



ATTACHMENTS

**Ordinary Council meeting
Separate Attachments 2**

Monday, 25 July 2022

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Statement of Intent

2022/2023

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1. Foreword

I have pleasure, on behalf of Bay Venues Limited (Bay Venues), in introducing an updated Statement of Intent (SOI) for the 2022/2023 year.

As Tauranga City Council's (TCC) largest Council Controlled Organisation (CCO), Bay Venues play a major role in contributing to the wellbeing of the people of Tauranga Moana. We are the kaitiaki of a strategic network of community facilities. Our facilities and the experiences we provide, enhance the quality of life for residents of, and visitors to, Tauranga Moana and the Bay of Plenty.

This Statement of Intent (SOI) is presented in accordance with the requirement of Section 64 (i) of the Local Government Act 2002 and incorporates the expectations of TCC as outlined in the revised Enduring Statement of Expectations adopted in December 2018 along with the annual Letter of Expectations dated 13 December 2021. It outlines Bay Venues objectives, nature and scope of activities undertaken, and the performance targets by which we will be measured for the year 1 July 2022 to 30 June 2023.

This is the first SOI produced by the new Bay Venues Board that was appointed in July 2021.

It is fair to say that the last 6-8 months has been a difficult time for the Bay Venues business. However, despite the challenges of the current trading environment highlighted by the Covid pandemic, we wish to assure TCC that the Board, executive and staff of Bay Venues remain fully committed to delivering exceptional outcomes to the people and communities of Tauranga Moana. The Board is also pleased with the strategic re-focusing work that has been completed to date and the recruitment of new CEO, Chad Hooker.

This document will outline Bay Venues strategic approach to meeting Council's expectation of driving significant benefits for the community.

The organisation has had its most difficult year ever during 2021/22 with Covid restrictions taking a heavy toll on financial and operational performance. Restrictions throughout the past year included a three-week lockdown, capacity limits on all venues and the large indoor events being prohibited between January and mid-April 2022. All of this has not only had a negative impact on Bay Venues finances, but it has also had a major negative impact on the confidence of activity and event organisers more generally as well as the general public.

It is anticipated that the business may take some time to recover to pre-Covid performance, but we remain hopeful that we are now through the worst of things and that the situation will improve in 2022/23. However, given the ever-changing landscape that government restrictions in response to the Covid pandemic have on our operations and our customers, we would welcome the opportunity to view this SOI as a 'living document' as we move through the year.



Simon Clarke
Chair
Bay Venues

2. Strategic Vision and Purpose

Our Vision

The Best Venues for the Bay.

Our Mission

We are the Kaitiaki of Tauranga's Network of Community Facilities.

Our Purpose

Connecting our Community through Exceptional Experiences.

Our Values

Manaakitanga | Service

Whakawhanaungatanga | Relationships

Kaitiakitanga | Caring

He Toi Tangata | Excellence

We acknowledge TCC's Purpose and Values and will ensure our Bay Venues strategic focus is aligned with this. To achieve our Vision, Mission and Purpose we will need to work in partnership with TCC and collaborate with a range of partners throughout the wider community.

TCC Purpose

We're here to make Tauranga better.

TCC Values

Pono / Integrity – We do what we say we will do.

Manaakitanga / Respect – We listen to all views and show we care.

Whaia te Tika / Service – We do the right thing for the community and each other.

Whanaungatanga / Collaboration – We work together and create connections.

3. Nature and Scope of Activities

Bay Venues core business is venue ownership and management of community facilities and the operation of venue-based businesses, programmes and services. Bay Venues is also in the business of providing event services and hosting events within its venues.

Assets under Bay Venues management are worth approximately \$125 million and the business employs over 320 full time, fixed term, part-time, and casual staff.

We welcomed over 2.1 million visitors to our facilities in the 2019/20 year, a reduced number of 1.6 million users in 2020/2021 and 1.4 million (projected) in 2021/22 because of Covid. We will continue to work hard to welcome members of our community and visitors to our facilities during 2022/2023.

Bay Venues owns and/or manages twenty-four facilities comprising five aquatic facilities, a Stadium and ancillary buildings at Baypark, one large contemporary multi-purpose recreation and event centre, two indoor sports recreation facilities, three community centres, two community share facilities, eight community halls and a high-performance sports training centre.

Aquatic Facilities (5)	Community Halls & Centres (11)	Indoor Sports Facilities (5)	Other (3)
Baywave	Arataki Community Centre	Trustpower Arena	Trustpower Baypark Stadium
Mount Hot Pools	Elizabeth St Community Centre	QEYC & Memorial Hall	University of Waikato Adams Centre for High Performance
Greerton Pools	Papamoa Community Centre	Mount Sports Centre	Pavilions
Memorial Pool	Papamoa Sports & Rec Centre	Aquinas Action Centre	
Otumoetai Pool	Bethlehem Hall	Merivale Action Centre	
	Matua Hall		
	Greerton Hall		
	Welcome Bay Hall		
	Tauriko Hall		
	Waipuna Park Pavilion		
	Cliff Rd Building		

Aquatic Facilities

Baywave

This is an aquatic and leisure centre, recognized regionally as providing a variety of recreational & leisure, competition, aquatic education, exercise, health & wellbeing activities. The configuration of the lap pool also accommodates synchronised swimming, water polo and underwater hockey as well as regional and national aquatic events. The venue is home to a number of water-based sporting clubs/squads. In 2019 the facility underwent a comprehensive maintenance closure which included the installation of an aqua play facility for children. The next maintenance closure is scheduled for early 2023 to undertake pool maintenance, skylight replacement, new non-slip flooring and to replace failing water pipes.

Several secondary business units operate within the complex which are complimentary to the overall purpose of the facility:

- Learn to Swim (including water safety lessons)
- Clubfit (health & fitness club)
- Café
- Merchandise
- Massage Therapy

Mount Hot Pools

An iconic and unique hot saltwater facility and world-class tourist attraction, providing rest, relaxation, and rejuvenation/rehabilitation for a broad range of visitors. The Mount Hot Pools also provides several physical therapy options for the general public including massage therapy, aqua walking and aquarobics.

Greerton Aquatic & Leisure Centre

An aquatic and leisure centre, providing a variety of fun, safe, well-maintained aquatic and therapy activities for the general public (primarily local). The 18m hydrotherapy pool is popular for rehab and senior adults. Aquatic Evolution Tauranga are anchor tenants of the facility. Other activities which complement the centre include:

- Learn to Swim (including water safety lessons)
- Aqua aerobics
- Clubfit (health & fitness club)

The facility is currently undergoing an extensive refurbishment including new non-slip flooring, seismic strengthening, new changing facilities and a reconfigured entrance. In addition will be new signage and repainting the pools and interior and exterior of the facility.

Memorial Pool

An outdoor seasonal facility with a lap and learners pool, BBQ facilities and green space, providing a safe, clean, maintained environment for families and recreational swimmers to enjoy during the summer months. This pool is at end of life and scheduled to be replaced by a new aquatic complex in Memorial Park in the coming years.

Otumoetai Pool

Otumoetai Pool provides a safe, clean, well-maintained facility servicing the local community, in particular the neighbouring College during school hours and the anchor tenants, Evolution Aquatics Tauranga who are high users of the facility. This is an old facility and we are starting to encounter more significant maintenance issues. Planning for its future will need to be considered.

BaySwim

Bay Venues delivers a quality Learn to Swim programme catering for all ages at Baywave and Greerton Aquatic and Leisure Centres. In addition, BaySwim also provides Water Safety Education for primary school groups as part of our funded Water Safety NZ's 'Water Safety for Life' programme.

Indoor Sports Facilities

Trustpower Arena

The Trustpower Arena is the key sporting venue for indoor sports such as basketball, volleyball, futsal and premier netball. The six-court side of the facility has a focus on community sport while the three-court facility also gets used extensively for community sport when not being used to host events. The facility also provides a range of pay for play sports leagues and programmes that service the community. Within the facility is a licensed café providing quality food and beverage service.

Aquinas Action Centre (Community Share Facility)

Situated on the grounds of Aquinas College, the facility features a single court gymnasium suitable for hosting sport, recreational and cultural activities outside of agreed school access hours.

Merivale Action Centre (Community Share Facility)

This facility is located on the grounds of Merivale Primary, it features a single court gymnasium suitable for hosting sporting / recreational groups and community activities.

Mount Sports Centre

Located at Blake Park, this facility features a single court gymnasium suitable for hosting sporting and recreational groups, community activities and minor events. The facility is also home to Tauranga City Basketball's office. This is an old facility and its future is being considered as part of the Blake Park master plan.

Queen Elizabeth Youth Centre (including Memorial Hall)

Located at Memorial Park, this facility provides the city with a multi-court venue suitable for hosting sporting & recreational groups, cultural and community activities. The venue also hosts a variety of regional and national tournament and events. Pay for play sports leagues and centre-run programmes are also provided at this venue. Planning is underway for the redevelopment of the QEYC to include more court space along with a new aquatics complex, gym and café.

Community Centre-Run Programmes

Bay Venues runs several community focused programmes across the network for pre-schoolers, children, youth and adults including the popular Tumble Time, Funky Fundays, Oddball, coaching clinics, sports days, birthday parties, social badminton and more.

Sports Leagues

Bay Venues organises sports leagues both at the Trustpower Arena and Queen Elizabeth Youth Centre for indoor netball, fastnet, football, and turbo touch.

Community Halls & Centres

Arataki Community Centre

This venue provides a high quality, versatile indoor space of varying sizes and flooring as well as equipment, to enable community groups to host their activities. During the weekdays, PlayTime hosts an OSCAR programme at the facility. Consideration is currently being given to possible expansion of the facility to cater for increasing demand for space.

Bethlehem Hall

This venue is primarily used for local community groups to host a variety of activities. Private functions also use this venue.

Cliff Road Building

This building provides a space for hire and is home to No Compromise box fit group and community dinners. It is also a storage area for the petanque club. The facility is in poor condition and will only operate in the short term until the future of this site is decided.

Elizabeth St Community & Arts Centre

This is a facility for community groups to host a variety of activities. It also provides space for individuals to host private functions. The facility is in average condition and its future will be considered in conjunction with Council's investment in the new Civic Precinct.

Greerton Hall

This is a facility for local community groups to host a variety of activities. It also provides space for individuals to host private functions. Greerton Hall is also used as office space for Greerton Village Mainstreet.

Matua Hall

This venue provides space for local community groups and individuals to host a variety of activities and private functions. During the weekdays, PlayTime hosts an OSCAR programme at the facility.

Papamoa Community Centre (at the Library)

This venue provides a high quality, versatile indoor space of varying sizes and flooring as well as equipment, to enable community groups to host their activities. During the weekdays, PlayTime hosts an OSCAR programme at the facility. The venue also provides visitors with useful information including activities and services available in the community.

Papamoa Sports & Recreation Centre

Located at Gordon Spratt Reserve, this indoor facility has rooms of varying sizes as well as a range of equipment, to enable community groups to host their activities. There is also a commercial kitchen and licensed bar for groups, businesses and individuals to host functions. During the weekdays, PlayTime hosts an OSCAR programme at the facility.

Tauriko Hall

This hall provides space for local community groups to host a variety of activities and provides a venue for individuals to host private functions. During the weekdays, Schools' Out hosts an OSCAR programme at the facility. The facility is in poor condition and will be replaced in due course when a new community centre can be established in the Tauriko area.

Waipuna Park Pavilion

This pavilion is for the users of Waipuna Park to utilise for registrations, after match functions and meetings at no charge. Other community groups can also utilise the facility to host their activities.

Welcome Bay Hall

These venues provide space within the local community for community groups to host a variety of activities. They also provide space for individuals to host private functions.

Events

Trustpower Arena

In addition to its purpose as a community indoor sports hub, the three-court side of the Arena acts as the key events facility for the region. When combined with the six-court side of the facility the Arena is a versatile multi-purpose venue with the ability to host any type of event – from community and national sporting fixtures through to trade shows, conferences, gala dinners, corporate hospitality and concerts.

Trustpower Stadium, Baypark

This is Tauranga City's only significant outdoor stadium. It has the capacity for crowds of up to 19,000 people inclusive of seated and corporate hosting areas. It features a 480-metre oval clay speedway track and a turf area (inside the track). The primary activity is Speedway race meetings (15-17 per annum). Trustpower Stadium is also a venue for other events and activities suited to outdoor spaces (drifting and outdoor concerts etc). Corporate boxes and a Premium Lounge are also available for businesses to utilise for hosting, functions or meetings. A master plan is currently underway to consider the future use of the wider Baypark site and how it can best be utilised to benefit the community.

While Trustpower Baypark is regarded as one of the best equipped Speedway venues in New Zealand with a fast, wide clay track and a large well serviced pit area it is showing its age and significant future investment will be required to maintain it. A Promoter is contracted to promote and operate Speedway events at Baypark.

Trustpower Stadium Lounge

The Stadium Lounge is a self-contained venue adjoined to the Baypark Stadium offering a secure and private environment to host public and private functions. Suitable for meetings, conferences, gala dinners, school balls, private functions, weddings and small to medium sized trade shows, this venue can comfortably accommodate up to 500 people for dinner or 900 for performances. For major stadium events, this facility offers the client added flexibility for hosting corporate hospitality or pre and post event activities.

Bay Events

This business unit is primarily responsible for attracting events to Bay Venues facilities. Venue hire, corporate hospitality, signage, corporate boxes, outdoor space hire and event support make up the products and services offered by Bay Events.

Bay Catering

This business unit primarily provides catering services at venues managed by Bay Venues as well as some off-site catering at other venues and events. Bay Catering also operates food and beverage outlets throughout the Trustpower Baypark venue as well as the cafes at Trustpower Arena and Baywave. Bay Catering also have contracts with the Ministry of Education to provide school lunches to children at schools throughout the Bay of Plenty.

Bay Audio Visual

A sound, lighting and audio-visual equipment and support business unit that provides services primarily at the Trustpower Arena, Trustpower Stadium Lounge, Trustpower Stadium and some external off-site events and venues.

Associated Activities

Bay Venues operates several venue-based business units including:

University of Waikato Adams Centre for High Performance

Based at Blake Park opposite Bay Oval, The University of Waikato Adams Centre for High Performance is a high quality facility of over 2,500 m² that include a 652m² gym, plunge pools, physiotherapy, massage and rehabilitation rooms, a sport science laboratory with performance testing, research and acclimatisation facilities, meeting rooms and an athlete's lounge. It caters for a wide range of athletes, high performance organisations, sports science research and athlete medical support services. Current tenants of the Centre include NZ Rugby, BOP Rugby, Body in Motion High Performance Sports and the University of Waikato. Strong demand for space in the facility along with potential development on neighbouring sites has prompted investigations into potential expansion options for the facility.

