

**Decision released from confidential session**

<b>Recommendation from (agenda report)</b>	<b>Date of meeting</b>	<b>Recommendation to (decision-making meeting)</b>	<b>Date of meeting</b>
Community and Recreation Committee	02 Dec 2021	N/a	N/a

**Report Title and number**

Bishop Suter Trust - Letter of Expectation 2022/23 R26220

**Documents released**

Report (R26220) Bishop Suter Trust - Letter of Expectation 2022/23 and the decision

**Decision**

That the Community and Recreation Committee

1. Receives the report Bishop Suter Trust - Letter of Expectation 2022/23 (R26220) and its attachment (A2688536); and
2. Confirms the general matters to be included in the Bishop Suter Trust Letter of Expectation 2022/23 as those set out in paragraphs 6.1 to 6.17 of report R26220; and
3. Confirms the following specific matters to be included in the Bishop Suter Trust's Letter of Expectation as set out in paragraph 6.18:
  - a) Response to continuing effects of COVID-19; and
  - b) Planning and reporting; and
  - c) Good employer obligations; and
  - d) Development of the relationship with Tasman District Council; and
  - e) Resilience; and
  - f) Governance succession plan.
4. Agrees that Report (R26220) and the decision be made publicly available once the completed Letter of Expectation is made public on the Nelson City Council website, approximately 30 days after it is received by the Trust.

Carried

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## Community and Recreation Committee



2 December 2021

REPORT R26220

## Bishop Suter Trust - Letter of Expectation 2022/23

### 1. Purpose of Report

- 1.1 To provide direction to officers on Council's expectations for the Bishop Suter Trust (Trust) for the Statement of Intent (SOI) 2022/23. This is to allow officers to prepare a Letter of Expectation (LOE) for delivery to the Trust.

### 2. Summary

- 2.1 Although not legally required, it is best practice for Council to signal to Council Controlled Organisations (CCOs) any expectations for the next financial year.
- 2.2 A LOE will be prepared and sent to the Board of the Trust outlining both general and specific expectations of matters to be addressed in the next SOI.
- 2.3 This report identifies both the general and specific requirements proposed for inclusion in the LOE. The expectations are generally consistent with previous years.
- 2.4 The LOE is required to be made public on Council's website.

### 3. Recommendation

#### ***That the Community and Recreation Committee***

1. ***Receives the report Bishop Suter Trust - Letter of Expectation 2022/23 (R26220) and its attachment (A2688536); and***
2. ***Confirms the general matters to be included in the Bishop Suter Trust Letter of Expectation 2022/23 as those set out in paragraphs 5.1 to 5.17 of report R26220; and***

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3. ***Confirms the following specific matters to be included in the Bishop Suter Trust's Letter of Expectation as set out in paragraph 5.18:***
  - a) ***Response to continuing effects of COVID-19; and***
  - b) ***Planning and reporting; and***
  - c) ***Good employer obligations; and***
  - d) ***Development of the relationship with Tasman District Council; and***
  - e) ***Resilience; and***
  - f) ***Governance succession plan.***
4. ***Agrees that Report (R26220) and the decision be made publicly available once the completed Letter of Expectation is made public on the Nelson City Council website, approximately 30 days after it is received by the Trust.***

#### 4. Exclusion of the Public

4.1 This report has been placed in the confidential part of the agenda in accordance with section 48(1)(a) and section 7 of the Local Government Official Information and Meetings Act 1987. The reason for withholding information in this report under this Act is to:

- Section 7(2)(i) To enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)

#### 5. Background

5.1 The preparation of an LOE is not required under the Local Government Act 2002 (LGA). However, it is best practice for Council to signal to CCOs any expectations for the next financial year (2022/23).

5.2 These expectations can then be considered by the CCOs to guide their strategic direction and to assist in the development of the SOI for the next financial year.

5.3 This also means that Council engages with CCOs early and therefore any difference in expectations can be addressed early in the process.

5.4 Council officers maintain good relationships with their colleagues at the Trust and are always ready to assist them in the interpretation of LGA requirements and the preparation of their SOI. The Trust's final SOI for 2021/2026 is included as Attachment 1.

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### 6. Discussion

#### General expectations to be included in SOIs

- 6.1 SOIs should include a complete set of summary prospective financial statements for at least three years (preferably five years) ahead, i.e. statement of comprehensive income, statement of financial position and cash flow statement.
- 6.2 SOIs should disclose measures like earnings before interest and tax (EBIT); earnings before interest, tax, depreciation, and amortisation (EBITDA); and balance sheet ratios, where applicable.
- 6.3 SOIs must fully comply with Schedule 8 of the LGA.
- 6.4 Under the Public Records Act 2005, a local authority includes CCOs. As such, the requirements of this Act and its related mandatory Information and Records Management Standard - July 2016 applies to the management, retention, and disposal of records.
- 6.5 Compliance with legislation and reporting on Health and Safety matters must be given due emphasis.
- 6.6 Where the Council makes a financial contribution to the operational costs of the organisation, the CCO should show how it intends to increase non-council revenue streams.
- 6.7 Capital expenditure and asset management intentions should be included.
- 6.8 CCOs should use the same information for both managing the business and reporting through to the Council, meaning 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.
- 6.9 SOIs and other CCO reports should be in a plain style, concise, relevant, accessible and focussed 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).
- 6.10 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 Board on these requirements and other expectations will assist in ongoing improvements in the SOI and reporting.
- 6.11 The main aspects of the SOI performance story are:
  - 6.11.1 Strategic context
  - 6.11.2 Specifying and presentation of the outcomes framework
  - 6.11.3 Main measures and targets, outcomes, and objectives

