



**Financial statements  
for the year ended 30 June 2018**

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## Annual Directors' Report to Shareholders

Local Authority Shared Services Limited (LASS) 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 (WLASS), to distinguish it from other local authority shared services companies around New Zealand.

This annual report covers the period 1 July 2017 to 30 June 2018.

### Chair and CEO report

It has been an exciting year for WLASS with significant achievements being made across the company's workstreams.

The aligned resource consenting project was largely completed. The project makes business in the Waikato region easier by aligning resource consent process documentation so that the consent process is more efficient and user friendly. The toolkit for users is now live.

In collaboration with the Energy Efficiency Conservation Authority (EECA), WLASS has facilitated the implementation of energy management best practice in the Councils. Now in its second year the programme has continued to deliver savings to Councils.

The business case to develop a Waikato Data Portal was approved. The portal will provide a single location for customers to access spatial and non-spatial data held by Councils in the region and is the first phase in a programme of work that moves toward a centralised Geographic Information Systems platform that is managed by one regional team.

Regional Infrastructure Technical Specifications (RITS) were established. RITS set out the specifications and standards to be applied to the design and construction of transportation, water supply, wastewater, stormwater and landscaping infrastructure. Contractors now have certainty about the products they can use and the standards they must meet, regardless of council boundaries, and this will facilitate the consenting process.

A working group was established to identify opportunities for regional collaboration on digital initiatives with the focus being on improving customer experiences, improving transactional processes and providing value for money. Employing additional resource to develop a digital strategy roadmap and deliver on initiatives will be a key part of the WLASS Transformation project.

The WLASS Transformation project follows a report commissioned by the Board to look at the strategic direction of WLASS. The project sees the transformation of WLASS into a service delivery agent. When implemented, WLASS's operating model will fundamentally change, with inhouse capacity and capability to deliver services to Councils.

Financially, WLASS remains in a strong position with cash reserves on hand to fund the workstreams currently underway and meet the cost of the transformation.

Finally, Sally Davis stepped down as CEO in April having served WLASS for the past four years. We extend our sincere thanks to Sally for steering the company through a period that has seen many new initiatives developed and WLASS create real value for its shareholding Councils. Those achievements have been set out in the WLASS Collaboration in Action document updated this year.



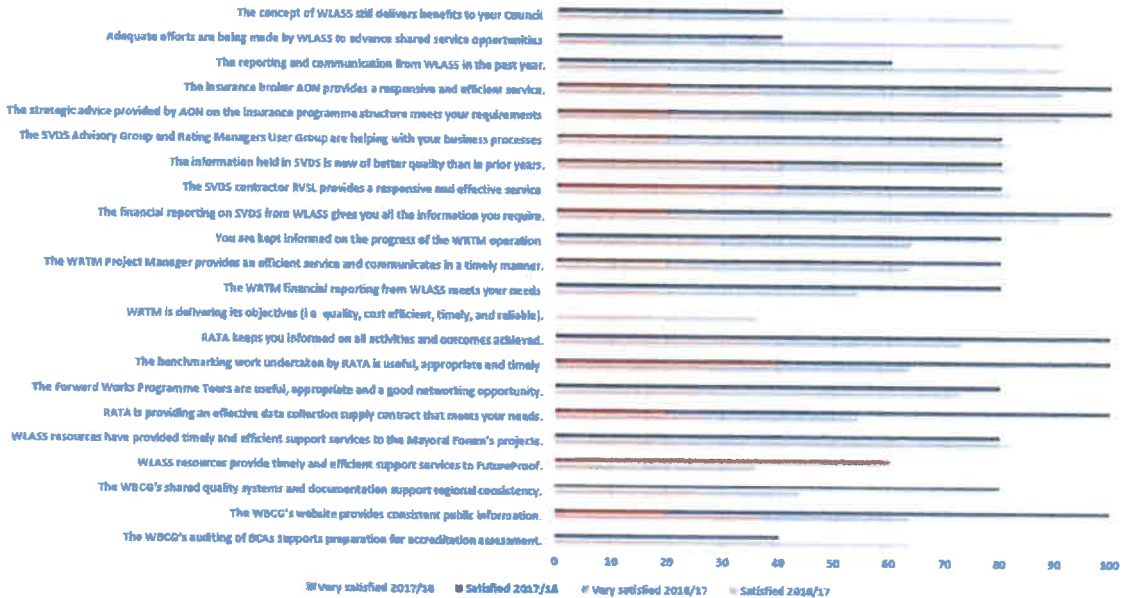
Gavin Ion  
Chairperson  
28 September 2018



Kelvin French  
Chief Executive  
28 September 2018

Annual Shareholder Survey  
 For the year 2017/18  
 Survey Results

The figures below are inclusive of both 'very satisfied' and 'satisfied' results.  
 5 councils are represented in the 2017/18 results, while 11 councils are represented in the 2016/17 results.







**WCLASS Objectives**

The objectives of WCLASS are to:






- enable the Waikato councils to collectively be more effective as a region on the national stage;
- contribute to building central government's confidence in the Waikato region, and to encourage central government investment;
- achieve effectiveness and efficiency gains;
- reduce duplication of effort and eliminate waste through repetition;
- make it easier for customers to engage with councils in the Waikato region;
- promote business transformation to improve customers' experiences.

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| TARGET  | METHOD  | MEASURE   | OUTCOME  |   |
|---|---|---|--|---|
| <b>PROCUREMENT</b><br><br>Joint procurement initiatives for goods and services for WLASS councils will be investigated and implemented.   | Procurement is from sources offering best value, service, continuity of supply, and/or opportunities for integration. | Implement the recommendations of the Procurement review, as approved by the Board.  | <b>Achieved</b><br><br>In line with the recommendations:<br>- a procurement specialist has been engaged to assist Councils; and<br>- work has commenced on developing a standard procurement framework, policies, templates and supporting tools which will be applied across Councils.  |    |
|   |   | New suppliers are awarded contracts through a competitive tender process.   | <b>Achieved</b><br><br>New shared service contracts were procured following competitive tender processes for On-line Driver Assessment and Training Services and Occupational Health Services, and Vehicle Fleet Management and Maintenance (where WLASS agreed to exercise the contract right of renewal).  |    |
| <b>COLLABORATIVE PROJECTS</b><br><br>Priorities for collaboration are identified, business cases are developed for the highest priority projects, and the projects are implemented. | The focus is on shared services which will benefit all councils.  | A minimum of three priority projects for collaboration are identified per annum.<br><br>If considered of value, business cases are developed for approval by the Board, and the projects are implemented. | <b>Achieved</b><br><br>Board approved business cases to:<br>- develop the Waikato Data Portal<br>- execute the digital strategy<br>- transform WLASS into a service delivery agent<br>- establish a new platform for shared valuation data<br><br>A single suite of resource consent applications was developed.<br><br>Regional Infrastructure Technical Specifications relating to the design and construction of infrastructure assets was completed. |  |
| <b>WLASS CONTRACTS</b><br><br>Existing contracts are managed and renegotiated as required.  | Appointed vendors deliver on the terms of their contracts and deliver value to the shareholders.                      | The WLASS Contracts Register is maintained and managed.   | <b>Achieved</b><br><br>Contracts risk register is maintained.  |  |



