



**Financial statements
for the year ended 30 June 2017**

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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 is the 12th WLASS annual report, and covers the period 1 July 2016 to 30 June 2017.

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, as well as initiating new projects and work streams, and facilitating the Waikato Mayoral Forum work streams. The Company continues to work collaboratively with other local authority shared service companies, most particularly with our neighbour, BOPLASS.

The Company continues to operate cost effectively with the services of a part-time contracted CEO, a 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 is currently undertaking a review to investigate options for the future provision of the SVDS service. A recommendation and business case are scheduled for presentation to the WLASS Board by the end of the 2017 calendar year, to ensure that there is no disruption to services when the current Interger contract expires in February 2018.

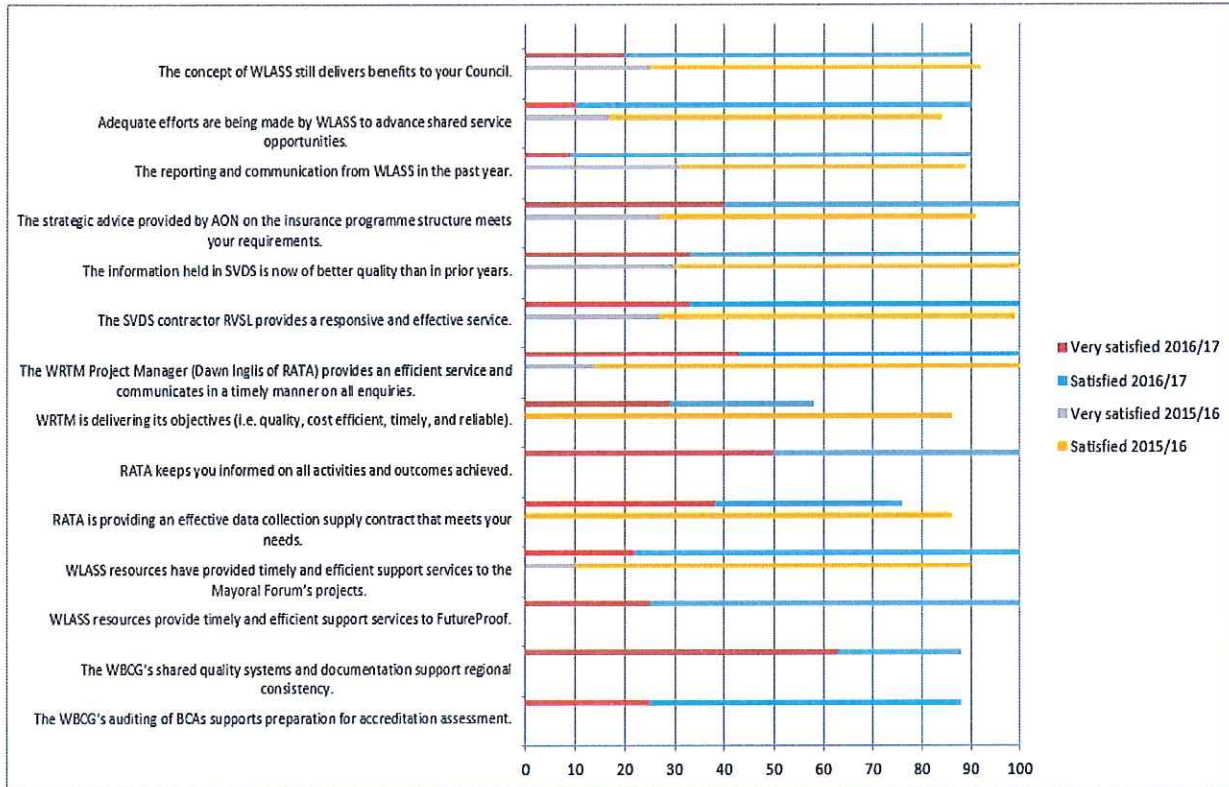
The WRTM project has been challenging this year, due to delays in reaching agreement on land use and population data from the shareholding councils. As a result, no modelling work was undertaken during the latter 6 months of the year. However it is anticipated that the revision of the model will be completed (along with a peer review) in the first quarter of 2017/18, and the model will again be available for use.

Three new activities joined WLASS on 1 July 2016 – RATA, the Waikato Building Consent Group and Future Proof. The integration has gone successfully, and consolidated reporting on these activities is now available 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 making all contract payments. However, WLASS no longer provides 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 latest results is shown below.

Annual Shareholder Survey Results, 2016/17
 (2016/17 = 11 Councils responded).



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

Governance

WCLASS has twelve Directors with each Director representing a shareholder Council. 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.

A new Chief Executive was appointed to Taupo District Council during 2016, and on 5 August 2016, the Board welcomed Gareth Green as a new Director. During the year, Richard Briggs resigned as a Director, and the Board thanks him for his contribution. Hamilton City Council subsequently appointed Blair Bowcott as his replacement, and Blair was appointed to the Board on 24 March 2017.

The Board looks forward to continuing to build on the WCLASS platform that has been established over the past 12 years, and will continue to consider new shared service opportunities that will help to achieve further benefits for shareholders.

