



NELMAC STATEMENT OF INTENT

FINANCIAL YEAR 2021 - 2022

MISSION:

WORKING WITH
KAITIAKI OF
NATURAL AND BUILT
ENVIRONMENTS,
PROVIDING
EXPERTISE FROM
ADVICE TO DELIVERY



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1.0 INTRODUCTION

This Statement of Intent is presented by the Directors of Nelmac Limited (Nelmac) in accordance with Schedule 8 of the Local Government Act 2002. Nelmac is a Council-Controlled Trading Organisation (CCTO), solely owned by Nelson City Council (NCC, the Shareholder). This Statement of Intent summarises Nelmac's objectives, nature and scope of activities to be undertaken, forecast financials, performance targets and other measures in relation to its objectives for the three year period from 1 July 2021 to 30 June 2024.

2.0 OBJECTIVES

Nelmac's overarching purpose can be summarised as Kaitiakitanga, which for Nelmac means the guardianship, protection, care and upkeep of our stakeholders' natural and built environments.

Our Vision is to enhance New Zealand's environment for community wellbeing. Our Mission is to work with Kaitiaki of natural and built environments, providing expertise from advice to delivery.

To achieve our Vision, Mission and Objectives below, Nelmac lives by the following Values:

- We are one team.
- We have a positive impact.
- We strive to do things differently.
- We do as we say.
- Relentless pursuit of zero harm.

Nelmac's Objectives are to:

- Protect Our Core Business
- Improve Sustainability
- Protect & Develop our People
- Enhance our Environment
- Grow and Diversify our Customer Base

Nelmac's pursuit and achievement of these Objectives provide additional benefits to our Shareholder, such as:

- Ensuring that NCC as Shareholder and strategic partner is a priority, along with assisting NCC towards best practices and continuous improvement in environmental asset management and maintenance.
- Profits generated from serving NCC and other clients are passed to the Shareholder as a distribution or reinvested into the 100% NCC-owned business.
- A sizeable local employer dedicated to attracting, developing and retaining skilled staff in the region.
- Retaining significant investment in the region, with Nelmac's head office and key professional leadership positions based in Nelson.
- Support of other regional businesses through local procurement of plant, materials and subcontracted services.
- Expansion of Nelmac's services to national clients, such as Department of Conservation and OSPRI, promoting Nelson's environmental leadership across the country.

- Significant local presence and scale enabling immediate support during times of civil emergency and a key responder in the event of rural fires, flooding, land subsidence, earthquakes and civil defense.
- An active supporter of the community through sponsoring and working with government, sport & recreation groups and non-profit organisations.
- Active pursuit of opportunities for partnerships and collaborations with other leading Nelson based organisations, in order to develop Nelson as a centre of excellence to attract talent and expert knowledge and services.
- We will continue to develop and grow our iwi engagement strategy, to build stronger relationships and unlock opportunities for Nelmac growth and for iwi participation.

3.0 NATURE AND SCOPE OF ACTIVITIES

For over 25 years, Nelmac has enhanced the wellbeing of New Zealand communities by providing environmental asset management services in the core areas of Recreation, Conservation and Three Waters, along with Refuse & Recycling and Landscape Architecture & Planning services.

Nelmac's service offerings and activities include:

WATER

- Three Waters Utilities operations, maintenance and construction (for freshwater, stormwater and wastewater networks)
- Wastewater treatment facility operations and maintenance
- Civil water projects
- Reinstatement works following utility repairs or construction
- Supervisory Control and Data Acquisition (SCADA) - remote data monitoring and control

RECREATION

Parks and Open Spaces Management

- Maintenance of parks and reserves
- Construction and maintenance of sports grounds
- Arboriculture services, including tree pruning, tree felling and line clearance work
- Construction, maintenance and compliance of playgrounds
- Vegetation control of roads, utilities and ecological linkages
- Cemetery management and maintenance
- Landscape construction for local authority, commercial and private clients

Facilities Management

- Recreational and community service asset management, e.g. marina, campgrounds, crematoria
- Building asset maintenance
- Plumbing, electrical, carpentry, joinery and painting trades
- Light construction
- Engineering – fitting and fabrication

CONSERVATION

- Conservation reserve maintenance & asset management for local authorities
- Biosecurity, pest plant and animal monitoring and control
- Ecological planning, management and restoration
- Track and trail design, build and maintenance
- Wholesale nursery, including production of eco-sourced plants