**Waikato Local Authority Shared Services Limited**  
**Annual Directors' Report to Shareholders**  
**30 June 2018**  
(continued)

|   |  |   |   |   |
|---|--|---|---|---|
|   |  | Contracts which are due for renewal are tested for competitiveness and either renegotiated or re-tendered through a competitive process.          | Achieved<br>Throughout the period 18 contracts due for renewal were reviewed and where appropriate renegotiated prior to extension.   |    |
| <b>CASHFLOW</b><br>The company shall maintain a positive cashflow position.       | The Financial Accountant reviews cashflow monthly.   | The WLASS Board reviews the financial statements quarterly.   | Achieved<br>The cash surplus for the period was ~ \$616k, although this is largely a result of revenue being invoiced in advance.<br><br>The Board received management accounts at each Board meeting.  |    |
| <b>COST CONTROL</b><br>Administration expenditure shall be managed and monitored. | The Financial Accountant and Chief Executive review expenditure monthly.<br><br>The WLASS Board reviews the financial statements quarterly.                | Administration expenditure shall not exceed budget by more than 5%, unless prior approval is obtained from the Board.                             | Achieved<br>Company administration costs were ~ \$54k less than budgeted – 83% of the budgeted amount.<br><br>Specific line items materially greater than budget were approved by the Board in advance. |    |
| <b>REPORTING</b><br>Six monthly reports provided to Shareholders.                 | The Chief Executive prepares a written report for the WLASS Board every meeting.<br><br>One 6-monthly and one Annual Report are prepared for shareholders. | The Board shall provide a written report on the business operations and financial position of WLASS to the shareholders every six months.         | Achieved<br>Completed via Half and Full-year report prepared and circulated to shareholding Councils.   |  |
|   |  | 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. | Achieved<br>Completed as set out in this annual report.   |  |









|   |   |  |   |   |
|---|---|--|---|---|
| <p><b>WAIKATO MAYORAL FORUM</b></p> <p>The company shall provide administrative support to the Mayoral Forum work streams and to the Mayoral Forum.</p> | <p>Mayoral Forum projects shall be managed financially through the WLASS.</p>   | <p>Approved invoices for Mayoral Forum projects are paid by the 20th of the month following their receipt.</p>   | <p>Achieved</p>   |    |
| <p><b>SHARED VALUATION DATA SERVICES (SVDS)</b></p> <p>The SVDS is reliable, well maintained and available to all users.</p>                            | <p>A Contract Manager is appointed for SVDS.</p>  | <p>The SVDS is available to users at least 99% of normal working hours.</p>  | <p>Achieved</p> <p>The SVDS was available 99.84% of business hours during the year.</p>   |    |
|   | <p>The Contract Manager monitors performance of the contractors and reports quarterly to the SVDS Advisory Group.</p> | <p>All capital enhancement work is supported by a business case and approved by the SVDS Advisory Group.</p>   | <p>N/A</p> <p>There were no capital enhancements during the period.</p>   |    |
|   |   | <p>The SVDS Advisory Group meets at least 6-monthly.</p>   | <p>Achieved</p> <p>The Advisory Group had four scheduled meetings throughout the year. There was an additional meeting in April 2018 to discuss the business case for the SVDS replacement.</p> |  |
| <p><b>INSURANCE</b></p> <p>Achieve the relevant KPIs in Appendix 4 of the Insurance Brokerage contract with Aon.</p>                                    | <p>The Insurance Broker delivers on the terms of their contract and provides value to the participating councils.</p> | <p>Strategic advice provided by Aon on the insurance programme structure is assessed as satisfactory in the annual WLASS Shareholders' survey by the participating councils.</p> | <p>Achieved</p> <p>Based on the shareholders' survey undertaken in March 2018, all respondents regarded the advice as either satisfactory or very satisfactory.</p>                             |  |
|   |   | <p>The day-to-day service provided by Aon is assessed as satisfactory in the annual WLASS Shareholders' survey by the participating councils.</p>                                | <p>Achieved</p> <p>All respondents regarded the advice as either satisfactory or very satisfactory.</p>   |  |









**Waikato Local Authority Shared Services Limited**  
**Annual Directors' Report to Shareholders**  
**30 June 2018**  
(continued)







|  |  |  |  |   |
|--|--|--|--|---|
| <p><b>Road Asset Technical Accord (RATA)</b></p> <p>All stakeholders are kept informed about RATA's projects and achievements.</p> | <p>Six monthly and annual reports are provided to all stakeholders.</p>  | <p>Reports presented to WLASS Board as at 30 December and 30 June, and circulated to stakeholders.</p>                                       | <p>Achieved</p> <p>Half and full-year reporting presented to Board (half year reporting on 13 April 2018 and final report on 28 September 2018 as part of year end reporting).</p>   |    |
|  |  | <p>Reports include a summary of savings and achievements.</p>  | <p>Achieved</p> <p>Reports presented savings to Councils.</p>  |    |
|  | <p>Annual Forward Works Programme tours are completed, to provide opportunities for councils' roading staff to share their knowledge and experience.</p> | <p>All RATA councils participate in the tour.</p>  | <p>Achieved</p> <p>The tours were undertaken in August/September 2017.</p>   |    |
|  |  | <p>Report on tour outcomes prepared by 31 December each year and circulated to stakeholders.</p>   | <p>Partially achieved</p> <p>Report on outcomes completed and shared but in January 2018.</p>  |  |
|  | <p>Data collection contracts (minimum of two across the region) are managed in accordance with best practice.</p>  | <p>Contracts which are due for renewal are tested for competitiveness and either renegotiated or tendered through a competitive process.</p> | <p>Achieved</p> <p>The three RATA contracts related to High Speed Data Collection, Condition Rating Surveys and Traffic Counting awarded during the year follow tender process and contract renewals were reviewed and renegotiated. All suppliers are operating in accordance with contract requirements.</p> |  |
| <p>Sub-regional data collection contracts deliver good quality data on roading assets.</p>   | <p>Data supplied by contractors is of good quality and meets all councils' requirements.</p>   | <p>Any data issues are identified and resolved, with any incidents reported to stakeholders.</p>   | <p>Achieved</p> <p>All performance criteria met with no data issues identified.</p>  |  |



