

Document No: 317063**File No:** 064/013A**Report To: Council****Meeting Date:** 10 October 2013**Subject: Local Authority Shared Services Audited Accounts for the year ended 30 June 2013**

Purpose

- 1.1 The purpose of this business paper is to present to Council for information the audited Annual Report and Accounts for the year to 30 June 2013 for the Local Authority Shared Services Limited (LASS).

Local Government Act S.11A Considerations

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

Background

- 3.1 LASS is a Council Controlled Organisation (CCO) owned by 12 local authorities in the Waikato region. The company was incorporated in December 2005 and its objective is to act as an 'umbrella' organisation providing Waikato local authorities with a corporate structure under which they can develop and promote services to other local authorities.
- 3.2 Waikato local authorities have worked closely together over a number of years on mutually beneficial joint projects. These projects have demonstrated the benefits that can be gained both in terms of outcomes achieved and reduction in costs to the community. The local authorities believe that the company will generate savings through economies of scale and through additional purchasing power and the ability to recover costs.
- 3.3 There are a number of services provided by local authorities, particularly in respect of information collection and management, where improved services at lower aggregate cost can be achieved by having a number of authorities participate in purchase or development of the infrastructure for the service, and ongoing operation of it.
- 3.4 There are two major established operations under the LASS umbrella:
- Shared Valuation Database Service (SVDS)
 - Waikato Regional Transport Model (WRTM)
- 3.5 The accounts for the year ended 30 June report on the performance for LASS and note that during the year it started to focus on its role of becoming an initiator of shared services in the region.
- 3.6 The accounts were approved at the Directors meeting on 23 August 2013 and Audit NZ has issued an unmodified audit opinion. No major issues arose during the audit.



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**Local Authority Shared Services Limited
Financial statements
for the year ended 30 June 2013**

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Annual Directors' Report to Shareholders

The Local Authority Shared Services Limited (LASS) was incorporated in December 2005. This eighth annual report covers the period 1 July 2012 to 30 June 2013.

Message from the Directors

The past year has been one of both continued consolidation for the existing shared services operating under LASS and starting to focus on its role of becoming an initiator of shared services in the region. The Company has appointed a contract Chief Executive to facilitate shared services in the region and were pleased to obtain the services of Michael Freeman who commenced at the beginning of July 2012. The Company also employs a part-time Company Secretary.

There are two major established operations under the LASS umbrella.

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

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

During the year the company entered contracts for additional shared services. A contract was entered for a joint insurance broker and a number of shared insurance policies. This has led to significant savings for the participating Councils. A joint contract was completed for postal and courier services and another for fleet tracking systems. A tender process for joint information technology strategic planning is nearing completion and the work will be carried out in the 2013/14 year.

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

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

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

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

Governance

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

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

During the year David Hall and Peter Guerin resigned as Directors, and the Board thanks them for their contribution. Craig Hobbs and Geoff Williams join the Board as their replacements in July 2013.

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

LASS Objective

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

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

Background

The councils of the Waikato Region have put in place a Council Controlled Organisation (as defined in Part 5 of the Local Government Act 2002), to deliver shared services across the Waikato Region. Over the period the company has been operating benefits have been delivered in the form of:

- Improved level and quality of service
- Co-ordinated approach to the provision of services
- Reductions in the cost of services
- Opportunity to develop new initiatives
- Opportunity for all councils irrespective of location or size to benefit from joint initiatives
- Leveraging procurement opportunities from economies of scale resulting from a single entity representing councils

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

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

The Directors have been tasked with identifying ways to progress these initiatives. This will involve resourcing and funding a range of initiatives that will potentially extend the services currently offered by LASS. The LASS Directors will continue to seek any new opportunities, either from internal investigations, or shareholder initiatives that are presented to it with a sound business case.

New services that are intended to be initiated under the LASS umbrella will only be adopted where a business case shows that they provide some form of benefit to the shareholders. The benefits that may be gained include development of intellectual property through new business services, protection of Council data, improved levels of service and/or reduced cost. All such proposals will be presented to the Shareholders for approval prior to implementation.

Performance Measures

The following performance measures were incorporated into the Statement of Intent for the 2012/13 financial year.

