



value beyond boundaries™

STATEMENT OF INTENT FOR 2012-2013

30 June 2012

Local Authority Shared Services Limited

Introduction

This Statement of Intent is a public declaration of the activities and intentions of the Waikato's Council Controlled Organisation, Local Authority Shared Services Limited. The statement outlines the Directors' accountabilities to the shareholders for corporate performance, as is intended by Schedule 8 of the Local Government Act 2002.

Objectives of LASS

Local Authority Shared Services (LASS) has been promulgated to provide the Councils in the Waikato region with a vehicle to procure shared services. It provides a mechanism for the development of new services which are available to be joined by any shareholder that so chooses. It also provides those Councils that wish to develop new services with a company structure under which they can develop and promote services to other local authorities.

In the early to mid 2000's the relationship between local authorities within the Waikato Region continued to strengthen. As a result of this a range of initiatives were considered by Waikato local authorities with the most beneficial being the Local Authority Shared Services (LASS). At the inception of this initiative the shareholders identified that improvements could be made in back of office activities by implementing shared services, improvements being gained through cost savings, streamlining of work processes and improved services.

This vehicle was been chosen as it was considered the most appropriate mechanism for improving, and achieving cost reductions in back of office services across the region. Over the period the company has been operating benefits have been delivered in the form of:

- Improved level 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
- Leverage provided from economy of scales resulting from a single entity representing Councils leveraging procurement opportunities.

At this stage these gains have been realised by shareholders in the Shared Valuation Data Service (SVDS) and the Waikato Regional transport model (WRTM). Both these operations will continue to target options for improvements in the existing software that will benefit the users.

The ability of LASS to contribute to a greater extent in terms of shared services and also at a strategic collaboration level has been the subject of discussion and agreement through the Waikato Triennial Forum.

The Directors have been tasked with identifying ways to progress these initiatives. This will involve resourcing and funding a range of initiatives that will potentially extend the services currently offered by LASS.

The LASS Directors will continue to seek any new opportunities, either from internal investigations, or from Council's and C.E.O. initiatives that are presented to it with a sound business case.

New services that are intended to be initiated under the LASS umbrella 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 development of intellectual property through new business services, protection of Council data, improved levels of service and/or reduced cost. All such proposals will be presented to the Shareholders for approval prior to implementation.

Nature and scope of Current Activities

There are currently two major operations under the LASS umbrella.

Firstly, the Shared Valuation Data Service (SVDS). This operational system is providing both timely and accurate valuation data to member Councils and shareholders. The SVDS has become the accepted valuation database in the region.

Secondly, the Waikato Regional Transportation Model (WRTM). This model became fully operational in February 2010. This Model, built within its budgeted cost, provides accurate information to Councils for their transport modelling requirements. The WRTM is the only recognised strategic transport modelling resource in the Waikato Region.

A range of shared service opportunities are being considered at the present time. For example, some opportunities in the area of procurement have been identified and the shareholders are looking to progress these opportunities.

Further work is also under way to consider how human resource initiatives can be advanced collectively under LASS.

Based on feedback from shareholder Councils and the CEO Forum, the LASS Directors will continue to discuss their role in the development of business cases for shared services at its future meetings. These investigations will include reporting to shareholders and the Waikato Triennial Forum on the alternative mechanisms to develop shared services.

Directors are mindful of the current political environment, and see these investigations of possible shared services as a key focus of their role.

The Company is currently in the process of identifying resource requirements to accelerate efforts to advance collaboration across the shareholder Councils.

Governance

LASS shall have twelve Directors with each Director representing a shareholder Council.

Unless otherwise agreed by the appointing Councils each Director shall be a Chief Executive of a local authority. In addition the board may appoint up to three professional directors to supplement the Directors' expertise.

LASS will conduct itself in accordance with its constitution, its annual Statement of Intent agreed with shareholders, and provisions of the Local Government Act 2002.

