



Half-yearly report to Shareholders

1 July 2018 to 31 December 2018

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1 Introduction

The Board of Waikato Local Authority Shared Services Ltd (WCLASS) is pleased to present its report to shareholders on the first half of the 2019 financial year (to 31 December 2018). During the period the first steps have been taken to reorganise the way WCLASS operates and interacts with its shareholding councils, to generate greater value. The vision for the future is more fully detailed in the company's 2019 Statement of Intent (SOI).

2 Overview of WCLASS

WCLASS was established in December 2005. It is jointly owned by the following shareholding councils:

- Hamilton City
- Hauraki District
- Matamata-Piako District
- Otorohanga District
- Rotorua Lakes
- South Waikato District
- Taupo District
- Thames-Coromandel District
- Waikato District
- Waikato Regional
- Waipa District
- Waitomo District

WCLASS was initially established to provide the local authorities in the Waikato Region with a vehicle to procure shared services. The key purpose of WCLASS has evolved and it now drives collaboration between councils, aiming to improve customer service and performance and reduce costs.

The vision for WCLASS is to be:

The enabler for Councils to provide their services in the most effective and efficient way

Its objectives are:

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

The Board of WCLASS comprises a representative from each of the shareholding Councils¹.

¹ In February 2019 Shareholders were asked to pass a resolution to reduce the size of the Board to six, including the appointment of an independent Chair.

The company has several key workstreams. However, the resource within WLASS itself during the period comprised a contracted Chief Executive (part-time) and since November, a part-time Company Administrator (see below for detail on changes since period end). Beyond that, it has established working parties made up of employees from the Councils who are charged with advancing the workstreams.

Each of the 12 Waikato local authorities owns a share in WLASS and as such has an equal say in its development.

3 Statement of Service Performance

Since its inception the company has delivered benefits to its shareholding councils through enabling:

- Improved levels and quality of service;
- A more co-ordinated approach to the provision of services;
- Reductions in the cost of services;
- The development of new initiatives;
- Standardisation of service levels;
- Opportunities for all Councils, irrespective of location or size, to benefit from joint initiatives; and
- Economies of scale resulting from a single entity representing all Councils and leveraging procurement opportunities.

3.1 Activity during the period

Highlights of activity during the six months to 31 December 2018 are:

WLASS transformation project

The most significant piece of work for the company throughout the period has been delivering the plan to implement a new operating model. Detail of this transformation project is included in the company's SOI. However, during the period that project has resulted in the appointment of a Business Analyst and Company Administrator (part-time). These roles represent the first employees of WLASS.

Subsequent to the period in question the Board will be also:

- Appointing a full-time Chief Executive (to date this role has been contracted in two days per week); and
- Recommending shareholders resolve to change the composition of the Board, appointing an independent Chair and reducing the number on the Board to six.

As a consequence of these changes there has been/will be some increase to the company's central administration costs. Chief executives of the shareholding councils supported the need for this additional investment, which can be accommodated within existing budget in the 2019 financial year².

Health & Safety

WLASS completed the development of a Regional Health & Safety Management framework, together with 13 Best Practice documents. These documents will assist councils to manage

² Funding being sought for financial years 2020-2022 is set out in the company's SOI

health and safety effectively, and guide Chief Executives and senior leaders to understand their roles and responsibilities.

Procurement

Professional services panel

Initial work took place to re-market the WLASS professional services panel. This is a significant piece of work to standardise the terms and conditions for engagement with professional service providers across several disciplines. The Request for Proposal was issued to the market mid-February, with the evaluation process taking place to allow contracts to take effect in the latter half of 2019. When the current panel was established four councils elected to participate. Significantly, this time round ten councils will be participating, reflective of the significant efficiencies to be gained from this form of procurement.

Procurement framework

A regional procurement framework has been established. The document sets a minimum standard for procurement practice across the region. Initial working establishing the procurement toolbox was undertaken and this, together with procurement training, will be rolled out in the first half of 2019.

SVDS

SVDS activity centred around establishing a new SVDS service contract under a Software As A Service (SAAS) arrangement which was concluded in September. Since then Waipa District Council have been the pilot for the new software with implementation underway. Member charges will continue to reduce under the new arrangement, and it is expected that these will not be necessary beyond 2020, providing revenue from data sales remains intact.

