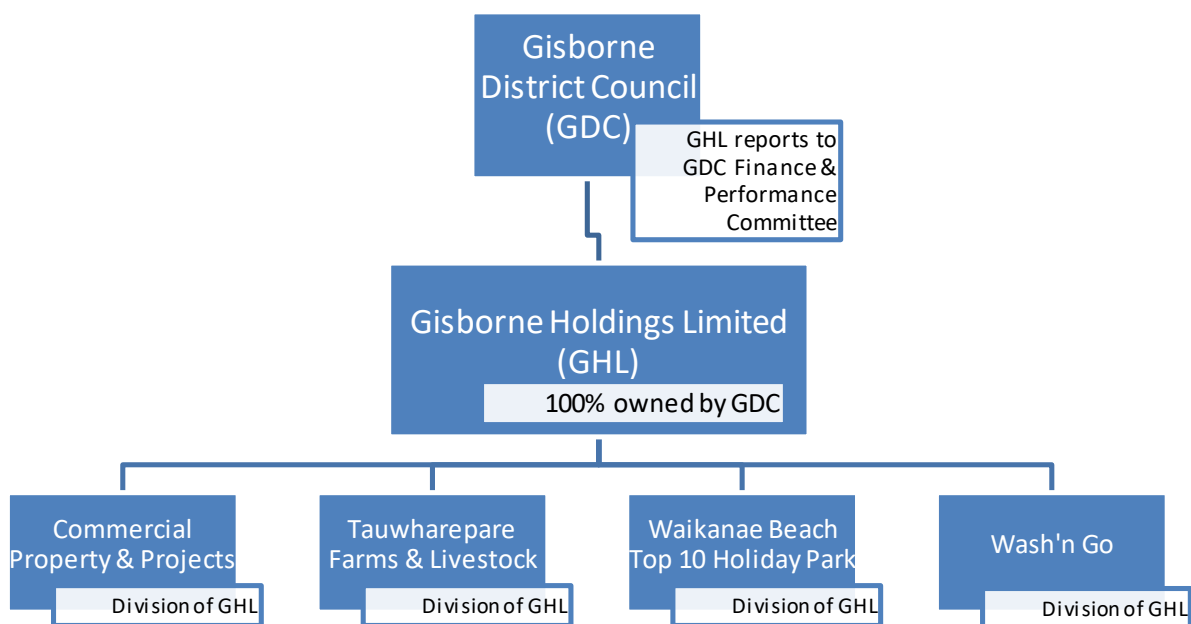
GHL is committed to:

- environmental stewardship
- health and wellbeing of staff

4. NATURE & SCOPE OF ACTIVITIES

Gisborne Holdings Ltd is a wholly owned council-controlled trading organisation of Gisborne District Council. The company is run a commercial basis and receives no funding from Gisborne District Council.

The group ownership and reporting structure is as follows:



The Company consists of:

Gisborne Holdings Ltd – the company with divisions including:

- Commercial Property & Projects – manages a large and diverse portfolio of commercial, tenant occupied rentals, farmland, and forestry property. This division is also responsible for project managing all the company's developments.
- Tauwharepare Farms & Livestock – farm and forestry operations at Tolaga Bay covering some 11,000 hectares of which 6,000 is considered effective with the remainder in forestry blocks and Protected Management Area's (PMA's).
- Waikanae Beach Top 10 Holiday Park – the region's largest accommodation provider, servicing the tourism sector.
- Wash'n Go – easy-pay cashless auto and self-wash facility.

5. STRATEGIC ALIGNMENT with TAIRAWHITI 2050

GHL intend to contribute to the outcomes included in Tairawhiti 2050 by:

A driven and enabled Community

...promoting an open and collaborative relationship with GDC and supporting them to enact positive change through the provision of information or resources

Resilient communities

...managing the business prudently to ensure a predictable and sustainable revenue stream can be provided to GDC to assist in the provision of key infrastructure

Vibrant city and townships

...continuing to invest in and develop the Waikanae Beach Top Ten Holiday Park (people and infrastructure) to provide a positive holiday destination/experience for both locals and visitors to enjoy

Connected and safe communities

...working at the micro level to ensure universal access is considered in all developments and upgrade work undertaken by GHL and by providing beach wheelchairs (in cooperation with CCS and other local communities) alongside our hire equipment offering

We take sustainability seriously

...continuing to incorporate energy efficient practices into our developments, upgrades, and businesses where commercially viable

We celebrate our heritage

...taking stewardship of our land assets seriously to ensure land, waterways and biodiversity is protected/restored for future generations by employing sustainable land use practices and considering land retirement/reversion opportunities

A diverse economy

...continuing to grow the business will enable GHL to; work towards being a living wage employer, create and promote new training opportunities, grow returns to GDC

Delivering for and with Maori

...partnering with or supporting iwi if a suitable commercial venture was identified. Establishing relationships with iwi and inviting their participation in development proposals where relevant

...to undertake engagement with iwi, hapu, and other Maori organisations in a manner that is consistent with the direction provided in Tairāwhiti Piritahi. Engagement to be undertaken in a way that values Te Ao Maori (the Maori world) and strengthens relationships with Maori.

Alignment with the Gisborne District Council Group

The Board or a Director may act in a manner in which they believe to be in the best interest of Council, even when it may not be in the best interests of GHL. This is in accordance with the Constitution, section 12.4.

6. CLIMATE CHANGE

GHL will contribute towards reducing carbon emissions and contributing towards a climate resilient future by:

- Working with Council in the review and update of low carbon Tairāwhiti to deliver an integrated approach to climate change, addressing both emissions reduction (mitigation) and climate resilience (adaptation)
- GHL will follow Council's approach of region wide climate leadership and will work closely with Council to align the approaches of both organisations
- Implementing actions identified within a plan and any future iterations of the plan appropriate for GHL
- Embedding climate change considerations into decision-making, planning and policies regarding both emissions reduction and addressing the impacts of current and on-going climate change

7. CORPORATE GOVERNANCE

Board Role and Responsibility

GHL's directors are appointed by the shareholder to govern and direct GHL's activities. The Board is accountable to its shareholder for the financial and non-financial performance of the Company. The Board does this by setting strategic direction and context and focusing on issues critical for its successful execution.

While acknowledging their fiduciary responsibilities, the Board has delegated to the Chief Executive Officer the day-to-day leadership and management of the Company.

Statement of Intent (SOI)

GHL, as a CCTO, must prepare a SOI in accordance with Section 64(1) of the Local Government Act 2002.

A draft SOI must be submitted to GDC by 1 March with the final SOI being delivered by 30 June each year, after consultation and consideration of comments from GDC and after the completion of the annual business plans and budgets.

A review of services is underway and may require modifications to any SOI adopted by 30 June 2022. Modifications to final Statement of Intent will be to accommodate any changes of services, and strategic alignment of Council and GHL. Modifications of final SOI will be in accordance with Schedule 8 Section 4 of the Local Government Act.

The Board

The Company's Constitution provides that the Board will consist of a maximum of nine Directors (unless the Shareholder determines otherwise). Currently the Board comprises five independent Directors.

Directors retire and are eligible for re-appointment by rotation in accordance the company's constitution. Appointment tenures and re-appointment eligibility criteria are further defined by GDC's Board Appointments and Remuneration Policy October 2018. The names of director's who

are due for retirement or re-appointment are provided to GDC by 31 March each year prior to the date of appointment or reappointment.

The appointment of directors to the boards of subsidiary companies is subject to Council approval, except where the directors are already appointed as directors of GHL.

The Board is required to appoint a chairperson annually as per the Company's Constitution. The Board also appoints a Deputy Chairperson annually.

Director Induction and Development

Upon appointment to the Board, all new Directors undergo a tailored induction program appropriate to their experience to familiarise them with GHL's business and strategy. The program includes one on-one meetings with management and visits to key Company sites.

Directors are expected to keep themselves informed of changes and trends in the Company's business and in the environment and markets in which the Company operates.

All Directors undertake continuous development so that they may appropriately and effectively perform their duties.

Board Performance Review

Internal reviews will be led by the Chair. The reviews will not be less than biennial.

Finance and Audit Committee

The Board has established a Finance and Audit Committee to oversee the Company's financial reporting processes, internal control systems, and external audit processes.

The Board's responsibility includes such areas of stewardship as:

- Commercial performance
- Business plans, budgets and the SOI
- Corporate policies including financial, distribution and delegation of authority
- Management oversight and development
- Identification and management of business opportunities and risks
- Integrity of management information systems and internal control
- Compliance with relevant law
- Reporting to shareholders
- Relationships with stakeholders and external parties

8. GROWTH & INVESTMENT STRATEGY

GHL's investment strategy, in keeping with its current portfolio, is to manage a diverse mix of asset classes and risk profiles, to provide long term income and capital value resilience.

Assets are categorised as:

Core: provide strong capital appreciation and/or sustainable consistent revenue streams to enable investment through enhanced debt capacity.

Expansion: provide enhanced returns or diversification of revenue streams.

Available for Sale: assets that do not provide an appropriate return and may be considered for sale.

Strategic: assets owned for the benefit of the wider group.

GHL is looking to grow current activities it owns and operates as well as taking advantage of other commercial opportunities:

- 1) Tourism – A facility improvements and expansion works program for the Waikanae Beach Top 10 Holiday Park is proceeding. The aim being to increase accommodation and activity offerings at the park to grow revenue especially during the shoulder and off-peak season and to adapt to changing market conditions e.g., freedom camping.
- 2) Farming – Targeted capital investment to enhance productivity and mitigate the effect of extreme weather events.
- 3) Higher value use – GHL owns several individual assets that have historically operated on a minimum return basis. Options to increase the returns across these assets are being investigated where the assets are not already subject to management/development plans.
- 4) Invest in complimentary activities, increase the offerings of the current activities, or invest in new commercial ventures to grow the commercial side of the business to the level of farming.
- 5) Aid capital appreciation through the management of a comprehensive capital works program.
- 6) Infrastructure – GHL currently does not have any investment in enabling infrastructure in the Gisborne region beyond its property assets. An investment in this area would allow for an alternative long-term income stream beyond its property assets. GHL will be looking to invest into key regional infrastructure projects should an opportunity present itself.