Clubfit

This is made up of two gymnasiums located at Baywave and Greerton Aquatics Centre. Clubfit provides support and fitness programming to members who have access to mid to high quality equipment.

Merchandise

Bay Venues operates small retail outlets at its aquatics facilities selling swimming apparel and associated products.

BayStation

BayStation is a family entertainment business that operates four different entertainment products including Blokarts, Drift Trikes, Paintball and Lasertag. The operation complements the range of activities on offer at Baypark.

4. Key Areas of Focus for 2022/23

Bay Venues acknowledges TCC's request to focus our business activity to contribute to the following TCC Community Outcomes:

- **We have a well planned city**, with specific reference to supporting planning around the Tauranga Domain, Blake Park and Baypark
- **We are inclusive**, with specific reference to strengthening mana whenua relationships
- **We value and protect our environment**, with specific reference to reducing greenhouse gas emissions

We also note that TCC have asked Bay Venues to ensure its financial reporting is clear and transparent and that Board professional development is undertaken.

In FY23 Bay Venues will continue to develop and execute robust business plans and innovative initiatives that support and deliver the overall objectives of the Bay Venues Strategic Plan.

Key Goals

Primary Goal

1. **Community Benefit** – We host a wide range of successful activities and events (sport, culture, service, recreation and business) within our facilities that collectively enhance the social, cultural and economic wellbeing of Tauranga.

Supporting Goals

2. **High Quality Facilities** – Our facilities and assets are safe, well maintained, professionally managed and fit for purpose.
3. **A High Performing Organisation** – We strive for excellence and foster collaboration and partnership to achieve the best possible outcomes.

Objectives

Community Benefit

1. Host at least 1.6 million visits to our facilities. We will provide analysis broken down by facility type and type of activity.
2. Host at least TBC events and activities* in our facilities across a range of activity types.
3. Support at least 10 diversity and inclusion initiatives during the year.
4. Achieve a customer feedback rating of >85%.
5. Have no preventable serious harm incidents in our facilities.

Strategic Objectives

- *Develop a Wellbeing Reporting Framework in partnership with TCC.*

**Reporting methodology to be confirmed. Target will be comparable with 2020/21 result.*

High Quality Facilities

6. Have no preventable unplanned facility closures.
7. Deliver our capital and renewals programme to business case.

Strategic Objectives

- *Develop a long-term Venue Strategy in partnership with TCC.*
- *Develop a Baypark Masterplan in partnership with TCC.*
- *Develop and implement a Sustainability Plan (including a target to reduce greenhouse gas emission).*
- *Be TCC's strategic delivery partner for community facilities and work collaboratively with them on key strategic projects.*

A High Performing Organisation

8. Achieve our budgeted financial result.
9. Meet regularly with TCC management, key facility users and mana whenua.

Strategic Objectives

- *Agree Memorandum's of Understanding with key Iwi and mana whenua that will include the kaupapa (purpose) and proposed outcomes.*
- *Implement an easily understood and transparent funding-finance model.*
- *Implement a High Performance Programme for key staff.*
- *Implement a Technology Roadmap.*

6. Performance Measures

a. Balanced Scorecard

Activity	Target	Weighting
Community Benefit	Host >1.6 million visits to our facilities. Host >TBC events and activities. Support >10 inclusivity & diversity initiatives. Achieve a customer feedback rating >85%.	50%
High Quality Facilities	No preventable serious harm incidents in our facilities. No preventable unplanned facility closures. Capital and renewals programme on time and on budget.	20%
A High Performing Organisation	Achieve Budgeted EBITDA	20%
Strategic Objectives	All FY23 Strategic Objectives are completed.	10%

b. Financial

Bay Venues Ltd Profit & Loss (000's)	Budget 21/22	Forecast 21/22	Budget 22/23	Forecast 23/24	Forecast 24/25
	Total	Total	Total	Total	Total
Revenue					
User Fees and Charges	21,416	16,361	18,848	19,954	20,824
TCC Community Outcome Subsidy	2,916	3,256	4,030	4,268	4,519
Total Revenue	24,332	19,617	22,877	24,221	25,343
Less Total expenditure before interest and Depreciation	24,331	22,550	24,600	25,829	26,604
EBITDA Profit/(Loss)	1	(2,933)	(1,722)	(1,608)	(1,261)
BVL Funded Depreciation	823	616	677	877	813
BVL funded Debt Servicing	205	414	621	659	724
Suplus/(Deficit) - after BVL capital costs	(1,027)	(3,963)	(3,020)	(3,145)	(2,799)
Add back: Adjustments for funding					
Renewals Grant	6,782	6,782	10,278	5,430	3,126
Debt Servicing Grant	258	258	258	258	258
Debt Retirement Grant	194	194	344	344	344
Less: Other Depn and debt servicing					
Depreciation	5,267	5,267	6,424	6,653	6,883
Debt Servicing	380	380	380	380	380
Net Suplus/(Deficit)	561	(2,375)	1,057	(4,489)	(6,678)

c. Reporting

Bay Venues is committed to supporting TCC's strategic priorities and objectives. Bay Venues will endeavour to respond promptly and appropriately on issues raised by TCC.

Bay Venues will provide TCC with the following information:

i.Statement of Intent (SOI)

Provide TCC with a draft SOI by 1 March 2022 and a final SOI by 30 July 2022

ii. Annual Report

Provide an Annual Report to TCC within two months after the end of the financial year. This will comply with section 68 of the Local Government Act 2002 and include the following:

- a. Board report including summary of the financial results, a report of the operations, a comparison of performance in relation to objectives and any recommendation as to dividend;
- b. Audited financial statements for the financial year in respect of the Company, and;
- c. The Auditor's report on:
 - i. Those financial statements; and
 - ii. The performance targets and other measures by which performance has been judged in relation to the objectives.
- d. The audited financial statements shall consist of:

- i. Statement of Financial Position; and
- ii. Statement of Comprehensive Income; and
- iii. Statement of Movements in Equity; and
- iv. Statement of Cashflows; and
- v. Disclosure of Related Party Transactions; and
- vi. Notes to the Financial Statements; and
- vii. Such other statements as may be necessary to fairly reflect the financial position of the Company and its subsidiaries, the resources available to the Company and its subsidiaries and the financial results of the operations of the Company and its subsidiaries.

The annual report is to be presented in the format prescribed by TCC to enable consolidation into the Group.

iii. Quarterly Reports

As soon as practicable after the conclusion of each quarter, Bay Venues will provide TCC with a report of performance against the SOI including:

- a. Summary of Financial Performance
- b. Summary of Financial Position
- c. Report on non-financial KPI's year to date
- d. Commentary on performance for the preceding quarter
- e. Commentary on expected performance for the next quarter

A Quarterly Report will not be required for Q4 where the Annual Report is provided instead.

iv. Quarterly Meetings

Upon request by TCC, members of the Board of Bay Venues will meet with the TCC Commissioners and/or their appointed representative(s) quarterly in a confidential, informal workshop to discuss and review issues of common interest.

v. Half Yearly Governance to Governance Meeting

The Board of BVL will meet with the full Council of Elected Members/Commissioners of TCC every six months in a confidential, informal session to discuss and review any issues of common interest.

vi. Half Yearly Mayor/CEO to Chair/CEO Meeting

The Commission Chair and CEO of TCC will meet with the Chair and CEO of Bay Venues every six months, three months before or after the Governance-to-Governance meeting, to discuss and review any issues of common interest.

vii. No Surprises

Notwithstanding the reporting requirements the Board will operate on a 'no' surprises' basis to ensure that TCC is appraised as soon as is practicable, of any event or the possibility of an adverse effect of an economic, social or political nature.

6. The Board's Approach to the Governance of BVL

The Directors of Bay Venues are responsible for the stewardship and future well-being of the organisation. Directors exercise leadership, enterprise, integrity and judgement in directing the organisation so as to provide assurance of its continuing and lasting prosperity and effectiveness. In discharging their responsibilities Directors have a duty to act in the best interest of Bay Venues as a whole, irrespective of personal, professional, commercial or other interests, loyalties or affiliations. Directors' first duty and loyalty must be to the legal entity defined in the Bay Venues Constitution consistent with 1.3.1 of the Companies Act.

More detailed obligations in relation to both the Directors obligations to Bay Venues and TCC's obligations to Bay Venues are outlined in the Enduring Statement of Expectations (ESE).

7. Board Performance Reviews

A Board led bi-annual review will be undertaken in July/August 2022 by an independent entity, with results reported to TCC. This review will be conducted within the Institute of Directors (IoD) "Better Boards" programme providing comparative data to prior reviews by IoD.

The report will provide assessment on the Board's performance within:

- Chair and Individual Director effectiveness.
- Board policies and procedures/effectiveness.
- Overall Board effectiveness, dynamics and connectivity to Stakeholder and Community.

8. Ratio of Consolidated Funds

In November 2014 TCC resolved that an appropriate starting debt equity ratio of 20:80 is appropriate for Bay Venues, but the ratio may change up to 25:75. This ratio is calculated as: Debt to Equity Ratio = Total Debt / Total Equity.

9. Estimate of Commercial Value

The Board estimate that the commercial value of the TCC's investment in Bay Venues is represented by the net assets of Bay Venues. This value is calculated from total assets less liabilities.

10. Accounting Policies & Other Compliance

Financial statements will be prepared in accordance with generally accepted accounting practice (GAAP), NZ International Financial Reporting Standards, Companies Act 1993, Local Government Act 2002 and Financial Reporting Act 1993.

11. Dividend Policy

Any retained surpluses over \$250,000 (nett after depreciation and interest) must be approved by Council unless otherwise agreed or prevented due to legal requirements.

Council may decide to reinvest part or all the surplus into Bay Venues if Bay Venues establishes a compelling investment proposal and/or using such option to retire debt

In determining funds that are 'surplus', Council will consider the operating result against budget including the accounting surplus, the underlying cash surplus, and surpluses generated from particular activities.

12. Procedures for Acquisition of Other interests

Pursuant to the Constitution, Bay Venues will only invest in the shares of a new or existing company or organisation with the prior approval of TCC. Where the Board consider the size of the acquisition warrants it, they will have due diligence carried out prior to any binding agreement being made.

13. Other Matters Agreed as Between the Directorate and the Shareholders

Bay Venues shall enter, where necessary, such agreements with TCC giving effect to any restrictions, requirements and obligations required by TCC.

Due to the impact of Covid over the past year Bay Venues revenue and profitability has been significantly negatively impacted. While existing loan arrangements with TCC are sufficient to cover this in the short term, Bay Venues wishes to signal to TCC a need to review the funding and/or loan arrangements to ensure that the business can continue to operate.

14. Transactions between Related Parties

Transactions between TCC and Bay Venues will be conducted on a commercial basis (fair and reasonable) and if appropriate contestable basis.

Other related party transactions will be on a commercial basis and in accordance with Bay Venues procurement policy.

15. Compensation from Local Authority

Compensation for any services provided to the TCC has been agreed as per the revised Enduring Statement of Expectations and the Letter of Expectations.

Council provide Bay Venues with an operating grant of \$3.448m, which increases annually with CPI. TCC's operating grant to Bay Venues helps deliver:

- Business related outputs, which apply across all facilities
- Community related outputs which apply only to the facilities and activities that are considered to have a community focus.

The outputs expected of Bay Venues are detailed in section 4 of the ESE.

Schedule 1 – Enduring Statement of Expectations

Schedule 2 – Annual Letter of Expectation FY23

21 April 2022

Simon Clarke, Chair
C/- Bay Venues Limited
81 Truman Lane
RD5 Tauranga 3175



Via email: simon@matuagovernance.com

Dear Simon

Bay Venues Limited – Draft Statement of Intent 2022/23 to 2024/25

At a meeting on 11 April 2022, Tauranga City Council received the Draft Statement of Intent for Bay Venues Limited (Bay Venues).

We would like to thank you for completing this document and providing it to Council in accordance with the statutory timeframes.

It was also good to receive Bay Venues' half-yearly report, as it gave us time to reflect on the achievements and the resilience the organisation has shown amid the challenges during this time.

At the same meeting, Council also approved an increase of \$5 million to the Intra-Group Two-Way Loan Agreement between Tauranga City Council and Bay Venues Limited, from \$25 million to \$30 million. It was noted that this is subject to Tauranga City Council being able to remain within its Treasury Policy limits, and to Bay Venues Limited continuing to work with Council staff in monitoring their cashflow position. TCC staff will work through the details of this agreement with you in the coming weeks.

We are very pleased and encouraged with the way the new Board are responding to Council's expectations to deliver more community outcomes through the network of facilities, spaces and places. The content in Bay Venues' draft Statement of Intent shows consistency with the legislation and also gives reference to those matters included in this year's Letter of Expectations.

There are a few minor amendments that we would ask you to incorporate into the final Statement of Intent, including:

Strategic Vision Purpose (page 4)

- (a) We are the kaitiaki of Tauranga City Council's strategic network of community facilities.
- (b) Our Purpose – through our partnership with Tauranga City Council, we will deliver exceptional experiences to the community.

With a new section "High-Performing Organisation", the following areas are highlighted:

- (c) Develop an agreed Memorandum of Understanding (MoU) with key iwi and Mana Whenua. This target to be amended to include the kaupapa (purpose) of the MOU and proposed outcomes to be achieved
- (d) Implement easily understood transparent funding-finance model.

High Quality Facilities (pages 12-13) to include under Strategic Objectives (Capital and Renewals programme)

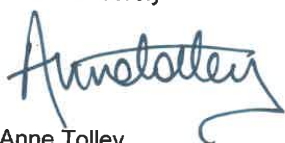
(e) Needs to refer to the whole network of facilities within Bay Venues kaitiaki (guardianship), including larger venues such as Baypark and Blake Park.

Finally, the Commissioners ask Bay Venues to respond through the Final Statement of Intent on how it will apply a transparent approach to the board workings and the organisation as a whole.

Please note that the statutory timeframe for the Bay Venues Limited Board to deliver the final Statement of Intent 2022/23 to 2024/25 to Council is before the commencement of the financial year to which it relates, i.e. by 30 June 2022.

If you have any questions or require assistance, please contact Josie Meuli on 027 204 9214 or josephine.meuli@tauranga.govt.nz.