Waikato Data Portal

Phase 1 of a roadmap to toward regional spatial information has progressed well throughout the period. The output from Phase 1 is a single centralised Data Portal. Ultimately, the expectation is to progress toward a centralised and distributed GIS platform managed by one team.

An implementation Project charter was developed and a governance group to oversee the project established. Build of the data portal is now well underway and council have been trained on using the data portal application.

RATA

New data collection contracts covering manual data collection (visual rating surveys, footpath condition surveys, and traffic counting) commenced on 1 July 2018.

Taupo District Council joined RATA on 1 July 2018 and South Waikato District Council made the decision to move to a higher level of participation in RATA, with the increased level of support to the council commencing in January 2019.

There has been significant activity during the period including:

- Workshops to develop a consistent regional maintenance specification (these have been well attended and good progress has been made);
- Completing the forward works programme tour for 2018 (part of the Assessing The Right Treatments, At the Right Time programme);

- Publishing Road Efficiency Group Data Quality Reports. RATA's Asset Information Engineer has been using these reports to support data quality improvement tasks within each of the participating councils; and
- Investigating collaboration opportunities in the Waters activities across seven participating councils (a Mayoral forum initiative).

Future proof

The key project underway is the phase 2 update of the Future Proof Strategy, with a draft completed and submitted to Ministry for the Environment in December. Work will continue this year to develop the strategy to ensure alignment with other projects, including the Hamilton-to-Auckland Corridor Plan and Waikato District blueprints.

Regional Infrastructure Technical Specifications (RITS)

The project plan for the RITS provided for six- and twelve-month reviews following adoption, with subsequent annual updates. This was to allow users to live test the document and identify any issues and improvements.

The first review is underway with feedback received from various council staff and consultants over the last six months. The feedback is being worked through and at the same time the document is being checked for errors, omissions and inconsistencies. We have received positive feedback and comments indicate the RITS is being widely used and the identified benefits are being realised.

Councils outside the Waikato region expressed interest in adopting the RITS and WLASS is progressing this opportunity.

Energy management

WLASS is in the third year of a three-year collaboration with the Energy Efficiency Conservation Authority (EECA) who have supported the programme by part funding energy management professional services, energy audits and energy monitoring software (Epro).

The collaboration with EECA targeted 2.5 million kWh of energy savings across the three-year programme. As at 31 December 2018, implemented projects will deliver savings of 3.3 million kWh with a value of \$440k. Of this sum, \$153k is related to cost reductions arising from optimising energy tariffs and demand charges.

Aligned resource consent planning

The alignment of resource consent documentation across councils went live in August. Processing resource consents is now more efficient and user friendly, delivering a better service to customers.








3.2 Performance Targets

The following performance measures were included in the Statement of Intent for the 2018/19 financial year. An update on their status as at 31 December 2018 is shown in the table below.








Key:

- On track: has been completed or will be by 30 June 2019
- Currently behind schedule but target expected to be met by 30 June 2019
- Currently behind schedule and target unlikely to be met by 30 June 2019

Target	Method	Measure	Outcome	
Procurement 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.	The Procurement Specialist has developed standard regional procurement policies, templates and procedures and provided training in each council by the end of the financial year.	The Regional procurement framework is complete. The associated toolbox and training are expected to be delivered in March 2019.	●
		New suppliers are awarded contracts through a competitive tender process.	Competitive tendering for professional services is currently underway.	●
Collaborative Projects 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. If considered of value, business cases are developed for approval by the Board, and the projects are implemented.	The WLASS transformation is being delivered. The Professional Services Panel is being re-tendered with ten councils participating (previously four). Opportunities relating to the go-to-market strategy for capital works are being considered. A business case for regional LiDAR at a significantly reduced cost utilising PGF co-funding has been developed. The Health & Safety Management framework and Best Practice documents have been completed.	●
Existing WLASS Contracts 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.	Ongoing	●
		Contracts which are due for renewal are tested for competitiveness and either renegotiated or re-tendered through a competitive process.	Contracts have been re-negotiated and where appropriate re-tendered through a competitive process.	●