9. RISK APPETITE

GHL's risk appetite is defined by and linked to the performance measures as outlined in the SOI.

While the Board and Management are committed to growing GHL in order to increase returns to GDC they will also continue to act in a prudent manner.

GHL will proactively manage all risks including strategic, financial, operational, and reputational risks (including the risk of fraud and/or corruption). GHL will report to and appear before the GDC Audit and Risk Committee as requested to report on risk management activities, effectiveness of risk management processes and so forth.

GHL will also proactively report on all significant risks and issues and their management to ensure no surprises, transparency and that the significant risks are being appropriately managed.

10. PERFORMANCE MEASURES

Shareholders' Funds to Total Assets

Shareholders' funds are defined as the sum of the amount of share capital on issue, retained earnings/accumulated losses, revenue, and capital reserves. Total assets are defined as the sum of the net book value of current assets, investments, fixed assets, and intangible assets as disclosed in the company's Statement of Financial Position, prepared in accordance with the accounting policies adopted by the Directors.

The target ratio of shareholders' funds to total assets shall not be less than 75% for the period covered by this SOI. The appropriateness of this target ratio will be reviewed annually by the Directors.

Financial Targets

- A return on shareholders' funds ratio of at least 3%
- A bank debt to bank debt plus equity ratio of no more than 25% (*Bank Debt divided by Bank Debt plus Total Equity*)
- A minimum five-year rolling average return on investment of 5% distributed to GDC
- An interest coverage ratio of at least times 4.0 (*Earnings before interest and tax divided by financing costs*)
- A shareholder funds to total assets ratio of no less than 75% (*Total equity divided by Total Assets*)
- GHL meets the minimum level of distribution outlined in this SOI.

Non-Financial Targets

GOAL	OBJECTIVE	MEASURE
Ensure assets are managed prudently	Assets are maintained/upgraded in a timely cost-effective manner	<p>A ten-year Asset Management plan is in place</p> <p>A three-year rolling Maintenance plan is in place</p> <p>Management and Maintenance plans are reviewed annually to ensure maintenance work is being undertaken and priorities reassessed as required</p> <p>Annual budgets reflect maintenance plans</p>
Ensure GHL are effectively managing Community Housing on behalf of GDC	<p>Residents are satisfied with the GHL's management of Community Housing</p> <p>Operate within parameters set by GDC</p>	<p>Annual satisfaction survey of 95% or better</p> <p>Budgets are adhered to</p>
Ensure the Waikanae Beach Top Ten Holiday Park is positively contributing to Tairāwhiti's tourism sector	Customers are satisfied with the service provided by the park staff and facilities provided	GRI Index score of 85% or better

Ensure land is managed sustainably and to be a leader in land stewardship	Land and waterways are managed in line with best practice	Environmental plans are in place for each of the three stations and budgets incorporate annual spend on measures to implement improvements required 30m riparian strips are enforced to better protect watercourses from the effects of forestry
To make safety our priority and provide a safe environment	Maximise safety across all divisions A Health and Safety Calendar and Annual Improvement Plan are in place.	Minimum of 10 Health and Safety Committee meetings held each year. Health and Safety Calendar is reviewed annually and adhered to The Annual Improvement Plan is agreed in January each year in consultation with an independent Health and Safety provider.
To maximise returns to GDC	All assets are fully utilised	Maintain 100% occupancy across the Property portfolio
To be a good employer	To be a company people want to work	Training opportunities provided. Annual review of salaries to progress towards our goal of all permanent staff being paid the living wage.

11. DISTRIBUTIONS TO SHAREHOLDER

The Directors of GHL considered two overriding goals when setting the annual distribution policy:

1. The protection and growth of the asset base of GHL

The amount of the distribution should not limit GHL's ability to fund future capital expenditure requirements to both maintain and expand current operations and address issues relating to the company's debt structure.

2. The provision of sustainable growth in annual distribution flow to GDC

To give certainty to GDC, GHL will commit to a minimum total annual distribution of \$2 million.

Distribution Policy:

The annual distribution is not discretionary, it is a calculated amount subject to a minimum distribution of \$2 million with no maximum cap.

The Annual Tax Paid Distributable Cash Income will be distributed as follows:

- a) As GHL trading activities except Forestry:

50% of the net tax paid cash income (including Subvention Payments calculated pre-tax) will be distributed to GDC.
- b) As to Forestry:

75% of the net forestry cash distributable income, after deducting capital roading costs, income tax attributable to forestry income and making provision for the re planting of the harvested forestry estate, will be distributed to GDC.
- c) Distributable Funds will be calculated annually on a cash flow basis only and not recognise revaluation incomes and losses or depreciation provisions.

And is subject to the following provisos:

1. the Directors are satisfied that the requirements of section 4 of the Companies Act (the solvency test) have been satisfied.
2. the distributions will be fully imputed for tax purposes to the extent that imputation credits are available.
3. where subvention payments are paid to GDC the amount of these will be reflected in the total distributions to GDC.

By retaining a prudent proportion of tax paid cash income will ensure GHL can repay debt and invest in prudent expansion of its asset base.

If GHL is required to borrow to pay the minimum level of distribution for more than two consecutive years this Distribution Policy will be reviewed by GHL and GDC to reassess the levels and causes of the need to borrow.

The distribution is to be paid within nine months after the end of the financial year from when the distribution was derived.

12. REPORTING TO SHAREHOLDERS

The company has adopted 30 June as its balance date.

GHL will comply with all the reporting requirements under the Local Government Act 2002.

Statement of Intent (SOI)

The draft SOI delivered to Council on or before the 1 March will be accompanied by a report detailing any changes from the previous year's SOI and the directors rationale for making those changes.

The final SOI delivered to Council on or before the 30 June, after consultation and consideration of comments from GDC.

A modified Statement of Intent will be completed post 1 July 2022 to incorporate any material changes to service or strategic outcomes as a result of the current service review that is underway.

Interim Report

Within two months of the end of the first half of each financial year, the Directors will deliver to the Shareholder an Interim Report in accordance with Section 66 (Half-yearly report) and Section 71 (Protection from disclosure of sensitive information) of the Local Government Act 2002. The half yearly report is required to comply with the requirements of NZIAS34 - Interim Financial Reporting.

The half yearly report shall contain unaudited financial statements and a chairman's report on the performance of the group along with any significant issues likely to affect the company's performance in the future.

Annual Report

Within three months of the end of each financial year, the Directors will deliver to the Shareholder an Annual Report in accordance with Section 67 (Annual report), Section 68 (Content of reports on operations of council-controlled organisations), Section 69 (Financial statements and auditors report) and Section 71 (Protection from disclosure of sensitive information) of the Local Government Act 2002.

The annual report shall also contain a chairman's report on the performance of the group along with any significant issues likely to affect the company's performance in the future. A breakdown of the Fixed Assets by segment and the returns thereof will also be reported on.

GHL will provide audited Annual Accounts to GDC in a timely manner that fulfils Councils Group reporting requirements, including allowing for reporting to Council.

Significance and Engagement Policy

Through attendance at the Finance and Performance Committee meetings, the company will work collaboratively with its Shareholder to ensure a "no surprises" relationship in respect of any significant shareholder matters, to the extent possible in the context of commercial sensitivity and confidential agreements. The company will, insofar as it is practical and reasonable in the opinion of the directors, provide the opportunity for comment on such matters prior to taking any action.

Engagement required ranges from informing and consulting to seeking approval based upon the Director's assessment of:

- a) Decisions that potentially affect all or a large part of the Gisborne district.

- b) Decisions that potentially have a large adverse effect on a specific community, including the Maori community.
- c) Decisions which relate to matters that are of a wide public interest.
- d) Decisions which impact on Council's financial strategy, delivery of the Long-Term Plan and intended levels of service (unless the impact is minor or has been agreed by Council through the Sol process).
- e) Decisions which will expose Council to an increased level of risk.

Any matter requiring Council approval will be submitted formally through a written report to the Finance and Performance Committee, to align with Council's reporting calendar and the associated deadlines.

GHL will comply with, and assist Gisborne District Council, at an operational level, in undertaking a review of services under Section 17A (Delivery of services) of the Local Government Act 2002. It will incorporate changes into service delivery when approved by Council and with discussions with the Board.

GHL will report to GDC on CCTO establishment opportunities, and other investment opportunities that have the potential to enhance the economic well-being of the region and provide an adequate return. The company will also contribute to the best for region project in collaboration with Gisborne District Council and Trust Tairāwhiti, within reasonable commercial return expectations.

Written Reports

Formal written reports will be regularly supplied to Finance and Performance Committee, including but not limited to:

- Any matter requiring approval
- Financial reporting – including variances to the Statement of Intent and last years performance
- Risk Reporting
- Any matter that would be considered a potential 'surprise' to Council
- Business cases

The written reports will have sufficient content as required by sections 77-79 of the Local Government Act to enable Council to make good decisions.

13. MAJOR TRANSACTIONS

The Directors will obtain prior approval, by Gisborne District Council resolution, for any major transaction. Major transactions are:

1. Sale of land
2. Formation of a subsidiary company or joint venture
3. Transactions for the acquisition or disposal of fixed assets, carbon credits, investments and shares where the value exceeds \$1m. This does not include ongoing asset renewals which are in accordance with the Asset Management Plan. This also excluded regular livestock sales or forestry harvesting decision in line with normal farm management practices.
4. Long term (15+ years) lessee agreements
5. Any transaction or dealing in relation to a strategic asset*:

-
- I. Reducing control over the asset
 - II. Reducing or materially affecting the assets value
 - III. Granting any legal interest in the asset to a third party
 - IV. Affecting the CCTO's or Council's ownership of the asset
 - V. Any long-term (15+ years including any renewals) contracts for the development or operation of a strategic asset

* Strategic assets to be defined by GHL in line with Local Government Act 2002.