LANDSCAPE ARCHITECTURE & PLANNING

- Urban park and civic space design
- Landscape design, commercial and private
- Revegetation planning
- Project management of landscape construction/planting
- Resource consent and planning advice/assessments

REFUSE & RECYCLING

- Recycling collection, residential and commercial
- Street bin servicing and cleaning

ADDITIONAL SERVICES

- Emergency services response, such as flooding, fires and windstorms
- Traffic management for events, emergencies and major projects
- Vehicle and equipment maintenance and general engineering services

4.0 STRATEGY

Nelmac specialises in delivering integrated environmental asset management services underpinned by whole of life asset management. The Company is also moving towards more collaborative contracts and long-term relationships with clients, such as through partnering for best practice procurement solutions.

Nelmac's overarching Strategic Pillars are:

- Protect our core
- Improve Sustainability
- Protect & Develop our People
- Enhance our Environment
- Grow and Diversify our customer base

4.1 Divisional Strategies

Each Nelmac Division is guided by its own Divisional Objective and Strategy to drive both near-term and longer-term achievements and progress toward the overall company objectives:

- Water Division: A strong regional New Zealand supplier of three waters asset management, operations and construction services
- Recreation Division: Through business excellence, become one of New Zealand's best providers of parks and facilities maintenance services in order to retain current and gain diversified market share
- Conservation Division: A recognised national leader in conservation, particularly in biosecurity, track building/maintenance and ecology
- Commercial Projects Division: The preferred landscape architect/planner, construction & maintenance supported by a nursery business for councils and large property/facility owners.

Successful delivery of our divisional strategies is underpinned by:

- The expertise of our people
- Development of our intellectual property in water, conservation, ecology and asset management of the natural and built environment
- Growth targeted at strategic opportunities and leveraging of our core competencies
- Adoption of field data collection technology which enables smart programming of work, proof of service, data integration with client systems, and seamless dashboard style reporting

Nelmac's long-term strategy is shaped by our markets still maturing in funding, procurement practices and asset management disciplines along with the consolidation of our core competencies.

4.2 Asset Management and Capital Expenditure Strategy

Nelmac's capital assets play a fundamental role in enabling our strategic growth, maintaining profitability and continuous improvement in service quality and efficiency. Our asset management strategy drives our efforts to manage, maintain and maximize the life and productivity of our capital assets – plant, fleet and depots. Our capital expenditure strategy includes (1) an ongoing process to prioritise new assets to sustain and grow our business in the immediate and near future, (2) a systematic financial evaluation for each significant new investment and (3) instigating the review of major assets as to whether they are fit for purpose (for service delivery and health and safety).

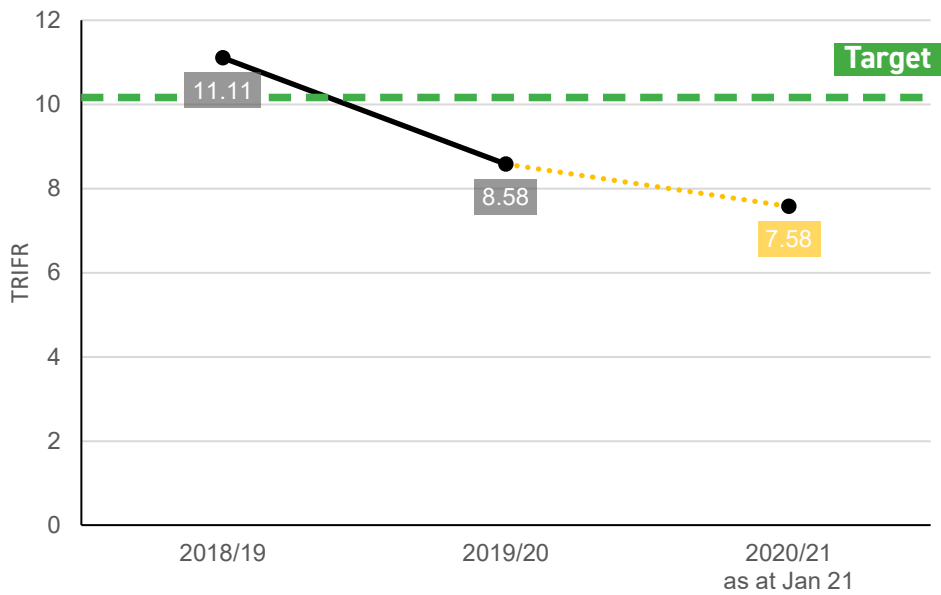
4.3 Health and Safety

Prioritising Health and Safety is a key focus. We are continually refining our response to workplace safety events supported by a significant emphasis on staff engagement, together with responding to trends identified by our lead indicators.

