



**Financial statements
for the year ended 30 June 2016**

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Annual Directors' Report to Shareholders

Waikato Local Authority Shared Services Limited (WLASS) was incorporated in December 2005. On 4 April 2016, the name registered with the Companies Office was changed to Waikato Local Authority Shared Services Ltd, to distinguish it from other local authority shared services companies around New Zealand. This is the eleventh WLASS annual report, and covers the period 1 July 2015 to 30 June 2016.

Message from the Directors

During the past year, the Company has continued to focus on demonstrating the value that WLASS delivers to the shareholding councils. A record of the benefits that have been achieved during the past year has been maintained, and is outlined in more detail in the section on Achievements later in this report. The Board has continued to focus on improving the efficiency and effectiveness of the existing shared services, initiating new projects and work streams, and facilitating the Waikato Mayoral Forum work streams. The Company continues to work collaboratively with BOPLASS, MWLASS and HBLASS, with the CEOs of each company meeting about three times per year.

The Company continues to operate cost effectively with the services of a part-time contracted CEO, part-time contracted Company Secretary and a part-time contracted Financial Accountant.

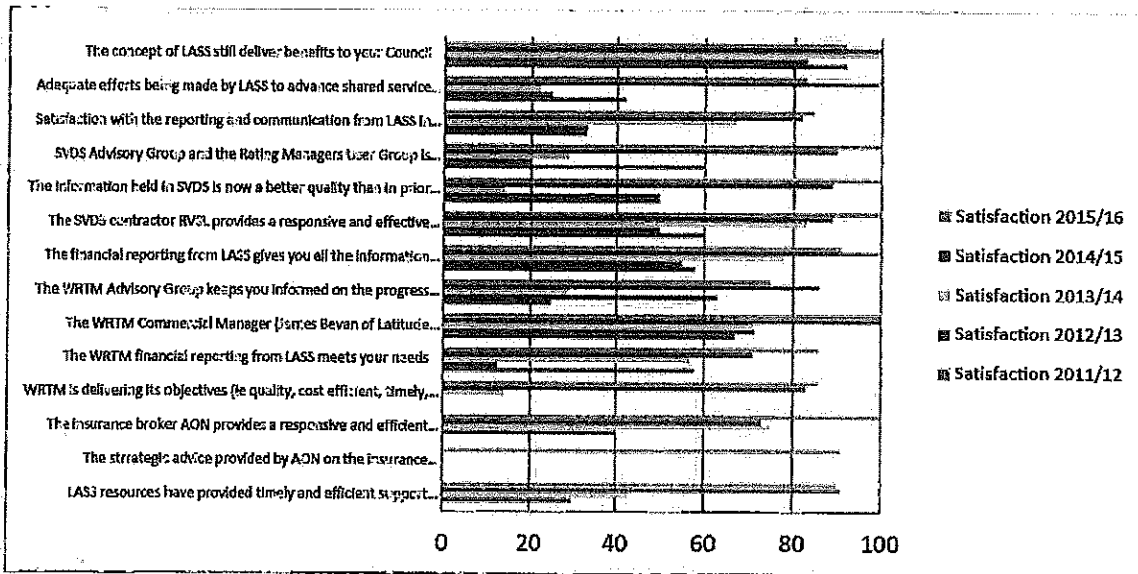
The three mature WLASS operations (the Shared Valuation Data Service (SVDS), the Waikato Regional Transportation Model (WRTM), and the Insurance Advisory Group) continue to deliver value. SVDS has successfully negotiated two additional data sales contracts, with a further sales contract in progress, which has contributed to reducing the operating cost.

The external contract for managing WRTM terminated on 30 June 2016 and WRTM will be managed by RATA from 1 July 2016. During the year, the operational contract was publicly re-tendered and a new contract was let.

The draft Statement of Intent signalled proposals to bring RATA (which was initiated by the Waikato Mayoral Forum) and the Waikato Building Consent Group into WLASS. In addition, the Board also resolved to bring Future Proof into WLASS, and these three new activities will commence from 1 July 2016, which will enable consolidated reporting on these activities to all shareholders.

The Company continues to act as the legal entity to manage contracts arising from the work of the Waikato Mayoral Forum, as well as providing administrative support to the Forum.

Each year, WLASS undertakes a survey of the shareholding councils to assess the level of satisfaction with WLASS services. These surveys have been undertaken since 2007/08, although the questions and scales have been altered from year to year. A summary of the results and trends is shown below.



Overall, the results show that the shareholding councils continue to be satisfied with the efforts being made by WLASS to advance shared services projects across the region.

Governance

WLASS has twelve Directors with each Director representing a shareholder Council. Each Director is currently a Chief Executive of a local authority. It is up to each shareholding Council to decide on their representative. In addition, the Board may appoint up to three professional directors to supplement the Directors' expertise. There are currently no independent Directors.

During the year, David Hammond resigned as a Director, and the Board thanks him for his contribution. Rob Williams is his replacement, transferring from being the appointee of Taupo District Council to that of Thames Coromandel District Council. The Taupo District Council position has been filled by Gareth Green.

The Board looks forward to continuing to build on the WLASS platform that has been established over the past 11 years, and will continue to consider new shared service opportunities that will help to achieve further benefits for shareholders.

The councils of the Waikato Region have put in place a Council Controlled Organisation (as defined in Part 5 of the Local Government Act 2002), to develop and deliver shared services, and to procure services which are available to be joined by any of the 12 shareholding councils that choose to do so. WLASS can also provide a company structure for any Council that wishes to develop new services, under which they can develop and promote services to other local authorities and external parties.

As part of this strategic collaboration, WLASS now provides support to the Waikato Mayoral Forum and to the working parties established by it.

Over the period that the company has been operating, a variety of benefits have been delivered in the form of:

- Improved levels and quality of service
- Co-ordinated approach to the provision of services
- Reductions in the cost of services
- Opportunity to develop new initiatives
- Opportunity for all councils, irrespective of location or size, to benefit from joint initiatives
- Leveraging procurement opportunities through economies of scale resulting from a single entity representing councils

The WLASS Directors continue to seek new opportunities, either from internal investigations or from shareholder initiatives that are presented to it with a sound business case. New services will only be adopted where a business case shows that they provide some form of benefit to the shareholders. The benefits that may be gained include the development of intellectual property through new business services, protection of Council data, improved levels of service, efficiencies and/or reduced cost. All proposals are presented to the Board for approval prior to implementation.



Performance Measures

The following performance measures were incorporated into the Statement of Intent for the 2015/16 financial year.

