



Statement of intent

For the year ended 30 June 2020

June 2019

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Executive summary

2018 was a landmark year for the evolution of Waikato Local Authority Shared Services Limited (WLASS). This Statement of Intent (SOI) reflects, for the first time, the transformation of WLASS into a service delivery agent.

In the second half of 2017 the Board commissioned McGredy Winder to undertake two pieces of work. The first stage was a ‘think piece’ on the strategic direction WLASS could take, understanding the opportunities and issues facing WLASS and its shareholding Councils, and outlining alternative business strategies. The second stage was developing a business case for the change required to deliver on the strategic direction identified from stage 1.

The business case led to the Board’s decision in April 2018 to take steps to transform the company into a service delivery agent. In practical terms that means the company will be identifying different service delivery models and providing thought leadership. WLASS will also be offering ideas to Councils that enable them to be more effective and efficient. Some of these ideas will be bold and disruptive but collectively they will have a substantial impact on Councils’ activity.

Business cases will support these ideas and establish areas where it makes sense for WLASS to provide a shared service to its shareholding Councils. The operating model of WLASS will therefore change. It will deliver these shared services either by:

- Contracting in specialist resource; or
- Employing the required resource so that it has the in-house capacity and capability to meet Councils’ needs.

The company’s newly established vision is to be “The enabler for Councils to provide their services in the most effective and efficient way”. Over the second half of 2018 an implementation plan was developed to deliver the transformation and ultimately, this vision.

The transformation and new operating model necessitate a core central resource within WLASS. The Board has agreed to the appointment of three positions, being:

1. A full-time Chief Executive (CE) (to date WLASS has operated via the contracted services of a CE two days per week, with projects resourced by Council working parties);
2. A full-time Business Analyst; and
3. A part-time Company Administrator.

A further enabler for the transformation is an agile, skills-based governance structure. The Board is therefore recommending to shareholders that the Board be reduced to six members, including an independent Chair.

These changes do however require additional, upfront investment from shareholding Councils. That investment is reflected in the financial projections in this SOI. However, overall Councils must be better off to justify the additional investment and WLASS commits to identifying shared service opportunities that, once implemented, will deliver savings that ensure that you are.

Introduction

This SOI is a public declaration of the activities and intentions of the Council Controlled Organisation, WLASS. The statement outlines the proposed work plan for the financial year ended 30 June 2020 and the Directors' accountabilities to the shareholders for corporate performance, as required by Schedule 8 of the Local Government Act 2002.

WLASS is owned (in equal portion) by the 12 Waikato local authorities:

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

Up until late last year, WLASS had no employees. Rather, the company's principle resource was a Chief Executive contracted two days per week to facilitate working parties, manage contracts entered for the benefit of the shareholding Councils and ensure the statutory obligations of the company are met. Financial and contract management support was provided by staff at shareholding Councils (Waikato Regional and Waikato District, respectively). Much of the work of WLASS to advance initiatives has therefore been undertaken by working parties made up of staff representatives from the shareholding Councils, with expertise and/or interest in particular services.

In November 2018 a part-time Company Administrator was employed and earlier this year the company employed a full-time Chief Executive and Business Analyst. Therefore, this is the first SOI that reflects WLASS having employees and the transformation of the company into a service delivery agent.

The vision and objectives of WLASS

The vision for WLASS is to be:

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

The company's objectives are to:

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

Looking ahead - committing to the WLASS transformation

Last year's SOI noted that the Board had commissioned McGredy Winder to undertake a strategic review of the future of WLASS and that as a result, the Board had resolved to transform WLASS into a service delivery agent. This transformation overcomes shortcomings with the current model and allows WLASS to be better positioned to be part of the solution to many of the challenges facing Councils.

Three key elements of the transformation are:

- Thought leadership;
- In-house resource; and
- Changes to WLASS governance.

WLASS will deliver bold ideas that have a substantial impact on Council's activities

Thought leadership

WLASS will become a thought leader. It must explore and offer up ways in which Councils can do business better through shared service opportunities. Collectively these ideas will have a substantial impact on Councils' activities and transform the way they conduct themselves. Some opportunities will be bold, disruptive and challenge Councils, but this is necessary if WLASS is to deliver on its vision and if Councils are to extract the greatest value from the company.

In-house resource

The transformation to a new operating model requires additional resource within the company. In 2018 the Board approved appointing a full-time Chief Executive and Business Analyst. A part time Company Administrator role has also been established, principally to support the Chief Executive and manage the company's contracts register.

WLASS's new in-house capability will deliver value to Councils at greater pace

The Chief Executive and Business Analyst roles are fixed term appointments. This reflects the Board's expectation that WLASS must deliver tangible benefits to shareholding Councils that justify the change in operating model within the fixed term period. If that does not occur the future of WLASS must be reconsidered. The commitment to delivering tangible benefits to Councils is reflected in the KPIs in this document.

Proposed changes to WLASS governance

The third key element of the transformation is a change to the composition of the Board. Late last year the Board accepted a recommendation to reduce the number of Board members to six with the composition being:

- An independent Chair; and
- Shareholding Council representation, comprising:
 - one appointed by Waikato Regional Council;
 - one appointed by Hamilton City Council;
 - one appointed by the Waikato and Waipa District Councils;
 - one appointed by the Thames-Coromandel, Hauraki and Matamata-Piako District Councils; and

- one appointed by the Otorohanga, Waitomo, South Waikato, Taupo and Rotorua District Councils.