Health and safety is a primary agenda item for the Board of Directors at each monthly meeting. In addition, critical risk incident information is reviewed by the Board as well as any findings and corrective actions from any Nelmac ICAM investigations. Nelmac has adopted Bow-tie training through the company's Leadership Development Programme. Bow-tie is a risk assessment tool which enables Nelmac to identify critical risks and put in place effective controls for risk mitigation.

The journey towards Zero Harm is on-going and at the forefront of operations across the company. Nelmac has developed and implemented a set of seven golden rules, which guide staff behaviours relating to our critical risks.

One of Nelmac's key safety indicators is "Total Recordable Injury Frequency Rate (TRIFR)" which replaced the previous indicator "percentage of workday losses vs. hours worked". Following our result in 2019, we set the 2021 target of reducing from 12 to under 10.



4.4 Risk Management

Nelmac is adopting an Enterprise Risk Management (ERM) approach to managing risk and uncertainty in achieving the company's objectives.

At Nelmac, ERM will be an ongoing process which permeates all aspects of the business including:

- Strategy, critical business risks, business excellence, sustainability, change and project management, plus operational delivery including health and safety.
- Environmental risks, including natural hazards and climate change.
- An emergency response plan update has been completed to ensure that Nelmac is sufficiently prepared and resilient in the event of any potential civil emergency caused by storm, earthquake, fire, flooding or similar.
- The company maintains an Emergency Management and Recovery Plan which includes the following elements: Business Continuity, Emergency Action and Recovery.

4.5 Sustainability

Nelmac is committed to advancing our corporate sustainability. We have an overarching sustainability plan which includes:

- Reducing Greenhouse gas emissions
- Climate Change responsiveness
- Maximising resource efficiency
- Support community projects and initiatives
- Sustainability in our community is an important consideration for Nelmac.

Nelmac will strive to align lowest paid wages with Living Wage at the start of each Financial Year (with the exception of those on apprenticeship schemes or cadets).

5.0 CORPORATE GOVERNANCE

5.1 Role of the Board

- Ensuring the Company meets its objectives as defined in this Statement of Intent.
- Ensuring the Company complies with all its lawful obligations.
- Ensuring the shareholders are kept well informed on all relevant issues.
- Making decisions as to strategy and policy.
- Employing the Chief Executive (including entering into a performance management agreement, reviewing performance and setting remuneration).
- Ensuring sound financial management of the Company.
- Ensuring the Company is regularly monitoring business risks and that appropriate insurance is maintained.
- Ensuring the Company has in place a process for annual reporting against statutory/legislative requirements and complies with the reporting requirements outlined under Performance Measures in Section 9 of this document.

5.2 Composition of the Board

- The Board is made up of five non-executive Directors
- The Shareholders, after consultation with the Board, will be responsible for appointing directors to the Board.
- The Shareholders have formally adopted a policy/procedure for appointment of Directors, dated March 2018.
- The shareholders will set total remuneration for the Board at the Annual General Meeting. The Board will be responsible for deciding the apportionment of this amount.

5.3 Board Code of Conduct

- All Board members will be required to comply with Nelmac's Code of Ethics and the New Zealand Institute of Directors' "Code of Proper Practice for Directors".
- All Board members will apply their best endeavours to ensure the Company achieves the economic, social and environmental objectives defined in Section 3 of this document.
- All Board members will apply their best endeavours to ensure the Company complies with the requirements of its Constitution and this Statement of Intent.

5.4 Board Committees

Nelmac has established four Board sub committees encompassing Audit and Risk, Health and Safety and Remuneration. Under its terms of reference, each subcommittee is chaired by a member of the Board who is not the Board Chairman and is attended by other Nelmac Directors, the CEO and the relevant Nelmac executives.

