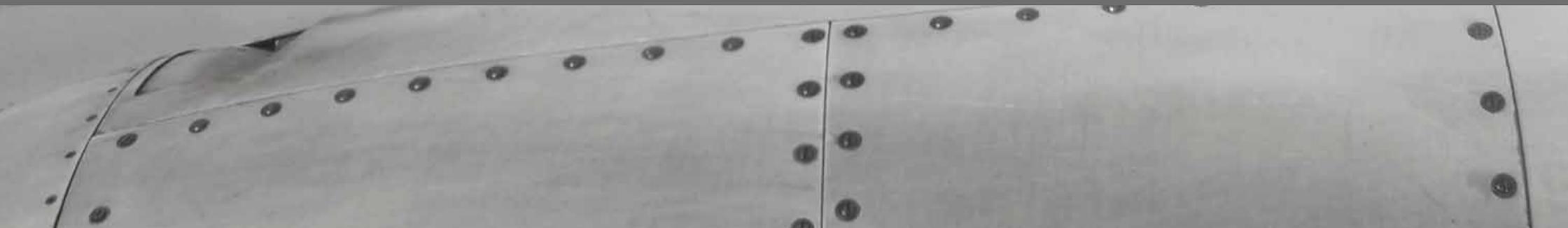




COUNCIL CONTROLLED ORGANISATIONS

Ngā Roopu Mahi Tahī-a-Te Kaunihera ō Whakatāne



COUNCIL CONTROLLED ORGANISATIONS

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

The Council engages in this form of partnership where it provides advantages for a more effective, efficient and financially viable means of delivering services.

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

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

This section summarises the services these organisations will aim to deliver over the life of this Long Term Plan and how their performance will be monitored. More detailed information is available from the Statement of Intent for each CCO.

Each CCO is required to agree to a Statement of Intent with its stakeholders (including the Council) each year and to make this available to the public. The Statement of Intent sets out the CCO's nature and scope of activities, key performance targets and reporting requirements along with other matters. At the end of each financial year each CCO must report performance against the Statement of Intent.



WHAKATĀNE AIRPORT

ABOUT THE WHAKATĀNE AIRPORT

The Whakatāne Airport is a Council-Controlled Organisation (CCO) under the Local Government Act 2002. It was formed as a CCO in 2006. The Whakatāne Airport is a valued community asset, which contributes to residents' quality of life and is considered crucial to the economic well-being of the District.

Planning for an aerodrome was initiated by the Whakatāne County and Borough Councils in 1944. Development of a grass airfield started in 1958 on the current Whakatāne Airport site but it was not until 1960 that it was officially opened, following some difficulties in sowing grass. A sealed airstrip was completed a few years later in 1962 to provide adequate services for the larger DC3 aircraft. The iconic Whakatāne Airport building, designed by architect Roger Walker, was completed in 1974 and has since received the enduring architecture award from the NZ Institute of Architects. Today, daily services are provided to and from Auckland.

HOW DOES IT WORK?

The airport is a joint venture operation between the New Zealand Government (Ministry of Transport) and the Whakatāne District Council, with each party owning a 50% share.

The Whakatāne Airport Board provides governance oversight of the Whakatāne Airport CCO and of implementation of the Whakatāne Airport Business Plan.

The Board provides advice to the Council which is ultimately responsible for decisions relating to the airport.

Day to day operation and maintenance of the airport including the delivery of projects, services and initiatives is managed by the Council.

WHAT DOES IT DO?

The primary activity of this organisation is to operate the airport efficiently and on sound business principles for the benefit of both commercial and non-commercial aviation users. It must also operate in accordance with the terms of its aerodrome certificate, which defines standards and conditions laid down by the Civil Aviation Authority of New Zealand.

The airport is maintained as a non-certified aerodrome in accordance with the Civil Aviation Authority Aerodrome design for aircraft at or below 5,700kg Maximum Combined Take Off Weight (MCTOW). As a non-certified aerodrome the Whakatāne Airport is limited to a maximum aeroplane seating capacity of 30 passengers for any regular flight services. Air New Zealand Link provides regular return services to and from Auckland and Wellington.

Airport land and facilities are leased out where these are either surplus to the airport's present operational requirements or to allow for activities that are compatible with the operation of the airport. This includes land for hangars, parts of the terminal building for commercial operators and areas of unused airport land for grazing.