This board configuration will provide a more agile and skills-based board, better equipping WLASS to move at pace to effect change that adds value. It will also facilitate the role of thought leader and transformation partner to the councils.

The new governance structure will enable WLASS to be agile and responsive to opportunities that add value

Shareholders have passed the required resolutions to change the constitution to allow the board reconfiguration.

Accountability to shareholders

While the WLASS Board must be able to operate autonomously to be effective, it will be critical to ensure that there is appropriate communication with shareholders so that there are ‘no surprises’. As is currently the case, this will be achieved through:

- Updates at Mayoral forums; and
- Statutory reporting, including the company’s SOI and annual and half-yearly reports.

However, with the reduced Board membership regular shareholders’ forums (with Council CEs) will be introduced. The expectation is that there will be at least three such forums per annum.

One key output from the shareholders’ forums will be a letter of expectation for the WLASS Board. This should be delivered in December each year to allow WLASS to then respond via its SOI. A second key aspect of the forums is that they provide the opportunity for the WLASS Board to seek a mandate from its shareholders, in a timely manner, to invest in opportunities identified throughout the year.

Effective shareholders’ forums will therefore be critical to bringing about change ‘at pace’.

Upfront investment

It is obvious that these changes will require additional upfront investment from the shareholding Councils. Detail of that investment is set out under “Activities for which the Board is seeking compensation”, below. However, this investment will be offset by savings within your Councils as opportunities are implemented. The CE is accountable for identifying demonstrable cost savings and other soft benefits that justify the additional investment being sought.

The new operating model

Under the new operating model, WLASS will be a thought leader. It will continue to leverage its current working parties to identify opportunities but will identify opportunities in its own right by looking at shared service models being used elsewhere and analysing how existing work practices in Councils could be improved. While small, the core team within WLASS enables the company to do this for the first time.

WLASS will undertake an assessment of opportunities, engaging with Council staff to test the value proposition and identify potential risks and barriers to success. Each opportunity assessment will culminate in a business case, unless a decision is made to stop developing the opportunity at a stage gate.

Where a business case is approved, WLASS will seek a mandate from shareholding Councils (most often via the shareholders' forums), to invest the funds necessary to deliver the opportunity. However, unlike the current model, WLASS will employ the resources necessary to deliver the shared service to Councils.

Where it makes commercial sense to do so, WLASS will seek to extend its service offering beyond Councils from the Waikato region.

Benefits of WLASS transformation

The benefits for Councils of this transformed WLASS are significant. These are:

- Allowing Councils to focus on their core activity: There are many functions (back office) Councils currently undertake which the community simply want done to an effective standard as efficiently as possible. WLASS delivering such services allows Councils to focus on their core activity of meeting their community's needs, free of distraction from the management and administration of these functions;
- Sharing the cost of investment allows Councils to consider strategic initiatives that they may not otherwise be able to afford, or which simply cannot be done effectively other than on a shared basis – e.g. dealing with disruption from emerging technologies;
- Providing Councils with access to expertise that they would not otherwise have, or at least not as efficiently, by pooling resources and creating centres of excellence;
- Allowing shared service delivery to be standardised. This has the benefits of:
 - being user-friendly, for those within the Councils and for the community at large, making doing business easier;
 - allowing for common understanding among Council staff, providing for more efficient deployment where they relocate between Councils;
 - efficient delivery of user training related to those services;
 - ensuring a standard of service consistent with customer expectations.
- Reducing the risk associated with a Council's dependency on an individual to fulfil a function;
- Improved and aspirational decision-making that is focused on the collective good and is not constrained by the capacity and capability of Council staff;
- Freeing up Council staff currently involved in initiatives / working parties, allowing them to give greater focus to Councils.

Many of these benefits could be achieved by engaging the services of independent organisations (e.g. Councils could outsource their payroll functions). However, the incremental benefits of WLASS being engaged are that it is an:

- Organisation that has an intrinsic understanding of local government;
- It has greater accountability – it is not just a service provider but is owned by those it provides the services to;
- It does not require excess profits – its purpose is not to return a dividend to shareholders – meaning that like-for-like services must be more cost effective for Councils.

The opportunity to add value

Initially there will be a strong focus on digital transformation and improving the customer experience. This advances WLASS's Digital strategy approved last year.

WLASS will also be exploring the opportunity to ‘smartly’ engage the market on capital works set out in the councils’ Long Term Plans.

Early stage thinking is progressing on payroll shared services and the use of robotics and machine learning to streamline back office functions (for example invoice processing).

Beyond these, idea workshops are underway with each of the working parties to identify potential opportunities to add value.

WLASS’s ethos is, if there is a function your Council is doing, but your customer is indifferent as to who does it, provided it is done to a high standard and as effectively and efficiently as it can be, that represents an opportunity for WLASS to add value.

Looking ahead – three waters collaboration

The ‘waters’ sector is facing significant change due to a number of external and internal influences. Central government are investigating options for the most appropriate mechanisms for the delivery of waters services to our communities. While the outcomes of that investigation may take some time to become clear, it is being strongly signalled that a much more rigorous regulatory framework will be in place soon. With this in mind, in August 2018 the Mayoral Forum supported a proposal from Roding Asset Technical Accord (RATA) to undertake an investigation into a sub-regional collaboration on three waters activities.