Yours sincerely



Anne Tolley
Commission Chair
Tauranga City Council

Cc: Chad Hooker, Chief Executive: Bay Venues Limited – chad.hooker@bayvenues.co.nz



toi tauranga art gallery

**Tauranga Art Gallery Trust
Statement of Intent to
Tauranga City Council
2022-23, 2023-24, 2024-25**



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Abbreviations used:

Tauranga Art Gallery	"Gallery" or "TAG"
Tauranga Art Gallery Trust	"Trust" or "TAGT"
Tauranga City Council	"TCC" or "Council"
Council Controlled Organisation	"CCO"
Enduring Statement of Expectations	"ESE"
Letter of Expectations	"LOE"
Statement of Intent	"SOI"
Long Term Plan	"LTP"
Learning Experiences Outside the Classroom	"LEOTC"



1. Letter of Introduction

The Tauranga Art Gallery Trust Board has the pleasure of presenting this Statement of Intent (SOI) for the periods, 2022-23, 2023-24, 2024-25.

The SOI is informed by the expectations of the Tauranga City Council as outlined in the Enduring Statement of Intent and the Letter of Expectation, dated 13 December 2021.

The purpose of the SOI is to:

1. State publicly the activities and intentions of a CCO for the year and the objectives to which those activities will contribute;
2. Provide an opportunity for shareholders to influence the direction of the organisation; and
3. Provide a basis for the accountability of the directors to their shareholders for the performance of the organisation.

Our Toi Tū Tauranga ten-year-vision reflects our aspiration to foster enduring lifelong relationships between art and the community. This Statement of Intent identifies synergies between our Vision and TCC's values, ensuring community objectives established through our visioning work guides our activities.

While the impact of COVID-19 continues to be felt, we have witnessed a slow but steady increase in attendance at the Gallery's openings, events, talks, and education programmes. Our strong governance, business continuity plans and agile risk response strategies, which were especially deployed during challenging times over the past year, place us in a strong position to confidently enter the new financial year, buoyed with exciting new appointments in both staff and trustees.

The Trust is conscious that the Gallery continues to face economic challenges (as indicated in our three-year budget forecasts). With the appointment of our Business Development Manager in early 2022, we now have the resources to focus on revenue and therefore are forecasting an increase in self-generated income. We are also continuing to work proactively to mitigate forecasted deficits, due to rises in fixed costs. It's also pleasing to have completed the first phase of our work on developing a Social Return on Investment framework which provides a roadmap for better communicating the value of Tauranga Art Gallery's activities to both current and new stakeholders going forward.

We are pleased to be continuing our work in partnership with TCC as a key venue in the Civic Precinct. Tauranga Art Gallery is excited about this opportunity to expand our capacity to deliver more art and culture in Tauranga. We look forward to working with TCC as we continue to build a reputation as a leading destination in Aotearoa for local, national, and international exhibitions.

Tauranga Art Gallery is identified by Museums Aotearoa as one of nine key mid-sized public art galleries across Aotearoa¹. We are recognised for leading programmes of art, which regularly feature mana whenua artists and reflect the stories and voices of our community. We take pride in the industry-leading quality of our art experiences, and that our exhibitions are supported by active education and public programmes, ensuring access to art for all.

The activities and operations laid out in this SOI are led by our guiding objectives in the Tauranga Art Gallery Trust Deed (4.1), to:

¹See *Picture No Galleries*, published by Chartwell Trust, 2020, page 40

tauranga art gallery

toī tauranga

- a) Provide the establishment and management of a sub-regional Public Art Gallery and ensure that its assets and collections are managed to a high standard.
- b) Provide Public Art Gallery facilities and art experiences which are relevant and accessible to the Western Bay of Plenty, sub-regional communities, and visitors to the area.
- c) Lead and promote activities to raise funds for the Gallery.

As Chair of a refreshed Board, we are unified and optimistic in our approach. We look forward to updating you on our progress during the year.

Ngā mihi, nā

Rosemary Protheroe
Chair
Tauranga Art Gallery Trust





2. Strategic Priorities and Alignment

Vision Statement Toi Tū Tauranga Enduring relationships with art Creating life-long connections with art				Mission Statement He Tauranga Toi To be an anchorage for art To create exceptional art experiences that engage, inspire, and challenge			
TAGT Strategic objectives	He Tauranga Auaha To be an anchor of innovation and creativity	He Tauranga Matarau To be an anchorage for diversity		He Tauranga Whaihua To be an anchor of enduring success	He Tauranga Haukaha To be an anchor of great shelter	He Tauranga Taiao To be anchor in environmental sustainability	He Tauranga Haumaru To be anchor in safe development
TAG Business function	Exhibitions, events, and education programmes	Stakeholder engagement	Marketing and Communications	Financial governance and management	Infrastructure and facilities		People and organisational culture
TCC Letter of Expectation alignment – community outcomes	Our purpose – we’re here to make Tauranga better We recognise we are an integral part of the wider Bay of Plenty region and upper North Island.						
	We are inclusive			Accountability and Transparency	We have a well-planned city		Purpose and values. Board professional development. COVID-19 – Health, Safety and Wellbeing
TAGT Priorities	Deliver a diverse exhibition and events programme. Achieve a high level of customer satisfaction Deliver a range of education programmes and learning opportunities that meets the needs of our clients.	Enhance our marketing and communications. Partner with tangata whenua and ensure strong engagement with Māori. Partner with government agencies, councils, and other organisations.		Develop a greater awareness of our Social Return on Investment (SROI). Implement prudent financial management processes. Ensure TAG has a clear vision and purpose for the next 3-5 years.	Involvement in the City Centre redevelopment project (Civic Precinct) discussions. Effective management of assets.	Gallery operates in an environmentally sustainable way.	Health, safety, and well-being is a priority Implement best practice human resource management policies and processes The board provides best practice governance.

tauranga art gallery

toi tauranga

3. The Future: 2022-23 and beyond

Tauranga Art Gallery Toi Tauranga is a hub for learning and building connections through experiencing work by leading local, national and international artists. Our location places us in the midst of a presently thriving hospitality and cultural district, and at the heart of the future Civic Precinct - Te Manawataki o Te Papa. We are excited about building on and realising our vision for Tauranga Art Gallery as a key cultural destination, as we deliver innovative programmes for Bay of Plenty audiences and visitors.

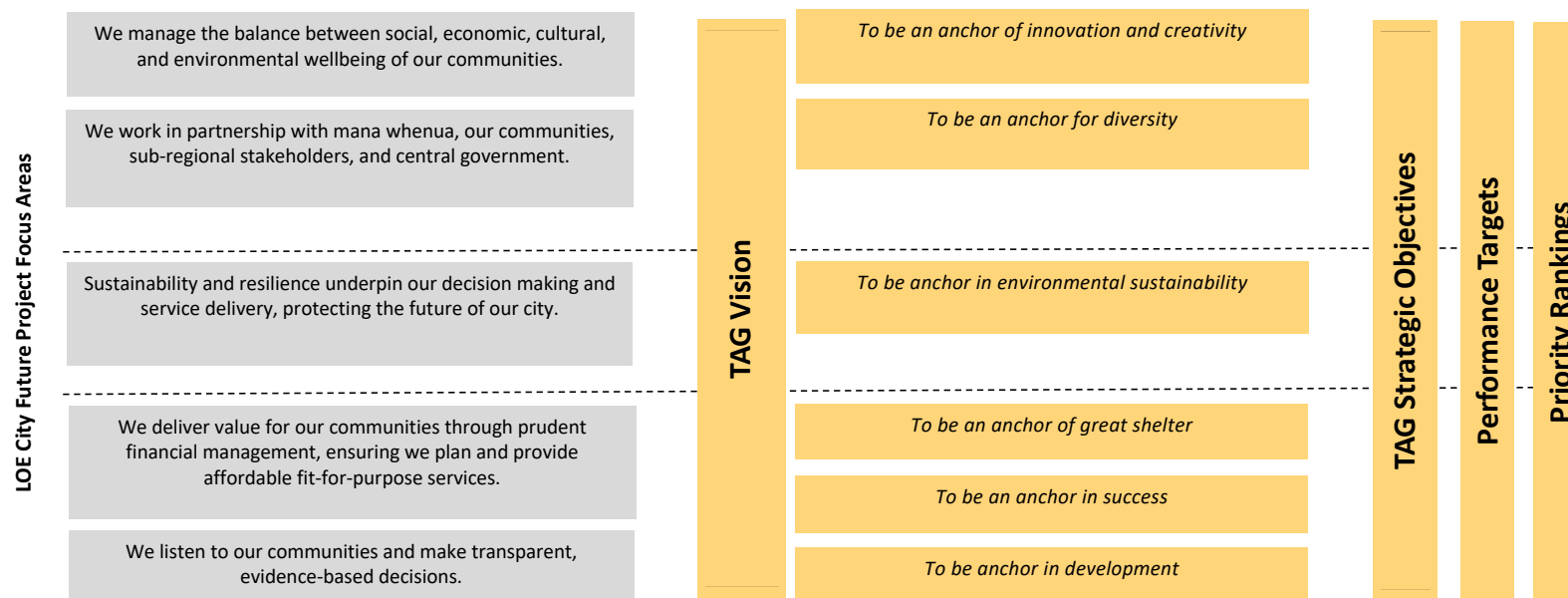
Tauranga Art Gallery's Vision 2021-2031 builds upon and refocuses our founding principles as defined in the Trust Deed, creating a refreshed and renewed vision to meet the challenges of the future.





4. Nature of Scope & Activities

The diagram below demonstrates the alignment between the LOE City Future Project's focus areas and TAG's objectives. Our objectives are further detailed in the Performance Framework.



5. Performance Framework – Financial & Non-financial

Exhibitions, Events and Education Programmes		
He Tauranga Auaha <i>To be an anchor of innovation and creativity</i> TAG is a destination for both city visitors and residents, providing the opportunity for all to learn about and experience art	TAGT Strategic Objective	Performance Target
	Deliver a diverse exhibition and events programme.	A high-quality programme with a minimum of 12 exhibitions and events is delivered that reflects the unique character and needs of Tauranga, inspires the Tauranga community, includes international representation, and integrates key objectives in the areas of innovation, diversity, community, environment.
	Achieve a high level of customer satisfaction.	At least 35,000 visitors to the Gallery (2022-23); 35,000 for 2023-24 and 38,000 (2024-25) 85% “highly satisfied/ positive” rating via our visitor survey and feedback received from schools and other participants of programmes and events.
	Deliver a range of education programmes and learning opportunities that meets the needs of our clients.	Education programmes are linked to the exhibition programme and align with the Te Whāriki (ECE) and the NZ Curriculum (primary secondary) curriculum focus areas and identified tertiary outcomes. Programmes are developed to meet the needs of our participants, with te reo and te ao māori principles integrated within our programmes.
		A range of in-gallery, outreach and holiday programmes are delivered to a minimum of 7,500 students across Tauranga and the larger WBOP region. Continue to identify opportunities to expand our reach of programmes to schools/ kura. Deliver a range of other learning opportunities for targeted groups and families / whanau – a minimum of 4 in 2023-24, and a minimum of 8 in 2024-25.

Stakeholder Engagement / Marketing and Communications		
He Tauranga Matarau <i>To be an anchor for diversity</i> TAG is inclusive and promotes partnerships with tangata whenua, values culture, and	TAGT Strategic Objective	Performance Target
	Enhance our marketing and communications	A marketing and communications strategy is developed that effectively promotes the Gallery’s full range of activities. It will include brand alignment and options to develop technology and digital platforms to provide alternative art experiences to grow audiences and enabling greater access to the visual arts.
	Partner with mana whenua, and ensure	Implement an engagement strategy that reflects Tikanga Māori, enabling us to build stronger relationships with mana whenua and enabling wider engagement with Māori



diversity and where people of all ages and backgrounds are included, feel safe, connected, and healthy.	strong engagement with Māori	
	Partner with government agencies, councils, and other organisations.	Staff, and where appropriate trustees, work in collaboration with relevant government agencies, groups, and councils to share best practice and to align with other events held across the city, i.e., Tauranga Arts Festival, Jazz Festival.

Financial Governance and Management		
He Tauranga Whaihua <i>To be an anchor of enduring success</i> TAGT will pursue opportunities to secure funding and manage all funds with prudence and care with a commitment towards being financially sustainable.	TAGT Strategic Objective	Performance Target
	Develop a greater awareness of our Social Return on Investment (SROI)	Our Social Return on Investment (SROI) impact is integrated into messages with stakeholders and Gallery supporters, leading to a better understand of our social and economic impact. Report findings to TCC as part of 2023-23 Annual Report.
		New measures and statistics are identified, in addition to ongoing visitor attendance and feedback surveys, to be reported back through the 2022-23 Annual Report
	Implement prudent financial management processes.	Appropriate systems and controls are in place for the efficient financial management, planning, and decision making across all areas of the organisation.
		Our annual budget is monitored regularly, with current financial projections maintained to ensure gross revenue targets and forecasted expenditure is within budget.
		Generate 20% revenue from sources other than TCC (2022-23), building towards increasing our alternative revenue by a minimum of 20% (24% of overall operating budget) by 2024-25.

Infrastructure and Facilities		
He Tauranga Haukaha <i>To be an anchor of great shelter</i>	TAGT Strategic Objective	Performance Target
	Involved in City Centre redevelopment project (Civic Precinct) discussions.	Evidence of collaboration with TCC management team on the development of the Civic Precinct.



He Tauranga Taiao <i>To be anchor in environmental sustainability</i>	Effective management of assets.	An Asset Management Plan is developed that includes a well-planned repairs and maintenance programme, renewals, and future CAPEX priorities
	Gallery operates in an environmentally sustainable way.	<p>We have investigated ways of using resources better and reducing waste by recycling and/or reusing materials and monitoring power consumption. ArtBus provides environmentally sustainable means for education students to attend programmes.</p> <p>TAGT identifies targets in period, in work towards achieving a sustainability accreditation by 2024-25</p>

People and Organisational Culture		
He Tauranga Haumaru <i>To be anchor for development</i> TAGT will take all practical steps to ensure our people are valued, supported feel safe, connected, and healthy.	TAGT Strategic Objective	Performance Target
	Health, safety, and well-being is a priority.	All health, safety and well-being policies and procedures reviewed, and an internal review programme developed to ensure they are regularly monitored to meet statutory requirements.
	Implement best practice human resource management policies and processes	To improve the culture of the organisation, staff are engaged, increased in employee satisfaction, meeting statutory obligations and reducing organisational risk.
		Annual staff survey to be undertaken, potentially in collaboration with Council with a staff rating of 80% staff satisfaction achieved.
	The board is providing best practice governance.	The board provides governance for the TAG strategic direction. All Trustees have a clear understanding of their roles and actively seek professional development opportunities. Board will also be openness and transparency, publishing our SOI on our website and key strategic documents, policies and staff and board charters.
	Approach to governance	TAGT board values align with Tauranga City Council's values.
		Collaborate with TCC, through assisting with developing the Council city brand, City Event Strategy, and participating in Governance to Governance meetings.

