



Annual report 2019

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

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Chair & CEO report

Transforming WLASS

It has been a landmark year for the evolution of the company. Following a strategic review, the company's operating model has changed - it is now employing staff for the first time in its history as part of transforming into a service delivery agent.

A further enabler for the transformation is an agile, skills-based governance structure. Shareholders unanimously supported a change to the Board structure, reducing it from twelve to six members, including an independent Chair. This change took effect from 1 July and we are pleased to see the appointment of Peter Stubbs into the Chair role.

While these changes require additional, upfront investment from shareholding Councils, the company recognises that overall Councils must be better off. With its performance measures for the coming year the company commits to identifying shared service opportunities that, once implemented, will deliver savings that ensure that outcome is realised.

Another year of achievements

WLASS has continued to make significant advances during the year with several projects coming to fruition.

The aligned resourcing consent project was completed, making business in Waikato easier by aligning resource consent process documentation so that the consent process is more efficient and user friendly. The forum continues to meet and is now considering ways to enhance the offering which include taking the consenting process on-line.

The three-year energy management programme, in collaboration with the Energy Efficiency Conservation Authority, was successfully concluded. That programme has, over its duration, seen energy management projects that have delivered annual energy savings of 3.62GWh and annual cost savings of \$446k. On the back of this success, WLASS will continue to deliver energy and carbon management savings under a new programme that commenced 1 July.

The Waikato Data Portal went live in April. You can see it here [\(https://datawaikatolass.opendata.arcgis.com/\)](https://datawaikatolass.opendata.arcgis.com/). The portal provides a single location for customers to access data shared by the Councils.

We implemented a regional Health & Safety Management framework together with a suite of best practice documents covering various aspects of health and safety, from emergency preparedness and hazard and risk management, to health monitoring and training.

We also completed a regional procurement framework and now have a toolkit to ensure best practice procurement processes are undertaken as efficiently as possible, by leveraging established templates and guidelines.

Keeping with procurement, a project was undertaken to establish a new professional service panel covering consultants supporting physical works. Council participation has increased from four to eight councils and the response from the market was significant. The panel sees consultants engaged on pre-agreed terms which significantly reduces the time and effort required of councils, and the

consultants, when engaging on particular work. The value to councils based on the previous panel, is expected to be significant.

This year, Future Proof entered a new phase of its evolutionary journey, with the expansion of the partnership and introduction of a new significant workstream. In March 2019, the Future Proof Implementation Committee approved a milestone paper on 'Future Proof Looking Forward', recommending that the Future Proof framework be adapted to bring in the Hamilton to Auckland Corridor Plan as a significant workstream, and that Central Government, Auckland Council and Auckland Iwi be invited to join the partnership.

Financial position

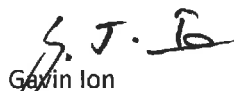
Financially, WLASS remains in a strong position with cash reserves of \$1.46m and equity of \$1.28m.

Our thanks

We would like to take this opportunity to acknowledge the efforts of those directors who have stepped down, either as part of the Board restructure or simply with their departure from the council:

Langley Cavers, Hauraki District Council (to 30 June 2019)
Dave Clibbery, Otorohanga District Council (to 1 March 2019)
Garry Dyet, Waipa District Council (to 30 June 2019)
Craig Hobbs, South Waikato District Council (to 28 October 2018)
Don McLeod, Matamata-Piako District Council (to 30 June 2019)
Chris Ryan, Waitomo District Council (to 30 June 2019)
Ben Smit, South Waikato District Council (12 March 2019 to 30 June 2019)
Geoff Williams, Rotorua Lakes Council (to 30 June 2019)
Tanya Winter, Otorohanga District Council (12 March 2019 to 30 June 2019)

They have left the company well positioned to meet its vision of being the enabler for Councils to provide their services in the most effective and efficient way.


Gavin Ion
WLASS Chair (outgoing)


Kelvin French
Chief Executive

WLASS objectives

The objectives of WLASS are to:

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

WLASS achievements

2019 has built on the earlier achievements of the company which are set out in the document [Collaboration in Action](#).

The WLASS Transformation project

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

The recommendations in that report have been implemented during the year. Most significantly, WLASS has, for the first time, employed a full-time chief executive and business analyst to help drive the development of opportunities and provide thought leadership to councils.

The transformation has also seen a significant change to the Board structure. Historically being made up of a representative from each shareholding council, the Board has been reduced to six members including an independent Chair (to be appointed). This will make the Board more agile and help the company have a greater commercial focus.

Collaborating on digital transformation

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

- Build closer connections between WLASS working parties to ensure opportunities for digital collaboration are more readily recognised, captured and actioned;
- Enable and promote increased business information sharing between councils;
- Identify and recommend joint initiatives that will inform and advance digital collaboration;
- Promote business transformation to improve customer experiences; and
- Achieve effectiveness and efficiency gains through collaboration.

With a focus on the customer a new WLASS working party, the Customer Interface Group, comes together to discuss how councils can collaborate to improve the user experience.