From that initial investigation it is evident there are opportunities for increased collaboration. These opportunities are principally:

- Data, information and report sharing (this is already occurring, albeit in an ad-hoc manner);
- Development and delivery of joint working initiatives;
- Wider utilisation of existing shared services arrangements within the Waikato (for example additional councils being able to access services from the Hamilton/Waikato/Waipā Sub-Regional Waters Shared Services group);
- Increased scope of shared services by adding new service areas (e.g. RMA consents); and
- The potential to form a new service area/centre of excellence similar to the roading equivalent - RATA - already in existence.

With the support of the Mayoral forum, WLASS (via the RATA team) will over the coming months develop a project plan. This will determine the appropriate scope, scale and extent of a regional centre of excellence for Waters Activity / Asset Management across the seven participating councils. It is expected that there are three primary areas which will be focussed on for a possible centre of excellence:

- Waters Asset Management – asset data collection (inventory and condition);
- Business process support – aligning good practice processes and systems to a new regulatory environment (including continuous improvement in current systems); and
- Asset valuation – a consistent approach to asset valuation assumptions.

Activities for which the Board seeks compensation

Shareholders are asked to continue to contribute to the operational costs of WLASS. However, the Board’s expectation is that a margin on future service offerings will reduce, and eventually eliminate, the need for this separate financial support. That is, the operating model will move towards a user pays basis.

The funding being sought for the company’s core operational costs and the comparable amount set out in the prior SOI is:

WLASS is committed to ensuring it delivers savings to Councils which offset the additional investment sought

Financial year ended 30 June	2020	2021	2022 ¹
Current SOI	498,000	509,500	521,000
Prior SOI	214,000	218,500	
Increase	284,000	291,000	

¹ No comparative with the prior year’s SOI is available for FY2022 as that SOI only showed forecasted financial information through to FY2021

The increase in operational costs reflects the staff and independent board Chair appointments noted earlier, and the associated support costs, including the establishment of an office.

WLASS is seeking shareholder support for additional upfront investment. The Board has committed to additional resources in the company but is equally committed to, and confident of, ensuring that the company delivers savings to Councils which offset this additional investment. This commitment is reflected in the KPIs for the year.

By way of example of the basis for this confidence, irrespective of additional opportunities that will be identified, during the SOI forecast period, changes in the way WLASS delivers shared valuation data services means that council contributions in this area, which are currently ~\$210k, are expected to reduce to Nil.

Other than core operating costs, this SOI reflects increased investment (relative to the prior year’s SOI) in a number of workstreams. The main components of this increase are:

- Procurement of regional LiDAR at a heavily discounted cost (via access to PGF co-funding) - \$1.4m: The business case has been approved, in principle, and the funds committed by councils;
- The new flying programme for WRAPS commencing in FY2021 - \$0.8m;
- A new energy and carbon management programme – \$0.4m: This is subject to business case approval; and
- Funding being held at FY19 levels recognising new projects such as the Hamilton to Auckland corridor plan, NPS-UDC assessments and RPS and District Plan changes - \$0.7m.

Beyond these opportunities, WLASS will be identifying, developing and implementing shared services during the period covered by this SOI which are not reflected in the financial projections (because they are currently unknown). Any such services will only be delivered by WLASS after the Board has agreed that the proposed new service meets the objectives of WLASS and is supported by a compelling business case.

In future SOIs the Board expects that it will be seeking funding from shareholders for projects that will at the time be unspecified. As noted earlier, a key aspect of the value that WLASS provides is, and increasingly will be, its ability to be agile and responsive to opportunities as they arise. Having an amount of funding at the Board’s disposal to be applied toward such opportunities will assist in that regard.

Performance targets

To ensure that the Company continues to operate effectively and efficiently, the performance targets for 2019/20 are as follows:

TARGET	METHOD	MEASURE
<p>Procurement Joint procurement initiatives for goods and services for WLASS Councils will be investigated and implemented.</p>	<p>Procurement is from sources offering best value, service, continuity of supply, and/or opportunities for integration.</p>	<p>New suppliers are awarded contracts through a competitive tender process.</p> <p>Professional Services Panel contracts are successfully negotiated.</p>
<p>Collaborative Projects Priorities for collaboration are identified, business cases are developed for the highest priority projects, and the projects are implemented.</p>	<p>The focus is on shared services which will benefit all Councils.</p>	<p><i>A minimum of six priority projects for collaboration are identified per annum.¹</i></p> <p>If considered of value, business cases are developed for approval by the Board, and the projects are implemented.</p> <p><i>Savings to Councils identified in developed business cases exceeds \$300k.¹</i></p> <p><small>1. The highlighted measures have been introduced as a direct response to the transformation of WLASS and the increased expectations of the company.</small></p>
<p>Existing WLASS Contracts Existing contracts are managed and renegotiated as required.</p>	<p>Appointed vendors deliver on the terms of their contracts and deliver value to the shareholders.</p>	<p>The WLASS Contracts Register is maintained and managed.</p> <p>Contracts which are due for renewal are either renegotiated (where it makes commercial sense to continue with the</p>

