



## **Statement of intent**

**For the year ended 30 June 2021**

June 2020

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This SOI is a public declaration of the activities and intentions of the Council Controlled Organisation, Waikato Authority Shared Services Ltd (WLASS). It outlines the nature and scope of the work it will undertake, the Directors' accountabilities to the shareholders for corporate performance and financial forecasts, as required by Schedule 8 of the Local Government Act 2002. This information is provided in relation to the financial years ended 30 June 2021 to 30 June 2023.

## Executive summary

The past 12 months has seen the completion of the structural changes necessary to transform the company into a service delivery agent and strategic partner to the councils. The company has a small core team of employees and a smaller, more agile, board with an independent chair to help challenge status quo.

These changes have helped facilitate several new initiatives which collectively will deliver value to councils and their communities through:

- Improving water asset management practices;
- More efficient spend and improved procurement practices around infrastructure;
- Reducing energy costs and improving energy and carbon management;
- Improving community and council staff experiences in relation to geospatial datasets by saving time and increasing accessibility;
- Better decision-making around resource consenting, climate change planning and natural hazards through a region-wide LiDAR data set;
- Savings (time and cost) to councils through the establishment of an expanded professional services panel with standardised terms and rates.

This SOI sets out a new performance framework for the company. To date the measures of performance used have been extensive and heavily process orientated. While that may have been appropriate historically, it no longer is. The new framework directly links the company's roles, and the performance measures used to assess our success in fulfilling those roles, to the ultimate outcomes we are seeking.

In the second half of 2019 WLASS Management and the Board collated the suite of current opportunities (from what we are seeing and hearing with councils), and from that, gave priority to five opportunities for further development. A workplan is in place to develop those opportunities commencing in the current financial year and the next, and this SOI seeks a pool of funding to do so.

While WLASS now has a small core team it remains reliant on council resource to advance opportunities. This is the company's single biggest challenge. The extent to which councils are willing to commit resource (time and money), will determine the pace of change we can achieve. The ability to opt out of a project's implementation and service offering can be made. However, councils need to commit to and engage in resourcing the development of opportunities. Councils must also take on the challenge of changing the way things are done when there is a sound case for doing so, if WLASS is to maximise the value it can bring to its shareholders.

The company has been working through where it believes it is not adding value for its shareholders, or where it is involved in activity it neither controls nor has an ability to influence. As a result, WLASS has been working with stakeholders to see a smooth transition of its functions related to Waikato Plan and Future Proof by July 2020. These 'workstreams' are therefore not reflected in the financial information in this SOI.

These are unprecedented economic times. They are impacting all of us in a way we could not have imagined at the beginning of 2020. WLASS is fortunate that Covid-19 has not had a significant, direct impact. However, the company is acutely aware of the financial pressure many of our shareholding councils are facing. Now, more than ever, it makes sense for councils to collaborate, to reduce costs, take the best of what each is doing to lift the game, and be better together. WLASS is a critical part of this.

Funding into WLASS for the 2021 financial year (to 30 June 2021), is \$4.8m, \$700k greater than what was forecast in last year's SOI. This increase is principally due to initiatives approved by shareholding

councils since the last SOI or, in the case of LiDAR, a change in when the forecast expenditure is being incurred. Equally, some of this expenditure may reflect a transfer of amounts budgeted elsewhere in council to WLASS (as a collaborative initiative), rather than an increase in council costs per se.

The following table summarises the changes.

<b>Member charges for 2021 financial year (FY21)</b>	<b>FY21 projection (per prior year's SOI) \$000</b>	<b>FY21 Budget (per current SOI) \$000</b>	<b>Variance <sup>1</sup>: increase / (decrease) \$000</b>
Core operating costs	510	566	56
Working parties   Projects	696	1,146	450
LiDAR	475	980	505
RATA business unit	697	855	158
Waikato Regional Transport Model	309	377	68
RATA – water collaboration	0	440	440
Future Proof	610	0	(610)
Waikato Plan	252	0	(252)
Other	547	416	(131)
<b>Total</b>	<b>4,096</b>	<b>4,747</b>	<b>684</b>

<sup>1</sup> Commentary on the variances is included in the body of the document.