WLASS Objective

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 2016/17 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 through a competitive tender process.</p>	<p>Achieved.</p> <p>A joint RFP with BOPLASS for the supply of Multi-function Devices was completed and Konica Minolta were accepted as the preferred supplier.</p> <p>Shared procurement of Thomson Reuters services, EMA membership, and participation in the BOPLASS EFTPOS contract have been investigated, but no financial benefits were identified.</p> <p>A WLASS Master Agreement with Vertical Horizonz for the provision of health & safety training was completed in February 2017 and 11 councils have signed Joining Agreements.</p> <p>Achieved.</p> <p>A syndicated clause in three tendered Hamilton City Council contracts enables all shareholders to access:</p> <ul style="list-style-type: none"> (i) a library book buying contract at 37% discount on the RRP; (ii) a contract for the supply of pipes and fittings for water, wastewater and stormwater pipes, which provides discounts of between 30% and 80% off the list price; (iii) an HR Panel of eight suppliers for the recruitment of permanent and temporary staff. <p>Information on how to participate in syndicated contracts for Office Furniture, Media Monitoring and Employee Assistance Programmes was circulated to all shareholding councils.</p> <p>Following an RFP process, a WLASS Master Agreement for Fleet Management has been entered into with FleetPartners /FleetSmart for a term of 1+2.</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.</p> <p>Six projects (GIS, Procurement, Aligned Planning, Digital Strategy, Learning and Development, and Building Services) have been investigated.</p> <p>Achieved.</p> <p>Business cases for all six projects were approved by the Board.</p> <p>A GIS team is working on identifying why spatial data should be used to support the Waikato region within the framework of the Waikato Digital Strategy, including identifying the benefits and measures of success</p> <p>A Procurement review is in progress, and is scheduled for completion in August 2017.</p> <p>An RFP to select a Project Manager to lead the Aligned Planning project is in progress.</p> <p>A Digital Strategy is under development.</p> <p>A Learning & Development Working Party has been established, and projects are in progress.</p> <p>A strategic review of Building has been completed and a number of new initiatives have been identified, which will commence in 2017/18.</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.</p> <p>Contracts Register is up-to-date.</p> <p>Achieved.</p> <p>Four current contracts have been extended, following a performance review:</p> <ul style="list-style-type: none"> (i) Dataprint (computer-generated print, mailhouse and e-services) (ii) Professional Services Panel (building services, planning 3-waters, urban design, flood hazards consultancy services) (iii) Aon (insurance brokerage) (iv) Infometrics (economic data).
<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>Achieved.</p> <p>Cash flow for the year shows a positive total cash balance of \$352,274.</p> <p>Reports on the financial position were considered at WLASS Board meetings on 5 August, 14 October, and 2 December 2016, and on 3 February, 24 March and 26 May 2017.</p>

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(continued)

<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>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>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 WLASS to the Shareholders every six months.</p> <p>Every second report shall be the Annual Report, which includes a report that all of the statutory requirements of WLASS are being adhered to.</p>	<p>Achieved. The 6-monthly report was distributed to shareholders on 9 February 2017.</p> <p>Achieved. This is the Annual Report.</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>Updates on Mayoral Forum projects shall be co-ordinated by the WLASS Chief Executive.</p> <p>Mayoral Forum projects shall be managed financially through WLASS.</p> <p>Note: The current approved work streams are: •Regulatory Bylaws and Policies •Waikato Plan</p>	<p>The Mayoral Forum is regularly updated on the progress of each approved work stream.</p> <p>Approved invoices for Mayoral Forum projects are paid by the 20th of the month following their receipt.</p>	<p>Not Applicable. The WLASS CEO is no longer responsible for updating the Mayoral Forum on progress with projects. Project sponsors are responsible for updates.</p> <p>Partly Achieved. All approved invoices, except for one, 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 99.16% of normal working hours.</p> <p>N/A. There has been no capital enhancement work over the last 12 months.</p> <p>Achieved. The Group met on 1 September and 17 November 2016, and on 9 March and 1 June 2017</p>

<p>INSURANCE 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 WCLASS Shareholders' survey by the participating councils.</p> <p>The day-to-day service provided by Aon is assessed as satisfactory in the annual WCLASS Shareholders' survey by the participating councils.</p>	<p>N/A. Shareholders' survey is scheduled to be reported to the Board on 26 August 2017.</p> <p>N/A. Shareholders' survey is scheduled to be reported to the Board on 26 August 2017.</p>
<p>RATA All stakeholders are kept informed about RATA's projects and achievements.</p> <p>Sub-regional data collection contracts deliver good quality data on roading assets.</p>	<p>Six monthly and annual reports are provided to all stakeholders.</p> <p>Annual Forward Works Programme tours are completed, to provide opportunities for councils' roading staff to share their knowledge and experience</p> <p>Data collection contracts (minimum of two across the region) are managed in accordance with best practice.</p> <p>Data supplied by contractors is of good quality and meets all councils' requirements.</p>	<p>Reports presented to WCLASS Board as at 30 December and 30 June, and circulated to stakeholders.</p> <p>Reports include a summary of savings achieved.</p> <p>All RATA councils participate in the tour.</p> <p>Report on tour outcomes prepared by 31 December each year, and circulated to stakeholders.</p> <p>Contracts which are due for renewal are tested for competitiveness and either renegotiated or tendered through a competitive process.</p> <p>Any data issues are identified and resolved, with any incidents reported to stakeholders.</p>	<p>Achieved. 6-monthly reports presented to Board meetings on 2 December 2016 (circulated to stakeholders on 19 December) and on 7 July 2017.</p> <p>Achieved. A summary of savings was included. In the July report to the Board.</p> <p>Achieved. All councils participated in the tour in October 2016. Not</p> <p>Achieved. Report delayed until February 2017 (individual councils received their reports in January).</p> <p>N/A. No contracts due for renewal. Data collection contracts were extended for one year on 14 October 2016.</p> <p>Achieved. Asset Information Engineer identifies and resolves all issues.</p>