6. Planning

TAGT will prepare and annually update a three-year Strategic Plan and Annual Business Plan with:

- Indicative rolling three-year forecasts of financial performance and position, separately identifying any significant intended expenditure.
- Any likely requests for increased levels of funding from Council.
- Key actions or initiatives to deliver on the objectives of the Trust.
- Upcoming challenges, risks, and opportunities for the Trust.

TAGT will work collaboratively with TCC to review and as necessary update the ESE and the annual LOE.

7. Reporting

TAGT will:

- Keep TCC informed of matters of substance affecting the Trust as outlined in ESE.
- Produce an annual report to TCC on both financial and non-financial performance.
- Appraise the performance of the Trust Board / Trustees at least every 2 years.

Annual Report

Within two months after the end of each financially year, TAGT shall deliver to the TCC a Draft Annual Report, and within three months after the end of each financial year, audited financial statements in respect of that financial year containing the following information:

- A trustees' report, including a summary of the financial results, a report of the operations, and comparison of performance in relation to its objectives and recommendations for further funding requirements or opportunities.
- Audited financial statements for that financial year; and
- The Auditor's report on:
 - Those financial statements; and
 - The performance targets and other measures by which performance has been judged in relation to the objectives.

The audited financial statements shall consist of

- Statement of Financial Position.
- Statement of Financial Performance.
- Statement of Cashflows.
- Statement of Performance against Financial and Non-Financial Performance Targets.
- Such other statements as may be necessary to fairly reflect the financial position of the Trust, the resources available to the Trust and the financial results of the operations of the Trust; and
- A statement of accounting policies and notes to the accounts.

8. Financial Performance Targets

TAGT aims to operate in a financially sustainable manner. As a CCO delivering part of TCC's cultural responsibilities, long-term financial performance and position is sustainable where planned long-term service standards are met without unplanned increases in TCC funding or cuts in deliverables.

Indicative Financial Performance Targets:

- Gross revenue is consistent with the agreed budget.
- Expenditure is managed within the agreed budget.
- Working capital ratio of no less than 1 (excluding current portion of term debt).
- Interest cost as a percentage of total revenue should not exceed 10%.
- Consolidated funds (total equity) are not less than 90% of total assets (all current and non-current assets).
- No debt is to be raised to finance operating expenses.
- TAGT achieves partial financial self-sufficiency in addition to TCC funding
- No distribution of income or capital to TCC.

Non-Financial Performance Targets

Indicative Non-Financial Performance Targets of planning and reporting requirements are met as per performance framework above.

9. Accounting Policies

Financial statements will be prepared and applied consistently in accordance with NZGAAP. They will comply with NZIFRS and other applicable Financial Reporting Standards, as appropriate to public benefit entities that qualify for and apply differential reporting concessions.

10. Asset Management

TAGT will prepare and implement Asset Management Plans for the building and other assets.

Commercial Values of Assets

TAGT operates a public service and not a commercial activity. It is not practical to provide a commercial value to assets. Fair value of land, building and artworks are determined by an independent valuer every three years and changes reflected in the financial statements. Fair value is reviewed annually. The next valuation is to be undertaken in the year ended 30 June 2024.

11. Transactions between related parties

Transactions between TCC and TAGT will be conducted on a wholly commercial basis.

12. Significant Decisions

TAGT will not undertake any activity of a significant nature or scope not provided for in the ESE or the SOI without prior approval of TCC. In particular, the prior approval would be required for TAGT to:

- Form any subsidiary entity.
- Purchase shares in any other entity.
- Dispose of any significant assets, e.g., land or buildings.
- Dispose of or deaccession any works within the TCC Civic Art Collection.
- Purchase any significant assets e.g., land or buildings.

13. Investment from TCC

TCC will purchase services from the Trust as follows

2022-23

Management and operation of Tauranga Art Gallery \$1,270,602 including Trustee fees of \$45,000.

2023-24

Management and operation of Tauranga Art Gallery \$1,296,014 (based on applying an inflation adjustment of 2% and including Trustee fees of \$45,000.

2024-25

Management and operation of Tauranga Art Gallery \$1,321,934 (based on applying an inflation adjustment of 2% and including Trustee fees of \$45,000

Any increases of the Management & Operational funding and Trustee fees would be subject to TCC approval as part of the internal submission via the Annual Plan process.

14. Payment arrangements

- Payment of the Tauranga Art Gallery management and operation will be made monthly in advance as per the schedule above.

Compensation for any other services provided to or by the Council will be based on a service delivery agreement entered into by both parties.

Signed by,



Rosemary Protheroe
Chair
Tauranga Art Gallery Trust



Stephen Cleland
Director
Tauranga Art Gallery

14. Three Year Forecast

TAURANGA ART GALLERY Indicative Three Year Operational Forecast	3 Year Forecast			
	2022-2023	2023-2024	2024-2025	
Income				
Donations, fundraising and similar revenue	\$374,415	\$382,000	\$390,000	1
Revenue from providing goods or services	\$78,000	\$82,000	\$84,000	1
Interest, dividends & other investment revenue	\$10,000	\$10,200	\$10,404	2
TCC Operational (incl. Collections)	\$1,270,602	\$1,296,014	\$1,321,934	3
WBOPDC	\$40,000	\$40,800	\$41,616	4
Total Income	\$1,773,017	\$1,811,014	\$1,847,954	
Gross Surplus	\$1,773,017	\$1,811,014	\$1,847,954	
Less Operating Expenses				
Building	\$234,363	\$239,050	\$243,831	5
Expenses related to public fundraising	\$376,574	\$384,106	\$391,788	6
Volunteer & Employee related costs	\$983,889	\$1,013,406	\$1,043,808	7
Costs related to providing goods or services	\$57,000	\$58,140	\$59,303	8
Other expenses	\$39,123	\$39,905	\$40,704	9
Total Operating Expenses	\$1,690,949	\$1,734,607	\$1,779,433	
Operating Surplus	\$82,068	\$76,407	\$68,521	
Non-operating Expenses				
Depreciation	\$151,740	\$152,000	\$152,000	10
Total Non-operating Expenses	\$151,740	\$152,000	\$152,000	
Net Surplus	-\$69,672	-\$75,593	-\$83,479	

Assumptions

1. Our revenue has not increased as much as previously projected, however due to the employment of our Business Development Manager, we now have the resources to focus on revenue and therefore are predicting an increase. Due to the current financial environment it will be a challenge to obtain new revenue from the business community. But we remain positive and with the borders opening and new programmes in the Gallery that these revenue targets are achievable.
2. Do not expect interest on investments to increase.
3. Based on 2021 actual including the LTP increase of \$150k ('20-'21).
4. WBOPDC's 3-year partnership agreement has been renewed for next 3 years with annual CPI increase and we are working towards increasing the base contract.
5. Building as per 2021/22 actual plus CPI 5.9% costs for goods and an increase in building maintenance included as per Beca report.
6. Volume and quality of exhibitions increased. Offsite education programmes initiated. Working with TBOP to promote events/ VH post COVID. Budget does not include NZME contra sponsorship for Marketing and communications of \$45k.
7. Increased HR costs include a 3% CPI increase and new professional development budget.
8. Trustee fees, Director travel, meetings & professional services.
9. Includes audit fees (75%), accounting, bank & EFTPOS service fees. Additional budget for Business Improvements over the next 3 years, increasing each year \$60k, \$195k, \$295k.
10. Depreciation projections is based on previous years calculations.
11. Addressing this shortfall will be part of TAG's ongoing conversations with TCC, WBOPDC and other key partners over the coming years.



21 April 2022



Rosemary Protheroe, Chair
C/- Tauranga Art Gallery Trust
PO Box 13255
TAURANGA 3141

Via email: rosemary.protheroe@gmail.com

Dear Rosemary

Tauranga Art Gallery Trust – Draft Statement of Intent 2022/23 to 2024/25

At a meeting on 11 April 2022, Tauranga City Council received the Draft Statement of Intent for Tauranga Art Gallery Trust (TAGT).

We would like to thank you for completing this document and providing it to Council in accordance with the statutory timeframes.

It was also good to receive TAGT's half-yearly report, as it gave us time to reflect on the Art Gallery's achievements and the resilience the organisation has shown amid the challenges during this time. We are also very encouraged by the vision you have for the future of the Gallery.

The content of the draft Statement of Intent shows consistency with the legislation, and also gives reference to those matters included in this year's Letter of Expectations.

There are a few minor amendments (and deletions) in the Performance Target areas, in particular with the repetition of financial targets, as detailed below:

Performance Targets (Page 8)

- (a) A minimum of 35,000 visitors to the gallery for 2022/23; 35,000 for 2023/24 and 38,000 for 2024/25, with an 85% highly satisfied / positive rating.
- (b) Deliver a range of learning opportunities for targeted groups, families and whanau - a minimum of 4 in 2022/23, a minimum of 6 in 2023/24, and a minimum of 8 in 2024/25.

Financial Government and Management (Page 9)

- (c) Social Return on Investment (SROI) – needs to include a timeline for reporting back through the Annual Report (2022/23).
- (d) New measures and statistics are identified, including ongoing visitor attendance and feedback surveys, to be reported back through the Annual Report.
- (e) TAGT to set a target of 20% increased alternative revenue across the three yearly Statement of Intent timeline.
- (f) "Ensure TAGT has a clear vision and purpose" – to be deleted.

Infrastructure and Facilities (Page 9)

- (g) An Asset Management Plan is developed, including a well-planned repairs and maintenance programme, renewals, and future CAPEX priorities.
- (h) TAGT achieves a sustainability accreditation by (proposed) 2024.

People and Organisational Culture (page 10)

- (i) TAGT annual staff survey to be undertaken, potentially in collaboration with Council, with a staff rating of 80% staff satisfaction.
- (j) "A strong and positive relationship between Chair and the Director" – to be deleted.

In addition:

- TAGT need to include a separate section on *Approach to Governance*, aligned with Council's values, collaborating on the Council city brand, City Events Strategy and Governance to Governance meetings.
- Targets that refer to tangata whenua need to refer to art and the Gallery generally. Other areas that relate to relationship/partnership need to refer to mana whenua.

Finally, the Commissioners ask TAGT to respond through the Final Statement of Intent on how it will apply a transparent approach to the board workings and the organisation as a whole.

Please note that the statutory timeframe for the Tauranga Art Gallery Trust Board to deliver the final Statement of Intent 2022/23 to 2024/25 to Council is before the commencement of the financial year to which it relates, i.e. by 30 June 2022.

If you have any questions or require assistance, please contact Josie Meuli on 027 204 9214 or josephine.meuli@tauranga.govt.nz.

Yours sincerely



Anne Tolley
Commission Chair
Tauranga City Council

Cc: Stephen Cleland, Director, Tauranga Art Gallery, director@artgallery.org.nz



Fisherman's Wharf, Tauranga

STATEMENT OF INTENT

2022-2023 TO 2024-2025

TĀPOI TE MOANANUI Ā TOI | TOURISM BAY OF PLENTY

(WESTERN BAY OF PLENTY TOURISM AND VISITORS TRUST)



Our Regional Brand Story

KO MĀTOU WAAHI HE NGĀKAU PAI, HE
TAKUTAI HAUMAKO RAWA, HE WAAHI PITO
MATA.

HE WAAHI AWHINA O NGĀ AHUREA
TUAKIRI KĀTOA. KO TE WAIRUA
MĀHORAHORA O TE TANGATA HE ORITE KI
TE PARITANGA HUANGĀ PAI O TE WHENUA.

HE WAAHI HURANGA – KO TĀ MĀTOU
PŪMANAWATANGA, TE MOTUHAKETANGA
ME TE WHAKAARO MURAMURA E
HONOHONO ANA MĀTOU KI TE AO.

HE TAURANGA MAI. HE TAURANGA ATU.

TE MOANANUI Ā TOI – HE WAAHI MŌU.

OURS IS A PLACE OF POSITIVE ENERGY; A
RICH COASTAL PARADISE BLESSED WITH
RAW POTENTIAL.

WHERE CULTURES EMBRACE
AND THE NATURAL GENEROSITY
OF OUR PEOPLE IS AS ABUNDANT AS OUR
FERTILE LAND AND OPEN SEAS.

A PLACE OF DISCOVERY –
OUR INGENUITY, DETERMINATION
AND BOLD THINKING CONNECT
US TO THE WORLD.

A LANDING PLACE. A LAUNCH PAD.

THE COASTAL BAY OF PLENTY –
A PLACE FOR YOU.



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1. Purpose of Statement of Intent

In accordance with section 64 of the Local Government Act 2002 and the Local Government Amendment Act 2019, this annual Statement of Intent (SOI) publicly states the activities and intentions of the Western Bay of Plenty Tourism and Visitors Trust (Tourism Bay of Plenty) for the next three years. This SOI sets out Tourism Bay of Plenty's strategic framework, activities, and performance measures, as the basis of organisational accountability.

Tourism Bay of Plenty (TBOP) acknowledges the Enduring Statement of Expectations (ESE) and Letter of Expectation (LOE) from Tauranga City Council and Western Bay of Plenty District Council. These articulate the focus areas for TBOP that will contribute to advancing the Western Bay of Plenty's economic prosperity.

2. About Tourism Bay of Plenty

TBOP is incorporated under the Charitable Trusts Act (1957) and is a not-for-profit entity established to promote and manage the Western Bay of Plenty sub-region (WBOP) as a visitor and tourist destination. TBOP is a Council Controlled Organisation (CCO) and is accountable to Tauranga City Council (TCC), Western Bay of Plenty District Council (WBOPDC) and Whakatāne District Council (WDC), the latter being by a separate Letter of Intent. This collective region is known as Te Moananui ā Toi | the Coastal Bay of Plenty.



3. Objectives of Tourism Bay of Plenty

TBOP's purpose, as described in its Trust Deed, is to promote the economic welfare and development of the Western Bay of Plenty region and its citizens through destination marketing, management and any other activity which impacts on that region as a visitor destination. TBOP is also responsible for providing visitor information services in the region.

TBOP's role as a Destination Management Organisation (DMO) is to lead, advocate, and coordinate a cohesive, collaborative, and balanced approach to the promotion and management of the region. This is a partnership approach and requires valued engagement with the community, businesses, iwi, and stakeholder councils in order to enhance the visitor experience.

Through the LOE, the councils have encouraged TBOP to consider how best to contribute to achieving desired community outcomes, as developed for Tauranga City Council's Long-Term Plan 2021-2031. Accordingly, TBOP will work with the Tauranga City Council Group to achieve these desired community outcomes. The specific outcomes that TBOP has been asked to consider are:

- We value and protect our environment - Tauranga is a city that values its natural environment and outdoor lifestyle, and actively works to protect and enhance it.
- We are inclusive – Tauranga is a city that recognises and promotes partnership with tangata whenua, values culture and diversity, and where people of all ages and backgrounds are included, and feel safe, connected and healthy.
- We recognise that we are an integral part of the wider Bay of Plenty region and upper North Island – Tauranga is a well-connected city having a key role in making a significant contribution to the social, economic, cultural, and environmental well-being of the region.



