

**Notice of Meeting:**

I hereby give notice that an ordinary Meeting of the Council Controlled Organisations Subcommittee will be held on:

**Date:** Wednesday 6 April 2016  
**Time:** 9:30am  
**Meeting Room:** Committee Room 1  
**Venue:** Municipal Building, Garden Place, Hamilton

Richard Briggs  
Chief Executive

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## Council Controlled Organisations Subcommittee OPEN AGENDA

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**Membership**

Chairperson Cr G Mallett  
Members Her Worship the Mayor J Hardaker  
Cr A King  
Cr R Pascoe  
Cr P Yeung

**Quorum:** A majority of members (including vacancies)

**Meeting Frequency:** 6 monthly or as required

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Becca Brooke  
Committee Advisor

**31 March 2016**

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**Terms of Reference:**

- To oversee and provide recommendations to the Finance Committee in regard to the Council's interests in its Council Controlled Organisations (CCOs), Council Organisations (COs) and subsidiaries.
- Develop and recommend a draft policy for the appointment and remuneration of directors of CCOs and COs to the Strategy and Policy Committee by 30 March 2014.
- Approve appointments to CCO and CO boards in accordance with the Appointment and Remuneration Policy for CCOs and COs.
- Provide clear directions to Council's CCO's and CO on Council's expectations.
- Consider and approve statements of intent as prepared by the board of each CCO and CO.
- Receive CCO and CO six monthly and annual reports.
- Consider any proposed major transactions of CCOs and COs and make recommendations to the Finance Committee in relation to those major transactions.

**Special Notes:**

- The sub-committee may request expert advice through the Chief Executive when necessary.
- CCOs & COs covered by this committee are: Local Authority Shared Services (LASS), Waikato Regional Airport Ltd (WRAL), SODA Inc Ltd, Waikato Innovation Park Ltd (& Innovation Waikato Ltd), Vibrant Hamilton, LGFA, NZ Local Government Insurance Corporation Ltd.

**Power to act:**

- Approve appointments to CCO and CO boards in accordance with a policy for the
- Appointment and Remuneration of Directors of CCOs and COs.
- Approve statements of intent for each CCO and CO.

**Power to recommend:**

- Make recommendations to the Finance Committee in relation to any proposed major transactions of CCOs and COs.
- The sub-committee must make recommendations to the Finance Committee and/or Council in respect to any proposal to establish a CCO or CO.
- The sub-committee may make recommendations to Finance Committee and/or Strategy and Policy Committee.

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**1 Apologies**

**2 Confirmation of Agenda**

The Committee to confirm the agenda.

**3 Declaration of Interest**

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as an elected representative and any private or other external interest they might have.

**Committee:** Council Controlled  
Organisations Subcommittee

**Date:** 06 April 2016

**Report Name:** Council Controlled  
Organisations (CCO)  
Subcommittee Minutes - Open  
- 9 March 2016

**Author:** Becca Brooke

|               |             |
|---------------|-------------|
| <b>Status</b> | <i>Open</i> |
|---------------|-------------|

### Recommendation

That the Subcommittee confirm and adopt as a true and correct record the Open Minutes of the Council Controlled Organisations (CCO) Subcommittee Meeting held on 9 March 2016.

### 1. Attachments

2. Attachment 1 - Council Controlled Organisations (CCO) Subcommittee Minutes - Open - 9 March 2016

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## Council Controlled Organisations Subcommittee

### OPEN MINUTES

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Minutes of a Meeting of the Council Controlled Organisations Subcommittee held in Committee Room 1, Municipal Building, Garden Place, Hamilton on Wednesday 9 March 2016 at 2.00pm.

