

WAITOMO DISTRICT COUNCIL

**MINUTES OF A MEETING OF THE WAITOMO DISTRICT COUNCIL
HELD IN THE COUNCIL CHAMBERS, QUEEN STREET, TE KUITI ON
TUESDAY 26 AUGUST 2014 AT 9.00AM**

PRESENT: Mayor Brian Hanna, Deputy Mayor Guy Whitaker, Council Members Phil Brodie, Terry Davey, Allan Goddard, Sue Smith and Lorrene Te Kanawa

IN ATTENDANCE: Todd Ward (Waitomo News)

Chris Ryan, Chief Executive; Michelle Higgle, Executive Assistant; Vibhuti Chopra, Group Manager – Corporate Services (for part only); Jo Gread, Policy Planner (for part only); Christiaan van Rooyen, Group Manager – Assets (for part only); Helen Beever, Group Manager – Customer Services (for part only); and John De Luca, Group Manager – Community Services (for part only)

1.	Council Prayer		File 037/003
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2.	Declarations of Member Conflicts of Interest		File 037/051A
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Councillors Davey and Te Kanawa declared a conflict of interest and abstained from discussion and voting with respect to the adoption of the Policy on Gambling Venues.

3.	Verbal Reports: Individual Councillor Roles and Responsibilities		File 037/040A
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Individual Council Members provided verbal reports in respect to Councillor appointed Roles and Responsibilities.

Cr Brodie

Elderly Persons Housing Work Group
Regional Transport Committee
Making Good Decisions Re-Certification Course
Piopio Wastewater Treatment Plant Community Liaison Meeting

Cr Te Kanawa

Waitomo Cave 125 Years
Destination Waitomo

Cr Goddard

Benneydale Residents & Ratepayers
Waikato Spatial Plan
Inframax Construction Ltd
Federated Farmers
Destination Pureora
Making Good Decisions Re-Certification Course

Cr Davey
Elderly Persons Housing Work Group
Urban Ratepayers Meeting

Cr Smith
Marokopa Hall AGM

Deputy Mayor Whittaker
DC Tynan Trust
Waitomo Licensing Committee
Business After 5
Brook Park

Mayor Hanna
NZTA – Hangatiki Intersection
Social Sector Trials Governance Group Stakeholder Meeting
Healthy Rivers
Waipa JMA Liaison Group
Urban Ratepayers Meeting
Department of Conservation – Timber Trail
Department of Conservation – Conservancy Board Meeting
Mokau Ki Runga
North King Country Development Trust

Resolution

The Verbal Reports from Council Members be received.

Davey/Whittaker Carried

4.	Confirmation of Minutes – 29 July 2014, 31 July 2014 and 12 August 2014	File 037/040A
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Resolution

The Minutes of the Waitomo District Council meetings held on 29 July 2014, 31 July 2014 and 12 August 2014 including the public excluded Minutes be confirmed as a true and correct record subject to correcting the spelling of Kyle Barnes name in the "In Attendance" of the 29 July 2014 Minutes.

Te Kanawa/Goddard Carried

5.	Adoption of Road Map Work Programme	File 037/048A
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Council considered a business paper presenting the Road Map Work Programme for the period 1 July 2014 to 30 June 2015 for formal adoption.

An updated section for "Te Kuiti Water Supply" was tabled at the meeting.

The Executive Assistant and Chief Executive expanded verbally on the business paper and answered Members' questions.

Councillors advised it is their preference to have full-day workshops with heavy workloads rather than half-day workshops with light workloads.

Resolution

- 1 The business paper Adoption of Road Map Work Programme for 2014/2015 be received.
- 2 The Road Map Work Programme as at 26 August 2014 be adopted subject to the Chief Executive making amendments as follows:
 - 1 **Local Government Reform – Position of WDC** (Page 29)
 - 1 Update this Section to reflect –

Council’s position at this time is to focus on building further collaborative/shared service relationships in line with the Mayoral Forum work streams.

If and when a local government reorganisation application is triggered affecting the Waitomo District, Council will react to such application at that time.
 - 2 **Bylaw – Freedom Camping** (Page 47)
 - 1 Update the Key Milestones to include a new “First Step” for a Workshop to enable Council to consider whether a Freedom Camping Bylaw is actually required or not.
 - 3 **Policy – Psychoactive Substances** (Page 48)
 - 1 Update the Key Milestones to include a new “First Step” for a Workshop to enable Council to consider whether a Policy is actually required or not.

Goddard/Whitaker Carried

6.	Electoral Systems for Elections	File 039/001B
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Council considered a business paper providing options available for review of the electoral system pursuant to the Local Electoral Act 2001 for the next triennial election.

The Group Manager – Corporate Services expanded verbally on the business paper and answered Members’ questions.

Council expressed the need to keep the voting system as simple as possible as the aim is to promote people to vote and not put them off by complicated voting systems.

Resolution

- 1 The business paper on Review of the Electoral System be received.
- 2 Council resolve to keep the current First Past the Post Electoral System.

Whitaker/Te Kanawa Carried

The Group Manager – Corporate Services and Policy Planner left the meeting at 9.42am.

7.	Adoption of Review Community Development Fund Policy	File 037/000B
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Council considered a business paper presenting the draft reviewed Community Development Fund Policy for consideration.

The Chief Executive expanded verbally on the business paper and answered Members' questions.

Resolution

- 1 The business paper on the adoption of the draft Reviewed Community Development Fund Policy be received.
- 2 The draft Reviewed Community Development Fund be adopted.

Brodie/Smith Carried

The Group Manager – Assets entered the meeting at 9.47am.

8.	Progress Report: Resource Consent Applications	File 097/001B
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Council considered a progress report providing information on outstanding resource consent applications and details of those applications currently being processed.

The Chief Executive expanded verbally on the business paper and answered Members' questions.

Resolution

The Progress Report: Resource Consent Applications be received.

Goddard/Te Kanawa Carried

The Group Manager – Customer Services entered the meeting at 9.50am.

9.	Progress Report: Monthly Operation and Maintenance Report for Water, Sewerage and Stormwater – August 2014	File 037/05A
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Council considered a business paper providing a brief on progress for Operational and Maintenance performance by Council's contracted Services Provider for Water Services (Veolia Water).

The Group Manager – Assets expanded verbally on the business paper and answered Members' questions.

Resolution

The Progress Report: Monthly Operation and Maintenance Report for Water, Sewerage and Stormwater – August 2014 be received.

Whitaker/Smith Carried

10.	Progress Report: Monitoring Against 2012-2022 Long Term Plan – Land Transport	File 037/020/12A
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Council considered a progress report on implementation of the Work Plan for the Land Transport activity as contained in Year Three (2014/2015) of the 2012-2022 Long Term Plan and secondly, establishing a framework for monitoring the ongoing implementation of the 2012-22 Long Term Plan as part of the Road Map Work Programme.

The Group Manager – Assets expanded verbally on the business paper and answered Members' questions.

Resolution

The August 2014 Progress Report: Monitoring Against 2012-2022 Long Term Plan – Land Transport be received.

Brodie/Whitaker Carried

11.	Progress Report: Road Asset Technical Accord	File 503/001C
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Council considered a business paper providing a progress report on the Road Asset Technical Accord.

The Group Manager - Assets expanded verbally on the business paper and answered Members' questions.

Resolution

The Progress Report: Road Asset Technical Accord be received.

Goddard/Davey Carried

12.	Waitomo District – LED Street Lighting	File 503/001C
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Council considered a business paper providing a brief on an investigation for Waitomo District Council to transition from the current standard sodium lamps to LED lamps for street lighting.

The Group Manager - Assets expanded verbally on the business paper and answered Members' questions.

Resolution

The business paper on the Waitomo District LED Street Lighting Project be received.

Goddard/Smith Carried

The Group Manager – Assets left the meeting at 10.09am.
The meeting adjourned for morning tea at 10.09am and reconvened at 10.29am.

13. Adoption of Gambling Policy**File 057/002A**

Council considered a business paper presenting the reviewed Policy on Gambling Venues for consideration and adoption.

The Chief Executive expanded verbally on the business paper and answered Members' questions.

Councillor Goddard queried the clarity of Clause 4.18 and Council agreed to re-word this clause.

Resolution

- 1 The business paper on Adoption of Policy on Gambling Venues be received.
- 2 The reviewed Policy on Gambling Venues be adopted subject to amendment of Clause 4.17 to read as follows:

"4.17 Notwithstanding other conditions in this policy, where a legally established venue applies for consent to relocate to a new site, WDC will consider such application on the same basis as a new venue application, with the exception that such venue may relocate and retain the pre-existing number of gaming machines to such new site. That exception will be subject to the requirement that the total number of machines in the District remains within the overall district cap of 77 machines."

Goddard/Whitaker

Carried

The Group Manager – Customer Services left the meeting at 10.33am.

The Group Manager – Community Services entered the meeting at 10.33am.

14. Waikato Civil Defence Emergency Group – Improved Civil Defence Capability**File 400/010/7**

Council considered a business paper informing of the outcomes of the Civil Defence Capability Assessment Report (2014) for the Waikato Regional Civil Defence Group and Waitomo District Council that forms part of that Group.

The Group Manager – Community Services expanded verbally on the business paper and answered Members' questions.

Resolution

The business paper on Waikato Civil Defence Emergency Group – Improved Civil Defence Capability be received.