Any matter requiring Council approval will be submitted formally through a written report to the Finance and Performance Committee, to align with Council's reporting calendar and the associated deadlines.

14. RELATED PARTY TRANSACTIONS

Transactions between GHL and subsidiary companies with GDC will be conducted on a wholly commercial basis and compensation for any services provided by GHL to GDC will be conducted on a wholly commercial basis.

GDC will not instruct GHL to act in a non-commercial manner.

Assets transferred to GHL from GDC will be transferred at an independently assessed market value.

15. TREASURY MANAGEMENT

If opportunities to borrow from the Local Government Funding Agency (LGFA) arose, GHL would ensure its Treasury Management Policy and Lending Policy Covenants aligned to Council's policy where applicable. In addition, quarterly written reports would be submitted to GDC's Audit and Risk Committee showing conformance to the policy.

16. ESTIMATED COMMERCIAL VALUE OF THE COMPANY

The Directors estimate the commercial value of the shareholders' investment in GHL to be no less than the shareholders' funds.

The value ascribed to shareholders' funds will be that stated in the annual Statement of Financial Position of the company as at the end of the financial year preceding each SOI.

17. ACCOUNTING POLICIES

The financial statements of GHL and its subsidiaries will be prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) and the requirements of the Companies Act 1993. GHL is a for-profit entity for the purposes of complying with NZ GAAP. The financial statements will be prepared on a historical cost basis except for land and buildings, available for sale investments, forestry, livestock, and emissions units which will be measured at fair value.

The financial statements will comply with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR).

The detailed accounting policies are available in our most recent Annual Report, which is published on our Company website.

18. AUDIT

Ernst & Young, as agent for the Office of the Auditor General (OAG), will undertake the financial audit of GHL.

19. Council Group Policies

To adhere and comply with Gisborne District Council's Group Policy and Guidelines.

20. FORECAST FINANCIAL INFORMATION

	2021/22	2022/23	2023/24	2024/25
	000's	000's	000's	000's
Forecast Statement of Comprehensive Income				
Gross Profit				
Tauwhareparae Farms and Livestock	2,945	4,165	4,269	4,376
Forestry	-	-	-	-
Property & Projects	2,056	2,008	2,058	2,109
Wash'n Go	286	298	306	313
Waikanae Beach TOP 10 Holiday Park	2,029	2,034	2,085	2,137
Capital Gains	1,140	-	-	-
GVT	213	-	-	-
Total Gross Profit	8,669	8,505	8,717	8,935
Expenditure				
Financing Costs	540	692	709	727
Depreciation	868	841	862	883
Other Expenses	5,164	5,003	5,129	5,257
Total Expenditure	6,572	6,536	6,699	6,867
Net Profit / (Loss) before Tax	2,097	1,969	2,018	2,068
Tax & Subvention payment	1,250	1,200	1,200	1,200
Net Profit/ (Loss) After tax	847	769	818	868
Forecast Statement of Financial Position				
Current Assets	869	196	196	196
Non-Current Assets	147,342	147,101	146,740	146,357
Current Liabilities	(2,181)	(3,823)	(5,017)	(6,140)
Non-Current Liabilities	(19,517)	(18,743)	(17,969)	(17,195)
Shareholders Equity	126,513	124,731	123,949	123,217

	2021/22	2022/23	2023/24	2024/25
	000's	000's	000's	000's
Forecast Statement of Movements in Equity				
Opening	123,010	126,513	124,731	123,948
Surplus / (deficit) for the Year	847	769	818	868
Reserves	4,315	-	-	-
Dividends	(1,659)	(2,550)	(1,600)	(1,600)
Closing	126,513	124,731	123,948	123,217
Forecast Statement of Cash Flows				
Operating	2,341	2,699	2,789	2,880
Investing	5,207	(600)	(500)	(500)
Financing	(6,774)	(4,466)	(3,483)	(3,501)
Net Cash Flow	774	(2,367)	(1,194)	(1,120)
Forecast Capital Expenditure				
Plant & Equipment	-	100	100	100
Development	2,000	-	-	-
Vehicles	-	100	-	-
Land & Buildings	-	400	400	400
Total	2,000	600	500	500
Forecast Performance Indicators				
Return on Shareholder Funds (excluding Subvention)	2%	2%	2%	2%
Bank Debt / Bank Debt + Equity	8%	9%	9%	10%
Interest Coverage Ratio	5	4	4	4
Ratio of Shareholder Funds to Total Assets	85%	85%	84%	84%
Minimum Distribution	\$1.9m	\$2.0m	\$2.0m	\$2.0m

Key Assumptions

- 1) Commodity prices for the 2023 to 2025 years will be similar to 2022 prices.
- 2) Accommodation revenue will fall to 2019 levels then rise again in out years.
- 3) Expenses will be maintained at similar levels to prior years.
- 4) The current Forestry strategy continues unchanged.
- 5) No Development CAPEX.

Key Risks and Uncertainties of the group's main businesses

- 1) Weather and fluctuations in commodity prices are key risks, neither of which the company has any control over.
- 2) Changes in spending habits and changes in government regulations can also adversely affect results.
- 3) Significant uncertainty exists due to COVID-19.

It is not practical to quantify the effect of these risks and uncertainties in specific monetary terms.

These Prospective Financial Statements are likely to vary from the actual financial results for the periods covered. These variations may be significant and material.

Corporate Information

The Prospective Financial Statements for Gisborne Holdings Limited are for the years ended 30 June 2023 to 30 June 2025. The Prospective Financial Statements have been prepared for inclusion in the Statement of Intent for the 3 years ended 30 June 2025. It should also be noted that the information in these statements may not be appropriate for purposes other than inclusion in the statement of intent.

Other disclosures

The directors authorised the issue of the Prospective Financial Statements and are responsible for Prospective Financial Statements presented, including the appropriateness of the assumptions underlying the Prospective Financial Statements and all other required disclosures.

Actual financial results are incorporated for the period 1 July 2021 to 31 December 2021 into the Prospective Financial Statements for the year ended 30 June 2022.

It is not intended to update the Prospective Financial Statements subsequent to presentation.

Dated: 28 February 2022



GISBORNE
DISTRICT COUNCIL

Office of the Mayor

10th December 2021

Dave Mullooly
Chairman
Gisborne Holdings Limited
PO Box 694
Gisborne 4040

Tēnā koe_Dave,

Letter of Expectation from Gisborne District Council to Gisborne Holdings Limited (GHL)

I would like to acknowledge the commitment of the GHL Board, its focus of "Giving back to the Future" and the work that it does as a Council Controlled Trading Organisation (CCTO) on behalf of Council.

This Letter of Expectation sets out Council's priorities and expectations to inform the development of Gisborne Holdings Limited's (GHL) draft Statement of Intent (SOI) for 2023 to 2026.

This letter has been informed by discussions with Councillors and sets our enduring expectations and general expectations for the next three years, based upon the Council Group and key strategic expectations for GHL.

During 2022, Council will be working through and working with GHL on the outcomes of the Service Review, aligning GHL and Council's strategic direction.

The main expectation is that GHL will continue to work with Council to achieve and maintain alignment with the overall group direction. With that in mind, there is particular emphasis of the Enduring Expectations of a Council Controlled Organisation and the changes that may need to be made as we work together on the Service Review.

Enduring expectations between GHL and Council

1. Roles and responsibilities
 - a. **Council:** As the shareholder Council will engage with the Board to:
 - i. ensure that the Council's strategic objectives are clear and communicated so that the Company can ensure alignment with the goals of the Council;
 - ii. build and maintain a relationship of mutual respect and trust with the board;
 - iii. respect that some information shared by GHL may be commercially sensitive.

- b. **The Board:** The Board will run the company in accordance with the Local Government Act 2002, the Constitution and the Statement of Intent, and fulfil its objectives, being:
- i. Increasing the return on the Council's investments in accordance with the Council's Investment policy;
 - ii. Run all businesses in accordance with sound business practices;
 - iii. Exhibit a sense of social, environmental and cultural responsibility by having regard to the interests of the community and by endeavouring to accommodate or encourage these when able;
 - iv. Support Council's strategic direction and Council's objectives, both financial and non-financial, in all business endeavours;
 - v. Be a good employer;
 - vi. Meet all statutory obligations;

Ongoing Expectations and Key Focus Areas

2. Strategic Alignment

Context

Section 59 of the Local Government Act states that the principal objectives of a Council Controlled Trading Organisation, is to "achieve the objectives of its shareholders, both commercial and non-commercial, as specified in the statement of intent".

Your Constitution states that a director may act in a manner in which they believe to be in the best interests of Council, even if it may not be in the best interests of the GHL.

The Office of the Auditor General in its publication "Governance and Accountability of Council-Controlled Organisations" states that the Statement of Intent must not be inconsistent with the Constitution.

Currently, the Statement of Intent refers specifically to its mission as:

"To provide an appropriate return and growth from subsidiary companies and community assets relative to the industry they operate in"

"Investing in, and promoting the establishment of, key infrastructure and community assets in a commercially viable manner"

While the SOI section 5 "Strategic Alignment with Tairāwhiti 2050" does show intent to outcomes included in Council's long term strategic direction, there is no clear link to achieve financial and non-financial objectives of Council. There also is no direct link to be able to fulfil the Constitution direction where a Director and GHL may act in a manner that may be in the best interests of Council Group and not necessarily in best interests of GHL.