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<p>WAIKATO REGIONAL TRANSPORT MODEL (WRTM):</p> <p>The WRTM is reliable, well maintained and available to all users.</p>	<p>RATA manages the WRTM on behalf of LASS, and monitors the performance of the model supplier (currently Traffic Design Group).</p> <p>RATA 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 from RATA 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. Reports were provided on 15 August and 18 November 2016. No quarterly reports were requested in 2017 as the model was unused during this period.</p> <p>Achieved. Reports presented to the Board in December 2016 and July 2017.</p> <p>Achieved. Peer review of base model was completed in April 2017. Consultant has been engaged to complete future years' model in 2017/18.</p>
<p>WAIKATO BUILDING CONSENT GROUP</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 completed annually for each Group member.</p> <p>Provide Group members with a joint quality assurance system that meets statutory compliance.</p> <p>Report at least six monthly to the WCLASS Board on the Group's activities.</p>	<p>Partially Achieved. Only seven of the eight audits scheduled for the year were completed due to a lack of staff resources to assist.</p> <p>Not Achieved. The quality assurance system consists of over 466 separate documents. Regulation 17 requires that all BCAs on an annual or more frequent basis; audit and review all of their quality assurance systems to ensure that the systems meet the requirements of the BCA regulations and the Building Act 2004, and remain appropriate for purpose. Even though the audit and review of the QA systems was achieved within the calendar year, it was not achieved within 12 months from the last completion date.</p> <p>Achieved. Reports presented to the 3 February and 7 July 2017 Board meetings.</p>
<p>FUTURE PROOF</p> <p>All stakeholders are kept informed about Future Proof's projects and achievements.</p>	<p>Six monthly and annual reports are provided to all stakeholders.</p>	<p>Reports presented to WCLASS Board as at 30 December and 30 June, and circulated to stakeholders.</p>	<p>Achieved. 6-monthly reports presented to the Board on 2 December 2016 and 7 July 2017.</p>

<p>SHAREHOLDER SURVEY:</p> <p>Shareholders are satisfied with the performance of WLASS.</p>	<p>An annual survey of shareholders is undertaken to assess satisfaction levels with WLASS.</p>	<p>A survey of shareholders is undertaken each year, and the results are reported to all shareholders.</p>	<p>In Progress.</p> <p>Shareholders' survey has been completed and is scheduled to be reported to the Board on 26 August 2017.</p>
<p>REVIEW OF BENEFITS:</p> <p>Shareholders are informed of the benefits being provided to shareholding councils by WLASS.</p>	<p>The benefits of WLASS (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 WLASS are included in the 6-monthly and Annual Report to shareholders.</p>	<p>Achieved.</p> <p>Information is included in this report.</p>

WLASS Achievements

This overview outlines new projects and provides an update on WLASS's achievements during 2016/17.

PROCUREMENT

Procurement Review

A "health check/maturity assessment" of procurement activities and processes across the WLASS councils was initiated in March, to identify opportunities and/or alternative approaches that could be taken to provide more value to shareholders. The results are due to be reported by the end of July 2017.

Multi-Function Devices

A joint RFP with BOPLASS for the supply of Multi-function Devices was completed in late 2016, and Konica Minolta were accepted as the preferred supplier. BOPLASS have put the contract in place, and WLASS councils can participate through a Joining Agreement.

Health & Safety Training

A WLASS Master Agreement with Vertical Horizonz for the provision of health & safety training was completed in February 2017 and 11 councils have signed Joining Agreements. The contract has also been made available to BOPLASS

Fleet Management

Following an RFP process, a WLASS Master Agreement for Fleet Management has been entered into with FleetPartners /FleetSmart for a term of 1+2 years. A Joining Agreement is available to all shareholding councils. One council had signed up by the end of the financial year.

Extension of Existing Contracts

Four current WLASS contracts were extended during the past year, following a performance review:

- Dataprint (computer-generated print, mailhouse and e-services), extended for 3 years and now includes provision for additional services (Joining Agreements are available, but only four councils have signed up)
- Professional Services Panel (building services, planning 3-waters, urban design, flood hazards consultancy services), extended for 2 years (Joining Agreements are available, but only four councils have signed up)
- Aon (insurance brokerage), extended for 2 years (all councils have signed up)
- Infometrics (economic data), extended for 1 year (available to all councils, but only six have signed up).

Hamilton City Council Syndicated Contracts

A syndicated clause in three tendered Hamilton City Council contracts enables all shareholding councils to join and access:

- a library book buying contract at 37% discount on the RRP (at the end of the financial year, only Otorohanga and Waikato Districts had signed up)
- a contract for the supply of pipes and fittings for water, wastewater and stormwater pipes, which provides discounts of between 30% and 80% off the list price (at the end of the financial year, no other councils had signed up)

- an HR Panel of eight suppliers for the recruitment of permanent and temporary staff (at the end of the financial year, no other councils had signed up).

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.) Data for 2016/17 are not yet available from N3. 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

Since their appointment in 2012, Aon has saved the WLASS shareholding councils over 30% of their total premium spend, compared with expenditure prior to the WLASS programme being established. Additional savings of over \$500,000 have also been achieved, while at the same time, the scope of cover has increased, excesses have been reduced, and the value of the assets insured has increased by over 20% - to approximately \$200,000,000. These figures do not include the development of a sustainable underground infrastructural flood protection and natural disaster catastrophe programme.

Aon has an in-depth knowledge of all of the shareholding councils' risks, both insurable and uninsurable. Detailed catastrophe loss modelling has been completed for Natural Disaster catastrophe losses, and insurance solutions that directly reflect the exposures faced by all of the Waikato Councils have been developed.

Exclusive solutions developed by Aon include:

- London-based panel of insurers to protect against natural disaster catastrophe losses, e.g. earthquake, volcanic, tsunami and windstorm/cyclone
- Cyber liability and environmental liability specifically designed for local government risks.

Other services provided by Aon to the shareholding councils and staff include:

- Skills transfer and in-council training for key council staff in both risk and risk mitigating areas
- Claims management above and below deductible
- Presentations to Audit and Risk committee's and to WLASS Board meetings, as required
- Contract reviews, as required
- Development of an employee benefit programme, specifically designed for local government.

Shared Valuation Data Service (SVDS)

During the year, a review of the SVDS service was undertaken to assess its suitability as a platform for the next ten years. It is believed that the business functions that SVDS currently supports will be required until at least 2025.

It was determined that the combination of the current software platform and service providers was unlikely to supply reliable and robust services to 2025 and beyond. Whilst some operational support problems occurred (and were resolved) during the year, there is no immediate risk of service failure or significant disruption to services (within the next 1 to 3 years). However the risk of disruption and or failure with the current service delivery model is likely to increase over time, due to a combination of software platform and availability of technical expertise.