TARGET	METHOD	MEASURE	OUTCOME
<p>PROCUREMENT:</p> <p>Joint procurement initiatives for goods and services for WLASS councils will be investigated and implemented.</p>	<p>Procurement is from sources offering best value, service, continuity of supply, and/or opportunities for integration.</p>	<p>A minimum of three new procurement initiatives investigated per annum and business cases developed if considered appropriate.</p> <p>Initiatives which are implemented shall provide financial savings and/or improved service levels to the participating councils.</p> <p>New suppliers are awarded contracts according to the WLASS Financial Delegations Policy.</p>	<p>Achieved: Three new procurement initiatives have been implemented (Laboratory Services (5-year term), IT Professional Services Panel (3-year term, with a 2-year right of renewal), Internal Audit Services (3-year term).</p> <p>Achieved: The Laboratory Services contract is expected to save over \$170,000 p.a. if all of the eligible councils participate. The IT Professional Services Panel provides discounted hourly rates of between and 0 – 50% off market rates, averaging 10.4% over the 22 suppliers. The Internal Audit Services contract provides discounted hourly rates of between 25 – 30% off market rates, plus a number of additional, value added services at no cost. The fees will remain unchanged for 3 years.</p> <p>Achieved: The Laboratory Services contract is an extension of an existing Waikato Regional Council contract, which was originally competitively tendered. Both of the other contracts were publicly tendered and awarded in accordance with the WLASS Financial Delegations Policy.</p>
<p>COLLABORATIVE PROJECTS:</p> <p>Priorities for collaboration are identified, business cases are developed for the highest priority projects, and the projects are implemented.</p>	<p>The focus is on shared services which will benefit all councils.</p>	<p>A minimum of three priority projects for collaboration are identified per annum.</p> <p>If considered of value, business cases are developed for approval by the Board, and the projects are implemented.</p>	<p>Achieved: Five new collaboration projects were implemented during 2015/16: EECA Collaboration Agreement; development of a regional GIS Data Portal; transfer of the Waikato Building Consent group into WLASS; the permanent establishment of RATA within WLASS; the transfer of Future Proof into WLASS.</p> <p>Achieved: All proposals were approved following the consideration of a report to, and a resolution of, the WLASS Board.</p>

<p>EXISTING WLASS CONTRACTS:</p> <p>Existing contracts are managed and renegotiated as required.</p>	<p>Appointed vendors deliver on the terms of their contracts and deliver value to the shareholders.</p>	<p>The WLASS Contracts Register is maintained and managed.</p> <p>Contracts which are due for renewal are tested for competitiveness and either renegotiated or tendered through a competitive process.</p>	<p>Achieved: The Contracts Register is up-to-date.</p> <p>Achieved: The NZ Post contract has been extended for 2 years on the existing terms and conditions.</p>
<p>CASHFLOW:</p> <p>The company shall maintain a positive cashflow position.</p>	<p>The Financial Accountant reviews cashflow monthly.</p> <p>The WLASS Board reviews the financial statements quarterly.</p>	<p>Monthly financial statements show a positive cashflow position.</p>	<p>Not achieved: Cash flow for the year shows a decrease in total cash held of \$10,944.</p> <p>The company still maintains a safe cash position, with cash, cash equivalents and bank account balances at the end of June 2016 being \$682,673.</p>
<p>COST CONTROL:</p> <p>Administration expenditure shall be managed and monitored.</p>	<p>The Financial Accountant and Chief Executive review expenditure monthly.</p> <p>The WLASS Board reviews financial statements quarterly.</p>	<p>Administration expenditure shall not exceed budget by more than 5%, unless prior approval is obtained from the Board.</p>	<p>Achieved: Actual expenditure was 19% favourable compared to budget.</p> <p>Reports on the financial position were considered at WLASS Board meetings on 21 August and 3 November 2015, and on 15 February, 1 April and 10 June 2016.</p>
<p>REPORTING:</p> <p>Six monthly reports provided to Shareholders.</p>	<p>The Chief Executive prepares a written report for the WLASS Board every meeting.</p> <p>One 6-monthly and one Annual Report are prepared for shareholders.</p>	<p>The Board shall provide a written report on the business operations and financial position of the WLASS to the Shareholders every six months.</p> <p>Note that every second report shall be the Annual Report, which includes a report that all of the statutory requirements of the WLASS are being adhered to.</p>	<p>Achieved: The 2015/16 WLASS Annual Report is being provided.</p> <p>The 6-monthly report was sent to all shareholders on 27 January 2016.</p>

<p>WAIKATO MAYORAL FORUM:</p> <p>The company shall provide administrative support and updates on Mayoral Forum workstreams to the Mayoral Forum.</p>	<p>Mayoral Forum projects shall be managed financially through the WLASS.</p> <p>Updates on Mayoral Forum projects shall be co-ordinated by the WLASS Chief Executive.</p> <p>Note: The current approved workstreams are:</p> <ul style="list-style-type: none"> • Rooding (RATA) • Economic Development • Regulatory Bylaws and Policies • Waters • Waikato Spatial Plan 	<p>The Mayoral Forum is regularly updated on the progress of each approved workstream.</p> <p>Approved invoices for Mayoral Forum projects are paid by the 20th of the month following their receipt.</p>	<p>Achieved: Progress reports were provided to the Mayoral Forum on 7 September and 16 November 2015, and 22 February and 18 April 2016.</p> <p>Achieved: All approved invoices were paid by the 20th of the month following their receipt.</p>
<p>SHARED VALUATION DATA SERVICES (SVDS):</p> <p>The SVDS is reliable, well maintained and available to all users.</p>	<p>A Contract Manager is appointed for SVDS.</p> <p>Contract Manager monitors performance of contractor and reports quarterly to the SVDS Advisory Group.</p>	<p>The SVDS is available to users at least 99% of normal working hours.</p> <p>All capital enhancement work is supported by a business case and approved by the SVDS Advisory Group.</p> <p>The SVDS Advisory Group meets at least 6-monthly.</p>	<p>Achieved: SVDS was available to users for more than 99% of normal working hours.</p> <p>Not Applicable: No capital enhancement work was undertaken during 2015/16.</p> <p>Achieved: The SVDS Advisory Group met five times - on 6 August and 5 November 2015, 29 January (teleconference), 10 March and 2 June 2016.</p>

<p>WAIKATO REGIONAL TRANSPORT MODEL (WRTM):</p> <p>The WRTM is reliable, well maintained and available to all users.</p>	<p>A Contract Manager is appointed for WRTM.</p> <p>Contract Manager monitors performance of the model supplier (currently Traffic Design Group) and reports quarterly to the WRTM Project Advisory Group.</p>	<p>All modelling reports requested from the model supplier are actioned within the agreed timeframe, scope and budget.</p> <p>A report by the Contract Manager on any new developments and on the status of the model is provided to the WCLASS Board at least every six months.</p> <p>The quality of the base model complies with NZTA guidelines (as set out in the NZTA's Economic Evaluation Manual), and is independently peer reviewed each time the model is updated.</p>	<p>Achieved: The model supplier reports quarterly on service performance. All modelling reports were actioned within the agreed timeframe and scope; two projects were under the budget estimate and one was slightly over.</p> <p>Not Achieved: Only one report was provided to the Board, at their meeting on 15 February 2016.</p> <p>Achieved: WRTM Census update base model was completed in August 2015. The Peer reviewer has been engaged from the outset of the project. All technical notes and the base model have been signed off by the peer reviewer. Peer reviewer is scheduled to sign off the Future Models in late 2016.</p>
<p>SHAREHOLDER SURVEY:</p> <p>Shareholders are satisfied with the performance of WCLASS.</p>	<p>An annual survey of shareholders is undertaken to assess satisfaction levels with WCLASS.</p>	<p>A survey of shareholders is undertaken each year, and the results are reported to all shareholders.</p>	<p>Achieved: A survey was undertaken in May 2016, and the results are included in this report.</p> <p>For the 2015/16 survey, the scale of response has been changed from yes, partially, barely, no, don't know/not applicable to very satisfied, satisfied, partially satisfied, dissatisfied and don't know/not applicable. The results for the 2015/16 year are based on the percentage of very satisfied and satisfied responses. Responses of "Don't know" and "N/A" have been excluded from the results.</p>
<p>REVIEW OF BENEFITS:</p> <p>Shareholders are informed of the benefits being provided to shareholding councils by WCLASS.</p>	<p>The benefits of WCLASS (including financial and non-financial achievements) are regularly analysed and reported to shareholders.</p>	<p>Information on the financial and non-financial benefits being achieved by WCLASS are included in the 6-monthly and Annual Report to shareholders.</p>	<p>Achieved: Information on the achievements of WCLASS over the past 12 months are included in this report and as part of these performance measures.</p>

WLASS Achievements

In August 2015, WLASS published its first summary report of the benefits that WLASS has achieved since its inception, titled "Collaboration in Action". Many of those projects are ongoing and the details are not repeated here. This overview outlines new projects and updates WLASS's achievements during 2015/16.