Performance Measure	Actual Outcome
The company will carry out an annual survey of shareholders to assist Directors in developing improvements on behalf of the shareholders, and to receive a majority of shareholder approval on the service provided.	Annual survey of shareholders was completed in June 2013 with all twelve shareholder Councils responding. Ten councils responded that the concept of LASS was still delivering benefits to their council. Three Councils responded that they were satisfied with the efforts being made by LASS to advance shared services opportunities and nine were "fairly satisfied". Those who responded fairly satisfied were generally satisfied with the existing services but considered more could be achieved through other shared service opportunities.
Administration expenditure shall not exceed that budgeted by more than 5% unless prior approval is obtained from the Directors.	Achieved, actual expenditure was \$13,727 favourable to budget.
The company maintains an overall positive cash flow position.	Achieved. Cash, cash equivalents and bank accounts at end of year were \$571,147.
The Board will provide a written report on the business operations and financial position of the LASS as a minimum on a six monthly basis.	Six monthly reports have been sent to shareholders.
There will be an annual report to directors that all statutory requirements of the LASS are being adhered to.	All parties have confirmed that there were no legislative breaches during the year and this will be reported to the LASS Board at the August meeting when the Annual Report is presented.
That SVDS is available to users at least 99% of normal working hours.	SVDS was available 99.93% of working hours.
That at least 98% of agreed timelines are met for sale and property files that have been delivered to the FTP server for access to customers.	99.9% of Sales and Property files were supplied to Property IQ on time.
All Capital SVDS enhancement work is supported by a business case approved by the Advisory Group.	All Capital enhancement work was approved by the SVDS Advisory Group.
That all required WRTM modelling reports are actioned within the required timeframe.	Achieved. No complaints received.
That a full report on progress of the WRTM model be provided to the LASS Board twice each year.	Achieved.
In response to requests from shareholders, the Company will provide regular reports and updates to the Regional Governance group regarding progress with shared service initiatives.	The Company has provided, when requested, reporting to the Waikato Mayoral Forum on shared services initiatives. The Company has supported the Mayoral Forum workstream projects, acting as the financial controller of funding and contractual commitments associated with these projects. Additional communications with shareholders include the formation of a Shared Services Working Party with membership from each shareholding Council.

Additional performance measures have been included in 2013/14 Statement of Intent. These include measures for insurance, joint procurement and advice to the Waikato Mayoral Forum.

LASS Financial Position

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

The LASS administration costs for this period were \$208,823 against a budget of \$222,550. Additional expenditure of \$191,981 was incurred on investigations of new services during the year. This was funded under the Waikato Mayoral Forum shared services investigations.

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

Directors

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

Director	Position	Director Appointed By
Gavin Ion(Chair)	Chief Executive Waikato District Council	Waikato District Council
Langley Cavers	Chief Executive Hauraki District Council	Hauraki District Council
Peter Guerin(resigned 30 June 2013)	Chief Executive Rotorua District Council	Rotorua District Council
Chris Ryan	CEO Waitomo District Council	Waitomo District Councils
Bob Laing	Chief Executive Waikato Regional Council	Waikato Regional Council
Barry Harris	Chief Executive Hamilton City Council	Hamilton City Council
Dave Clibbery	Chief Executive Otorohanga District Council	Otorohanga District Council
David Hammond	Chief Executive Thames-Coromandel District Council	Thames-Coromandel District Council
Don McLeod	Chief Executive Matamata-Piako District Council	Matamata-Piako District Council
David Hall(resigned May 2013)	Chief Executive South Waikato District Council	South Waikato District Council
Rob Williams	Chief Executive Taupo District Council	Taupo District Council
Gary Dyet	Chief Executive Waipa District Council	Waipa District Council

Geoff Williams (Rotorua District Council) and Craig Hobbs (South Waikato District Council) were appointed Directors in July 2013.

For and on behalf of the Board.

G. J. J.
Director
Date: 4/9/13

[Signature]
Director
Date: 23/8/13

Auditors' Report

To the shareholders of Local Authority Shared Services Limited

AUDIT NEW ZEALAND
 Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of
Local Authority Shared Services Limited's
financial statements and performance measures
for the year ended 30 June 2013

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

We have audited:

- the financial statements of the Company on pages 11 to 28, that comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies; and
- the performance measures of the Company on page 5.