Directors

The current Directors are:

Director	Position	Director Appointed By
Gavin Ion (Chair)	Chief Executive, Waikato District Council	Waikato District Council
Peter Guerin	Chief Executive, Rotorua District Council	Rotorua District Council
Chris Ryan	Chief Executive Officer, Waitomo District Council	Waitomo District Council
Bob Laing	Chief Executive, Waikato Regional Council	Waikato Regional Council
Langley Cavers	Chief Executive, Hauraki District Council	Hauraki District Council
Barry Harris	Chief Executive, Hamilton City Council	Hamilton City Council
David Hammond	Chief Executive, Thames-Coromandel District Council	Thames-Coromandel District Council
Garry Dyet	Chief Executive, Waipa District Council	Waipa District Council
Don McLeod	Chief Executive Officer, Matamata-Piako District Council	Matamata-Piako District Council
David Hall	Chief Executive, South Waikato District Council	South Waikato District Council
Rob Williams	Chief Executive Officer, Taupo District Council	Taupo District Council
Dave Clibbery	Chief Executive Officer, Otorohanga District Council	Otorohanga District Council

Process for Future Developments

- All new proposed shared services will have a business case developed for presentation to the Directors. This business case will be approved by the Directors prior to any service proceeding. The appointment of a resource under LASS should minimise costs to participating Councils in undertaking new shared services.
- Any potential new service would be initiated by either in-house Director investigation, LASS resources or from shareholding Councils and / or their CEO'S. The directors of LASS see their role changing from one of an enabler, to that of an initiator of potential new services.

Activities for which the Board seeks Compensation:

It is noted that other shared services may be developed during the year that this Statement of Intent is current. Any such services will only be delivered under the LASS umbrella after the Directors have considered each individual business case including the proposed budget and agreed that the proposed service meets the objectives of LASS.

Any ongoing activities to identify, develop and procure shared services will be budgeted for in advance, subject to the business case, and either funded and staffed by individual Councils without LASS involvement, or agreed by the Directors to be funded by the LASS or utilising LASS resources with consequent recovery from participating Councils.

Shareholders will continue to contribute to the operational costs of the LASS on an annual basis.

Shareholders will be asked to contribute in 2012/2013 to the appointment of a resource to enable progress to be made on new shared service and strategic collaboration opportunities.

Performance Targets

Performance targets relate to the level of services that are current or under development. It is envisaged that these targets will expand as new services are developed.

1. **Shareholder Survey:** The company will carry out an annual survey of shareholders to assist the Directors in developing improvements on behalf of the shareholders, and to receive a majority of shareholder approval on the service provided.
2. **Costs Control:** Administration expenditure shall not exceed that budgeted by more than 5% unless prior **approval** is obtained from the Directors.
3. **Cashflow:** The company maintains an overall positive cashflow position.
4. **Reporting:** The Board will provide a written report on the business operations and financial position of the LASS on a six monthly basis.
5. **Statutory Adherence:** There will be an annual report to directors that all statutory requirements of the LASS are being adhered to.
6. **SVDS Availability:** That SVDS is available to users at least 99% of normal working hours.
7. **SVDS Sales Data Delivery:** That at least 98% of agreed timelines are met for sale and property files that have been delivered to the FTP server for access to customers.
8. **SVDS Major Enhancement Development Hours:** All Capital enhancement development work is supported by a business case approved by the Advisory Group.
9. **WRM:** That all required modelling reports are actioned within the required timeframe.
10. **WRM:** That a full report on progress of the model be provided to the LASS Board twice each year.
11. **Advice to the Regional Governance Group:** In response to requests from shareholders, the Company will provide regular reports and updates to the Regional Governance group regarding progress with shared service initiatives.

Policy Statement

Statement of Accounting Principles

Financial statements will be for a company wholly owned by local authorities within the Waikato Region in the proportion of one share per local authority. Financial statements will be prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP) and the Financial Reporting Act 1993 and NZ Financial Reporting Standard No. 42.