PROCUREMENT

Internal Audit Services

A closed Request for Proposal for Internal Audit Services was issued to all five Tier 1 All of Government providers of audit services on 10 February 2016. Four companies responded, and following the evaluation process, KPMG were selected as the preferred provider. The contract term is 3 years, and there is no commitment on the value or volume of services required from each participating council. Each council will be invoiced directly for the services provided. Joining Agreements have been sent to each shareholding council. As at 30 June 2016, only one council had signed up, but more are expected to participate. The contract has achieved discounted hourly rates of between 25 – 30% off market rates, plus a number of additional value added services, which will be provided at no cost. The fees have been discounted to the same extent as KPMG's largest clients, and will remain unchanged for the term of the contract. The value of the additional services has been estimated at \$92,615, and includes the following:

- Meeting with Audit NZ to understand their requirements and ensuring no duplication of effort or gaps in coverage in the audit plan for each participating council
- Assistance with developing and validating the annual internal audit plans
- Hosting an annual risk event, including risk training and facilitation of a combined risk profile, for representatives from the participating councils
- Having a dedicated Programme Management Office for Waikato LASS (at no cost to the participating councils)
- Consolidating audits of similar areas to allow sharing of good practice across the participating councils
- Hosting an annual "insights" workshop to share industry updates and learnings from the audits performed
- Providing a 2-hour fraud awareness training session for nominated staff from all participating councils.

Laboratory Testing Services

The Laboratory Testing Services contract is an extension of an existing contract that Waikato Regional Council previously held with R J Hill Laboratories Limited. The scope of the services provided has been extended to include testing of trade waste, effluent and waste water (which were not included in the Regional Council's original contract). The contract term is 5 years, and there is no commitment on the value or volume of services required from each participating council. Each council will be invoiced directly for the services provided. The contract is expected to save over \$170,000 p.a. if all of the councils who initially indicated an interest participate. Joining Agreements have been sent to each shareholding council. As at 30 June 2016, two councils had signed up.

Information Technology Professional Services Panel

The IT Managers' Working Party identified the need to set up a panel of Information Technology Service providers to help meet the ongoing demand and support required for shareholders' in-house Information Services departments.

A Request for Proposal was developed and submitted onto the Government Electronic Tenders Service. Tenders closed on 15 April 2016, and an evaluation was completed. The Panel comprises 22 Information Technology service providers, each operating under individual Framework Agreements with WLASS, similar to the WLASS Professional Services Panel that was established two years ago. Each participating council will enter into a Joining Agreement, which will give them access to the Panel under the terms of the Framework Agreement. Projects will be offered through a Request for Service process from a participating council to the appropriate Panel member(s). A typical engagement will be on a project by project basis. However, some services may involve input to parts of projects or to a work package comprising a number of projects within a programme of work.

The range of Information Technology disciplines included in the Panel is anticipated to cover off most of the types of projects that the participating Councils typically undertake. Joining Agreements were provided to all shareholders in July 2016. Savings range from 0 – 50% off current market rates, and average 10.4% over the 22 suppliers.

Waikato Regional Aerial Photography Syndicate (WRAPS)

A Request for Proposal was developed and submitted onto the Government Electronic Tenders Service, with tenders closing on 12 June 2016. The tender evaluation is in process, with the contract expected to be let in August. External funding of \$84,000 has been secured from LINZ and the University of Waikato, which will offset the cost to shareholders.

All-of-Government (AoG) and Syndicated Contracts

A report on the shareholders' AoG contracts spend and savings for 2015/16 will not be available until mid-August. Details will be included in the 2016/17 six-monthly report.

Eight of the 12 shareholding councils participate in the Ministry of Defence's syndicated contract with BP Oil NZ Ltd. Savings achieved by the participating councils in 2015/16 amounted to \$322,000 for a total spend of \$1,325,000 (a 24.3% saving on national pump prices). While one council cannot easily participate due to the lack of BP service stations within their district, the three other non-participating councils have been made aware of the savings potential of joining this contract.

N3

In 2015/16, N3 reported savings of \$662,000 (25%) for the group, for a total spend of just over \$2M. It should be noted that these savings are based on full retail price. The WLASS membership fee for 10 councils (Rotorua and Taupo are part of the BOPLASS scheme) is \$18,000 p.a., a saving of \$4,000 over the individual membership fees which were being paid prior to the WLASS contract.

SHARED SERVICES

Insurance

The insurance programme was renewed on 1 November 2015. Through the continued collective purchasing arrangement under the WLASS agreement, the member councils were able to achieve a saving of approximately 8.5% on total premium spend, whilst the total declared values for the Material Damage policy increased by approximately 6%. This makes the effective saving approximately 14%.

In addition to a successful renewal outcome, other work has been completed, including:

Natural Disaster Loss Modelling

With the proposed changes in Central Government funding in respect of infrastructure assets, Loss Modelling work has been undertaken to establish Probable Maximum Loss (PML) estimates for some of the member councils. This work is being done using a phased approach, with Waikato Regional, Waikato and Waipa District Councils, being the first to have this work undertaken. The impacts of these studies have been discussed with individual councils at their Audit and Risk Committee meetings. Phase two of this work is currently being undertaken and Treasury have confirmed that they will contribute 50% of the costs.

Cyber Liability Insurance

With Cyber Liability being recognised as one of the fastest growing exposures to organisations, an option for this cover was considered by the Insurance Advisory Group. Four Councils have elected to purchase this cover, being Waikato Regional, and Waikato, Waipa and Matamata Piako District Councils.

In addition to the above, following the changes in Health and Safety legislation, an option for increased limits of cover under the existing Statutory Liability Insurance (\$1,000,000 to \$2,000,000) programme is being investigated prior to the next insurance programme renewal in November.

Shared Valuation Data Service (SVDS)

At the end of the financial year, two additional data sales contracts were signed and one was still under negotiation, which should result in the revenue budget in 2016/17 being exceeded.

Last year was the first year where the full impact of the cost reductions for the software contract itself, and the other support services, have impacted favourably on the member charges. However, a note of caution needs to be sounded with respect to these reductions. With hindsight, the effect of the fixed cost portion of both supporting and managing the software, plus the changes made to the development team due to the reduction in chargeable work coming from WLASS, have probably been underestimated. The ongoing development work needed simply to keep up with new technological advances and new versions of software (for example Microsoft) may also have been underestimated. Therefore, it is considered prudent to expect that some of the surplus created by the reduced charges and the increased revenue will be required from time to time to meet further development needs.

RVSL continued to provide excellent service, as evidenced by the most recent shareholder survey, which reported high levels of satisfaction with the service provided.

Waikato Regional Transport Model (WRTM)

The model service operating contract was successfully retendered in February 2016, and includes an improved range of services for the model partners. Aside from transport modelling, model partners are now able to draw upon a wider range of transport policy, engineering design and passenger transport policy advice from the successful tenderer, Traffic Design Group Ltd.