|   |  |  |  |   |
|---|--|--|--|---|
| <p><b>Waikato Regional Transportation Model (WRTM)</b></p> <p>The WRTM is reliable, well maintained and available to all users.</p>                             | <p>RATA manages the WRTM on behalf of the participating councils, and monitors the performance of the model supplier (currently Traffic Design Group).</p>                                       | <p>All modelling reports requested from the model supplier are actioned within the agreed timeframe, scope and budget.</p>   | <p><b>Achieved</b></p> <p>Stantec (previously the known as the Traffic Design Group) provide to customers under contract to WRTM all modelling reports requested. The WRTM commercial manager oversees this contract and establishes a schedule at the beginning of each financial year. Further, there are meetings held with Stantec every six weeks that review performance plus formal quarterly reporting.</p> <p>During the year 22 reports have been completed.</p> |    |
|   | <p>RATA reports quarterly to the WRTM Project Advisory Group.</p>  | <p>A report from RATA on any new developments and on the status of the model is provided to the WLASS Board at least every six months.</p>   | <p><b>Achieved</b></p> <p>Land use and low population projections included in the model.</p> <p>Half and full-year reporting presented to Board (half year reporting on 13 April 2018 and final report on 28 September 2018 as part of year end reporting).</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><b>Achieved</b></p> <p>The model has been developed in accordance with an agreed approach with the NZTA, and it has been peer reviewed by an independent traffic modelling consultant. NZTA have received the peer review and have endorsed the model.</p>  |  |
| <p><b>WAIKATO BUILDING CONSENT GROUP</b></p> <p>Provide strategic direction and actively pursue improvements in Building Control across the Waikato region.</p> | <p>Develop and maintain a quality assurance system for building consents, that meets statutory compliance and supports excellence and consistency in customer service and business practice.</p> | <p>Internal audits are completed annually for each Group member.</p>   | <p><b>Not Achieved</b></p> <p>Lack of resource has compromised the audit programme. This issue is being addressed as part of the WBCG strategy for FY19.</p>   |  |



**Waikato Local Authority Shared Services Limited**  
**Annual Directors' Report to Shareholders**  
**30 June 2018**  
(continued)

|  |   |  |   |   |
|--|---|--|---|---|
|  |   | Group members are provided with a joint quality assurance system that meets statutory compliance.  | Achieved<br>QA manual, standard documents and public information on <a href="http://www.Buildwaikato.co.nz">www.Buildwaikato.co.nz</a> has been signed off by IANZ at 6 assessments since 1 July 2017. Only minor changes required. |    |
|  |   | Report at least six monthly to the WLASS Board on the Group's activities.  | Achieved<br>Reporting to WLASS Board provided in January 2018 and September 2018 as part of the year end process.   |    |
| <b>FUTURE PROOF</b><br>All stakeholders are kept informed about Future Proof's projects and achievements.                | Six monthly and annual reports are provided to all stakeholders.  | Reports presented to WLASS Board as at 30 December and 30 June and circulated to stakeholders.   | Achieved<br>Six monthly reports presented at the December 2017 and July 2018 Board meetings   |    |
| <b>SHAREHOLDER SURVEY</b><br>Shareholders are satisfied with the performance of WLASS.                                   | An annual survey of shareholders is undertaken to assess satisfaction levels with WLASS.  | A survey of shareholders is undertaken each year, and the results are reported to all shareholders.  | In Progress<br>The survey has been completed although the response rate was low, at 42%. Results are being reported to shareholders as part of this annual report.  |  |
| <b>REVIEW OF BENEFITS</b><br>Shareholders are informed of the benefits being provided to shareholding councils by WLASS. | The benefits of WLASS (including financial and non-financial achievements) are regularly analysed and reported to shareholders. | Information on the financial and non-financial benefits being achieved by WLASS are included in the 6-monthly and Annual Report to shareholders.   | Achieved<br>Benefits are set out in the Statement of Intent.  |  |
|  |   | The "Collaboration in Action" document, which summarises the achievements of WLASS, is updated and circulated to shareholders by 31 December 2017. | Partially achieved<br>The Collaboration in Action document is complete and included on WLASS's website, with shareholding Council's being notified, although this occurred in the first half of 2018.                               |  |



## **WCLASS Achievements**

### **Regional Infrastructure Technical Specifications (RITS)**

The RITS project was completed in the current year. The document sets out how to design and construct transportation, water supply, wastewater, storm water and landscaping infrastructure in the participating councils' areas. Developers are required to provide infrastructure in subdivisions and can use the RITS as a means of complying with the conditions set by councils as part of the resource consenting process. If contractors, and their consultants and subcontractors use the RITS, the process to meet resource consent conditions will usually be quicker and therefore less costly.

### **Collaboration Agreement with the Energy Efficiency Conservation Authority (EECA)**

In February 2016, WCLASS entered into a 3-year Collaboration Agreement with EECA to promote the development, implementation and communication of energy efficiency and renewable opportunities across the Waikato councils, and for each of the councils to implement energy management best practice. Having completed the second year, participating councils have achieved savings estimated at \$150,000 per annum.

### **Road Asset Technical Accord (RATA)**

RATA provides roading asset management services to enable and facilitate effective, strategic roading investment decision-making. The NZ Transport Agency fully supports the work of RATA and considers the RATA model to be the national benchmark for best practice. Council savings as a result of RATA initiatives are estimated at over \$1.7m, through joint procurement, training support, the deferral of physical works due to better data analysis and decision-making processes, and more appropriate asset lives being used in depreciation calculations.

### **Aligned resource consent planning**

This project was largely completed this year with the documentation going live in early August. Processing resource consents is now more efficient, effective and user friendly, and makes business in the Waikato easier by:

- delivering better services to customers;
- creating more efficient and effective 'best practice' processes for the administration of resource consenting; and
- ensuring regional consistency in the administration of resource consenting.

### **Collaborating on digital transformation**

The WCLASS Board approved a business case to develop a strategy focused on finding opportunities for collaboration on digital initiatives between Waikato councils. More particularly, its objectives are to:

- build closer connections between WCLASS working parties to ensure opportunities for digital collaboration are more readily recognised, captured and actioned;
- enable and promote increased business information sharing between councils;
- identify and recommend joint initiatives that will inform and advance digital collaboration;
- promote business transformation to improve customer experiences; and
- achieve effectiveness and efficiency gains through collaboration.

### **The Waikato Data Portal**

A WCLASS working party has established a roadmap toward Regional GIS. Ultimately, this reflects a centralised and distributed GIS platform that is managed by one regional team, involves the collaboration of regional resources and ensures consistency of data and services.

The WLASS Board earlier this year approved the business case to implement Phase 1 of the roadmap, which will provide a single centralised Data Portal where customers will experience consistent processes for data discovery and access, and improved channels for communicating their data needs.

For council's customers the benefits are that:

- it supports a consistent customer experience;
- it supports economic growth for the Waikato;
- it provides data that is easily discoverable and centralised through an Open Data Platform in accessible formats that promote its reuse; and
- it supports innovation, economic, environmental and social benefits.

For the councils the benefits are that:

- it reduces manual data supply process and transaction costs;
- it supports more responsive council services by providing a channel for feedback and requests;
- it standardises processes that will lead to more efficient council services;
- it provides access to authoritative data, increasing the councils' profile and enabling faster, more confident decision making;
- there is improved collaboration and shared services for all councils;
- there will be lower licensing costs through leveraging collective buying power;
- it will enable leveraging information from other LASS organisations e.g. BOPLASS Data Standards; and
- it will enable improved collaboration with CDEM initiatives.

#### **Shared Valuation Data Services (SVDS)**

SVDS is a real-time, on-line, property database containing the District Valuation Rolls and associated registers of the participating councils. A review of the options for future provision of the service is nearing completion and is expected to be implemented in 2019.

SVDS enables greater competition in the delivery of property valuation services and provides accurate and timely valuation data. In the last three years, member charges have reduced by 52% while external revenue from data sales has increased by 213%.