Recommendation

To include a statement or statements that recognise financial and non-financial objectives of Council, and that at times a Director may act in a manner that may not be in the best interest of GHL, but will be in the best interest of the Council Group.

3. Reporting

The current Statement of Intent, under the Significance and Engagement Policy states that "any matter requiring Council approval" will have a written report to the Finance and Performance Committee. It also states under "risk appetite" that GHL will proactively report on all significant risks and issues.

Context

Monitoring and Accountability Reporting

Council is required to monitor and hold to account its CCTO. The Office of the Auditor General has stated that:

"A local authority will never just be the shareholder of a CCO (or CCTO). It will always be accountable for the activities of the CCO".

Decision Making and Significance Reporting

Council has legislative requirements around decision making. Sections 77, 78 and 79 of the LGA outlines what must be considered and factored when making a decision. This is equally important when understanding GHL operations, in order to fulfil Council's monitoring obligations of its CCTO.

At a high level, Council needs information where:

- All reasonable practicable options are identified (s77(1)(a)).
- The advantages and disadvantages of the options considered (s77(1)(b)).
- Consideration to be given to the views of the stakeholders (s78).
- The depth of the analysis of any issue should be in relation to the impact of the issue (s79). This means for a decision of significant impact, the level of information and analysis required will need to be greater.

There is also a need to comply with s17 of the LGA. This sets out general principles including consideration to be given to future impacts as well as current ones within the decision-making process.

Recommendation

In order to be consistent with Council's other activities, formal written reports will be regularly supplied to Committee, including but not limited to:

- Any matter requiring approval
- Financial reporting – including variances to the Statement of Intent and variances to last year performance
- Risk Reporting
- Any matter that would be considered a departure or potential 'surprise' to Council
- Business cases

The written reports will have sufficient content as required by sections 77-79 of the LGA to enable Council to make good decisions.

4. Service Review and Council Group Policies

Following the Service Review of GHIL, there may be some recommendations arising from the review that will need to be reflected within the 2023 Statement of Intent. Council's expectation is that the Statement of Intent will:

- Enable GHIL to work with Council to implement the Council Group Strategic direction and alignment
- accommodate recommendations through a transition process.

With this in mind, Council will also be reviewing a number of policies and implementing new policies which will be at the Council Group level. Council will engage with GHIL **before** the implementation of any new Group policies, or changes to policies or guidelines (such as Governance Guidelines). It is Council's expectation that the Statement of Intent will incorporate the intent of GHIL to comply with Group Policy and changes.

The engagement and consulting with GHIL before the final adoption of new policy or changes to policies ensures that any issues will be considered together. It also means solutions can be found such as transitional measures which can be phased over time.

Policy changes may also include (but not limited to):

- Climate Change
- Board Appointments and Remuneration Policy
- Procurement Policy
- Treasury Policy
- Governance Guidelines
- Tax Governance

Recommendation

To adhere and comply with Council's Group Policy and Guidelines.

5. Major Transactions – Over \$10 million

Context

The Statement of Intent defines one of the major transactions (13.13) as

'transactions for the acquisition or disposal of fixed assets, investments and shares where the value exceeds 10% of the total value of the company's assets or \$10 million (whichever is the lesser)'.

Council recently reviewed what other Council Controlled Organisations were doing and how they were operating when seeking approval from Council. Three things were found:

1. The high threshold of \$10 million before approval is sought, is an anomaly with any other Council Controlled Organisation or Council Controlled Trading Organisation.
2. The threshold is inconsistent with the size of the organisation (eg Dunedin ccc. \$1.46 billion entity: \$5m threshold)
3. The dollar limit does not consider the underlying need to review any commitment of funds which could be at odds with Council's objectives.

Part of Council's review considered the Larsen Report on Dunedin City Holdings, where previously the limit of expenditure was \$10 million, after which approval from Council was needed. The Larsen report recommended that the subsidiary company focus was on core business unless a change in strategy was agreed with Council by way of an accepted business case.

The report stated that the recommendation was not intended to act as a punitive restriction. What was needed was a common-sense understanding (rather than a dollar value limit alone), to understand that the subsidiary was not going to commit to commercial ventures that may be at odds with the parent's objectives and commitments.

Dunedin City Holdings has \$1.46 billion of assets and requires approval from Council of any new or unplanned works over \$5m (representing 0.3% of total assets). The 0.3% threshold would translate to a \$513k limit when compared to GHIL total assets.

Auckland Council Controlled Organisations have a \$1 million limit, above which needs Council approval.

Recommendation

Major Transaction revised from


"transactions or disposal of fixed assets, investments and shares where the value exceeds 10% of the total value of the company's assets or \$10m (whichever is the lesser) as determined by reference to the most recent financial statements prepared in terms of this SOI"

To:

"transactions or disposal of fixed assets, carbon credits, investments and shares where the value exceeds \$1m, will be agreed by way of an accepted business case. This does not include ongoing asset renewals which are in accordance with the asset Management Plan. This also excludes regular livestock sales or forestry harvesting decisions in line with normal farm management practices."

I look forward to the next year, and to receiving a draft of GHIL's Statement of Intent by 1st March 2022.

Ngā mihi,



Rehette Stoltz

Mayor



**GISBORNE
HOLDINGS LTD**

Investment for local return

Interim Report

**For the Six Months Ended
31 December 2021**

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Chair's Six-Monthly Report

Overall Result

The first half of this year continues to be a challenge with the continued restrictions and influence that that has around markets and spending habits, which is exacerbated by closed borders and COVID fatigue. Having said that the GHL Board would like to report a gross profit of \$1.6M. which is \$400K below the budget of \$2.0M.

Divisional Summary

Tauwharepara Farm had an optimistic start to the year with commodity prices reaching levels not seen before, unfortunately yields are down due to the previous 2 years of dry conditions. The half year results reflect livestock numbers that would have normally been sold but will fall into the second half of the year, hence mid-year result \$.7M behind previous year.

All Property Holdings assets are fully occupied with gross profit forecast to be in line with the prior year.

Waikanae Beach Top 10 Holiday Park continues with strong occupancy rates but has not reached the heady heights of last year due to the continuing COVID restrictions which included Auckland and Waikato regional lockdowns, along with closed borders. The gross profit is \$.5M up on budget but \$.6M down on the previous year.

The last day for operation of the **Gisborne Vehicle Testing** was the 3rd of December 2021, and after cost's, wages, redundancies etc., posted a loss of \$145K. All remaining eligible staff have taken up employment with VTNZ. VTNZ's lease starts on the 1st of January 2022.

Wash'n Go has had a strong start and income is 7% above the business case model for the 6 months, despite being closed for 3 weeks due to COVID lockdowns. Chemical and cleaning costs continue to come back due to refined management of operational processes. The gross profit is \$286K which is \$22K above budget.

A successful sale of the Childers Rd property was achieved via a commercial tender process and this transaction will be settled in the second half of this financial year.

A sale of the Banks St Property to GDC was agreed with settlement to take place in the second half of this financial year.

Future Growth

Dunstan Rd: - After exhausting several different commercial options for this land, we continue to work with various partners on a business case for some form of horticulture/permanent crop that would best suit the conditions. We also are working with the Gisborne Pistol Club and keep an open door with them should they be able to get a proposal together.

GHL Board

It was with a tinge of sadness but a great amount of pride that the Board farewelled director Jacqueline Blake, as she has been appointed a district court judge to take a position in the family court in Hastings.

The Board welcomes the PWC service review and 2 x new directors in Josh Wharehinga and John Rae, with the intent to bring better clarity and strategic alignment between GHL and our shareholder GDC.

Staff

Tracey Johnstone (CEO) has resigned on the 21st of December 2021 and will leave the company on Friday the 25th of February 2022. The Board and I would like to take this opportunity to thank Tracey for her dedication, loyalty, hard work and the contribution she has put in, in her years with the company, it is truly appreciated. We would like to wish her well for the next chapter in her life.

Dave Mullooly
Chairman

Gisborne Holdings Limited – Interim Report 2022

**Statement of comprehensive income
for the half year ended 31 December 2021**

	Actual 6 months to 31 Dec 2021 \$000	SOI Budget 6 months to 31 Dec 2021 \$000	Actual 6 months to 31 Dec 2020 \$000	Estimated 6 months to 30 June 2022 \$000	Estimated Year End 30 June 2022 \$000	SOI Budget Year End 30 June 2022 \$000	Actual Year End 30 June 2021 \$000
Revenue from contracts with customers							
- Tauwhareparae Farms Limited	1,963	1,335	2,092	5,054	7,017	5,614	7,419
- Property Holdings	104	96	113	108	213	199	222
- Gisborne Vehicle Testing Station	242	409	359	0	242	819	713
- Wash'n Go	190	176	-	180	370	352	14
- Waikanae Holiday Park	970	717	1,418	1,459	2,429	1,833	3,068
- Developments	-	-	-	-	-	370	-
Total Revenue from contracts with customers	3,470	2,733	3,983	6,801	10,271	9,187	11,436
Revenue other							
- Rental Income	1,179	1,129	1,155	1,230	2,409	2,261	2,258
- Capital Gain on Disposal of Assets	217	-	-	923	1,140	-	-
- Change in Valuation of Investment Property, Livestock,	(1,222)	-	(281)	-	(1,222)	-	13,503
Total Revenue other	174	1,129	874	2,153	2,327	2,261	15,761
Total Revenue	3,643	3,862	4,856	8,954	12,597	11,448	27,197
Cost of Sales							
- Tauwhareparae Farms Limited	1,479	1,326	1,263	1,371	2,849	2,451	2,573
- Property Holdings	302	295	261	247	549	495	441
- Gisborne Vehicle Testing Station	29	42	47	0	29	79	108
- Wash'n Go	50	44	-	35	84	88	-
- Waikanae Holiday Park	181	134	247	236	417	299	484
Total Cost of Sales	2,040	1,841	1,818	1,889	3,929	3,412	3,606
Gross Profit	1,603	2,021	3,038	7,065	8,669	8,036	23,591
Total Income	1,603	2,021	3,038	7,065	8,669	8,036	23,591
Expenditure from continuing operations							
- Salaries and Wages	1,784	1,789	1,741	1,739	3,523	3,637	3,544
- Administrative Expenditure	839	449	713	777	1,616	976	1,146
- Depreciation	450	437	361	418	868	874	731
- Loss on sale of assets	24	-	(5)	(0)	24	-	130
- Financing Expenditure	231	308	163	309	540	615	367
Total expenditure	3,328	2,983	2,972	3,243	6,572	6,102	5,918
Net Operating Profit/(Loss) before taxation	(1,725)	(962)	66	3,822	2,097	1,934	17,672
Subvention Payment – Gisborne District Council	-	-	-	(450)	(450)	-	(400)
Taxation (expense) / credit	-	-	-	(800)	(800)	(938)	(946)
Net Profit / (Loss) for the period	(1,725)	(962)	66	2,572	847	996	16,326