Opinion

Financial statements and performance measures

In our opinion:

- the financial statements of the Company on pages 11 to 28:
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of the Company's:
 - financial position as at 30 June 2013; and
 - financial performance and cash flows for the year ended on that date; and
- the performance measures of the Company on page 5:
 - complies with generally accepted accounting practice in New Zealand; and
 - gives a true and fair view of the Company's service performance achievements measured against the performance targets adopted for the year ended 30 June 2013.

Auditors' Report

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

Other legal requirements

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

Our audit was completed on 23 August 2013. This is the date at which our opinion is expressed.

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

Basis of opinion

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

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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and performance measures. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and performance measures whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Company's financial statements and performance measures that give a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

An audit also involves evaluating:

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

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

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

Auditors' Report

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

Responsibilities of the Board of Directors

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

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

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

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

Responsibilities of the Auditor

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

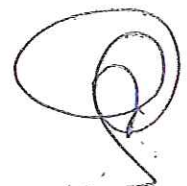
Independence

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

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



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




Directory

Company Number 1730380

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

Directors CAVERS, Langley David
CLIBBERY, Dave
DYET, Garry
GUERIN, Peter John
HALL, David
HAMMOND, David
HARRIS, Barry
ION, Gavin John
LAING, Bob
MCLEOD, Don
RYAN, Chris
WILLIAMS, Rob

Bankers Bank of New Zealand
Hamilton Banking Centre
Victoria Street
Hamilton

Auditors Audit New Zealand
17 Clifton Road
Hamilton



Local Authority Shared Services Limited
Statement of comprehensive income
For the year ended 30 June 2013

Statement of comprehensive income

For the year ended 30 June 2013

	Note	Actual 2013 \$	Budget 2013 \$	Actual 2012 \$
Income				
SVDS Data Sales		122,011	124,068	126,160
Interest		11,036	500	4,946
Other Revenue	4	1,304,944	974,720	870,222
WRTM Reserve Realisation		-	40,000	-
Total income		1,437,991	1,139,288	1,001,328
Expenditure				
Personnel Costs		11,401	-	504
Depreciation and amortisation expense	9	510,423	504,711	738,460
Other expenses	5	1,314,351	1,033,188	847,213
Total expenditure		1,836,175	1,537,899	1,586,177
Operating surplus/(deficit) before tax and share of equity accounted investments		(398,184)	(398,611)	(584,849)
Surplus/(deficit) before tax		(398,184)	(398,611)	(584,849)
Income tax expense	6	-	-	-
Surplus/(deficit) after tax		(398,184)	(398,611)	(584,849)
Other comprehensive income		-	-	-
Total comprehensive income/ (loss) for the year		(398,184)	(398,611)	(584,849)

The accompanying notes form part of these financial statements
Explanations of major variances against budget are provided in note 25

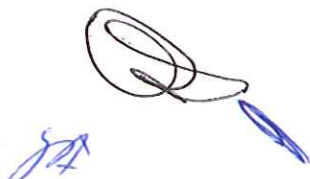
Local Authority Shared Services Limited
Statement of recognised income and expense
For the year ended 30 June 2013

Statement of Changes in Equity

For the year ended 30 June 2013

	Note	Actual 2013 \$	Budget 2013 \$	Actual 2012 \$
Opening Equity		2,434,546	2,346,886	3,019,396
Total comprehensive income		<u>(398,184)</u>	<u>(398,611)</u>	<u>(584,849)</u>
Equity at 30 June	15	<u>2,036,362</u>	<u>1,948,275</u>	<u>2,434,546</u>
Total comprehensive income attributable to:				
Equity holders of Local Authority Shared Services Limited		2,036,362	1,948,275	2,434,547
Non-controlling interest		<u>-</u>	<u>-</u>	<u>-</u>
		<u>2,036,362</u>	<u>1,948,275</u>	<u>2,434,547</u>

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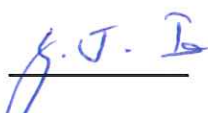
Local Authority Shared Services Limited
Balance sheet
As at 30 June 2013