3.1 Principal Objectives

TBOP takes the lead role in the sustainable growth of the visitor economy and destination management of Te Moananui ā Toi | the Coastal Bay of Plenty. TBOP's purpose is to 'connect and enrich people and place through tourism'. As such, our principal objectives are to:

1. Provide leadership for the recovery and restart of the Tauranga and Western Bay of Plenty visitor economy to mitigate the impacts of the COVID-19 pandemic on the local economy.
2. Help manage and promote the reputation of Tauranga and the wider coastal region nationally and internationally, to increase attractiveness. This includes supporting TCC with the development of a Tauranga city brand, as well as the implementation of the city events strategy once it has been adopted.
3. Participate in conversations and subsequent workstreams with TCC regarding the development of the City Vision and with TCC and WBOPDC as they set further strategic direction for Tauranga City and the Western Bay of Plenty District.
4. Provide leadership, advocacy, and engagement across the visitor economy, including areas such as events, cruise, conferencing, destination management, marketing, and storytelling.
5. Create, identify, and support opportunities for tourism to have positive economic, social, cultural, and environmental outcomes for the region and residents.
6. Grow the capability of local operators through identifying areas of need and supporting the provision, access to, and engagement of suitable training and upskilling opportunities.
7. Identify ongoing opportunities to assist in the development of walking and cycling infrastructure planning and promotion across the region.
8. Ensure the TBOP business continuity plan is up-to-date and includes contingency strategies, including any legislative responsibilities for keeping safe while providing services that support the wellbeing of our community.



3.2 Operating Principles

TBOP will adhere to the 'Council Group' operating principles whereby:

- We deliver value for our communities through prudent financial management, ensuring we plan and provide affordable fit-for-purpose services.
- Sustainability and resilience underpin our decision making and service delivery, protecting the future of our city.
- We work in partnership with tangata whenua, our communities, sub-regional stakeholders, and central Government.
- We manage the balance between the social, economic, cultural, and environmental wellbeing of our communities.
- We listen to our communities and make transparent, evidence-based decisions.

As per the LOE 2022-2023, TBOP staff will be guided by Tauranga City Council's overarching purpose statement and values when working with councils and our community:

- Purpose: We're here to make Tauranga better
- Values:
 - Pono/Integrity – we do what we say we will do
 - Manaakitanga/Respect – we listen to all views and show we care
 - Whaia to tika/Service – we do the right thing for our community and for each other
 - Whanaungatanga/Collaboration – we work together and create connections.

TBOP is committed to employee wellbeing. As part of this, TBOP will continue to pay all staff the Living Wage as a minimum.



4. Approach to Governance

TBOP is a CCO of the Tauranga City and Western Bay of Plenty District Councils. The TBOP Board and management are committed to ensuring the organisation meets recommended best practice governance principles and maintains the highest ethical standards, as outlined in the ESE.

The TBOP Board of Trustees is appointed by the Councils to govern and direct TBOP's activities. The Board is accountable to the Councils for the financial and non-financial performance of TBOP. The Board works collaboratively with the Councils to ensure a bilateral "no surprises" relationship.

Transparency International New Zealand is currently developing a Local Government Transparency Framework and associated best practice. The TBOP Board of Trustees will review this document once it has been finalised, and will then develop a plan to apply best practice to the Board's workings and across TBOP.

4.1 The Role of the Tourism Bay of Plenty Board of Trustees

The Board of Trustees is responsible for the direction of TBOP. In accordance with the ESE, this responsibility includes:

- Acting in accordance with the Trust Deed.
- Developing and overseeing TBOP's Visitor Economy Strategy 2018-2028 (VES).
- Advocating on behalf of TBOP with key stakeholders.
- Approving Annual Plans, budgets and the Statement of Intent (SOI).
- Maintaining Enterprise Risk and Health and Safety systems, policies and controls.
- Monitoring financial performance and achievement of key initiatives and SOI objectives.
- Appointing and monitoring the performance and remuneration of the General Manager (GM).
- Ensuring the integrity of management information systems and policies.
- Assessing business opportunities and business risks.
- Ensuring TBOP policies enable a healthy organisational culture and staff engagement.
- Complying with relevant law.
- Ensuring TBOP exhibits a sense of social and environmental responsibility.
- Reporting to the councils.
- Following the decision-making guidelines in the ESE and the TCC Appointment of Directors to Council Organisations Policy and the Significance and Engagement Policies.

The Trustees operate under the TBOP Code of Conduct and the Tauranga City Council Code of Conduct for Directors Appointed by Council-to-Council Organisations.

The Trustees delegate the day-to-day operation of TBOP to the General Manager (GM) of TBOP who reports to the Board.



4.2 Tourism Bay of Plenty Trustees

As of 28 February 2022, the TBOP Board comprises the following trustees:

- Laurissa Cooney (Chairperson)
- Russ Browne (Deputy Chairperson)
- Gwendoline Keel
- Jason Hill
- Clare Swallow

On 1 May 2022, Suki Xiao was appointed as an intern to the TBOP Board through the Tauranga City Council Board Intern Programme for Council Controlled Organisations (CCOs). This appointment will be effective until 30 April 2023.

4.3 Communication Protocol

The Chairperson, Board members and officers of TBOP will adhere to the following communication protocols with the councils, in addition to the formal reporting requirements:

- Regular governance to governance meetings with Council's Commissioners.
- Presentations of the Six-Month Report and Annual Report to both Councils
- Two-way dialogue and consideration of the councils' strategic priorities and objectives.
- A bilateral 'no-surprises' approach to governance and management of the organisation.
- Consultation prior to external release of any significant changes and/or developments.
- Early notification and collaboration on key matters of risk or reputation.
- Appraise the performance of the TBOP Board of Trustees at a minimum of every two years, alternating annually between a Board led review and a council led review.
- Inform any substantive engagement with central Government and/or external agencies.
- Acknowledge our relationship with councils and use of logos where appropriate.

4.4 Statement of Intent

The draft SOI for the ensuing financial year will be provided by TBOP to the councils by 1 March each year. Feedback from the Councils will be considered by 1 May and the final SOI will be provided by 30 June each year.

The draft SOI provides a three-year view which is consistent with the ESE and identifies:

- Indicative rolling three-year forecast of performance and position.
- Identification of any significant intended expenditure.
- Any likely requests for increased levels of funding from councils.
- Key actions or initiatives to deliver on the objectives of TBOP.
- Upcoming challenges, risks, and opportunities for TBOP.



5. Nature and Scope of Activities

TBOP's growing role as a Destination Management Organisation requires it to *lead*, *advocate* and *coordinate* the visitor economy, while considering environmental, social, and cultural interests. We also need to ensure we preserve the region's unique identity and that our visitor-related development is cognisant of the interests of local residents and iwi.

Lead	Advocate	Coordinate
<ul style="list-style-type: none"> •Lead the sustainable growth of the tourism sector, for the benefit of our community. 	<ul style="list-style-type: none"> •Manage, develop and plan growth, taking into consideration social, environmental and cultural interests. 	<ul style="list-style-type: none"> •Work with public, private and Iwi led organisations as a key collaborator in order to make the region a more regenerative, compelling and attractive visitor destination.

Destination management is an ongoing process that requires destinations to plan for the future. It brings together different stakeholders in a collaborative manner to achieve the common goal to which they are all committed, developing a well-managed, sustainable destination for locals and visitors alike. This requires inclusive and coordinated leadership. Destination management needs to engage residents, tourism enterprises, businesses, Māori/iwi/hapū, Regional Tourism Organisations, Economic Development Organisations, Tourism New Zealand, and local/regional and central government as appropriate. To be successful, we require the support of our local councils.

To ensure effective planning for population and urban growth, councils can provide opportunities for TBOP to actively contribute their expertise and knowledge of the tourism industry and economic development. This will help to ensure effective destination management of the region going forward.

As part of this, TBOP commits to liaising with the Spaces and Places teams at both councils to better understand the destination opportunities they have already identified, such as TECT Park, other recreational reserves, the proposed destination skate park, and cycling trails.

5.1 Execution of the Plan

In 2022 – 2023 TBOP will be focused on delivery and putting our Destination Management Plan into action. As a result of the ongoing COVID-19 pandemic, the tourism sector remains in survival mode, and our aim is to transition into revival mode as our international borders gradually start reopening.

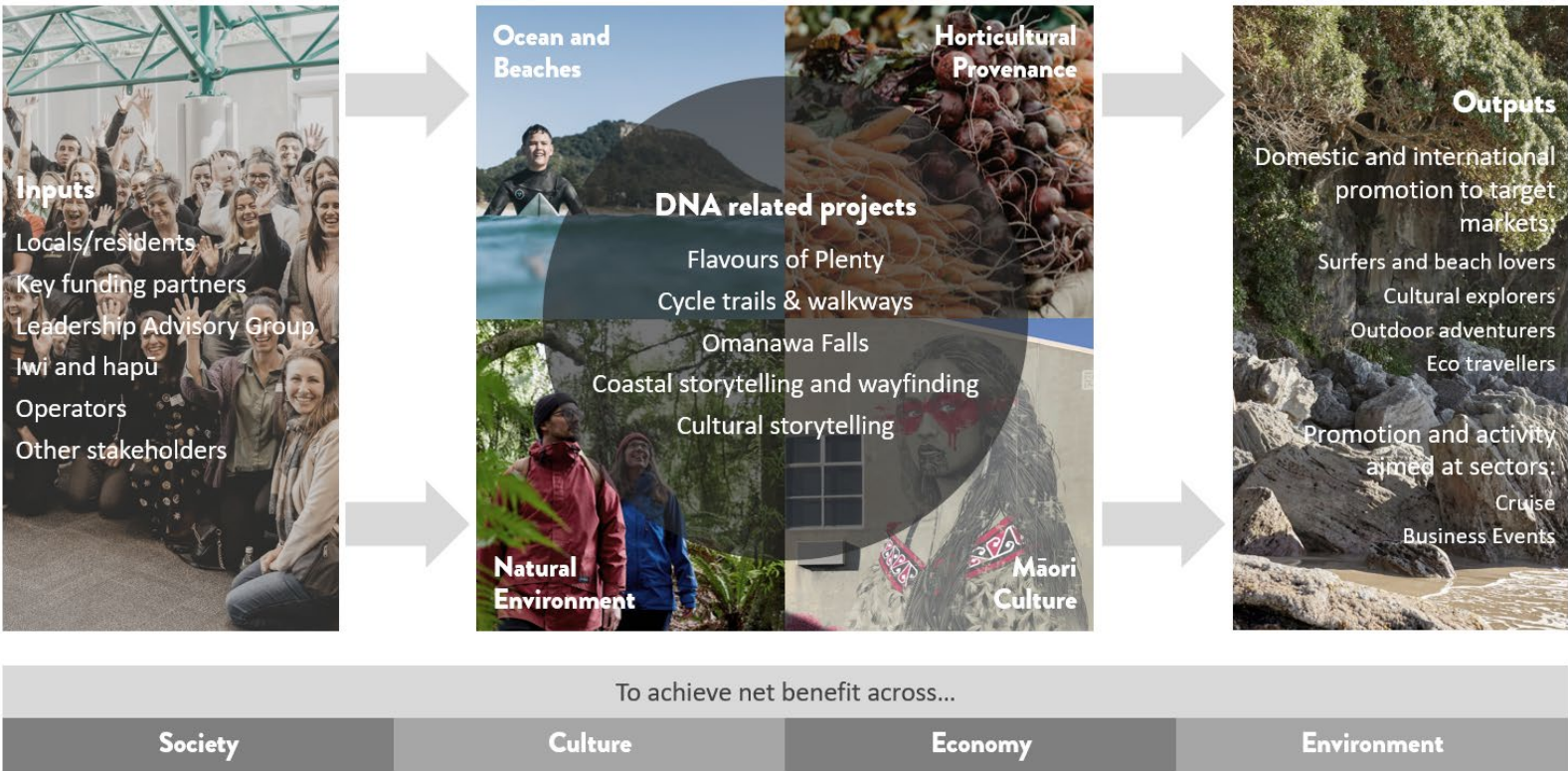
Accordingly, TBOP's 2022 - 2023 work programme will be a balance between surviving (i.e., enabling, supporting, and building operator capability and opportunities), and reviving (i.e., continuing to advocate and work with key sectors, iwi, associations, and local and central government) in order to ensure the destination is best positioned to move at pace once the operating environment allows.

This dual focus is reflected in the targets and supporting activities outlined in the Section 8 Performance Targets, with the ultimate goal being the return of a thriving and sustainable visitor economy across Te Moananui ā Toi | the Coastal Bay of Plenty.



5.2 Tourism Bay of Plenty’s Activity Framework

Purpose: To connect and enrich people and place through tourism





6. Ratio of Funds to Assets

6.1 Ratio of Consolidated Funds

If the Trust is wound up everything reverts to the Councils (to be held in trust for similar purposes). TBOP intends to keep the equity ratio equal to or above 0.5:1.0. The ratio is calculated as: equity divided by total assets.

7. Accounting Policies

Financial statements will be prepared in accordance with Tier 2 Public Benefit Entity Accounting Standards. The accounting policies that have been adopted are detailed in the Tourism Bay of Plenty Annual Report.

7.1 Asset Management

TBOP will prepare and implement Asset Management Plans for all assets where relevant.

7.2 Transactions Between Related Parties

Transactions between the councils and TBOP will be conducted on a wholly commercial basis.

