

2023/24

Statement of Intent

nelmac
ENHANCING OUR ENVIRONMENT



kūmānuTM
ENVIRONMENTAL



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1.0 Introduction

This Statement of Intent is presented by the Directors of Nelmac Limited (Nelmac Kūmānu), in accordance with Schedule 8 of the Local Government Act 2002. Nelmac Kūmānu is a Council-Controlled Trading Organisation (CCTO), solely owned by Nelson City Council (NCC, the Shareholder). This Statement of Intent takes into account NCC Letter of Expectation, dated 22 December 2022, 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 2023 to 30 June 2026.

2.0 Objectives

Nelmac Kūmānu's overarching purpose can be summarised as Kaitiakitanga, which for Nelmac Kūmānu 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 Kūmānu lives by the following Values:

- **Respect** | Kūmānu te Tāngata
- **Responsibility** | Kūmānu te Mahi
- **Guardianship** | Kūmānu te Taiao



Nelmac Kūmānu's Objectives are to:

Improve Our Core Business

Protect & Develop our People

Enhance our Environment

Nelmac Kūmānu'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, supporting NCC's adoption of 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 Kūmānu'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 Kūmānu'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 to events such as rural fires, flooding, land subsidence, earthquakes and civil defence.
- 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.
- Continuing to develop and grow our iwi engagement strategy, to build stronger relationships and unlock opportunities for Nelmac Kūmānu's growth and for iwi participation.

3.0 Nature and Scope of Activities

For over 25 years, Nelmac Kūmānu 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 Kūmānu'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

Greenspaces

- 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 safety of playgrounds
- Vegetation control of roads, utilities and ecological linkages
- Cemetery management and maintenance

Commercial

- Landscape construction for local authority, commercial and private clients
- Building asset maintenance
- Plumbing, electrical, carpentry, joinery and painting trades
- Light construction
- Engineering – fitting and fabrication
- Traffic Management





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

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

4.0 Strategy

Nelmac Kūmānu 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, through partnering for best practice procurement solutions, including collaborating with NCC.

Nelmac Kūmānu's overarching Strategic Pillars are:

- Improve our core
- Protect & Develop our People
- Enhance our Environment

4.1 Divisional Strategies

Each Nelmac Kūmānu 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

4.2 Asset Management and Capital Expenditure Strategy

Nelmac Kūmānu'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 maximise 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 and management at each monthly meeting. In addition, critical risk incident information is reviewed by the Board as well as any findings and corrective actions from Nelmac Kūmānu Incident Cause Analysis Method (ICAM) investigations.

Nelmac Kūmānu 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 ongoing and at the forefront of operations across the company.

Nelmac Kūmānu has developed and implemented a set of 7 golden rules, listed below, which guide staff behaviours relating to our critical risks.

7 Golden Rules of Safety

1. **Confined Spaces** - I will have a permit before entering confined space.
2. **Energy/Pressurisation** - I will verify that hazardous energy is isolated.
3. **Hazardous Substances** - I will only handle substances I am authorised to.
4. **Heights** - I will use fall protection when working at heights.
5. **Plant & Equipment** - I will only use plant and equipment I am competent with.
6. **Traffic** - I will be 100% focused when driving or working next to moving vehicles or plant.
7. **Working Alone** - I will let someone know where I am.

One of Nelmac Kūmānu's key safety indicators is Total Recordable Injury Frequency Rate (TRIFR). We set the 2023 target of reducing TRIFR from 12 to under 10.



4.4 Risk Management

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

At Nelmac Kūmānu, 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 planning review is underway to ensure that Nelmac is sufficiently prepared and resilient in the event of any potential civil emergency caused by storm, pandemic, 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 Kūmānu 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
- Supporting community projects and initiatives
- Sustainability in our community

Nelmac Kūmānu will continue to align our lowest paid wages with the 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 shareholder is 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 7 of this document.

5.2 Composition of the Board

- The Board is made up of five non-executive Directors
- The Shareholder, after consultation with the Board, will be responsible for appointing Directors to the Board.
- The Shareholder has formally adopted a policy/procedure for appointment of Directors, dated November 2015.
- The shareholder sets 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 Kūmānu'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 2 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 Kūmānu has established four Board sub committees encompassing Audit, 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 Kūmānu Directors, the CEO and the relevant Nelmac Kūmānu 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 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 the appropriate controls and mitigations are 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 the Chief Executive (CE) and other senior executives.

The committee also 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 Financials

6.1 Statement of Comprehensive Income

STATEMENT OF COMPREHENSIVE INCOME						
(\$000)	Actual 2020/21	Actual 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26
Gross Revenues	43,269	43,687	48,000	48,000	50,000	50,000
Operating Expenditure	40,916	41,492	45,757	45,620	47,582	47,220
EBITDA	2,353	2,195	2,243	2,380	2,418	2,780
EBIT	1,203	1,045	743	780	830	1,180
Net Profit before Subvention Payments	1,028	838	500	750	800	900
Subvention Payments (in lieu of Dividend)	514	419	250	375	400	450
Retained Net Profit Before Tax	631	419	250	375	400	450
Taxation @ 28%	177	94	70	105	112	126
Net Profit after Taxation	454	325	180	270	288	324
<i>Subvention Payment (paid in following year)</i>	<i>514</i>	<i>419</i>	<i>250</i>	<i>375</i>	<i>400</i>	<i>450</i>