Given the lead time to rewrite SVDS (and the capital cost of a rewrite) and the time required to replace it with a commercial product, three future options are currently being assessed: changing the provider of support services, and two "Software as a Service" options. The investigation is scheduled to be completed during the first half of the 2017/18 financial year, and (subject to Board approval of the Business case), implemented in the 2018 calendar year.

Future Proof

Over the past year, Future Proof has focused on a number of on-going projects, including an update of the Future Proof Strategy, collaboration on the National Policy Statement (NPS) on Urban Development Capacity, submissions to various agencies advocating Future Proof's position, raising cross-boundary issues with Auckland as part of the Auckland Plan refresh, and supporting key waters and transport projects. Completion of the draft Future Proof Strategy and summary document were significant milestones, with the consultation period opening on 12 June, and scheduled to close on 21 July 2017.

RATA

In the first half of the financial year, RATA completed recruitment and is now fully staffed with three FTEs and a part-time administrator. The work programme for the year has focused on:

- monitoring the regional data collection contracts
- tendering for a regional pavement deterioration model, which was used to develop the 2017/18 forward works programmes in most of the participating councils
- preparing a new contract to administer bridge and structures inspections
- supporting councils to implement the One Network Road Classification
- project managing the Waikato Regional Transport Model
- completing a regional road user satisfaction survey
- developing an Economic Evaluation Guideline to evaluate sites for forward works programmes.

Waikato Regional Transport Model (WRTM)

WRTM has been in operation since 2010 as a shared service for seven local authorities and NZTA. Over the last five years it has supported:

- land transport investment in excess of \$2.5b, including the Waikato Expressway, HCC's Wairere Drive project, and planning for Southern Links
- a range of strategic and statutory planning processes, including Future Proof, the Waikato Regional Policy Statement, the Ruakura Inland Port Board of Enquiry process, as well as District plans and plan changes.

During 2014 – 2017, the WRTM was repositioned (through the WRTM Census Update project), to enable a greater focus in 2017/18 on network optimisation and corridor improvements, alongside testing of future capital improvements and strategic planning processes.

The WRTM project has been challenging this year due to delays in reaching agreement on land use and population data from shareholding councils. As a result, no modelling has been undertaken since the end of 2016. However it is anticipated that the updated model will be completed (along with a peer review) in the first quarter of 2017/18.

Waikato Building Consent Group

Building Control Authorities in the region are under a lot of pressure, with regional growth reflected in high building consent numbers. In addition, legislative changes have increased the already busy workload, with changes to the Building Consent Authority minimum accreditation criteria, the introduction of mandatory inspections of residential pool fences every 3 years, and preparation for implementing the Building (Earthquake-prone Buildings) Amendment Act, which comes into effect on 1 July 2017.

A workshop to plan the future strategic direction of this Group was held in May 2017, and a number of new initiatives will be progressed over the coming year.

Energy Management

The EECA Collaboration project has now been running for just over a year, and savings of 267,000 kWh of electricity and 710,000 kWh of gas have been achieved so far, with more projects under investigation. Subsidies of just over \$60,000 had been received from EECA by the end of the financial year.

Waikato Regional Aerial Photography Syndicate (WRAPS)

Unfortunately, aerial photography was not completed during the 2016/17 flying season, due to poor weather conditions over much of the area. Approximately 65% of rural imagery and 94% of the urban imagery has been flown, and flights will recommence in September. The contract is in the process of being extended to 30 June 2018, at no additional cost to the participating councils.

Historic Aerial Photos

This project continues to run ahead of schedule, and is expected to be completed in 2018. Scanned photos are uploaded onto the public Retrolens website (<http://retrolens.nz/>) every quarter, which allows the public and all councils to easily search and use the images as they become available. Being able to access the images 24x7 means an increase in effectiveness and a reduction in council staffs' time to find and provide the images.

Regional Infrastructure Technical Specifications (RITS)

This Mayoral Forum project is nearing completion and will be managed by WLASS once consultation has been completed and the final document has been adopted. The RITS document sets out how to design and construct transportation, water supply, wastewater, stormwater and landscaping infrastructure in the participating councils' areas. Prior to developing RITS, each council had its own Infrastructure Technical Specifications, which resulted in different standards having to be met across the Waikato region. The purpose of RITS is to provide a single regional guide and specifications for building public infrastructure. Consultation on the draft document is expected to commence in August 2017.

Local Government Contractor Health & Safety Pre-qualification Scheme

This service is now being offered nationally as part of a drive to better manage councils' contractors in the new health and safety environment. It not only saves councils considerable time and money, as the scheme is fully managed by the software provider, but it also removes the need for contractors to supply separate details to each council or for each contract sought, which also reduces their costs.

WLASS was a finalist in the 2017 NZ Workplace Health & Safety Awards in the "ACC Best Leadership of an Industry Sector or Region" category for this project. At the end of the financial year, all of the shareholding councils were participating, and a total of 19 local authorities and one CCO were actively using the scheme, with more expressing interest in joining.

EFFICIENCY AND EFFECTIVENESS GAINS

Shared Health & Safety Training

In February 2017, the WLASS Health & Safety Working Party organised shared training in the new Health & Safety legislation for newly elected members, following the 2016 local body elections. This was a joint initiative with BOPLASS. Simpson Grierson were engaged to run two training courses on the same day, one in Tauranga and one in Hamilton, to reduce costs to the participating councils. At \$182 per head, this proved to be very cost effective.

Insights Panel

As part of the WLASS contract for Internal Audit services, KPMG hosts an annual panel session with the leaders of their advisory team, at no cost to councils. This year's session was held in March, and focused on health and safety, procurement and risk management. Senior staff and Chairs of Audit and Risk Committees were invited to attend.