#### **Local Historic Aerial Photos**

The Land Information New Zealand (LINZ) Crown archive contains over 500,000 historic aerial photo negatives captured by surveys flown over New Zealand between 1936 and 2005. In 2015, WLASS entered a Memorandum of Understanding with LINZ to scan the archive over a period of four years. The project was completed in 2018. The scanned photos are publicly available via the Retrolens website. Councils use the images for a variety of purposes, including detecting vegetation and land use changes, hazardous and contaminated land identification, and to locate changes to coastal accretion and erosion. Members of the public have said how valuable it is to be able to freely access these photos, which were previously costly and difficult to find. Being able to access the images 24x7 means an increase in effectiveness and eliminating the need for council staff to retrieve and provide the images.

#### **Local Government Health & Safety Pre-qualification scheme**

This scheme ensures that consistent health and safety management systems are in place for all contractors pre-qualified to work for council. Enrolling in this scheme makes contractors compliant to work for any of the participating councils and removes the need for them to supply separate details to each council.

The project has transformed pre-qualification practices in the participating councils and is making a positive contribution to WorkSafe New Zealand's goal of reducing workplace accidents by 25% by 2020.

Improved safety performance from local authority contractors, eliminated duplication of local authority resources and cost savings for local authorities, contractors and ratepayers have flowed from the scheme.

Approximately 1,600 contractors are pre-qualified with another 250 pending.

**Waikato Building Consent Group (WBCG)**

The Board is giving priority to the WBCG in order to advance unrealised potential.

**The WLASS Transformation project**

The WLASS Transformation project delivers on the recommendations of a strategic review undertaken in late 2017 recommending the transformation of WLASS into a service delivery agent, with the capability, capacity and skills to physically deliver services on behalf of the shareholding councils.

Transformation of WLASS will be undertaken in a staged approach with an initial focus on areas of Geographic Information System development and developing and delivering digital transformation. Ultimately the intention is that WLASS becomes a transformation partner by designing and delivering transformational change in the way Councils operate.

Transforming WLASS into a service delivery agent has the potential to substantially increase the benefits to councils with improved efficiencies in the delivery of services.

**By the numbers**

Summary financial results for the year:

|                        | <b>2018</b>  | <b>2017</b> | <b>Change</b> |
|------------------------|--------------|-------------|---------------|
|                        | <b>\$</b>    | <b>\$</b>   |               |
| Total income           | <b>4,470</b> | 4,549       | <b>-2 %</b>   |
| Net surplus before tax | <b>227</b>   | 128         | <b>77 %</b>   |
| Cash on hand           | <b>1,570</b> | 954         | <b>65 %</b>   |

The WLASS administration costs for this period were \$263,763 against a budget of \$317,788.

All WLASS service costs are shown per activity in the financial statements.

The current activities undertaken by WLASS are: Company Administration, Procurement, Information Technology (IT), Energy Management, Shared Valuation Data Services (SVDS), Road Asset Technical Accord (RATA), Waikato Regional Transport Model (WRTM), Waikato Building consent Group (WBCG), Future Proof and Waikato Mayoral Forum.

**Directors**

The Directors appointed for the period that this annual report covers are included below together with attendance:

| <b>Director</b>  | <b>Position</b>                                    | <b>Director Appointed By</b>       | <b>Meetings Attended</b> |
|------------------|--|------------------------------------|--------------------------|
| Gavin Ion(Chair) | Chief Executive Waikato District Council           | Waikato District Council           | 7                        |
| Blair Bowcott    | Executive Director, Hamilton City Council          | Hamilton City Council              | 7                        |
| Chris Ryan       | CEO Waitomo District Council                       | Waitomo District Councils          | 4                        |
| Craig Hobbs      | Chief Executive South Waikato District Council     | South Waikato District Council     | 5                        |
| Dave Clibbery    | Chief Executive Otorohanga District Council        | Otorohanga District Council        | 5                        |
| Don McLeod       | Chief Executive Matamata-Piako District Council    | Matamata-Piako District Council    | 6                        |
| Gareth Green     | Chief Executive Taupo District Council             | Taupo District Council             | 4                        |
| Garry Dyet       | Chief Executive Waipa District Council             | Waipa District Council             | 5                        |
| Geoff Williams   | Chief Executive Rotorua District Council           | Rotorua District Council           | 2                        |
| Langley Cavers   | Chief Executive Hauraki District Council           | Hauraki District Council           | 7                        |
| Rob Williams     | Chief Executive Thames-Coromandel District Council | Thames-Coromandel District Council | 5                        |
| Vaughan Payne    | Chief Executive Waikato Regional Council           | Waikato Regional Council           | 6                        |

## 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 2018

The Auditor-General is the auditor of Waikato Local Authority Shared Services Limited (the company). The Auditor-General has appointed me, David Walker, 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 his behalf.

#### Opinion

We have audited:

- the financial statements of the company on pages 18 to 34, that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 4 to 9.

In our opinion:

- the financial statements of the company on pages 18 to 34:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2018; 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 Standards with reduced disclosure requirements; and
- the performance information of the company on pages 4 to 9 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 2018.

Our audit was completed on 28 September 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, and we explain our independence.



## **Basis for our opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

## **Responsibilities of the Board of Directors for the financial statements and the performance information**

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

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

## **Responsibilities of the auditor for the audit of the financial statements and the performance information**

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit 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.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

## Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 3; 10 to 13 and 35, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Independence

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1(Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

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



David Walker  
Audit New Zealand  
On behalf of the Auditor-General  
Auckland, New Zealand

**Waikato Local Authority Shared Services Limited**  
**Statement of comprehensive revenue and expense**  
**For the year ended 30 June 2018**

**Statement of comprehensive revenue and expense**  
**For the year ended 30 June 2018**

|                                       | Note | Actual<br>2018<br>\$    | Budget<br>2018<br>\$    | Actual<br>2017<br>\$    |
|---------------------------------------|------|-------------------------|-------------------------|-------------------------|
| <b>Revenue</b>                        |      |                         |                         |                         |
| SVDS Data Sales                       |      | 408,244                 | 352,065                 | 386,760                 |
| Interest                              |      | 21,958                  | 10,000                  | 6,215                   |
| Other revenue                         | 4    | <u>4,039,889</u>        | <u>3,680,243</u>        | 4,155,643               |
| <b>Total revenue</b>                  |      | <b><u>4,470,091</u></b> | <b><u>4,042,308</u></b> | <b><u>4,548,618</u></b> |
| <b>Expenditure</b>                    |      |                         |                         |                         |
| Depreciation and amortisation expense | 9    | 163,816                 | 164,310                 | 164,286                 |
| Other expenses                        | 5    | <u>4,079,619</u>        | <u>4,087,500</u>        | 4,255,952               |
| <b>Total operating expenditure</b>    |      | <b><u>4,243,235</u></b> | <b><u>4,251,810</u></b> | <b><u>4,420,238</u></b> |
| <b>Surplus/(deficit) before tax</b>   |      | <b>226,856</b>          | <b>(209,502)</b>        | <b>128,380</b>          |
| Income tax expense                    | 6    | -                       | -                       | -                       |
| <b>Surplus/(deficit) after tax</b>    |      | <b><u>226,856</u></b>   | <b><u>(209,502)</u></b> | <b><u>128,380</u></b>   |
| <b>Total comprehensive income</b>     |      | <b><u>226,856</u></b>   | <b><u>(209,502)</u></b> | <b><u>128,380</u></b>   |

