



BoP LASS Limited

Statement of Intent for 2008-2009

Final version 0.4 May 9, 2008

1. Introduction

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

- a public declaration of the activities and intentions of BoP LASS Ltd and the objectives to which those activities will contribute
- provides an opportunity for the council shareholders to influence the direction of BoP LASS Ltd, and
- provides a basis for the accountability of the directors to the shareholders for the performance of BoP LASS Ltd.

The SOI will be delivered to shareholders in draft by 1 March 2008 and the board will consider any comments received back from shareholders by 1 May 2008.

The final version of the SOI will be delivered to shareholders by 30 June 2008 and a public version will be made available before 31 July 2008.

2. Background

The councils that operate within the boundaries of the Bay of Plenty Region have formed a CCO to investigate, develop and deliver shared back office services and communications where and when that can be done more effectively for any combinations of some or all of the councils.

The expected benefits that can be achieved through shared services 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.

3. Objectives of BoP LASS Ltd

The company was set up to provide the Bay of Plenty Region councils with an umbrella vehicle to investigate, procure, develop and deliver shared services.

Such services will be initiated under the umbrella of this company where a business case shows that they provide benefit to the (voluntary) council users by either improved levels of service, reduced costs, improved efficiency and/or increased value through innovation.

4. Governance

BoP LASS Ltd will conduct itself in accordance with its Constitution, its annual Statement of Intent agreed with shareholders, 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 companies' activities and its council shareholders' activities, the directors are also the Chief Executives of their respective council shareholders. This ensures a very tight and effective flow of information, direction and accountability between all parties – i.e. the directors (as CEO's) are totally aware of their council needs and priorities in terms of administrative and support services and at the same time are "directing" the development and delivery of such shared services.

BoP LASS Ltd has eight directors appointed by its shareholders, i.e.:

Shareholder	Director
Bay of Plenty Regional Council	Bill Bayfield
Kawerau District Council	Russell George
Opotiki District Council	Vaughan Payne
Rotorua District Council	Peter Guerin
Taupo District Council	Rob Williams
Tauranga City Council	Stephen Town
Western Bay of Plenty District Council	Glenn Snelgrove
Whakatane District Council	Diane Turner

Unless otherwise agreed by the board each appointee is the current (or acting) Chief Executive of the council shareholder. In addition, the board may appoint up to three professional directors to supplement the Directors/Chief Executives' expertise.

At an operational level, each operational shared service is managed or "directed" by an Advisory Group, nominated by the shareholding councils in that particular service. Each such service is subject to a formal service level agreement between BoP LASS Ltd and the service shareholders, outlining the services and activities provided, where, when and how; and reflecting the capital and operational costs being met by each service shareholder.

All shared services are operated, and accounted for, as separate business units under the overall umbrella of BoP LASS Ltd. As such the board oversee and 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

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. The draft Statement of Intent for any such subsidiary

shall be circulated to the shareholders of BOP LASS Ltd together with the request for a Special Shareholder resolution as provided for in section 6 of the shareholder agreement.

Subject to the required approval it is the intention of the directors to establish a subsidiary Company to facilitate the development of broadband in the region.

5. Nature and scope of activities

The principle nature and scope of the activity of BoP LASS Ltd is to:

- Enable the provision of shared services to any or all local authorities within the Bay of Plenty Region. BoP LASS Ltd may also sell “shared” processes and systems as set up under individual agreements to local authorities outside the Region.
- Pursue all opportunities to procure shared services that will benefit the community in the widest sense, through enhanced back office services and/or reduced costs for councils.
- Explore all possible avenues to provide these services itself or contract them from outside parties, each depending on a rigorous business case and risk assessment.

BoP LASS Ltd will also act as a true regional vehicle to attract government and other funding, if or when it is made available.

6. Future developments

BoP LASS Ltd will continue to work on business cases for shared services that may be provided in the region. Current feasibility studies include:

- GIS
- Aerial photography
- Joint procurement.
- Library Management and Information services
- Joint software support
- After Hours services
- Internal audit/ probity
- Facilitation of regional broad band services in the start up or incubation phase.