Target	Method	Measure	Outcome	
Cashflow The company shall maintain a positive cashflow position.	The Financial Accountant reviews cashflow monthly, and the WLASS Board reviews the financial statements quarterly.	The WLASS Board reviews the financial statements at least quarterly.	Management accounts, including financial performance and cashflow are reported at each Board meeting (six time per annum)	
Cost Control Administration expenditure shall be managed and monitored.	The Financial Accountant and Chief Executive review expenditure monthly.	Administration expenditure shall not exceed budget by more than 5%, unless prior approval is obtained from the Board.	Administration expenditure is expected to exceed the 2019 budget by 52%. This is solely a product of the WLASS transformation and the associated change to the operating model which was approved by the Board in September 2018. The 2019 position has been reforecast as a result.	
Reporting Six monthly reports provided to Shareholders.	The Chief Executive prepares a written report for the WLASS Board every meeting. 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. 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.	Half-yearly report will be delivered in February 2019. The 2018 Annual report was prepared and provided to shareholders in September 2018.	 
Waikato Mayoral Forum The company shall provide administrative support to the Mayoral Forum work streams and to the Mayoral Forum.	Mayoral Forum projects shall be managed financially through the WLASS.	Approved invoices for Mayoral Forum projects are paid by the 20 th of the month following their receipt.	Ongoing	
SVDS The SVDS is reliable, well maintained and available to all users.	A Contract Manager is appointed for SVDS. The Contract Manager monitors performance of the contractors and reports quarterly to the SVDS Advisory Group.	The SVDS is available to users at least 99% of normal working hours. The SVDS Advisory Group meets at least 6-monthly. The Annual Business Plan is accepted by the Advisory	On target – the SVDS has been available 100% for users during normal business hours. On target. Two meetings held in first 6 months; August & November Not yet due	 

Target	Method	Measure	Outcome	
	<p>develop new approaches that will lead to optimal asset management.</p> <p>Leadership: Lead engagement and increase capability within the sector.</p>	<p>practice are produced each year.</p> <p>RATA Forums are held 2-monthly to share learnings and experience.</p>	<p>data quality reports to support improvement planning.</p> <p>RATA is supporting Waters Collaboration investigation work for seven participating councils.</p> <p>RATA Fora were held two-monthly during 2018 with high levels of attendance from participating councils.</p>	
<p>WRTM</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>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 WLASS 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>●</p> <p>●</p> <p>●</p>
<p>Waikato Building Consent Group</p> <p>Provide strategic direction and actively pursue improvements in Building Control across the Waikato region.</p>	<p>Implement the strategic priorities detailed in the "Build Waikato" May 2017 strategic review document.</p>	<p>Milestones for the five strategic review work streams are achieved for:</p> <ul style="list-style-type: none"> • Digital experience and technology: a common online customer experience. Success is defined as user friendly, convenient, quick, end-to end management and communication, measured by customer surveys and systems comparisons. • People capability. Success is defined as a successful recruitment and training programme, measured by compliance with BCA Reg. 8 - 11. 		<p>●</p> <p>●</p>

Target	Method	Measure	Outcome	
	Fulfil the roles and responsibilities set out in clause 9 of the WBCG's Memorandum of Understanding, 2016.	<ul style="list-style-type: none"> • Quality assurance. Success is defined as continued accreditation and increased service consistency, measured by accreditation outcomes, BCA annual audits, and customer surveys. • Lift industry competency and compliance. Success is measured by increased industry compliance, with reduced RFIs, and reducing percentages of application or building consent rejection. • Central government: engagement and legislative influence. Success is measured by legislative submissions and outcomes. <p>There is a common understanding and buy-in by all BCAs for the WBCG vision and actions that are taken to achieve this vision, measured by:</p> <ol style="list-style-type: none"> i. Full participation in WBCG projects and programmes ii. Audits demonstrating implementation and compliance with the agreed QA systems iii. Consistency in service delivery, measured by customer surveys. <p>Risk management is visible through regular reviews of the Risk Register.</p> <p>All funding requirements are met by each of the participating councils.</p> <p>Minimum of two reports presented to the WLASS Board on the Group's activities.</p>	<p>The WBCG manager has been working with WINTEC students on building consenting and compliance. The project is yet to be allocated and scope defined.</p> <p>Relationship building and lobbying is on-going. No legislative consultation during the year to date.</p>	     
Future Proof Planning for growth in the sub-region is	Joint preparation and input into	Phase 2 of the Future Proof Strategy is adopted by the Future Proof	The draft Future Proof Strategy (phase 2) was reported to the Future	