*The accompanying notes form part of these financial statements*  
*Explanations of major variances against budget are provided in note 19*

**Waikato Local Authority Shared Services Limited**  
**Statement of changes in equity**  
**For the year ended 30 June 2018**

**Statement of changes in equity**  
**For the year ended 30 June 2018**

|   | Actual<br>2018<br>\$ | Budget<br>2018<br>\$ | Actual<br>2017<br>\$ |
|---|----------------------|----------------------|----------------------|
| Note  |                      |                      |                      |
| <b>Balance at 1 July</b>  | 799,673              | 589,829              | 671,293              |
| Total comprehensive revenue and expense                           | <u>226,856</u>       | <u>(209,502)</u>     | <u>128,381</u>       |
| <b>Balance at 30 June</b>   | <u>1,026,530</u>     | <u>380,327</u>       | <u>799,673</u>       |
| 12  |                      |                      |                      |
| <b>Total equity attributable to:</b>                              |                      |                      |                      |
| Equity holders of Waikato Local Authority Shared Services Limited | <u>1,026,530</u>     | <u>380,327</u>       | <u>799,673</u>       |
| <b>Balance at 30 June</b>   | <u>1,026,530</u>     | <u>380,327</u>       | <u>799,673</u>       |

*The accompanying notes form part of these financial statements*  
*Explanations of major variances against budget are provided in note 19*

**Waikato Local Authority Shared Services Limited**  
**Statement of Financial Position**  
**As at 30 June 2018**

**Statement of financial position**

As at 30 June 2018

|  | Note | Actual<br>2018<br>\$ | Budget<br>2018<br>\$ | Actual<br>2017<br>\$ |
|--|------|----------------------|----------------------|----------------------|
| <b>ASSETS</b>                            |      |                      |                      |                      |
| <b>Current assets</b>                    |      |                      |                      |                      |
| Cash and cash equivalents                | 7    | 1,570,003            | 630,820              | 953,945              |
| Exchange trade and other receivables     | 8    | 407,156              | -                    | 409,363              |
| Non-exchange trade and other receivables | 8    | 157,057              | (15,545)             | 75,021               |
| Other financial assets                   | 10   | 81,000               | -                    | -                    |
| Prepayments                              |      | 149,905              | 1,523                | 147,500              |
| <b>Total current assets</b>              |      | <u>2,365,121</u>     | <u>616,798</u>       | <u>1,585,829</u>     |
| <b>Non-current assets</b>                |      |                      |                      |                      |
| Intangible assets                        | 9    | 163,592              | 178,146              | 327,208              |
| Other financial assets                   | 10   | -                    | -                    | 81,000               |
| <b>Total non-current assets</b>          |      | <u>163,592</u>       | <u>178,146</u>       | <u>408,208</u>       |
| <b>Total assets</b>                      |      | <u>2,528,713</u>     | <u>794,944</u>       | <u>1,994,037</u>     |
| <b>LIABILITIES</b>                       |      |                      |                      |                      |
| <b>Current liabilities</b>               |      |                      |                      |                      |
| Payables and deferred revenue            | 11   | 1,502,183            | 414,617              | 1,194,364            |
| <b>Total current liabilities</b>         |      | <u>1,502,183</u>     | <u>414,617</u>       | <u>1,194,364</u>     |
| <b>Non-current liabilities</b>           |      |                      |                      |                      |
| <b>Total non-current liabilities</b>     |      | -                    | -                    | -                    |
| <b>Total liabilities</b>                 |      | <u>1,502,183</u>     | <u>414,617</u>       | <u>1,194,364</u>     |
| <b>Net assets</b>                        |      | <u>1,026,530</u>     | <u>380,327</u>       | <u>799,673</u>       |
| <b>EQUITY</b>                            |      |                      |                      |                      |
| Contributed capital                      | 12   | 2,967,001            | 2,967,001            | 2,957,001            |
| Retained earnings                        | 12   | (1,930,471)          | (2,576,674)          | (2,157,328)          |
| <b>Total equity</b>                      |      | <u>1,026,530</u>     | <u>380,327</u>       | <u>799,673</u>       |

These financial statements have been authorised for issue by the Board of Directors on 28 September 2018.



Director  
28 September 2018



Director  
28 September 2018

The accompanying notes form part of these financial statements  
 Explanations of major variances against budget are provided in note 19



**Waikato Local Authority Shared Services Limited**  
**Cash flow statement**  
**For the year ended 30 June 2018**

**Cash flow statement**

For the year ended 30 June 2018

| Note  | Actual<br>2018<br>\$      | Budget<br>2018<br>\$ | Actual<br>2017<br>\$ |
|---|---------------------------|----------------------|----------------------|
| <b>Cash flows from operating activities</b>                     |                           |                      |                      |
| Interest Received   | 19,075                    | 10,000               | 6,215                |
| Receipts from other revenue                                     | 4,680,206                 | 4,077,839            | 4,425,573            |
| Payments to suppliers and employees                             | (4,032,901)               | (4,085,276)          | (4,101,152)          |
| Income tax received / (paid)                                    | (6,426)                   | (1,280)              | 2,509                |
| Goods and services tax received / (paid)                        | (43,897)                  | 6,679                | 19,130               |
| <b>Net cash flow from operating activities</b>                  | <u>616,057</u>            | <u>7,982</u>         | <u>352,275</u>       |
| <br>  |                           |                      |                      |
| Purchase of intangible assets                                   | -                         | (10,384)             | -                    |
| Purchase of term deposits with maturities greater than 3 months | -                         | -                    | (81,000)             |
| <b>Net cash flow from investing activities</b>                  | <u>-</u>                  | <u>(10,384)</u>      | <u>(81,000)</u>      |
| <br>  |                           |                      |                      |
| <b>Net (decrease)/increase in cash and cash equivalents</b>     | <b>616,057</b>            | <b>(2,402)</b>       | <b>271,275</b>       |
| Cash and cash equivalents at the beginning of the year          | <u>953,948</u>            | <u>633,221</u>       | <u>682,673</u>       |
| <b>Cash and cash equivalents at the end of the year</b>         | <u>7</u> <u>1,570,005</u> | <u>630,819</u>       | <u>953,948</u>       |

*The accompanying notes form part of these financial statements  
 Explanations of major variances against budget are provided in note 19*

## 1 Statement of accounting policies

### 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. The company is a Council Controlled Organisation as defined under section 6 of the Local Government Act 2002 (LGA), 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's 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 2018. The financial statements were authorised for issue by the Board of Directors on the 28 September 2018.

## 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 and comply with Tier 2 PBE Standards reduced disclosure regime (RDR).

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

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

The accounting policies set out below are consistent with the prior year.

### 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 2017/18 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 Summary of significant accounting policies (continued)

### 2.2 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 (IR) 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.

## 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 assumptions 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 ASSETS

#### 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 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.

#### Impairment of intangible assets

Intangible assets measured at cost that have a 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 assets 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.



## 4 Revenue

### Accounting policy

#### (i) Revenue

Revenue comprises the fair value of the considerations 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.