In fulfilling their responsibilities, the committees seek and receive independent advice and make recommendations to the Board for its consideration.

Board Health and Safety Committee

The objective of the Board Health and Safety Committee is to provide assurance and assistance on the company's health and safety systems, and its external accountability and reporting responsibilities.

The committee also assists the Board regarding:

- Monitoring of health and safety systems
- Company health and safety culture
- Critical risks

Board Audit Committee

The objective of the Audit Committee is to provide assurance and assistance on the company's financial control and compliance framework, along with compliance to external accounting and reporting responsibilities.

Board Risk Committee

The objective of the Audit and Risk Committee is to provide assurance and assistance on the company's risk, control and compliance framework.

- The committee also assists the Board regarding:
- The monitoring and review of risk management framework and processes.
- The committee satisfies the Board that adequate insurance is in place for the company's size and risk profile.

Board Remuneration Committee

The objective of the Remuneration Committee is to provide assurance and assistance on the company's remuneration strategy and employment conditions for their Chief Executive (CE) and other senior executives.

The committee assists the Board regarding:

- Remuneration, retention and recruitment strategy.
- Remuneration arrangements, training and development plans for the CE and other senior executives.
- Succession plans for the CEO and other senior executives.

Board Performance Management

The Board reviews its own performance regularly.

The Chair will reference these evaluations and any strategic consideration regarding the skill-mix of the Board when making recommendations to the Shareholder on the reappointment or recruitment of Board members.

6.0 FINANCIAL

When preparing the below forecasts, Nelmac have assumed that there will be no material change to their business activities. At the time of preparation, the outcome of the divestment of Nelmac's refuse business is not known and therefore is included in the forecast period below. Nelmac have assumed all platform contracts (Water, Greenspaces, Recycling, Bells Island) continue to be serviced over the forecast period.

6.1 Statement of Comprehensive Income

	Actual	Actual	Forecast	Forecast	Forecast	Forecast
(\$000)	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Gross Revenues	34,737	37,200	39,000	40,000	41,000	42,000
Operating Expenditure (Incl Interest & Depn)	34,168	35,119	36,753	37,681	38,653	39,597
EBITDA	1,857	2,081	2,247	2,319	2,347	2,403
EBIT	752	931	1,047	1,119	1,147	1,203
Net Profit before Subvention Payments	602	794	952	1,021	1,047	1,100
Subvention Payments (in lieu of Dividend)		397	476	511	524	550
Retained Net Profit Before Tax		397	476	511	524	550
Taxation @ 28%	181	111	133	143	147	154
Net Profit after taxation	421	286	343	368	377	396
<i>Dividend Declared (paid in following year)</i>	210					
<i>Gross Distribution before Tax</i>	301	397	476	511	524	550

6.2 Statement of Cash Flows

	Actual	Actual	Forecast	Forecast	Forecast	Forecast
(\$000)	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Cash from Customers	33,806	38,008	38,889	39,938	40,938	41,938
Cash disbursed	32,506	35,660	36,848	37,779	38,753	39,700
Net Cash from operations	1,301	2,348	2,041	2,159	2,185	2,238
Cash Invested	(1,306)	(1,015)	(1,512)	(1,586)	(1,595)	(1,614)
Cash from Financing	320	(485)	(320)	80	80	80
Subventions Payments			(397)	(476)	(511)	(524)
Dividends Paid	(384)	(391)	(210)			
NET INCREASE/(DECREASE) IN CASH	(77)	638	(188)	177	160	180
Opening Cash Balance	96	19	657	469	647	806
CLOSING CASH BALANCE	19	657	469	647	806	987
<i>Cashflow from Operations vs Revenue</i>	3.7%	6.3%	5.2%	5.4%	5.3%	5.3%

6.3 Statement of Financial Position

	Actual	Actual	Forecast	Forecast	Forecast	Forecast
(\$000)	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Share Capital	2,000	2,000	2,000	2,000	2,000	2,000
Retained Earnings	6,726	7,068	7,411	7,778	8,155	8,551
Reserves	-	1,080	1,080	1,080	1,080	1,080
Equity	8,726	10,148	10,491	10,858	11,235	11,631
Current Assets	6,225	7,370	7,727	7,925	8,123	8,321
Non Current Assets	10,268	10,957	11,269	11,655	12,050	12,465
Total Assets	16,493	18,327	18,996	19,580	20,173	20,786
Current Liabilities	4,643	5,081	5,327	5,463	5,600	5,737
Borrowings	3,124	3,098	3,178	3,258	3,338	3,418
Total Liabilities	7,767	8,179	8,505	8,721	8,938	9,155
Net Assets	8,726	10,148	10,491	10,858	11,235	11,631

6.4 Capital Programme

Nelmac will continue to invest as much as possible in fleet and plant, while achieving SOI Financial Stability targets and maintaining banking covenants.