Specific Accounting Principles

The following particular principles which have a significant effect on measurement of financial position are to apply.

- Accounts Receivable are to be stated at their expected realisable value after writing off any known bad debts and providing for doubtful debts.
- Investments to be valued at the prevailing market value.
- Fixed assets to be recorded at cost, less accumulated depreciation.

Intangible Assets

- Where intangible assets are purchased, such as intellectual property and computer software, these are to be capitalised and written off on a straight line basis over their expected life, but no greater than seven years.
- Depreciation / Amortisation is to be provided on a straight line basis on all assets other than land, and align with normal accepted depreciation for the types of services being developed.

Impairment Testing

Assets with a finite life are reviewed annually 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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Balance Sheet Ratios

The Local government Act 2002 requires the SOI to include the projected ratio of shareholders funds to total assets within the Forecast Statement of Financial Position.

The LASS is budgeted to have an accumulated shareholders fund of \$1,948,275 at 30 June 2013, which relates to 96.4% of total assets. The only liabilities of the LASS are trade creditors.

The Forecast Financial Statements for the years 2013-2015 are attached to this statement.

Procedures for the Purchase and acquisition of Shares

The Board will give approval before LASS subscribes for, purchases or otherwise acquires shares in any company or other organisation, which is external to the group.

Inventories

- It is not envisaged that the company will hold inventories, other than those that might relate to providing computer based services to a number of parties. They will be valued at net realisable value.

Taxation

- Taxation will be provided as required against the company in line with the required legislation.

In accordance with the Public Audit Act 2001 and the Local Government Act 2002, the Auditor General will be responsible for the audit of the company's financial statements.

As the current shared services are on a cost recovery basis it is not envisaged that any dividends will be paid.

Value of Shareholder's Investment

The Directors' estimate of the commercial value of the shareholders' investment in the LASS is equal to the shareholders equity in the company. Reassessment of the value of this shareholding shall be undertaken on or about 1 April each year.

Compensation

Directors of the LASS will not receive any fees or expenses for work undertaken on behalf of the LASS.

As the basis of funding of LASS, payment will be sought from all local authorities that receive services from LASS.

Information to be provided to Shareholders

The company will deliver the following Statements to shareholders:

- Within two months of the end of the first half of the financial year Statement of Financial Performance, Statement of Changes in Equity Statement of Financial Position, Statement of Cashflows and Service Performance.
- Within three months of the end of the financial year the following audited statements: Statement of Financial Performance, Statement of Changes in Equity, Statement of Financial Position, Statement of Cashflows, Service Performance plus a summary of how the company has fared against its objectives and prospects for the next financial year, and a report on the company's medium to long-term plans.

Review of Statement of Intent

The Directors shall approve by 1 March of each year a Draft Statement of Intent for the consideration of shareholders.

The Directors must then consider any comments on the Draft Statement of Intent that are made to it within two months of 1 March by the shareholders and deliver the completed Statement of Intent to the shareholders by 30 June.