#### (ii) Other Revenue

User charges for all activities are recognised when invoiced to the user, ie. Councils. The recorded revenue is the net amounts of the member charges payable for the transaction. Contributions received for projects that were not completed in a financial year are recognised when the Company provides, or is able to provide, the service for which the contribution was charged. Until such time, contributions are recognised as liabilities.

|                                    | Actual<br>2018<br>\$ | Actual<br>2017<br>\$ |
|------------------------------------|----------------------|----------------------|
| <b><u>Non-exchange revenue</u></b> |                      |                      |
| User Charges                       | 1,970,549            | 1,203,182            |
| Other                              | -                    | 316,131              |
| <b>Total non-exchange revenue</b>  | <b>1,970,549</b>     | <b>1,519,313</b>     |
| <b><u>Exchange revenue</u></b>     |                      |                      |
| Procurement                        | 717,960              | 794,505              |
| Information Technology             | 93,453               | 53,600               |
| Energy Management                  | 207,914              | 116,184              |
| Shared Valuation Data Services     | 80,189               | 78,463               |
| Road Asset Technical Accord        | 584,087              | 1,107,320            |
| Waikato Regional Transport Model   | 5,136                | 3,348                |
| Waikato Building Consent Group     | 79,852               | 20,502               |
| Future Proof                       | 66,470               | -                    |
| Waikato Mayoral Forum              | 234,279              | 462,408              |
| <b>Total exchange revenue</b>      | <b>2,069,340</b>     | <b>2,636,330</b>     |
| <b>Total other revenue</b>         | <b>4,039,889</b>     | <b>4,155,643</b>     |

## 5 Other expenses

|   | Actual<br>2018<br>\$ | Actual<br>2017<br>\$ |
|---|----------------------|----------------------|
| Audit fees for financial statement audit (current year) | 20,910               | 20,600               |
| Company Administration                                  | 242,853              | 199,053              |
| Procurement   | 749,153              | 782,513              |
| Information Technology                                  | 93,131               | 63,075               |
| Energy Management                                       | 119,474              | 96,822               |
| Shared Valuation Data Services                          | 522,267              | 543,163              |
| Road Asset Technical Accord                             | 1,245,925            | 1,168,385            |
| Waikato Regional Transport Model                        | 46,378               | 82,187               |
| Waikato Building Consent Group                          | 297,370              | 265,326              |
| Future Proof  | 507,880              | 572,421              |
| Waikato Mayoral Forum                                   | 234,278              | 462,407              |
| <b>Total other expenses</b>                             | <b>4,079,619</b>     | <b>4,255,952</b>     |

## 6 Income tax

### Accounting policy

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 surplus 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 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 the 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 surpluses 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 income or directly in equity.

|  | Actual<br>2018<br>\$ | Actual<br>2017<br>\$ |
|--|----------------------|----------------------|
| <b>Components of income tax expense:</b>                           |                      |                      |
| Current tax expense  | -                    | -                    |
| Adjustments to current tax in prior years                          | -                    | -                    |
| Deferred tax expense   | -                    | -                    |
| <b>Tax expense</b>   | -                    | -                    |
| <br><b>Relationship between tax expense and accounting profit:</b> |                      |                      |
| Net surplus (deficit) before tax                                   | 226,856              | 128,380              |
| Tax at 28%   | 63,520               | 35,946               |
| Non-taxable in calculating taxable income                          |                      |                      |
| Other timing adjustments   | 45,812               | 44,432               |
| Non-taxable income   | -                    | -                    |
| Prior year adjustment  | -                    | -                    |
| Deferred tax adjustment  | (45,806)             | (44,433)             |
| Tax losses not recognised  | (63,526)             | (35,946)             |
| <b>Tax expense</b>   | -                    | -                    |

|                                       | Intangible<br>assets<br>\$ | Other<br>provisions<br>\$ | Tax losses<br>\$ | Total<br>\$ |
|---------------------------------------|----------------------------|---------------------------|------------------|-------------|
| <b>Deferred tax asset (liability)</b> |                            |                           |                  |             |
| Balance at 1 July 2016                | (136,051)                  | -                         | 136,051          | -           |
| Charged to surplus or deficit         | 44,433                     | -                         | (44,433)         | -           |
| Balance at 30 June 2017               | (91,618)                   | -                         | 91,618           | -           |
| Charged to surplus or deficit         | 45,806                     | -                         | (45,806)         | -           |
| Balance at 30 June 2018               | (45,812)                   | -                         | 45,812           | -           |

A deferred tax asset has not been recognised in relation to tax losses of \$2,074,000 (2017: 2,301,000).

## 6 Income tax (continued)

## 7 Cash and cash equivalents

### Accounting policy

Cash and cash equivalents include cash on hand, deposits held at call with banks, with original maturities of three months or less, and bank overdrafts.

|   | Actual<br>2018<br>\$ | Actual<br>2017<br>\$ |
|---|----------------------|----------------------|
| Cash at bank  | 1,570,003            | 903,945              |
| Short term deposit maturing three months or less from date of inception             | -                    | 50,000               |
| <b>Net Cash and Cash Equivalents for the purposes of the Statement of Cashflows</b> | <u>1,570,003</u>     | <u>953,945</u>       |

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

## 8 Receivables

### Accounting policy

Short-term receivables are recorded at the amount due, less any provision for uncollectability.

Receivables are initially measured at nominal or face value. Receivables are subsequently adjusted for penalties and interest as they are charged and impairment losses. Non-current receivables are measured at the present value of the expected future cash inflows.

Debtors are amounts due from customers. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

|   | Actual<br>2018<br>\$ | Actual<br>2017<br>\$ |
|---|----------------------|----------------------|
| Gross trade and other receivables                         | 88,729               | 59,900               |
| Related Party Receivables (note 15)                       | 407,156              | 409,363              |
| Accrued Interest on Short Term Deposits and Call Accounts | 2,980                | 97                   |
| GST Refund Due  | 58,604               | 14,706               |
| IRD - RWT Tax   | 6,744                | 318                  |
| <b>Total debtors and other receivables</b>                | <u>564,213</u>       | <u>484,384</u>       |
| <b>Exchange</b>   |                      |                      |
| Receivables from exchange transactions                    | <u>407,156</u>       | <u>409,363</u>       |
| <b>Non-exchange</b>                                       |                      |                      |
| Receivables from non-exchange transactions                | <u>157,057</u>       | <u>75,021</u>        |
| <b>Total debtors and other receivables</b>                | <u>564,213</u>       | <u>484,384</u>       |

## 9 Intangible assets

### Accounting policy

#### 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.

#### 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 derecognised. 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%

|   | Actual<br>2018<br>\$ | Actual<br>2017<br>\$ |
|---|----------------------|----------------------|
| <b>Computer Software</b>                              |                      |                      |
| Balance at 1 July                                     | 5,363,366            | 5,363,366            |
| Disposals   | -                    | -                    |
| Balance at 30 June                                    | 5,363,366            | 5,363,366            |
| <b>Accumulated amortisation and impairment losses</b> |                      |                      |
| Balance at 1 July                                     | 5,036,158            | 4,871,872            |
| Amortisation as per Income statement                  | 163,616              | 164,286              |
| Impairment losses                                     | -                    | -                    |
| Balance at 30 June                                    | 5,199,774            | 5,036,158            |
| <b>Carrying Amounts</b>                               |                      |                      |
| Balance at 1 July                                     | 327,208              | 491,494              |
| Balance at 30 June                                    | 163,592              | 327,208              |

Intangible assets include the Shared Value Data Services (SVDS) computer software, the Waikato Regional Transport Model (WRTM) and MoneyWorks computer software.