Balance sheet

As at 30 June 2013

	Note	2013 \$	2013 \$	2012 \$
ASSETS				
Current assets				
Cash and cash equivalents	7	571,147	170,683	283,692
Trade and other receivables	8	173,824	69,937	99,959
Prepayments		2,246	-	1,918
Total current assets		<u>747,217</u>	<u>240,620</u>	<u>385,569</u>
Non-current assets				
Intangible assets	9	1,682,348	1,780,115	2,129,251
Total non-current assets		<u>1,682,348</u>	<u>1,780,115</u>	<u>2,129,251</u>
Total assets		<u>2,429,565</u>	<u>2,020,735</u>	<u>2,514,820</u>
LIABILITIES				
Current liabilities				
Trade and other payables	10	182,622	72,460	80,039
Employee benefits liabilities	13	972	-	235
Deferred income	12	209,609	-	-
Total current liabilities		<u>393,203</u>	<u>72,460</u>	<u>80,274</u>
Total liabilities		<u>393,203</u>	<u>72,460</u>	<u>80,274</u>
Net assets		<u>2,036,362</u>	<u>1,948,275</u>	<u>2,434,546</u>
EQUITY				
Contributed equity	15	2,957,001	2,957,001	2,957,001
Retained earnings	15	(960,639)	(1,008,726)	(562,455)
Reserves	15	40,000	-	40,000
		<u>2,036,362</u>	<u>1,948,275</u>	<u>2,434,546</u>
Total equity		<u>2,036,362</u>	<u>1,948,275</u>	<u>2,434,546</u>

These financial statements have been authorised for issue by the Board of Directors on 23 August 2013


Director
23 August 2013


Director
23 August 2013

The accompanying notes form part of these financial statements
Explanations of major variances against budget are provided in note 25

Local Authority Shared Services Limited
Cash flow statement
For the year ended 30 June 2013

Cash flow statement

For the year ended 30 June 2013

	Note	Actual 2013 \$	Budget 2013 \$	Actual 2012 \$
Cash flows from operating activities				
Interest Received		10,967	500	4,946
Receipts from other revenue		1,590,576	1,189,373	1,066,190
Payments to suppliers and employees		(1,222,159)	(1,021,343)	(857,686)
Taxes Received / (Paid)		(1,827)	(140)	2,590
Goods and services tax (net)		(26,582)	9,289	(2,486)
Net cash from (used in) operating activities	16	<u>350,975</u>	<u>177,679</u>	<u>213,554</u>
Net cash from (used in) investing activities				
Purchase of intangible assets		(63,520)	(106,100)	(121,875)
Investments - Term Deposits		-	(51,910)	-
Net cash (used in) from investing activities		<u>(63,520)</u>	<u>(158,010)</u>	<u>(121,875)</u>
Net increase (decrease) in cash and cash equivalents and bank overdrafts				
		287,455	19,669	91,679
Opening cash and cash equivalents and bank overdrafts		<u>283,692</u>	<u>151,014</u>	<u>192,013</u>
Closing cash and cash equivalents and bank overdrafts	7	<u>571,147</u>	<u>170,683</u>	<u>283,692</u>

The accompanying notes form part of these financial statements
 Explanations of major variances against budget are provided in note 25

1 General information

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

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

The financial statements of the Company are for the year ended 30 June 2013. The financial statements were authorised for issue by the Board of Directors on the 23 August 2013.

2 Summary of significant accounting policies

2.1 Basis of preparation

Statement of Compliance

The financial statements of the Company have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP). The Company is a qualifying entity under the Framework for Differential Reporting for Entities applying the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), as it does not have public accountability and it is not large.

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

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

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

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

Measurement base

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

Functional and presentation currency

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

Budget figures

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

Changes in accounting policies and disclosures

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

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

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

2 Summary of significant accounting policies (continued)

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

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

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

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

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

2.2 Revenue recognition

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

(i) Other revenue

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

2.3 Income tax

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

2.4 Goods and Services Tax (GST)

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

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

Commitments and contingencies are disclosed exclusive of GST.

2 Summary of significant accounting policies (continued)

2.5 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

2.6 Borrowings

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

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

2.7 Employee entitlements

Employee benefits that the Company expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retirement gratuities and long service entitlements expected to be settled within 12 months, and sick leave.

2.8 Cash and cash equivalents

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

2.9 Debtors and other receivables

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

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

2.10 Intangible assets

(i) Software acquisition

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

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

(ii) Internally generated intangible assets

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

(iii) Amortisation

Computer software licenses are amortised on a straight-line basis over their estimated useful life of 7 years. Amortisation begins when the asset is available for use and ceases at the date that the asset is disposed of. The amortisation charge for each period is recognised in the income statement.