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- 6.11.4 Linking the strategy outputs performance together
- 6.12 Risk management: Council would like to understand through the SOI how the Board is reviewing and managing risks, including natural hazards and climate change.
- 6.13 Sustainability: Council would like to understand through the SOI how the Trust is implementing external advice and reporting on progress to addressing sustainability, including reduction of carbon emissions and waste minimisation.
- 6.14 Health and Safety: given the Health and Safety at Work Act 2015 (the Act), it is appropriate for the Council to set out its expectations in relation to Health and Safety in the CCOs.
- 6.14.1 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.
- 6.14.2 However, as a key funder it is still appropriate to set out expectations of Health and Safety management in CCOs.
- 6.14.3 The Council expects the Trust 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.
- 6.15 Governance performance: In order to aid Council when making decisions on trustee remuneration and appointments, the Board should undertake regular evaluation of its own performance.
- 6.15.1 Council expects this review to be carried out at least once every eighteen months.
- 6.15.2 The Chair of the Board should reference this evaluation when making recommendations on the re-appointment or recruitment of Board members.
- 6.16 In addition, trustee recruitment must take account of the requirement in the LGA to ensure that when identifying the skills, knowledge, and experience required of trustees, consideration is given to whether knowledge of tikanga Māori may be relevant to the governance of that CCO.
- 6.17 Council requires that CCOs, before making a decision that may significantly affect land or a body of water, must take into account the relationship of Māori and their culture and traditions with their ancestral land, water, sites, wāhi tapu, valued flora and fauna, and other taonga. This is a provision in the LGA.

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## Specific expectations to be included in the SOI

6.18 It is proposed that the following specific expectations be set out in the Letter of Expectation to the Trust:

6.18.1 Asks that the Trust outlines how it will respond to the continuing effects of COVID-19 including:

- Impacts on visitor numbers and budgets; and
- How the Suter's activities contribute to and align with regional recovery efforts.

6.18.2 Planning and reporting: Utilising performance reporting through the inclusion of quantifiable measures and SMART targets.

6.18.3 Good employer obligations: Detail in the SOI how the Trust meets its good employer obligations under the LGA, particularly in relation to fair pay and equal employment opportunities.

6.18.4 Tasman District Council Relationship: Development of the relationship with Tasman District Council with a view to increasing funding from that source. Describe work to be undertaken to strengthen the relationship and financial support provided by the Tasman District Council.

6.18.5 Resilience: Include in the SOI a risk management plan which details risks/hazards, mitigation strategies, response and recovery plans including in relation to cyber-attacks and natural hazards.

6.18.6 Governance: Include in the SOI a governance succession plan which details how the board will identify and mentor a future Chair of the Trust, and develop a succession plan for the Board members with terms ending in October 2022.

## 7. Options

7.1 Two options are presented. The Committee can accept the matters to be included in the LOE; or it can amend the matters to be included in the LOE.

<b>Option 1: Accept the matters to be included in the Letter of Expectation (recommended option)</b>	
Advantages	<ul style="list-style-type: none"><li>• Gives clear and early direction to the CCO to assist with the preparation of the 2022/23 SOI</li></ul>
Risks and Disadvantages	<ul style="list-style-type: none"><li>• None</li></ul>

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<b>Option 2: Amend the matters to be included in the Letter of Expectation</b>	
Advantages	<ul style="list-style-type: none"><li>• Provides clear and early direction to the Board to assist with the preparation of the 2022/23 SOI</li></ul>
Risks and Disadvantages	<ul style="list-style-type: none"><li>• None</li></ul>

**8. Next Steps**

8.1 Once feedback has been received, the Mayor will sign the Letter of Expectation to the Trust.

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**Attachments**

Attachment 1: A2688536 - Bishop Suter Trust Statement of Intent 2021-2026

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<b>Important considerations for decision making</b>	
<b>1. Fit with Purpose of Local Government</b>	<p>The Bishop Suter Trust delivers public cultural services to our community. Although not required by the LGA, preparation of Letters of Expectation prior to the SOI process is best practice.</p>
<b>2. Consistency with Community Outcomes and Council Policy</b>	<p>With the passing of the Local Government Act 2002 Amendment Act 2019, a number of changes affecting CCOs were made. These included a formal definition of a Statement of Expectation. These remain optional and are about relationships, engagement and collaboration.</p>
<b>3. Risk</b>	<p>Providing a Letter of Expectation mitigates the low risk that the CCO develops a SOI which is not aligned with Council's expectations.</p>
<b>4. Financial impact</b>	<p>None.</p>
<b>5. Degree of significance and level of engagement</b>	<p>This matter is of low significance because this decision is about setting expectations early in the SOI process and there are other decision points along the way. Engagement will occur with the Trust but is not required with the wider community. The completed Letter of Expectation will be made publicly available on the Council's website in due course. This provision should enhance transparency in the process.</p>
<b>6. Climate Impact</b>	<p>Climate change responsiveness has been identified by Council as a specific matter of interest in the Letter of Expectation.</p>
<b>7. Inclusion of Māori in the decision making process</b>	<p>No engagement with Māori has been undertaken in preparing this report.</p>
<b>8. Delegations</b>	<p>The Community and Recreation Committee has the following delegations to consider the content of the Letter of Expectation:</p> <p><i>Area of Responsibility:</i></p>



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- *Governance of Nelson City Council Controlled Organisations and Council Organisations, within the areas of responsibility:*
  - *The Bishop Suter Trust.*

#### *Delegations:*

- *The committee has all of the responsibilities, powers, functions and duties of Council in relation to governance matters within its areas of responsibility, except where they have been retained by Council, or have been referred to other committees, subcommittees or subordinate decision-making bodies.*

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