Target	Method	Measure	Outcome	
<p>co-ordinated and collaborative.</p> <p>The Future Proof budget is well managed and monitored.</p> <p>Future Proof influences and inputs into District Plan, Regional Plan, growth strategy and any other planning processes which manage growth within the sub-region and neighbouring regions.</p>	<p>Phase 2 of the Strategy update.</p> <p>Bi-monthly reports presented to Waikato Plan and Future Proof Chief Executive Group, and six monthly and annual reports to WLASS Board.</p> <p>Future Proof works collaboratively and provides input into the planning work undertaken by all FP partners and any other relevant planning authorities.</p>	<p>Implementation Committee no later than December 2018.</p> <p>The overall Future Proof work programme is delivered within the approved budget.</p> <p>Future Proof makes submissions (using RMA and Local Government processes), on District Plans, LTPs, growth management planning documents, and any central government initiatives which have the potential to impact growth management planning in the sub-region.</p>	<p>Proof Implementation Committee and submitted to MfE in December 2018. Work will continue on the draft Strategy in 2019 to ensure alignment with the Hamilton to Auckland Corridor Plan.</p> <p>The Future Proof work programme to the end of December 2018 is tracking on budget. A bi-monthly budget report was reported to the Future Proof Chief Executive Group in February 2019.</p> <p>Future Proof made two submissions in 2018, on the Proposed Waikato District Plan and Proposed Plan Change 11 to the Waipa District Plan (Bardowie Industrial Precinct).</p>	●
<p>Aligned Resource Consent Planning Project</p> <p>Implementation of the Aligned Resource Consent Planning project is underway during 2018/19.</p>	<p>Progress on implementation of common forms and other initiatives is reported to shareholders on a regular basis.</p>	<p>Common forms are in place for all Councils involved by December.</p>	<p>The forms went live in the 2nd half of 2018.</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>Survey will be distributed to shareholders in March 2019.</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. The WLASS website is regularly maintained and updated.</p>	<p>WLASS achievements are included in this report and were set out in the 2018 Annual Report provided to shareholders in September 2018. The WLASS website has been updated where appropriate.</p>	●

4 WCLASS Financial Position

4.1 Summary

By the numbers:

Summary financial results for the six months to 31 December 2018 are:

	2019 actual YTD \$000	2019 budget YTD \$000	Variance \$000 (actual v budget)
Total income	3,105,924	2,520,409	585,515
Total operating expenditure	2,001,758	2,590,692	588,934
Net surplus before tax	1,104,166	(70,283)	1,174,449
Cash on hand	346,329	n/a	n/a

The favourable variance to budget YTD is expected to largely abate over the remainder of the year and reflects timing of spend on some workstreams and the recognition of revenue in advance from the prior year that was not budgeted.

Outcome of 2017 audit

Audit New Zealand issued an unqualified audit opinion on the company's 2017 Financial Statements. No issues were raised by the auditor, which was a very pleasing result.

4.2 Statement of Financial Performance

Waikato Local Authority Shared Services For the 6 months ended 31 December 2018

	YTD ACTUAL	YTD BUDGET	VARIANCE	FY BUDGET	FORECAST	PY ACTUAL
Trading Income						
Company Administration	250,199	253,140	(2,941)	299,784	359,868	216,847
Procurement	301,314	169,920	131,394	439,166	665,480	301,314
Information Technology	115,399	45,057	70,342	45,594	116,976	115,201
Energy Management	106,720	101,500	5,220	136,500	106,720	101,500
Shared Valuation Data Service (SVDS)	386,137	366,479	19,658	701,892	701,892	6,250
Road Asset Technical Accord (RATA)	762,190	846,449	(84,259)	978,560	1,099,090	639,986
Waikato Regional Transport Model (WRTM)	23,814	41,394	(17,580)	98,626	98,626	20,790
Waikato Building Consent Group (WBCG)	384,534	159,274	225,260	318,548	541,895	382,621
Future Proof	272,196	272,196	(1)	544,391	544,391	136,098
Mayoral Foryum	132,932	5,000	127,932	5,000	132,932	57,932
Waikato Plan	370,490	260,000	110,490	520,000	-	104,345
Total Trading Income	3,105,924	2,520,409	585,515	4,088,061	4,367,870	2,082,885
Total Income	3,105,924	2,520,409	585,515	4,088,061	4,367,870	2,082,885
Operating Expenses						
Company Administration	154,938	169,870	(14,932)	299,784	498,604	3,344
Procurement	336,971	455,006	(118,035)	656,058	735,764	173,539
Information Technology	92,319	58,063	34,256	134,727	147,297	-
Energy Management	57,206	81,149	(23,943)	136,500	141,720	11,010
Shared Valuation Data Service (SVDS)	271,154	349,978	(78,824)	886,017	986,603	46,332
Road Asset Tecnical Accord (RATA)	446,708	564,068	(117,360)	1,016,336	1,019,339	(15,385)
Waikato Regional Transport Model (WRTM)	18,008	43,525	(25,517)	98,626	117,470	2,182
Waikato Building Consent Group (WBCG)	150,115	265,090	(114,975)	529,549	581,289	(2,836)
Future Proof	281,131	272,184	8,947	544,391	544,391	103,965
Mayoral Forum	19,755	2,497	17,258	51,440	126,439	-
Waikato Plan	91,646	247,458	(155,812)	520,000	-	1,400
Total Operating Expenses	1,919,950	2,508,888	(588,938)	4,873,428	4,898,916	323,549
Gross Profit	1,185,974	11,521	1,174,453	(785,367)	(531,046)	1,759,335
Depreciation						
Depreciation - MoneyWorks	128	126	2	256	2,256	21
Depreciation - SVDS	45,222	45,222	-	90,444	90,444	7,537
Depreciation - WRTM	36,458	36,456	2	72,916	72,916	6,076
Total Depreciation	81,808	81,804	4	163,616	165,616	13,635
Net Profit	1,104,166	(70,283)	1,174,449	(948,983)	(696,662)	1,745,701