The WRTM website has been upgraded and includes a more modern design, a new interactive map for looking up historic projects geographically, better ability to control user log-in privileges, and a more usable interface for updating and maintenance. The website went live in April 2016, and all WRTM user group members have successfully registered.

The WRTM Census Update remains uncompleted due to disagreements amongst the partners about suitable land use forecasts. This is a priority to resolve in the first half of 2016/17, as it is holding up investment decision-making.

Contractor Health & Safety Pre-qualification

Councils currently have a varied approach to the assessment and evaluation of health and safety plans submitted by contractors. Waikato LASS are in the process of developing a remotely-hosted, web-based, contractor pre-qualification scheme that will be available to all shareholding councils by early 2017, and will be capable of being rolled-out nationwide.

In November 2015, a Request for Proposal was developed and submitted onto the Government Electronic Tenders Service, seeking an IT solution to manage and maintain a contractor pre-qualification system for Waikato LASS. Eleven responses were received, with three being shortlisted and asked to deliver a demonstration and presentation. The selected provider, SHE Software Pty Ltd, demonstrated a solution that met all of the requirements specified in the project scope, with very little risk and a high number of benefits.

The scheme will require each council contractor to make an on-line application (for a small fee) that will be assessed by a qualified health and safety practitioner. This service will be provided by SHE Software Ltd., at no cost to shareholders. Once qualified, a contractor will be eligible to work for any of the councils participating in the shared service, without any requirement to submit further paperwork, thus significantly reducing the cost of compliance both for councils and for contractors.

The benefits of this new shared service include:

- The availability of a standardised, easy-to-use, low cost, and robust pre-qualification scheme that minimises the resources required, both for contractors and for councils
- Reduced health and safety risks, both for councils and contractors
- Improved health and safety compliance
- Improved contractor engagement in health and safety compliance and improvement
- A regionally (and potentially nationally) consistent approach to contractor health and safety pre-qualification.

The new scheme will be progressively rolled out across the Waikato LASS councils from September through to February. After that, it is planned to take the scheme nationwide.

EFFICIENCY AND EFFECTIVENESS GAINS

EECA Collaboration Agreement

In February 2016, nine of the WLASS councils entered into a Collaboration Agreement with the Energy Efficiency and Conservation Authority (EECA) to develop and implement an Energy Efficiency Policy and an Energy Management Plan, and to undertake a range of energy audits and implement action plans to achieve specified energy savings over a 3-year timeframe. This programme will bring up to \$210,000 in EECA funding to WLASS, subject to achieving certain milestones.

Preliminary assessments of the energy-saving opportunities and the establishment of baseline data at each participating council are in progress, with the first projects scheduled to begin in 2016/17.

Waikato GIS Data Portal

This project arose because all of the Waikato councils provide some form of public web mapping. While these services are very similar, their quality is highly variable. Waikato LASS identified that it would be more resource efficient to provide this service from a single point source, which would improve the user experience through consistency, provide a single point of access and ensure that the information is current.

During 2015/16, a fully functioning data portal has been developed, which has demonstrated the capability of a spatial data warehouse to:

- Meet open data publishing standards
- Make data available to support economic development
- Reduce the duplication of Council effort and resources in developing web mapping systems and deploying web services exposing source data
- Make high value data accessible to a wide spectrum of users, from basic to advanced consumers, and to provide a practical tool for cross-council collaborative projects
- Potentially, provide a Waikato Regional Civil Defence capability.

The initial work programme has resulted in the development of three basic modules: Property Information, Long-term Projections and Utilities. These modules will be made public using the URL of waikatolass.co.nz within the next few months. Over the coming year, a further eight modules will be developed and added to the portal.

Shared Health & Safety Training

In November 2015, the WLASS Health & Safety Working Party organised shared training in the new Health & Safety legislation for elected members and council staff. Four workshops were conducted by Paul Jarvie (Employment Relations and Safety Manager for the EMA). This proved a very cost effective method of training over 400 attendees from across the region. The total cost was \$11,680 (excl. GST), which was shared equally across all 12 councils (only \$973.28 per council).

Further shared health and safety training initiatives are planned in 2016/17.

Shared Insurance and Risk Management Forum

On 17 February 2016, Waikato LASS, BOPLASS and Aon (our insurance brokers) organised a seminar in Hamilton to discuss natural hazard risks, the importance of getting insurance valuations right, an update from Treasury about the government's plans regarding the 60:40 split for natural disaster recovery, cyber crime, and insurance solutions to the new Health & Safety legislation, amongst other topics. Representatives from Lloyds of London were also present. Staff from across the Waikato and Bay of Plenty councils attended.

OTHER ACTIVITIES

Mayoral Forum

WLASS continued to provide administrative and financial support to the Mayoral Forum during 2015/16. A new Mayoral Forum website and logo was developed and implemented during the year.

New Activities

During the year, considerable time and effort has been spent on planning the transition of RATA, the Waikato Building Group, and Future Proof into WLASS, effective from 1 July 2016. This has involved assisting with preparing the business cases, developing the relevant contractual documentation, and planning how the budgets will be transferred and managed. Everything is on track for a smooth transition from 1 July.

New Company Name and Logo

Local Authority Shared Services Ltd. (LASS) was incorporated in 2005. At the time, it was the first shared services CCO to be established in New Zealand. Since then, a number of other shared services have been established, each branded with the name of their region (e.g. BOPLASS, MWLASS). It has become unclear where the home of "LASS" actually is.

Therefore, in April 2016, the name of the company was formally changed to "Waikato Local Authority Shared Services Ltd.", commonly referred to as "Waikato LASS". A new logo has been developed to complement the new name.

LASS Financial Position

Expenditure for the LASS has been assessed on the basis of the direct cost of management and the Directors' governance role.

The LASS administration costs for this period were \$189,116 against a budget of \$233,736.

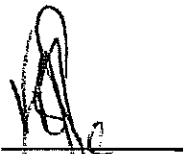
The combined LASS, SVDS, WRTM, procurement and shared service investigations service costs are shown in the financial statements.

Directors

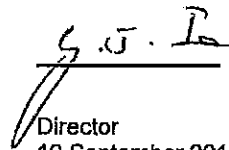
The Directors appointed for the period that this annual report covers were:

Director	Position	Director Appointed By
Gavin Ion(Chair)	Chief Executive Waikato District Council	Waikato District Council
Langley Cavers	Chief Executive Hauraki District Council	Hauraki District Council
Geoff Williams	Chief Executive Rotorua District Council	Rotorua District Council
Chris Ryan	CEO Waitomo District Council	Waitomo District Councils
Vaughan Payne	Chief Executive Waikato Regional Council	Waikato Regional Council
Richard Briggs	Chief Executive Hamilton City Council	Hamilton City Council
Dave Clibbery	Chief Executive Otorohanga District Council	Otorohanga District Council
Rob Williams	Chief Executive Thames-Coromandel District Council	Thames-Coromandel District Council
Don McLeod	Chief Executive Matamata-Piako District Council	Matamata-Piako District Council
Craig Hobbs	Chief Executive South Waikato District Council	South Waikato District Council
Gareth Green	Chief Executive Taupo District Council	Taupo District Council
Garry Dyet	Chief Executive Waipa District Council	Waipa District Council

For and on behalf of the Board.



Director
19 September 2016



Director
19 September 2016



Independent Auditor's Report

To the readers of Waikato Local Authority Shared Services Limited's financial statements and performance information for the year ended 30 June 2016

The Auditor-General is the auditor of Waikato Local Authority Shared Services Limited (the company). The Auditor-General has appointed me, Clarence Susan, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the company on her behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the company on pages 17 to 33, that comprise the statement of financial position as at 30 June 2016, the statement of comprehensive revenue and expense, statement of changes in equity and cash flow statement for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 5 to 8.