Following an assessment of the cash surplus / (deficit) in each workstream we have made the decision to reduce the member charges for the coming year in some areas and instead utilise brought forward surpluses. As a result, member charges will be reduced by ~\$185k (from that forecast in last year's SOI) across Procurement, the Waikato Data Portal project, the Energy and Carbon Management Programme and SVDS. The amounts shown in the above table are net of this \$185k.

A flow on effect of this action is that we are budgeting a net deficit for the 2021 financial year of ~\$183k.

## Introduction

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

It was established in 2005 as a vehicle through which these councils could collaborate and identify opportunities for undertaking activity on a shared basis. Prior to 2019, it operated solely using a part-time contracted resource.

## The WLASS transformation – 12 months in

In the 2019 SOI WLASS asked shareholding councils to commit to transforming the company into a service delivery agent to allow it to better serve those councils. That transformation had three key elements:

- Establishing in-house resources: WLASS has since employed a small core team (a Chief Executive, Business Analyst and Executive Assistant);
- Changing the WLASS governance structure: The Board has reduced to six members - an independent Chair and five Council Representative Directors; and
- Thought leadership: By providing these structural changes it will better enable the company to explore ways in which councils can operate better for the benefit of their communities.

***The structural transition is complete***

With these changes, the structural transition is complete (but will continue to evolve as the company's areas of activity expand).

We have already started seeing the results of these changes. The last 12 months has seen the company provide thought leadership in several areas culminating in the following significant developments:

- Expanding the RATA service offering (historically focused on roading), into 'waters' assets;
- Developing and delivering the opportunity to coordinate infrastructure procurement between councils (to be reflected in councils' 2021 long-term plans);
- Introducing a new Energy and Carbon Management programme;
- Developing the 'Waikato OneView' opportunity, with the implementation project commencing mid-2020;
- Commencing the project to capture region-wide LiDAR; and
- Establishing a new, significantly expanded, panel of professional services providers.

***New initiatives are being delivered***

In addition, at the end of last year, following consultation with councils, the Board agreed those opportunities that the company will focus on over the coming months (discussed further below). Other ideas have been included on a 'long list' of potential opportunities that will be considered in the future.

***Priority opportunities are identified***

The various functional cross-council working parties have (and will continue to), help identify and develop opportunities. Within each of these groups WLASS last year facilitated ideation sessions to foster new ideas. It will continue to use these groups to feed the ideas pipeline and to foster collaboration between the councils.

# The outcomes we are looking for – performance reporting

We want to ensure that Waikato councils are working together the best way possible, for the collective benefit of them and their communities. We want to do this because we believe it is the right thing to do for Waikato. If we achieve this, it will mean a relatively lesser burden on ratepayers, happier communities and council staff and more impactful councils.

Transforming the company into a service delivery agent and a true strategic partner to councils, means the company has two fundamental roles:

- 1) It is a laboratory for developing opportunities that create value to councils, either by improving the experience of their communities or by making the councils themselves, collectively, more efficient and effective; and
- 2) It is a provider of services to councils where a business case to do so has been established (recognising that it may make sense for some services to be provided by someone other than WLASS).

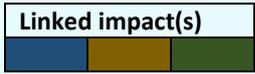
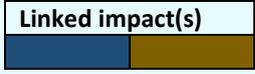
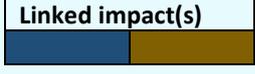
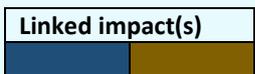
Given the evolution of the company, WLASS has revisited the way that it measures its success to reflect these roles. A performance framework has been established (see diagram 1).

<b>Our vision</b>	<b>Waikato councils are working together in the best way possible, for the collective benefit of them and their communities - which means less burden on ratepayers, happier communities and council staff and more effective councils.</b>					
<b>Outcomes we are seeking</b>	Council costs are reduced / performance is improved, without increase cost		The experiences of councils' communities are improved		Central government investment into and engagement with Waikato is increased	
<b>Our specific objectives</b>	<ul style="list-style-type: none"> <li>➤ Achieve effectiveness and efficiency gains</li> <li>➤ Reduce duplication of effort and eliminate waste through repetition</li> <li>➤ Helping the councils achieve an appropriate balance in risk and return</li> </ul>		<ul style="list-style-type: none"> <li>➤ Promote and contribute to the development of best practice</li> <li>➤ Make it easier for communities to engage with councils in the Waikato region on a consistent basis</li> <li>➤ Promote business transformation to improve communities' experiences</li> </ul>		<ul style="list-style-type: none"> <li>➤ Enable the Waikato councils to collectively be more effective as a region on the national stage</li> <li>➤ Contribute to building central government's confidence in the Waikato region, and to encourage central government investment</li> </ul>	
<b>Priorities: How we will achieve our outcomes</b>	Investigate the right opportunities	Develop opportunities on time and within budget	Ensure opportunity benefits are realised	Provide services that meet the needs of councils	Foster cross-council collaboration	
<b>What we must manage well</b>	Our relationships	Our services	Our projects	Our people	Our resources	Our reputation