Gisborne Holdings Limited – Interim Report 2022

**Statement of comprehensive income (continued)
for the half year ended 31 December 2021**

	Actual 6 months to 31 Dec	SOI Budget 6 months to 31 Dec	Actual 6 months to 31 Dec	Estimated 6 months to 30 June	Estimated Year End 30 June	SOI Budget Year End 30 June	Actual Year End 30 June
	2021 \$000	2021 \$000	2020 \$000	2022 \$000	2022 \$000	2022 \$000	2021 \$000
Other comprehensive income							
Net fair value gain on available-for-sale financial assets	-	-	-	-	-	-	-
Revaluation gain on property, plant and equipment	-	-	-	-	-	-	8,519
Deferred tax on building revaluations	-	-	-	-	-	-	(1,399)
Revaluation gain/(loss) on carbon credits	4,315	-	994	-	4,315	-	2,049
Deferred tax on carbon credits revaluation	-	-	-	-	-	-	(574)
Other comprehensive income for the year attributable to owners of the parent	4,315	-	994	-	4,315	-	8,595
Net profit/(loss) for the year	(1,725)	(962)	66	2,572	847	996	16,326
Total comprehensive income	2,590	(962)	1,060	2,572	5,162	996	24,921

Gisborne Holdings Limited – Interim Report 2022

**Statement of changes in equity
for the half year ended 31 December 2021**

	\$000 Ordinary Shares	\$000 Asset Revaluation Reserve	\$000 Carbon Credit Revaluation Reserve	\$000 Available For sale Reserve	\$000 Retained Earnings	\$000 Total
At July 2021	33,478	48,868	3,164	(5)	37,505	123,010
Net profit/(loss) for the year		-	-	-	(1,725)	(1,725)
Other comprehensive income	-	-	4,315	-	-	4,315
Total comprehensive income for the year	-	-	4,315	-	(1,725)	2,590
Transactions with owners in their capacity as owners						
Shares Issued	-	-	-	-	-	-
Dividend					-	-
At 31 December 2021	33,478	48,868	7,479	(5)	35,780	125,600

**Statement of changes in equity
for the half year ended 31 December**

	\$000 Ordinary Shares	\$000 Asset Revaluation Reserve	\$000 Carbon Credit Revaluation Reserve	\$000 Available For sale Reserve	\$000 Retained Earnings	\$000 Total
At July 2020	33,478	41,748	1,689	(5)	22,428	99,338
Net profit/(loss) for the year	-	-	-	-	66	66
Other comprehensive income	-	-	994	-	-	994
Total comprehensive income for the year	-	-	994	-	66	1,060
Transactions with owners in their capacity as owners						
Shares Issued	-	-	-	-	-	-
At 31 December 2020	33,478	41,748	2,683	(5)	22,494	100,398

**Statement of changes in equity
estimated for the year ended 30 June**


	\$000 Ordinary Shares	\$000 Asset Revaluation Reserve	\$000 Carbon Credit Revaluation Reserve	\$000 Available For sale Reserve	\$000 Retained Earnings	\$000 Total
At July 2020	33,478	41,748	1,689	(5)	22,428	99,338
Net profit/(loss) for the year	-	-	-	-	16,327	16,327
Other comprehensive income	-	7,120	1,475	-	-	8,595
Total comprehensive income for the year	-	7,120	1,475	-	16,327	24,922
Transactions with owners in their capacity as owners						
Shares Issued	-	-	-	-	-	-
Dividend					(1,250)	(1,250)
At 30 June 2021	33,478	48,868	3,164	(5)	37,505	123,010

Gisborne Holdings Limited - Interim Report 2022

Statement of financial position for the half year ended 31 December 2021

	Actual 31 Dec 2021 \$000	Actual 31 Dec 2020 \$000	Estimated 30 June 2022 \$000	Actual 30 June 2021 \$000
Contributed equity	33,478	33,478	33,478	33,478
Retained earnings	35,780	22,494	36,693	37,505
Reserves	56,342	44,426	56,342	52,027
Total equity	125,600	100,398	126,513	123,010
Represented by:				
Current assets				
Cash and cash equivalents	-	-	674	2
Trade and other receivables	181	612	181	264
Inventories	130	11	13	196
Total current assets	311	623	869	462
Current liabilities				
Bank	1,072	1,198	-	102
Payables and accruals	1,624	1,752	1,475	1,475
Gisborne District Council - Current Account	400	550	450	408
Taxation	(371)	(273)	139	332
Lease Liability	118	116	118	57
Total current liabilities	2,840	3,341	2,181	2,374
Net working capital	(2,529)	(2,718)	(1,313)	(1,912)
Non-current assets				
Investment Property	48,766	35,306	44,477	48,751
Property, plant & equipment	70,301	61,442	70,301	70,552
Right of use assets	1,409	1,486	1,372	1,447
Biological assets	18,791	19,673	18,791	20,013
Equity instruments at fair value through other comprehensive income	497	497	497	497
Investments in shares	2	2	2	2
Intangible assets - NZ Emission Units	11,902	6,531	11,902	7,586
Total non-current assets	151,668	124,937	147,343	148,848
Non-current liabilities				
Financial liabilities - term loan	15,602	15,900	11,608	15,900
Deferred Tax	6,583	4,512	6,583	6,582
Lease Liability	1,354	1,408	1,326	1,444
Total non-current liabilities	23,539	21,820	19,517	23,926
Net assets	125,600	100,398	126,513	123,010

For and on behalf of the Board, who authorise the issue of these financial statements on 24 February 2022


Dave Mullooly - Chair


Andrew Allan - Director

Gisborne Holdings Limited – Interim Report 2022

Statement of cash flows for the half year ended 31 December 2021

	Actual 6 months to 31 Dec 2021 \$000	Actual 6 months to 31 Dec 2020 \$000	Estimated Year End 30 June 2022 \$000	Actual Year End 30 June 2021 \$000
Cash flows from operating activities				
Cash was provided from:				
Receipts from customers	4,731	5,511	12,762	14,297
	<u>4,731</u>	<u>5,511</u>	<u>12,762</u>	<u>14,297</u>
Cash was distributed to:				
Payments to suppliers & employees	4,488	4,205	9,426	8,730
Income tax refunds payments / (refunds)	705	708	995	897
	<u>5,193</u>	<u>4,913</u>	<u>10,421</u>	<u>9,627</u>
Net cash inflow / (outflow) from operating activities	<u>(462)</u>	<u>598</u>	<u>2,342</u>	<u>4,670</u>
Cash flows from investing activities				
Cash was provided from:				
Proceeds from sale of fixed assets	231	5	7,473	22
	<u>231</u>	<u>5</u>	<u>7,473</u>	<u>22</u>
Cash was applied to:				
Purchase of fixed assets	266	1,078	2,266	2,193
	<u>266</u>	<u>1,078</u>	<u>2,266</u>	<u>2,193</u>
Net cash inflow / (outflow) from investing activities	<u>(35)</u>	<u>(1,073)</u>	<u>5,207</u>	<u>(2,171)</u>
Cash flows from financing activities				
Cash was applied to:				
Dividends & subvention payment paid	-	-	2,059	1,250
Gisborne District Council - Current Account	8	-	8	550
Interest paid	169	154	415	230
Term Loan repayment	298	-	4,292	-
	<u>475</u>	<u>154</u>	<u>6,774</u>	<u>2,030</u>
Net cash inflow / (outflow) from financing activities	<u>(475)</u>	<u>(154)</u>	<u>(6,774)</u>	<u>(2,030)</u>
Net increase / (decrease) in cash held	(972)	(629)	774	469
Opening cash brought forward	(100)	(569)	(100)	(569)
Ending cash carried forward	<u>(1,072)</u>	<u>(1,198)</u>	<u>674</u>	<u>(100)</u>
Cash at year end:				
Cash and cash equivalents	-	-	674	2
Bank wholesale advances	(1,072)	(1,198)	-	(102)
Ending cash carried forward	<u>(1,072)</u>	<u>(1,198)</u>	<u>674</u>	<u>(100)</u>

Notes to and forming part of the financial statements.

1. Corporate Information

Gisborne Holdings Limited (the Company) is a company incorporated and domiciled in New Zealand and is a Council-Controlled Organisation as defined in section 6 of the Local Government Act 2002. The Company is wholly owned by Gisborne District Council and is registered under the Companies Act 1993.

The Financial Statements for Gisborne Holdings Limited are for the six months ended 31 December 2021. The Financial Statements were authorised for issue on 24 February 2022.