Goddard/Smith

Carried

15. Progress Report: Brook Park Incorporated Society Minutes	File 401/0581153000
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Council considered a business paper providing information relating to the Brook Park Incorporated Society meeting of 9 June 2014.

Councillor Whitaker expanded verbally on the business paper and answered Members' questions.

Councillor Whitaker advised that the Brook Park Committee has concerns regarding the ongoing interment of ashes in the Memorial Grove and has asked that Council consider banning the interring of ashes at Brook Park in future.

Resolution

- 1 The business paper on Brook Park Incorporated Society Minutes be received.
- 2 A business paper be prepared for Council's consideration providing advice in respect to the banning of interring ashes at Brook Park.

Whitaker/Smith Carried

16. Progress Report: Rural Halls	File 401/Halls
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Council considered a progress report on the Oparure, Mokauiti, Kopaki and Benneydale Halls.

The Group Manager – Community Services expanded verbally on the business paper and answered Members' questions.

Resolution

The Progress Report: Rural Halls be received.

Goddard/Te Kanawa Carried

17. Te Kuiti Railway Building Project – Review of Scope of Works	File 401/9992000100
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Council considered a business paper summarising Council's position in respect to the Te Kuiti Railway Building Project as determined at the Council Workshop of 12 August 2014 and seeking formal resolutions of that position.

The Group Manager – Community Services and Chief Executive expanded verbally on the business paper and answered Members' questions.

Resolution

- 1 The report Te Kuiti Railway Building Project: Review of Scope of Works be received.
- 2 Council note and authorise the following variations of Scope, Timeline and Budget:

- (a) The timeline for the development of the Plaza Design be rescheduled from the 2015/2016 financial year to the 2014/2015 financial year and that funding for this design work be funded from the Public Amenities Reserve Fund.
- (b) The budgets for the development of the Plaza for the 2016/2017 to 2019/2020 financial years be accumulated into the 2016/2017 financial year and the works associated be undertaken as one project.
- (c) The Band Rotunda be relocated from the Plaza within the 2014/2015 financial year with the costs of relocation being funded from the Public Amenities Reserve Fund.
- (d) The installation of an Electricity Point within Rora Street at an appropriate location.
- (e) The consequential costs of \$10,800 associated with the installation of the Electricity Point be funded from the Land Transport Activity.
- (f) The timeline for Project 4 be consolidated from the 2013/2014 and 2014/2015 financial years along with the 2016/2017 and 2017/2018 financial years to a timeline falling in the 2014/2015 and 2015/2016 financial year's.
- (g) Council note that the amended timeline for Project 4 is subject to securing external funding of \$100,000.
- (h) The application of debt funding (being \$115,660) for use during the 2014/2015 and 2015/2016 financial years to allow Project 4 to be completed within the new timeframe.
- (i) The change in scope for the Railway Building Project to include physical linkage to the i-Site, with the work to be undertaken partly as a variation to Project 1 with the balance scheduled concurrent with the balance of Project 4.
- (j) Funding of the i-Site linkage, estimated at \$110,820, by loan.
- (k) The addition of a new access to Building 3 as a variation to Project 1 and funded to an estimated cost of \$16,350 by loan.
- (l) Option 2 for Project 5 (a restaurant/café/bar) be the preferred option on condition that –
 - 1 A Lessee arrangement for the premises is completed before works proceed.
 - 2 Arrangement of external funding.
 - 3 An appropriate Lessee contribution towards the internal refurbishment in line with the commercial value of the opportunity.

Whitaker/Davey

Carried

18. Progress Report: Te Kuiti Railway Building	File 401/9992000100
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Council considered a progress report on the Te Kuiti Railway Building Project.

The Group Manager – Community Services expanded verbally on the business paper and answered Members’ questions.

The Group Manager – Community Services undertook to arrange a site visit for Councillors to familiarise themselves with the site works.

Resolution

The Progress Report: Te Kuiti Railway Building be received.

Te Kanawa/Davey Carried

19. Progress Report: Te Kuiti Mainstreet Re-Design	File 401/CBD
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Council considered a progress report on the Te Kuiti Main Street Re-Design.

The Group Manager – Community Services expanded verbally on the business paper and answered Members’ questions.

Councillor Davey advised that bark migration is still an issue with the garden boxes adjacent Paper Plus.

Resolution

The Progress Report: Te Kuiti Main Street Re-Design be received.

Te Kanawa/Smith Carried

20. Progress Report: 28 Taupiri Street, Te Kuiti – Renewals and Entrance	File 401/0588423600
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Council considered a business paper providing an update on renewals work and a new entrance to the building at 28 Taupiri Street, Te Kuiti as a result of the proposed relocation of Te Kuiti Community House operations to the first floor of this building.

The Group Manager – Community Services expanded verbally on the business paper and answered Members’ questions.

Resolution

The Progress Report: 28 Taupiri Street, Te Kuiti – Renewals and Entrance be received.

Te Kanawa/Goddard Carried

Todd Ward (Waitomo News) left the meeting at 11.10am.

21. Motion to Exclude the Public for the consideration of:	File 037/043
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Council considered a business paper pursuant to Section 48 of the Local Government Official Information and Meetings Act 1987 giving Council the right by resolution to exclude the public from the whole or any part of a meeting on one or more of the grounds contained within that Section.

Resolution

- 1 The public be excluded from the following part of the proceedings of this meeting.
- 2 Council agree that the following staff, having relevant knowledge, remain

Chris Ryan, Chief Executive
Michelle Higgin, Executive Assistant
John De Luca, Group Manager – Community Services
- 3 The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General Subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Section 48(1) grounds for this resolution
1. Progress Report: Mokau Toilet Effluent Disposal Upgrade	7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	48(1)(a)
2. Progress Report: Regulatory Enforcement Issues	7(2)(a) To protect the privacy of natural persons, including that of deceased natural persons;	48(1)(a)
3. Residents Satisfaction Survey 2014	7(2)(f)(i) Maintain the effective conduct of public affairs through— the free and frank expression of opinions by or between or to members or officers or employees of any local authority, or any persons to whom section 2(5) of this Act applies, in the course of their duty;	48(1)(a)
4. Progress Report: Waikato Mayoral Forum and Shared Services	7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	48(1)(a)
5. Contractual Issues	7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	48(1)(a)

This resolution is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act or Section 6, Section 7 or Section 9 of the Official Information Act 1982 as the case may require are listed above.

Davey/Te Kanawa Carried

There being no further business the meeting closed at 12.40pm.

Dated this 30th day of September 2014.

BRIAN HANNA
MAYOR

Confidential

Document No: 329129**File No:** 064/013A**Report To: Council****Meeting Date:** 25 March 2014**Subject: Local Authority Shared Services – Draft Statement of Intent for 2014/15**

Purpose of Report

- 1.1 The purpose of this business paper is to present to Council the Local Authority Shared Services (LASS) Statement of Intent for 2014/15.

Local Government Act S.11A Considerations

- 2.1 There are no considerations relating to Section 11A of the Local Government Act in regards to this business paper.

Background

- 3.1 The LASS Directors are required to approve a Draft SOI by 1 March each year for consideration by the shareholders.
- 3.2 The Shareholders are then invited to provide comments on the document and to have those returned to LASS on or before 30 April.
- 3.3 The Directors must then consider any comments on the Draft SOI that are made to it within two months of 1 March by the shareholders and deliver the completed SOI to the shareholders by 30 June.
- 3.4 The Draft SOI was considered by Council at its 25 March 2014 meeting.

Commentary

- 4.1 As a result of the above process, the Draft SOI was amended by the inclusion of further performance measures added, based on input from the Shareholders.
- 4.2 The LASS Board of Directors adopted the SOI at its Board Meeting convened on 4 June 2014 incorporating the changes as a result of Shareholder input.
- 4.3 A copy of the adopted SOI is attached to and forms part of this business paper for Council's information.

Suggested Resolutions

- 1 The business paper on Local Authority Shared Services –Statement of Intent for 2014/15 be received.
- 2 The Local Authority Shared Services – Statement of Intent for 2014/15 be received.



MICHELLE HIGGIE
EXECUTIVE ASSISTANT

1 September 2014

Attachment: Local Authority Shared Services – Statement of Intent for 2014-2015
(Doc 343329)



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**STATEMENT OF INTENT
FOR 2014-2015**

30 June 2014

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

In early to mid-2000 the relationship between local authorities within the Waikato Region continued to strengthen. As a result of this it was considered desirable to set up a structure under which shared services could operate to provide strategic or other advantages to the local authorities involved. Of the structures considered by Waikato local authorities the Local Authority Shared Services Limited (LASS) was chosen as it was considered the most appropriate mechanism to provide the Councils in the Waikato region with a vehicle to operate shared services.

LASS 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 and external parties.

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 through the Waikato Mayoral Forum. As part of providing a mechanism for supporting shared services and collaborative opportunities in the region, LASS is also available as a support entity to assist working parties established by the Waikato Mayoral Forum.

New services that are intended to be initiated under the LASS umbrella will only be adopted where a business case shows that they provide sufficient benefit to the shareholders and that benefit exceeds the benefits associated with other proposals. Such benefits include, but are not limited to, greater strategic capacity, mitigation of risk, development of intellectual property, 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. Further approvals may be required at various phases throughout the development of a shared service or if material changes to the original proposal are thought desirable.