Local Authority Shared Services

Company Summary For the Year Ended 30 June 2013

	Budget Jun-13	Budget Jun-14	Budget Jun-15
Revenue			
Recovery of Admin Costs	163,550	168,635	173,892
Internal Cost Recovery	59,000	61,445	63,972
Interest Received	500	500	500
SVDS Member Charges	609,170	630,060	651,658
SVDS Data & Software Sales	124,068	128,274	132,622
WRTM Cost Recovery	162,000	203,222	81,986
WRTM External Users	40,000	40,000	40,000
WRTM Reserve Realisation	40,000	0	0
Total Revenue	1,198,289	1,232,136	1,144,631
Operating Expenditure			
CA Cash Expenditure	222,550	230,080	237,864
SVDS Cash Expenditure	627,639	649,137	671,365
WRTM Cash Expenditure	242,000	243,222	121,986
Total Operating Expenses	1,092,189	1,122,439	1,031,215
Earnings Before interest, tax and depreciation/amortisation (EBITDA)	106,100	109,697	113,415
Non-Cash Operating Expenditure			
CA Non Cash Expenditure	127	127	127
SVDS Non Cash Expenditure	176,462	176,255	165,767
WRTM Non Cash Expenditure	328,122	328,122	328,122
Total Non-Cash Operating Expenditure	504,711	504,504	494,016
Earnings Before interest and tax (EBIT)	(398,611)	(394,808)	(380,600)
Net Surplus (Deficit) before tax	(398,611)	(394,808)	(380,600)
CA Net Surplus (Deficit) before tax	(127)	(127)	(127)
SVDS Net Surplus (Deficit) before tax	(70,362)	(66,559)	(52,351)
WRTM Net Surplus (Deficit) before tax	(328,122)	(328,122)	(328,122)
Net Surplus (Deficit) before tax	(398,611)	(394,808)	(380,600)
Capital Expenditure			
SVDS Enhancements	106,100	109,697	113,415
Total Capital Expenditure	106,100	109,697	113,415

Local Authority Shared Services

Company Administration For the Year Ended 30 June 2013

	Budget Jun-13	Budget Jun-14	Budget Jun-15
Revenue			
Recovery of Admin Costs - Shareholders	163,550	168,635	173,892
Recovery of Admin Costs - WRTM	29,500	30,722	31,986
Recovery of Admin Costs - SVDS	29,500	30,722	31,986
Total Revenue	222,550	230,080	237,864
Operating Expenditure			
Accountancy Fees	3,877	4,009	4,144
Audit Fees	17,059	17,638	18,236
Bank Charges	371	384	397
Financial Services	17,433	18,024	18,635
Insurance	2,585	2,672	2,763
IT Services	360	372	385
Legal Fees	2,500	2,585	2,672
Shared Services Contractor	150,000	155,085	160,342
LASS Administration & Operations	27,915	28,862	29,840
Printing, Stationary & Postage	250	250	250
Sundry Expenses	200	200	200
Total Operating Expenditure	222,550	230,080	237,864
Earnings Before interest, tax and depreciation/amortisation (EBITDA)	0	0	0
Non-Cash Expenses			
Provision for Depreciation	127	127	127
Net Surplus (Deficit) before tax	(127)	(127)	(127)

Local Authority Shared Services			
Shared Valuation Database Service (SVDS)			
For the Year Ended 30 June 2013			
	Budget Jun-13	Budget Jun-14	Budget Jun-15
Revenue			
Member Charges	609,170	630,060	651,658
Interest Received	500	500	500
Data & Software Sales	124,068	128,274	132,622
Total Revenue	733,738	758,834	784,781
Operating Expenditure			
<u>Direct Costs</u>			
Management Services	377,849	390,658	403,902
Hosting Contract	83,869	86,712	89,652
Software Support	108,900	112,592	116,408
Contingency	10,000	10,339	10,689
<u>Provision of Facilities by WRC</u>			
Contract Management Services	13,820	14,289	14,773
Recovery of Admin Services	29,500	30,722	31,986
Secretarial Services	3,700	3,825	3,955
Total Operating Expenditure	627,639	649,137	671,365
Earnings Before interest, tax and depreciation/amortisation (EBITDA)	106,100	109,697	113,415
Non-Cash Expenses			
Provision for Depreciation	176,462	176,255	165,767
Earnings Before interest and tax (EBIT)	(70,362)	(66,559)	(52,351)
Net Surplus (Deficit) before tax	(70,362)	(66,559)	(52,351)
Capital Expenditure			
Enhancements	106,100	109,697	113,415
Total Capital Expenditure	106,100	109,697	113,415
Total Cash Expenditure (Opex, Interest & Capital)	733,738	758,834	784,781