The Waikato Data Portal

The Waikato Data Portal, phase 1 of the Regional Geospatial Collaboration roadmap, was delivered in April 2019, ahead of schedule with more datasets at go-live than anticipated. The portal is a single centralised place where customers will experience consistent processes for data discovery and access, and improved channels for communicating their data needs. Three stakeholder Information Sessions were held to showcase the portal. New datasets continue to be added to the site with the

current total at 369 datasets across 5 councils, ensuring customers can more easily access data and enabling faster decision-making.

Phase 2 of the roadmap is underway. This phase seeks to achieve two key outcomes: the alignment of geospatial data from the different WLASS councils and providing users with a means to view this aligned data

Collaboration Agreement with the Energy Efficiency Conservation Authority (EECA)

WLASS's 3-year Collaboration Agreement with EECA to promote the development, implementation and communication of energy efficiency and renewable opportunities across the Waikato councils, and for each of the councils to implement energy management best practice concluded this year. Participating councils have achieved annual savings estimated at \$446,000.

Under a new initiative WLASS will continue to provide an energy and carbon management programme to nine councils.

Professional services panel

WLASS's established Professional Services Panel (PSP) expires 31 July 2019. Throughout the first half of 2019 the panel has been remarketed. The new panel, applying from 1 August 2019, is significantly expanded, involving more than three times the suppliers and eight councils (previously four). The principle purpose of establishing the panel is to provide value to councils in two key ways:

- Securing discounted rates from consultants; and
- Eliminating the time, cost and effort otherwise required of councils to procure services in the future for each piece of work.

Road Asset Technical Accord (RATA)

RATA provides roading asset management services to enable and facilitate effective, strategic roading investment decision-making. Councils saving as a result of RATA initiatives are estimated at \$2.8m across the past five years, through joint procurement, training support, the deferral of physical works due to better data analysis and decision-making processes, and more appropriate asset lives being used in depreciation calculations.

Future Proof

Future Proof has entered a new phase of its evolutionary journey, with a proposed expansion of the partnership and the introduction of a new workstream. In March 2019, the Future Proof Implementation Committee approved a milestone paper on 'Future Proof Looking Forward'. The paper recommended that the Future Proof framework be adapted to bring in the Hamilton to Auckland Corridor Plan as a significant workstream, and that Central Government, Auckland Council and Auckland Iwi be invited to join the partnership. Most key initiatives for the Hamilton to Auckland Corridor Plan are underway with work continuing throughout 2019.

Three waters collaboration

The 'waters' sector is facing significant change due to a number of external and internal influences. It is anticipated that Central government will seek to implement a more rigorous regulatory framework.

WLASS's business unit, Roading Asset Technical Accord (RATA), has investigated the opportunity for a sub-regional collaboration on three waters activities, supported by nine councils. From that initial

investigation it is evident there are opportunities for increased collaboration. These opportunities initially relate to:

1. Consistent document templates to support better reporting;
2. Increased information sharing through collaborative, effective forum meetings;
3. Training and recruitment;
4. Consistent asset valuations; and
5. Collaborative procurement – materials/equipment/laboratory services.

The business case underpinning the opportunity is being presented to the WLASS Board in the second half of 2019.

Aligned resource consent planning

The Waikato Resource Consent Forum has been meeting on a 3-monthly basis. The members are using the forum to discuss planning issues they are facing in their areas. Tompkins Wake have agreed to provide planning related presentations at the forum meetings at no cost and the forum members particularly commented that these presentations provide good value to the forum. MFE's Relationship Manager, Partnerships and Engagement for the Waikato region has been invited to attend Forum meetings to brief members on what is occurring in the resource management space at the ministry.

Two additional forms are in the process of being prepared and the group is considering next steps in the implementation and action plan.

LiDAR

In February 2019 the Board approved the procurement of a regional Light Detection and Ranging (LiDAR) data set as part of a Land Information NZ nation-wide initiative. That initiative is supported by funding from the Provisional Growth Fund and additional co-funding partners have been sought. LiDAR is essential to decisions involving the physical world. It helps to drive regional economic growth and spur new investment across the region by enabling councils and businesses to more efficiently plan and develop housing, road and water infrastructure, as well as better prepare for hazards such as flooding, landslides and erosion.

It is expected that the contract will begin late November/early December.

By the numbers

Summary financial results for the year:

	2019 (000's)	2018 (000's)	Change
Total income	4,513	4,470	1%
Net surplus before tax	253	227	11.5%
Cash on hand	1,460	1,570	-7.0%

Performance measures

Key:

Achieved		The performance measure has been met in its entirety
Partially achieved		Good progress is being made toward meeting the performance measure, but it has not yet been met (e.g. delivering the targeted result may span multiple years or there is some room for improvement)
Not achieved		The performance measure has not been met

TARGET	MEASURE	OUTCOME	
Procurement Joint procurement initiatives for goods and services for WLASS councils will be investigated and implemented. <u>Method</u> <i>Procurement is from sources offering best value, service, continuity of supply, and/or opportunities for integration.</i>	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.	Achieved: The regional procurement framework and toolkit were completed, with training provided to participating councils across three workshops held in March 2019. <i>[New measure]</i>	
	New suppliers are awarded contracts through a competitive tender process.	Achieved: The professional services panel was re-tendered during the year (contracts take effect from 1 August 2019). Any new suppliers are procured in line with the company's procurement policy. <i>[2018: Achieved]</i>	
		In consultation with workstream managers, contracts with existing suppliers that are due for renewal are assessed as to whether they continue to offer best value, service or continuity of supply. 24 supplier contracts were entered into (five relating to joint procurement).	