Shared services initiatives, such as those arising from internal investigations, may be proposed by LASS itself. Any such initiatives also require a business case and are subject to the same prioritization process as any other proposed initiative.

Nature and Scope of Current Activities

There are currently three major operations under the LASS umbrella, plus a support role for collaborative initiatives of the Waikato Mayoral Forum.

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 and external users for their transport modelling requirements. The WRTM is the only recognised strategic transport modelling resource in the Waikato Region.

Thirdly, LASS is a party to a joint contract between the company, shareholding Councils and AON Ltd for insurance brokerage services and various collective insurance policies. Other joint procurement contracts also exist.

Over the period that 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.

The Waikato Mayoral Forum in 2012 enabled the creation of five working parties to investigate collaborative opportunities in the areas of governance, planning, two waters, roading and economic development. An additional work stream for bylaws and policies was created in 2013. Each working party is led by a Council CEO in conjunction with a group of Mayors/Chairperson from the Waikato Mayoral Forum. LASS is available as a support entity to assist these working parties.

Collective funding of \$100,000 in 2012/13 resulted in the scoping and defining of further project work during 2013/14, and additional funding proposals were presented to shareholding Councils for consideration as part of their 2013/14 Annual Plan process. This proposal also contained funding for the Waikato Plan project into 2014/15.

An additional 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 information technology 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 future meetings. These investigations will include reporting to shareholders and the Waikato Mayoral 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.

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
Geoffrey Williams	Chief Executive, Rotorua District Council	Rotorua District Council
Chris Ryan	Chief Executive Officer, Waitomo District Council	Waitomo District Council
Vaughan Payne	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
Rob Williams	Chief Executive Officer, Taupo District Council	Taupo District Council
Craig Hobbs	Chief Executive Officer, South Waikato District Council	South Waikato District Council
Dave Clibbery	Chief Executive Officer, Otorohanga District Council	Otorohanga District Council

Process for Future Developments

- All new proposed shared services involving LASS will have a business case developed for presentation to the Directors and will only be adopted if they provide sufficient benefit to the shareholders, that benefit exceeds the benefits associated with other proposals and there are resources available to progress the initiative. If there are insufficient resources the initiative may be deferred and reconsidered at such time that resources can be made available.
- The company is looking to establish a prioritisation process that will assist in evaluating alternative shared service opportunities.

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.

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. The Statement of Intent is informed by the annual survey and independent benefits review.
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. **WRTM:** That all required modelling reports are actioned within the required timeframe.
10. **WRTM:** That the base model adheres to "Screenline Validation Standards" as set out in the NZTA Economic Evaluation Manual as indicated by an external independent peer review.
11. **WRTM:** That a full report on progress of the model be provided to the LASS Board twice each year.
12. **Insurance:** The key performance indicators from appendix 4 of the brokerage contract are met.
13. **Joint Procurement:** That any joint procurement projects deliver as per project approved objectives.
14. **Advice to the Waikato Mayoral Forum:** In response to requests from shareholders, the Company will provide regular reports and updates to the Waikato Mayoral Forum regarding progress with shared service initiatives.
15. **Independent Benefit Review Plan update.** The independent benefit review plan will be reviewed, updated and signed off by the LASS Board by 31 May of the year immediately preceding the year the plan relates to.
16. **Independent Benefit Reviews:** Those reviews timetabled in the plan for the current year be completed by the end of the year.

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 \$864,986 at 30 June 2015, which relates to 91.8% of total assets. The only liabilities of the LASS are trade creditors.

The Forecast Financial Statements for the years 2014-2016 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 2015					
	Budget 2013/14	Budget 2014/15	Variance to Jun-14 Budget	Budget 2015/16	Budget 2016/17
Income					
Company Administration Member Charges	169,550	87,146	(82,404)	173,550	178,550
Recovery of Admin Costs	44,231	44,405	174	45,833	47,187
SVDS Member Charges	609,599	561,517	(48,082)	565,839	581,013
SVDS Data & Software Sales	101,600	125,964	24,364	129,239	132,729
WRTM Member Charges	279,616	56,702	(222,914)	82,417	85,193
WRTM Reserve Realisation	40,000	0	(40,000)	0	0
Shared Services Funding - Phase 2	810,000	248,370	(561,630)	0	0
GSB Membership Fee Recovery	16,575	18,000	1,425	18,000	18,000
ValueFinancials Fee Recovery	46,750	46,750	0	46,750	46,750
Insurance Brokerage Fee Recovery	147,500	147,500	0	147,500	147,500
Interest Received	500	800	300	800	800
Total Income	2,265,921	1,337,153	(928,768)	1,209,928	1,237,722
Operating Expenditure					
Company Admin Operating Expenditure	213,781	213,955	174	219,383	225,737
SVDS Operating Expenditure	642,049	609,637	(32,412)	615,190	631,675
WRTM Operating Expenditure	319,616	106,702	(212,914)	82,417	85,193
SSI Operating Expenditure	810,000	248,370	(561,630)	0	0
Procurement Operating Expenditure	210,825	212,250	1,425	212,250	212,250
Total Operating Expenditure	2,196,271	1,390,914	(805,357)	1,129,240	1,154,855
Earnings before interest, tax and depreciation/ amortisation (EBITA)	69,650	(53,761)	(123,411)	80,688	82,867
Non-Cash Operating Expenditure					
Company Admin Non-Cash Expenditure	127	171	44	171	171
SVDS Non-Cash Expenditure	171,899	143,725	(28,174)	124,565	106,022
WRTM Non-Cash Expenditure	328,122	328,122	0	328,122	218,748
Total Non-Cash Operating Expenditure	500,148	472,017	(28,131)	452,858	324,940
Earnings before interest and tax (EBIT)	(430,498)	(525,778)	(95,280)	(372,170)	(242,073)
Net Surplus (Deficit) before tax	(430,498)	(525,778)	(95,280)	(372,170)	(242,073)
Company Admin Net Surplus (Deficit) before tax	(127)	(82,575)	(82,448)	(171)	(171)
SVDS Net Surplus (Deficit) before tax	(102,249)	(65,082)	37,167	(43,877)	(23,155)
WRTM Net Surplus (Deficit) before tax	(328,122)	(378,122)	(50,000)	(328,122)	(218,748)
SSI Net Surplus (Deficit) before tax	0	0	0	0	0
Procurement Net Surplus (Deficit) before tax	0	0	0	0	0
Net Surplus (Deficit) before tax	(430,498)	(525,778)	(95,280)	(372,170)	(242,073)
Capital Expenditure					
Enhancements	79,204	78,643	(561)	80,688	82,867
Total Capital Expenditure	79,204	78,643	(561)	80,688	82,867

Local Authority Shared Services					
Company Admin					
For the Year Ended 30 June 2015					
Notes	Budget 2013/14	Budget 2014/15	Variance to Jun-14 Budget	Budget 2015/16	Budget 2016/17
Income					
Company Administration Member Charges	169,550	87,146	(82,404)	173,550	178,550
Recovery of Admin Costs	44,231	44,405	174	45,833	47,187
Total Income	213,781	131,551	(82,230)	219,383	225,737
Expenses					
Accounting/ Financial Services	17,158	17,510	352	17,965	18,396
External Accounting/ Financial Services	3,998	3,998	0	4,102	4,200
Audit Fees	14,825	15,500	675	15,903	16,285
IT Services	208	45	(163)	46	47
Bank Charges	369	438	69	449	460
Printing, Stationery & Postage	250	250	0	250	250
Legal Fees	2,500	2,560	60	2,627	2,690
Value Financials Licence Fee	2,250	2,250	0	2,250	2,250
Accommodation	1,500	0	(1,500)	0	0
Sundry Expenses	500	500	0	500	500
Insurance	2,000	2,048	48	2,101	2,152
Shared Services Contractor	156,000	156,000	0	160,000	165,000
Company Secretary Fees	11,623	11,856	233	12,164	12,456
Mileage Costs	600	1,000	400	1,026	1,051
Total Expenses	213,781	213,955	174	219,383	225,737
Earnings before interest, tax and depreciation/ amortisation (EBITA)					
	0	(82,404)	(82,404)	0	0
Non-Cash Expenses					
Depreciation	127	171	44	171	171
Earnings before interest and tax	(127)	(82,575)	(82,448)	(171)	(171)
Net Surplus (Deficit) before tax	(127)	(82,575)	(82,448)	(171)	(171)

Local Authority Shared Services					
Shared Valuation Data Service					
For the Year Ended 30 June 2015					
Notes	Budget 2013/14	Budget 2014/15	Variance to Jun-14 Budget	Budget 2015/16	Budget 2016/17
Income					
SVDS Member Charges	609,599	561,517	(48,082)	565,839	581,013
SVDS Data & Software Sales	101,600	125,964	24,364	129,239	132,729
Interest Received - SVDS	500	800	300	800	800
Total Income	711,699	688,281	(23,418)	695,878	714,542
Expenses					
Hosting Contract	70,005	69,509	(496)	71,317	73,242
Software Contract	118,806	117,965	(841)	121,032	124,300
Management Services	380,815	381,711	896	391,635	402,210
Contract Management Services	12,994	0	(12,994)	0	0
SVDS Review	25,000	0	(25,000)	0	0
Consultancy Fees	0	16,000	16,000	6,000	6,000
Contingency	10,313	0	(10,313)	0	0
Insurance	2,000	1,500	(500)	1,539	1,581
On charge of LASS Admin Costs	22,116	22,952	836	23,667	24,343
Total Expenses	642,049	609,637	(32,412)	615,190	631,675
Earnings before interest, tax and depreciation/ amortisation (EBITA)					
	69,650	78,643	8,993	80,688	82,867
Non-Cash Expenses					
Depreciation	171,899	143,725	(28,174)	124,565	106,022
Earnings before interest and tax	(102,249)	(65,082)	37,167	(43,877)	(23,155)
Net Surplus (Deficit) before tax	(102,249)	(65,082)	37,167	(43,877)	(23,155)
Capital Expenditure					
Enhancements	79,204	78,643	(561)	80,688	82,867
Total Capital Expenditure	79,204	78,643	(561)	80,688	82,867
Total Cash Expenditure (Opex, Interest & Capital)	721,253	688,281	(32,972)	695,878	714,542