4.3 Statement of Changes in Equity

Waikato Local Authority Shared Services For the 6 months ended 31 December 2018

	2018/19	2017/18
Equity		
Opening Balance	1,026,531	799,675
Current Year Earnings	1,104,166	226,856
Total Equity	2,130,697	1,026,531

4.4 Statement of Financial Position

Waikato Local Authority Shared Services As at 31 December 2018

	31 Dec 2018	30 Jun 2018
Equity		
Shares - SVDS	1,607,001	1,607,001
Shares - WRTM	1,350,000	1,350,000
Retained Earnings	(1,930,471)	(2,157,327)
Current Year Earnings	1,104,166	226,856
Total Equity	2,130,696	1,026,530
Assets		
Current Assets		
Prepayments	0	149,905
Accounts Receivable	1,429,859	495,885
Accrued Interest	0	2,980
RWT On Interest	7,352	6,744
Transaction Account	231,468	1,238,757
Call Account	114,861	331,247
BNZ - Term Deposit 020	600,000	81,000
GST	48,912	58,604
Total Current Assets	2,432,452	2,365,121
Non-current Assets		
SVDS - Original Cost	3,065,316	3,065,316
WRTM - Original Cost	2,296,855	2,296,855
MoneyWorks Software	1,195	1,195
IT equipment	5,398	0
Accumulated Depreciation	(5,281,581)	(5,199,774)
Total Non-current Assets	87,183	163,592
Total Assets	2,519,635	2,528,713
Liabilities		
Current Liabilities		
Accounts Payable	217,919	659,338
Accounts Payable Accrual	176,853	101,235
Revenue in Advance	0	741,610
PAYE Clearing Account	733	0
Total Current Liabilities	395,505	1,502,183
Non-current Liabilities		
KiwiSaver payable	457	0
suspense	(7,023)	0
Total Non-current Liabilities	(6,566)	0
Total Liabilities	388,939	1,502,183
Net Assets	2,130,696	1,026,530

4.5 Statement of Cashflows

Waikato Local Authority Shared Services As at 31 December 2018

	Actual YTD	Full Year Budget	Last YTD
Cashflows from Operating Activities			
Interest Received	3,388	14,000	19,075
Receipts from Other Revenue	1,895,759	4,074,061	4,680,206
Payments to Suppliers	(2,429,673)	(4,873,426)	(4,032,901)
Taxes Paid (net)	(608)	0	(6,426)
Goods & Services tax (net)	(168,143)	(119,905)	(43,897)
Net cash from operating activities	(699,277)	(905,269)	616,057
Purchase of property, plant and equipment	(5,398)	0	0
Net funds placed on term deposit	(519,000)	0	0
Purchase of Intangible Assets	0	0	0
Net cash from investing activities	(524,398)	0	0
Net increase in cash, cash equivalents and bank account	(1,223,675)	(905,269)	616,057
Opening cash and cash equivalents and bank overdrafts	1,570,004	1,171,586	953,948
Closing cash, cash equivalents and bank accounts	346,329	266,317	1,570,005