Collaborative Projects Priorities for collaboration are identified, business cases are developed for the highest priority projects, and the projects are implemented. <u>Method</u> <i>The focus is on shared services which will benefit all councils.</i>	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.	Achieved: Projects identified and progressed through the year were: - LiDAR: A project to establish regional LiDAR supported by PGF funding. Business case approved in principle - Professional Services Panel: A project to re-market and establish a panel of consultants across eight disciplines under an agreed framework to streamline procurement of their services - Energy & Carbon Management: A programme to support councils in energy and carbon management. Business case approved - A regional Health and Safety Management Framework and best practice documents were implemented - Regional reporting indicators for safety performance were approved Business cases were prepared where Board approval and council funding was required. The customer interface group was established to provide council staff engaging with customers with a forum to collaborate and consider opportunities to use digital technology to improve the customer experience. In addition, nine collaborative opportunities are at various stages of development. <i>[2018: Achieved]</i>
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<i>One 6-monthly and one Annual Report are prepared for shareholders.</i>	Every second report shall be the Annual Report, which includes a report that all of the statutory requirements of the WLASS are being adhered to.	Achieved [2018: Achieved]	
Waikato Mayoral Forum The company shall provide administrative support to the Mayoral Forum work streams and to the Mayoral Forum. <i>Method</i> Mayoral Forum projects shall be managed financially through the WLASS.	Approved invoices for Mayoral Forum projects are paid by the 20th of the month following their receipt.	Achieved [2018: Achieved]	
Shared Valuation Data Services (SVDS) The SVDS is reliable, well maintained and available to all users. <i>Method</i> A Contract Manager is appointed for SVDS. <i>The Contract Manager monitors performance of the contractors and reports quarterly to the SVDS Advisory Group.</i> <i>Risks associated with the SVDS are well managed.</i> <i>The long-term provision of SVDS services is achieved.</i>	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 Group by 31 March 2019, and includes consideration of strategic and operational risks, a disaster recovery plan, and a business continuity plan. The timetable and milestones for implementing the long-term provision of SVDS Services (as agreed by the Board), are being achieved.	Achieved: the SVDS has been available 100% for users during normal business hours. [2018: Achieved] Achieved: Four meetings held in August, November, March and May. [2018: Achieved] Achieved [New measure] Not achieved: The project has begun. However, data load issues and complexities has caused project delays of approx. six months. There is no increase in total project cost, but the delay has meant that the existing SVDS support is needed longer than anticipated, with associated cost increases. The revised end date is now March 2020. [New measure]	   

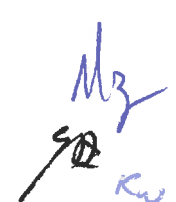
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<i>Fulfil the roles and responsibilities set out in clause 9 of the WBCG's Memorandum of Understanding, 2016.</i>	compliance with BCA Reg. 8 -11. • Quality assurance. Success is defined as continued accreditation and increased service consistency, 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. 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: - Full participation in WBCG projects and programmes - Audits demonstrating implementation and compliance with the agreed QA systems - Consistency in service delivery, measured by customer surveys. Risk management is visible through regular reviews of the Risk Register.	before the end of the 2019/20 year looking at a cadet type scheme [New measure] Achieved: On track with successful IANZ audits for both WDC and MPDC with good feedback on the cluster QA overall. A review of our QA offering will be undertaken in 19/20. [New measure] Partially achieved: Work has been scoped for a programme to engage industry in the 2019/20 year. The Tech Committee will be continuing to work on consistency across councils on RFI's to enhance a consistent customer experience. [New measure] Achieved: Cluster submission to Building Reform Act was delivered – was very similar to that put together by LGNZ. [New measure] Partially achieved: Good participation in the projects when required but could improve. [New measure] Achieved [New measure] Not achieved: No customer survey this year – customer experience will be a key focus for 2019/20. [New measure] Not achieved: Lack of awareness of risk register – will be in the programme of	
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	All funding requirements are met by each of the participating councils. Minimum of two reports presented to the WLASS Board on the Group's activities.	work for the new Strategic Manager. <i>[New measure]</i> Achieved: Requested funding received in a timely manner by participating councils <i>[New measure]</i> Achieved: Activity reported to the Board in September and December 2018 and February 2019. <i>[2018: Achieved]</i>	 
Future Proof Planning for growth in the sub-region is co-ordinated and collaborative. <i>Method</i> <i>Joint preparation and input into Phase 2 of the Strategy update.</i>	Phase 2 of the Future Proof Strategy is adopted by the Future Proof Implementation Committee no later than December 2018.	Not achieved: The draft Future Proof Strategy (phase 2) was reported to the Future Proof Implementation Committee and submitted to MfE in December 2018. However, work has been deferred due to other processes currently underway, namely the Hamilton to Auckland Corridor Plan, review of NPS on Urban Development Capacity, Waikato Proposed District Plan, and sub-regional industrial land study. The phase 2 Strategy is expected to be completed in 2020. <i>[New measure]</i>	
The Future Proof budget is well managed and monitored. <i>Method</i> <i>Bi-monthly reports presented to Waikato Plan and Future Proof Chief Executive Group, and six monthly and annual reports to WLASS Board.</i>	The overall Future Proof work programme is delivered within the approved budget.	Not achieved: The Future Proof work programme to the end of 2018/19 ran slightly over budget. However, this was as a result of an approved increase in scope associated with the Hamilton to Auckland Corridor Plan. The deficit is covered by the cash reserves from the previous year. <i>[New measure]</i>	
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.	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	Achieved: Future Proof made a submission on the Proposed Waikato District Plan in 2018 and has been working closely with Waikato District on their District Plan and supporting strategic planning documents. Future Proof has also been working	