Local Authority Shared Services						
Waikato Regional Transport Model						
For the Year Ended 30 June 2015						
	Notes	Budget 2013/14	Budget 2014/15	Variance to Jun-14 Budget	Budget 2015/16	Budget 2016/17
Income						
WRTM Member Charges		279,616	56,702	(222,914)	82,417	85,193
WRTM Reserve Realisation		40,000	0	(40,000)	0	0
Total Income		319,616	56,702	(262,914)	82,417	85,193
Expenses						
WRTM Project Manager		18,000	18,000	0	18,000	20,000
Minor Model Upgrades		30,000	30,000	0	30,000	30,000
Peer Review		5,000	5,000	0	5,000	5,000
Annual Scheduling of Works Review		4,500	4,500	0	4,500	4,500
Census Update		220,000	0	(220,000)	0	0
Regional Modelling Needs Assessment		18,000	0	(18,000)	0	0
Insurance		2,000	2,000	0	2,000	2,100
Tendering for WRTM Contract		0	25,000	25,000	0	0
On charge of LASS Admin Costs		22,116	22,202	86	22,917	23,593
Total Expenses		319,616	106,702	(212,914)	82,417	85,193
Earnings before interest, tax and depreciation/ amortisation (EBITA)						
		0	(50,000)	(50,000)	0	0
Non-Cash Expenses						
Depreciation		328,122	328,122	0	328,122	218,748
Earnings before interest and tax		(328,122)	(378,122)	(50,000)	(328,122)	(218,748)
Net Surplus (Deficit) before tax		(328,122)	(378,122)	(50,000)	(328,122)	(218,748)

Local Authority Shared Services						
Mayoral Forum Projects						
For the Year Ended 30 June 2015						
	Notes	Budget 2013/14	Budget 2014/15	Variance to Jun-14 Budget	Budget 2015/16	Budget 2016/17
Income						
Shared Services Funding - Planning P2		500,000	241,370	(258,630)	0	0
Shared Services Funding - Economic Deve		80,000	0	(80,000)	0	0
Shared Services Funding - Waters P2		180,000	0	(180,000)	0	0
Shared Services Funding - Rooding P2	1	50,000	0	(50,000)	0	0
Shared Services Funding - Meeting Expens		0	7,000	7,000	0	0
Total Income		810,000	248,370	(561,630)	0	0
Expenses						
Consultancy Services - Planning P2		500,000	241,370	(258,630)	0	0
Consultancy Services - Economic Deve		80,000	0	(80,000)	0	0
Consultancy Services - Waters P2		180,000	0	(180,000)	0	0
Consultancy Services - Rooding P2	1	50,000	0	(50,000)	0	0
Meeting Expenses		0	7,000	7,000	0	0
Total Expenses		810,000	248,370	(561,630)	0	0
Earnings before interest, tax and depreciation/ amortisation (EBITA)						
		0	0	0	0	0
Earnings before interest and tax						
		0	0	0	0	0
Net Surplus (Deficit) before tax						
		0	0	0	0	0

Notes

1) No new budget for Rooding workstream, but participating councils are committed to fund from existing council budgets.

Local Authority Shared Services						
Procurement of Shared Services						
For the Year Ended 30 June 2015						
Notes	Budget	Budget	Variance to	Budget	Budget	
	2013/14	2014/15	Jun-14 Budget	2015/16	2016/17	
Income						
GSB Membership Fee Recovery	16,575	18,000	1,425	18,000	18,000	
Value Financials Fee Recovery	46,750	46,750	0	46,750	46,750	
Insurance Brokerage Fee Recovery	147,500	147,500	0	147,500	147,500	
Total Income	210,825	212,250	1,425	212,250	212,250	
Expenses						
Insurance Brokerage Fee Payable	147,500	147,500	0	147,500	147,500	
GSB Membership Fee	16,575	18,000	1,425	18,000	18,000	
Value Financial Fees	46,750	46,750	0	46,750	46,750	
Total Expenses	210,825	212,250	1,425	212,250	212,250	
Earnings before interest, tax and depreciation/ amortisation (EBITA)						
	0	0	0	0	0	0
Earnings before interest and tax						
	0	0	0	0	0	0
Net Surplus (Deficit) before tax						
	0	0	0	0	0	0

Local Authority Shared Services					
Balance Sheet					
For the Year Ended 30 June 2015					
	Budget 2013/14	Budget 2014/15	Variance to Jun-14 Budget	Budget 2015/16	Budget 2016/17
CAPITAL					
Shares - SVDS	1,607,001	1,607,001	0	1,607,001	1,607,001
Shares - WRTM	1,350,000	1,350,000	0	1,350,000	1,350,000
Profit and Loss	(1,151,829)	(1,566,237)	(414,408)	(2,092,015)	(2,464,185)
Plus Current Year Operating Surplus/(Deficit)	(430,498)	(525,778)	(95,280)	(372,170)	(242,073)
TOTAL CAPITAL FUNDS	1,374,674	864,986	(509,688)	492,816	250,743
ASSETS					
CURRENT ASSETS					
Prepayments	0	1,868	1,868	1,868	1,868
Accounts Receivable	29,142	3,557	(25,585)	2,747	2,840
RWT On Interest	140	224	84	224	224
Local Authority Shared Services 00	9,117	6,731	(2,386)	4,984	5,972
Local Authority Shared Services On-Call	135,491	47,103	(88,388)	50,906	52,167
GST Paid	(6,771)	(9,522)	(2,751)	(9,756)	(10,017)
TOTAL CURRENT ASSETS	167,119	49,960	(117,159)	50,973	53,054
NON-CURRENT ASSETS					
SVDS - Intangible Asset	3,081,640	3,142,359	60,719	3,223,047	3,305,914
WRTM - Intangible Asset	2,296,855	2,296,855	0	2,296,855	2,296,855
CashManager Software	886	0	(886)	0	0
MoneyWorks Software	0	1,195	1,195	1,195	1,195
Accumulated Depreciation	(4,103,083)	(4,548,273)	(445,190)	(5,001,131)	(5,326,071)
TOTAL NON-CURRENT ASSETS	1,276,298	892,136	(384,162)	519,966	277,893
NET ASSETS	1,443,417	942,096	(501,321)	570,939	330,946
LESS CURRENT LIABILITIES					
Accounts Payable	50,376	67,035	16,659	67,785	69,618
Accounts Payable Accrual	17,049	10,075	(6,974)	10,337	10,585
Provision for Annual Leave	1,318	0	(1,318)	0	0
TOTAL CURRENT LIABILITIES	68,743	77,110	8,367	78,122	80,203
NET WORKING CAPITAL	1,374,674	864,986	(509,688)	492,817	250,743

Local Authority Shared Services					
Statement of Cashflows					
For the year ended 30 June 2015					
	Budget 2013/14	Budget 2014/15	Variance to Jun-14 Budget	Budget 2015/16	Budget 2016/17
Cashflows from Operating Activities					
Interest Received	500	800	300	800	800
Receipts from Other Revenue	2,251,337	1,184,191	(1,067,146)	1,173,947	1,198,857
Payments to Suppliers	(2,202,168)	(1,329,850)	872,318	(1,082,656)	(1,105,836)
Taxes Paid	(140)	(224)	(84)	(224)	(224)
Goods & Services tax (net)	(4,260)	(3,173)	1,087	(9,123)	(8,481)
Net cash from operating activities	45,269	(148,256)	(193,525)	82,744	85,116
Purchase of Intangible Assets	(79,204)	(78,643)	561	(80,688)	(82,867)
Net cash from investing activities	(79,204)	(78,643)	561	(80,688)	(82,867)
Net increase in cash, cash equivalents and bank accounts	(33,935)	(226,899)	(192,964)	2,056	2,249
Opening cash and cash equivalents and bank overdrafts	178,543	280,733	102,190	53,834	55,890
Closing cash, cash equivalents and bank accounts	144,608	53,834	(90,774)	55,890	58,139
Summary of Bank Accounts					
BNZ - Cheque a/c	9,117	6,731	(2,386)	4,984	5,972
BNZ - Call a/c	135,491	47,103	(88,388)	50,906	52,167
Closing Balance of Bank	144,608	53,834	(90,774)	55,890	58,139

Document No: 345562**File No:** 064/013B**Report To: Council****Meeting Date:** 25 March 2014**Subject:** Local Authority Shared Services –
2013/2014 Annual Report

Purpose of Report

- 1.1 The purpose of this business paper is to present to Council for information the Local Authority Shared Services (LASS) Annual Report for the year ending 30 June 2014.