#### PRESENT

|                   |  |
|-------------------|--|
| Chairperson       | Cr G Mallett   |
| Members           | Her Worship the Mayor J Hardaker<br>Cr A King<br>Cr R Pascoe<br>Cr P Yeung   |
| In Attendance     | Blair Bowcott – Executive Director Special Projects<br>Sean Murray – General Manager H3 and Events<br>Kelvyn Eglinton – General Manager City Growth<br>David Bryant – General Manager Corporate<br>Tracey Musty – Financial Controller |
| Committee Advisor | Ian Loiterton – Committee Advisor  |

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#### 1. Apologies

There were no apologies.

There were no leaves of absence.

#### 2. Confirmation of Agenda

**Resolved:** (Crs Mallett/Yeung)

The Committee to confirm the agenda

### 3. Declarations of Interest

Councillor Pascoe wanted it noted that he was previously a shareholder of a company that leased premises at Waikato Innovation Park; the tenancy had expired in 2015 and he had no conflict of interest in relation to Public Excluded Item C3: *Innovation Waikato Ltd. and Group of Companies – Review of Council investment.*

### 4. Council Controlled Organisations (CCO) Subcommittee – Open Minutes – 30 November 2015

**Resolved:** (Crs Mallett/Pascoe)

That the Subcommittee confirm and adopt as a true and correct record the Open Minutes of the Council Controlled Organisations Subcommittee Meeting held on 30 November 2015.

### 5. Council Controlled Organisations (CCO) Subcommittee – Open Action List – 9 March 2016

**Action:** That staff report to the Council Controlled Organisations Subcommittee meeting, to be held on 6 April 2016, in relation to Hamilton Properties Ltd's exemption from CCO reporting requirements and that the report include a recommendation to Council on that matter.

**Action:** That staff report to the Council Controlled Organisations Subcommittee meeting, to be held on 6 April 2016, in relation to the constitution of Waikato Innovation Park Limited and that the report be included in the Open session of the meeting agenda.

**Resolved:** (Crs Mallett/Yeung)

That the Report be received.

### 6. Resolution to Exclude the Public

**Resolved:** (Crs Yeung/Mallett)

#### Section 48, Local Government Official Information and Meetings Act 1987

That the public be excluded from the following parts of the proceedings of this meeting, namely consideration of the public excluded agenda, excepting representatives of Crowe Horwath as acting consultant for Hamilton City Council in relation to the matter to be considered during Item C3.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

| General subject of each matter to be considered  | Reasons for passing this resolution in relation to each matter   | Ground(s) under section 48(1) for the passing of this resolution |
|--|--|--|
| C1. Council Controlled Organisations Subcommittee Meeting - Public Excluded Minutes – 30 November 2015 | ) Good reason to withhold information exists under Section 7 Local Government Official Information and Meetings Act 1987 | Section 48(1)(a)   |

- 
- C2. Council Controlled Organisations Subcommittee Action List - Public Excluded – 9 March 2016
- C3. Innovation Waikato Ltd Group of Companies - Supplementary Report

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

- |          |  |                   |
|----------|--|-------------------|
| Item C1. | to prevent the disclosure or use of official information for improper gain or improper advantage | Section 7 (2) (j) |
| Item C2. | to prevent the disclosure or use of official information for improper gain or improper advantage | Section 7 (2) (j) |
| Item C3. | to enable Council to carry out negotiations  | Section 7 (2) (i) |

**The Meeting moved into Public Excluded session (2.07pm to 5.46pm).**

**The Meeting was declared closed at 5.46pm.**

**Committee:** Council Controlled  
Organisations Subcommittee

**Date:** 06 April 2016

**Report Name:** Council Controlled  
Organisations (CCO)  
Subcommittee - Action List  
(Open) - 6 April 2016

**Author:** Becca Brooke

|               |             |
|---------------|-------------|
| <b>Status</b> | <i>Open</i> |
|---------------|-------------|

### Recommendation

That the Report be received.