Diagram 1

## Priorities and performance measures

We will track how well we are delivering on our strategic priorities using the following performance measures:

Priority	Performance measure	Target
<p>Prioritise and develop opportunities that add value to councils by achieving one or more of our objectives</p> <p><b>Linked impact(s)</b></p> 	<ul style="list-style-type: none"> <li>➤ Business cases will include measurable benefits linked to one or more of the outcomes sought</li> <li>➤ Opportunity assessments are supported by councils (evidenced by Board minutes)</li> </ul>	<p>Projected savings to councils of \$300k+</p> <p>75% of councils</p>
<p>Develop opportunities and deliver projects within agreed budgets and timelines<sup>1</sup></p> <p><b>Linked impact(s)</b></p> 	<ul style="list-style-type: none"> <li>➤ Opportunities / projects are developed / delivered within agreed timelines</li> <li>➤ Opportunities / projects are developed / delivered, within approved budget</li> </ul>	<p>80%</p> <p>90%</p>
<p>Ensure projects realise their expected benefits</p> <p><b>Linked impact(s)</b></p> 	<ul style="list-style-type: none"> <li>➤ Measurable benefits are actively monitored and reported against</li> <li>➤ Audit &amp; Risk Committee undertake an assessment of projects following implementation (which will include an assessment of whether projected benefits have been realised)</li> </ul>	<p>Six-monthly</p> <p>\$200k+ Projects</p> <p>Within 15 months</p> <p>90% of projected quantifiable benefits are realised</p>
<p>Ensure existing services are meeting the needs of councils</p> <p><b>Linked impact(s)</b></p> 	<ul style="list-style-type: none"> <li>➤ The services we provide (below) are considered by councils who use that service to meet or exceed their expectations (evidenced by an annual survey): <ul style="list-style-type: none"> <li>○ RATA – roading &amp; waters</li> <li>○ Waikato Building Cluster</li> <li>○ Regional Infrastructure Technical Specifications</li> <li>○ Energy &amp; Carbon Management</li> <li>○ Professional Services Panel</li> <li>○ Health &amp; Safety pre-qualification</li> </ul> </li> </ul>	<p>80% of councils</p>
<p>Foster and promote cross-council collaboration and networking to share ideas on improving efficiencies and best practice</p> <p><b>Linked impact(s)</b></p> 	<ul style="list-style-type: none"> <li>➤ Across these groups, ideas for future consideration and/or initiatives are identified each year</li> </ul>	<p>Six per annum</p>

<sup>1</sup> Budgets and timelines for opportunity development will be those established following discovery and/or opportunity assessment. A business case will refine these parameters with respect to project delivery.

The targets noted above are for the three-year forecast period. They will form the baseline from which we will seek to continually improve going forward.

## Transparency and reporting to councils

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 Statements of Financial Performance, Financial Position, and Cashflows and commentary on service performance including an assessment of progress against performance measures; 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, Statement of Cashflows and commentary on service performance.

WLASS recognises that it must be able to clearly show the value that it is providing to shareholding councils. We want to be completely transparent about that and ensure that we continue to focus on the right services. Therefore, we will be communicating with councils more on the value they are receiving from their investment in the company.

## The WLASS Transformation – the next 12 months

### The initial priority projects

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In December, the Board approved five priority projects to investigate opportunities that will deliver value to councils.

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#### *Waters Shared Services integration*

Currently, Hamilton City, Waikato District and Waipa District Councils are party to an agreement under which Hamilton City host a business unit delivering trade waste management, water sampling and analysis and “Smart Waters” services to these councils. With Waikato District’s departure from this arrangement (given its new relationship with Watercare Ltd), it is timely to consider the future of this shared service.