The carrying amount of the SVDS asset as at 30 June 2018 is \$90,421 (2017: \$180,864).

The carrying amount of the WRTM asset as at 30 June 2018 is \$72,916 (2017: \$145,832).

The carrying amount of the MoneyWorks asset as at 30 June 2018 is \$256 (2017: \$512).

The Board of Directors consider that there is no requirement to impair assets as at 30 June 2018.

## 10 Other financial assets

### Accounting policy

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

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.

**10 Other financial assets (continued)**

|   | Actual<br>2018<br>\$ | Actual<br>2017<br>\$ |
|---|----------------------|----------------------|
| <b>Current</b>                                      |                      |                      |
| Term deposits with maturities greater than 3 months | 81,000               | -                    |
| <b>Non-Current</b>                                  |                      |                      |
| Term deposits with maturities greater than 3 months | -                    | 81,000               |
| <b>Balance as at 30 June</b>                        | <b>81,000</b>        | <b>81,000</b>        |

**11 Payables and deferred revenue**

**Accounting policy**

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

|  | Actual<br>2018<br>\$ | Actual<br>2017<br>\$ |
|--|----------------------|----------------------|
| <b>Current</b>   |                      |                      |
| Trade payables and accrued expenses                                      | 511,579              | 461,460              |
| Related party payables (note 15)   | 248,994              | 249,990              |
| Deferred revenue   | 741,610              | 482,914              |
| <b>Total creditors and other payables</b>                                | <b>1,502,183</b>     | <b>1,194,364</b>     |
| <b>Exchange</b>  |                      |                      |
| Trade payables   | 659,338              | 447,492              |
| Accrued expenses   | 101,235              | 263,958              |
| <b>Total creditors and other payables from exchange transactions</b>     | <b>760,573</b>       | <b>711,450</b>       |
| <b>Non-exchange</b>  |                      |                      |
| Deferred revenue   | 741,610              | 482,914              |
| <b>Total creditors and other payables from non-exchange transactions</b> | <b>741,610</b>       | <b>482,914</b>       |
| <b>Total payables and deferred revenue</b>                               | <b>1,502,183</b>     | <b>1,194,364</b>     |

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.

Contributions received for projects that were not completed in a financial year are recognised as deferred revenue until the Company provides, or is able to provide, the service for which the contribution was charged.

**12 Reconciliation of equity**

**Accounting policy**

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

**Contributed equity**

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

## 12 Reconciliation of equity (continued)

### Retained earnings

Retained earnings is the company's accumulated surplus or deficit since formation.

|                                | Actual<br>2018<br>\$      | Actual<br>2017<br>\$      |
|--------------------------------|---------------------------|---------------------------|
| <b>Total equity</b>            |                           |                           |
| Contributed equity             | 2,957,001                 | 2,957,001                 |
| Retained earnings              | <u>(1,930,471)</u>        | <u>(2,157,328)</u>        |
| <b>Balance at 30 June 2018</b> | <b><u>1,026,530</u></b>   | <b><u>799,673</u></b>     |
| <b>(a) Contributed equity</b>  |                           |                           |
| Shares on Issue                | 3,413,569                 | 3,413,569                 |
| Uncalled capital               | <u>(456,568)</u>          | <u>(456,568)</u>          |
| <b>Balance 30 June 2018</b>    | <b><u>2,957,001</u></b>   | <b><u>2,957,001</u></b>   |
| Balance at 1 July 2017         | 2,957,001                 | 2,957,001                 |
| Shares Issued                  | <u>-</u>                  | <u>-</u>                  |
| <b>Balance 30 June 2018</b>    | <b><u>2,957,001</u></b>   | <b><u>2,957,001</u></b>   |
| <b>(b) Retained earnings</b>   |                           |                           |
| Balance at 1 July 2017         | (2,157,327)               | (2,285,708)               |
| Surplus/(deficit) for the year | <u>226,858</u>            | <u>128,380</u>            |
| <b>Balance 30 June 2018</b>    | <b><u>(1,930,471)</u></b> | <b><u>(2,157,328)</u></b> |

The Company has issued 2,186,581 (2017 - 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<br>Shares | SVDS Shares             | WRAPS<br>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           | -                       |
|                                    | <u>12</u>          | <u>1,607,001</u>        | <u>444,568</u>   | <u>135,000</u>          |
|                                    | 1,000              | 1                       | 1                | 10                      |
|                                    | <u>12,000</u>      | <u>1,607,001</u>        | <u>444,568</u>   | <u>1,350,000</u>        |
| <b>Uncalled capital</b>            |                    | <u>(12,000)</u>         | <u>(444,568)</u> | <u>-</u>                |
| <b>Total contributed equity</b>    |                    | <b><u>1,607,001</u></b> | <b><u>-</u></b>  | <b><u>1,350,000</u></b> |

## 12 Reconciliation of equity (continued)

### 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:

- (a) 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.
- (b) 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.
- (c) 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) A right to one vote prior to further WRTM service shares being issued.
- (b) 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.)
- (c) 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.
- (d) No right to share in the distribution of the surplus assets of the Company except to the extent provided for in (c) above.
- (e) No right to share in dividends authorised by the Company except to the extent provided for in (c) above.

## 13 Commitments

### Non-cancellable operating expenses

|   | Actual<br>2018<br>\$ | Actual<br>2017<br>\$ |
|---|----------------------|----------------------|
| Not later than one year                           | 291,667              | 474,615              |
| Later than one year and not later than five years | -                    | 291,667              |
| <b>Total non-cancellable operating leases</b>     | <b>291,667</b>       | <b>766,282</b>       |

## 14 Contingencies

As at 30 June 2018 the Company had no contingent liabilities or assets (2017 - \$0)



## 15 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(s) was for the provision of Chief Executive services.

|  | Actual<br>2018<br>\$  | Actual<br>2017<br>\$  |
|--|-----------------------|-----------------------|
| KRF Consulting - WLASS Chief Executive (June 2018)                 | 9,825                 | -                     |
| Jowett Consulting - WLASS Chief Executive (July 2017 - April 2018) | <u>134,133</u>        | <u>137,548</u>        |
| <b>Total key management personnel compensation</b>                 | <b><u>143,958</u></b> | <b><u>137,548</u></b> |

