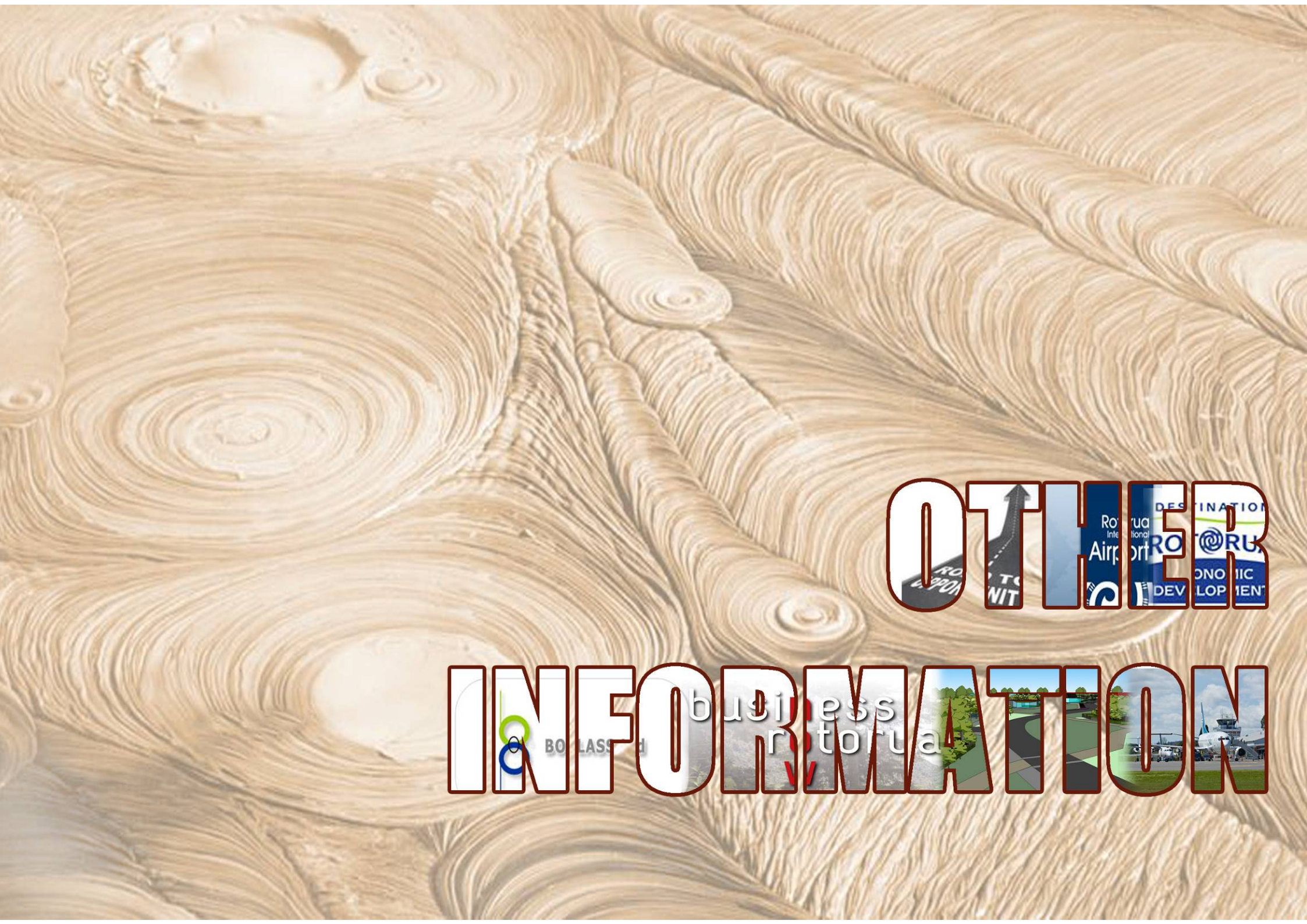


OTHER

INFORMATION



# Council organisations and council controlled organisations

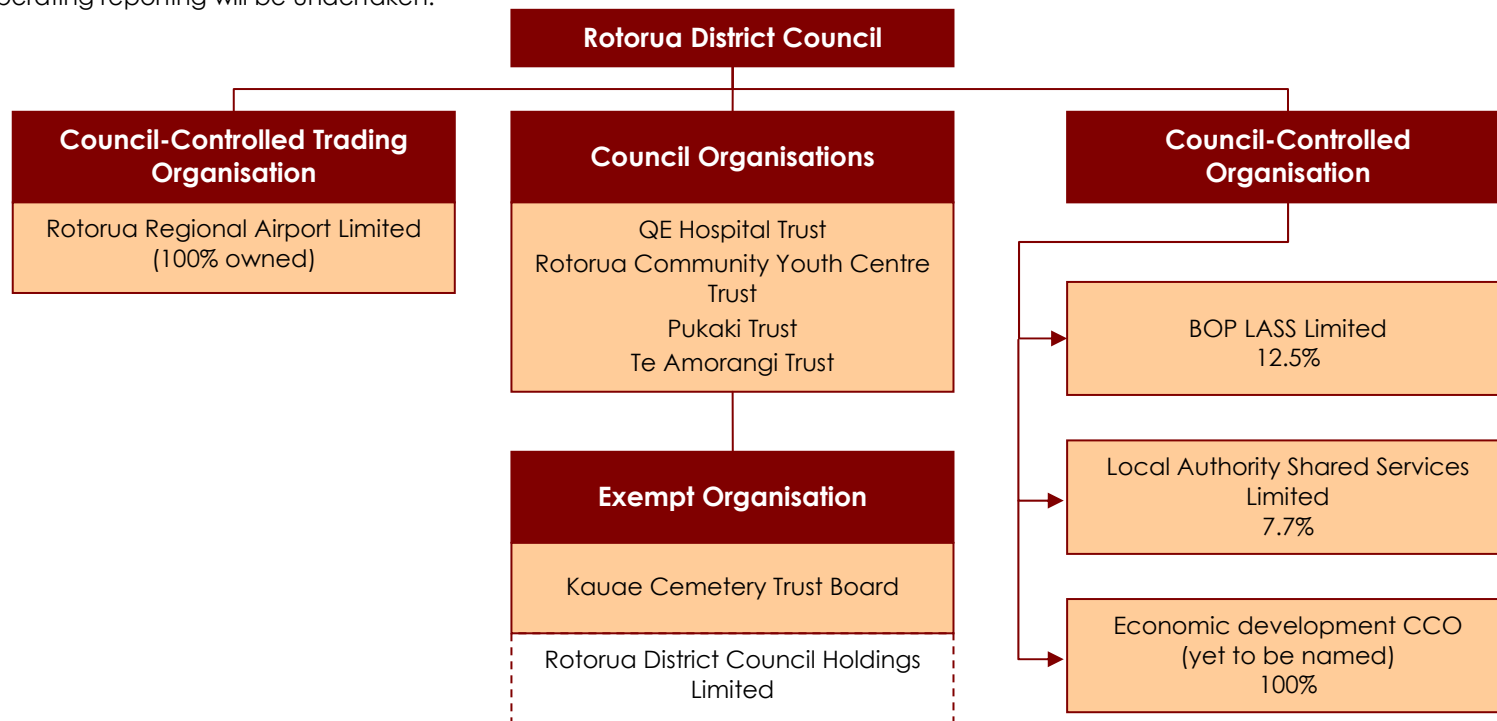
There are a number of organisations where Council has the right to appoint a representative and/or has a shareholding. Under the Local Government Act these organisations are defined as Council Organisations (COs), Council-Controlled Organisations (CCOs) and Council-Controlled Trading Organisations (CCTOs).

These organisations assist Council in achieving its goals and meeting the needs of the Rotorua community. Those appointees to the organisations have the necessary skills, knowledge, and experience to take on their respective tasks. Council has a policy on the appointment of Directors to assure this is the case.

Where Council is involved with a CCO or CCTO, it must provide further information in the Long-term Plan. The three organisations in this category are the Rotorua Regional Airport Limited, the Waikato Region's Local Authority Shared Service Limited (LASS) and Bay of Plenty Regions BOPLASS Limited. Further information about these organisations is provided in this section of the plan.

In addition Council recently resolved to establish a council controlled organisation to drive implementation of the Rotorua Sustainable Economic Growth Strategy.