6.2 Statement of Cashflows

STATEMENT OF CASHFLOWS						
(\$000)	Actual 2020/21	Actual 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26
Cash from Customers	42,820	44,128	47,520	47,437	49,916	49,900
Cash Distributed	39,242	42,319	46,070	46,130	48,124	48,076
Net Cash from Operations	3,578	1,809	1,450	1,307	1,792	1,824
Cash Invested	(2,462)	(1,957)	(2,689)	(1,147)	(1,217)	(1,517)
Cash from Financing	(57)	1,122	200	500	(133)	(171)
Subvention Payments	(397)	(514)	(419)	(250)	(375)	(400)
Net Increase/(Decrease) in Cash	662	460	(1,458)	410	67	(264)
Opening Cash Balance	655	1,317	1,777	319	729	796
Closing Cash Balance	1,317	1,777	319	729	796	532
<i>Cashflow from Operations vs. Revenue</i>	8.3%	4.1%	3.0%	2.7%	3.6%	3.6%

6.3 Statement of Financial Position

STATEMENT OF FINANCIAL POSITION						
(\$000)	Actual 2020/21	Actual 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26
Share Capital	2,000	2,000	2,000	2,000	2,000	2,000
Retained Earnings	7,397	7,627	7,807	8,077	8,365	8,689
Reserves	1,080	2,045	2,045	2,045	2,045	2,045
Equity	10,477	11,672	11,852	12,112	12,410	12,734
Current Assets	8,724	9,867	8,273	8,521	8,870	8,970
Non Current Assets	12,780	13,895	14,842	14,959	15,120	15,137
Total Assets	21,504	23,762	23,115	23,480	23,990	24,107
Current Liabilities	9,575	7,173	6,681	6,286	6,548	6,548
Non Current Liabilities	1,451	4,916	4,582	5,083	5,032	4,825
Total Liabilities	11,026	12,089	11,263	11,369	11,580	11,373
Net Assets	10,477	11,672	11,852	12,112	12,410	12,734
<i>Bank Debt/Equity</i>	29%	27%	36%	37%	36%	35%
<i>Interest Cover (EBIT)</i>	9.02	5.97	3.06	2.60	2.78	4.21
<i>Shareholders Funds/Total Assets</i>	49%	49%	51%	52%	52%	53%



6.4 Capital Programme

Nelmac Kūmānu will continue to make appropriate investments in fleet and plant, while balancing financial stability and meeting dividend policy.

Nelmac Kūmānu recognises the need to renew fleet and plant to deliver best possible Health & Safety and Quality outcomes as well as to achieve Carbon Reduction targets.

Nelmac Kūmānu intends to invest at a rate greater than current depreciation and retained earnings in order to achieve these outcomes. This additional investment will be funded by bank debt.

In terms of land & buildings owned by Nelmac Kūmānu, the existing roof at 2 Bullen Street is planned for replacement within the next 18 months. External specialist reports have confirmed that the roof structure includes asbestos containing materials.

Nelmac Kūmānu is committed to the highest standards of Health & Safety. A number of practicable steps have already been taken to address this. An asbestos management plan is in place and subject to regular review. Ultimately, however, the roof will require replacement.

Previous capital management plans had the cost of replacement included in the plan. With the changes to the forecasted Financial Performance, it requires Nelmac Kūmānu to explore alternative options for funding the replacement of the roof, with an objective to establishing with NCC a future recapitalisation plan, that will be available for review with NCC by December 2023.

The five year Capex Plan is:

	FINANCIAL YEAR				
	2023	2024	2025	2026	2027
Land & Buildings	-	-	-	-	-
Fleet/Plant	2,350,000	1,736,500	1,514,000	1,535,000	1,600,000
Total Investment	2,350,000	1,736,500	1,514,000	1,535,000	1,600,000



7.0 Performance Measures

Objective Area	Goal	Measures	Timeframe
Quality of Service	Understand and strive to improve customer satisfaction	2023/24 Customer Satisfaction Survey for all Nelmac Kūmānu Customers – improving on 2021/22 score of 5.33 out of 7	June 2024
Sustainability & Community	Reduced carbon emissions year-on-year (adjusted for COVID)	Reduce carbon emissions compared with 2023 (normalised against revenue) 2022 = 2.88t per \$100k Revenue	June 2024
People & Safety	Employee turnover comparable to industry average	Employee turnover within 5% of the national industry average	June 2024
	Reduce average TRIFR	TRIFR reduction from 12 to under 10	June 2024
Non-shareholder Business	Profitable growth in non-NCC work	Profitable year on year growth in non-NCC work 2023 to 2024	June 2024
Equity Ratios	Bank Debt to Equity Ratio within acceptable risk tolerance	Bank Debt to Equity at or below 55%	June 2024



8.0 Information to be Provided to Shareholder

8.1 Statement of Intent

<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>	<p>Before March 1 each year</p>
<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>	<p>Before June 30 each year</p>

8.2 Annual Report

<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. 	<p>Within 3 months of the end of the financial year</p>
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8.3 Half Yearly Report

<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 (summarised) at the end of the half year. • Statement of cash flow (summarised) • 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 2 months of the end of the first half of each financial year</p>
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9.0 Other Governance items

9.1 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.

9.2 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.

9.3 Procedure for Acquisition/ Divestment

Nelmac Kūmānu 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.

9.4 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 Kūmānu 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.



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greenspaces
conservation
water
commercial