Whakatāne Airport

THE OBJECTIVES OF THE WHAKATĀNE AIRPORT ARE:

- To promote a safe, accessible, affordable and reliable air transport system for the benefit of the economic and social development of the Eastern Bay of Plenty region.
- To ensure the facility is maintained at its present level and increased wherever practicable and economic.
- To ensure that the airport is administered efficiently and effectively to the benefit of scheduled flight operations.

WHO PAYS?

The Council has an arrangement with the Ministry of Transport that each party is responsible for half of the operational costs of the Whakatāne Airport. This allows for the continued operation of the airport at its current level. Any capital costs required for the improvement of the level of service beyond what is currently being provided would need to be negotiated between the shareholders.

WHAT WE ARE GOING TO DO

To respond to some of the issues, the Council is planning to undertake the following key projects:

DESCRIPTION	YEAR	TOTAL	FUNDING SOURCE
Airport runway lighting and navigational aids upgrade	2017/18	800,000	Loan 100%
Airport pavement resurfacing	2013/14 2017-22	650,000	Renewal 50% Restricted Reserves 50%
Airport renewals	2012-22	203,387	Renewal 83% Restricted Reserves 9% Loan 8%

Note: The figures in this table are not adjusted for inflation.

HOW WILL PERFORMANCE BE MEASURED?

The specific performance targets for the Whakatāne Airport will be set annually through the Airport Statement of Intent and based on the framework outlined below. At the end of each financial year the Airport Annual Report will report on performance against the Statement of Intent and this will include how it performed against those targets.

Financial performance measures and targets

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

Non-financial performance measures and targets

- Maintain the Airport as a non-certified aerodrome in accordance with Civil Aviation Authority aerodrome design for aircraft at or below 5,700kg MCTOW.
- Further performance targets are likely to be introduced as part of business development plan currently being prepared. Any new performance measures will be disclosed in the Statement of Intent for the year in which they relate to.



BAY OF PLENTY LOCAL AUTHORITY SHARED SERVICE LIMITED

ABOUT BOP LASS

Bay of Plenty Local Authority Shared Services Limited (BoP LASS) is a Council Controlled Organisation (CCO) under the Local Government Act 2002. This CCO was formed in 2007 to investigate, develop and deliver shared services, joint procurement and communications for the participating councils. It started with a chief executives (CEs) forum formed by a group of CEs who recognised the advantages of collaboration. BoP LASS now delivers benefits in terms of cost savings and service improvements to its constituent councils and ultimately to ratepayers and residents. BoP LASS has been recognised nationally and internationally as a successful model for the delivery of shared services.

HOW DOES THIS CCO WORK?

The Whakatāne District Council holds a one ninth share in BoP LASS Limited along side the other eight councils that constitute the Bay of Plenty and Gisborne regions.

BoP LASS is governed by a board of nine directors appointed by its shareholders. 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.

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

group is service specific; the participants initially decide the scope of the project and the desired outcomes and work collaboratively to achieve them.

WHAT DOES THIS CCO DO?

BoP LASS provides benefits to the Whakatāne District Council (and other participating councils) through improved levels of service, reduced costs, improved efficiency and/or increased value through innovation. This will be achieved primarily through joint procurement and shared services.

Joint procurement includes procurement of services or products by two or more councils from an external provider, regardless of whether the service is paid for through BoP LASS or individually by participating councils. Examples that have led to cost savings for the Whakatāne District Council include procurement of office supplies, software and insurances.

Shared services includes the participation of two or more councils in the provision of a common service, which may be jointly or severally hosted. Examples that have led to improved levels of service include the provision of a fibre optic network and development of shared geographic information systems.

The expected benefits that can be achieved through shared services are:

- Improved levels and quality of service.
- A coordinated 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.

WHO PAYS?

The Whakatāne District Council pays a small membership levy to BoP LASS of \$1,000 per year. Beyond this levy, membership with BoP LASS is essentially a user pays system based on involvement in the shared services developed under the BoP LASS umbrella. Much of these costs come down to the 'in kind' contribution the Council makes towards establishing or developing shared services.

Costs to the Council, and ultimately to ratepayers, of participating in this CCO are more than offset by the cost savings achieved through the resultant shared services and joint procurement initiatives.