Local Government Act S.11A Considerations

- 2.1 There are no considerations relating to Section 11A of the Local Government Act in regards to this business paper.

Commentary

- 4.1 On 22 September 2014, Council received a copy of the signed LASS Annual Report for the year ending 30 June 2014.
- 4.2 A copy of that Annual Report is attached to and forms part of this business paper for Council's information.

Suggested Resolution

The business paper on Local Authority Shared Services – 2013/2014 Annual Report be received.

A handwritten signature in blue ink, appearing to read "Michelle Higgie".

MICHELLE HIGGIE
EXECUTIVE ASSISTANT

September 2014

Attachment: Local Authority Shared Services – 2013/2014 Annual Report



value beyond boundaries™

**Local Authority Shared Services Limited
Financial statements
for the year ended 30 June 2014**

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Annual Directors' Report to Shareholders

The Local Authority Shared Services Limited (LASS) was incorporated in December 2005. This ninth annual report covers the period 1 July 2013 to 30 June 2014.

Message from the Directors

During the past year the Company has been particularly focused on demonstrating value for the shareholder councils through procurement, facilitation of Waikato Mayoral Forum workstreams and improving efficiency of the existing shared services operating under LASS. The Company has certainly been far more active as an initiator of shared services in the region. The Company had the services of a contract Chief Executive for the first six months of the year. LASS has recently approved a further contract for the Chief Executive role which we believe will provide further opportunities to add value for shareholders and develop the organisation. The Company also contracts the services of a Company Secretary.

There are two major established 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. The model is currently being updated to reflect the new census data from 2013.

During the year the Company has continued to pursue contracts for additional shared services. These include a number of shared insurance policies, a contract for computer generated print, mail and E-services, a contract for accessing online economic profile data, a contract for postal and courier services, legal services and another for fleet tracking systems. A joint information technology strategic planning process was progressed during the year and a decision will be reached soon on the composition of a professional services panel for four of the shareholding councils.

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

The company is acting as the legal entity to manage contracts arising from the work of the Waikato Mayoral Forum.

Based on feedback from shareholder Councils and the Chief Executive 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 Mayoral 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.

Governance

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

Each Director is currently a Chief Executive of a local authority. However it is up to each individual Council to decide on their representative. In addition the board may appoint up to three professional directors to supplement the Directors' expertise.

During the year Bob Laing resigned as a Director, and the Board thanks him for his contribution. Vaughn Payne joined the Board as his replacements in November 2013.

The Board looks forward to building on the LASS platform and the consideration of new shared service opportunities will help achieve that aim.

LASS Objective

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 corporate 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 establishment of 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.

Background

The councils of the Waikato Region have put in place a Council Controlled Organisation (as defined in Part 5 of the Local Government Act 2002), to deliver shared services across the Waikato 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
- Leveraging procurement opportunities from economies of scale resulting from a single entity representing councils

At this stage these gains have been realised by shareholders in the Shared Valuation Data Service (SVDS), the Waikato Regional transport model (WRTM), and through joint procurement contracts.

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 Mayoral 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 shareholder 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.

Performance Measures

The following performance measures were incorporated into the Statement of Intent for the 2013/14 financial year.

Performance Measure	Actual Outcome
The company will carry out an annual survey of shareholders to assist Directors in developing improvements on behalf of the shareholders, and to receive a majority of shareholder approval on the service provided.	Annual survey of shareholders was completed in January 2014 with nine of the twelve shareholder Councils responding. Nine councils responded that the concept of LASS was still delivering benefits to their council. Two Councils responded that they were very satisfied with the efforts being made by LASS to advance shared services opportunities and seven were fairly satisfied. The comments were made that achievements are constrained by fundamental challenges, and that more benefits could be seen with a more dedicated resource.
Administration expenditure shall not exceed that budgeted by more than 5% unless prior approval is obtained from the Directors.	Achieved, actual expenditure was \$10,306 unfavourable to budget (-4.8%)
The company maintains an overall positive cash flow position.	Not achieved this year as cashflow was intentionally operated at a negative level in order to use up prior year surpluses. The Company still maintains a safe cash position with the cash, cash equivalents and bank accounts balances at the end of June 2014 being \$442,598.
The Board will provide a written report on the business operations and financial position of the LASS as a minimum on a six monthly basis.	Six monthly reports have been sent to shareholders.
There will be an annual report to directors that all statutory requirements of the LASS are being adhered to.	All parties have confirmed that there were no legislative breaches during the year and this will be reported to the LASS Board at the September meeting when the Annual Report is presented.
That SVDS is available to users at least 99% of normal working hours.	SVDS was available 100% of working hours.
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.	100% of Sales and Property files were supplied to Property IQ on time.
All Capital SVDS enhancement work is supported by a business case approved by the Advisory Group.	Not applicable this year as only minor work items of \$5,000 or less have been undertaken as per the road map approved by the advisory group.
That all required WRTM modelling reports are actioned within the required timeframe.	All WRTM modelling reports were completed within specified timeframe's.
That the base model adheres to "Screenline Validation Standards" as set out in the NZTA Economic Evaluation Manual as indicated by an external independent peer review.	No peer review has been undertaken in the current year (the last report from the peer reviewer was in October 2013 which stated that the model continues to meet all the set out criteria). As a result of the census, an update to the model is being undertaken and an independent reviewer is involved in this process. An independent review will be completed in October 2014.
That a full report on progress of the WRTM model be provided to the LASS Board twice each year.	Reports were provided at the LASS Board meetings in January and May 2014.
The key performance indicators from appendix 4 of the insurance brokerage contract are met.	This target has been achieved.
That any joint procurement projects deliver as per project approved objectives.	LASS joint procurement satisfactorily completed for computer generated print, mail and E-Services for rates, accessing online economic profile data, and postal and courier services
In response to requests from shareholders, the Company will provide regular reports and updates to the Waikato Mayoral Forum group regarding progress with shared service initiatives.	Updates are provided at all Mayoral Forums, the most recent being June 2014.

Additional performance measures have been included in 2014/15 Statement of Intent around Independent Benefit Reviews.

LASS Financial Position

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

The LASS administration costs for this period were \$224,086 against a budget of \$213,780. Additional expenditure of \$165,905 was incurred on investigations of new services during the year. This was funded under the Information Services Strategic Planning and Professional Services Panel shared services investigation projects.

The combined LASS, SVDS, WRTM, procurement and shared service investigations service costs are shown in the financial statements.

Directors

The Directors appointed for the period that this annual report covers were:

Director	Position	Director Appointed By
Gavin Ion(Chair)	Chief Executive Waikato District Council	Waikato District Council
Langley Cavers	Chief Executive Hauraki District Council	Hauraki District Council
Geoff Williams	Chief Executive Rotorua District Council	Rotorua District Council
Chris Ryan	CEO Waitomo District Council	Waitomo District Councils
Bob Laing (resigned 15 November 2013)	Chief Executive Waikato Regional Council	Waikato Regional Council
Barry Harris	Chief Executive Hamilton City Council	Hamilton City Council
Dave Clibbery	Chief Executive Otorohanga District Council	Otorohanga District Council
David Hammond	Chief Executive Thames-Coromandel District Council	Thames-Coromandel District Council
Don McLeod	Chief Executive Matamata-Piako District Council	Matamata-Piako District Council
Craig Hobbs	Chief Executive South Waikato District Council	South Waikato District Council
Rob Williams	Chief Executive Taupo District Council	Taupo District Council
Garry Dyet	Chief Executive Waipa District Council	Waipa District Council

Vaughn Payne (Waikato Regional Council) was appointed Director in November 2013.

For and on behalf of the Board.



Director
1 September 2014



Director
1 September 2014



Auditors' Report

To the ratepayers of Local Authority Shared Services Limited

AUDIT NEW ZEALAND
Mana Arotake Aotearoa**Independent Auditor's Report****To the readers of
Local Authority Shared Services Limited's
financial statements and performance measures
for the year ended 30 June 2014**

The Auditor-General is the auditor of Local Authority Shared Services Limited (the Company). The Auditor-General has appointed me, Clarence Susan, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance measures of the Company on her behalf.

We have audited:

- the financial statements of the Company on pages 10 to 26, that comprise the statement of financial position as at 30 June 2014, 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
- the performance measures of the Company on page 4.

Opinion**Financial statements and performance measures**

In our opinion:

- the financial statements of the Company on pages 10 to 26:
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of the Company's:
 - financial position as at 30 June 2014; and
 - financial performance and cash flows for the year ended on that date; and
- the performance measures of the Company on page 4:
 - complies with generally accepted accounting practice in New Zealand; and
 - gives a true and fair view of the Company's service performance achievements measured against the performance targets adopted for the year ended 30 June 2014.



Auditors' Report

Other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Our audit was completed on 1 September 2014. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and performance measures are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and performance measures. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and performance measures. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and performance measures whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Company's financial statements and performance measures that give a true and fair view of the matters to which they relate. We consider internal control 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.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements and performance measures; and
- the overall presentation of the financial statements and performance measures.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance measures.

In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.



Auditors' Report

To the ratepayers of Local Authority Shared Services Limited (continued)

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements and performance measures that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the Company's financial position, financial performance and cash flows; and
- give a true and fair view of its service performance.

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements and a performance measures that are free from material misstatement, whether due to fraud or error. The Board of Directors are also responsible for the publication of the financial statements and performance measures, whether in printed or electronic form.