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<br>2018<br>\$    | Actual<br>2017<br>\$    |
|------------------------------------|-------------------------|-------------------------|
| <b>Income</b>                      |                         |                         |
| Hamilton City Council              | 696,771                 | 594,842                 |
| Hauraki District Council           | 262,921                 | 227,880                 |
| Matamata Piako District Council    | 303,686                 | 383,458                 |
| Otorohanga District Council        | 218,981                 | 166,709                 |
| Rotorua Lakes Council              | 79,150                  | 55,743                  |
| South Waikato District Council     | 169,688                 | 183,802                 |
| Taupo District Council             | 64,888                  | 97,680                  |
| Thames Coromandel District Council | 315,616                 | 236,910                 |
| Waikato District Council           | 550,926                 | 403,453                 |
| Waikato Regional Council           | 496,952                 | 647,216                 |
| Waipa District Council             | 661,908                 | 394,253                 |
| Waitomo District Council           | <u>242,298</u>          | <u>201,434</u>          |
|                                    | <b><u>4,063,785</u></b> | <b><u>3,593,380</u></b> |

The income disclosed above includes revenue received relating to the 2017/18 financial year and revenue received which has been transferred to deferred revenue for 2018/19.

|                          | Actual<br>2018<br>\$    | Actual<br>2017<br>\$  |
|--------------------------|-------------------------|-----------------------|
| <b>Expenses</b>          |                         |                       |
| Hamilton City Council    | 64,320                  | 69,675                |
| Taupo District Council   | -                       | 2,628                 |
| Waikato District Council | 264,363                 | 226,793               |
| Waikato Regional Council | 87,846                  | 52,845                |
| Waipa District Council   | 601,384                 | 467,434               |
| Waitomo District Council | <u>2,356</u>            | <u>-</u>              |
|                          | <b><u>1,020,069</u></b> | <b><u>819,375</u></b> |

Expenses are related to services provided by the related parties.

The figures above exclude invoices from Councils that relate to bills paid on behalf of WLASS; Hamilton City Council \$16,500, Waikato District Council \$3,678 and Waikato Regional Council \$12,942 (2017 - \$83,609).

**15 Related party transactions (continued)**

|  | Note | Actual<br>2018<br>\$ | Actual<br>2017<br>\$ |
|--|------|----------------------|----------------------|
| <b>Balance Sheet</b>                     |      |                      |                      |
| <i>Trade &amp; Other Receivables</i>     | 8    | -                    | -                    |
| Hamilton City Council                    |      | 90,672               | 48,965               |
| Hauraki District Council                 |      | 24,463               | 39,057               |
| Matamata Piako District Council          |      | 41,919               | 122,168              |
| Otorohanga District Council              |      | 34,763               | 22,713               |
| Rotorua Lakes Council                    |      | -                    | 539                  |
| South Waikato District Council           |      | 18,867               | 21,180               |
| Taupo District Council                   |      | 13,766               | 13,692               |
| Thames Coromandel District Council       |      | 20,842               | 40,698               |
| Waikato District Council                 |      | 46,330               | 14,663               |
| Waikato Regional Council                 |      | 9,378                | 10,491               |
| Waipa District Council                   |      | 85,097               | 28,579               |
| Waitomo District Council                 |      | <u>21,269</u>        | <u>46,619</u>        |
|  |      | <u>407,156</u>       | <u>409,364</u>       |
| <br>                                     |      |                      |                      |
| <i>Payables outstanding at year end:</i> |      |                      |                      |
| Hamilton City Council                    | 11   | 13,970               | 5,750                |
| Jowett Consulting - Chief Executive      |      | -                    | 13,949               |
| KFRConsulting Ltd - Chief Executive      |      | 11,299               | -                    |
| Waikato District Council                 |      | 42,130               | 29,661               |
| Waikato Regional Council                 |      | 10,111               | 17,950               |
| Waipa District Council                   |      | <u>171,484</u>       | <u>182,680</u>       |
|  |      | <u>248,994</u>       | <u>249,990</u>       |

**16 Director and executive disclosures**

No Directors fees or other remuneration was paid to Directors during the year. (2017: \$0).

**17 Events occurring after the balance date**

There have been no events after balance date.

**18 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) Market risk**

***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***

**18 Financial instruments (continued)**

**(a) Market risk (continued)**

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.

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.

**(b) 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 (note 10), 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.

**(c) 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.

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

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

**(d) Financial instrument categories**

|  | Note | 2018<br>\$       | 2017<br>\$       |
|--|------|------------------|------------------|
| <b>FINANCIAL ASSETS</b>                              |      |                  |                  |
| <b>Loans and receivables</b>                         |      |                  |                  |
| Cash and cash equivalents                            | 7    | 1,570,003        | 953,946          |
| Receivables  | 8    | 564,213          | 469,360          |
| Other financial assets                               | 10   | 81,000           | 81,000           |
| <b>Total loans and receivables</b>                   |      | <u>2,215,216</u> | <u>1,504,306</u> |
| <b>FINANCIAL LIABILITIES</b>                         |      |                  |                  |
| <b>Financial liabilities at amortised cost</b>       |      |                  |                  |
| Payables and deferred revenue                        | 11   | 1,502,183        | 1,194,364        |
| <b>Total financial liabilities at amortised cost</b> |      | <u>1,502,183</u> | <u>1,194,364</u> |

## 19 Explanation of major variances against budget

Explanations for major variations from the Company's budget figures in the statement of intent to 30 June 2018 are as follows:

### Statement of comprehensive revenue and expense

The Company administration cost centre expenditure was \$54k less than budgeted with less spend than anticipated on contractor services.

Revenue from procurement activity was greater than budget by \$138k as a result of increased invoicing relating to WRAPS, although this was offset by a corresponding increase in costs of \$176k.

Energy management revenue was greater than budgeted by \$84k as a result of advanced funding from the EECA for year 3 of the programme.

SVDS expenditure was less than budgeted by \$142k, largely as a result of reduced spend related to the Intergen contracts.

Revenue from the Road Asset Technical Accord was in excess of budget by \$358k as a result of increased data collection activity, although this was largely offset by a corresponding increased spend of \$315k, related to data collection services and staff and contractor costs.

Spend associated with the Waikato Mayoral forum workstream was less than budgeted by \$245k as a result of less than anticipated activity throughout the year.

### Statement of Changes in Equity

The items as noted above have meant that the Company has made a gain of \$226,856 against a budgeted loss of \$209,503.

### Statement of Financial Position

The current assets are higher due to the cash balance being \$939,184 higher than the budgeted \$630,820 due to income received being higher than budgeted.

WLASS does not budget for having end of year receivables.

Current liabilities are higher than budgeted due to deferred revenue not being budgeted for.

Prepayments are higher due to an unbudgeted invoice for \$147,500 – prepayment of Insurance Broking and Service Fee.

### Statement of Cash Flows

Deferred revenue is not budgeted for as it results from revenue received not yet spent on expenses. 2017/18: \$741,610.

**Directory**

**Company Number**

1730380

**Registered office**

Waikato District Council  
15 Galileo Street  
Ngaruawahia

**Directors**

ION, Gavin John  
BOWCOTT, Blair  
CAVERS, Langley David  
CLIBBERY, Dave  
DYET, Garry  
GREEN, Gareth  
HOBBS, Craig  
MCLEOD, Don  
PAYNE, Vaughan  
RYAN, Chris  
WILLIAMS, Geoff  
WILLIAMS, Rob

**Bankers**

Bank of New Zealand  
Hamilton Banking Centre  
Victoria Street  
Hamilton

**Auditors**

Audit New Zealand on behalf of the Auditor-General