### 1. Attachments

- Attachment 1 - Council Controlled Organisations (CCO) Subcommittee - Action List (Open) - 6 April 2016



**CCO SUBCOMMITTEE**

**Action List - 2015/16**

**OPEN**

| Ref. | GM Responsible | Action   | DUE DATE<br>for reporting back | Status<br>(relative to due by date) | Notes   |
|------|----------------|--|--------------------------------|-------------------------------------|---|
| 1    | GM Corporate   | <b>Vibrant Hamilton Trust - Draft Statement of Intent 2015/16 and half year report for Dec 2014</b><br><br>- the VHT Trustees be requested to identify suitable candidates to fill the vacant Trustee position and to make a recommendation to the CCO Subcommittee; and   |                                | Completed                           | Completed - this action is now tracked in Item 2 below  |
| 2    | GM Corporate   | <b>Vibrant Hamilton Trust - Draft Statement of Intent 2015/16 and half year report for Dec 2014</b><br><br>- the Trustee Deed be reviewed by the Trustees to ensure it meets the current purpose and objectives of the Trust and to allow the Trust to function in an efficient and cost effective manner.   |                                | In progress                         | In progress - Report back to CCO Subcommittee 6 April 2016  |
| 3    | GM Corporate   | LOE: Staff to develop further drafts of the Letters of Expectation for presentation to a Meeting of the Subcommittee prior to Christmas 2015. This includes a broad revision of the content in terms of outlining HCC's expectations through Subcommittee Member/s input, as well as: removal of 'As you are aware' from draft (refer page 20 of the Agenda); amendment to 'at least 1 month prior to the [AGM] meeting' (refer page 22 of the Agenda); and correction of name to Mr Earl Rattray (refer page 22 of the Agenda). |                                | Completed                           | Completed - Letters of Expectation were finalised at the CCO Subcommittee meeting on 30 November 2015.  |
| 4    | GM Corporate   | <b>LASS REPORT:</b> CFO to provide feedback to LASS recommending it incorporate Council savings into its next annual report.   |                                | Completed                           | Completed - Feedback has been provided to LASS.   |
| 5    | GM Corporate   | <b>RE Vibrant Hamilton Trust:</b> CFO to provide an updated report to the next Meeting of the Subcommittee in December 2015 following the completion of Audit New Zealand's audit process.   | Dec-15                         | Overdue                             | In progress - Report back to CCO Subcommittee on 6 April 2016.  |
| 6    | GM Corporate   | <b>RE Hamilton Properties Ltd.</b> CFO to report to a full Meeting of Council requesting Hamilton Properties Ltd. exemption from CCO annual reporting requirements.  | Mar-16                         | In progress                         | In progress - A report will be presented to 6 April 2016 CCO Subcommittee, with a recommendation to Council on 28 April 2016, noting that the current exemption from CCO reporting requirements expires on 10 May 2016. |



**Committee:** Council Controlled Organisations Subcommittee

**Date:** 06 April 2016

**Report Name:** Local Authority Shared Services - Draft Statement of Intent 2016/17 and Six Monthly Report to 31 December 2015

**Author:** Brett Brinkworth

|   |  |
|---|--|
| <b>Report Status</b>                    | <i>Open</i>  |
| <b>Strategy, Policy or Plan context</b> | <i>Monitoring the performance of CCOs</i>  |
| <b>Financial status</b>                 | <i>Not applicable</i>  |
| <b>Assessment of significance</b>       | <i>Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance</i> |

## 1. Purpose of the Report

- To present the Local Authority Shared Services (LASS) Draft Statement of Intent for 2016/17 and Six Monthly Report to Shareholders to 31 December 2015.

## 3. Executive Summary

### 4. Draft Statement of Intent 2016/17

- Two new activities are proposed to transfer into LASS from 1 July 2016.
  - Waikato Building Consent Group – set up to foster consistency in building functions, legislative interpretation and process documentation across participating Councils.
  - Road Asset Technical Accord – set up to achieve best practice in road asset management through collaboration.
- There are 13 performance targets outlined on pages 8 to 11 of the document.
- The LASS projected to run a cash positive operation with small surpluses before non-cash expenses forecast for the next three years. After non-cash expenses are deducted deficits of \$306k, \$92k and \$100k for 2017 to 2019 are projected.
- See Attachment 1 for the Draft Statement of Intent.