Without significantly increasing debt, changing the dividend policy, or changing the asset structure in the business, Nelmac has \$1.2m of annual depreciation and \$300k of retained earnings to invest in Fixed Assets annually. Nelmac's business is capital intensive; Fleet and plant are required to service platform contracts and deliver projects. From 2015 to 2020, Nelmac has achieved a compounding average revenue growth of 9% per annum, with the fleet & plant required to support this growth funded from deferring replacement of assets.

Given these constraints, Nelmac will continue to maximise investment in fleet and plant. Nelmac are in their second year of a five year asset replacement plan, prioritising the replacement of assets on a needs basis. Nelmac are executing this plan utilising both the funding available as well as leasing vehicles where commercially viable.

The five year Capex Plan is:

(\$000)	2021	2022	2023	2024	2025
Fixed Asset Purchases	1,512	1,586	1,595	1,620	1,650
Lease Vehicles	400	400	400	400	400
Total Investment	1,912	1,986	1,995	2,020	2,050

The replacement of Nelmac fleet will be prioritised to catch up for the deferred replacement that has occurred. As carbon emissions from fleet comprise over 90% of all Nelmac emissions, Nelmac will explore replacing carbon with electric fleet where cost effective technologies allow.

7.0 PERFORMANCE MEASURES

Objective Area	Goal	Measure	Timeframe
Quality of Service	Maintain A/NZS ISO 9001 Quality Accreditation	ISO 9001 Accredited	June 2022
	Understand and strive to improve customer satisfaction	Undertake customer satisfaction surveys (alternate years for all Customers vs NCC only Surveys) 2021/22 - Customer Satisfaction Survey for all Nelmac Customers - improving on 2019/20 score of 5.53 out of 7 2022/23 - Pulse Survey for NCC Contract Managers improving on Net Promoter Score of -27	June 2022 June 2023
Sustainability and Community	Enhance the sustainability plan to incorporate climate change responsiveness	Risk resilience, mitigation and adoption strategies included in sustainability plan	June 2022
	Reporting of planned initiatives and impact on reducing carbon emissions	Carbon emissions included in annual report and compared against 2020 baseline (normalised against revenue)	June 2022
	Reduced carbon emissions year on year (adjusted for COVID)	Reduce carbon emission compared with 2021 (normalised against revenue) 2020 = 33g per \$ Revenue - 2021 = TBC 25% carbon reduction compared to 2020 (normalised against revenue) 2020 = 33g per \$ Revenue 2025 Target = 25g per \$ Revenue	June 2022 June 2025
	Support community organisations/initiatives	Financial or in-kind contributions equivalent to 5% of net profit after tax	June 2022
People and Safety	Employee Turnover comparable to industry average	Employee Turnover within 5% of the national industry average	June 2022
	Reduce average TRIFR	TRIFR reduction from 12% to under 10%	June 2022
	Maintain ISO 45001 accreditation for health & safety	ISO 45001 accredited	June 2022
Non-shareholder business	Profitable growth in non-NCC work	Profitable year on year growth in non-NCC work from 2020 to 2021	June 2022
Equity ratios	Return on Equity is at or above industry benchmarks	EBIT Return on Equity	June 2022
	Bank Debt to Equity Ratio within acceptable risk tolerance	Bank Debt to Equity Ratio at or below 55%	June 2022

8.0 COVID-19

A Nelmac Crisis Management Team (CMT) has been operational since February 2020, consisting of a range of experienced personnel with key connections across all our divisions. Nelmac's response plan identified five clear stages which have since aligned with the government's four level alert system.