In 2010, Council established a holding company to provide a vehicle for any joint venture/partnerships with private companies. To date, no arrangements have been established and Council will shortly be resolving to exempt this entity from statutory reporting requirements, because it is currently not operating. When it begins operation, normal operating reporting will be undertaken.



## Introduction

Rotorua Regional Airport Limited –

- is a limited liability company pursuant to the Companies Act 1993.
- is a Council-controlled Trading Organisation pursuant to Section 6 Local Government Act 2002.

On 31 July 2002 Rotorua District Council purchased the 50% shareholding in RRAL held by Central Avion Holdings Limited. The Council now holds 100% of the shares in RRAL.

During the 2004-2005 financial year the Infrastructure assets of Rotorua Regional Airport Limited were transferred to the Rotorua District Council. RRAL remains the airport operating company leasing the assets from the company's sole shareholder, Rotorua District Council.

The Rotorua District Council is responsible for the ongoing capital development of the Airport. The operating company's (RRAL's) goals are primarily concerned with optimising the use of the infrastructure.

## Mission Statement

"A user friendly, attractive airport 'hub' which meets the regional need for domestic and trans-Tasman airline services and is a safe, commercially viable operation optimising the social and economic benefits to the community shareholder."

## Goals/Objectives

- Meet the airport needs of the district and region
- Maintain an effective working relationship with the shareholder and landlord
- Meet the needs of the community for growth in aircraft movements and passenger numbers
- Maintain international status
- Operate company as a 'stand alone' commercial business
- Optimise net earnings potential for reinvestment in airport development
- To increase the gross revenue from all aspects of the business
- Mitigate adverse effects caused by airport operations and development
- Maintain a safe, secure airport facility
- Provide for general aviation activity consistent with primary purpose of providing for airline passenger services
- To act as a good employer by providing equal employment opportunities, good and safe working conditions and opportunities for individual career development for all employees

## Governance

The board has adopted the following governance objectives:

- Approve Corporate Strategy and direction, laying down solid foundations for management and oversight;
- Structure itself to utilise the expertise of Directors to add value
- Promote ethical and responsible decision-making
- Safeguard the integrity of its financial reporting and make timely and balanced disclosure
- Respect the rights, and recognise the legitimate interests of stakeholders

## Nature and Scope of Activities

The primary nature and scope of activities for the company is to operate an airport at Rotorua.

These activities include:

- Retaining the Civil Aviation Authority Aerodrome Operator Certificate by abiding by the laws and requirements outlined in the Civil Aviation Act.
- Operating a facility suitable for the required use of the public in a safe, lawful and efficient manner.

Over the next three years the company will actively pursue opportunities for passenger and revenue growth. RRAL will endeavour to present the airport facility for all users at a standard which residents and ratepayers can be proud of.

## Disclosure statement

The council has not given any guarantee, indemnity, or security in respect of the performance of any obligation by a CCTO.

The Council has not provided financial assistance to a Council Controlled Trading Organisations (CCTO) on terms more favourable than it could borrow.

**Table 1: Financial forecasts**

Year ending 30 June:	2013	2014	2015
Total revenue	2,644,337	2,968,871	3,323,713
Total expenses	2,594,337	2,933,871	3,253,713
Surplus / deficit before tax	50,000	35,000	70,000
Provision for tax	0	0	0
Surplus / deficit after tax	50,000	35,000	70,000
Term debt	0	0	0
Total assets	2,007,352	2,042,352	2,112,352
Total shareholders' funds	2,007,352	2,042,352	2,112,352

## Performance Targets

	2013 Plan	2014 Plan	2015 Plan
<b>a. Aircraft</b>			
Aircraft movements	8,500	8,600	9,000
<b>b. Passengers</b>			
Domestic	212,578	256,088	264,917
International	24,960	37,132	39,393
Total passengers	237,538	293,220	304,310
Total operating revenue per passenger	\$11.13	\$10.13	\$10.92
Aeronautical revenue per pax	\$8.69	\$8.08	\$8.28
Commercial revenue per pax	\$2.44	\$2.03	\$1.87
NPAT per passenger	\$0.21	\$0.12	\$0.21
Funds to RDC per passenger	\$2.74	\$3.17	\$3.70
Ratio of aeronautical revenue to total revenue	78.08%	79.92%	81.58%

# Local Authorities Shared Services Limited (Waikato)

## Introduction

LASS as a Council-Controlled Organisation by way of a company, in which each local authority will have a single share. This company will be used as an umbrella for current and future development of shared services through the Region.