TARGET	METHOD	MEASURE
		current supplier) or re-tendered through a competitive process.
Cost Control Administration expenditure shall be managed and monitored.	The Financial Accountant and Chief Executive review expenditure monthly.	Administration expenditure shall not exceed budget by more than 5%, unless prior approval is obtained from the Board.
Reporting Six-monthly reports provided to Shareholders.	The Chief Executive prepares a written report for the WLASS Board every meeting. A Half-yearly and Annual Report are prepared for shareholders.	The Board shall provide a written report on the business operations and financial position of WLASS to the shareholders every six months. Every second report shall be the Annual Report.
Shared Valuation Data Services (SVDS) The SVDS is reliable, well maintained and available to all users.	A Contract Manager is appointed for SVDS. The Contract Manager monitors performance of the contractors and reports quarterly to the SVDS Advisory Group. Risks associated with the SVDS are well managed.	The SVDS is available to users at least 99% of normal working hours. The SVDS Advisory Group meets at least 6-monthly. The Annual Business Plan is accepted by the Advisory Group by 31 March 2020.
Insurance Achieve the relevant KPIs in Appendix 4 of the Insurance Brokerage contract with Aon.	The Insurance Broker delivers on the terms of their contract and provides value to the participating Councils.	Strategic advice provided by Aon on the insurance programme structure is assessed as satisfactory in the annual WLASS Shareholders' survey by the participating Councils. The day-to-day service provided by Aon is assessed as satisfactory in the annual WLASS Shareholders' survey by the participating Councils.
RATA Deliver better data for decision making across the Waikato Region, enabling more consistent best practice	Quarterly update reports are provided to all stakeholders participating in the Data Collection contracts.	Reports are presented to stakeholders in October/January/April and July each year. Reports on progress as at 30 December and 30 June are presented to WLASS Board within two months.

TARGET	METHOD	MEASURE
Lead engagement and increase capability within the sector	<p>Data supplied by contractors is of good quality and meets all of the participating Councils' requirements.</p> <p>Innovation: Identify opportunities to modify standard approaches and/or develop new approaches that will lead to optimal asset management.</p> <p>Leadership: Lead engagement and increase capability within the sector.</p>	<p>All data are reviewed for compliance and all good practice requirements are met.</p> <p>Procurement of services complies with WLASS and NZTA's procurement requirements.</p> <p>Present to a national conference on RATA innovations at least once per year.</p> <p>At least two RATA guidance documents detailing good practice are produced each year.</p> <p>RATA Forums are held 2-monthly to share learnings and experience.</p>
<p>Waikato Regional Transport Model (WRTM) The WRTM is reliable, well maintained and available to all users.</p>	<p>RATA manages the WRTM on behalf of the participating Councils, and monitors the performance of the model supplier (currently Traffic Design Group).</p> <p>RATA reports quarterly to the WRTM Project Advisory Group.</p>	<p>All modelling reports requested from the model supplier are actioned within the agreed timeframe, scope and budget.</p> <p>A report from RATA on any new developments and on the status of the model is provided to the WLASS Board at least every six months.</p> <p>The quality of the base model complies with NZTA guidelines (as set out in the NZTA's Economic Evaluation Manual) and is independently peer reviewed each time the model is updated.</p>
<p>Waikato Building Consent Group Provide strategic direction and actively pursue improvements in Building Control across the Waikato region.</p>	<p>Implement the strategic priorities detailed in the "Build Waikato" May 2017 strategic review document.</p>	<p>Milestones for the five strategic review work streams are achieved for:</p> <ul style="list-style-type: none"> Digital experience and technology: a user friendly, convenient, quick, end-to-end management and communication, measured by customer surveys and systems comparisons.

TARGET	METHOD	MEASURE
	<p>Fulfil the roles and responsibilities set out in clause 9 of the WBCG's Memorandum of Understanding, 2016.</p>	<ul style="list-style-type: none"> • People capability: a successful recruitment and training programme, measured by compliance with BCA Reg. 8 -11. • Quality assurance: continued accreditation and increased service consistency, measured by accreditation outcomes, BCA annual audits, and customer surveys. • Lift industry competency and compliance: measured by increased industry compliance, with reduced RFIs, and reducing percentages of application or building consent rejection. • Central government engagement and legislative influence: Success is measured by legislative submissions and outcomes. <p>There is a common understanding and buy-in by all BCAs for the WBCG vision and actions that are taken to achieve this vision, measured by:</p> <ul style="list-style-type: none"> • Full participation in WBCG projects and programmes • Audits demonstrating implementation and compliance with the agreed QA systems • Consistency in service delivery, measured by customer surveys. <p>Risk management is visible through regular reviews of the Risk Register.</p> <p>All funding requirements are met by each of the participating Councils.</p> <p>A minimum of two reports presented to the WCLASS Board on the Group's activities.</p>
<p>Future Proof Planning for growth in the sub-region is co-ordinated and collaborative.</p> <p>The Future Proof budget is well managed and monitored.</p>	<p>Joint preparation and input into Phase 2 of the Strategy update.</p> <p>Bi-monthly reports presented to Waikato Plan and Future Proof Chief Executive Group,</p>	<p>SMART measures are currently under review and will be included with the final SOI</p>