The plan takes into account:

- Which essential service teams needed to remain operational & how we keep these teams safe
- Volunteers to backfill essential service roles to ensure continuation of service
- Protection of high risk and vulnerable staff
- The recent travel history of staff
- Technology requirements needed to enable people working from home
- Pay arrangements structured to accommodate variability in work patterns across departments

Since the country exited alert level 3, on May 13, the CMT has continued to meet regularly to review our Business Continuity Planning and to coordinate the Company's internal response to changes in the alert levels. Nelmac has implemented a Covid-19 Safe Operating Procedure which aims to ensure Nelmac employees minimise the potential spread of the virus. This procedure is regularly reviewed, and communicated to staff, as new information regarding the virus comes to light.

Managing the health, safety and wellbeing of all staff remains the priority for Nelmac. Providing consistent communication, access to PPE, access to Covid and flu vaccinations (for all staff who desire them) ensures we are continuing to look after our staff and that we respond effectively to future events. This combined with all our planning and backup plans, gives us confidence that we are well placed to deal with any future alert level changes.

9.0 INFORMATION TO BE PROVIDED TO SHAREHOLDER

9.1 Statement of Intent

Information	Reporting Date
<p>Draft Statement of Intent:</p> <p>The Directors shall deliver to the shareholder a draft SOI which fulfils the requirements of Schedule 8 of the Local Government Act 2002 before March 1 each year</p>	Before March 1 each year
<p>Statement of Intent:</p> <p>After considering shareholders' comments on the draft, the Directors shall deliver to the shareholder a SOI which fulfils the requirements of Schedule 8 of the LGA 2002 and which meets the shareholder's approval annually before 30 June each year.</p>	Before June 30 each year

9.2 Annual Report

Information	Reporting Date
<p>The Directors shall deliver to the shareholders an annual report prepared to comply with Section 67 of the LGA 2002, Finance Reporting Act & International Financial Reporting Standards, and audited financial statements in respect of the financial year, containing the following information as a minimum:</p> <ul style="list-style-type: none"> • Directors' report including a summary of the financial results, a review of operations, a comparison of performance in relation to objectives and any recommendations as to dividend. • Revenue statement disclosing actual and budgeted revenue and expenditure, and comparative figures from previous years. • Statement of financial position at the end of the year. • Statement of cash flow • Auditor's report on the above statements and the measurement of performance in relation to objectives. 	Within three months of the end of the financial year

9.3 Half Yearly Report

Information	Reporting Date
<p>The Directors shall deliver to the shareholder an unaudited report containing the following as a minimum in respect of the period under review:</p> <ul style="list-style-type: none"> • Revenue statement disclosing actual and budgeted revenue and expenditure, and comparative figures from previous years. • Statement of financial position (summarized) at the end of the half year. • Statement of cash flow (summarized) • Commentary on the results for the first six months together with a report on the outlook for the second six months with reference to significant factors likely to have an effect on the company's performance, including an estimate of the financial result for the year based on that outlook 	<p>Within two months of the end of the first half of each financial year</p>

10.0 DISTRIBUTION POLICY

The company will distribute to the shareholder at least either 50% of the taxable profit by way of subvention payments and dividends, or 50% of tax paid profit by way of dividends. This is provided that, there are no specific reasons why the Directors consider that the company is unable to meet this distribution policy. If so, they shall notify the shareholder and discussion shall be held in respect of variance from that policy.

11.0 ACCOUNTING POLICIES

General Accounting Policies:

The accounting policies recognised by the NZ Institute of Chartered Accountants for the measurement and reporting of profit and financial position will be adopted by the company.

Particular Accounting Policies:

Specific accounting Policies will be detailed in the financial statements.

12.0 PROCEDURE FOR ACQUISITION / DIVESTMENT

Nelmac may at times, consider the acquisition, subscription or divestment of interests to meet its operating needs and strategic objectives.

When such an acquisition, subscription or divestment of interests is valued at more than \$1.5 million the Directors will obtain the prior approval of the shareholder by special resolution. Approval will not be required where the value is equal to or less than \$1.5 million, however the shareholder will be advised in writing within 14 days.

13.0 DIRECTORS' ESTIMATE OF COMPANY VALUE

The Directors estimate that the opening balance of Shareholder's funds in the annual accounts represent the net value of the company's assets. The value of Nelmac as a 'going concern' is greater than the net value of its assets. The Directors will promptly advise the Shareholders if they believe the value of Nelmac as a "going concern" risk falling below the net value of the company's assets.