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Reporting Act 1993.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and performance measures and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

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



Clarence Susan
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand

Directory**Company Number**

1730380

Registered office

c/- The Chief Financial Officer
Waikato Regional Council
401 Grey Street
Hamilton

Directors

CAVERS, Langley David
CLIBBERY, Dave
DYET, Garry
WILLIAMS, Geoff
HOBBS, Craig
HAMMOND, David
HARRIS, Barry
ION, Gavin John
LAING, Bob (resigned November 2013)
PAYNE, Vaughn
MCLEOD, Don
RYAN, Chris
WILLIAMS, Rob

Bankers

Bank of New Zealand
Hamilton Banking Centre
Victoria Street
Hamilton

Auditors

Audit New Zealand on behalf of the Auditor-General
17 Clifton Road
Hamilton



Local Authority Shared Services Limited
Statement of comprehensive income
For the year ended 30 June 2014

Statement of comprehensive income

For the year ended 30 June 2014

	Note	Actual 2014 \$	Budget 2014 \$	Actual 2013 \$
Income				
SVDS Data Sales		123,166	101,600	122,011
Interest		14,159	500	11,036
Other Revenue	4	<u>1,875,218</u>	<u>2,079,588</u>	<u>1,304,944</u>
Total income		<u>2,012,543</u>	<u>2,181,688</u>	<u>1,437,991</u>
Expenditure				
Personnel Costs		7,715	11,623	11,401
Depreciation and amortisation expense	9	431,173	500,148	510,423
Other expenses	5	<u>2,068,709</u>	<u>2,140,415</u>	<u>1,314,351</u>
Total expenditure		<u>2,507,597</u>	<u>2,652,186</u>	<u>1,836,175</u>
Operating surplus/(deficit) before tax and share of equity accounted investments		<u>(495,054)</u>	<u>(470,498)</u>	<u>(398,184)</u>
Surplus/(deficit) before tax		<u>(495,054)</u>	<u>(470,498)</u>	<u>(398,184)</u>
Income tax expense	6	-	-	-
Surplus/(deficit) after tax		<u>(495,054)</u>	<u>(470,498)</u>	<u>(398,184)</u>
Other comprehensive income for the year, net of tax		-	-	-
Total comprehensive income for the year		<u>(495,054)</u>	<u>(470,498)</u>	<u>(398,184)</u>

The accompanying notes form part of these financial statements
 Explanations of major variances against budget are provided in note 22

Local Authority Shared Services Limited
Statement of recognised income and expense
For the year ended 30 June 2014

Statement of Changes in Equity

For the year ended 30 June 2014

	Note	Actual 2014 \$	Budget 2014 \$	Actual 2013 \$
Opening Equity		2,036,362	1,805,172	2,434,546
Total comprehensive income		<u>(495,054)</u>	<u>(430,498)</u>	<u>(398,184)</u>
Equity at 30 June	13	<u>1,541,308</u>	<u>1,374,674</u>	<u>2,036,362</u>
Total comprehensive income attributable to:				
Equity holders of Local Authority Shared Services Limited		1,541,308	1,374,674	2,036,362
Non-controlling interest		<u>-</u>	<u>-</u>	<u>-</u>
		<u>1,541,308</u>	<u>1,374,674</u>	<u>2,036,362</u>

The accompanying notes form part of these financial statements
 Explanations of major variances against budget are provided in note 22

Local Authority Shared Services Limited
Balance sheet
As at 30 June 2014

Balance sheet

As at 30 June 2014

	Note	2014 \$	2014 \$	2013 \$
ASSETS				
Current assets				
Cash and cash equivalents	7	442,598	144,608	571,147
Trade and other receivables	8	549,027	22,511	173,824
Prepayments		<u>150,348</u>	-	2,246
Total current assets		<u>1,141,973</u>	<u>167,119</u>	<u>747,217</u>
Non-current assets				
Intangible assets	9	<u>1,321,089</u>	<u>1,276,298</u>	<u>1,682,348</u>
Total non-current assets		<u>1,321,089</u>	<u>1,276,298</u>	<u>1,682,348</u>
Total assets		<u>2,463,062</u>	<u>1,443,417</u>	<u>2,429,565</u>
LIABILITIES				
Current liabilities				
Trade and other payables	10	443,543	67,504	182,622
Employee benefits liabilities	12	-	1,239	972
Deferred income	11	<u>478,211</u>	-	209,609
Total current liabilities		<u>921,754</u>	<u>68,743</u>	<u>393,203</u>
Total liabilities		<u>921,754</u>	<u>68,743</u>	<u>393,203</u>
Net assets		<u>1,541,308</u>	<u>1,374,674</u>	<u>2,036,362</u>
EQUITY				
Contributed equity	13	2,957,001	2,957,001	2,957,001
Retained earnings	13	(1,415,693)	(1,582,327)	(960,639)
Reserves	13	<u>-</u>	<u>-</u>	40,000
		1,541,308	1,374,674	2,036,362
Total equity		<u>1,541,308</u>	<u>1,374,674</u>	<u>2,036,362</u>

These financial statements have been authorised for issue by the Board of Directors on 1 September 2014



Director
1 September 2014



Director
1 September 2014

The accompanying notes form part of these financial statements
Explanations of major variances against budget are provided in note 22



Local Authority Shared Services Limited
Cash flow statement
For the year ended 30 June 2014

Cash flow statement

For the year ended 30 June 2014

	Note	Actual 2014 \$	Budget 2014 \$	Actual 2013 \$
Cash flows from operating activities				
Interest Received		14,156	500	10,967
Receipts from other revenue		1,905,150	2,251,337	1,590,576
Payments to suppliers and employees		(1,964,577)	(2,202,168)	(1,222,159)
Taxes Received / (Paid)		(3,958)	(140)	(1,827)
Goods and services tax (net)		(9,406)	(4,260)	(26,582)
Net cash from (used in) operating activities	14	<u>(58,635)</u>	<u>45,269</u>	<u>350,975</u>
Purchase of intangible assets		(69,914)	(79,204)	(63,520)
Net cash (used in) from investing activities		<u>(69,914)</u>	<u>(79,204)</u>	<u>(63,520)</u>
Net increase (decrease) in cash and cash equivalents and bank overdrafts		(128,549)	(33,935)	287,455
Opening cash and cash equivalents and bank overdrafts		<u>571,147</u>	<u>178,543</u>	<u>283,692</u>
Closing cash and cash equivalents and bank overdrafts	7	<u>442,598</u>	<u>144,608</u>	<u>571,147</u>

The accompanying notes form part of these financial statements
 Explanations of major variances against budget are provided in note 22

AW
W. Whyte
J. Raw

1 General information

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. Local Authority Shared Services Ltd is a Council Controlled Organisation as defined under section 6 of the Local Government Act 2002, by virtue of each of the shareholding Council's right to appoint the Board of Directors.

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

The financial statements of the Company are for the year ended 30 June 2014. The financial statements were authorised for issue by the Board of Directors on the 1 September 2014.

2 Summary of significant accounting policies

2.1 Basis of preparation

Statement of Compliance

The financial statements of the Company have been 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). The Company is a qualifying entity under the Framework for Differential Reporting for Entities applying the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), as it does not have public accountability and it is not large.

The Company has made use of all concessions under differential reporting except for;

- a. NZ IAS 1 - paragraph 8(d) where the Company has provided a Statement of Cash Flows
- b. NZ IFRS 7 - paragraph 8 where the company has decided to provide the Categories of Financial Assets and Liabilities, and;
 - paragraph 31 where the Company has decided to provide the Financial Instrument Risks.

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for Council Controlled Organisations. The Company is a public benefit entity.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Measurement base

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

Functional and presentation currency

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 at the beginning of the year in the Statement of Intent. The budget figures have been prepared in accordance with NZ IFRS, using accounting policies that are consistent with those adopted by the Company for the preparation of the financial statements.

Changes in accounting policies and disclosures

There have been no changes in accounting policies during the financial year.

Standards, amendments and interpretations that are not yet effective and have not been early adopted

Standards, amendments, and interpretations issued but not yet effective that have not been early adopted, and which are relevant to LASS, are:

2 Summary of significant accounting policies (continued)

- NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: recognition and measurement. NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting.

Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets.

The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus / deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Company is classified as a Tier 3 reporting entity and it will be required to apply Public Benefit Entity simple format reporting Accounting Standards. These standards are being developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for the public sector entities is expected to be reporting period beginning on or after 1 July 2014. This means the Company expects to transition to the new standards in preparing its 30 June 2015 financial statements. The Company has not assessed the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial accounting requirements for public benefit entities up until the new Accounting Standards Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

2.2 Revenue recognition

Revenue comprises the fair value of the consideration 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.

(i) Other revenue

User charges for the SVDS and WRTM asset are recognised when invoiced to the user, ie. councils. The recorded revenue is the gross amount of the member charges payable for the transaction.

2.3 Income tax

The income tax expense recognised in the Statement of Comprehensive Income is the estimated income tax payable in the current year, adjusted for any differences between the estimated and actual income tax payable in prior periods.

2.4 Goods and Services Tax (GST)

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

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the balance sheet. The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the cash flow statement.

Commitments and contingencies are disclosed exclusive of GST.

2 Summary of significant accounting policies (continued)

2.5 Impairment of non-financial assets

Assets 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 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.