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<i>Method</i> Future Proof works collaboratively and provides input into the planning work undertaken by all FP partners and any other relevant planning authorities.	impact growth management planning in the sub-region.	with the Waikato Regional Council on upcoming changes to the Regional Policy Statement. [New measure]	
Aligned Resource Consent Planning Project Implementation of the Aligned Resource Consent Planning project is underway during 2018/19. <i>Method</i> Progress on implementation of common forms and other initiatives is reported to shareholders on a regular basis.	Common forms are in place for all Councils involved by December.	Achieved: The suite of initial forms has been completed and is live. The forum continues to meet on a 3-monthly basis to discuss planning issues. Two additional forms are being prepared and the group is considering next steps in the implementation and action plan. [New measure]	●
Shareholder Survey Shareholders are satisfied with the performance of WLASS. <i>Method</i> An annual survey of shareholders is undertaken to assess satisfaction levels with WLASS.	A survey of shareholders is undertaken each year, and the results are reported to all shareholders.	Achieved: The survey was undertaken in the second half of the year with response received from all shareholders [2018: five respondents – 42%]. Results of the survey are included in this annual report for shareholders. [2018: Achieved]	●
Review of Benefits Shareholders are informed of the benefits being provided to shareholding councils by WLASS. <i>Method</i> The benefits of WLASS (including financial and non-financial achievements) are regularly analysed and reported to shareholders.	Information on the financial and non-financial benefits being achieved by WLASS are included in the 6-monthly and Annual Report to shareholders. The WLASS website is regularly maintained and updated.	Achieved: Benefits and achievements have been reported in the half-yearly report, this annual report and the statement of intent published in June 2019. [2018: Achieved] Achieved: Relevant information and publications are included on the website. [New measure]	● ●

Shareholder survey results



Each year WLASS surveys its shareholders to gauge the extent to which it is delivering on its objectives and meeting customer expectations. There was a strong response rate to this year's survey. Overall, councils are happy with the progress the company is making. There is a great deal of anticipation of what can be achieved under the new operating model.

Other key themes coming through from responses were:

- Councils recognise that success will be dependent on a greater level of support from councils for transformational initiatives;
- There is a sense among some that WLASS may have too many active initiatives. This could dilute progress in priority areas.

Board and management have taken the responses on board and will build the feedback into future activity.

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 2019

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 42, that comprise the statement of financial position as at 30 June 2019, 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 8 to 16.

In our opinion:

- the financial statements of the company on pages 22 to 42:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2019; 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 Reporting Standards Reduced Disclosure Regime; and
- the performance information of the company on pages 8 to 16 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 2019.

Our audit was completed on 6 September 2019. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 3 to 7, and 17 but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

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

A handwritten signature in black ink, appearing to read 'D Walker', with the date '20/19' written below it.

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



**Financial Statements
for the year ended 30 June 2019**

Waikato Local Authority Shared Services Limited

Financial statements - 30 June 2019

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Waikato Local Authority Shared Services Limited
Statement of comprehensive revenue and expense
For the year ended 30 June 2019

Statement of comprehensive revenue and expenditure

For the year ended 30 June 2019

	Note	Actual 2019 \$	Budget 2019 \$	Actual 2018 \$
Revenue				
SVDS Data Sales		508,912	410,583	408,244
Grants		31,418	35,000	35,000
Interest		13,134	14,000	21,958
Other revenue	5	<u>3,959,827</u>	<u>3,538,496</u>	<u>4,004,889</u>
Total revenue		<u>4,513,291</u>	<u>3,998,079</u>	<u>4,470,091</u>
Expenditure				
Personnel Costs	7	149,459	-	-
Depreciation and amortisation expense	11,12	67,314	163,616	163,616
Other expenses	6	<u>4,043,366</u>	<u>4,783,445</u>	<u>4,079,619</u>
Total operating expenditure		<u>4,260,139</u>	<u>4,947,061</u>	<u>4,243,235</u>
Surplus/(deficit) before tax		253,152	(948,982)	226,856
Income tax expense	10	<u>-</u>	<u>-</u>	<u>-</u>
Surplus/(deficit) after tax		<u>253,152</u>	<u>(948,982)</u>	<u>226,856</u>
Total comprehensive income		<u>253,152</u>	<u>(948,982)</u>	<u>226,856</u>

The accompanying notes form part of these financial statements
Explanations of major variances against budget are provided in note 23



Waikato Local Authority Shared Services Limited
Statement of changes in equity
For the year ended 30 June 2019

