



Office of the Mayor

19 December 2019

Bishop Suter Trust
Board of Directors
PO Box 751
Nelson 7010

Attention: Craig Potton

Dear Craig

LETTER OF EXPECTATION

This Letter of Expectation is intended to inform the Bishop Suter Trust Board of the Council's high level strategic direction and performance expectations in advance of your preparation of the Statement of Intent (SOI) 2020/21. In clarifying our expectations early, we expect that the passage through to acceptance by Council will be more efficient and effective.

Statement of Intent 2020/21

Nelson City Council expects that all its 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. The SOIs must meet the requirements set out in the Local Government Act 2002. Your staff are likely to be familiar with the CCO provisions of this Act. In line with the Local Government Act, Council is particularly interested in efficiency and effectiveness.

Council wishes to support the Trust in delivering a good SOI. We have assigned a senior manager to each CCO to assist. In your case the person assigned is Roger Ball, supported by Mark Preston-Thomas. Roger and Mark 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.
- 1.3 SOIs must fully comply with Schedule 8 of the Local Government Act.
- 1.4 Compliance with legislation and reporting on Health and Safety matters must be given due emphasis.



- 1.5 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.
- 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 Council 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 boards 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 on how environmental impacts 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 Council to set out its expectations in relation to Health and Safety in the 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 However, as a key funder it is still appropriate to set out expectations of Health and Safety management in CCOs.
- 1.13.3 The Council expects 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

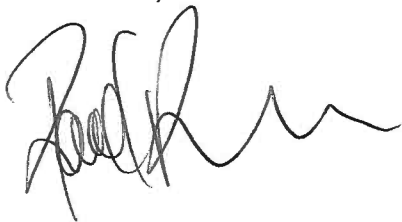
being managed and review Health and Safety systems and performance.

- 1.14 Governance performance: In order to aid Council when making decisions on director/trustee remuneration and appointments, the board should undertake regular evaluation of its own performance.
 - 1.14.1 Council expects this review to be carried out at least once every eighteen months.
 - 1.14.2 The Chair of the Board should reference this evaluation when making recommendations on the re-appointment or recruitment of board members.
- 1.15 The specific expectations in relation to the Bishop Suter Trust are:
 - 1.15.1 Governance succession plan.
 - 1.15.2 Resilience.
 - 1.15.3 Good employer obligations.
 - 1.15.4 Climate Change responsiveness, including risk resilience, mitigation and adaption.
 - 1.15.5 Continued development of the relationship with Tasman District Council with a view to increasing funding from that source.
 - 1.15.6 Improving performance reporting by the inclusion of quantifiable measures and SMART targets.

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

Please note that you will be notified of Council meeting dates for 2020 as soon as these have been confirmed.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Rachel Reese', with a stylized, flowing script.

Rachel Reese, JP
Mayor of Nelson

cc Julie Catchpole, Director, The Suter Art Gallery