Shared Information

To streamline the process used by shareholding councils to procure contracts, information on MBIE's standard RFP templates was sent to all Shared Services Working Party members. Information on how to participate in syndicated contracts for BP Fuel (Ministry of Defence), Banking Services, Office Furniture (NZ Police), Media Monitoring and Employee Assistance Programmes was also circulated to all shareholding councils during the year.

For the eight councils participating in the BP Fuel contract, savings of \$372,000 were achieved over the 2016/17 financial year. (Hauraki, Matamata Piako, Otorohanga and Thames Coromandel Districts have not joined the BP contract. Note: Otorohanga have not joined because they do not have access to BP stations.)

All of Government (AoG) Contracts

Summary information on each council's participation, spend and savings on the range of AoG contracts available for the 2015/16 financial year was distributed to shareholders in October 2016. In 2016/17, the 12 shareholding councils spent \$18,441,067 on AoG contracts, and achieved savings of \$1,641,294 (8.9%).

NEW ACTIVITIES

Learning and Development Working Party

A new Working Party focused on investigating regional learning and development opportunities was established early in 2017, following the consideration and approval of a business case by the Board. A regional Workforce Development Policy was adopted by the Board in July 2017, and it is recommended that each council now adopts a mirror policy to promote regional alignment. A list of training courses and providers currently being used across the region is being compiled to identify opportunities for regional procurement. The aim will be to secure WCLASS Master Agreements with a panel of providers who can deliver quality training and provide value for money. The scope of a potential IT solution for a regional on-line Learning & Development calendar, with e-learning capability, is also being investigated.

Aligned Planning

A report prepared for the Waikato Plan project in 2016 identified 20 action/opportunity areas to align regional planning processes and provide more efficient, effective and business-friendly resource consent processes. Following consideration of a Business case, the Board confirmed that implementing some of the actions/opportunities from that report should be pursued. Expressions of Interest were sought to project manage this work, and a Project Manager was appointed in June.

The project will seek to "make business easier" in the Waikato by:

- Delivering better services to customers
- Defining and delivering more efficient and effective "best practice" processes for the administration of resource consenting
- Ensuring regional consistency wherever possible in the administration of resource consenting.

All councils, except Taupo and Otorohanga, are participating in this project.

Geospatial

A WCLASS Data Portal Steering Group has been commissioned by the Shared Services Working Party to assess shared geospatial opportunities for the region. A review of collaborative Spatial/GIS initiatives in other regions has been completed, and the benefits, based in particular on the knowledge and experience of the Canterbury Maps project, have been identified.

A business case will be prepared in first half of 2017/18, to identify the value proposition of progressing the project. All councils, except Rotorua and Taupo (who are involved in a similar BOPLASS project) are contributing to the investigation of this opportunity.

WLASS Financial Position

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

The WLASS administration costs for this period were \$219,653 against a budget of \$271,117.

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 were:

Six Board meetings were held during the year. Directors' attendance is shown in the table below.

Director	Position	Director Appointed By	Meetings Attended
Gavin Ion(Chair)	Chief Executive Waikato District Council	Waikato District Council	6
Blair Bowcott	Executive Director, Hamilton City Council	Hamilton City Council	6
Chris Ryan	CEO Waitomo District Council	Waitomo District Councils	3
Craig Hobbs	Chief Executive South Waikato District Council	South Waikato District Council	3
Dave Clibbery	Chief Executive Otorohanga District Council	Otorohanga District Council	5
Don McLeod	Chief Executive Matamata-Piako District Council	Matamata-Piako District Council	4
Gareth Green	Chief Executive Taupo District Council	Taupo District Council	5
Garry Dyet	Chief Executive Waipa District Council	Waipa District Council	6
Geoff Williams	Chief Executive Rotorua District Council	Rotorua District Council	1
Langley Cavers	Chief Executive Hauraki District Council	Hauraki District Council	5
Rob Williams	Chief Executive Thames-Coromandel District Council	Thames-Coromandel District Council	6
Vaughan Payne	Chief Executive Waikato Regional Council	Waikato Regional Council	6

For and on behalf of the Board.

Director
22 September 2017

Director
22 September 2017

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 2017

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 22 to 39 that comprise the statement of financial position as at 30 June 2017, 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 5 to 10.

In our opinion:

- the financial statements of the company on pages 22 to 39:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2017; 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; and
- the performance information of the company on pages 5 to 10 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 2017.

Our audit was completed on 22 September 2017. 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 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 4, but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements 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, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements 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

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

Waikato Local Authority Shared Services Limited
Statement of comprehensive revenue and expense
For the year ended 30 June 2017

Statement of comprehensive revenue and expense

For the year ended 30 June 2017

	Note	Actual 2017 \$	Budget 2017 \$	Actual 2016 \$
Revenue				
SVDS Data Sales		386,760	227,919	223,669
Interest		6,215	6,500	11,529
Other revenue	4	<u>4,155,644</u>	<u>3,220,804</u>	<u>2,275,608</u>
Total revenue		<u>4,548,619</u>	<u>3,455,223</u>	<u>2,510,806</u>
Expenditure				
Depreciation and amortisation expense	10	164,286	170,142	419,507
Other expenses	5	<u>4,255,952</u>	<u>3,323,323</u>	<u>2,452,015</u>
Total operating expenditure		<u>4,420,238</u>	<u>3,493,465</u>	<u>2,871,522</u>
Operating surplus/(deficit) before tax and share of equity accounted investments		<u>128,381</u>	<u>(38,242)</u>	<u>(360,716)</u>
Surplus/(deficit) before tax		128,381	(38,242)	(360,716)
Income tax expense	6	-	-	-
Surplus/(deficit) after tax		<u>128,381</u>	<u>(38,242)</u>	<u>(360,716)</u>
		-	-	-
Total other comprehensive income		-	-	-
Total comprehensive income		<u>128,381</u>	<u>(38,242)</u>	<u>(360,716)</u>