2 Summary of significant accounting policies (continued)

2.11 Creditors and other payables

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

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

2.12 Investments and other financial assets

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

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

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

2.13 Equity

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

Contributed capital

Contributed capital is the net asset and liability position at the time the Company was formed. The allocation of capital amongst shareholders is explained in note 15.

Accumulated funds

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

Reserves

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

LASS's objectives, policies and processes for managing capital are explained in note 23.

3 Critical accounting estimates and judgements

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

Intangible asset useful lives and residual values

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

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

Local Authority Shared Services Limited
Notes to the financial statements
30 June 2013
(continued)

4 Other revenue

Note	Actual 2013 \$	Actual 2012 \$
User Charges	696,064	786,837
Other	164,993	83,385
Waikato Mayoral Forum Funding	191,981	-
Insurance Brokerage Fee	157,775	-
ValueFinancials Fee	77,556	-
GSB Membership Fee	16,575	-
Total other revenue	<u>1,304,944</u>	<u>870,222</u>

5 Other expenditure

	Actual 2013 \$	Actual 2012 \$
Other fees to auditors	-	-
Audit fees for financial statement audit (current year)	14,375	13,675
Other	856,189	833,538
Waikato Mayoral Forum Funding	191,981	-
Insurance Brokerage Fee	157,775	-
ValueFinancials Fee	77,556	-
GSB Membership Fee	16,475	-
Total Other Expenses	<u>1,314,351</u>	<u>847,213</u>

6 Income tax

	Actual 2013 \$	Actual 2012 \$
Profit from Current year	(398,184)	(584,849)
Estimated tax at 28% 2013 (28% 2012)	(111,492)	(163,758)
Plus (less) tax effect of:		
Add back accounting depreciation before tax	510,423	738,460
Less tax depreciation before tax	<u>(130,475)</u>	<u>(985,611)</u>
Tax effect of depreciation adjustments	106,385	(69,202)
Tax effect of non-deductible expenditure	-	-
Timing adjustments	174	-
Tax loss not recognised	<u>4,932</u>	<u>232,960</u>
Tax expense	-	-
Current tax	-	-
Prior period adjustments to current tax	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

Tax losses of \$2,685,653 [including an adjustment to the prior period of (\$4,050)] (2012 - \$2,672,088) are available to carry forward and offset against future taxable income.

Local Authority Shared Services Limited
Notes to the financial statements
30 June 2013
(continued)

7 Cash and cash equivalents

	2013	2012
	\$	\$
Cash at bank and in hand	528,748	136,475
Short term deposits maturing three months or less from date of acquisitions	<u>42,399</u>	<u>147,217</u>
Total cash and cash equivalents	<u>571,147</u>	<u>283,692</u>
Net Cash and Cash Equivalents and bank overdrafts for the purposes of the Statement of Cashflows	<u>571,147</u>	<u>283,692</u>

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

8 Current assets - Trade and other receivables

	2013	2012
	\$	\$
Gross trade and other receivables	13,461	52,603
Related Party Receivables (note 20)	125,151	40,021
Accrued Interest on Short Term Deposits and Call Accounts	268	199
IRD - RWT Tax Paid	1,226	-
GST Refund Due	<u>33,718</u>	<u>7,136</u>
Total current	<u>173,824</u>	<u>99,959</u>

The carrying value of receivables approximates their fair value.

The carrying amount of receivables that are past due, but not impaired, whose terms have been renegotiated is \$0 (2012 - \$0)

As at 30 June 2013, all overdue receivables have been reassessed for impairment and appropriate provisions applied where needed (2012 - \$0)

9 Intangible assets

	2013	2012
	\$	\$
Computer Software		
Balance at 1 July	5,221,136	5,099,261
Additions	<u>63,520</u>	<u>121,875</u>
Balance at 30 June	<u>5,284,656</u>	<u>5,221,136</u>
Accumulated amortisation and impairment losses		
Balance at 1 July	3,091,885	2,353,425
Amortisation expenses	<u>510,423</u>	<u>738,460</u>
Amortisation as per Income statement	510,423	738,460
Impairment losses	-	-
Balance at 30 June	<u>3,602,308</u>	<u>3,091,885</u>
Carrying Amounts		
Balance at 1 July	2,129,251	2,745,836
Balance at 30 June	1,682,348	2,129,251

