

30 January 2020

Tasman Bays Heritage Trust
Board of Trustees
Attn: Chairperson Olivia Hall
PO Box 853
Nelson 7040

Dear Olivia

ADVICE LETTER ON THE TASMAN BAYS HERITAGE TRUST'S STATEMENT OF INTENT

This letter is intended to confirm Nelson City Council's and Tasman District Council's (the councils) general and specific expectations for the Tasman Bays Heritage Trust (TBHT) for the 2020/21 Statement of Intent. These include additional requirements arising from the recent changes to the Local Government Act 2002.

Statement of Intent 2020/2021

It is best practice for the councils to signal to Council Controlled Organisations (CCOs) their expectations for each organisation in the 2020/21 financial year. These expectations can then be considered by these entities to guide their strategic direction and to assist in the development of the Statement of Intent (SOI) for that financial year.

This also means that the councils engage with CCOs early and therefore any difference in expectations can be addressed early in the process.

For 2020/21 the councils are setting their expectations for TBHT via a letter of advice, rather than a Statement of Expectation. This is due to the timing of meetings.

Council officers maintain good relationships with their colleagues at each of these organisations and are always ready to assist them in the interpretation of Local Government Act requirements and the preparation of their respective SOIs.

The Local Government Act 2002 Amendment Act 2019 made a number of changes to the LGA that impact on CCOs.

There is a replacement Schedule 8 in the LGA. This more clearly sets out the requirements for SOIs differentiating between matters to be covered in all SOIs and those that are specific to trading and non-trading CCOs.

General expectations to be included in the SOI

- 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 such as earnings before interest and tax (EBIT) and earnings before interest, tax, depreciation and amortisation (EBITDA) and balance sheet ratios where applicable i.e. Council Controlled Trading Organisations (CCTOs).
- 1.3 SOIs must fully comply with the new Schedule 8 of the Local Government Act. This is to ensure a consistent approach across all CCOs.
- 1.4 Compliance with legislation and reporting on Health and Safety matters must be given due emphasis.
- 1.5 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.
- 1.6 Capital expenditure and asset management intentions should be included.
- 1.7 CCOs should use the same information for both managing the business and reporting through to the councils, 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.
- 1.8 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).
- 1.9 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.
- 1.10 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
 - Linking the strategy outputs performance together.
- 1.11 Risk management: The SOI should set out clearly how the Board is considering and managing risks, including natural hazards and cyberattacks.

- 1.12 Sustainability – The SOI should provide detail as to how environmental impacts, climate change mitigation and adaptation, and outcomes are taken into account in the operation of the CCO.
- 1.13 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 CCOs.
- 1.13.1 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.
- 1.13.2 The councils expect the Board 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 Governance performance - In order to aid the Council when making decisions on trustee remuneration and appointments, the Board should undertake regular evaluation of its own performance. The Council expects these reviews to be carried out at least once every eighteen months.
- 1.15 The Chair of the Board should reference this evaluation when making recommendations on the re-appointment or recruitment of Board members. In addition, trustee recruitment must take account of the new 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.
- 1.16 The councils require 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 new provision in the LGA.

Specific expectations to be included in the SOI

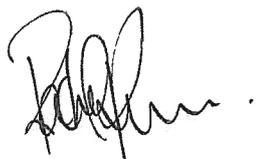
- 1.17 By way of general comment, the councils note the positive strategic presentation made by representatives of the Trust at the Joint Committee on 19 November 2019, including evidence of work to support the local museums in Tasman District, and encourages the Trust to continue this work. The councils encourage the Trust to engage with the councils via their respective Long Term Plans, as the most appropriate mechanism to confirm or request funding (rather than through the SOI).
- 1.18 The councils have one specific expectation that they wish to see in the SOI: the councils request the Trust to enter into appropriate loan facility agreements with each Council covering the current loans, by 1 April 2020, and these are currently being drafted for discussion with the Trust.

Important Dates 2020

To assist you with your planning, please find **enclosed** a letter from Roger Ball notifying you of committee meeting dates for 2020.

If you have any queries, please contact Roger Ball on (03) 545 8729 / roger.ball@ncc.govt.nz in the first instance.

Yours sincerely



Rachel Reese JP
Mayor of Nelson



Tim King
Mayor of Tasman

cc Lucinda Blackley-Jimson, CEO, Nelson Provincial Museum