This project is to explore the extent to which there is interest from other councils in the region to utilise this service offering and whether it makes sense to have that service “delivered” through WLASS. The work commenced in May 2020.

#### *Regulatory support services*

Councils operate in an ever-changing regulatory environment. This project will consider how WLASS could track changes in legislation and regulation and push that information out to councils. This service would eliminate the need for each council to expend time and effort keeping up to date with changes on their own. It will also consider to what extent other agencies (e.g. SOLGM) provide such a service already.

#### *Building consent shared services*

The issue and monitoring of building consents is a critical function of councils. It is important that this function is delivered with the community in mind and in the most efficient way. Councils are also facing a shortage in capability in this area. This project is to consider how the delivery of this function across Waikato could be improved. Following initial discovery work, in May 2020 the Board approved progressing the development of this opportunity. The project is currently being mobilised to commence on 1 July 2020.

### *Collaborative L&D programme*

Waikato councils have the same functional responsibility and therefore the same capability needs (noting that Waikato Regional Council have some different requirements). This project will consider how the learning and development programmes and supporting material can be aligned and shared to lessen the burden on council staff having to each do their own thing. It will also consider to what extent material and services of other agencies (e.g. SOLGM<sup>1</sup>) can be leveraged. The initial focus area is building consenting units (as part of the broader project referred to above).

### *Human Resources shared services*

This project will explore which human resource functions in councils are common (likely procedural in nature) and could therefore be delivered by WLASS to each of the councils. Taking these processes out of the councils themselves would free up council resource to focus on people and capability services that provide greater value to the council. A 'central' human resource function could also support smaller councils who have limited resource and are therefore susceptible to disruption where staff leave or are unable to work for a period.

### *Future projects*

The company is committed to progressing ideas as fast as possible. This means that once we have established whether or not to pursue the priority projects, and put in place to teams to develop those that are to progress, we will move on to other areas where we think we can add value. We already have a long list and a further five ideas that were tagged to be considered next. However, we want to continue to sense check where our focus should be with councils. This is particularly important given that Covid-19 has fundamentally shifted the landscape since the long list was established last year. In May 2020, the company started consulting with councils on those 'next ideas'.

### *Concluding comment*

We expect each of these projects will add value to councils and they have been prioritized accordingly. However, if, as an opportunity is explored and developed, it becomes apparent that it will not achieve this aim, it will not be pursued. The initial 'discovery' of the opportunity will be undertaken by WLASS. Councils will be consulted prior to funds being invested (if required), to develop opportunities if the board agrees they should be pursued. However, once the decision is made to proceed with developing an opportunity, councils need to commit to supporting the decision to do so. Once business cases have established that an opportunity makes sense, councils will be able to choose whether to receive the service on offer.

These ideas will challenge the way things are currently done and therefore be disruptive – this is necessary if we are to meet the expectations of our shareholders and have the impact we are looking for. Similarly, while a council will always have the ability to 'opt out' of an offering, if we are going to make a difference, it is critical that this be by exception and that councils are willing to commit to change where the business case says it is the right thing to do.

***Councils need to be bold and willing to commit to change***

### *Resetting the focus*

The company has considered each of the service offerings it provides to councils to determine whether those offerings should remain:

- Do they contribute to the outcomes we are seeking?
- Are they the best use of company resource?
- Does the company control, or is able to influence, the offering?

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<sup>1</sup> Society of Local Government Managers

As a result of this review the Board has approved to transition away from the Waikato Plan and Future Proof initiatives. Both initiatives have their own governing body. WLASS's role is limited to finance administrative support and importantly, is the contracting party. Being the contracting party, when it is not involved in the decision-making process on those contracts, carries risk. It also adds additional and unnecessary steps in the process, creating inefficiencies. WLASS is working with relevant stakeholders to ensure an orderly transition of its functions.

## Resourcing

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While WLASS now has a small core team that allows it to develop opportunities, change at pace, which is what our shareholders are seeking, requires council resource. **This is the company's single biggest challenge.**

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The company has considered how projects could be resourced.

The company could progress opportunities using its existing capability. That will still necessitate support from councils to provide information and act as a sounding board for WLASS to ensure opportunities are meeting a need. This approach is largely status quo.

