



Waitaki

DISTRICT COUNCIL
TE KAUNIHERA Ā ROHE O WAITAKI

Growing strong communities.

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10 May 2022

Steve Grave
Chair
Whitestone Contracting Ltd

Dear Steve

Whitestone Contracting Ltd – Shareholder Letter of Expectation for 2022-23

I write on behalf of Waitaki District Council to convey the Council's expectation of Whitestone Contracting Ltd for 2022-23, to help set WCL's strategic direction and inform the development of WCL's Statement of Intent.

Waitaki District Council exists for the benefit of the residents, communities, and businesses of the district. As such, the Council is focused on furthering the interests and wellbeing of the district and in doing this, the Council's expectation is that Council Controlled Organisations, such as Whitestone Contracting Ltd, are established and operate in support of delivering the Council's vision and objectives for the district.

The Council has adopted a Strategic Framework with a view to making Waitaki the Best Place to Be! In delivering this the Framework focuses the Council's resources and effort on ensuring and delivering:

- a Prosperous District
- Strong Communities
- Quality Services
- A Valued Environment

In support of the Council delivering its vision and objectives for the district, the Council's specific expectations of Whitestone Contracting Ltd and the Board are as follows:

1. Grow the business and the return to the Council and Community to support improved wellbeing

Performance targets

Whilst recognising the challenging environment that WCL operates within, the Council considers that the current turnover and profitability of the company is suboptimal. Whilst remaining a good tier two contractor, WDC expects WCL to adopt and implement an ambitious but realistic business plan to grow the market share, turnover and profitability of the company over the period 2022 to 2025 within the range of:

- i. \$30 - \$35m turnover
- ii. Return after tax to opening Equity of 8% (minimum)

Distributions

In growing the company turnover and profitability, the Council expects that this will bring local economic benefit to the Waitaki district in the form of a healthy contracting sector, local employment opportunities, and a return on investment that can be reinvested in the district.

Further, the Council expects that WCL will invest \$50,000 (minimum) per annum in local community organisations and wellbeing initiatives, where this aligns with the business objectives. \$200,000 or 50% (whichever is greater) per annum shall be returned to the Council as a dividend, and an agreed amount of profit should be reinvested in the development of the business.

In support of the growth of the business, WDC would like to consider what support it may give to WCL to enable this.

2. Develop and undertake business activities in support of the Council's wellbeing objectives.

WDC expects WCL to develop and undertake its business activities in a manner that supports the overall well-being of the district. In particular, WDC expects WCL to develop and implement approaches to the following:

- i. Developing local supply chains and maximising the use of businesses within the Waitaki, whilst ensuring competitiveness and best value
 - ii. Where feasible, providing cadetship and apprenticeship opportunities to the district's young people to develop their skills and to improve the availability of local trades
 - iii. Providing employment and training opportunities for the district's diverse communities
 - iv. A workforce development plan that aspires to raise the overall skill level of the workforce as well as supporting improved physical and mental health of employees
 - v. A workforce health and safety plan and culture that targets zero accidents at work and encourages reporting and learning
 - vi. A corporate social responsibility policy and approach that in particular, defines how the company will support the Waitaki Community and the other communities in which it operates, being a good and responsible corporate citizen
 - vii. An environmental management plan targeting reduction of the company's negative impact on the environment and supporting increased environmental sustainability
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- 3. Support the Council in delivering its ambitious capital investment programme for the district, including investment in water infrastructure and regeneration of the Oamaru Harbour, through processes that ensure best value for the ratepayer and a reasonable return for the company.**

 - 4. Partnering more generally with the Council and other organisations to further the interests of the district, secure economies of scale, secure the skills required in our essential businesses, and share resources.**

5. Fulfilling the previously outlined expectations, namely:

- Manage the WCL's business activities in an efficient, effective, and safe manner.
- Ensure governance, structures, leadership, and processes are in place and operating effectively across WCL to deliver a Zero Harm culture and achieve strategic safety goals
- Grow Shareholder wealth
- Ensure assets and liabilities are prudently managed consistent with the nature of a contracting business.
- Maximise the long term viability and profitability consistent with the Shareholder's objectives for ownership.
- Manage the business with the objective of achieving agreed business growth.
- Consolidate, and when financially advantageous, expand the Company operations into the private and public sectors using the skill, abilities and management techniques that are available within WCL.
- Maintain a diversified portfolio of work and clients to ensure continuity of returns to the Shareholder.
- Continue to review WCL structure to ensure the most efficient structure is in place to enhance profitability.
- Be customer-focused and ensure good customer contract results as measured against contract specifications.
- Ensure that the Company is disciplined with expenditure and seeks to maximise revenue.
- Achieve the most efficient use of staff resources, capital assets and working capital through innovative management and sound business practises.
- Develop and get agreement from the shareholder on a significant asset acquisition/disposal process and to engage proactively on this mutually-agreed approval process.
- Provide a work environment that recruits, fosters, and maintains safe, competent, motivated, committed, and productive employees and developing its people to their potential.
- Recognise and reward excellent performance by staff.
- Act in an environmentally and socially responsible manner and implement sustainable business practices.
- Ensure transparent and informed relationships are maintained with the Shareholder within the spirit of 'no surprises'.

I would be grateful if WCL could respond to the expectations set out in this letter, including setting out some key milestones in delivering the expectations, performance measures and assessment of risk. It would be helpful if this was set out in the revised Statement of Intent.

Finally, on behalf of the Council I would like to thank you, the board and the senior team at WCL for all the work you are doing to further the interests of the company and Waitaki. These are challenging times and there has been changes within the governance and senior team. However, there is an opportunity to start a new chapter in the history of WCL and I look forward to working with you and ensuring a strengthened partnership between WDC and WCL going forward.

Yours sincerely



Alex Parmley
Chief Executive



Gary Kircher
Mayor for Waitaki