Statement of changes in equity

For the year ended 30 June 2019

	Actual 2019 \$	Budget 2019 \$	Actual 2018 \$
Note			
Balance at 1 July	1,026,530	1,363,922	799,673
Total comprehensive revenue and expense	<u>253,152</u>	<u>(948,982)</u>	<u>226,856</u>
Balance at 30 June	16 <u>1,279,683</u>	<u>414,940</u>	<u>1,026,530</u>
Total equity attributable to:			
Equity holders of Waikato Local Authority Shared Services Limited	<u>1,279,683</u>	<u>414,940</u>	<u>1,026,530</u>
Balance at 30 June	<u>1,279,683</u>	<u>414,940</u>	<u>1,026,530</u>

The accompanying notes form part of these financial statements
 Explanations of major variances against budget are provided in note 23

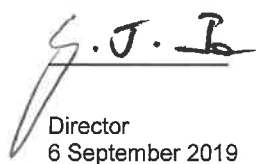
Waikato Local Authority Shared Services Limited
Statement of Financial Position
As at 30 June 2019

Statement of financial position

As at 30 June 2019

	Note	Actual 2019 \$	Budget 2019 \$	Actual 2018 \$
ASSETS				
Current assets				
Cash and cash equivalents	9	1,459,803	266,317	1,570,003
Exchange trade and other receivables	8	793,750	449,687	407,156
Non-exchange trade and other receivables	8	76,126	9,817	157,057
Other financial assets		-	-	81,000
Prepayments		212,087	2,784	149,905
Total current assets		2,541,766	728,605	2,365,121
Non-current assets				
Property, plant and equipment	11	4,799	-	-
Intangible assets	12	97,071	-	163,592
Total non-current assets		101,870	-	163,592
Total assets		2,643,636	728,605	2,528,713
LIABILITIES				
Current liabilities				
Payables and deferred revenue	14	1,341,397	313,665	1,502,183
Employee benefits	15	22,556	-	-
Total current liabilities		1,363,953	313,665	1,502,183
Non-current liabilities				
Total non-current liabilities		-	-	-
Total liabilities		1,363,953	313,665	1,502,183
Net assets		1,279,683	414,940	1,026,530
EQUITY				
Contributed capital	16	2,957,001	2,957,001	2,957,001
Retained earnings	16	(1,677,318)	(2,542,061)	(1,930,471)
Total equity		1,279,683	414,940	1,026,530

These financial statements have been authorised for issue by the Board of Directors on 6 September 2019.


 Director
 6 September 2019


 Director
 6 September 2019

The accompanying notes form part of these financial statements
Explanations of major variances against budget are provided in note 23



Waikato Local Authority Shared Services Limited
Cash flow statement
For the year ended 30 June 2019

Cash flow statement

For the year ended 30 June 2019

	Note	Actual 2019 \$	Budget 2019 \$	Actual 2018 \$
Cash flows from operating activities				
Interest Received		16,114	14,000	19,075
Receipts from other revenue		4,031,703	4,074,061	4,680,206
Payments to suppliers and employees		(4,241,295)	(4,873,425)	(4,032,901)
Taxes received / (paid)		5,746	-	(6,426)
Goods and services tax received / (paid)		2,123	(119,905)	(43,897)
Net cash flow from operating activities		<u>(185,609)</u>	<u>(905,269)</u>	<u>616,057</u>
 Purchase of property, plant and equipment		(5,592)	-	-
Settlement of term deposits with maturities greater than 3 months	13	<u>81,000</u>	<u>-</u>	<u>-</u>
		<u>75,408</u>	<u>-</u>	<u>-</u>
 Net cash flow from investing activities		<u>75,408</u>	<u>-</u>	<u>-</u>
 Net (decrease)/increase in cash and cash equivalents		(110,201)	(905,269)	616,057
Cash and cash equivalents at the beginning of the year		<u>1,570,003</u>	<u>1,171,586</u>	<u>953,948</u>
Cash, cash equivalents, and bank overdrafts at the end of the year	9	<u>1,459,802</u>	<u>266,317</u>	<u>1,570,005</u>

The accompanying notes form part of these financial statements
 Explanations of major variances against budget are provided in note 23

Handwritten signatures and initials

1 Statement of accounting policies

1.1 Reporting entity

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

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

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

The financial statements of the Company are for the year ended 30 June 2019. The financial statements were authorised for issue by the Board of Directors on the 6 September 2019.

2 Summary of significant accounting policies

2.1 Basis of preparation

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

Statement of Compliance

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

The financial statements have been prepared in accordance with and comply with Tier 2 PBE Standards reduced disclosure regime (RDR).

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

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

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

Measurement base

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

Presentation currency and rounding

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

Budget figures

The budget figures are those approved by the Board of Directors in the 2018/19 Statement of Intent. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Company in preparing the financial statements.

2.2 Goods and services tax

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

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

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



2 Summary of significant accounting policies (continued)

Commitments and contingencies are disclosed exclusive of GST.

3 Critical accounting estimates and assumptions

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

3.1 Intangible assets

Useful lives and residual values

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

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

Impairment of intangible assets

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

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

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

4 Change of accounting estimate

(a) Revision of useful lives of intangible assets

At year end the estimated total useful lives to Waikato LASS of the SVDS and WRTM intangible assets were revised. The net effect of the changes in the current financial year was a decrease in amortisation expense of \$97,071.