Greater support from councils can be provided through making staff available (either as part of a project team or on a seconded basis to lead projects), or funding, to allow the company to procure external services. The extent of that support will determine the speed at which opportunities can be developed and the number of opportunities under consideration at any point.

In February the Board considered the resourcing options for each of the initial priority projects. From that meeting the decision has been made to develop opportunities as fast as possible. We will therefore be seeking council resource (as noted above), to allow us to consider opportunities quickly and either discount or implement them. As previously noted, a pipeline of ideas is already established to allow us to progress further opportunities as soon as we are able.

## Our commitment to each other

WLASS can make a real difference to councils and their communities. We are committed to delivering against our performance measures and in doing so, having a positive impact on council operations. We will regularly update councils on their investment into the company (either as member charges or fees for services), and the value they are receiving from that investment.

Shareholders have committed to the transformation of WLASS and an increased investment to bring about change at pace. However, for WLASS to succeed councils must also commit to:

***Change at pace can only happen with council support***

- Making staff available for projects and ensuring that information is provided, and decisions made, in a timely manner; and
- Accepting the challenge of changing the way things are done where there is a sound case for doing so.

If councils do this, WLASS will be successful in maximising the value it can bring to shareholding councils.

## Activities for which the Board seeks compensation

The **overall** funding via member charges that is being sought, and the comparable amount set out in the prior SOI is:

Member charges for 2021 financial year (FY21)	Note	FY21 projection (per prior year's SOI) \$000	FY21 Budget (per current SOI) \$000	Variance: increase / (decrease) \$000
Core operating costs	1	510	566	56
Working parties   Projects	2	696	1,146	450
LiDAR	3	475	980	505
RATA business unit	4	697	855	158
Waikato Regional Transport Model	5	309	377	68
RATA – water collaboration	6	0	440	440
Future Proof	7	610	0	(610)
Waikato Plan	7	252	0	(252)
Other	8	1,409	1,278	(131)
<b>Total</b>		<b>4,958</b>	<b>5,642</b>	<b>684</b>

## Notes:

- 1) **Core operating costs:** The increase in the overall shareholder contribution principally relates to an increase in governance costs and increasing the Executive Assistant/Company Administrator role from part- to full-time.
- 2) **Working parties | Projects:** This reflects the following:
  - the appointment of a part-time Contract Administrator which is needed to effectively manage the Professional Services Panel (and other) contracts WLASS has entered on behalf of councils. Previously, PSP contracts had been managed by one of the councils on behalf of all participating councils. However, this proved ineffectual and councils are asking that the function be performed by WLASS under the new panel arrangement [\$48k];
  - WLASS priority projects (Building Consent Shared Services and Waters Shared Services Integration) which are underway [\$112k];
  - working party funding [\$50k]: WLASS has reviewed how it allocates costs related to the administration of its various workstreams to ensure that those costs fall where they should. As a result, it is now charging a small (\$5k) fee for the facilitation and administration of each of the working parties (note this doesn't increase the overall cost to councils – it correspondingly reduces the member charges for core operating costs noted above). In addition, to improve the efficiency of these working parties a \$5k collaboration fund has been included for each group to allow it to undertake a small amount of spend, if and when necessary, to advance initiatives throughout the year, without the need to revert to shareholding councils;
  - opportunity development pool [\$100k]: As noted above, the Board has approved the development of five priority opportunities. WLASS is asking for funding to support the development of these opportunities. While it is not possible to accurately assess at this time how much it will cost to develop these opportunities, the pool will assist in allowing the company to provide value by being agile and making change at the pace councils are seeking. As assessment of cost for an opportunity will be made at the end of the discovery phase (which is undertaken by WLASS staff). Councils will be consulted prior to the Board approving (or otherwise) progressing the opportunity beyond this stage and the pool will not be accessed unless the Board approves the opportunity;
- 3) **LiDAR:** The overall cost of the project is less than the budget approved by councils in 2019. However, having now gone to market, project delivery is occurring over a shorter period than anticipated. This means that costs anticipated for the 2022 financial year are now expected to be incurred in 2020-2021. Conversely, none of the amounts budgeted to be invoiced in 2019-2020, in last year's SOI (\$465k), have been, and will instead flow through into 2020-2021;
- 4) **RATA business unit:** This reflects an additional role to manage the overall business unit with the expansion into waters. This was approved as part of the waters collaboration business case;
- 5) **Waikato Regional Transport Model:** This reflects the latest estimate of the cost to update the model and associated peer review;