In our opinion:

- the financial statements of the company:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2016; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity International Public Sector Accounting Standards.
- the performance information of the company presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2016.

Our audit was completed on 19 September 2016. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and the performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and the performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and in the performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company's financial statements and performance information in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the appropriateness of the reported performance information within the company's framework for reporting performance;
- the adequacy of the disclosures in the financial statements and in the performance information; and
- the overall presentation of the financial statements and the performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the performance information.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and fair presentation of financial statements for the company that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparation of the performance information for the company.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

The Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements and the performance information, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the performance information and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in the company.



Clarence Susan
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand

Directory

Company Number	1730380
Registered office	Waikato District Council 15 Galileo Street Ngaruawahia
Directors	CAVERS, Langley David CLIBBERY, Dave DYET, Garry WILLIAMS, Geoff HOBBS, Craig GREEN, Gareth BRIGGS, Richard ION, Gavin John PAYNE, Vaughan MCLEOD, Don RYAN, Chris WILLIAMS, Rob
Bankers	Bank of New Zealand Hamilton Banking Centre Victoria Street Hamilton
Auditors	Audit New Zealand on behalf of the Auditor-General

Waikato Local Authority Shared Services Limited
Statement of comprehensive revenue and expense
For the year ended 30 June 2016

Statement of comprehensive revenue and expense

For the year ended 30 June 2016

	Note	Actual 2016 \$	Budget 2016 \$	Actual 2015 \$
Revenue				
SVDS Data Sales		223,669	192,000	191,426
Interest		11,529	2,000	16,612
Other revenue	4	<u>2,275,607</u>	<u>2,137,715</u>	<u>1,903,335</u>
Total revenue		<u>2,510,805</u>	<u>2,331,715</u>	<u>2,111,373</u>
Expenditure				
Depreciation and amortisation expense	9	419,507	437,992	419,529
Other expenses	5	<u>2,452,014</u>	<u>2,379,611</u>	<u>2,201,144</u>
Total operating expenditure		<u>2,871,521</u>	<u>2,817,603</u>	<u>2,620,673</u>
Operating surplus/(deficit) before tax and share of equity accounted investments		<u>(360,716)</u>	<u>(485,888)</u>	<u>(509,300)</u>
Surplus/(deficit) before tax		(360,716)	(485,888)	(509,300)
Income tax expense	6	-	-	-
Surplus/(deficit) after tax		<u>(360,716)</u>	<u>(485,888)</u>	<u>(509,300)</u>
Total other comprehensive income		-	-	-
Total comprehensive income		<u>(360,716)</u>	<u>(485,888)</u>	<u>(509,300)</u>
Surplus is attributable to:				

The accompanying notes form part of these financial statements
Explanations of major variances against budget are provided in note 18

Waikato Local Authority Shared Services Limited
Statement of changes in equity
For the year ended 30 June 2016

Statement of changes in equity

For the year ended 30 June 2016

	Actual 2016 \$	Budget 2016 \$	Actual 2015 \$
Note			
Balance at 1 July	1,032,008	1,111,459	1,541,308
Total comprehensive revenue and expense previously reported	<u>(360,716)</u>	<u>(485,888)</u>	<u>(509,300)</u>
Balance at 30 June	<u>671,293</u>	<u>625,571</u>	<u>1,032,008</u>
Total comprehensive revenue and expense attributable to:			
Equity holders of Local Authority Shared Services Limited	671,293	625,571	1,032,008
Non-controlling interest	-	-	-
Total comprehensive revenue and expense	<u>671,293</u>	<u>625,571</u>	<u>1,032,008</u>

The accompanying notes form part of these financial statements
Explanations of major variances against budget are provided in note 18

Waikato Local Authority Shared Services Limited
Statement of financial position
As at 30 June 2016

Statement of Financial Position

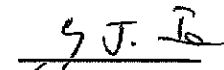
As at 30 June 2016

	Note	Actual 2016 \$	Budget 2016 \$	Actual 2015 \$
ASSETS				
Current assets				
Cash and cash equivalents	7	682,673	398,831	693,617
Exchange trade and other receivables	8	370,003	-	792,473
Non-exchange trade and other receivables	8	66,064	-	15,375
Prepayments		<u>148,820</u>	<u>2,990</u>	<u>149,413</u>
Total current assets		<u>1,267,560</u>	<u>401,821</u>	<u>1,650,878</u>
Non-current assets				
Intangible assets	9	<u>491,494</u>	<u>484,886</u>	911,001
Total non-current assets		<u>491,494</u>	<u>484,886</u>	<u>911,001</u>
Total assets		<u>1,759,054</u>	<u>886,707</u>	<u>2,561,879</u>
LIABILITIES				
Current liabilities				
Payables and deferred revenue	10	<u>1,087,761</u>	<u>244,030</u>	<u>1,529,871</u>
Total current liabilities		<u>1,087,761</u>	<u>244,030</u>	<u>1,529,871</u>
Non-current liabilities				
Total non-current liabilities		<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities		<u>1,087,761</u>	<u>244,030</u>	<u>1,529,871</u>
Net assets		<u>671,293</u>	<u>642,677</u>	<u>1,032,008</u>
EQUITY				
Contributed equity	11	2,957,001	2,957,001	2,957,001
Retained earnings	11	<u>(2,285,708)</u>	<u>(2,331,430)</u>	<u>(1,924,993)</u>
		671,293	625,571	1,032,008
Total equity		<u>671,293</u>	<u>625,571</u>	<u>1,032,008</u>

These financial statements have been authorised for issue by the Board of Directors on 19 September 2016



Director
19 September 2016



Director
19 September 2016

The accompanying notes form part of these financial statements
Explanations of major variances against budget are provided in note 18



Waikato Local Authority Shared Services Limited
Cash flow statement
For the year ended 30 June 2016

Cash flow statement

For the year ended 30 June 2016

	Actual 2016 \$	Budget 2016 \$	Actual 2015 \$
Cash flows from operating activities			
Interest Received	11,593	2,000	16,538
Receipts from other revenue	2,461,848	2,493,568	2,280,922
Payments to suppliers and employees	(2,430,722)	(2,337,965)	(2,101,635)
Income tax received / (paid)	1,170	(560)	5,330
Goods and services tax (net)	(54,835)	(20,629)	59,305
Net cash flow from operating activities	<u>(10,944)</u>	<u>136,414</u>	<u>260,460</u>
Purchase of intangible assets	-	-	(9,441)
Net cash flow from investing activities	<u>-</u>	<u>-</u>	<u>(9,441)</u>
Net (decrease)/increase in cash, cash equivalents, and bank overdrafts	(10,944)	136,414	251,019
Cash, cash equivalents, and bank overdrafts at the beginning of the year	<u>693,617</u>	<u>-</u>	<u>442,598</u>
Cash, cash equivalents, and bank overdrafts at the end of the year	<u>7</u> <u>682,673</u>	<u>136,414</u>	<u>693,617</u>

The accompanying notes form part of these financial statements
Explanations of major variances against budget are provided in note 18

1 Statement of accounting policies for the year ended 30 June 2016

1.1 Reporting entity

Waikato Local Authority Shared Services Limited ("the Company") is a Company incorporated in New Zealand under the Companies Act 1993 and is domiciled in New Zealand. The Company is controlled by the councils listed on the directory page of these accounts. Local Authority Shared Services Ltd is a Council Controlled Organisation as defined under section 6 of the Local Government Act 2002, by virtue of each of the shareholding Council's right to appoint the Board of Directors.