## Share Holders

Local Authority Shared Services Limited is jointly owned by the 13 local authorities of the Region, being: Waikato Regional Council (Environment Waikato), Hamilton City Council, Franklin District Council, Hauraki District Council, Matamata-Piako District Council, Otorohanga District Council, Rotorua District Council, South Waikato District Council, Taupo District Council, Thames-Coromandel District Council, Waikato District Council, Waipa District Council and Waitomo District Council.

## Council Policies and Objectives Relating to CCOs

While Council does not have any significant policies or objectives about ownership and control of the company, the establishment of the company, "Local Authority Shared Services Limited" was subject to public consultation as part of the 2004 Ten Year Plan. However, Council does consider that LASS Limited provides the opportunity for undertaking shared services with the member councils that will be for the benefit of its ratepayers. Council has a Policy on the Appointment and Remuneration of Directors.

The Constitution of Local Authority Shared Services Limited sets out the principles according to which the company will be operated and governed. This includes shareholders rights and the appointment of directors. The annual Statement of Intent identifies the activities and intentions of the

Company for the year and the objectives to which those activities will contribute.

## Company Objectives

The objective of the company is to provide local authorities of the Waikato Region with a vehicle to develop shared services and provide them to local authorities.

## Nature and Scope of Activities

The principle nature and scope of the activity for the company is to:

1. Provide shared services to all local authorities within the Waikato Region. The company also intends to sell processes and systems as set up under individual agreements to local authorities outside the Region.
2. Pursue all opportunities to develop shared services that may benefit the community, either through enhanced services or reduced cost.
3. Give consideration to developing shared service products which a majority of local authorities of the Region believe are of value. The objective is to provide the most effective access to regional information that may be of value to the community using modern technology and processes.
4. Explore all possible avenues to provide these services itself or contract them from outside parties, each depending on a rigorous business case.

The initial product developed is a shared valuation database. It is envisaged that the company will continue to develop new products to be made available to the local authorities within the Waikato Region.

## Performance Targets

The Performance Targets are:

- The company will carry out an annual survey of shareholders to assist the Directors in developing improvements on behalf of the shareholders, and to receive a majority of shareholder approval on the service provided.
- Administration expenditure shall not exceed that budgeted by more than 5% unless prior approval is obtained from the Directors.
- The company maintains an overall positive cashflow position.
- The Board will provide a written report on the business operations and financial position of the LASS on a six monthly basis.
- There will be an annual report to directors that all statutory requirements of the LASS are being adhered to.
- That SVDS is available to users at least 99% of normal working hours.
- That at least 98% of agreed timelines are met for sale and property files that have been delivered to the FTP server for access to customers.
- All capital enhancement development work is supported by a business case approved by the Advisory Group.
- That all required modelling reports are actioned within the required timeframe.
- That a full report on progress of the model be provided to the LASS Board twice each year.
- In response to requests from shareholders, the Company will provide regular reports and updates to the Regional Governance group regarding progress with shared service initiatives.

# Local Authorities Shared Services Limited (Waikato)

## Directors

The current directors of Local Authority Shared Service Limited are noted below:

Director	Position	Director appointed by
Gavin Ion (Chair)	Chief Executive, Waikato District Council	Waikato District Council
Peter Guerin	Chief Executive, Rotorua District Council	Rotorua District Council
Chris Ryan	Chief Executive Officer, Waitomo District Council	Waitomo District Council
Bob Laing	Chief Executive, Waikato Regional Council	Waikato Regional Council
Langley Cavers	Chief Executive, Hauraki District Council	Hauraki District Council
Barry Harris	Chief Executive, Hamilton City Council	Hamilton City Council
David Hammond	Chief Executive, Thames-Coromandel District Council	Thames-Coromandel District Council
Garry Dyet	Chief Executive, Waipa District Council	Waipa District Council
Don McLeod	Chief Executive Officer, Matamata-Piako District Council	Matamata-Piako District Council
David Hall	Chief Executive, South Waikato District Council	South Waikato District Council
Rob Williams	Chief Executive Officer, Taupo District Council	Taupo District Council
Dave Clibbery	Chief Executive Officer, Otorohanga District Council	Otorohanga District Council

## Disclosure statement

A contract is in place between Council and the CCO for the supply of a Shared Valuation Database Service (SVDS) and this activity is specified in the SOI.