Explanations of major variances against budget are provided in note 20

Waikato Local Authority Shared Services Limited
Statement of changes in equity
For the year ended 30 June 2017

Statement of changes in equity

For the year ended 30 June 2017

	Actual 2017 \$	Budget 2017 \$	Actual 2016 \$
Balance at 1 July	671,293	628,071	1,032,008
Total comprehensive revenue and expense previously reported	<u>128,381</u>	<u>(38,242)</u>	<u>(360,716)</u>
Balance at 30 June	<u>799,674</u>	<u>589,829</u>	<u>671,293</u>
Total comprehensive revenue and expense attributable to:			
Equity holders of Local Authority Shared Services Limited	799,674	589,829	671,293
Non-controlling interest	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive revenue and expense	<u>799,674</u>	<u>589,829</u>	<u>671,293</u>

Explanations of major variances against budget are provided in note 20

Waikato Local Authority Shared Services Limited
Statement of financial position
As at 30 June 2017

Statement of Financial Position

As at 30 June 2017

	Note	Actual 2017 \$	Budget 2017 \$	Actual 2016 \$
ASSETS				
Current assets				
Cash and cash equivalents	7	953,946	623,031	682,673
Exchange trade and other receivables	8	409,363	-	370,003
Non-exchange trade and other receivables	8	75,021	3,394	66,064
Prepayments	9	147,500	2,692	148,820
Total current assets		<u>1,585,830</u>	<u>629,117</u>	<u>1,267,560</u>
Non-current assets				
Intangible assets	10	327,208	342,262	491,494
Other financial assets	11	81,000	-	-
Total non-current assets		<u>408,208</u>	<u>342,262</u>	<u>491,494</u>
Total assets		<u>1,994,038</u>	<u>971,379</u>	<u>1,759,054</u>
LIABILITIES				
Current liabilities				
Payables and deferred revenue	12	1,194,364	335,305	1,087,761
Total current liabilities		<u>1,194,364</u>	<u>335,305</u>	<u>1,087,761</u>
Non-current liabilities				
Total non-current liabilities		-	-	-
Total liabilities		<u>1,194,364</u>	<u>335,305</u>	<u>1,087,761</u>
Net assets		<u>799,674</u>	<u>636,074</u>	<u>671,293</u>
EQUITY				
Retained earnings	13	2,957,001	2,957,001	2,957,001
Reserves	13	(2,157,327)	(2,367,172)	(2,285,708)
Total equity		<u>799,674</u>	<u>589,829</u>	<u>671,293</u>

These financial statements have been authorised for issue by the Board of Directors on 22 September 2017

Director
22 September 2017

Director
22 September 2017

Explanations of major variances against budget are provided in note 20

Waikato Local Authority Shared Services Limited
Cash flow statement
For the year ended 30 June 2017

Cash flow statement

For the year ended 30 June 2017

	Actual 2017 \$	Budget 2017 \$	Actual 2016 \$
Cash flows from operating activities			
Interest Received	6,215	6,500	11,593
Receipts from other revenue	4,425,573	3,503,791	2,461,848
Payments to suppliers and employees	(4,101,152)	(3,379,111)	(2,430,722)
Income tax received / (paid)	2,509	(1,820)	1,170
Goods and services tax (net)	<u>19,130</u>	<u>(25,221)</u>	<u>(54,834)</u>
Net cash flow from operating activities	<u>352,275</u>	<u>104,139</u>	<u>(10,945)</u>
Purchase of intangible assets	-	(10,190)	-
Purchase of term deposits with maturities greater than 3 months	11 <u>(81,000)</u>	<u>-</u>	<u>-</u>
Net cash flow from investing activities	<u>(81,000)</u>	<u>(10,190)</u>	<u>-</u>
Net (decrease)/increase in cash, cash equivalents, and bank overdrafts	271,275	93,949	(10,945)
Cash, cash equivalents, and bank overdrafts at the beginning of the year	<u>682,673</u>	<u>529,082</u>	<u>693,617</u>
Cash, cash equivalents, and bank overdrafts at the end of the year	7 <u>953,948</u>	<u>623,031</u>	<u>682,672</u>

Explanations of major variances against budget are provided in note 20

1 Statement of accounting policies for the year ended 30 June 2017

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. Waikato 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 2017. The financial statements were authorised for issue by the Board of Directors on the 22 September 2017.

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).

LASS 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.

These financial statements comply with PBE standards RDR.

These financial statements are the third 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 2016/17 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 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.

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 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 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.

Impairment of intangible assets

Intangible assets subsequently 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.

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.

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 to Waikato Mayoral Forum projects and projects that were not completed in the previous financial year are recognised 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.

	Actual 2017 \$	Actual 2016 \$
<u>Non-exchange revenue</u>		
User Charges	1,203,182	525,066
Other	<u>316,131</u>	<u>169,550</u>
Total non-exchange revenue	<u>1,519,313</u>	<u>694,616</u>
 <u>Exchange revenue</u>		
Procurement	794,505	352,446
Information Technology	53,600	22,334
Energy Management	116,184	96,000
Shared Valuation Data Services	78,463	78,500
Road Asset Technical Accord	1,107,321	618,420
Waikato Regional Transport Model	3,348	11,724
Waikato Building Consent Group	20,502	-
Waikato Mayoral Forum	<u>462,408</u>	<u>401,568</u>
Total exchange revenue	<u>2,636,331</u>	<u>1,580,992</u>
Total other revenue	<u>4,155,644</u>	<u>2,275,608</u>

5 Other expenses

	Actual 2017 \$	Actual 2016 \$
Audit fees for financial statement audit (current year)	20,600	15,348
Company Administration	199,053	173,767
Procurement	782,513	325,446
Information Technology	63,075	12,610
Energy Management	96,822	39,685
Shared Valuation Data Services	543,163	535,135
Road Asset Technical Accord	1,168,385	618,420
Waikato Regional Transport Model	82,187	183,289
Waikato Building Consent Group	265,326	-
Future Proof	572,421	-
Waikato Mayoral Forum	<u>462,407</u>	<u>548,314</u>
Total other expenses	<u>4,255,952</u>	<u>2,452,014</u>