As LASS is a public entity there are no future economic profits expected from the asset's and therefore the value of asset's are determined by replacement costs as is in accordance with NZ IAS 38. The total impairment is recognised in the income statement.

2.6 Borrowings

Borrowing costs are accrued as an expense in the period in which they are incurred.

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

2.7 Employee entitlements

Employee benefits that the Company expects to be settled within 12 months of balance date are measured at nominal values 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, retirement gratuities and long service entitlements expected to be settled within 12 months, and sick leave.

2.8 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts

2.9 Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated cash flows, discounted using the effective interest method.

2.10 Intangible assets

(i) Software acquisition

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

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

(ii) Internally generated intangible assets

Internally generated intangible assets are capitalised at the point when the identifiability and recognition criteria as defined in NZ IAS 38 has been satisfied. Costs incurred on internally generated intangible assets in the research phase are expensed until the intangible assets enter the development phase. Intangible assets in the development phase must first meet the criteria as provided under NZ IAS 38 - paragraph 57 before costs can be capitalised.

(iii) Amortisation

Computer software licenses are amortised on a straight-line basis over their estimated useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is disposed of. The amortisation charge for each period is recognised in the income statement.

2 Summary of significant accounting policies (continued)

2.11 Creditors and other payables

Creditors and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method.

2.12 Investments and other financial assets

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

After initial recognition investments in bank deposits are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the income statement.

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.

2.13 Equity

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

Contributed capital

Contributed capital is the net asset and liability position at the time the Company was formed. The allocation of capital amongst shareholders is explained in note 13.

Accumulated funds

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

Reserves

Reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned.

LASS's objectives, policies and processes for managing capital are explained in note 22.

3 Critical accounting estimates and judgements

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

Intangible asset useful lives and residual values

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

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

[Handwritten signatures and initials]

Local Authority Shared Services Limited
Notes to the financial statements
30 June 2014
(continued)

4 Other revenue

Note	Actual 2014 \$	Actual 2013 \$
User Charges	672,169	696,064
Other	207,977	164,993
Waikato Mayoral Forum Funding	535,866	191,981
Insurance Brokerage Fee	147,501	157,775
ValueFinancials Fee	44,006	77,556
GSB Membership Fee	18,000	16,575
ISSP Funding	99,999	-
Professional Services Panel Funding	79,300	-
Infometrics Fee Recovery	70,400	-
Total other revenue	1,875,218	1,304,944

5 Other expenditure

	Actual 2014 \$	Actual 2013 \$
Other fees to auditors	-	-
Audit fees for financial statement audit (current year)	14,806	14,375
Other	1,072,226	856,189
Waikato Mayoral Forum Funding	535,866	191,981
Insurance Brokerage Fee	147,500	157,775
ValueFinancials Fee	44,006	77,556
GSB Membership Fee	18,000	16,475
Infometrics Fee	70,400	-
ISSP Expenses	87,532	-
Professional Services Panel Expenses	78,373	-
Total Other Expenses	2,068,709	1,314,351

6 Income tax

	Actual 2014 \$	Actual 2013 \$
Profit from Current year	(495,054)	(398,184)
Estimated tax at 28% 2014 (28% 2013)	(138,615)	(111,492)
Plus (less) tax effect of:		
Add back accounting depreciation before tax	431,174	510,423
Less tax depreciation before tax	(84,277)	(130,475)
Tax effect of depreciation adjustments	97,131	106,385
Tax effect of non-deductible expenditure	-	-
Timing adjustments	(174)	174
Non-deductible expenditure	67	-
Prior year adjustment	629	-
Tax loss not recognised	(29,761)	4,932
Tax expense	-	-
Current tax	-	-
Prior period adjustments to current tax	-	-

Tax losses of \$2,834,190 [including an adjustment to the prior period of \$2,246] (2013 - \$2,685,653) are available to carry forward and offset against future taxable income.

Local Authority Shared Services Limited
Notes to the financial statements
30 June 2014
(continued)

7 Cash and cash equivalents

	2014	2013
	\$	\$
Cash at bank and in hand	399,250	528,748
Short term deposits maturing three months or less from date of acquisitions	<u>43,348</u>	<u>42,399</u>
Total cash and cash equivalents	<u>442,598</u>	<u>571,147</u>
Net Cash and Cash Equivalents and bank overdrafts for the purposes of the Statement of Cashflows	<u>442,598</u>	<u>571,147</u>

The carrying value of cash at bank and term deposits with original maturities less than three months approximate their fair value.

8 Current assets - Trade and other receivables

	2014	2013
	\$	\$
Gross trade and other receivables	5,957	13,461
Related Party Receivables (note 17)	494,491	125,151
Accrued Interest on Short Term Deposits and Call Accounts	271	268
IRD - RWT Tax Paid	5,184	1,226
GST Refund Due	<u>43,124</u>	<u>33,718</u>
Total current	<u>549,027</u>	<u>173,824</u>

The carrying value of receivables approximates their fair value.

The carrying amount of receivables that are past due, but not impaired, whose terms have been renegotiated is \$0 (2013 - \$0)

As at 30 June 2014, all overdue receivables have been reassessed for impairment and appropriate provisions applied where needed (2013 - \$0)

9 Intangible assets

	2014	2013
	\$	\$
Computer Software		
Balance at 1 July	5,284,656	5,221,136
Additions	70,155	63,520
Disposals	<u>(886)</u>	<u>-</u>
Balance at 30 June	<u>5,353,925</u>	<u>5,284,656</u>
Accumulated amortisation and impairment losses		
Balance at 1 July	3,602,308	3,091,885
Amortisation expenses	431,173	510,423
Disposals	<u>(645)</u>	<u>-</u>
Impairment losses	<u>-</u>	<u>-</u>
Balance at 30 June	<u>4,032,836</u>	<u>3,602,308</u>
Carrying Amounts		
Balance at 1 July	1,682,348	2,129,251
Balance at 30 June	1,321,089	1,682,348

9 Intangible assets (continued)

Significant intangible assets include the Shared Value Data Services (SVDS) computer software, and the Waikato Regional Transport Model (WRTM) computer software. The carrying amount of the SVDS asset as at 30 June 2014 is \$424,956. Due to the original build cost of the SVDS asset, now being fully amortised, and a review completed with the outcome being to continue the use of the asset, a decision was made to amend the useful life by approximately five years due to the expected continuing benefit of the asset. Based on the net book value as at 1 July 2013, any existing values and any further enhancements will be amortised over the years remaining until 30 June 2018. The impact of this change in the year ended 30 June 2014 is a reduction in amortisation of \$43,128. This has no impact on funding implications and only changes the apportionment over the useful life which will impact on the profile of amortisation. The carrying amount of the WRTM asset as at 30 June 2014 is \$874,992 and there is currently 2 years remaining in the useful life of the asset.

The Board of Directors consider that there is no impairment of assets as at 30 June 2014. Accordingly no impairment adjustments are needed.

10 Trade and other payables

	2014 \$	2013 \$
Trade payables	304,477	140,810
Related party payables (note 20)	97,635	14,591
Accrued expenses	26,544	10,826
Accrued expenses - related party payables (Note 17)	14,887	16,395
IRD - RWT Tax Paid	-	-
Total current	<u>443,543</u>	<u>182,622</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.

11 Current liabilities - Deferred income

	2014 \$	2013 \$
Billing in advance of work completed	<u>478,211</u>	<u>209,609</u>
	<u>478,211</u>	<u>209,609</u>

Councils were invoiced for their portion of contribution towards the Waikato Mayoral Forum projects in advance.

12 Current liabilities - Employee benefits liabilities

	2014 \$	2013 \$
Annual leave	-	621
Wages	-	351
Total current	<u>-</u>	<u>972</u>

Local Authority Shared Services Limited
Notes to the financial statements
30 June 2014
(continued)

13 Reconciliation of equity

	2014	2013
	\$	\$
Total equity		
Contributed equity	2,957,001	2,957,001
Opening retained earnings	(1,415,693)	(960,639)
Reserves	-	40,000
Balance at 30 June 2014	<u>1,541,308</u>	<u>2,036,362</u>
(a) Contributed equity		
Shares on Issue	3,413,569	3,413,569
Uncalled capital	(456,568)	(456,568)
Balance 30 June	<u>2,957,001</u>	<u>2,957,001</u>
Balance at 1 July	2,957,001	2,957,001
Shares Issued	-	-
Balance 30 June	<u>2,957,001</u>	<u>2,957,001</u>
Retained Surpluses		
Balance at 1 July	(920,639)	(562,455)
Surplus/(deficit) for the year	(495,054)	(398,184)
Balance 30 June	<u>(1,415,693)</u>	<u>(960,639)</u>
	2014	2013
	\$	\$
Reserves		
WRTM Reserve	-	40,000
Total reserves	<u>-</u>	<u>40,000</u>

A WRTM reserve was created in 2010 from surplus funds within WRTM to fund future expenditure required for WRTM enhancement costs. This reserve was drawn down on in the 2013/14 year.

The Company has issued 2,186,581 (2013 - 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.