Local Authority Shared Services

Waikato Regional Transport Model (WRTM) For the Year Ended 30 June 2013

	Budget Jun-13	Budget Jun-14	Budget Jun-15
Revenue			
Shareholder Cost Recovery	162,000	203,222	81,986
External Users	40,000	40,000	40,000
Reserve Realisation	40,000	0	0
Total Revenue	242,000	243,222	121,986
Operating Expenditure			
Recovery of Admin Services	29,500	30,722	31,986
Commercial Manager	16,000	16,000	18,000
Annual Scheduling of Works reviews	4,500	4,500	5,000
Minor Model Upgrades	30,000	30,000	30,000
Peer Review Expenses	5,000	5,000	5,000
Census Update	125,000	125,000	0
External User Costs	32,000	32,000	32,000
Total Direct Costs (Model Build)	242,000	243,222	121,986
Total Operating Costs	242,000	243,222	121,986
Earnings Before interest, tax and depreciation/amortisation (EBITDA)	0	0	0
Non-Cash Expenses			
Provision for Depreciation	328,122	328,122	328,122
Earnings Before interest and tax (EBIT)	(328,122)	(328,122)	(328,122)
Net Surplus (Deficit) before tax	(328,122)	(328,122)	(328,122)

Local Authority Shared Services

Balance Sheet As at 30 June 2013

	Budget Jun-13	Budget Jun-14	Budget Jun-15
Capital			
Retained Earnings	(610,115)	(1,008,726)	(1,403,533)
SVDS Shares	1,607,001	1,607,001	1,607,001
WRTM Shares	1,350,000	1,350,000	1,350,000
Net Surplus (Deficit)	(398,611)	(394,808)	(380,600)
Total Capital	1,948,275	1,553,468	1,172,867
Assets			
Current Assets			
Accounts Receivable	73,990	89,792	59,852
BNZ - Call a/c	33,288	42,430	51,169
BNZ - Cheque a/c	91,708	78,745	69,047
GST Payable (Refund Due)	(4,193)	(2,292)	4,259
RWT on Interest	140	140	140
Term Deposits	45,687	27,377	60,995
Total Current Assets	240,620	236,193	245,463
Non-Current Assets			
Intangible Assets @ Cost	5,380,796	5,490,493	5,603,908
Less Accumulated Depreciation	(3,600,681)	(4,105,184)	(4,599,199)
Total Non-Current Assets	1,780,115	1,385,308	1,004,709
Total Assets	2,020,735	1,621,501	1,250,171
Liabilities			
Current Liabilities			
Trade and other Payables	61,883	57,098	65,998
Accounts Payable Accruals	10,577	10,935	11,306
Total Current Liabilities	72,460	68,033	77,304
Total Liabilities	72,460	68,033	77,304
Net Assets	1,948,275	1,553,468	1,172,867

**Local Authority Shared Services
Statement of Cashflows
For the Year Ended 30 June 2013**

	Budget Jun-13	Budget Jun-14	Budget Jun-15
Cashflows from Operating Activities			
Interest Received	500	500	500
Receipts from Other Revenue	1,189,373	1,155,047	1,100,153
Payments to Suppliers	(1,021,343)	(1,065,156)	(959,505)
Taxes Paid	(140)	(140)	(140)
Goods & Services tax (net)	9,289	(2,685)	5,066
Net cash from operating activities	177,679	87,566	146,074
Cashflows from Investing Activities			
Purchase of Intangible Assets	(106,100)	(109,697)	(113,415)
Investments - Term Deposits	(51,910)	18,310	(33,618)
Net Cash from Investing Activities	(158,010)	(91,387)	(147,033)
Net Increase in cash, cash equivalents and bank accounts			
	19,669	(3,821)	(959)
Cash, cash equivalents and bank accounts at the beginning of the period	105,327	124,996	121,175
Cash, cash equivalents and bank accounts at the end of the period	124,996	121,175	120,216
Summary of Bank Accounts			
BNZ - Cheque a/c	91,708	78,745	69,047
BNZ - Call a/c	33,288	42,430	51,169
Closing Balance of Bank	124,996	121,175	120,216