Revised estimated useful lives are: SVDS - March 2020, WRTM - June 2023. The effect of amortisation for future years are as follows:

Year ending 30 June	\$
2020	53,321
2021	14,583
2022	14,583
2023	14,583

5 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

Member charges for all activities are recognised when invoiced to the user, i.e. Councils. The recorded revenue is the net amounts of the member charges payable for the transaction. Contributions received for projects that were not completed in a financial year are recognised when the Company provides, or is able to provide, the service for which the contribution was charged. To the extent the service has not been delivered, contributions for that service are recorded as revenue in advance.

	Actual 2019 \$	Actual 2018 \$
<u>Non-exchange revenue</u>		
Member Charges	<u>2,110,470</u>	<u>1,970,549</u>
<u>Exchange revenue</u>		
Procurement	439,023	717,960
Information Technology	106,613	93,453
Energy Management	116,800	172,914
Shared Valuation Data Services	80,189	80,189
Road Asset Technical Accord	567,405	584,087
Waikato Regional Transport Model	5,011	5,136
Waikato Plan	371,940	221,498
Waikato Building Consent Group	85,205	79,852
Future Proof	25,765	66,470
Waikato Mayoral Forum	51,406	12,781
Total exchange revenue	<u>1,849,357</u>	<u>2,034,340</u>
Total other revenue	<u>3,959,827</u>	<u>4,004,889</u>

6 Other expenses

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

	Actual 2019 \$	Actual 2018 \$
Audit fees	21,220	20,910
Company Administration	266,310	242,853
Procurement	572,823	749,153
Information Technology	106,267	93,131
Energy Management	123,519	119,474
Shared Valuation Data Services	510,919	522,267
Road Asset Technical Accord	1,155,313	1,245,925
Waikato Regional Transport Model	70,041	46,378
Waikato Building Consent Group	391,912	297,370
Future Proof	557,377	507,880
Waikato Mayoral Forum	39,406	12,781
Waikato Plan	225,044	221,497
Rental expense relating to operating leases	<u>3,215</u>	<u>-</u>
Total other expenses	<u>4,043,366</u>	<u>4,079,619</u>

7 Personnel costs

Accounting policy

Defined contribution schemes

Employer contributions to KiwiSaver, the Government Superannuation Fund, and other defined contribution superannuation schemes are accounted for as defined contribution schemes and are recognised as an expense in the surplus or deficit when incurred.

	Actual 2019 \$	Actual 2018 \$
Salaries and wages	145,357	-
Defined contribution plan employer contributions	4,102	-
Total personnel costs	149,459	-

The total remuneration (including any non-financial benefits) paid or payable for the year to the Chief Executive was \$74,540.

8 Receivables

Accounting policy

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

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

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

	Actual 2019 \$	Actual 2018 \$
Gross trade and other receivables	179,247	88,729
Related Party Receivables (note 19)	633,150	407,156
Accrued Interest on Short Term Deposits and Call Accounts	-	2,980
GST Refund Due	56,481	58,604
IRD - RWT Tax	998	6,744
Total debtors and other receivables	869,876	564,213

Exchange

Receivables from exchange transactions	793,750	407,156
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Non-exchange

Receivables from non-exchange transactions	76,126	157,057
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Total debtors and other receivables	869,876	564,213
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9 Cash and cash equivalents

Accounting policy

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

	Actual 2019 \$	Actual 2018 \$
Cash at bank	1,459,803	1,570,003

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

10 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 2019 \$	Actual 2018 \$
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>253,152</u>	<u>226,856</u>
Tax at 28%	<u>70,883</u>	<u>63,520</u>
Non-taxable in calculating taxable income		
Non-deductible expenditure	444	-
Other timing adjustments	-	45,812
Non-taxable income	-	-
Prior year adjustment	-	-
Deferred tax adjustment	-	(45,806)
Tax losses not recognised	<u>(71,327)</u>	<u>(63,526)</u>
Tax expense	<u>-</u>	<u>-</u>

Deferred tax asset (liability)

	PPE & Intangible assets \$	Employee entitlements \$	Provisions \$	Tax losses \$	Total \$
Balance at 1 July 2017	(91,618)	-	-	91,618	-
Charged to surplus or deficit	<u>45,806</u>	-	-	<u>(45,806)</u>	-
Balance at 30 June 2018	<u>(45,812)</u>	-	-	<u>45,812</u>	-
Charged to surplus or deficit	<u>18,557</u>	<u>2,418</u>	-	<u>(20,974)</u>	-
Balance at 30 June 2019	<u>(27,255)</u>	<u>2,418</u>	-	<u>24,838</u>	-

A deferred tax asset has not been recognised in relation to tax losses of \$1,819,752 (2018: 2,074,000).

11 Property, plant and equipment

Accounting policy

Property, plant, and equipment consist of:

(i) Operational assets

Operational assets – These include land, buildings, plant and equipment, and motor vehicles.