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 2017 \$	Actual 2016 \$
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	<u>128,381</u>	<u>(360,716)</u>
Tax at 28%	35,947	(101,000)
Non-taxable in calculating taxable income	-	-
Other timing adjustments	44,432	109,059
Non-taxable income	-	-
Prior year adjustment	-	-
Group loss offset	-	-
Deferred tax adjustment	(44,433)	(105,537)
Tax losses not recognised	<u>(35,946)</u>	<u>97,478</u>
Tax expense	<u>-</u>	<u>-</u>

Waikato Local Authority Shared Services Limited
Notes to the financial statements
30 June 2017
(continued)

Deferred tax asset (liability)	Intangible assets \$	Other provisions \$	Tax losses \$	Total \$
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>
	\$	\$	\$	\$
Council				
Balance at 1 July 2016	(136,051)	-	136,051	-
Charged to surplus or deficit	44,433	-	(44,433)	-
Charged to other comprehensive income	-	-	-	-
Balance at 30 June 2017	<u>(91,618)</u>	<u>-</u>	<u>91,618</u>	<u>-</u>

A deferred tax asset of \$644,377 (2016: \$680,324) has not been recognised in relation to tax losses carried forward of \$2,301,346 (2016: \$2,492,728).

7 Cash and cash equivalents

Accounting policy

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.

	Actual 2017 \$	Actual 2016 \$
Cash at bank and in hand	903,946	637,271
Short term deposit maturing three months or less from date of acquisition	<u>50,000</u>	<u>45,402</u>
Net Cash and Cash Equivalents and bank overdrafts for the purposes of the Statement of Cashflows	<u>953,946</u>	<u>682,673</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 and other customers. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

8 Receivables (continued)

	Actual 2017	Actual 2016
	\$	\$
Gross trade and other receivables	59,900	61,821
Related Party Receivables (note 16)	409,363	337,490
Accrued Interest on Short Term Deposits and Call Accounts	97	281
GST Refund Due	14,706	33,833
IRD - RWT Tax Paid	318	2,642
Total debtors and other receivables	484,384	436,067
Exchange		
Receivables from exchange transactions	409,363	370,003
Non-exchange		
Receivables from non-exchange transactions	75,021	66,064
Total debtors and other receivables	484,384	436,067

9 Prepayments

	Actual 2017	Actual 2016
	\$	\$
Prepayments	147,500	148,820
Balance as at 30 June	147,500	148,820

10 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%
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	Actual 2017	Actual 2016
	\$	\$
Computer Software		
Balance at 1 July	5,363,366	5,363,366
Additions	-	-
Disposals	-	-
Balance at 30 June	5,363,366	5,363,366

10 Intangible assets (continued)

Accumulated amortisation and impairment losses		
Balance at 1 July	4,871,872	4,452,365
Disposals	-	-
Amortisation as per Income statement	164,286	419,507
Impairment losses	-	-
Balance at 30 June	<u>5,036,158</u>	<u>4,871,872</u>
Carrying Amounts		
Balance at 1 July	491,494	911,001
Balance at 30 June	327,208	491,494

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 2017 is \$180,864 (2016: \$272,063).

The carrying amount of the WRTM asset as at 30 June 2017 is \$145,832 (2016: \$218,748).

The carrying amount of the MoneyWorks asset as at 30 June 2017 is \$512 (2016: \$683).

The Board of Directors consider that there is no impairment of assets as at 30 June 2017. Accordingly no impairment adjustments are needed.

11 Other financial assets

Accounting policy

Investments in bank deposits are initially 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.

	Actual 2017 \$	Actual 2016 \$
Term deposits with maturities greater than 3 months	81,000	-
Balance as at 30 June	<u>81,000</u>	<u>-</u>

12 Payables and deferred revenue

Accounting policy

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

	Actual 2017 \$	Actual 2016 \$
Current		
Trade payables and accrued expenses	461,460	482,003
Related party payables (note 16)	249,990	75,992

12 Payables and deferred revenue (continued)

Deferred revenue	<u>482,914</u>	<u>529,766</u>
Total creditors and other payables	<u>1,194,364</u>	<u>1,087,761</u>
Exchange		
Trade payables	447,492	539,595
Accrued expenses	<u>263,958</u>	<u>18,400</u>
Total creditors and other payables from exchange transactions	<u>711,450</u>	<u>557,995</u>
Non-exchange		
Deferred revenue	<u>482,914</u>	<u>529,766</u>
Total creditors and other payables from non-exchange transactions	<u>482,914</u>	<u>529,766</u>
Total creditors and other payables from exchange and non-exchange transactions	<u>1,194,364</u>	<u>1,087,761</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.

13 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 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 this note.

Accumulated funds

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

WLASS's objectives, policies and processes for managing capital are explained in note 19.

	Actual 2017 \$	Actual 2016 \$
Total equity		
Contributed equity	2,957,001	2,957,001
Opening retained earnings	<u>(2,157,327)</u>	<u>(2,285,708)</u>
Balance at 30 June 2017	<u>799,674</u>	<u>671,293</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>
Balance at 1 July	<u>(2,285,708)</u>	<u>(1,924,992)</u>
Surplus/(deficit) for the year	<u>128,381</u>	<u>(360,716)</u>

13 Reconciliation of equity (continued)

Balance 30 June (2,157,327) (2,285,708)

The Company has issued 2,186,581 (2016 - 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
	<u>1,000</u>	<u>1</u>	<u>1</u>	<u>10</u>
	12,000	1,607,001	444,568	1,350,000
	<u>(12,000)</u>	<u>-</u>	<u>(444,568)</u>	<u>-</u>
	<u>-</u>	<u>1,607,001</u>	<u>-</u>	<u>1,350,000</u>

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.