- 6) **RATA – water collaboration:** In the second half of 2019 councils approved the expansion of the RATA business unit into waters. This is the first SOI to reflect that service offering;
- 7) **Future Proof | Waikato Plan:** These charges are excluded from WLASS from 2020-21 with the decision to transition the support services away from the company;
- 8) **Reductions in member contributions:** The company has made the decision to utilise funds on hand in some areas and therefore has reduced member charges for the coming year. Those areas, and the reduction in member charges are:

Workstream	Reduction in member charges \$000
Procurement	20
Waikato Data Portal	54
Energy & Carbon Management Programme	55
SVDS	55
<b>Total</b>	<b>184</b>

## Governance arrangements

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.

In conjunction with council consultation on the 2019 SOI, WLASS sought a shareholder resolution to change the constitution of the company relating to the Board's composition. As a result, effective 1 July 2019, the Board changed to five council representative directors and an independent chair.

From 1 September 2019, Peter Stubbs was appointed as independent Chair of the Board.

The current Directors of WLASS are:

Director	Representing
Peter Stubbs	Independent Chair
David Bryant	Hamilton City Council
Gareth Green	Otorohanga, Rotorua, Taupo, South Waikato and Waitomo District Councils
Gavin Ion	Waikato and Waipa District Councils
Vaughan Payne	Waikato Regional Council
Rob Williams	Hauraki, Matamata-Piako and Thames-Coromandel District

Under the amended constitution Gareth Green must resign his position on 30 June 2020, but may be reappointed by the councils he represents for a further 3-year term.

The independent Chair of WLASS receives 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.

# Financials

## Statement of Financial Performance

<b>Waikato Local Authority Shared Services Company Summary for the forecast financial years ended 30 June 2021-2023</b>				
	2019 SOI	2020 SOI		
	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2022/23
<b>Income</b>				
Company Administration	576,730	1,102,910	1,119,605	1,147,308
Working parties   projects	379,500	1,145,858	464,155	496,297
RITS	n/a	31,616	32,321	33,041
Information Technology	553,483	1,007,000	82,691	84,510
Energy Management	119,175	70,000	70,000	129,222
Shared Valuation Data Service (SVDS)	736,566	379,761	388,115	452,357
Road Asset Technical Accord (RATA)	1,815,766	1,300,557	1,330,613	1,360,016
Waikato Regional Transport Model (WRTM)	218,760	389,456	349,823	357,519
Waikato Building Consent Group	275,942	333,250	341,764	348,563
Future Proof	609,991	-	-	-
Waikato Plan	382,000	-	-	-
Waikato Mayoral Forum	5,000	5,000	5,000	5,000
Water Collaboration	0	440,000	540,000	540,000
<b>Total Income</b>	<b>5,672,913</b>	<b>6,205,408</b>	<b>4,724,088</b>	<b>4,953,833</b>
<b>Operating Expenditure</b>				
Company Administration	573,858	1,087,487	1,108,217	1,135,922
Working parties   projects	379,500	1,165,858	484,655	496,297
RITS	n/a	31,616	32,321	33,041
Information Technology	553,483	1,108,531	82,696	84,543
Energy Management	119,175	124,900	124,900	129,222
Shared Valuation Data Service (SVDS)	1,060,456	384,993	393,550	402,357
Road Asset Technical Accord (RATA)	1,815,766	1,300,557	1,330,613	1,360,016
Waikato Regional Transport Model (WRTM)	218,762	389,456	349,823	357,519
Waikato Building Consent Group	275,942	333,250	340,615	348,142
Future Proof	609,991	-	-	-
Waikato Plan	382,000	-	-	-
Waikato Mayoral Forum	5,000	5,000	5,000	5,000
Water Collaboration	0	440,000	540,000	540,000
<b>Total operating expenditure</b>	<b>5,993,933</b>	<b>6,371,648</b>	<b>4,792,390</b>	<b>4,892,059</b>
<b>Earnings before interest, tax and depreciation/ amortisation (EBITDA)</b>	<b>(321,020)</b>	<b>(166,240)</b>	<b>(68,301)</b>	<b>61,774</b>
<b>Depreciation / amortisation</b>				
Company admin	3,712	1,864	1,071	-
WRTM	0	14,583	14,583	14,583
<b>Total Depreciation / amortisation</b>	<b>3,712</b>	<b>16,447</b>	<b>15,655</b>	<b>14,583</b>
<b>Net Surplus (Deficit) before tax</b>	<b>(324,732)</b>	<b>(182,688)</b>	<b>(83,956)</b>	<b>47,191</b>