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

BoP LASS Ltd will also proactively explore opportunities to partner with other local authorities and shared services organisations within NZ where they are either developing or considering developing cost effective shared services and products that are of value to the Bay of Plenty councils.

7. Balance sheet ratios

The Local Government Act 2002 requires the SOI to include the projected ratio of shareholders funds to total assets within the Forecast Statement of Financial Position. As BoP LASS Ltd has minimal capital (\$8,000 of paid up capital), and does not expect to acquire any material assets, the board believes that this ratio does not add any value to the SOI and is therefore not included at this time.

As shared services are approved, they will each have service shares issued to the investing councils. Such service shares may be minimal, (e.g. 1 \$100 share for each council investing in a shared service), or may be quite material (e.g. service shares totalling \$500,000 representing the investment in, and assets of, that shared service). If or when that occurs, appropriate balance sheet ratios will be developed and included in the SOI.

The Forecast Financial Statements for the 2008/2009 year are attached to this statement.

8. Accounting Policies

8.1 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.

8.2 Measurement Basis

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

8.3 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, other than where freehold lands may be required. The latter will be valued on the basis of normal accounting processes for the valuation of land.
- 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.

- Depreciation is provided on a straight line basis on all assets other than land, and align with normal accepted depreciation for the types of services being developed.
- 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.

9. Performance targets

The initial targets are to:

- get the umbrella company operating effectively in both governance and management terms
- develop draft operational principles regarding developing and approving shared services
- develop communication lines with each shareholding council at appropriate levels, and
- develop communication lines with shared service CCOs of neighbouring regions.

These tasks are expected to take up to 6 months. During that time and over the next three years, the targets are to:

- achieve effective operations of at least 5 shared services with each service contributing appropriately to the costs of the umbrella vehicle
- operate within agreed budgets
- maintain positive cash flow
- survey customers of active shared services at least annually to measure their satisfaction with the levels and quality of service
- survey the directors at least annually to gauge their satisfaction with the:
 - extent and quality of new service investigation and business case development
 - administrative and secretarial support / reporting
 - operations of Advisory Groups
 - governance and strategic role of the board
 - performance of the Executive Officer of BoP LASS Ltd.

10. Distributions to shareholders

The company is not expected to make profits that would ordinarily be distributed by way of dividends. The holding or umbrella company will not have any revenue as such and its budgeted costs will be recovered each year from its shareholders on an agreed basis as well as through a “levy” on operational shared services.

Individual shared services will be accounted for (in terms of all revenues and expenditures) as stand alone businesses with the shareholding councils of each service agreeing on how to recover the net costs (or how to share any over recovery). Such costs may include a levy to help cover the costs of the umbrella company.

Individual shared services 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 to shareholding councils and/or, invest in further developing that or other services, as agreed by the Advisory Group and by the board.

11. 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, Movements in Equity, Financial Position, Cashflow and Service Performance
- 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 fared against its objectives and prospects for the next financial year, and a report on the company's medium to long term plans.

12. Procedures for the purchase and acquisition of shares

The board will give approval before BoP LASS Ltd subscribes for, purchases or otherwise acquires shares in any company or other organisation, which is external to the group.

13. Activities for which the board seeks compensation

Initially the board will seek compensation from each of the shareholding councils in the region to cover the ongoing development and operational costs of the CCO, the umbrella organisation. These costs and the allocation basis have been agreed in advance for the 6 months ending 30th June 2008, for the 12 months ending 30th June 2009 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 BoP LASS Ltd involvement; or agreed by the board to be funded by BoP LASS Ltd with consequent recovery from shareholding councils.

At this stage there are specific arrangements for shared services where the latter has been agreed.

14. Value of shareholder's investment

The directors estimate that at this stage, BoP LASS Ltd has little or no commercial value. As each shareholders investment in BoP LASS Ltd is only \$1,000 initially, the board believe that 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.