8. Performance Targets

FOCUS AREA	PROJECT DELIVERABLE	MEASURE	TBOP	SOURCE	BASELINE (JUNE 2022)	TARGET BY JUNE 2023	TARGET BY JUNE 2024	TARGET BY JUNE 2025
ECONOMIC Wellbeing	Growing the economic value of the tourism industry.	Trends in visitor spending via electronic card transactions.	Direct Partnered Indirect	Marketview Tourism Dashboard. This may change to MBIE visitor spend data, depending on the best sources available at the time.	In the year ending May 2022, total visitor spending in Te Moananui ā Toi the Coastal Bay of Plenty was down 2% compared to the year ending May 2021.	Monitored and reported on changes in visitor spend to YE June 2023 and use the information to set new goals for future years.	Increased visitor spending in Te Moananui ā Toi the Coastal Bay of Plenty compared to YE June 2023.	Increased visitor spending in Te Moananui ā Toi the Coastal Bay of Plenty compared to YE June 2024.
SOCIAL Wellbeing	Enhancing the value tourism brings to the community (according to the community).	Resident's sentiment towards tourism. This is measured by the percentage of residents who agree that tourism has a positive impact on the community. Residents provide a rating of 1 to 10, where 1 is strongly disagree and 10 is strongly agree.	Direct Partnered Indirect	Residents' satisfaction surveys conducted by the respective Council.	Tauranga City Council: 68% agree. Jul-Dec 2021 Representing scores of 7 to 10 Western Bay of Plenty District Council: 62% agree. Jul-Dec 2021 Representing scores of 6 to 10 Whakatāne District Council: 69% agree. YE Dec 2021 Representing scores of 6 to 10	Implemented actions identified from TBOP's community perceptions survey to help enhance the perceived value of tourism to the community. Measured by 68% or more residents agreeing that tourism has a positive impact on the community.	72% or more residents agree that tourism has a positive impact on the community.	75% or more residents agree that tourism has a positive impact on the community.
CULTURAL Wellbeing	Improving the cultural wellbeing of the community through tourism.	Participation in developing cultural storytelling and wayfinding platforms.	Direct Partnered	TBOP Six-Month and Annual Reports.	Agreed to collaborate with Councils and iwi on the development of an online resource of cultural stories and images appropriate to destination storytelling.	Managed online gallery and associated ambassador app content integrating cultural narrative with key destination messaging.	Worked with Councils to enhance physical storytelling assets (wayfinding and signage) that complement Councils' places and spaces activities.	Reviewed and updated TBOP's brand story to ensure alignment across cultural narratives and key destination messaging.
ENVIRONMENTAL Wellbeing	Improving the environmental wellbeing of the region through environmental sustainability and regeneration projects.	Number of industry focused environmental sustainability and regeneration initiatives facilitate or enabled by TBOP.	Direct Partnered	Programme reports.	Developed The Green Room programme (aimed at helping operators reduce their carbon and waste footprints) and ran the first course.	A total of 40 tourism or hospitality businesses to complete The Green Room programme during the year.	Worked with Department of Conservation on a regenerative tourism focused initiative in the region.	Engaged with wider stakeholders to identify opportunities to work on projects focused on climate change mitigation and adaptation.
TBOP ORGANISATION Wellbeing	Enhance TBOP's ability to achieve its goals through high staff engagement.	TBOP staff engagement.	Direct	Employee engagement survey.	Employee Engagement score: 63% of employees are 'happy' or 'very happy' working at TBOP. May 2022 (Note change of method compared to previous years so results are not directly comparable.)	Employee Engagement score: at least 70% of employees are 'happy' or 'very happy' working at TBOP.	Employee Engagement score: at least 75% of employees are 'happy' or 'very happy' working at TBOP.	Employee Engagement score: at least 75% of employees are 'happy' or 'very happy' working at TBOP.



FOCUS AREA	PROJECT DELIVERABLE	MEASURE	TBOP	SOURCE	BASELINE (FEB 2022)	TARGET BY JUNE 2023	TARGET BY JUNE 2024	TARGET BY JUNE 2025
DESTINATION MANAGEMENT	Elevate the region's cycling offering	Develop and share promotional and informative material on cycle trails and help to facilitate the development of a cycle trail network.	Direct Partnered	Council's feedback.	First iteration of Western Bay of Plenty cycle trails map produced.	Combined Western Bay of Plenty and Tauranga cycle trails map and storytelling produced and shared via TBOP's channels.	Cycle trails offering expanded through connecting a minimum of three experiences and services with the cycle trails.	Tauranga i-SITE becomes the regional hub of cycling information.
	Build operator capability to enhance the quality of the region's tourism offering	Provide opportunities for operators to train or upskill in key areas and gain Qualmark certification.	Direct Partnered Indirect	Capability programme report.	Scoped key areas of training need and developed digital marketing health check and training modules.	Provided 1-on-1 digital marketing training to 10 tourism businesses.	A minimum of five additional operators are endorsed with Qualmark certification.	A minimum of five additional operators are endorsed with Qualmark certification.
	Coordinate opportunities to bring business events to the region	Facilitate leads and bids for business events in the region.	Direct Partnered	TBOP Six-Month and Annual Reports.	Identified key partner agency that delivered one lead within a week of engaging with them.	Facilitated 15 leads or bids for business events in the region.	Facilitated 18 leads or bids for business events in the region and won two.	Facilitated 20 leads or bids for business events in the region and won five.
DESTINATION MARKETING	Elevate the region's food story and proposition	Promote and facilitate the delivery of the Coastal Bay of Plenty region Flavours of Plenty Festival to draw visitors to the region.	Direct Partnered	Festival delivery.	Promoted and facilitated the delivery of the Flavours of Plenty Festival in April 2022.	Promoted the Flavours of Plenty Festival to help sell 80% of festival event tickets.	Promoted the Flavours of Plenty festival to visitor markets to help grow the number of attendees from out of region by at least 5% compared to the previous year.	Supported the Flavours of Plenty Festival to transition to an independent entity (similar to Wellington on a Plate).
	Promote the destination to our target markets (outdoor adventurers, surf & beach lovers, cultural explorers, and eco-travellers)	Develop and deliver marketing campaigns that incorporating all four DNA™ elements and reach the destination's target markets.	Direct Partnered	Campaign collateral.	Delivered the refreshed domestic 'Sure to Make you Smile' campaign.	Identified effective channels for marketing to international and domestic audiences to ensure value for money.	Achieved 5% growth in the proportion of domestic visitors to the region who associate with one or more of the destination's target markets.	Achieved 5% growth in the proportion of domestic and international visitors to the region who associate with one or more of the destination's target markets.



9. Expected Shareholder Distributions

TBOP is not expected to make profits; any surplus funds remaining from the annual operations of TBOP shall be carried forward to the ensuing year to continue to meet the primary objectives of TBOP.

10. Financial and Non-Financial Reporting

10.1 Financial Performance Targets and Measures

- Gross revenue is consistent with the agreed budget.
- Expenditure is managed within the agreed budget.
- Working capital ratio of no less than 1 (excluding current portion of term debt).
- Equity to assets ratio is reported on (equity divided by total assets).
- No debt is to be raised to finance operating expenses.

10.2 Reporting

TBOP has adopted 30 June as its balance date.

10.2.1.1 Six Month Report

By 28 February each year, the Trustees shall deliver to the councils an unaudited report containing the following information in respect of the six months under review:

- Statement of Financial Performance, disclosing revenue and expenditure and comparative prior period and budget figures.
- Statement of Financial Position.
- Progress towards Non-Financial Performance Targets.
- A commentary on the financial and non-financial results for the first six months and a forecast of these results for the full year.

10.2.1.2 Annual Report

By 31 August each year, the Trustees shall deliver to the councils a draft Annual Report, and by 30 September a final version of the Annual Report which will include audited financial statements (dependent on Audit New Zealand timeframes), in respect to the previous financial year, and containing the following information:

- Chairperson's and GM's reports.
- Audited financial statements for that financial year including Statement of Financial Performance, Statement of Financial Position and Changes in Equity.
- Notes to the financial statements including accounting policies.
- Service Delivery Report summarising TBOP's performance against the SOI strategic priorities.
- Independent Auditor's report on the financial statements and non-financial performance measures.



11. Activities for Compensation

11.1 Funding Principles

There are six high-level funding principles:

- As a general principle, TCC and WBOPDC will provide ongoing funding to TBOP as a contribution towards operational expenses.
- The role of the councils is to hold TBOP accountable for the use of funds provided by TCC/WBOPDC, which will ideally be consistent with the councils' strategies.
- TBOP is encouraged to seek funding opportunities from the private sector and central government in order to maximise the best outcomes for the organisation and the region.
- The TBOP Board must be empowered with sufficient flexibility to determine the best use and allocation of funding to meet required levels of service to the community and visitors.
- TBOP is expected to meet the approved annual budget.
- Any net surpluses are to be disclosed through Six Month and Annual Reports.

11.2 Approach to Funding

TBOP receives an operating grant from both councils for the purpose of marketing and managing the destination. The operating grant is set through the Long-Term Plan (LTP) process, with the contribution from each council updated annually in line with the Consumer Price Index (CPI) when TBOP creates its budgets for the coming year.

Council funding for additional operating grants and ad hoc new capital projects is to be assessed on a case-by-case basis through the LTP or the Annual Plan process.



11.3 Compensation from Local Authorities

TCC and WBOPDC intends to purchase services from TBOP over the long term and agrees to the level of funding on a rolling three-year basis aligned to the three-year Business Plan of TBOP.

The services for the next three years are currently forecast as per the table below.

Funder	2022-2023	2023-2024**	2024-2025**
TCC*	\$2,410,663	\$2,480,477	\$2,552,398
WBOPDC	\$232,000	\$239,012	\$242,597
Total	\$2,642,663	\$2,719,489	\$2,794,995

*TCC's figures include funding for Visitor Information Centres.

**Subject to review based on service levels and costs.

The payments will be made quarterly in advance on receipt of a GST invoice, with payments one and two each being 30% of the annual sum, and payments three and four each being 20% of the annual sum.

Western Bay of Plenty Tourism & Visitors Trust

BUDGET	2022/23	2023/24	2024/25
	\$	\$	\$
Revenue			
Funding - Tauranga City Council	2,410,663	2,480,477	2,552,398
Funding - Western BOP District Council	232,000	239,012	242,597
Funding - Whakatane District Council (cpi to be confirmed)	84,000	84,000	84,000
Retail Gross Profit	6,700	3,000	3,000
Other Revenue (includes industry contributions)	831,128	66,000	66,000
Total Revenue	3,564,491	2,872,489	2,947,995
Less Expenditure			
Operating & Marketing	2,831,528	2,111,326	2,156,832
Administration & Overheads	671,163	701,163	731,163
Depreciation & Amortisation	61,800	60,000	60,000
Total Expenditure	3,564,491	2,872,489	2,947,995
Surplus/(Deficit)	0	0	0



12. Estimated Value of Tourism Bay of Plenty

The TBOP Board estimate that the commercial value of the shareholders' investment in TBOP is represented by the net assets of TBOP. This value is calculated from total assets less liabilities.

13. Significant Decisions

In accordance with the TCC Significance and Engagement Policy, TBOP will not undertake any activity of a nature or scope not provided for in this SOI without prior approval of the Councils. Specifically, prior approval would be required for TBOP to:

- form any subsidiary entity.
- purchase shares in any other entity.
- dispose of any significant assets e.g. land or buildings.
- purchase any significant assets e.g. land or buildings.
- seek partnering solutions that involve the dilution of assets or the commitment of councils.

14. Termination

If any party wishes to terminate this three-year rolling arrangement due to non-performance or any other substantive reason within the control of either of the parties:

- the party may give written notice to the other party specifying the issue and if possible requiring remedy within twenty-eight (28) days, and/or
- mediation is set to investigate any remedy of the issue, and/or
- if the issue is unable to be remedied to the party's satisfaction, the party must give written notice of its intention to terminate this arrangement from a date being not less than one year commencing the forthcoming 1 July (that is, the secondary party must have at least one full financial year's notice commencing on 1 July and ending on 30 June).

15. Signed by

Chairperson
Laurissa Cooney
Tourism Bay of Plenty

General Manager
Oscar Nathan
Tourism Bay of Plenty



16. Glossary of Terms

CCO	Council Controlled Organisation
CE	Chief Executive
COVID-19	Coronavirus disease
CPI	Consumer Price Index
ESE	Enduring Statement of Expectations
GDP	Gross Domestic Product
GM	General Manager
GST	Goods and Services Tax
LOE	Letter of Expectation
MBIE	Ministry of Business, Innovation and Employment
MOU	Memorandum of Understanding
P&L	Profit and loss
SOI	Statement of Intent
TBOP	Tourism Bay of Plenty
TCC	Tauranga City Council
TIA	Tourism Industry Aotearoa
VES	Tourism Bay of Plenty's Visitor Economy Strategy 2018-2028
VIC	Visitor Information Centre
WBOP	Western Bay of Plenty sub-region
WBOPDC	Western Bay of Plenty District Council
WDC	Whakatāne District Council
YE	Year end



19 April 2022

Laurissa Cooney, Chair
C/- Tourism Bay of Plenty
8 Wharf Street
TAURANGA 3110

Via email: laurissa@laurissacooney.com

Dear Laurissa

Tourism Bay of Plenty – Draft Statement of Intent 2022/23 to 2024/25

At meetings on 6 April and 11 April 2022 respectively, Western Bay of Plenty District Council and Tauranga City Council received the Draft Statement of Intent for Tourism Bay of Plenty (TBOP).

We would like to thank you for completing this document and providing it to the councils in accordance with the statutory timeframes.

It was also good to receive TBOP's half-yearly report, as it gave us time to reflect on TBOP's achievements and the resilience the organisation has shown amid the challenges during this time.

We commend you on the recent success of Flavours of Plenty. This event not only brought a sense of normality back to Tauranga, but also reminded us of the horticultural DNA that the Bay of Plenty is renowned for.

We now look forward to what TBOP can bring in the second half of this year, with a specific focus on those projects noted being the cycleways, way-finding and regional stories programmes.

The content in TBOP's draft Statement of Intent shows consistency with the legislation, and also gives reference to those matters included in this year's Letter of Expectations.

A few minor amendments include:

- (a) TBOP staff engagement survey – percentage has been reduced (from 80% to 76%). It would be more useful to have a range of targets across the three-year period of the Statement of Intent.
- (b) TBOP need to include a reference to implementing the Living Wage across its organisation (this may be because most staff already receive the Living Wage as a minimum).

TBOP's Destination Management

- (c) Target to facilitate leads and bids for business events to the region - increase the target of one lead to three by 2023.

Approach to governance needs to include:

- (d) Regular governance to governance meetings with Council's Commissioners.
(e) Half-yearly / Annual Report – presentation to both Councils.

We would also ask that TBOP liaise with the Spaces and Places teams of both Councils to increase their understanding of Tauranga's destination opportunities, in particular TECT park and other parks, the proposed destination skate park and the cycling trails.

Finally, the Commissioners ask TBOP to respond through the Final Statement of Intent on how it will apply a transparent approach to the board workings and the organisation as a whole.

Please note that the statutory timeframe for the Tourism Bay of Plenty Board to deliver the final Statement of Intent 2022/23 to 2024/25 to Council is before the commencement of the financial year to which it relates, i.e. by 30 June 2022.

If you have any questions or require assistance, please contact Josie Meuli on 027 204 9214 or josephine.meuli@tauranga.govt.nz.