The primary objective of the Company is to provide the Waikato region local authorities with a vehicle to develop shared services that demonstrate a benefit to the ratepayers and provide those services to local authorities.

The Company has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The financial statements of the Company are for the year ended 30 June 2016. The financial statements were authorised for issue by the Board of Directors on the 19 September 2016.

2 Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of Compliance

The financial statements of the Company have been prepared in accordance with the requirements of the LGA, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The financial statements have been prepared in accordance with Tier 2 PBE accounting standards.

LASS is eligible to report in accordance with the Tier 2 PBE accounting standards as it:

- is not publicly accountable;
- has expenses more than \$2 million, but less than \$30 million.

These financial statements comply with PBE standards.

These financial statements are the second financial statements presented in accordance with the new PBE accounting standards.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Measurement base

The financial statements have been prepared on a historical cost basis.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar unless otherwise stated. The functional currency of the Company is New Zealand dollars.

Budget figures

The budget figures are those approved by the Board of Directors in the 2015/16 Statement of Intent. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Company in preparing the financial statements.

2.2 Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, excluding Goods and Services Tax, rebates and discounts and after eliminating sales within the Company. No provisions have been recorded as all revenue and trade receivables are expected to be received.

2 Summary of significant accounting policies (continued)

(i) Other revenue

User charges for the SVDS and WRTM asset are recognised when invoiced to the user, ie. councils. The recorded revenue is the net amount of the member charges payable for the transaction. Contributions to Waikato Mayoral Forum projects are recognised as revenue when the Company provides, or is able to provide, the service for which the contribution was charged. Otherwise, contributions are recognised as liabilities until such time as the Company provides, or is able to provide, the service.

2.3 Income tax

Income tax expense includes components relating to both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in statement of financial position and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive revenue and expense or directly in equity.

2.4 Goods and services tax

All items in the financial statements are stated exclusive of goods and services tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the cash flow statement.

Commitments and contingencies are disclosed exclusive of GST.

2.5 Impairment of intangible assets

Intangible assets subsequently measured at cost that have an finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

2 Summary of significant accounting policies (continued)

Value in use for non-cash generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

2.6 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.7 Receivables

Receivables are recorded at their face value, less any provisions for impairment.

2.8 Intangible assets

(i) Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software are recognised as an intangible asset.

Costs associated with maintaining computer software are recognised as an expense when incurred.

(ii) Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is unrecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer Software	5 to 7 years	14 to 20%
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2.9 Payables

Short-term creditors and other payables are recorded at their face value.

2.10 Other financial assets

Investments in bank deposits are initially measured at fair value plus transaction costs.

After initial recognition investments in bank deposits are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or unrecognised are recognised in the income statement.

At each balance sheet date the Company assesses whether there is any objective evidence that an investment is impaired. Any impairment losses are recognised in the income statement.

2.11 Equity

Equity is the shareholders interest in LASS and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

Contributed capital

Contributed capital is the net asset and liability position at the time the Company was formed. The allocation of capital amongst shareholders is explained in note 11.

Accumulated funds

2 Summary of significant accounting policies (continued)

Accumulated funds is the Company's accumulated surplus or deficit since formation.

LASS's objectives, policies and processes for managing capital are explained in note 17

3 Critical accounting estimates and assumptions

In preparing the financial statements the Company has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year have been included below.

Intangible asset useful lives and residual values

At each balance date the Company reviews the useful lives and residual values of its intangible assets. Assessing the appropriateness of useful life and residual value estimates of intangible assets requires the Company to consider a number of factors such as the expected period of use of the asset by the Company, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact on the amortisation amount of an asset, therefore impacting on the amortisation expense recognised in the income statement, and carrying amount of the asset in balance sheet. The Company minimises the risk of this estimation uncertainty by reviewing that the asset technology is still relevant and there is no alternative options to recreate the asset at a lower price.

4 Other revenue

	Actual 2016 \$	Actual 2015 \$
<u>Non-exchange revenue</u>		
User Charges	525,066	636,558
Other	<u>169,550</u>	<u>87,146</u>
Total non-exchange revenue	<u>694,616</u>	<u>723,704</u>
 <u>Exchange revenue</u>		
Health and Safety	11,679	-
IT Initiatives - GIS Shared Data Portal	22,334	-
Other	11,724	3,390
Insurance Brokerage Fee	147,500	147,500
ValueFinancials Fee	35,866	36,894
GSB Membership Fee	18,000	18,000
Waikato Mayoral Forum Funding	1,154,802	895,567
Infometrics Fee Recovery	62,400	70,400
Debt Management Solutions Recovery	-	7,880
Historical Aerial Photos Recovery	77,001	-
Energy Management Recovery	<u>39,685</u>	-
Total exchange revenue	<u>1,580,991</u>	<u>1,179,631</u>
Total other revenue	<u>2,275,607</u>	<u>1,903,335</u>

5 Other expenses

	Actual 2016 \$	Actual 2015 \$
Other fees to auditors	-	-
Audit fees for financial statement audit (current year)	15,348	15,145
Waikato Mayoral Forum Funding	1,166,735	895,567

5 Other expenses (continued)

	Actual 2016 \$	Actual 2015 \$
Insurance Brokerage Fee	147,500	147,500
ValueFinancials Fee	35,866	36,894
GSB Membership Fee	18,000	18,000
Infometrics Fee	62,400	70,400
Debt Management Solutions Fee	-	7,880
ISSP Expenses	-	947
Professional Services Panel Expenses	-	2,767
Other operating expenses	<u>1,006,165</u>	<u>1,006,044</u>
Total rental expense relating to operating leases	<u>2,452,014</u>	<u>2,201,144</u>

6 Income tax

	Actual 2016 \$	Actual 2015 \$
Components of income tax expense:		
Current tax expense	-	-
Adjustments to current tax in prior years	-	-
Deferred tax expense	-	-
Tax expense	<u>-</u>	<u>-</u>
 Relationship between tax expense and accounting profit:		
Net surplus (deficit) before tax	(360,716)	(509,300)
Tax at 28%	101,000	(142,604)
Plus (less) tax effect of:		
Non-deductible expenditure	-	-
Other timing adjustments	109,059	104,971
Non-taxable income	-	-
Prior year adjustment	-	-
Group loss offset	-	-
Deferred tax adjustment	(105,537)	(105,048)
Tax losses not recognised	<u>(104,522)</u>	<u>142,681</u>
Tax expense	<u>-</u>	<u>-</u>

Deferred tax asset (liability)

	Intangible assets \$	Other provisions \$	Tax losses \$	Total \$
Balance at 1 July 2014	(346,636)	-	346,636	-
Charged to surplus or deficit	105,048	-	(105,048)	-
Charged to other comprehensive income	-	-	-	-
Balance at 30 June 2015	<u>(241,588)</u>	<u>-</u>	<u>241,588</u>	<u>-</u>
	\$	\$	\$	\$
Balance at 1 July 2015	(241,588)	-	241,588	-
Charged to surplus or deficit	105,537	-	(105,537)	-
Charged to other comprehensive income	-	-	-	-
Balance at 30 June 2016	<u>(136,051)</u>	<u>-</u>	<u>136,051</u>	<u>-</u>

A deferred tax asset of \$680,324 (2015: \$589,617) has not been recognised in relation to tax losses carried forward of \$2,492,728 (2015: \$2,105,776).