Additions

The cost of an item of property, plant, and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant, and equipment other than land, at rates that will write-off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Class of PP&E	Estimated useful life	Depreciation rates
IT equipment	3 years	33%

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Council 2019	Note	Carrying amount 1 Jul 2018 \$	Current year additions \$	Current year depreciation \$	Carrying amount 30 Jun 2019 \$
Operating assets					
<u>At cost & valuation</u>					
IT equipment		-	5,592	(793)	4,799
Total		-	5,592	(793)	4,799

12 Intangible assets

Accounting policy

Software acquisition and development

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

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

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

Amortisation

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

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

Computer Software 5 to 7 years 14 to 20%

	Actual 2019 \$	Actual 2018 \$
Computer Software		
Balance at 1 July	5,363,366	5,363,366
Disposals	-	-
Balance at 30 June	<u>5,363,366</u>	<u>5,363,366</u>
Accumulated amortisation and impairment losses		
Balance at 1 July	5,199,774	5,036,158
Amortisation as per Income statement	66,521	163,616
Impairment losses	-	-
Balance at 30 June	<u>5,266,295</u>	<u>5,199,774</u>
Carrying Amounts		
Balance at 1 July	163,592	327,208
Balance at 30 June	97,071	163,592

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 2019 is \$38,738 (2018: \$90,421).

The carrying amount of the WRTM asset as at 30 June 2019 is \$58,333 (2018: \$72,916).

The carrying amount of the MoneyWorks asset as at 30 June 2019 is \$0 (2018: \$256).



13 Other financial assets

Accounting policy

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

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

	Actual 2019 \$	Actual 2018 \$
Current		
Term deposits with maturities greater than 3 months	-	81,000
Non-Current		
Term deposits with maturities greater than 3 months	-	-
Balance as at 30 June	<u>-</u>	<u>81,000</u>

14 Payables and deferred revenue

Accounting policy

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

	Actual 2019 \$	Actual 2018 \$
Current		
Trade payables and accrued expenses	633,279	511,579
Related party payables (note 19)	118,450	248,994
Deferred revenue	589,668	741,610
Total creditors and other payables	<u>1,341,397</u>	<u>1,502,183</u>
Exchange		
Trade payables	611,547	659,338
Accrued expenses	140,182	101,235
Deferred revenue	589,668	741,610
Total creditors and other payables from exchange transactions	<u>1,341,397</u>	<u>1,502,183</u>
Non-exchange		
Total creditors and other payables from non-exchange transactions	<u>-</u>	<u>-</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.

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

15 Current liabilities - Employee benefits liabilities

Accounting policy

Short-term employee entitlements

Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent it will be used by staff to cover those future absences.

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation.

Presentation of employee entitlements

Sick leave, annual leave, vested long service leave, and non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date, are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit when incurred.

	Actual 2019 \$	Actual 2018 \$
Current portion		
Annual leave	8,635	-
Wages	13,921	-
Total current portion	<u>22,556</u>	<u>-</u>

16 Reconciliation of equity

Accounting policy

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

Contributed equity

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

Retained earnings

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

	Actual 2019 \$	Actual 2018 \$
Total equity		
Contributed equity	2,957,001	2,957,001
Retained earnings	<u>(1,677,318)</u>	<u>(1,930,471)</u>

16 Reconciliation of equity (continued)

Balance at 30 June 2019	<u>1,279,683</u>	<u>1,026,530</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 2019	<u>2,957,001</u>	<u>2,957,001</u>
Balance at 1 July 2018	2,957,001	2,957,001
Shares Issued	<u>-</u>	<u>-</u>
Balance 30 June 2019	<u>2,957,001</u>	<u>2,957,001</u>
(b) Retained earnings		
Balance at 1 July 2018	(1,930,470)	(2,157,327)
Surplus/(deficit) for the year	<u>253,152</u>	<u>226,856</u>
Balance 30 June 2019	<u>(1,677,318)</u>	<u>(1,930,471)</u>

The Company has issued 2,186,581 (2018 - 2,186,581) shares. The SVDS shares have been fully called and paid for at \$1.00 per share. The WRTM shares have been fully called and paid for at \$10.00 per share. The table below details the different types of shares and their value per share.

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

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

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16 Reconciliation of equity (continued)

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.

17 Commitments

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Non-cancellable operating expenses

	Actual 2019 \$	Actual 2018 \$
Not later than one year	<u>322,989</u>	<u>291,667</u>
Total non-cancellable operating leases	<u>322,989</u>	<u>291,667</u>

18 Contingencies

As at 30 June 2019 the Company had no contingent liabilities or assets (2018 - \$0)

19 Related party transactions

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

Transactions with key management personnel

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

	Actual 2019 \$	Actual 2018 \$
KRF Consulting - WLASS Chief Executive (June 2018 - March 2019)	144,404	9,825
Chief Executive Remuneration	74,540	-
Jowett Consulting - WLASS Chief Executive (July 2017 - April 2018)	-	134,133
Total key management personnel compensation	<u>218,944</u>	<u>143,958</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 2019 \$	Actual 2018 \$
Income		
Hamilton City Council	684,485	696,771
Hauraki District Council	242,217	262,921
Matamata Piako District Council	265,565	303,686
Otorohanga District Council	146,490	218,981
Rotorua Lakes Council	69,138	79,150
South Waikato District Council	202,851	169,688
Taupo District Council	115,592	64,888
Thames Coromandel District Council	268,865	315,616
Waikato District Council	583,011	550,926
Waikato Regional Council	490,506	496,952
Waipa District Council	471,646	661,908
Waitomo District Council	182,225	242,298
	<u>3,722,591</u>	<u>4,063,785</u>

The income disclosed above includes revenue received relating to the 2018/19 financial year and revenue received which has been transferred to deferred revenue for 2019/20.