Yours sincerely



Garry Webber
Mayor
Western Bay of Plenty District Council



Anne Tolley
Commission Chair
Tauranga City Council

Cc: Oscar Nathan, General Manager: Tourism Bay of Plenty – oscar@bayofplentynz.com

David Pearce, Western Bay of Plenty District Council – david.pearce@westernbay.govt.nz



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:

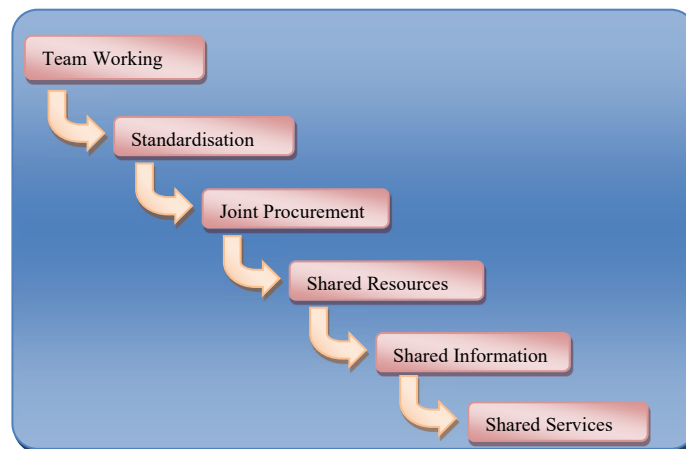
- improved levels and quality of service;
- a co-ordinated and consistent approach to the provision of services;
- reductions in the cost of support and administrative services;
- opportunities to develop new initiatives;
- economies of scale resulting from a single entity representing many councils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

Appendix A

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



Statement of Intent

2022 – 2025

1. Introduction

This Statement of Intent (SOI) sets out the nature and scope of the activities, objectives and performance targets for the New Zealand Local Government Funding Agency Limited (LGFA) for the three-year period 1 July 2022 to 30 June 2025. LGFA is enabled under the Local Government Borrowing Act 2011 and is a council-controlled organisation (CCO) for the purposes of the Local Government Act 2002.

The SOI is prepared in accordance with section 64(1) of the Local Government Act 2002.

2. Nature and scope of activities

LGFA raises debt funding for the purpose of providing debt financing to New Zealand local authorities and CCOs (participating borrowers).

LGFA may raise debt funding either domestically and / or offshore in either NZ dollars or foreign currency.

LGFA only lends to participating borrowers that have entered into required relevant legal and operational arrangements and comply with the LGFA's lending policies.

In addition, LGFA may undertake any other activities considered by the LGFA Board to be reasonably related, incidentally to, or in connection with, that business.

3. Our purpose Ta tatou kaupapa

Benefiting local communities through delivering efficient financing for local government.

Ka whiwhi painga ngā hapori mā te whakarato pūtea tōtika ki ngā kaunihera.

4. Our values Ō mātau uara

We act with integrity

E pono ana mātau

We are honest, transparent and are committed to doing what is best for our customers and our company

We are customer focused

E arotahi ana mātau ki te kiritaki

Our customers are our council borrowers, investors, and all other organisations that we deal with. We listen to them and act in their best interests to deliver results that make a positive difference

We strive for excellence

E whakapau kaha mātau kia hiranga te mahi

We strive to excel by delivering financial products and services that are highly valued at least cost while seeking continuous improvement in everything we do.

We provide leadership

He kaiārahi mātau

We are here for our stakeholders in being strategically minded, providing resilience and executing our strategy. We embrace a high-performance culture and can be relied upon to deliver results.

We are innovative

He auaha mātau

To meet our ever-changing customer requirements, we will encourage innovation and provide a diverse range of financial products and services.

5. Foundation objectives

The Shareholders' Agreement is a foundation document and states that, in accordance with the Local Government Act, in carrying on its business the objectives of the Company will be to:

- (a) achieve the objectives of the Shareholders (both commercial and non-commercial) as specified in the Statement of Intent. The Shareholders agree that the Company shall carry on its business with a view to making a profit sufficient to pay a dividend in accordance with the Dividend Policy, but that the primary objective of the Shareholders with respect to the Company is that it optimises the terms and conditions of the debt funding it provides to Participating Local Authorities;
- (b) be a good employer;
- (c) exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so; and
- (d) conduct its affairs in accordance with sound business practice.

This Statement of Intent sets out the company's strategic priorities, together with associated objectives and performance targets, which align with the foundation objectives and have been agreed with shareholders.

6. Strategic priorities

The following five strategic priorities encompass the foundation objectives and guide the LGFA Board and management in determining our strategy, objectives and associated performance targets.

Governance, capability and business practice

LGFA is committed to best practice corporate governance to ensure its long-term sustainability and success.

Optimising financing services for local government

LGFA's primary objective is to optimise the terms and conditions of the debt funding it provides to participating borrowers. Amongst other things, LGFA will achieve this by delivering operational best practice and efficiency across our lending products and services.

Environmental and social responsibility

LGFA recognises the risks inherent in climate change for councils and supports New Zealand's shift to a low-carbon economy. LGFA will exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so.

Effective management of loans

LGFA will ensure its loan book remains at a high standard by ensuring it understands each participating borrower's financial position. LGFA manages its assets within an appropriate risk management framework to ensure shareholder value is not compromised.

Industry leadership and engagement

LGFA will take a proactive role to enhance the financial strength and depth of the local government debt market and will work with key central government and local government stakeholders on sector issues.

7. Objectives and performance targets

This section sets out LGFA's objectives and performance targets for SOI 2022-2025.

The financial performance targets are focused on the 2022-2023 year and, as applicable, are based on the financial forecasts outlined in section 8.

Governance, capability and business practice

Objectives	How we measure our performance
LGFA will:	
Demonstrate best practice corporate governance.	The Annual Report outlines our compliance with the eight core principles underpinning the NZX Corporate Governance Best Practice Code.
Set and model high standards of ethical behaviour.	LGFA has adopted a formal Code of Ethics, incorporating its Conflicts of Interest and Code of Conduct policies, which sets out the standards and values that directors and employees are expected to follow.
Achieve the shareholder-agreed objectives and performance targets specified in this Statement of Intent.	LGFA reports performance against objectives quarterly to shareholders and in our Annual Report.
Ensure products and services offered to participating borrowers are delivered in a cost-effective manner.	LGFA prepares annual operating budgets and monitors progress against these monthly. Financial performance is reported quarterly to shareholders and in our Annual Report.
Be a good employer by providing safe working conditions, training and development and equal opportunities for staff.	The Annual Report reports on our health and safety and wellbeing practices and policies, including Covid-related safety processes, compliance with the Health and Safety at Work Act, diversity and inclusion and capability and development.

Performance targets	2022-2023 target
Comply with the Shareholder Foundation Policies and the Board-approved Treasury Policy at all times.	No breaches
Maintain LGFA's credit rating equal to the New Zealand Government's sovereign rating where both entities are rated by the same Rating Agency.	LGFA credit ratings equivalent to NZ Sovereign.
LGFA's total operating income for the period to 30 June 2023.	> \$12.2 million
LGFA's total operating expenses for the period to 30 June 2023.	< \$9.4 million

Optimising financing services for local government

Objectives	How we measure our performance
LGFA will:	
Provide interest cost savings relative to alternative sources of financing.	Measure LGFA issuance spreads against other high grade issuers in the New Zealand domestic capital markets.
Offer flexible short and long-term lending products that meet the borrowing requirements for borrowers.	Measure LGFA's share of overall council borrowing. Survey participating borrowers on an annual basis.
Deliver operational best practice and efficiency for lending services.	Minimise settlements errors for new trades and cashflows. Survey participating borrowers on an annual basis.
Ensure certainty of access to debt markets, subject always to operating in accordance with sound business practice.	Maintain a vibrant primary and secondary market in LGFA bonds. Monitor participation by investors at our tenders through bid-coverage ratios and successful issuance yield ranges.

Performance targets	2022-2023 target
Share of aggregate long-term debt funding to the Local Government sector.	> 80%
Total lending to Participating Borrowers.	> \$15,004 million
Conduct an annual survey of Participating Borrowers who borrow from LGFA as to the value added by LGFA to the borrowing activities.	> 85% satisfaction score
Successfully refinance existing loans to councils and LGFA bond maturities as they fall due.	100%
Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements.	100%

Environmental and social responsibility

Objectives	How we measure our performance
LGFA will:	
Assist the local government sector in achieving their sustainability and climate change objectives.	LGFA is committed to assisting our borrowers' financing of projects that promote environmental and social wellbeing in New Zealand. Green, Social & Sustainability (GSS) loan applications from councils are appraised by the LGFA Sustainability Committee, with approved loans monitored for ongoing compliance.
Improve sustainability outcomes within LGFA.	LGFA is committed to reducing our carbon emissions and has formalised processes to measure our greenhouse gas (GHG) emissions, as well as management plans to reduce our company's emissions.

Performance targets	2022-2023 target
Comply with the Health and Safety at Work Act 2015	No breaches
Maintain Toitū Carbon Zero certification	Carbon-zero certification maintained.
Meet reduction targets outlined in our carbon reduction management plan.	Reduction targets met.
Increase our GSS lending book	Two new participating borrowers enter into GSS loans.
Ensure Annual Report is prepared in compliance with applicable GRI Standards.	100%
Meet all mandatory climate reporting standards.	100%

Effective management of loans

Objectives	How we measure our performance
LGFA will:	
Proactively monitor and review each Participating Borrower's financial position, including its financial headroom under LGFA policies.	LGFA reviews the financial statements for each participating borrower on an annual basis and the agendas and management reports on an ongoing basis for all councils on the LGFA borrower watch-list. Participating borrowers are required to complete annual compliance certificates by the end of November each year.
Analyse finances at the Council group level where appropriate and report to shareholders.	
Endeavour to meet each participating borrower annually, including meeting with elected officials as required, or if requested.	Number of participating borrowers visited in a year.

Performance targets	2022-2023 target
Review each participating borrower's financial position under LGFA policies.	100%
Arrange to meet each Participating Borrower at least annually, including meeting with elected officials as required, or if requested.	100%

7. Industry leadership and engagement

Objectives	How we measure our performance
LGFA will:	
Take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues.	Report on actions undertaken and progress made on sector issues.
Assist the local government sector with significant matters such as COVID -19 response and the proposed Three Waters Reform Programme.	
Support councils and CCOs in the development of reporting disclosures of the impacts of sector activity on climate change.	

8. Financial forecasts

LGFA's financial forecasts for the three years to 30 June 2025 are:

Comprehensive income \$m	Jun 23	Jun 24	Jun 25
Net Interest income	10.9	16.1	15.4
Other operating income	1.3	1.3	1.3
Total operating income	12.2	17.4	16.7
Approved Issuer Levy	0.8	0.3	0.3
Issuance & onlending costs	3.7	3.8	3.9
Operating overhead	4.9	5.1	5.4
Issuance and operating expenses	9.4	9.2	9.6
Net operating profit	2.8	8.2	7.1
Financial position (nominals) \$m	Jun 23	Jun 24	Jun 25
Liquid assets portfolio	2,005	1,821	1,997
Loans to local government	15,004	15,995	16,650
Other assets	-	-	-
Total assets	17,009	17,815	18,647
Bonds on issue (ex Treasury stock)	16,050	16,802	17,583
Bills on issue	500	500	500
Borrower notes	313	348	377
Other liabilities	-	-	-
Total liabilities	16,863	17,650	18,460
Capital	25	25	25
Retained earnings	82	90	96
Dividend	(1)	(1)	(1)
Shareholder equity	106	114	120

Ratios	Jun 23	Jun 24	Jun 25
Liquid assets / funding liabilities	12.3%	10.6%	11.1%
Liquid assets / total assets	11.8%	10.2%	10.7%
Net interest margin	0.07%	0.10%	0.09%
Cost to income ratio	77.2%	53.3%	57.7%
Return on average assets	0.02%	0.05%	0.04%
Shareholder equity / total assets	0.6%	0.6%	0.6%
Shareholder equity + BN / total assets	2.5%	2.6%	2.7%
Asset growth	6.6%	4.7%	4.7%
Loan growth	7.8%	6.6%	4.1%
Return on equity	2.7%	7.6%	6.2%
Capital ratio	12.3%	13.0%	13.3%

The above forecasts assume a gross bond issuance programme of \$2.90 billion (FY23), \$2.93 billion (FY24) and \$2.80 billion (FY25) based upon term lending to councils of \$2.95 billion (FY23), \$2.78 billion (FY24) and \$2.70 billion (FY25)

Note there is a level of uncertainty regarding the financial forecasts for June 2024 and June 2025 due to the uncertainty relating to the Three Waters Reform and the impact on councils.

Councils prepared their 2021-31 Long Term Plans (and borrowing forecasts) on the assumption that Three Water Reform was not progressing and we have made the same assumption with our forecasts. LGFA projects it could have between \$4 to \$5 billion of loans to councils in June 2024 that are related to Three Waters. There have been no decisions made to date regarding the transfer of assets and liabilities from councils to the proposed Three Water entities.

Note that the forecast net operating profit is lower than previous years due to a projected fall in net interest income arising from

1. a larger holding of liquid assets (that provide a return lower than our cost of borrowing);
2. the cost of meeting collateral requirements on the interest rate swap positions used to hedge our bond issuance to provide floating rate lending to councils;
3. the cost from issuing bonds with an average term that is one year longer than our council lending; and
4. the cost from the introduction of green, social and sustainable loans to councils at a discounted loan margin.

Forecast issuance and operating expenses are higher than previous years, the key driver being an increase in the NZDM facility cost as a consequence of forecast collateral requirements.

We have increased the base lending margin to councils by 5 bps (to 20bps) from 1 July 2022 to partially offset some of the above costs.

9. Dividend policy

LGFA primary objective is to maximise benefits to participating borrowers rather than shareholders. Consequently, it is intended to pay a limited dividend to shareholders.

The Board's policy is to pay a dividend that provides an annual rate of return to shareholders equal to LGFA's fixed rate bond cost of funds plus 2.00% over the medium term.

At all times payment of any dividend will be discretionary and subject to the Board's legal obligations and views on appropriate capital structure.

10. Governance

Board

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 this SOI.

The Board comprises six directors with five being independent directors and one being a non-independent director.

The Board's approach to governance is to adopt best practice with respect to:

- The operation of the Board.
- The performance of the Board.
- Managing the relationship with the Company's Chief Executive.
- Being accountable to all Shareholders.

All directors are required to comply with a formal Charter.

The Board will meet on a regular basis and no fewer than six times each year.

Shareholders' Council

The Shareholders' Council is made up of between five and ten appointees of the Shareholders (including an appointee from the Crown). The role of the Shareholders' Council is to:

- Review the performance of LGFA and the Board, and report to Shareholders on that performance on a periodic basis.
- Make recommendations to Shareholders as to the appointment, removal, replacement and remuneration of directors.
- Make recommendations to Shareholders as to any changes to policies, or the SOI, requiring their approval.
- Ensure all Shareholders are fully informed on LGFA matters and to coordinate Shareholders on governance decisions.