14 Commitments

Non-cancellable operating expenses

The majority of these non-cancellable commitments have a contract end date within the following six months of year end.

	Actual 2017 \$	Actual 2016 \$
Non-cancellable operating agreements		
Not later than one year	474,615	416,897
Later than one year and not later than five years	<u>291,667</u>	<u>612,500</u>
Total non-cancellable operating agreements	<u>766,282</u>	<u>1,029,397</u>

15 Contingencies

As at 30 June 2017 the Company had no contingent liabilities or assets (2016 - \$0)

16 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.

	Actual 2017 \$	Actual 2016 \$
Jowett Consulting - LASS Chief Executive	<u>137,548</u>	<u>119,791</u>
Total key management personnel compensation	<u>137,548</u>	<u>119,791</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 2017 \$	Actual 2016 \$
Income		
Hamilton City Council	594,842	243,641
Hauraki District Council	227,880	88,926

16 Related party transactions (continued)

Matamata Piako District Council	383,458	97,920
Otorohanga District Council	166,709	110,424
Rotorua Lakes Council	55,743	68,574
South Waikato District Council	183,802	78,995
Taupo District Council	97,680	62,977
Thames Coromandel District Council	236,910	139,426
Waikato District Council	403,453	180,736
Waikato Regional Council	647,216	302,304
Waipa District Council	394,253	148,839
Waitomo District Council	201,434	92,874
	<u>3,593,380</u>	<u>1,615,636</u>

Revenue is related to user charges and IT, Energy Management, SVDS, RATA, WRTM, WBCG, Future Proof and Waikato Mayoral Forum activities.

	Actual 2017 \$	Actual 2016 \$
Expenses		
Hamilton City Council	69,675	808
Taupo District Council	2,628	-
South Waikato District Council	-	1,360
Waipa District Council	467,434	151,980
Waikato District Council	226,793	5,061
Waikato Regional Council - Services Provided	52,845	28,278
	<u>819,375</u>	<u>187,487</u>

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; Waikato District Council \$1,344.98, Waikato Regional Council \$14,073.33 and Waipa District Council \$68,191.00 (2016 - \$14,291).

	Note	Actual 2017 \$	Actual 2016 \$
Balance Sheet			
<i>Trade & Other Receivables</i>	8	-	-
Hamilton City Council		48,965	102,380
Hauraki District Council		39,057	10,367
Matamata Piako District Council		122,168	5,738
Otorohanga District Council		22,713	55,997
Rotorua Lakes Council		539	1,718
South Waikato District Council		21,180	1,819
Taupo District Council		13,692	2,655
Thames Coromandel District Council		40,698	29,751
Waikato District Council		14,663	44,920
Waikato Regional Council		10,491	26,959
Waipa District Council		28,579	28,944
Waitomo District Council		46,619	26,241
		<u>409,364</u>	<u>337,489</u>
<i>Trade & Other Payables</i>			
Hamilton City Council	12	5,750	-
Jowett Consulting - LASS Chief Executive		13,949	16,493
Waikato District Council		29,661	1,428

16 Related party transactions (continued)

Waikato Regional Council	17,950	9,615
Waipa District Council	<u>182,680</u>	<u>48,457</u>
	<u>249,990</u>	<u>75,993</u>

17 Director and executive disclosures

No Directors fees were paid to Directors during the year. Directors are not directly remunerated by Waikato Local Authority Shared Services (2016: \$0).

18 Events occurring after the balance date

There have been no events after balance date.

19 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

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.

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.

19 Financial instruments (continued)

(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 11), 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 timeframes.

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	2017 \$	2016 \$
FINANCIAL ASSETS			
Loans and receivables			
Cash and cash equivalents	7	953,946	682,673
Receivables	8	469,360	436,067
Other financial assets	11	81,000	-
Total loans and receivables		<u>1,504,306</u>	<u>1,118,740</u>
FINANCIAL LIABILITIES			
Financial liabilities at amortised cost			
Payables and deferred revenue	12	1,194,364	557,995
Total financial liabilities at amortised cost		<u>1,194,364</u>	<u>557,995</u>

20 Explanation of major variances against budget

Explanations for major variations from the Company's budget figures in the statement of intent to 30 June 2017 are as follows:

Statement of comprehensive revenue and expense

SVDS data sales are higher than budget due to new data sales contracts bringing additional revenue.

Revenue from the new contract with Homes.co.nz of \$50,073 was not included in the original budget as a precaution because they were a start-up with no trading history and the business model was unproven.

Other revenue is higher due to the WRAPS project being initially budgeted for at \$84,000 but then invoiced at \$577,155, an unbudgeted project for the Waikato Story received revenue of \$150,000 and the increase of \$146,853 revenue from SVDS Data Sales.

20 Explanation of major variances against budget (continued)

Expenses increased due to the WRAPS project being initially budgeted for \$84,000 but expenses totalled \$434,100. RATA exceeded budgeted expenses by \$225,885 using surplus from 2015/16 and the Mayoral Forum using unbudgeted revenue in advance from 2015/16 of \$391,407.

Statement of Changes in Equity

The items as noted above have meant that the Company has made a gain of \$128,381 against a budgeted loss of \$38,242.

Statement of Financial Position

The cash balance is higher due to new activities having an end of year surplus (Future Proof \$76,446 and WBCG \$71,537) and SVDS Data Sales up \$156,380.

WLASS do not budget for having EOY receivables.

Prepayments are higher due to an unbudgeted invoice for \$147,500 - prepayment for 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.

The \$81,000 term deposit is the first over three months investment for WLASS.

Actual intangible assets are lower because budget takes into account \$10,190 for SVDS enhancement; no enhancements for 2016/17.

21 Adjustments to the Comparative Year Financial Statements

The presentation of Note 4 and Note 5 have changed to show the classification per activity; this is considered to be more useful and appropriate for the readers.