7 Cash and cash equivalents

	2016	2015
	\$	\$
Cash at bank and in hand	637,271	649,221
Short term deposits maturing three months or less from date of acquisitions	<u>45,402</u>	<u>44,396</u>
Total cash and cash equivalents	<u>682,673</u>	<u>693,617</u>
Net Cash and Cash Equivalents and bank overdrafts for the purposes of the Statement of Cashflows	<u>682,673</u>	<u>693,617</u>

The carrying value of cash at bank and short-term deposits with maturities less than three months approximates their fair value.

8 Receivables

	2016	2015
	\$	\$
Gross trade and other receivables	61,821	69,934
Related Party Receivables (note 14)	337,490	733,757
Accrued interest on Short Term Deposits and Call Accounts	281	345
IRD - RWT Tax Paid	2,642	3,812
GST Refund Due	<u>33,833</u>	<u>-</u>
Total debtors and other receivables	<u>436,067</u>	<u>807,848</u>
Exchange		
Receivables from exchange transactions	370,003	792,473
Non-exchange		
Receivables from non-exchange transactions	<u>66,064</u>	<u>15,375</u>
Total debtors and other receivables	<u>436,067</u>	<u>807,848</u>

9 Intangible assets

	2016	2015
	\$	\$
Computer Software		
Balance at 1 July	5,363,366	5,353,925
Additions	-	9,441
Disposals	<u>-</u>	<u>-</u>
Balance at 30 June	<u>5,363,366</u>	<u>5,363,366</u>
Accumulated amortisation and impairment losses		
Balance at 1 July	4,452,365	4,032,836
Amortisation expenses	(419,507)	(419,529)
Disposals	<u>-</u>	<u>-</u>
Impairment losses	<u>-</u>	<u>-</u>
Balance at 30 June	<u>4,871,872</u>	<u>4,452,365</u>
Carrying Amounts		
Balance at 1 July	911,001	1,321,089
Balance at 30 June	491,494	911,001

Significant intangible assets include the Shared Value Data Services (SVDS) computer software, and the Waikato Regional Transport Model (WRTM) computer software. The carrying amount of the SVDS asset as at 30 June 2016 is \$260,626. The original build cost of the SVDS asset has now been fully amortised, and there is currently 3 years remaining enhancements in the useful life of the asset. The carrying amount of the WRTM asset as at 30 June 2016 is \$218,748 and there is currently 3 year remaining in the useful life of the asset.

9 Intangible assets (continued)

The Board of Directors consider that there is no impairment of assets as at 30 June 2016. Accordingly no impairment adjustments are needed.

10 Payables and deferred revenue

	2016 \$	2015 \$
Current		
Trade payables and accrued expenses	482,003	489,381
Related party payables (note 14)	75,992	47,915
Deferred revenue	529,766	971,573
GST payable	-	21,002
Total creditors and other payables	<u>1,087,761</u>	<u>1,529,871</u>
Exchange		
Trade payables	539,595	492,202
Accrued expenses	18,400	45,094
Total creditors and other payables from exchange transactions	<u>557,995</u>	<u>537,296</u>
Non-exchange		
Deferred revenue	529,766	971,573
GST payable	-	21,002
Total creditors and other payables from non-exchange transactions	<u>529,766</u>	<u>992,575</u>
Total current creditors and other payables from exchange and non-exchange transactions	<u>1,087,761</u>	<u>1,529,871</u>

Trade and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payable approximates their fair value.

Councils were invoiced for their portion of contribution towards the Waikato Mayoral Forum projects in advance.

11 Reconciliation of equity

	2016 \$	2015 \$
Total equity		
Contributed equity	2,957,001	2,957,001
Opening retained earnings	<u>(2,285,708)</u>	<u>(1,924,993)</u>
Balance at 30 June 2016	<u>671,293</u>	<u>1,032,008</u>
(a) Contributed equity		
Shares on Issue	3,413,569	3,413,569
Uncalled capital	<u>(456,568)</u>	<u>(456,568)</u>
Balance 30 June	<u>2,957,001</u>	<u>2,957,001</u>
Balance at 1 July	2,957,001	2,957,001
Shares Issued	-	-
Balance 30 June	<u>2,957,001</u>	<u>2,957,001</u>
Retained Surpluses		
Balance at 1 July	(1,924,992)	(1,415,693)
Surplus/(deficit) for the year	<u>(360,716)</u>	<u>(509,300)</u>
Balance 30 June	<u>(2,285,708)</u>	<u>(1,924,993)</u>

11 Reconciliation of equity (continued)

The Company has issued 2,186,581 (2015 - 2,186,581) shares. The SVDS shares have been fully called and paid for at \$1.00 per share. The WRTM shares have been fully called and paid for at \$10.00 per share. The table below details the different types of shares and their value per share.

Shares are called when notice is given to shareholders by the Board of Directors.

Income	Ordinary Shares	SVDS Shares	WRAPS Shares	WRTM Shares
Hamilton City Council	1	220,514	79,152	50,625
Hauraki District Council	1	40,215	2,864	-
Matamata Piako District Council	1	56,380	4,708	4,500
Otorohanga District Council	1	-	5,716	-
Rotorua Lakes Council	1	126,703	7,516	-
South Waikato District Council	1	42,571	4,916	-
Taupo District Council	1	-	21,652	4,500
Thames Coromandel District Council	1	108,015	6,476	2,250
Waikato District Council	1	106,674	9,376	11,250
Waikato Regional Council	1	803,500	287,872	50,625
Waipa District Council	1	78,748	3,780	11,250
Waitomo District Council	1	23,681	10,540	-
	12	1,607,001	444,568	135,000
	1,000	1	1	10
	12,000	1,607,001	444,568	1,350,000
	(12,000)	-	(444,568)	-
	-	1,607,001	-	1,350,000

General Rights of Ordinary, SVDS, and WRAPS Shares

The rights conferred by section 36(1) of the Companies Act 1993 on holders of shares in the Company are altered as set out below:

- For Ordinary, SVDS and WRAPS shares the holders are entitled to participate in certain services to be provided by the Company, in terms that reflect their investment.
- Service shares (SVDS and WRAPS) do not have any right to share in the distribution of the surplus assets of the Company except to the extent provided for in Schedule 1 of the Company's constitution or in accordance with the terms of issue of those shares pursuant to Clause 6 of the Company's constitution.
- Except as provided in section 177 of the Act and Clause 6.1 of the Company's constitution, no class of service shares shall have any voting rights.

General Rights of WRTM shares

The following rights and obligations are hereby conferred on each WRTM shareholder:

- A right to one vote prior to further WRTM service shares being issued.
- A right to one vote on the application of any surpluses arising from the WRTM service (after NZTA have been allocated 40 per cent [or a portion based on NZTA's proportion of the total cost at the time] of any surpluses.)
- The right to receive monetary benefits that the Company generates through the sale of outputs of the WRTM service in proportion to the apportionment of the development costs as at that time after 40 per cent (or a portion based on NZTA's proportion of the development cost at the time) of the monetary benefits have been allocated to NZTA.
- No right to share in the distribution of the surplus assets of the Company except to the extent provided for in (c) above.
- No right to share in dividends authorised by the Company except to the extent provided for in (c) above.