The principal activities during the year were:

- The production and supply of livestock
- The planting, growing, and tending of forestry
- The maintenance and reversion of native forestry areas
- The provision of accommodation for council employees and council services
- Project Management of Property Development
- Operation of Waikanae Holiday Park
- Operation of Gisborne Vehicle Testing Station
- Operation of Wash'n Go
- Commercial Property leasing and management

There have been no significant changes in the nature of these activities during the year.

2. Summary of significant accounting policies

(a) Basis of Preparation

This general purpose condensed financial report for the half-year ended 31 December 2021 has been prepared in accordance with generally accepted accounting practice and comply with the NZ IAS 34 *Interim Financial Reporting*. The company is a profit orientated entity.

The accounting policies and methods of computation are the same as those adopted in the most recent audited annual financial report for the year ended 30 June 2021.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

As the company's primary business activity is the production and supply of livestock, revenue and expenses are of a seasonal nature. Other activities of the group include commercial property management, hospitality, and services to the automotive industry. The full year financial reports will provide more consistent reporting for a full season.

The financial report is presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated.

Directory

Directors

David Mullooly (Chair)
Andrew Allan (Deputy Chair)
Robert James Telfer
Jacqueline Blake
Hayden Swann

Registered office

The Works Building
41 The Esplanade
GISBORNE

Postal address

PO Box 694
GISBORNE
Telephone 020-4183 4481

Senior Management

Chief Executive – Tracey Johnstone

Auditor

Ernst & Young on behalf of the Office of the Auditor General

Bankers

ANZ
PO Box 1246
Gisborne

Solicitors

Grey Street Legal
PO Box 146
Gisborne

Tax agent

PwC
PO Box 645
Napier

Title: 22-87 Financial Report - 28 February 2022
Section: Finance & Affordability
Prepared by: Mary Davis - Management Accountant Team Leader
Meeting Date: Wednesday 6 April 2022

Legal: No

Financial: Yes

Significance: **Low**

Report to FINANCE & PERFORMANCE Committee for information

PURPOSE

The purpose of this report is to provide a high-level overview of Council's financial results for the period ended 28 February 2022.

SUMMARY

The report covers the Council's financial performance for the period ended 28 February 2022. It includes commentary against a year to date (YTD) Annual Plan on the Statement of Comprehensive Revenue and Expenses and Capital Expenditure.

For the period ended 28 February 2022, Council has a net surplus of \$32.1m, \$800k above the Annual Plan. This favourable result is mainly due to receiving operational grants that were awarded to Council after the adoption of the Annual Plan. These include grants for the Mayoral Task Force and the Freshwater Improvement Fund.

A summary of the key financial indicators for February 2022 Year to Date (YTD) are:

- YTD total revenue \$105m, up \$2.2m above the Annual Plan. The higher than expected revenue is due to mostly to receiving more operational grants. The operational grants includes funds from the Provincial Growth Fund (PGF), Waka Kotahi for roading emergency works, Mayor Task Force and Freshwater Improvement Fund.

An accounting gain for fair value interest rates swaps offsets the lower than expected YTD capital grants. Capital grants are usually received as we complete capital works. The timing of the Kiwa Pools and some of the roading Provincial Growth Funds resilience projects means that capital grants is different to where we expected to be.

At this point both the accounting gain and the timing of capital grants does not have any impact on Council's bottom line. The swap market movements may or may not eventuate when final swaps are realised in the future. The capital grants for both Kiwi Pools and the Provincial Growth Fund roading projects will still occur. However, the timing of receiving them may mean that they fall outside of the financial year, and into the first quarter of 2022/23 when and as the projects are completed.

- The YTD total expenditure is \$72.6m, \$1.4m above the Annual Plan budget. Expenditure on operating activities is \$2.9m above the YTD Plan, mostly due to roading emergency works and 100% funded PGF operational projects. Finance costs are lower than expected due to lower interest rates than was forecast and also due to the phasing of capital works.
- YTD Capital expenditure for February YTD is \$44m (78% of YTD budget) against YTD budget of \$57m. Most of this TYD variance relates timing of the Wastewater Treatment Plant (\$3m), some roading PGF works (\$3m) and Kiwi Pools (\$2.7m) and the Water supply grant funded projects (2.3m).

In addition, the variance also includes the Enterprise Solutions Project (Annual Plan \$2.4m) where the project is now recorded as an operational project due to changes in accounting standards recognition of intangible assets applied to software enhancements. The accounting standards changes occurred after the adoption of the Long Term Plan.

The decisions or matters in this report are considered to be of **Low** significance in accordance with the Council's Significance and Engagement Policy.

RECOMMENDATIONS

That the Finance & Performance Committee:

1. **Notes the contents of this report.**

Authorised by:

Pauline Foreman - Chief Financial Officer

Keywords: Financial Report 28 February 2022, Capital Reporting 2021/22

ATTACHMENTS

1. Attachment 1 - Council Summary Financial Report February 2022 [**10.2.3.1** - 11 pages]



**Council
Summary Financial Report**

February 2022

Index	Page
Statement of Comprehensive Revenue & Expenses	1
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Notes on Statement of Financial Position	4
Capital Expenditure by Activity	5 - 9

Draft Statement of Comprehensive Revenue and Expenses
For the Period Ended February 2022

	Note	Feb-22 Actual \$000s	YTD Budget \$000s	YTD Variance \$000s	Full Year Budget \$000s
REVENUE FROM NON-EXCHANGE TRANSACTIONS					
Grants and Subsidies - Operational	1	13,693	10,275	3,418	14,699
Grants, Donations, Subsidies and Contributions - Capital	2	29,171	31,748	(2,577)	61,396
Other Non Exchange Revenue	3	779	1,103	(324)	2,138
General Rates And Uniform Annual General Charge		17,158	16,870	289	22,493
Targeted Rates		32,466	32,466	(0)	43,288
REVENUE FROM EXCHANGE TRANSACTIONS					
Development and Financial Contributions		586	1,058	(472)	1,587
Other Revenue	4	6,643	6,742	(99)	10,429
Targeted Water Rates		1,865	2,244	(379)	3,366
Dividends		3	0	3	1,500
Interest Received		45	0	45	0
Other Gains/(Losses)	5	2,293	33	2,260	(474)
Total Revenue		104,704	102,539	2,165	160,422
EXPENSES					
Employee Benefit Expenses	6	17,492	17,552	59	26,570
Expenditure on Operating Activities	7	38,241	35,363	(2,878)	56,477
Depreciation and Amortisation	8	15,432	15,822	389	23,733
Financing Costs	9	1,476	2,542	1,067	3,813
Total Expenses		72,642	71,279	(1,362)	110,593
Net Surplus/(Deficit) Before Taxation		32,062	31,259	803	49,829
Subvention payment		0	0	0	600
Net Surplus/(Deficit)		32,062	31,259	803	50,429
Gains/(Losses) on Property Revaluation		0	0	(0)	35,747
TOTAL COMPREHENSIVE REVENUE AND EXPENSES		32,062	31,259	803	86,176
CAPITAL EXPENDITURE	10	44,251	57,001	(12,750)	103,467

Notes to the Statement of Comprehensive Revenue and Expense

01 Grants and Subsidies – Operational

Most of this revenue comes from roading subsidies through Waka Kotahi and the Provincial Growth Fund (PGF). This financial year we recover 68% of roading maintenance costs (excluding emergency works) from Waka Kotahi. Higher subsidies of 88% are received for high impact roading emergency works including the 2020 flood events. Tracking favourably \$3.4m over YTD budget due to roading subsidies related to emergency roading flood events, PGF projects (that were approved after the adoption of the LTP) and \$740k of additional grants have been received from Central Government for programs that include Freshwater Improvement, Covid Vaccination Fund, and Mayors Task Force.

02 Grants, Donations, Subsidies and Contributions – Capital

The capital grants expected to be received this year are from Waka Kotahi for roading renewals, PGF for the roading resilience programme and capital grant funding for projects such as Kiwa Pools, Wastewater Treatment Plant, Waipaoa Stop banks), the 1000-year bridge and 3 Waters Reform fund. Currently, capital grants are behind where it was expected to be, mainly due to 100% funded PGF resilience capital project. This project was approved by Waka Kotahi to be delivered over three years. The grant funding will still occur but the receiving of the grant may fall outside of the financial year and into the first quarter of 2022/23 financial year, aligning to when the project is completed.

03 Other Non-Exchange Revenue (Includes penalties, infringement fees, court enforcement fees, and other fees)

This includes court enforced fees, penalties received and infringements.

04 Other Revenue (Rent income, lease income, and all other fees and charges)

Other revenue includes fees and charges such as dog registration fees, rents, parking fees and trade waste charges.

05 Other Gains/(Losses)

Other Gains/losses includes gains or losses arising from the sale of assets and financial gain recognitions (such as interest rate swaps). The main movements arise from interest rate swaps. The interest rate swaps arise from the gain recognised from fair value Interest rates movement of swap financial instruments. The gain in fair value is an accounting recognition and it may or may not eventuate when the swaps are finally realised in the future.

06 Employee Benefit Expenses

Employee Benefit expenses are mostly on track with budget.

07 Expenditure on Operating Activities

Overall expenditure is over YTD annual plan by \$2.8m, mainly due to PGF operational costs and higher than expected roading emergency works. Emergency works completed YTD is \$6m, against YTD budget of \$2.6m. While the PGF operational costs were not within the Plan (as the funding approved after the adoption of the LTP), it has nil rate payer impact due to being 100% externally funded.

08 Depreciation and Amortisation

Growth movements calculated for assets at year-end may alter the actual depreciation slightly, however it is expected that depreciation will come in under the Annual Plan.

09 Financing Costs

Financing costs are lower than the YTD budget due to lower interest rates than was forecast and to lower than expected capital spend YTD.

10 Capital Expenditure

Overall, the capital expenditure is \$44.2m against a \$57m YTD budget and includes major projects and renewal programs.