## Background

Rotorua District Council has a one-eighth shareholding in BOPLASS Limited, a company formed in October 2007 to support councils operating in the Bay of Plenty. Its purpose is to investigate, develop and deliver shared services and communications, where that can be done more effectively.

## Objectives and Benefits relating to BOPLASS

BOPLASS initiates services where a business case shows potential benefit to council users through improved levels of service, reduced costs, improved efficiency or increased value from innovation. The benefits of this CCO are:

- Improved levels and quality of service.
- A coordinated and consistent approach to provision of services.
- Reductions in cost of support and administrative services.
- Opportunities to develop new initiatives.
- Economies of scale for procurement from a single entity representing a number of councils.

## Governance

BOPLASS Ltd operates in accordance with its constitution, its annual Statement of Intent, provisions of the Companies Act 1993 and the Local Government Act 2002.

The company is governed by its directors, who are also the chief executives of their respective council shareholders.

Currently they are:

Shareholder	Director
Bay of Plenty Regional Council	Mary-Anne Macleod
Gisborne District Council	Lindsay McKenzie
Kawerau District Council	Russell George
Opotiki District Council	Aileen Lawrie
Rotorua District Council	Peter Guerin
Taupo District Council	Rob Williams
Tauranga City Council	Ken Paterson
Western Bay of Plenty District Council	Glenn Snelgrove
Whakatane District Council	Marty Grenfell

The Board can appoint up to three professional directors to supplement the expertise of the councils' chief executives.

## Nature and Scope of Activities

BOPLASS was established to achieve cost savings for Councils in the region by sharing/bundling various services. To this end the Statement of Intent 2012-2013 for BOPLASS identified the following feasibility studies to be undertaken for shared services:

- GIS;
- Rates Collection;
- Joint software support;
- Provision of Ultrafast Broadband services between Councils (CRNP);
- Facilitation of regional broad band services in the start up or incubation phase;
- Asset Management;
- Web services;
- E- Purchasing;
- Business continuity;
- Payroll;

- Telephony platform;
- Consents Processing;
- Information Services as a foundation for shared services.

To date there has been moves to establish a subsidiary company to facilitate regional broadband services.

The expectation is that once more shared service projects are approved by directors there will be further investment required from each investing council and consequently more shares issued.

## Performance Targets

The Performance Targets are:

- Initiate at least one shared service each year and no less than two shared services successfully implemented within three years;
- Implement Shared Services demonstrating best practice and added value to participating councils and stakeholders;
- Investigate a minimum of four Joint Procurement initiatives per year for goods and services from sources offering best value, service, continuity of supply and or opportunities for integration.
- Communicate with each shareholding council at appropriate levels with at least one meeting with each Executive Leadership Team per year;
- Ensure sufficient income is available from activities to sustain a viable company.

## Disclosure statement

A contract is in place between Council and the CCO for the supply of a number of services and goods. This includes:

- Aerial photography
- Provision of Ultrafast Broadband services between Councils (CRNP).

## Background for economic development CCO

Setting up a CCO for economic development means appointing a board of independent people from outside of the council. They will take on responsibility for driving the Rotorua Sustainable Economic Growth Strategy's implementation and will work in close partnership with the council which will fund the majority of the services provided by the CCO in accordance with the CCO's statement of intent.

Five directors have been appointed, with a further two directors yet to be appointed. The five directors are:

John Green (chairman)  
Dr Warren Parker  
Jane Nees  
Michael Barnett  
Tony Marks

The district's Sustainable Economic Growth Strategy sets the direction for Rotorua's future economic progress and is a major focus for the council over the next few years.

The growth strategy aims to achieve three key outcomes which contribute to realisation of the district vision of 'Rotorua: Living the dream – world Class in Every Way'.

Over the next five years the three broad priorities will be to boost the reputation of Rotorua, to lift the performance of the local economy, and to raise living and skills standards.

## Disclosure statement

A contract will be established between Council and the CCO for the supply of a number specific services. These services and the contractual arrangements are specified in the statement of intent.