HOW WILL PERFORMANCE BE MEASURED?

The specific performance targets for BoP LASS will be set annually through the BoP LASS Statement of Intent and will be based on the framework outlined below. At the end of each financial year the BoP LASS Annual Report will report on performance against the Statement of Intent including how it performed against those targets.

Performance measures and targets

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



TOI ECONOMIC DEVELOPMENT AGENCY

ABOUT THIS CCO

Toi-EDA is the Economic Development Agency for the Eastern Bay of Plenty and is based in Whakatāne.

The activities undertaken by Toi-EDA contribute to the sustainable growth and development of the local economy. Its vision is to grow the Eastern Bay of Plenty to enhance the wealth and quality of life for its people: Tini o Toi – kia tipu, kia puawai (To create, grow and blossom the myriads of Toi).

Toi-EDA is an exempted Council Controlled Organisation (CCO) under the Local Government Act 2002. This means Toi-EDA does not have to meet the specific reporting requirements related to CCOs. Exemption from these requirements allows Toi-EDA to focus more of its limited resources on economic development. As an exempt CCO, the reporting requirements of Toi-EDA are similar to those of other Council activities.

More information about Toi-EDA is available on its website: www.toi-eda.co.nz

HOW DOES THIS CCO WORK?

Toi-EDA is a partnership between the three territorial authorities (Kawerau, Ōpōtiki and Whakatāne) and the Bay of Plenty Regional Council, working together with local iwi.

A trust board provides governance oversight and advice to Toi-EDA. The board operates under a trust deed and is made up of experienced local business people from the Eastern Bay of Plenty, who play a vital role in leading and guiding the organisation.

At a higher level, Toi-EDA operates within a wider framework under the 'Bay of Connections' strategy. The 'Bay of Connections' strategy is the economic development strategy for the wider Bay of Plenty region including Tauranga, Western Bay of Plenty, Rotorua, the Eastern Bay of Plenty, and Taupo. The objective of this strategy is to deliver regional economic development for new and existing initiatives and industries by building on the region's collective strengths. Bay of Connections is led by a Governance Group made up of nine business leaders, supported by the region's economic development agencies and the Bay of Plenty Regional Council. It also works in conjunction with local and national agencies, organisations and businesses.

WHAT DOES THIS CCO DO?

Toi-EDA has a strong focus on enhancing the Eastern Bay of Plenty's economic growth and wealth for its people. It also plays an important role in the Bay of Plenty regional partnership representing the Eastern Bay of Plenty. The focus is on projects relating to energy, forestry, aquaculture, transport and logistics, and marine industry. This includes projects, services and initiatives to increase employment, income and investment in the Eastern Bay of Plenty Region. These activities aim to attract businesses and people to the area and to support the growth and development of existing businesses. Specific objectives of Toi-EDA are covered within its economic development strategy. At the time of writing this LTP, this strategy was being reviewed to align with the priorities of the Bay of Connections strategy.

WHO PAYS?

The Whakatāne District Council provides the majority of funding for Toi-EDA. This allows for continued delivery of projects and initiatives annually and at a consistent level. Toi-EDA also receives funding from the Ōpōtiki District Council, the Kawerau District Council and the Bay of Plenty Regional Council. Any additional funding requirements (over and above the annual operational funding requirement) needed for specific projects and initiatives is negotiated with stakeholders.

HOW WILL PERFORMANCE BE MEASURED?

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

The performance of the local economy is not a direct reflection on Toi-EDA because economic growth is influenced by a range of factors on a local, national and international scale. Toi-EDA can influence a number of these factors directly, but others it cannot (such as the global financial crisis).

To consider the performance of the local economy, Toi-EDA undertakes monitoring on a six monthly basis. The Eastern Bay of Plenty monitoring report contains an overview of the region and analyses economic trends. There are also individual reports for each of the Territorial Authorities - Whakatāne, Ōpōtiki and Kawerau districts. These reports are a valuable source of data, informing the work of Toi-EDA and the decisions of private industry. The reports are available on the Toi-EDA website: www.toi-eda.co.nz.

The specific performance targets for Toi-EDA are outlined below and will be reconfirmed in the Council's Annual Plan for each year. At the end of each financial year the Council's Annual Report will outline performance against these targets.

