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Nelmac Limited
Chair of Board of Directors
PO Box 9035
Nelson 7044

Attention: Hugh Martyn
[REDACTED]

Kia ora Hugh

NELMAC LIMITED - STATEMENT OF EXPECTATION

This Statement of Expectations is intended to inform Nelmac's board of the shareholders' high level strategic direction and performance expectations in advance of your preparation of the Statement of Intent (SOI) 2025/26. In clarifying our expectations early, we expect that the passage of your SOI through to acceptance by Council will be more efficient and effective.

Statement of Intent 2025/26

Nelson City Council expects 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.

We wish to support Nelmac in delivering a good SOI and have assigned a senior manager to each CCO to assist. Nelmac have been assigned Nikki Harrison in this support role. Nikki is 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 Local Government Act 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 Dividends are to be disclosed along with the dividend pay-out policies, where applicable.
- 1.7 Capital expenditure and asset management intentions should be included for at least the next five years which proactively addresses investment in the fleet and plant.
- 1.8 CCTOs should use the same information for both managing the business and reporting through to the shareholders i.e., the information used for setting and reporting against for the SOI should overlap and be a subset of the information used for internal reporting.
- 1.9 SOIs and other CCTO 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).
- 1.10 To be effective the SOI must disclose the performance story for the CCTO, providing a clear and succinct understanding of the CCTO 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.
- 1.11 The main aspects of the SOI performance story are:
- Strategic context
 - Specifying and presentation of the outcomes framework
 - Main measures and targets, outcomes and objectives, SMART measures are preferable in showing performance
 - Linking the strategy outputs performance together.
- 1.12 Risk management - Shareholders would like to understand in the SOI how the Board is considering and managing risks, including natural hazards and climate change.
- 1.13 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 key organisational climate change risks
 - Minimise waste and support the shift to a circular economy.

- 1.14 Health and safety - Given the Health and Safety at Work Act 2015 (the Act), it is appropriate for Council to set out its expectations in relation to Health and Safety in the CCOs/CCTOs.
- 1.14.1 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.
- 1.14.2 However, as shareholders, it is still appropriate to set out expectations of Health and Safety management in CCOs/CCTOs.
- 1.14.3 Council expects the Board of Nelmac to set appropriate Health and Safety strategy 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.
- 1.14.4 In addition to this, as a contractor to Council, Nelmac has to also meet our Health and Safety standards.
- 1.15 The shareholder requires 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.
- 1.16 Governance performance - to aid the Council when making decisions on Board remuneration and appointments, the Board should undertake regular evaluation of its own performance.
- 1.16.1 Council expects these reviews to be carried out at least once every eighteen months.
- 1.16.2 A skills mix analysis is to be part of the regular board reviews and recommendations for director re-appointments.
- 1.16.3 The Chair of the Board should reference this evaluation and also provide a skills matrix for the board when making recommendations on the re-appointment or recruitment of new Board members.
- 1.17 In addition, director recruitment must take account of the new requirement in the LGA to ensure that when identifying the skills, knowledge, and experience required of directors' consideration is given to whether knowledge of tikanga Māori may be relevant to the governance of that CCTO.
- 1.18 The Board should ensure that there is 'no surprises' communication with the shareholder council on matters which are in the public interest and are not highly commercially sensitive.

There are no specific expectations in relation to Nelmac to be included in the SOI.

Important Dates 2025

Nikki Harrison will separately notify you of the council meeting dates for 2025 to assist you with your planning.

If you have any queries, please contact Nikki nikki.harrison@ncc.govt.nz in the first instance.

Ngā mihi



Nick Smith
Mayor of Nelson
Te Koromatua o Whakatū

CC:

Lindsay Coll

Acting CEO and CFO, Nelmac