### Key risk

The single biggest risk to achieving the forecasted financial results is WLASS's continuing ability to sell valuation data (forecast to generate ~\$380k 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. WLASS are engaging with Land Information New Zealand on this issue.

## Statement of Financial Position

<b>Waikato Local Authority Shared Services</b>					
<b>Financial Position</b>					
<b>for the forecast financial years ended 30 June 2021-2023</b>					
	<b>Budget 2019/20</b>	<b>Budget 2020/21</b>	<b>Budget 2021/22</b>	<b>Budget 2022/23</b>	
<b>CAPITAL</b>					
Shares - SVDS	1,607,001	1,607,001	1,607,001	1,607,001	
Shares - WRTM	1,350,000	1,350,000	1,350,000	1,350,000	
Retained Earnings	(2,542,062)	(2,021,997)	(2,204,684)	(2,288,640)	
Plus Current Year Operating Surplus/(Deficit)	(324,730)	(182,688)	(83,956)	47,191	
<b>TOTAL CAPITAL FUNDS</b>	<b>90,209</b>	<b>752,317</b>	<b>668,361</b>	<b>715,552</b>	
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Prepayments	153,145	253,342	259,489	265,785	
Accounts Receivable	397,104	248,216	188,964	198,153	
RWT On Interest	0	0	0	0	
Local Authority Shared Services 00	0	0	0	0	
Bank	96,216	647,330	600,516	655,153	
GST Receivable / (Payable)	4,013	29,628	30,281	31,034	
<b>TOTAL CURRENT ASSETS</b>	<b>650,477</b>	<b>1,178,516</b>	<b>1,079,249</b>	<b>1,150,125</b>	
<b>NON-CURRENT ASSETS</b>					
SVDS - Intangible Asset	3,085,700	3,065,316	3,065,316	3,065,316	
WRTM - Intangible Asset	2,296,855	2,296,855	2,296,855	2,296,855	
MoneyWorks Software	1,195	1,195	1,195	1,195	
Accumulated Depreciation	(5,383,750)	(5,334,200)	(5,348,783)	(5,363,366)	
IT Equipment	6,307	5,592	5,592	5,592	
Accumulated Depreciation - IT equipment	(5,568)	(4,521)	(5,592)	(5,592)	
<b>TOTAL NON-CURRENT ASSETS</b>	<b>739</b>	<b>30,237</b>	<b>14,583</b>	<b>(0)</b>	
<b>TOTAL ASSETS</b>	<b>651,216</b>	<b>1,208,754</b>	<b>1,093,832</b>	<b>1,150,124</b>	
<b>LESS CURRENT LIABILITIES</b>					
Accounts Payable	535,097	367,565	334,377	341,202	
Accounts Payable Accrual	25,910	35,000	35,875	36,772	
Employee Benefits	0	53,872	55,219	56,599	
<b>TOTAL CURRENT LIABILITIES</b>	<b>561,007</b>	<b>456,437</b>	<b>425,471</b>	<b>434,573</b>	
<b>NET ASSETS</b>	<b>90,209</b>	<b>752,317</b>	<b>668,361</b>	<b>715,552</b>	