Financial performance measures and targets

- Manage Toi-EDA's operations within budgets agreed by stakeholders and within the terms of the Trust Deed. The operational expenditure budget for the 2012/13 financial year is \$175,000.

Non-financial performance measures and targets

Implement key actions annually from the Toi-EDA Strategic Plan. Key actions will be outlined each year in the Council's Annual Plan. For the 2012/13 financial year these are:

- Promote forestry processing opportunities locally and internationally.
- Support and promote the Kawerau Industrial Symbiosis project.
- Assist with the implementation of the 'Bay of Connections' strategy ensuring that Eastern Bay of Plenty projects are supported.
- Continue a web based immigration campaign.
- Promote Chinese and Korean investment into the region.
- Promote, support and facilitate projects that have economic benefits.

LOCAL GOVERNMENT FUNDING AGENCY

ABOUT THE LGFA

The Local Government Funding Agency Limited (LGFA) was established in 2011 by 18 local authority councils and the Crown. The Whakatāne District Council will join the LGFA in August 2012 as a principal shareholder. The basic function of the LGFA is to enable councils to borrow funds at lower interest margins than would otherwise be available.

HOW DOES THIS CCO WORK?

The LGFA is a partnership between the participating local authorities and the New Zealand Government. The Whakatāne District Council will be a principal shareholder. This is the highest level of council participation in the LGFA which provides access to full benefits (all local authorities can borrow from the LGFA, but different benefits apply depending on the level of participation).

The LGFA is governed by a Board of Directors. The Board is responsible for the strategic direction and control of LGFA's activities. The Board guides and monitors the business and affairs of LGFA, in accordance with the Companies Act 1993, the Local Government Act 2002, the Local Government Borrowing Act 2011, the Company's Constitution, the Shareholders' Agreement for LGFA and their Statement of Intent. The Board will comprise between four and seven directors with a majority of independent directors and will meet no less than 11 times each year.

Operationally, the LGFA is run by a small team based in Wellington.

WHAT DOES THIS CCO DO?

The LGFA raises debt funding either domestically and/or offshore and provides this debt funding to New Zealand local authorities at lower interest margins than those available through other lenders. The LGFA only lends to local authorities that enter into all the relevant arrangements with it (participating local authorities) and that comply with the LGFA's lending policies.

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

- Providing debt to participating local authorities at the lowest possible interest rates commensurate with the relevant maturity
- Making longer-term borrowings available to participating local authorities
- Enhancing the certainty of access to debt markets for participating local authorities, subject always to operating in accordance with sound business practice

WHO PAYS?

There are some costs to the Council and ultimately to the ratepayer, of participating in the LGFA. However the costs are substantially less than the savings that can be achieved through the improved interest margins. Rough estimates conducted by Asia Pacific Risk Management anticipate annual savings of around \$207,000 based on Councils borrowing at 30 June 2012.

To participate in the LGFA as a principal shareholding authority, the Whakatane District Council is required to accept certain costs and risks. This includes making an initial capital investment of \$100,000; providing security against rates charges (which is similar to our current arrangement with banks); and committing a portion of our borrowing needs to the LGFA for an initial period.

HOW WILL PERFORMANCE BE MEASURED?

The specific performance targets for the LGFA are set annually through their Statement of Intent. At the end of each financial year the LGFA will report on performance against the statement of intent including against those performance targets.

The 2011/12 year statement of intent for the LGFA contains the following performance targets:

- LGFA's average cost of funds relative to the average cost of funds for New Zealand Government Securities for the period to:
 - 30 June 2012 will be less than 0.50% higher
 - 30 June 2013 will be less than 0.50% higher
 - 30 June 2014 will be less than 0.40% higher
- The average margin above LGFA's cost of funds charged to the highest rated Participating Local Authorities will be no more than 0.40%
- LGFA's annualised operating overheads will be less than \$3.0 million
- Total lending to Participating Local Authorities at:
 - 30 June 2012 will be at least \$500 million
 - 30 June 2013 will be at least \$900 million
 - 30 June 2014 will be at least \$1,400 million
- The total number of Participating Local Authorities Shareholders in the LGFA at 30 September 2012 will be at least 30
- The total number of Participating Local Authorities (ie Shareholders and eligible Borrowers) in the LGFA at 30 September 2012 will be at least 40.