The main drivers for the variance to YTD budget are: the Enterprise Solution project has a YTD capital budget of \$1.1m but actual costs have been moved to operational; the Wastewater Treatment Plant is \$3m behind YTD budget due to ongoing delays relating to COVID (Levels 3 and 4 Quarter 1), however forecasting to be mostly on track with just \$750k under at year end; the grant funded Muriwai Pipeline/Ruatoria Bulk Supply are \$1.9m under YTD budget but forecasted on track for the year end; the Kiwi Pools is \$2.7m under YTD budget due to delays in the first half of the year; and Journey's PGF projects are under YTD phased budget of \$3m.

More information regarding capital projects can be found under "Notes to Capital Expenditure" below.

Statement of Financial Position
For the Period Ended February 2022

	Notes	YTD Actual \$000s	Full Year Budget \$000s
CURRENT ASSETS			
Cash & Bank	01	17,839	9,967
Non-Exchange Trade and Other Receivables	02	6,256	11,486
Exchange Trade and Other Receivables	03	9,975	11,933
Inventories	04	38	101
Non-Current Assets Held for Resale	05	80	(0)
Total Current Assets		34,188	33,487
CURRENT LIABILITIES			
Deposits Held	06	611	431
Trade and Other Payables	07	15,185	30,604
Employee Benefits and Suspense	08	2,567	2,625
Borrowings	09	0	5,000
Provisions for Other Liabilities	10	93	94
Derivative Financial Instruments	11	1,116	1,219
Total Current Liabilities		19,571	39,973
Total Net Working Capital		14,617	(6,486)
NON-CURRENT ASSETS			
Property Plant and Equipment	12	2,443,162	2,491,959
Intangible Assets	13	6,108	6,427
Biological Assets	14	3,265	3,309
Investments	15	34,320	33,595
Total Non-Current Assets		2,486,855	2,535,290
NON-CURRENT LIABILITIES			
Borrowings	09	85,700	104,288
Employee Benefit Liabilities	08	179	176
Provisions for Other Liabilities	16	2,452	2,892
Derivative Financial Instruments	11	(989)	4,029
Emission Trading Scheme Liabilities	17	1,950	1,950
Total Non-Current Liabilities		89,292	113,335
Total Net Funds Employed		2,412,181	2,415,469
EQUITY			
Accumulated Surplus		509,787	551,341
Special Funds	18	50,425	33,481
Revaluation Reserves	19	1,851,969	1,830,647
Total Equity		2,412,181	2,415,469

Notes to the Statement of Financial Position

- 01 Cash at Bank**
Westpac current account balance and overnight ANZ money market.
- 02 Non-Exchange Trade and Other Receivables**
Includes rates receivable and other current receivables such as Waka Kotahi receivables.
- 03 Exchange Trade and Other Receivables**
Includes sundry debtors, prepayments and GST where receivable.
- 04 Inventories**
Includes product and or stock on hand.
- 05 Non-Current Assets Held for Resale**
Includes any identifiable assets that have been held for disposals. Decisions relating to disposals must be approved by Council.
- 06 Deposits Held**
Includes footpath deposits, bond deposits and theatre ticket sale deposits.
- 07 Trade and Other Payables**
Includes accounts payable, sundry creditors, audit fee accruals, GST where payable and other IRD payables, Waerenga o Kuri Liability.
- 08 Employee Benefits Liabilities and Suspense**
Includes holiday pay and other current and non-current employee benefit liabilities.
- 09 Borrowings**
Includes long term and short-term borrowings from LGFA and Money market loan obtained from other banks.
- 10 Provisions for Other Liabilities - Current**
Includes provision for various legal matters and other liabilities.
- 11 Derivatives Financial Instruments**
Interest rate swaps.
- 12 Property Plant and Equipment**
Council's fixed assets.
- 13 Intangible Assets**
Includes computer software.
- 14 Biological Assets**
Includes the value of livestock and forestry.
- 15 Investments – Non-Current**
Includes investments in GHF and CCTO.
- 16 Provisions for Other Liabilities – Non-Current**
Includes non-current provisions such as Paokahu landfill and Waiapu landfill aftercare provisions.
- 17 Emissions Trading Scheme**
Provision for Emission Trading Scheme Liability.
- 18 Special Funds**
Includes various reserves such as depreciation reserve.
- 19 Revaluation Reserves**
Gain on asset revaluation.

Gisborne District Council

Statement of Capital Expenditure for the period ended February 2022

Activity	Notes	Feb-22 Actuals YTD \$000s	Feb-22 Budget YTD \$000s	% Spent	
				YTD Actuals of YTD Budget %	2021 / 2022 Full Year Budget \$000s
Including Major Projects					
Community Lifelines		28,171	35,617	79%	62,936
Roading	1	14,732	16,529	89%	26,776
Wastewater	2	8,744	11,735	75%	22,495
Stormwater	3	476	1,051	45%	2,018
Water Supply	4	1,767	3,076	57%	5,871
Solid Waste	5	8	187	5%	281
Land, Rivers & Coastal	6	2,443	3,039	80%	5,495
Liveable Communities	7	14,117	17,848	79%	32,939
Land & Soil Resources		481	492	98%	1,438
Theatres		8	25		25
Conveniences		268	492	55%	831
Reserves		695	1,028	68%	1,693
Cemeteries		-	16		23
Community Property Mgmt		12,286	14,590	84%	26,670
Arts & Public Places		211	928	23%	1,900
Pool Operations		54	67		67
District Library Operations		113	211	53%	293
Regional Leadership & Support Services	8	1,473	3,108	47%	7,075
Information Services		838	2,008	42%	4,128
Customer Service & Townships		65	338	19%	958
Parks & Community Pty Mgmt		1	-		-
Water and Coastal Resources		320	309	103%	477
Civil Defence		62	126	49%	1,000
Environmental Monitoring		59	55	107%	105
Facilities & Plant Management		129	271	48%	407
Environmental Services & Protection	9	388	250	155%	250
Environmental Health & Risk		29	-		-
Parking		359	250	144%	250
Commerical Operations	10	101	178	56%	267
Community Housing		101	178	56%	267
Grand Total (Including Major Projects)		44,249	57,001	78%	103,467

Notes to the Statement of Capital Expenditure 28 February 2022**1. Roading**

The roading budget includes renewals (\$16.2m), PGF (\$8.8m) and other projects (\$1.7m) such as walking and cycling.

YTD Capital expenditure is tracking \$2m under budget. This variance is mainly due to an underspend in the PGF East Cape work programme, which is forecasting a year end budget carryover to 2022/23.

2. Wastewater

This budget consists mainly of the Wastewater Treatment Plant (\$18.8m) and renewals (\$3m). Actuals YTD are \$8.7m against YTD budget \$11.7m.

The WWTP upgrade for the eight months is \$8.1m under YTD budget by \$3m. Significant works have occurred in the second and third quarters after quarter 1 delays due to inability to operate under COVID level 3 and 4. Contracts have been awarded for phase 1 & 2 and are commencing in Q3. By 30 June 2022, it is forecast to be mostly back on track, within \$750k of the full year budget. The programme of work is scheduled for completion in October 2022.

Renewals for the eight months are \$346k against YTD budget of \$1.6m, behind the phased YTD due mainly to delays of product delivery arising from Covid. Project Managers are currently forecasting their year-end positions, these will be available for Qtr3 reporting.

3. Stormwater

Stormwater projects are mainly renewals and Drainwise.

Capital Expenditure is \$476k, against YTD budget of \$1.1m. This variance is mainly due to Drainwise under \$294k due to early delays in issues around site inspections, expecting a carryover of this budget at year end. The Tolaga Bay piping of existing open water drains has been completed under budget.

4. Water Supply

Water Supply capital budget includes \$2.5m of renewals and \$3.3m of upgrades. The \$3.3m upgrades includes \$500k for Ruatoria Bulk Supply and \$2.8m for Muriwai Pipeline and reticulation project which are both 100% grant funded. YTD spend is \$1.8m against \$4.1m budget, under \$2.3m.

Renewal actuals to date are \$1.5m against the phased YTD budget of \$1.9m, \$400k under budget. Delays related to Covid restrictions during the first half of the year have slowed expenditure, current forecast show capital will be on track at year end.

The grant funded Muriwai Pipeline & reticulation and Ruatoria Bulk Supply Point projects have a full year budget of \$3.3m. YTD costs are \$166k against the phased budget of \$2.1m, under YTD budget \$1.9m. However, forecasting to be on track at year end with most of the work scheduled to completed in the final quarter of 2021/22.

5. Solid Waste

There are 6 projects in this budget, the largest is the Paokahu Closed Landfill project with a budget of \$105k. Paokahu capital work is still in the planning stage while maintenance and monitoring continue onsite. The remaining 5 projects are provisions for renewal of capex, as and when they are needed. It includes provisions for transfer stations, litter bins and heritage landfill remediation.

6. Land, Rivers and Coastal

The main project in this budget includes \$4.7m for the Waipaoa River Flood Control Scheme as well as a renewals programme of \$810k.

YTD actuals is \$2.4m, against the phased YTD budget of \$3m. The variance relates to phasing of the Taruheru & Turanganui revetment project (under budget \$299k) where the majority of the spend will occur in the final months of the year. The Waipaoa River FCS is under by \$600k YTD due to the initial phasing of the budget, currently forecasting to be on track for year end.

7. Liveable Communities

The Kiwa Pools is the main project in this grouping with a full year budget of \$26.7m. Also included are major projects 1000-year Bridge - \$1.4m, and Waingake Restoration - \$1.4m.

The variances to the phased budget relates to the 1000 Year Bridge under \$665k; this project is with external consultants preparing the Resource Consent. Kiwi Pools is underspent \$2.7m due to budget phasing done early in the year prior to work programme changes related to lockdown and contractor delays.