TARGET	METHOD	MEASURE
Future Proof influences and inputs into District Plan, Regional Plan, growth strategy and any other planning processes which manage growth within the sub-region and neighbouring regions.	and six monthly and annual reports to WLASS Board. Future Proof works collaboratively and provides input into the planning work undertaken by all FP partners and any other relevant planning authorities.	Future Proof makes submissions (using RMA and Local Government processes), on District Plans, LTPs, growth management planning documents, and any central government initiatives which have the potential to impact growth management planning in the sub-region.
Shareholder Survey Shareholders are satisfied with the performance of WLASS.	An annual survey of shareholders is undertaken to assess satisfaction levels with WLASS.	A survey of shareholders is undertaken each year, and the results are reported to all shareholders. At least 75% of Councils participate in the survey.
Review of Benefits Shareholders are informed of the benefits being provided to shareholding Councils by WLASS.	The benefits of WLASS (including financial and non-financial achievements) are regularly analysed and reported to shareholders.	Information on the financial and non-financial benefits being achieved by WLASS are included in the 6-monthly and Annual Report to shareholders. The WLASS website is regularly maintained and updated.

Governance - current

WLASS conducts itself in accordance with its constitution, its annual Statement of Intent as agreed with shareholders, the provisions of the Local Government Act 2002 and WLASS policies.

WLASS currently has twelve Directors, with each Director representing a shareholder Council. As noted above the proposal is to reduce the number on the Board to six, with an independent Chair and five Council representatives from sub-regions.

The current Directors of WLASS are:

Director	Position	Representing
Gavin Ion (Chair)	Chief Executive	Waikato District Council
Blair Bowcott	Executive Director, Special Projects	Hamilton City Council
Langley Cavers	Chief Executive	Hauraki District Council
Don McLeod	Chief Executive	Matamata-Piako District Council
Tanya Winter	Chief Executive	Otorohanga District Council
Geoffrey Williams	Chief Executive	Rotorua District Council
Ben Smit	Chief Executive	South Waikato District Council
Gareth Green	Chief Executive	Taupo District Council
Rob Williams	Chief Executive	Thames-Coromandel District Council
Vaughan Payne	Chief Executive	Waikato Regional Council
Garry Dyet	Chief Executive	Waipa District Council
Chris Ryan	Chief Executive	Waitomo District Council

Balance sheet ratios

The Local Government Act 2002 requires the Statement of Intent to include the projected ratio of shareholders' funds to total assets within the forecast Statement of Financial Position.

WLASS is budgeted to have accumulated shareholders fund of \$90k at 30 June 2020, which represents 14% of total assets. The only liabilities of WLASS are trade creditors.

The Forecast Financial Statements for 2019/20 are included as part of this Statement of Intent.

Purchase and acquisition of shares

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

Value of investment

The Directors' estimate of the commercial value of the shareholders' investment in WLASS 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.

Distributions to shareholders

The Company is not expected to make profits that would ordinarily be distributed by way of dividends within the next 12 months. Any surplus funds remaining from an activity or from the annual operations of the Company shall be carried forward to the ensuing year and may be used to reduce service costs, invest in further developing other services, and/or as the Directors may decide.

Compensation

The independent Chair of WLASS will receive director fees and reimbursed expenses. Directors representing the Councils will not receive any fees or reimbursed expenses for work undertaken on behalf of the company.

WLASS will be funding through payment sought from all local authorities that receive services from the company.

Information provided to shareholders

The company will deliver the following information to shareholders:

- Within two months of the end of the first half of the financial year, a half-yearly report, including a Statements of Financial Performance, Financial Position Cashflows and commentary on service performance including an assessment of progress against KPIs; and
- Within three months of the end of the financial year, an audited Statement of Financial Performance, Statement of Changes in Equity, Statement of Financial Position, a Statement of Cashflows and Service Performance, plus a summary of how the company has fared against its objectives.

Review of statement of intent

The Directors shall approve by 1 March of each year a draft Statement of Intent for distribution to, and consideration by, the shareholders.

The shareholders must provide any comments or feedback on the draft Statement of Intent within two months of receipt of the document. The Directors must consider all comments that are received and shall deliver the completed Statement of Intent to the shareholders by 30 June.