	Actual 2019 \$	Actual 2018 \$
Expenses		
Hamilton City Council	71,800	64,320
Taupo District Council	4,240	-
Waikato District Council	364,889	264,363
Waikato Regional Council	142,432	87,646
Waipa District Council	632,990	601,384
Waitomo District Council	-	2,356
	<u>1,216,351</u>	<u>1,020,069</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; Hamilton City Council \$0 (2018 - \$16,500), Waikato District Council \$0 (2018 - \$3,678) and Waikato Regional Council \$0 (2018 - \$12,942).

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19 Related party transactions (continued)

	Note	Actual 2019 \$	Actual 2018 \$
Advances			
<i>Trade & Other Receivables</i>	8	-	-
Hamilton City Council		79,572	90,672
Hauraki District Council		23,770	24,463
Matamata Piako District Council		72,455	41,919
Otorohanga District Council		10,271	34,753
Rotorua Lakes Council		-	-
South Waikato District Council		31,643	18,867
Taupo District Council		7,422	13,766
Thames Coromandel District Council		20,091	20,642
Waikato District Council		236,373	46,330
Waikato Regional Council		20,518	9,378
Waipa District Council		95,688	85,097
Waitomo District Council		<u>35,347</u>	<u>21,269</u>
		<u>633,150</u>	<u>407,156</u>
<i>Amounts outstanding at year end:</i>			
Hamilton City Council	14	-	13,970
Jowett Consulting - Chief Executive		-	-
KFRConsulting Ltd - Chief Executive		-	11,299
Waikato District Council		85,199	42,130
Waikato Regional Council		32,939	10,111
Waipa District Council		<u>312</u>	<u>171,484</u>
		<u>118,450</u>	<u>248,994</u>

20 Director and executive disclosures

No Directors fees or other remuneration was paid to Directors during the year. (2018: \$0).

21 Events occurring after the balance date

There have been no events after balance date.

22 Financial instruments

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

(a) Market risk

Fair value interest rate risk

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

Cash flow interest rate risk

22 Financial instruments (continued)

(a) Market risk (continued)

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

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

Currency risk

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

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

(b) Credit risk

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

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

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

The Company's maximum credit exposure for each class of financial instruments is represented by the total carrying amount of cash equivalents (note 7), investments (note 10), and trade receivables (note 8). There is no collateral held as security against these financial instruments, including these instruments that are overdue or impaired.

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

(c) Liquidity risk

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

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

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

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

(d) Financial instrument categories

	Note	2019 \$	2018 \$
FINANCIAL ASSETS			
Loans and receivables			
Cash and cash equivalents	9	1,459,803	1,570,003
Receivables	8	869,876	564,213
Other financial assets	13	-	81,000
Total loans and receivables		<u>2,329,679</u>	<u>2,215,216</u>
FINANCIAL LIABILITIES			
Financial liabilities at amortised cost			
Payables and deferred revenue	14	<u>1,341,397</u>	1,502,183
Total financial liabilities at amortised cost		<u>1,341,397</u>	<u>1,502,183</u>



23 Explanation of major variances against budget

Explanations for major variations from the Company's budget figures in the statement of intent to 30 June 2019 are as follows:

Statement of comprehensive revenue and expense

Two new data sales contracts in 2018/19 meant SVDS data sales are \$98k higher than budget.

Company administration revenue was higher as an additional \$80k was raised for the company transformation.

RATA revenue was higher as the high speed data collection contract of \$249k was not budgeted for.

Mayoral forum revenue was greater than budget due to revenue of \$47k being received for the waters collaboration project.

Waikato LASS now has three employees therefore this year we had personnel costs of \$149k which were not budgeted for.

Waikato Plan expenditure was under budget by \$295k due to a delayed start on two key projects and the implementation phase of Waikato Plan being under budget.

SVDS expenditure is under budget by \$321k. This is due to the SaaS implementation not being complete in the 2018/19 year which had a knock on effect to the other SaaS expenses.

Waikato Building Consent Group expenditure is under budget by \$126k. The strategic review was expected to be completed in the 2018/19 year however this project is still ongoing.

Statement of Changes in Equity

The items as noted above have meant that the Company has made a gain of \$253k against a budgeted loss of \$949k.

Statement of Financial Position

The current assets are higher due to the cash balance being \$939k greater than the budgeted \$631k as a result of the increased profit noted above.

WLASS does not budget for having end of year receivables.

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

Prepayments are higher due to two unbudgeted invoices for \$147,500 and \$60,700 - Insurance Broking and Service Fee and IDS license fee.

Intangible assets are higher than budget due to the useful lives of the SVDS and WRTM intangible assets being revised to March 2020 and June 2023 respectively.

Statement of Cash Flows

Payment to suppliers is less than budgeted due to the reasons noted above.