9 Intangible assets (continued)

Significant intangible assets include the Shared Value Data Services (SVDS) computer software, and the Waikato Regional Transport Model (WRTM) computer software. The carrying amount of the SVDS asset as at 30 June 2013 is \$454,538. Not including additions to the intangible asset in 2013 of \$63,520, 2012 of \$91,500, 2011 of \$187,975, 2010 of \$212,695, 2009 of \$212,695, 2008 of \$186,834 and 2007 of \$111,141, there is currently 0 years remaining in the useful life of the original asset. The carrying amount of the WRTM asset as at 30 June 2013 is \$1,203,115 and there is currently 3 years remaining in the useful life of the asset.

The Board of Directors consider that there is no impairment of assets as at 30 June 2013. Accordingly no impairment adjustments are needed.

10 Trade and other payables

	2013 \$	2012 \$
Trade payables	140,810	58,434
Related party payables (note 20)	14,591	5,233
Accrued expenses	10,826	15,771
Accrued expenses - related party payables (Note 20)	16,395	-
IRD - RWT Tax Paid	-	601
Total current	<u>182,622</u>	<u>80,039</u>

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

11 Current liabilities - Provisions

No provisions have been made this year (2012 - \$0)

12 Current liabilities - Deferred income

	2013 \$	2012 \$
Billing in advance of work completed	<u>209,609</u>	<u>-</u>
	<u>209,609</u>	<u>-</u>

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

13 Current liabilities - Employee benefits liabilities

	2013 \$	2012 \$
Annual leave	621	37
Wages	351	198
Total current	<u>972</u>	<u>235</u>

14 Borrowings

The Company has no borrowings as at 30 June 2013 (2012 - \$0)

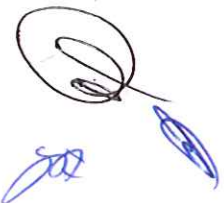
15 Reconciliation of equity

	2013 \$	2012 \$
Total equity		
Contributed equity	2,957,001	2,957,001
Opening retained earnings	(960,639)	(562,455)
Reserves	40,000	40,000
Balance at 30 June 2013	<u>2,036,362</u>	<u>2,434,546</u>
(a) Contributed equity		
Shares on Issue	3,413,569	3,413,569
Uncalled capital	(456,568)	(456,568)
	<u>2,957,001</u>	<u>2,957,001</u>
Balance at 1 July	2,957,001	2,957,001
Shares Issued	-	-
Balance 30 June	<u>2,957,001</u>	<u>2,957,001</u>
Retained Surpluses		
Balance at 1 July	(562,455)	22,394
Surplus/(deficit) for the year	(398,184)	(584,849)
Balance 30 June	<u>(960,639)</u>	<u>(562,455)</u>
	2013	2012
	\$	\$
Reserves		
WRTM Reserve	40,000	40,000
Total reserves	<u>40,000</u>	<u>40,000</u>

A WRTM reserve was created in 2010 from surplus funds within WRTM to fund future expenditure required for WRTM enhancement costs.

The Company has issued 2,186,581 (2012 - 2,186,581) shares. The SVDS shares have been fully called and paid for at \$1.00 per share. The WRTM shares have been fully called and paid for at \$10.00 per share. The table below details the different types of shares and their value per share.

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



15 Reconciliation of equity (continued)

Share Allocation as at 30 June 2013	Ordinary Shares	SVDS Shares	WRAPS Shares	WRTM Shares
Hamilton City Council	1	220,514	79,152	50,625
Hauraki District Council	1	40,215	2,864	-
Matamata Piako District Council	1	56,380	4,708	4,500
Otorohanga District Council	1	-	5,716	-
Rotorua District Council	1	126,703	7,516	-
South Waikato District Council	1	42,571	4,916	-
Taupo District Council	1	-	21,652	4,500
Thames Coromandel District Council	1	108,015	6,476	2,250
Waikato District Council	1	106,674	9,376	11,250
Waikato Regional Council	1	803,500	287,872	50,625
Waipa District Council	1	78,748	3,780	11,250
Waitomo District Council	1	23,681	10,540	-
Total shares	12	1,607,001	444,568	135,000
Amount per share	1,000	1	1	10
Total value of shares	12,000	1,607,001	444,568	1,350,000
Uncalled amount	(12,000)	-	(444,568)	-
Total Value of Called Shares	-	1,607,001	-	1,350,000