Financials


Statement of Financial Performance

Waikato Local Authority Shared Services Company Summary for the forecast financial years ended 30 June 2020-2022					
	Budget 2018/19	Budget 2019/20	Variance	Budget 2020/21	Budget 2021/22
Income					
Company Administration	299,784	576,730	276,946	586,923	599,868
Procurement	439,166	379,500	(59,666)	1,027,629	510,937
Information Technology	45,594	553,483	507,889	565,660	578,104
Energy Management	136,500	119,175	(17,325)	119,175	119,175
Shared Valuation Data Service (SVDS)	701,892	736,566	34,674	675,747	485,790
Road Asset Technical Accord (RATA)	978,560	1,815,766	837,206	971,805	1,107,677
Waikato Regional Transport Model (WRTM)	98,626	218,760	120,134	320,933	353,153
Waikato Building Consent Group	318,548	275,940	(42,608)	282,010	288,215
Future Proof	544,391	609,991	65,600	609,991	609,991
Waikato Plan	520,000	382,000	(138,000)	390,404	398,993
Waikato Mayoral Forum	5,000	5,000	0	5,110	5,222
Total Income	4,088,061	5,672,911	1,584,850	5,555,387	5,057,126
Operating Expenditure					
Company Administration	299,784	573,858	274,074	586,483	599,385
Procurement	656,058	379,500	(276,558)	1,027,629	510,937
Information Technology	134,727	553,483	418,756	565,660	578,104
Energy Management	136,500	119,175	(17,325)	119,175	119,175
Shared Valuation Data Service (SVDS)	886,017	1,060,456	174,439	432,366	435,417
Road Asset Technical Accord (RATA)	1,016,336	1,815,766	799,430	971,805	1,107,677
Waikato Regional Transport Model (WRTM)	98,626	218,760	120,134	320,933	353,153
Waikato Building Consent Group	529,548	275,940	(253,608)	282,010	288,215
Future Proof	544,391	609,991	65,600	609,991	609,991
Waikato Plan	520,000	382,000	(138,000)	390,404	398,993
Waikato Mayoral Forum	51,439	5,000	(46,439)	5,110	5,222
Total Operating Expenditure	4,873,426	5,993,929	1,120,503	5,311,566	5,006,270
Earnings before interest, tax and depreciation/ amortisation (EBITA)	(785,365)	(321,018)	464,347	243,821	50,857
Non-Cash Operating Expenditure					
Company Admin Non-Cash Expenditure	256	3,712	3,456	739	0
SVDS Non-Cash Expenditure	90,444	0	(90,444)	0	0
WRTM Non-Cash Expenditure	72,916	0	(72,916)	0	0
Total Non-Cash Operating Expenditure	163,616	3,712	(159,904)	739	0
Earnings before interest and tax (EBIT)	(948,981)	(324,730)	624,251	243,082	50,857
Net Surplus (Deficit) before tax	(948,981)	(324,730)	624,251	243,082	50,857
Company Admin Net Surplus (Deficit) before tax	(256)	(840)	(584)	(299)	483
Procurement Net Surplus (Deficit) before tax	(216,892)	0	216,892	0	0
IT Net Surplus (Deficit) before tax	(89,133)	0	89,133	0	0
Energy Mgmt. Net Surplus (Deficit) before tax	0	0	0	0	0
SVDS Net Surplus (Deficit) before tax	(274,569)	(323,890)	(49,321)	243,381	50,373
RATA Net Surplus (Deficit) before tax	(37,776)	(0)	37,775	0	0
WRTM Net Surplus (Deficit) before tax	(72,916)	0	72,916	0	(0)
Building Net Surplus (Deficit) before tax	(211,000)	0	211,000	0	0
Future Proof (Deficit) before tax	0	0	0	0	0
Waikato Plan	0	0	0	0	0
Mayoral Forum Net Surplus (Deficit) before tax	(46,439)	0	46,439	0	0
Net Surplus (Deficit) before tax	(948,981)	(324,730)	624,251	243,082	50,856


Key risk

The single biggest risk to achieving the forecasted financial results is WLASS's continuing ability to sell valuation data (forecast to generate ~\$470k of revenue in the coming year). The central government's drive toward open data may see the development of a nation-wide sales portal. It will be critical that any change in this area does not see WLASS/the Councils lose ownership of the sales data and with it, the ability to sell that data. The Board are determined to work with Land Information New Zealand to ensure that this does not occur.

Statement of Financial Position

Waikato Local Authority Shared Services					
Balance Sheet		for the forecast financial years ended 30 June 2020-2022			
	Budget 2018/19	Budget 2019/20	Variance	Budget 2020/21	Budget 2021/22
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
Retained Earnings	(1,593,081)	(2,542,062)	(948,981)	(2,866,792)	(2,623,709)
Plus Current Year Operating Surplus/(Deficit)	(948,981)	(324,730)	624,251	243,082	50,857
TOTAL CAPITAL FUNDS	414,939	90,209	(324,730)	333,292	384,149
ASSETS					
CURRENT ASSETS					
Prepayments	2,784	153,145	150,361	163,207	152,971
Accounts Receivable	449,687	397,104	(52,583)	222,215	202,285
Bank	266,317	96,216	(175,669)	595,967	635,871
GST Receivable / (Payable)	9,817	4,013	(5,805)	(3,048)	(636)
TOTAL CURRENT ASSETS	728,604	650,477	(83,695)	978,342	990,491
NON-CURRENT ASSETS					
SVDS - Intangible Asset	3,085,700	3,085,700	0	3,085,700	3,085,700
WRTM - Intangible Asset	2,296,855	2,296,855	0	2,296,855	2,296,855
MoneyWorks Software	1,195	1,195	0	1,195	1,195
Accumulated Depreciation	(5,383,750)	(5,383,750)	0	(5,383,750)	(5,383,750)
IT Equipment	0	6,307	6,307	6,307	6,307
Accumulated Depreciation - IT equipment	0	(5,568)	0	(6,307)	(6,307)
TOTAL NON-CURRENT ASSETS	0	739	6,307	(0)	(0)
TOTAL ASSETS	728,605	651,216	(77,388)	978,342	990,491
LESS CURRENT LIABILITIES					
Accounts Payable	293,065	535,097	242,032	618,755	585,123
Accounts Payable Accrual	20,600	25,910	5,310	26,295	21,220
TOTAL CURRENT LIABILITIES	313,665	561,007	247,342	645,050	606,343
NET ASSETS	414,939	90,209	(324,730)	333,292	384,149