## Statement of Cashflows

<b>Waikato Local Authority Shared Services</b>					
<b>Statement of Cashflows</b>					
<b>for the forecast financial years ended 30 June 2021-2023</b>					
	<b>Budget 2019/20</b>	<b>Budget 2020/21</b>	<b>Budget 2021/22</b>	<b>Budget 2022/23</b>	
<b>Cashflows from Operating Activities</b>					
Interest Received	14,308	2,000	2,050	2,101	
Receipts from Other Revenue	6,559,978	6,503,169	4,781,291	4,942,542	
Payments to Suppliers	(6,800,489)	(6,484,401)	(4,829,502)	(4,889,253)	
Taxes Paid	0	0	0	0	
Goods & Services tax (net)	56,103	36,794	(652)	(754)	
<b>Net cash from operating activities</b>	<b>(170,101)</b>	<b>57,561</b>	<b>(46,813)</b>	<b>54,637</b>	
<b>Cashflows from Investing Activities</b>					
Capital enhancements	0	0	0	0	
Purchase of PPE	0	0	0	0	
Purchase of investments	0	0	0	0	
<b>Net cash from investing activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Net increase in cash, cash equivalents and bank accounts</b>	<b>(170,101)</b>	<b>57,561</b>	<b>(46,813)</b>	<b>54,637</b>	
Opening cash and cash equivalents and bank overdrafts	266,317	589,770	647,330	600,516	
<b>Closing cash, cash equivalents and bank accounts</b>	<b>96,216</b>	<b>647,330</b>	<b>600,516</b>	<b>655,153</b>	
<b>Summary of Bank Accounts</b>					
BNZ - Call a/c	96,216	647,330	600,516	655,153	
<b>Closing Balance of Bank</b>	<b>96,216</b>	<b>647,330</b>	<b>600,516</b>	<b>655,153</b>	

## Appendix I: What we do - current activities

The principal initiatives operating under the WLASS umbrella are:

- Shared Valuation Data Service
- Regional Asset Technical Accord
- Waikato Regional Transportation Model
- Waikato Building Consent Group
- Future Proof
- Historic aerial photos
- Waikato Regional Aerial Photography Service
- Regional Infrastructure Technical Specifications
- Energy management
- Contractor health & safety pre-qualification
- Aligned resource consent planning
- Joint procurement initiatives

### 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. Councils are currently transitioning to a new software-as-a-service arrangement with a new provider which will further reduce cost.

### Regional 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 Waikato Mayoral Forum. The activity transferred to WLASS on 1 July 2016.

The original aim of RATA was to achieve best practice in road asset management by improving capability, capacity and outcomes through effective collaboration. This aim remains but in 2019 the business unit received approval to expand its activity into waters assets. 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 employs RATA staff who are then contracted to provide services to WLASS.

### 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 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).

### **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 Administrator are managed by Hamilton City Council. The activity is fully funded by the participating councils and operates as a separate cost centre. The company's role supporting Future Proof ceases 1 July 2020.

### **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 three-year Collaboration Agreement with the Energy Efficiency Conservation Authority (EECA) in February 2016. Across the programme EECA provided funding of \$210,000. Implemented projects have delivered 3.62m kWh in energy reduction annually (as against a target of 2.5m kWh), saved \$446,000 per annum.

From 1 July 2019 a new energy and carbon management programme was entered into between WLASS and participating councils.

### **Contractor health & safety pre-qualification scheme**

WLASS contracts with SHE Software to manage the Local Government Health & Safety Contractor Pre-qualification Scheme on behalf of councils. 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/>.

### **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.

### **Aligned resource consent planning**

This toolkit provides regional consistency and best practice processes in the administration of resource consenting. It is 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.

### **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.

In 2019 standard regional procurement policies, templates and procedures were developed for use by councils and procurement training provided to council staff.

## 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 objectives of the Company are to:

- Develop opportunities that benefit the Waikato region's local authorities; and
- Act as a vehicle to deliver value-added services to those 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, other than the inclusion of policy:

- on operating leases, related to the lease of commercial premises;
- employees; and
- property, plant and equipment.

#### 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.

### Intangible assets

#### Useful lives and residual values

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

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

#### Impairment of intangible assets

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

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

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

## Change of accounting estimate

### Revision of useful lives of intangible assets

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

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

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

## Revenue

### Revenue

Revenue comprises the fair value of the considerations received or receivable for the sale of goods and services, excluding GST, 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

Member 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.

## Operating expenses

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

## Personnel costs

### Defined contribution schemes

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

## 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.

## 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.

## 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.

### **Intangible assets 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.

### **Employee benefits liabilities**

#### **Short-term employee entitlements**

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

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

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

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

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

#### Presentation of employee entitlements

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

#### Reconciliation of equity

Equity is the shareholders interest in WLASS and is measured 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.