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 District 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	-
Total shares	<u>12</u>	<u>1,607,001</u>	<u>444,568</u>	<u>135,000</u>
Amount per share	1,000	1	1	10
Total value of shares	<u>12,000</u>	<u>1,607,001</u>	<u>444,568</u>	<u>1,350,000</u>
Uncalled amount	(12,000)	-	(444,568)	-
Total Value of Called Shares	<u>-</u>	<u>1,607,001</u>	<u>-</u>	<u>1,350,000</u>

[Handwritten signatures]

13 Reconciliation of equity (continued)

General Rights of Ordinary, SVDS, and WRAPS Shares

The rights conferred by section 36(1) of the Companies Act 1993 on holders of shares in the Company are altered as set out below:

- (a) For Ordinary, SVDS and WRAPS shares the holders are entitled to participate in certain services to be provided by the Company, in terms that reflect their investment.
- (b) Service shares (SVDS and WRAPS) do not have any right to share in the distribution of the surplus assets of the Company except to the extent provided for in Schedule 1 of the Company's constitution or in accordance with the terms of issue of those shares pursuant to Clause 6 of the Company's constitution.
- (c) Except as provided in section 177 of the Act and Clause 6.1 of the Company's constitution, no class of service shares shall have any voting rights.

General Rights of WRTM shares

The following rights and obligations are hereby conferred on each WRTM shareholder:

- (a) A right to one vote prior to further WRTM service shares being issued.
- (b) A right to one vote on the application of any surpluses arising from the WRTM service (after NZTA have been allocated 40 per cent [or a portion based on NZTA's proportion of the total cost at the time] of any surpluses.)
- (c) The right to receive monetary benefits that the Company generates through the sale of outputs of the WRTM service in proportion to the apportionment of the development costs as at that time after 40 per cent (or a portion based on NZTA's proportion of the development cost at the time) of the monetary benefits have been allocated to NZTA.
- (d) No right to share in the distribution of the surplus assets of the Company except to the extent provided for in (c) above.
- (e) No right to share in dividends authorised by the Company except to the extent provided for in (c) above.

14 Reconciliation of net surplus/(deficit) after tax to net cash inflow from operating activities

	Actual 2014 \$	Actual 2013 \$
Surplus (deficit) after tax	(495,054)	(398,184)
Add/(less) non-cash items:		
Depreciation and amortisation expense	431,173	510,423
Impairment losses	-	-
Increase in other provisions	268,602	209,609
Add (less) items movements in working capital items:		
Payables and accruals	239,454	102,583
Employee entitlements	(972)	737
Receivables and prepayments	(501,838)	(74,193)
Net cash inflow (outflow) from operating activities	<u>(58,635)</u>	<u>350,975</u>

15 Commitments

	2014 \$	2013 \$
Non-cancellable operating leases as lessee		
Not later than one year	332,117	589,331
Later than one year but not later than five years	-	279,573
Total non-cancellable operating leases	<u>332,117</u>	<u>868,904</u>

16 Contingencies - assets & liabilities

As at 30 June 2014 the Company had no contingent liabilities or assets (2013 - \$0)

17 Related party transactions

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

Related parties have been limited to the directors, shareholders and company related roles. The following transactions were carried out with related parties:

Income

Hamilton City Council	403,820	239,775
Hauraki District Council	69,719	68,962
Matamata Piako District Council	101,106	70,932
Otorohanga District Council	40,241	30,997
Rotorua District Council	65,858	85,024
South Waikato District Council	67,915	61,945
Taupo District Council	107,569	55,590
Thames Coromandel District Council	122,173	106,551
Waikato District Council	224,648	133,092
Waikato Regional Council	578,686	485,736
Waipa District Council	186,501	99,089
Waitomo District Council	47,157	38,047
	<u>2,015,392</u>	<u>1,475,720</u>

Income is related to user charges, Mayoral Forum funding, joint procurement, and shared services investigation funding.

Expenses

Dial New Zealand Ltd - Acting LASS Chief Executive	53,460	-
Hamilton City Council	3,910	-
Polson Pawn Ltd - LASS Chief Executive	75,550	146,875
South Waikato District Council	3,975	-
Waipa District Council	45,805	-
Waikato Regional Council - Services Provided	48,261	33,562
	<u>230,961</u>	<u>180,437</u>

Expenses are related to services provided by the related parties.

The figures above exclude invoices of \$4,869 from Waikato Regional Council, \$1,793 from Waikato District Council, and \$78 from Waipa District Council that relate to bills paid on behalf of LASS (2013 - \$13,749).

Balance Sheet

Trade & Other Receivables

Hamilton City Council	138,615	21,779
Hauraki District Council	10,126	14,412
Matamata Piako District Council	44,980	138
Otorohanga District Council	9,728	9,743
Rotorua District Council	-	14,024
South Waikato District Council	2,046	1,277
Taupo District Council	10,859	14,162
Thames Coromandel District Council	32,709	13,243
Waikato District Council	11,470	14,786
Waikato Regional Council	208,383	16,533
Waipa District Council	23,535	2,891
Waitomo District Council	2,040	2,163
	<u>494,491</u>	<u>125,151</u>

17 Related party transactions (continued)

Trade & Other Payables

Hamilton City Council	4,497	-
Poison Pawn Ltd - LASS Chief Executive	-	14,375
Rotorua District Council	20,966	-
South Waikato District Council	7,045	-
Waikato District Council	5,875	-
Waikato Regional Council - Services provided	22,097	4,185
Waikato Regional Council - Bills paid on behalf of LASS	-	12,426
Waipa District Council	52,043	-
	<u>112,522</u>	<u>30,986</u>

18 Director and executive disclosures

No Directors fees were paid to directors during the year. Directors are not directly remunerated by Local Authority Shared Services. (2013 - \$0)

19 Events occurring after the balance date

There have been no events after balance date.

20 Capital management

The Company's capital is its equity, which comprises of issued share capital and retained surpluses. Equity is represented by net assets.

All decisions relating to the operation of the Company are made by under the authority of, the board of directors in accordance with -

- (i) the statement of intent; and
- (ii) the constitution.

The objective of managing the Company's equity is to ensure the Company effectively achieves its objectives and purpose, whilst remaining a going concern.

21 Financial risk management

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) Financial instruments by category

Assets	Loans and receivables
	\$
30 June 2014	
Cash and cash equivalent (note 7)	442,598
Receivables and prepayments (note 8)	<u>549,027</u>
Total assets	<u>991,625</u>
30 June 2013	
Cash and cash equivalent (note 7)	571,147
Receivables and prepayments (note 8)	<u>173,824</u>
Total assets	<u>744,971</u>

21 Financial risk management (continued)

Liabilities	Measured at amortised cost
	\$
30 June 2014	
Payables and accruals (note 10)	<u>443,543</u>
Total liabilities	<u>443,543</u>
30 June 2013	
Payables and accruals (note 10)	<u>182,622</u>
Total liabilities	<u>182,622</u>

(b) Market risk

The interest rates on the Company's investments would be disclosed in the notes, but at present there are none.

Fair value interest rate risk

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

Cash flow interest rate risk

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

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

Currency risk

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

(c) 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 (nil this year), 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.

(d) Liquidity risk

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

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

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

21 Financial risk management (continued)

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

22 Explanation of major variances against budget

Explanations for major variations from the Company's budget figures in the statement of intent to 30 June 2014 are as follows:

Statement of comprehensive income

SVDS Data Sales are higher than budgeted due to twelve months of revenue being received, with only ten months being budgeted.

Interest received is higher due to a higher than budgeted cash surplus throughout the year, primarily related to revenue which was received in advance for the Waikato Mayoral Forum activities.

Other revenue is lower than budgeted due to SVDS user charges being reduced in the fourth quarter by prior year surpluses, and unspent funds for Waikato Mayoral Forum projects being held in the Revenue in Advance balance sheet account.

Personnel costs are lower than budgeted due to no personnel being employed by LASS from February 2014. These services are now contracted out and are shown under LASS administration.

Depreciation is lower due to lower enhancements than budgeted, and to a change in the useful life of the SVDS asset.

Other Expenses are lower than budget primarily due to unspent budget for the Mayoral Forum Spatial Plan project taking longer than anticipated to progress to the development of the draft plan.

Statement of Changes in Equity

The items as noted above have meant that the Company has made a loss of \$495,054 against a budgeted loss of \$430,498.

Statement of Financial Position

Cash and cash equivalents are higher than budget due to additional funds being held for the payments of the Waikato Mayoral Forum projects which are paid as they are due. Prior year surpluses also contribute to this balance and these surpluses have been factored into next years budget to offset expenditure.

Trade and other receivables are higher than budget due to the timing of invoicing for the recovery of WRTM & ValueFinancials expenditure, which was unable to be invoiced until costs had been received, and also the final Mayoral Forum contributions for the year.

Trade and other payables are higher than budget due to the timing of payment costs due for Waikato Mayoral Forum projects, ValueFinancials, and also an unbudgeted prepayment invoice for the 2014/15 financial year.

Deferred income was unbudgeted due to the unknown contributions from Waikato Mayoral Forum projects that are still to be expensed.

Statement of Cash Flows

Both receipts from other revenue, and payments to suppliers are lower than budgeted due to the lower costs and related revenue for Waikato Mayoral Forum projects. This is held in the balance sheet in the revenue in advance account and will be utilised in the 2014/15 financial year. Receipts from other revenue is also lower due to prior year SVDS surpluses being used to fund a portion of SVDS operating costs.

Purchase of Intangible Assets are lower than budget due to lower than expected SVDS enhancement expenditure.

23 Legislative Compliance

The final 2014/15 Statement of Intent was approved by the Board on 4 June 2014, however the final version was not delivered to the shareholders by 30 June 2014. The final version was delivered on 2 September 2014.