General Rights of Ordinary, SVDS, and WRAPS Shares

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

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

General Rights of WRTM shares

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

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

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

	Actual 2013 \$	Actual 2012 \$
Surplus (deficit) after tax	(398,184)	(584,849)
Add/(less) non-cash items:		
Depreciation and amortisation expense	510,423	738,460
Impairment losses	-	-
Increase in other provisions	209,609	-
Add (less) items movements in working capital items:		
Payables and accruals	102,583	(9,349)
Employee entitlements	737	-
Receivables and prepayments	<u>(74,193)</u>	<u>69,292</u>
Net cash inflow (outflow) from operating activities	<u>350,975</u>	<u>213,554</u>

17 Cashflows from Investing Activities

Budgeted term deposits in the Statement of Cashflows are included as part of the cash flows from investing activities as reported in the Statement of Intent. Actual term deposits are included as part of the cash, cash equivalents and bank accounts, as short-term deposits have maturity dates of three months or less.

18 Commitments

	2013 \$	2012 \$
Other non-cancellable commitments		
Not later than one year	589,331	629,137
Later than one year but not later than five years	<u>279,573</u>	<u>862,767</u>
Total commitments	<u>868,904</u>	<u>1,491,904</u>

19 Contingencies - assets & liabilities

As at 30 June 2013 the Company had no contingent liabilities or assets (2012: \$Nil).

20 Related party transactions

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

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

Local Authority Shared Services Limited
Notes to the financial statements
30 June 2013
(continued)

20 Related party transactions (continued)

	Actual 2013 \$	Actual 2012 \$
Income		
Hamilton City Council	239,775	115,278
Hauraki District Council	68,962	18,789
Matamata Piako District Council	70,932	26,831
Otorohanga District Council	30,997	1,129
Rotorua District Council	85,024	54,541
South Waikato District Council	61,945	17,546
Taupo District Council	55,590	3,021
Thames Coromandel District Council	106,551	62,329
Waikato District Council	133,092	51,261
Waikato Regional Council	485,736	349,557
Waipa District Council	99,069	43,763
Waitomo District Council	<u>38,047</u>	<u>10,937</u>
	<u>1,475,720</u>	<u>754,982</u>

Expenses

Poison Pawn Ltd - LASS Chief Executive	146,875	-
Waikato Regional Council - Services Provided	<u>33,562</u>	<u>33,262</u>
	<u>180,437</u>	<u>33,262</u>

The figures above exclude invoices of \$10,806 from Waikato Regional Council, and \$2,943 from Waipa District Council that relate to bills paid on behalf of LASS (2012- \$691).

Balance sheet

Trade & Other Receivables

Hamilton City Council	21,779	14,253
Hauraki District Council	14,412	-
Matamata Piako District Council	138	715
Otorohanga District Council	9,743	-
Rotorua District Council	14,024	5,750
South Waikato District Council	1,277	-
Taupo District Council	14,162	715
Thames Coromandel District Council	13,243	1,220
Waikato District Council	14,786	1,787
Waikato Regional Council	16,533	8,044
Waipa District Council	2,891	7,537
Waitomo District Council	<u>2,163</u>	<u>-</u>
	<u>125,151</u>	<u>40,021</u>

Trade & Other Payables

Poison Pawn Ltd - LASS Chief Executive	14,375	-
Waikato Regional Council - Services provided	4,185	4,438
Waikato Regional Council - Bills paid on behalf of LASS	<u>12,426</u>	<u>795</u>
	<u>30,986</u>	<u>5,233</u>

21 Director and executive disclosures

No Directors fees were paid to directors during the year. Directors are not directly remunerated by Local Authority Shared Services. (2012 - \$0)

22 Events occurring after the balance date

There have been no events after balance date.

23 Capital management

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

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

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

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

The Company has the following reserve:

- WRTM reserve

The WRTM reserve has been created by unforeseen revenue received within WRTM. This surplus has been applied to a specific reserve which will be used to smooth out the annual contribution requirements of WRTM shareholders in the 2014 financial year, against the expected higher costs to update the WRTM model from census results in that year.

