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21 December 2022

Tasman Bays Heritage Trust
Board of Trustees
Attn: Chair Olivia Hall
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Tēnā koe Olivia

TASMAN BAYS HERITAGE TRUST - STATEMENT OF EXPECTATIONS

This Letter of Expectation is intended to inform the Tasman Bays Heritage Trust Board of the councils' high-level strategic direction and performance expectations in advance of your preparation of the Statement of Intent (SOI) 2023/24. In clarifying our expectations early, we expect that the passage through to acceptance by both councils will be more efficient and effective.

The councils are expecting active and regular reporting to the Joint Committee on the development of the final business case for their proposed investment in the new Archive Research and Collections facility. The trust should note that each council will follow its own funding approval process. The final business case should include confirmation of other sources of funding (including funding for cost escalations and overruns).

Statement of Intent 2023/24

The Tasman District and Nelson City Councils expect that all their Council Controlled Organisations (CCOs) will treat the SOI as more than a strict compliance document and will aim for best practice. This will entail an SOI covering more than the statutory minimum requirements. To be effective, your SOI should tell the performance story of the organisation, providing a clear and succinct understanding of the organisation's purpose, the goods and services it delivers and what success looks like. In line with the Local Government Act 2002, the councils are particularly interested in efficiency and effectiveness.

The SOIs must meet the requirements set out in the Local Government Act. The Local Government Act 2002 set out requirements for SOIs differentiating between matters to be covered in all SOIs and those that are specific to trading and non-trading CCOs.

Both councils wish to support the Trust in delivering a good SOI. We have assigned a senior manager to each CCO to assist. In your case, the people assigned are Andrew White and John Ridd. They are available to your team to assist throughout the process.

The general expectations for all CCOs are as follows:

- 1.1 SOIs must include a complete set of summary prospective financial statements for at least three years (preferably five years) i.e., Statement of Comprehensive Income, Statement of Financial Position and Cash Flow statement.
- 1.2 SOIs should disclose measures like Earnings before Interest and Tax (EBIT) and Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) and balance sheet ratios where applicable i.e., CCTOs.
- 1.3 SOIs must fully comply with Schedule 8 of the LGA 2002.
- 1.4 In the Public Records Act 2005, a local authority includes a (Council Controlled) (Council-Controlled Trading) Organisation. As such, the requirements of this Act and its related mandatory Information and Records Management Standard - July 2016 applies for the management, retention, and disposal of records.
- 1.5 Compliance with legislation and reporting on Health and Safety matters must be given due emphasis.
- 1.6 Proposed dividends are to be disclosed along with the dividend pay-out policies, where applicable.
- 1.7 Where the councils make a financial contribution to the operational costs of the organisation, the CCO should show how it intends to increase non-council revenue streams.
- 1.8 Capital expenditure and asset management intentions should be included.
- 1.9 CCOs should use the same information for both managing the business and reporting through to the councils/shareholders, i.e., the information used for setting targets and reporting against them for the SOI should overlap and be a subset of the information used for internal reporting.
- 1.10 SOIs and other CCO reports should be in a plain style, concise, relevant, accessible and focused on meeting the needs of the shareholding councils and the public they represent. The use of graphs, tables and charts is expected to convey both financial and non-financial information along with trends (past, current and future numbers).
- 1.11 To be effective the SOI must disclose the performance story for the CCO, providing a clear and succinct understanding of the CCO purpose, the goods and services it delivers and what success looks like. Providing a clear message to the boards on these requirements and other expectations will assist in ongoing improvements in the SOI and reporting.

- 1.12 The main aspects of the SOI performance story are:
- Strategic context
 - Specifying and presentation of the outcome's framework
 - Main measures and targets, outcomes and objectives
 - Linking the strategy outputs performance together.
- 1.13 **Risk management** – Shareholders/the councils would like to see documented in the SOI how the boards are managing risks, including natural hazards and climate change.
- 1.14 **Sustainability** - Shareholders would like to understand what measures and targets are in place to address environmental and climate change concerns, including measures to:
- Support the transition to net zero carbon emissions by 2050;
 - Prepare for the impacts of climate change, including assessing key organisational climate change risks;
 - Minimise waste and support the shift to a circular economy, and
 - Work towards Climate Related Disclosure reporting by 2024.
- 1.15 **Health and safety** - Given the requirements of the Health and Safety at Work Act 2015 (the Act), it is appropriate for the councils to set out their expectations in relation to Health and Safety in the CCOs/CCTOs.
- 1.15.1 Under Section 44 (3) of the Act elected members do not have a duty to exercise due diligence to ensure that any Council Controlled Organisation complies with its duties or obligations under the Act unless that member is also an officer of that Council Controlled Organisation.
- 1.15.2 However, as shareholders being a key funder, it is still appropriate to set out expectations of Health and Safety management in CCOs/CCTOs.
- 1.15.3 The councils/shareholders expect the boards of the jointly held CCOs/CCTOs to set appropriate Health and Safety strategies and policy, understand the nature of risks/hazards within the business, monitor performance and activities to ensure risk is being managed and review Health and Safety systems and performance.
- 1.16 **Relationships** - Specify how the organisation intends to conduct its relationships with;
- 1.16.1 its shareholding local authorities; and
- 1.16.2 its subsidiary companies (if applicable); and

- 1.16.3 the Tasman and Nelson communities, including parties considered as stakeholders within those communities; and
- 1.16.4 Iwi, hapū, and other Māori organisations.
- 1.17 Shareholders/the councils require that CCOs/CCTOs, before making a decision that may significantly affect land or a body of water, must consider the relationship of Māori and their culture and traditions with their ancestral land, water, sites, wāhi tapu, valued flora and fauna, and other taonga.
- 1.18 **Governance performance** - in order to aid the councils when making decisions on director/trustee remuneration and appointments, the boards should undertake a regular evaluation of their performance.
 - 1.18.1 The councils expect these reviews to be carried out at least once every eighteen months.
 - 1.18.2 The chairs of the boards should reference this evaluation when making recommendations on the re-appointment or recruitment of board members.
- 1.19 The Boards/Trust should ensure that there is 'no surprises' communication with the shareholder councils on matters which are in the public interest and are not highly commercially sensitive.

General expectations related to the effects or mitigation of COVID-19 have been removed as the pandemic effects are expected to lessen over the coming year, most government mandates have been removed, and COVID-19 management will become business as usual. Any ongoing impacts on dividend streams should be addressed in the relevant sections of the SOI.

There are no specific expectations to be included in the Trust's SOI.

Important Dates 2023

Andrew White will notify you of the committee meeting dates for 2023 to assist you with your planning.

If you have any queries, please contact Andrew on (03) 545 8729 / andrew.white@ncc.govt.nz in the first instance.

Ngā mihi



Nick Smith
Mayor of Nelson
Te Koromatua o Whakatū



Tim King
Mayor of Tasman
Te Koromatua o te tai o Aorere

cc Lucinda Jimson, CEO, Nelson Provincial Museum