11. Information to be provided to Shareholders

The Board aims to ensure that Shareholders are informed of all major developments affecting LGFA's state of affairs, while at the same time recognising both LGFA's obligations under NZX Listing Rules and that commercial sensitivity may preclude certain information from being made public.

Annual Report

The LGFA's balance date is 30 June.

By 30 September each year, the Company will produce an Annual Report complying with Sections 67, 68 and 69 of the Local Government Act 2002, the Companies Act 1993 and Financial Reporting Act 2013. The Annual Report will contain the information necessary to enable an informed assessment of the operations of the company, and will include the following information:

- Directors' Report.
- Financial Statements incorporating a Statement of Financial Performance, Statement of Movements in Equity, Statement of Financial Position, Statement of Cashflows, Statement of Accounting Policies and Notes to the Accounts.
- Comparison of the LGFA's performance regarding the objectives and performance targets set out in the SOI, with an explanation of any material variances.
- Auditor's Report on the financial statements and the performance targets.
- Any other information that the directors consider appropriate.

Half Yearly Report

By 28 February each year, the Company will produce a Half Yearly Report complying with Section 66 of the Local Government Act 2002. The Half Yearly Report will include the following information:

- Directors' commentary on operations for the relevant six-month period.
- Un-audited half-yearly Financial Statements incorporating a Statement of Financial Performance, Statement of Movements in Equity, Statement of Financial Position and Statement of Cashflows.

Quarterly Report

By 31 January, 30 April, 31 July, and 31 October each year, the Company will produce a Quarterly Report.

The Quarterly Report will include the following information:

- Commentary on operations for the relevant quarter, including a summary of borrowing margins charged to Participating Borrower's (in credit rating bands).
- Comparison of LGFA's performance regarding the objectives and performance targets set out in the SOI, with an explanation of any material variances.
- Analysis of the weighted average maturity of LGFA bonds outstanding.
- In the December Quarterly Report only, commentary on the Net Debt / Total Revenue percentage for each Participating Local Authority that has borrowed from LGFA (as at the end of the preceding financial year).

- To the extent known by LGFA, details of all events of review in respect of any Participating Borrower that occurred during the relevant quarter (including steps taken, or proposed to be taken, by LGFA in relation thereto).
- Details of any lending to CCOs during the quarter and the amount of CCO loans outstanding.
- Commentary on sustainability initiatives.

Statement of Intent

By 1 March in each year the Company will deliver to the Shareholders its draft SOI for the following year in the form required by Clause 9(1) of Schedule 8 and Section 64(1) of the Local Government Act 2002.

Having considered any comments from the Shareholders received by 30 April, the Board will deliver the completed SOI to the Shareholders on or before 30 June each year.

Shareholder Meetings

The Board will hold an Annual General Meeting between 30 September and 30 November each year to present the Annual Report to all Shareholders.

The Company will hold a meeting with the Shareholders' Council approximately every six months – prior to the Annual General Meeting and after the Half Yearly Report has been submitted. Other meetings may be held by agreement between the Board and the Shareholders' Council.

12. Acquisition / divestment policy

LGFA will invest in securities in the ordinary course of business. It is expected that these securities will be debt securities. These investments will be governed by LGFA's lending and / or investment policies as approved by the Board and / or Shareholders.

Any subscription, purchase or acquisition by LGFA of shares in a company or organisation will, if not within those investment policies, require Shareholder approval other than as concerns the formation of wholly-owned subsidiaries and the subscription of shares in such wholly-owned subsidiaries.

13. Activities for which compensation is sought from Shareholders

At the request of Shareholders, LGFA may (at its discretion) undertake activities that are not consistent with its normal commercial objectives. Specific financial arrangements will be entered into to meet the full cost of providing such activities.

Currently there are no activities for which compensation will be sought from Shareholders.

14. Commercial value of Shareholder's investment

LGFA will seek to maximise benefits to Participating Local Authorities as Borrowers rather than Shareholders.

Subject to the Board's views on the appropriate capital structure for LGFA, the Board's intention will be to pay a dividend that provides an annual rate of return to Principal Shareholders equal to LGFA fixed rate bond cost of funds plus 2.00% over the medium term.

As the Shareholders will have invested in the LGFA on the basis of this limited dividend, the Board considered that at establishment the commercial value of LGFA was equal to the face value of the Shareholders' paid up Principal Shares – \$25 million.

In the absence of any subsequent share transfers to the observed share transfers on 30 November 2012, the Board considers the current commercial value of LGFA is at least equal to the face value of the Shareholders' paid up Principal Shares of \$25 million. This equates to a value per share of \$1.00.

15. Accounting policies

LGFA has adopted accounting policies that are in accordance with the New Zealand International Financial Reporting Standards and generally accepted accounting practice. A Statement of accounting policies is attached to this SOI.

Statement of accounting policies

1. Reporting entity

The New Zealand Local Government Funding Agency Limited (LGFA) is a company registered under the Companies Act 1993 and is subject to the requirements of the Local Government Act 2002.

LGFA is a council-controlled organisation as defined under section 6 of the Local Government Act 2002. LGFA is a limited liability company incorporated and domiciled in New Zealand.

The primary objective of LGFA is to optimise the debt funding terms and conditions for participating borrowers.

The registered address of LGFA is Level 8, City Chambers, 142 Featherston Street, Wellington Central, Wellington 6011.

The financial statements are as at and for the year ended 30 June 2021.

These financial statements were authorised for issue by the Directors on 30 August 2021.

2. Statement of compliance

LGFA is an FMC reporting entity under the Financial Markets Conduct Act 2013 (FMCA). These financial statements have been prepared in accordance with that Act and the Financial Reporting Act 2013. LGFA's bonds are quoted on the NZX Debt Market.

LGFA is a profit orientated entity as defined under the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and they comply with NZ IFRS and other applicable Financial Reporting Standard, as appropriate for Tier 1 for-profit entities. The financial statements also comply with International Financial Reporting Standards (IFRS).

3. Basis of preparation

Measurement base

The financial statements have been prepared on a historical cost basis modified by the revaluation of certain assets and liabilities.

The financial statements are prepared on an accrual basis.

Functional and presentation currency

The financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless separately identified. The functional currency of LGFA is New Zealand dollars.

Foreign currency conversions

Transactions denominated in foreign currency are translated into New Zealand dollars using exchange rates applied on the trade date of the transaction.

Changes in accounting policies

LGFA does not consider any standards or interpretations on issue but not yet effective to have a significant impact on its financial statements.

Financial instruments

Financial assets

Financial assets, other than derivatives, are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents include cash on hand; cash in transit and bank accounts and deposits with an original maturity of no more than three months.

Purchases and sales of all financial assets are accounted for at trade date.

At each balance date, an expected credit loss assessment is performed for all financial assets and is calculated as either:

- Credit losses that may arise from default events that are possible within the next 12 months, where no significant increase in credit risk has arisen since acquisition of the asset, or
- Credit losses that may arise from default events that are possible over the expected life of the financial asset, where a significant increase in credit risk has arisen since acquisition of the asset.

Impairment losses on financial assets will ordinarily be recognised on initial recognition as a 12-month expected loss allowance and move to a lifetime expected loss allowance if there is a significant deterioration in credit risk since acquisition.

Financial liabilities

Financial liabilities, other than derivatives, are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Derivatives

Derivative financial instruments are recognised both initially and subsequently at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively.

Fair value hedge

Where a derivative qualifies as a hedge of the exposure to changes in fair value of an asset or liability (fair value hedge) any gain or loss on the derivative is recognised in profit and loss together with any changes in the fair value of the hedged asset or liability.

The carrying amount of the hedged item is adjusted by the fair value gain or loss on the hedged item in respect of the risk being hedged. Effective parts of the hedge are recognised in the same area of profit and loss as the hedged item.

Other assets

Property, plant and equipment

Items of property, plant and equipment are initially recorded at cost.

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its remaining useful life.

Intangible assets

Intangible assets comprise software and project costs incurred for the implementation of the treasury management system. Capitalised computer software costs are amortised on a straight-line basis over the estimated useful life of the software (three to seven years). Costs associated with maintaining computer software are recognised as expenses.

Other liabilities

Employee entitlements

Employee entitlements to salaries and wages, annual leave and other similar benefits are recognised in the profit and loss when they accrue to employees.

Revenue

Interest income

Interest income is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

Expenses

Expenses are recognised in the period to which they relate.

Interest expense

Interest expense is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

Income tax

LGFA is exempt from income tax under Section 14 of the Local Government Borrowing Act 2011.

Goods and services tax

All items in the financial statements are presented exclusive of goods and service tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Segment reporting

LGFA operates in one segment being funding of participating borrowers in New Zealand.

Judgements and estimations

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts. For example, the fair value of financial instruments depends critically on judgements regarding future cash flows, including inflation assumptions and the risk-free discount rate.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and these estimates and underlying assumptions are reviewed on an ongoing basis. Where these judgements significantly affect the amounts recognised in the financial statements they are described in the following notes.

The financial statements as at 30 June 2021 include estimates and judgements of the potential impact of COVID-19 and the Three Waters Reform Programme on LGFA's financial position and performance. Whilst there has been no material impact on the estimates and judgements at the date these financial statements are authorised, it is noted that there is significant uncertainty with regards to the medium and long-term effects of COVID-19, as well as the outcome of Three Waters Reform Programme on the local government sector.



30 June 2022

Dear LGFA stakeholder

Statement of Intent 2022-2025

Please find attached the Statement of Intent (SOI) for the 2022-25 period.

LGFA remains focused on delivering strong results for our council borrowers and shareholders.

For our borrowing councils we seek to optimize funding terms and conditions by

- Achieving savings in borrowing costs
- Provide longer dated funding and
- Provide certainty of access to markets.

For our shareholders we are focused on

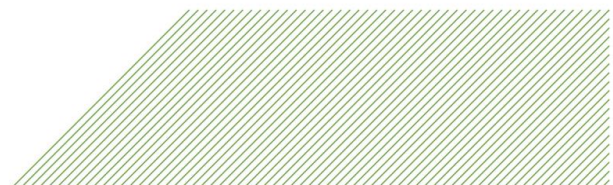
- Delivering a strong financial performance
- Monitoring asset quality and
- Enhancing our approach to treasury and risk management.

The following points regarding the 2022-25 SOI are worth noting

- The SOI performance targets are the same as the targets in the prior year SOI except we have included targets relating to improving sustainability outcomes within LGFA and assisting the sector in achieving sustainability and climate change objectives.
- There is a forecast reduction in Net Operating Income compared to prior years. This is due to a lower forecast Net Interest Income arising from
 - A larger amount of liquid assets held in our Liquid Assets Portfolio ("LAP") financed through issuing long term debt.
 - Markets are pricing in a substantial tightening in monetary policy over the next two years. This has resulted in the widening of the spread between the Official Cash Rate ("OCR") and 3-month bank bills yields ("BKBM") to the widest levels on record. This has a negative impact on LGFA as we hold a large LAP that contains sizeable holdings of cash investments that receive the OCR as interest but we have borrowed for longer tenors with the borrowing rate set from the BKBM yield.
 - LGFA issues fixed rate bonds and then swaps the proceeds into a floating rate borrowing cost using interest rate swaps ("IRS"). We swap the bond proceeds into floating rate as most councils borrow from LGFA on a floating rate basis. Our swap positions with the New Zealand Debt Management ("NZDM") are collateralised and as interest rates rise, we have an unrealised loss on our swaps positions. The swap

New Zealand Local Government Funding Agency Limited

Auckland Level 5, Walker Wayland Centre, 53 Fort Street
Wellington Level 8, City Chambers, 142 Featherston Street
PO Box 5704, Lambton Quay, Wellington 6145 | Phone +64 4 974 6530
lgfa.co.nz



losses are offset by the unrealised gains on our fixed rate bond issuance but the bond issues are not collateralised. While the swaps loss is unrealised, we do have to provide collateral or increase the NZDM liquidity facility size. Both options come at a financial cost but we have no choice as we need to provide councils with the flexibility of borrowing on a floating or fixed rate basis.

- Our average term of borrowing is 1 year longer than our average term of lending to councils. This is a conservative approach to minimising risk and ensuring that LGFA has sufficient cash available to lend to councils at times of market distress but it has a financial cost.
- We have increased the base on-lending margin by 5 bps to 20 bps (0.20%) for new borrowing effective 1 July 2022. This is to ensure the LGFA balance sheet remains strong to ensure we maintain a similar credit rating to the New Zealand Government and to maintain the confidence of our investor base.
- There remains some uncertainty within the SOI forecasts relating to the amount of both council loans and LGFA bonds outstanding as this depends upon the magnitude and timing of council borrowing. We have based our forecasts on the Long-Term Plans ("LTPs") of our seventy-five council and CCO members and the LTPs forecast a significant increase in borrowing in each of the next three years. The actual amount of borrowing will be influenced by the ability of councils to deliver on the capex projections in their LTPs as well as the amount of Central Government assistance in funded capex delivery.
- The Three Waters Reform programme has assumed the establishment of the four new Water Services Entities ("WSE") will take place on 1 July 2024. This is the start of the 2024-25 financial year and is the final year of this SOI forecast period. At this point in time we are unsure as to
 - Any role by LGFA in lending to the WSEs once they have been established
 - How the transition of debt and assets between the councils and WSEs will occur and
 - The borrowing behaviour by councils ahead of the 1 July 2024 transition date.

The changes made to the Final SOI compared to the Draft SOI that you received in February 2022 for comment have been

- As noted above, we have increased the base on-lending margin by 5 bps to a new margin of 20 bps (0.20%) for new borrowing effective 1 July 2022.
- Net Interest Income has decreased in the 2022-23, 2023-24 and 2024-25 financial years by \$6.0 million, \$2.4 million and \$1.8 million.
- Expenses have increased by \$1 million in each of the three forecast years due to a higher forecast utilisation of the NZDM standby facility and increased IT and consultancy costs relating to Three Waters Reform and sustainability initiatives.
- Forecast Net Operating Profit has reduced by \$7.1 million (2022-23), \$3.6 million (2023-24) and \$3 million (2024-25).

We remain committed to delivering the lowest possible borrowing cost to the sector, providing certainty of access to funding and long dated tenors to councils while at the same time protecting the interests of our guarantors and shareholders.

We thank you for your support of LGFA and please feel free to contact me if you have any questions or require further clarification on anything relating to the SOI or LGFA in general.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mark Butcher', with a stylized flourish at the end.

Mark Butcher
Chief Executive