24 Financial risk management

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

(a) Financial instruments by category

Assets	Loans and receivables \$
30 June 2013	
Cash and cash equivalent (note 7)	571,147
Trade and Other Receivables (note 8)	<u>173,824</u>
Total assets	<u><u>744,971</u></u>
30 June 2012	
Cash and cash equivalent (note 7)	283,692
Trade and Other Receivables (note 8)	<u>99,358</u>
Total assets	<u><u>383,050</u></u>

24 Financial risk management (continued)

Liabilities	Measured at amortised cost \$
30 June 2013	
Trade and other payables (note 10)	<u>182,622</u>
Total liabilities	<u>182,622</u>
30 June 2012	
Trade and other payables (note 10)	<u>79,438</u>
Total liabilities	<u>79,438</u>

(b) Market risk

The interest rates on the Company's investments would be disclosed in the notes, but at present there are none. Information surrounding the Company's borrowings can be found in note 14.

Fair value interest rate risk

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

Cash flow interest rate risk

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

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

Currency risk

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

(c) Credit risk

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

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

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

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

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

(d) Liquidity risk

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

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

24 Financial risk management (continued)

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

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

25 Explanation of major variances against budget

Explanations for major variations from the Company's budget figures in the statement of intent to 30 June 2013 are as follows:

Statement of comprehensive income

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

Other revenue is higher than budget due to the unbudgeted recovery of procurement services and Waikato Mayoral Forum project contributions from LASS members.

The WRTM Reserve realisation did not occur in this financial year due to the delay of the census, and is instead budgeted to occur in 2014.

Other Expenses are higher than budget due to unbudgeted costs for procurement services and Waikato Mayoral Forum projects. This is offset by higher revenue received.

Personnel costs were unbudgeted due to no personnel being employed when the budget was approved. This was previously a contracted role and the budget for these expenses were budgeted under LASS Administration.

Statement of Changes in Equity

The items as noted above have meant that the Company has made a loss of \$398,184 against a budgeted loss of \$398,611.

Statement of Financial Position

Cash and cash equivalents are higher than budget due to additional funds being held for the payments of the Waikato Mayoral Forum projects which are paid as they are due.

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

Trade and other payables are higher than budget due to the timing of payment costs due for the unbudgeted Waikato Mayoral Forum projects.

Deferred income was unbudgeted due to the unknown revenue that has resulted from the Waikato Mayoral Forum projects contributions.

Statement of Cash Flows

Both receipts from other revenue, and payments to suppliers are higher than budgeted due to the costs and related revenue for the unbudgeted procurement and Waikato Mayoral Forum projects.

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

Commentary

- 4.1 During the year the company entered into contracts for additional shared services. A contract was entered for a joint insurance broker and a number of shared insurance policies. This has led to significant savings for the participating Councils. A joint contract was completed for postal and courier services and another for fleet tracking systems. A tender process for joint information technology strategic planning is nearing completion and the work will be carried out in the 2013/14 year.
- 4.2 A range of further shared service opportunities are being considered at the present time. Some opportunities in the area of procurement have been identified and the shareholders are looking to progress these opportunities.
- 4.3 The company is acting as the legal entity to manage contracts arising from the work of the Waikato Mayoral Forum.
- 4.4 Attached to and forming part of this business paper are the financial statements of LASS for the year ended 30 June 2013.
- 4.5 The performance measures set out in the Statement of Intent were achieved – refer to page 5 of the attached financial statements.
- 4.6 On page 11 the company reports a deficit after tax of \$398,184 (2012: \$584,849) compared to a budgeted deficit of \$398,611. Explanations of major variances against budget are provided on page 28 of the financial statements.
- 4.7 The net cash position from operating activities for the year was \$350,975 (2012: \$213,554) compared to budget of \$177,679.
- 4.8 Total Assets at 30 June 2013 were \$2,429,565 compared to the prior year of \$2,514,820. The reduction is mainly due to the amortisation/depreciation of the assets over the year.

Suggested Resolution

The Local Authority Shared Services Audited Accounts for the year ended 30 June 2013 be received for information.

C.E. (KIT) JEFFRIES
GROUP MANAGER – CORPORATE SERVICES

Attachment: Local Authority Shared Services Audited Accounts for the year ended 30 June 2013 (Doc # 317077).