There are underspends in Conveniences and Reserves of \$224k and \$333k, respectively. This is due to delays in supplies and contractor availability. In some areas, carryover of budget will need to occur and be incorporated into delivery as part of next year's Annual Plan.

8. Regional Leadership & Support Services

Several activity budgets sit under this grouping. Information Services has a \$4.1m full year budget with the main project Enterprise Resource Planning (\$2.4m). This project was reclassified as operational in December and although the budget remains in capital, the costs are reported under operational expenditure. The Emergency Coordination Centre (\$1m) is also part of this budget.

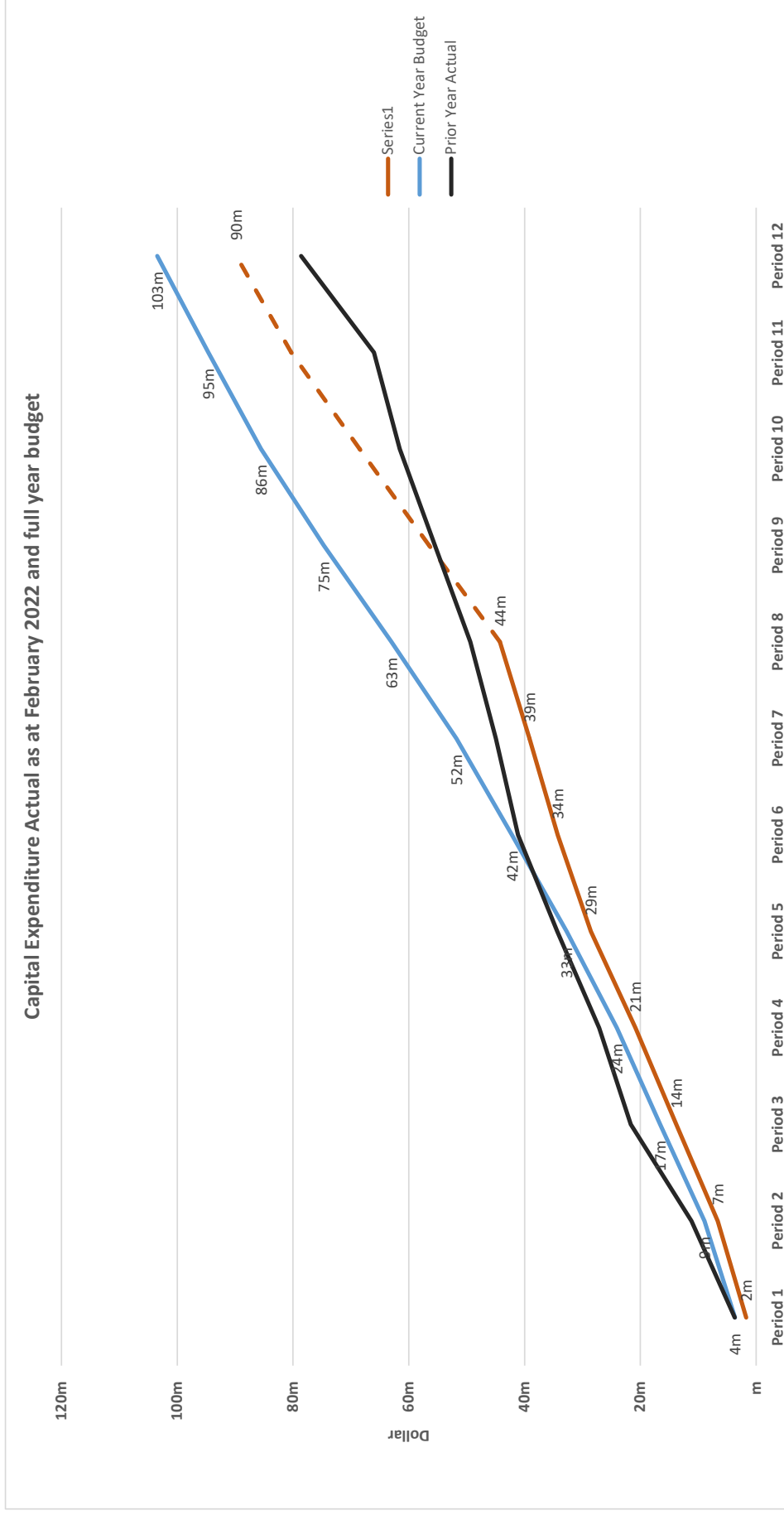
Actual costs for this group are \$1.5m against the YTD budget of \$3.1m. Information Services capital projects are under budget \$1.2m, this is because the actual costs for Enterprise Solutions have been reclassified to operational cost, this under spend variance will remain through year end. Facilities and Plant Management is our vehicle replacement budget, under YTD \$142k, due to a nation-wide shortage of vehicles in the first half of the year. Orders are now being processed and expected to come in on budget by year end. The new Emergency Co-Ordination Centre is under budget \$69k YTD due to phasing of the budget. The Draft Annual Plan 2022/23 has been adjusted to take account the completion of the Centre is to occur in the first half of next financial year.

9. Environmental Services & Protection

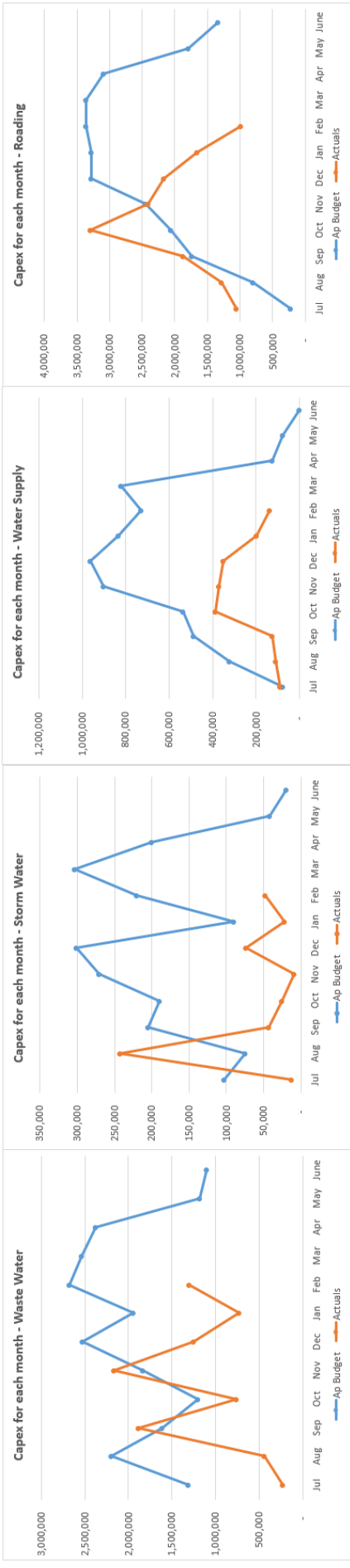
YTD capital expenditure is \$388, up \$138k on the YTD plan. This is due to bringing forward Year 2 budget for parking meter renewals and for a Waihora rock buoy which sits as a marker for safe navigation.

10. Commercial Operations

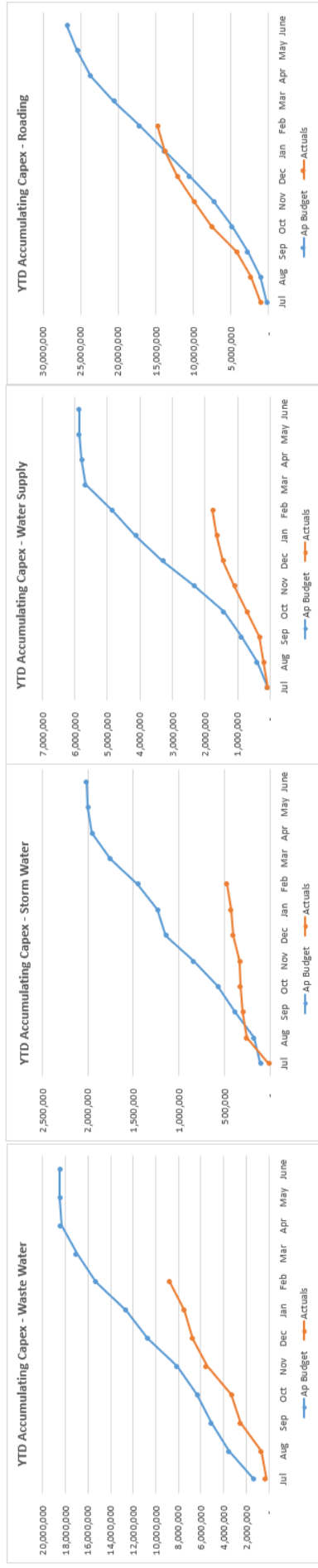
This budget is for Staff and Community Housing upgrades. GHM manages this work. The budget has been phased evenly over the year. Ventilation materials for renewal work at Lytton Court were delayed in the first quarter. Work is now progressing and expected to be on track at year end.



Gisborne District Council
Periodical CAPEX charts for the period ended Feb 2022



YTD Accumulating CAPEX Charts



11. Public Excluded Business

RESOLUTION TO EXCLUDE THE PUBLIC

Section 48, LOCAL GOVERNMENT OFFICIAL INFORMATION and MEETINGS ACT 1987

That:

1. The public be excluded from the following part of the proceedings of this meeting, namely:
Item 4.1 Confirmation of Confidential Minutes 16 February 2022
2. This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information & Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole of the relevant part of the proceedings of the meeting in public are as follows:

	7(2)(b)(ii)	Protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.
Item 4.1	7(2)(d)(ii)	Protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest.
	7(2)(i)	Enable any Council holding the information to carry out, without prejudice or disadvantage, commercial activities.
	7(2)(k)	Prevent the disclosure or use of official information for improper gain or improper advantage.