12 Commitments

	2016	2015
	\$	\$
Non-cancellable operating leases as lessee		
Not later than one year	416,897	416,897
Later than one year but not later than five years	<u>612,500</u>	<u>962,500</u>
Total non-cancellable operating leases	<u>1,029,397</u>	<u>1,379,397</u>

13 Contingencies

As at 30 June 2016 the Company had no contingent liabilities or assets (2015 - \$0)

14 Related party transactions

The Company is controlled by the councils listed on the directory page.

Transactions with key management personnel

Key management personnel include the Chief Executive and directors. Directors receive no remuneration. Expenditure paid to the Chief Executive was for the provision of Chief Executive services.

	2016	2015
	\$	\$
Dial New Zealand Ltd - Acting LASS Chief Executive	-	33,075
Jowett Consulting - LASS Chief Executive	<u>119,791</u>	<u>105,170</u>
Total key management personnel compensation	<u>119,791</u>	<u>138,245</u>

Related party disclosures have been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances.

Related parties have been limited to the directors, shareholders and company related roles. The following transactions were carried out with related parties:

	Actual 2016	Actual 2015
	\$	\$
Income		
Hamilton City Council	243,641	351,198
Hauraki District Council	88,926	82,319
Matamata Piako District Council	97,920	152,349
Otorohanga District Council	110,424	94,618
Rotorua Lakes Council	68,574	30,924
South Waikato District Council	78,995	94,351
Taupo District Council	62,977	72,256
Thames Coromandel District Council	139,426	108,469
Waikato District Council	180,736	279,380
Waikato Regional Council	302,304	487,660
Waipa District Council	148,839	474,455
Waitomo District Council	<u>92,874</u>	<u>84,500</u>
	<u>1,615,637</u>	<u>2,312,477</u>

14 Related party transactions (continued)

Revenue is related to user charges, Mayoral Forum funding, joint procurement, and shared services investigation funding.

	Actual 2016 \$	Actual 2015 \$
Expenses		
Hamilton City Council	808	3,230
South Waikato District Council	1,360	6,126
Waipa District Council	151,980	132,673
Waikato District Council	5,061	4,421
Waikato Regional Council - Services Provided	<u>28,278</u>	<u>61,848</u>
	<u>187,487</u>	<u>208,299</u>

Expenses are related to services provided by the related parties.

The figures above exclude invoices of \$934 from Waikato Regional Council, \$253 from Waikato District Council and \$13,104 from Hamilton City Council that relate to bills paid on behalf of LASS (2015 - \$4,541).

	Actual 2016 \$	Actual 2015 \$
Balance Sheet		
<i>Trade & Other Receivables</i>		
Hamilton City Council	102,380	105,096
Hauraki District Council	10,367	25,538
Matamata Piako District Council	5,738	79,618
Otorohanga District Council	55,997	52,946
Rotorua Lakes Council	1,718	-
South Waikato District Council	1,819	22,872
Taupo District Council	2,655	42,163
Thames Coromandel District Council	29,751	21,654
Waikato District Council	44,920	98,885
Waikato Regional Council	26,959	137,818
Waipa District Council	28,944	112,295
Waitomo District Council	<u>26,241</u>	<u>34,872</u>
	<u>337,490</u>	<u>733,757</u>
<i>Trade & Other Payables</i>		
Jowett Consulting - LASS Chief Executive	16,493	8,521
South Waikato District Council	-	70
Waikato District Council	1,428	920
Waikato Regional Council	9,615	2,073
Waipa District Council	<u>48,457</u>	<u>36,331</u>
	<u>75,992</u>	<u>47,915</u>

15 Director and executive disclosures

No Directors fees were paid to directors during the year. Directors are not directly remunerated by Local Authority Shared Services. (2015 - \$0)

16 Events occurring after the balance date

There have been no events after balance date.

17 Financial instruments

The Company has policies to manage the risks associated with financial instruments. The Company is risk averse and seeks to minimise exposure from its treasury activities.

(a) Financial instrument categories

	2016	2015
	\$	\$
FINANCIAL ASSETS		
Loans and receivables		
Cash and cash equivalents	682,673	693,617
Debtors and other receivables	<u>436,067</u>	<u>807,848</u>
Total loans and receivables	<u>1,118,740</u>	<u>1,501,465</u>
 FINANCIAL LIABILITIES		
Financial liabilities at amortised cost		
Creditors and other payables	<u>557,995</u>	<u>1,529,871</u>
Total financial liabilities at amortised cost	<u>557,995</u>	<u>1,529,871</u>

(b) Market risk

The interest rates on the Company's investments would be disclosed in the notes, but at present there are none.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to fair value interest rate risk is limited to short-term bank deposits.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose the Company to cashflow interest rate risk.

The Company currently has no variable interest rate debt or investments.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not exposed to currency risk, as it does not enter into foreign currency transactions.

(c) Credit risk

Credit risk is the risk that a third party will default on its obligation to the Company, causing the Company to incur a loss.

Due to the timing of its cash inflows and outflows, the Company invests surplus cash with registered banks.

The Company has processes in place to review the credit quality of customers prior to the granting of credit.

The Company's maximum credit exposure for each class of financial instruments is represented by the total carrying amount of cash equivalents (note 7), investments (nil this year), and trade receivables (note 8). There is no collateral held as security against these financial instruments, including these instruments that are overdue or impaired.

The Company has no significant concentrations of credit risk, as it has a large number of credit customers and only invests funds with registered banks with specified credit ratings.

(d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty raising funds to meet commitments as they fall due.

Prudent liquidity risk management implies maintaining sufficient cash and liquid assets, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company aims to maintain flexibility in funding by keeping committed credit lines available.

17 Financial instruments (continued)

(d) Liquidity risk (continued)

In meeting its liquidity requirements, the Company maintains a target level of investments that must mature within specified timeframes.

The maturity profiles of the Company's interest bearing investments and borrowings would be disclosed in the notes, if the Company had any.

18 Explanation of major variances against budget

Explanations for major variations from the Company's budget figures in the statement of intent to 30 June 2016 are as follows:

Statement of comprehensive revenue and expense

SVDS Data Sales are higher than budgeted due additional sales data.

Interest received is higher due to a higher than budgeted cash surplus throughout the year, primarily related to revenue which was received in advance for the Waikato Mayoral Forum activities.

Other revenue is higher than budgeted primarily due to higher expenditure on Waikato Mayoral Forum projects being recognised as revenue, and transferred from deferred income.

Depreciation is lower due to no enhancements work done on the SVDS asset.

Other Expenses are higher than budgeted due to expenditure being incurred primarily on the Spatial Plan and Roding Waikato Mayoral Forum projects, that was unquantifiable at the time of the budgeting process.

Statement of Changes in Equity

The items as noted above have meant that the Company has made a loss of \$360,716 against a budgeted loss of \$485,888.

Statement of Financial Position

Cash and cash equivalents are higher than budget due to additional funds being held for the payments of the Waikato Mayoral Forum projects which are paid as they are due.

Trade and other receivables are higher than budget due to the timing of invoicing for the final Mayoral Forum contributions for the year.

Trade and other payables are higher than budget due to the timing of payment costs due for Waikato Mayoral Forum projects, ValueFinancials.

Deferred income was unbudgeted due to the unknown contributions from Waikato Mayoral Forum projects that are still to be expensed.

Statement of Cash Flows

Both receipts from other revenue, and payments to suppliers are higher than budgeted due to unbudgeted costs for Waikato Mayoral Forum projects that were unquantifiable at the time the budget was set.

Purchase of Intangible Assets are lower than budget due to no SVDS enhancement expenditure.

19 Adjustments to the Comparative Year Financial Statements

No adjustments have been made to the comparative year financial statements.