Statement of Cashflows

Waikato Local Authority Shared Services					
Statement of Cashflows		for the forecast financial years ended 30 June 2020-2022			
	Budget 2018/19	Budget 2019/20	Variance	Budget 2020/21	Budget 2021/22
Cashflows from Operating Activities					
Interest Received	14,000	14,308	308	14,623	14,944
Receipts from Other Revenue	4,074,061	6,559,977	2,485,915	6,546,767	5,818,439
Payments to Suppliers	(4,873,426)	(6,800,489)	(1,927,064)	(6,034,320)	(5,785,682)
Taxes Paid	0	0	0	0	0
Goods & Services tax (net)	(119,906)	56,103	176,008	(27,319)	(7,799)
Net cash from operating activities	(905,269)	(170,102)	735,168	499,751	39,903
Cashflows from Investing Activities					
Capital enhancements	0	0	0	0	0
Purchase of PPE	0	0	0	0	0
Purchase of investments	0	0	0	0	0
Net cash from investing activities	0	0	0	0	0
Net increase in cash, cash equivalents and bank accounts	(905,269)	(170,102)	735,168	499,751	39,903
Opening cash and cash equivalents and bank overdrafts	1,171,586	266,317	(905,269)	96,216	595,967
Closing cash, cash equivalents and bank accounts	266,317	96,215	(170,101)	595,967	635,870
Summary of Bank Accounts					
BNZ - Call a/c	266,317	96,216	(170,101)	595,967	635,871
Closing Balance of Bank	266,317	96,216	(170,101)	595,967	635,871

Appendix I: Nature and scope of current activities

The principal initiatives operating under the WLASS umbrella are:

- Shared Valuation Data Service
- Road Asset Technical Accord
- Waikato Regional Transportation Model
- Waikato Building Consent Group
- Future Proof
- Regional Infrastructure Technical Specifications
- Energy management
- Procurement
- Historic aerial photos
- Waikato Regional Aerial Photography Service
- Aligned resource consent planning
- Local government contract health & safety pre-qualification

Shared Valuation Data Service (SVDS)

This service provides timely and accurate valuation data to the participating Councils. The SVDS has become the accepted valuation database for the region. Data sales significantly reduce the net cost to the participating Councils and in the last 12 months the company entered into a new SAAS agreement which will further reduce cost.

Road Asset Technical Accord (RATA)

RATA was initially established as a centre of excellence for road asset planning in 2014 as a work stream under the Mayoral Forum. The activity transferred to WLASS on 1 July 2016.

The aim of RATA is to achieve best practice in road asset management by improving capability, capacity and outcomes through effective collaboration. By leading asset management best practice, RATA delivers better decision-making through the effective collection and use of good quality data, and the implementation of good practice processes and systems for data collection, analysis and management.

Waipa District Council acts as the host Council for RATA, providing accommodation and overheads (which are fully recovered from the participating Councils), and managing the employment agreements/relationships with the associated staff members.

Waikato Regional Transportation Model (WRTM)

The WRTM became fully operational in February 2010. It provides accurate information to Councils and to external users (for a charge) for their transport modelling requirements. The WRTM is the only recognised strategic transport modelling resource in the Waikato Region and is jointly funded by the NZTA.

WRTM is making a significant contribution to strategic planning surrounding land use and infrastructure within the region and has been involved in regionally and nationally significant investigations including the Waikato Expressway Network Plan, the Waikato Regional Land Transport Strategy and Regional Policy Statement and transport impact assessments in relation to the development of Ruakura.

Waikato Building Consent Group (WBCG)

The WBCG was initially set up by five Waikato local authorities in 2004 to foster co-operation, collaboration and consistency in building functions, legislative interpretation and process

documentation across the partnering Councils. The activity transferred to WLASS on 1 July 2016 and now comprises eight Councils.

The WBCG has developed a common quality assurance system with associated supporting documentation and media that meet the legislative requirements of the Building Act 2004 and the Building (Accreditation of Building Consent Authorities) Regulations 2006. These regulations cover all aspects of the operational management and compliance of a Building Consent Authority (BCA).

Waikato District Council acts as the host Council for the WBCG, providing accommodation and overheads (which are fully recovered from the WBCG members), and managing the employment agreements/relationships with the two staff members and any contractors.

Future proof

Future Proof is a collaborative partnership between Hamilton City, Waikato and Waipa Districts, Waikato Regional Council and Tāngata whenua, with assistance from the NZTA. The partners have jointly developed the Future Proof Growth Strategy and Implementation Plan – a 50-year vision and implementation plan specific to the Hamilton, Waipa and Waikato sub-region, which was adopted by the partners in June 2009.

The accommodation, overhead and employment arrangements of the Future Proof Planner are managed by Hamilton City Council. The activity is fully funded by the participating Councils and operates as a separate cost centre. Future Proof transferred to WLASS on 1 July 2016.

Regional Infrastructure Technical Specifications (RITS)

The RITS document sets out how to design and construct transportation, water supply, wastewater, stormwater and landscaping infrastructure. Prior to developing RITS, each Council had its own technical specifications for infrastructure resulting in different standards having to be met across the Waikato region. RITS provides a single regional guide making business easier.

The RITS is published on the WLASS website (<http://www.waikatolass.co.nz/>), and ongoing maintenance of the document is the responsibility of a Project Co-ordinator, managed by WLASS.

Energy management

WLASS entered into a Collaboration Agreement with the Energy Efficiency Conservation Authority (EECA) in February 2016. Having met specific energy saving targets, EECA funding of ~\$205,000 will have been received by the end of the three-year agreement.

EECA funding aside, the cost of the activity is met by 11 participating Councils (Matamata-Piako was not eligible, as it has previously received EECA funding), and operates as a separate cost centre.

Implemented projects have delivered 3.4m kWh in energy reduction (as against a target of 2.5m kWh), saved 540T of carbon emissions each year and saved \$440k per annum.

Joint procurement initiatives

WLASS is a party to numerous joint procurement contracts between the company, shareholding Councils and suppliers. Councils choose whether to be a party to a particular

contract. Wherever possible we negotiate a syndicated contract with the supplier to allow additional Councils to join later.

A procurement specialist was contracted in February 2018 to:

- Assist all Councils to utilise the existing WLASS contracts, AoG contracts and syndicated contracts that are appropriate for each Council, to ensure that opportunities for savings are being maximised; and
- Develop standard regional procurement policies, templates and procedures and provide training in each Council.

This programme of work will be completed in the first half of 2019.

Historic aerial photos

In May 2015, WLASS entered into a Memorandum of Understanding with LINZ to scan the Waikato Historic Aerial Photos archive. The LINZ Crown archive contains over 500,000 historic aerial photo negatives captured by surveys flown over New Zealand between 1936 and 2005. All shareholding Councils are participating in this 4-year project, which includes a subsidy of \$56,000 from LINZ. Scanning is now complete.

Waikato Regional Aerial Photography Service (WRAPS)

WRAPS was set up in the 1990s for the supply of colour, digital, ortho-rectified, aerial photography for the Waikato Region. So far, there have been five WRAPS contracts, the most recent in 2016, which is scheduled for completion by June 2019. We are considering changing the frequency of coverage to 4-yearly. WRAPS became a WLASS project in December 2014.

Aligned resource consent planning

The toolkit developed last financial year to provide regional consistency and best practice processes in the administration of resource consenting has now been implemented and is being used by nine Councils (Taupo and Otorohanga are not currently participating, and Waikato Regional Council processes different types of resource consents from the territorial local authorities). WLASS controls the documentation on the WLASS website, and the Waikato Resource Consent forum manages the process for making updates and amendments to the templates and documents in the toolkit.

Local government contractor health & safety pre-qualification scheme

The contract with SHE Software to manage the Local Government Health & Safety Contractor Pre-qualification Scheme, which was developed by WLASS, continues to operate well. Twenty Councils and one CCO are now using the scheme with approximately 1,600 contractors registered, which enables them to be pre-qualified to work for any of the participating Councils.

Further detail on these activities and the Councils involved in each can be found on the WLASS website at <http://www.waikatolass.co.nz/>.

Appendix II: Policy Statements

Statement of accounting policies

Reporting entity

Waikato Local Authority Shared Services Limited (“the Company”) is a Company incorporated in New Zealand under the Companies Act 1993 and is domiciled in New Zealand. The company is a Council Controlled Organisation as defined under section 6 of the Local Government Act 2002 (LGA), by virtue of the shareholding Councils’ right to appoint the Board of Directors.

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

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

Summary of significant accounting policies

Basis of preparation

Financial statements are prepared on the going concern basis, and the accounting policies are applied consistently throughout the period.

Statement of Compliance

Financial statements are prepared in accordance with the requirements of the LGA, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

Financial statements are prepared in accordance with and comply with Tier 2 PBE Standards reduced disclosure regime (RDR). WLASS is eligible to report under the RDR as it:

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

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

Measurement base

The financial statements are prepared on a historical cost basis.

Presentation currency and rounding

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

Goods and services tax

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

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

The net GST paid 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.

Critical accounting estimates and assumptions

In preparing the financial statements the Company makes estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no areas requiring estimate or assumptions made that are considered to carry a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Revenue

Revenue

Revenue comprises the fair value of the considerations received or receivable for the sale of goods and services, excluding Goods and Services Tax, rebates and discounts and after eliminating sales within the Company. No provisions have been recorded as all revenue and trade receivables are expected to be received.

Other Revenue

User charges for all activities are recognised when invoiced to the user (i.e. Councils). The recorded revenue is the net amount of the member charges payable for the transaction. Contributions received for projects that were not completed in a financial year are recognised when the Company provides, or is able to provide, the service for which the contribution was charged. Until such time, contributions are recognised as liabilities.

Income tax

Income tax expense includes components relating to both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable surplus for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable surpluses will be

available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive income or directly in equity.

Cash and cash equivalents

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

Receivables

Short-term receivables are recorded at the amount due, less any provision for amounts not considered collectable.

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

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

Intangible assets

Software acquisition and development

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

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

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

Amortisation

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

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

Computer Software	5 to 7 years	14 to 20%
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Other financial assets

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

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

Payables and deferred revenue

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

Trade and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payable approximates their fair value.

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

Reconciliation of equity

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

Contributed equity

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

Retained earnings

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