### 9. Six Monthly Report to Shareholders

- All performance measures were achieved or are on track to be achieved (note that one performance measure was not applicable for the six month period).
- Net surplus for the six months was \$47k which is \$103k favourable to the budgeted deficit of \$56k.
- The forecast deficit for the full year is \$461k which is \$25k favourable to the original full year budget. There is a forecast cash deficit of \$23k compared to the original full year budgeted

deficit of \$48k. A cash deficit arises in the current financial year due to spending of cash already received in the prior year for projects.

### 13. **Other Information**

14. Information on the background, structure and strategic plan of LASS is included in the Draft Statement of Intent and Six Monthly Report to Shareholders.
15. Attachment 3, Collaboration in Action, outlines some of the achievements to date and potential future direction.
16. The LASS Board held a recent strategic planning day with an outcome being the addition of a new initiative to investigate business transformation opportunities which will improve customer experiences.
17. Financial summary of past three full year results:

|   | Actual<br>30 June<br>2015<br>\$'000 | Budget<br>30 June<br>2014<br>\$'000 | Actual<br>30 June<br>2013<br>\$'000 |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
| Revenue   | 2,111                               | 2,012                               | 1,437                               |
| Expenditure   | 2,201                               | 2,076                               | 1,325                               |
| Earnings before interest, tax, dep & amort (EBITDA) | (90)                                | (64)                                | 112                                 |
| Depreciation/amortization                           | 419                                 | 431                                 | 510                                 |
| Surplus/(deficit)                                   | (509)                               | (495)                               | (398)                               |
| <b>Total assets</b>                                 |                                     |                                     |                                     |
|   | 2,562                               | 2,463                               | 2,429                               |
| <b>Total liabilities</b>                            |                                     |                                     |                                     |
|   | 1,530                               | 922                                 | 393                                 |
| <b>Net equity</b>                                   |                                     |                                     |                                     |
|   | 1,032                               | 1,541                               | 2,036                               |
| <b>Capital expenditure</b>                          |                                     |                                     |                                     |
|   | 9                                   | 70                                  | 63                                  |

## Recommendations from Management

That:

- a) the report be received, and
- b) Council provides a written response to Local Authority Shared Services advising that the CCO Subcommittee approves the Draft Statement of Intent with no amendments.

### 18. **Attachments**

19. Attachment 1 - LASS - Draft Statement of Intent 2016/17
20. Attachment 2 - LASS - Six monthly report to shareholders at 31 December 2015
21. Attachment 3 - LASS - Collaboration in Action August 2015

### Signatory

|            |   |
|------------|---|
| Authoriser | David Bryant, General Manager Corporate |
|------------|---|



*value beyond boundaries™*

**DRAFT  
STATEMENT OF INTENT  
FOR 2016/17**

**30 June 2016**

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## Local Authority Shared Services Limited

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### Introduction

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This Statement of Intent is a public declaration of the activities and intentions of the Waikato Council Controlled Organisation, Local Authority Shared Services Limited (LASS). The statement outlines the proposed work plan for 2016/17 and the Directors' accountabilities to the shareholders for corporate performance, as is intended by Schedule 8 of the Local Government Act 2002.

### Objectives of LASS

LASS was incorporated in December 2005, and is owned by the 12 Waikato local authorities. Each Waikato Council owns an equal number of shares in LASS and as such has an equal say in its development. LASS provides a legal entity, representative of all the shareholding councils, which can enter into contracts and agreements with external suppliers and provide value to the shareholders by reducing costs. These contracts are available to be joined by any shareholder that so chooses.

Much of the work of LASS is undertaken by Working Parties or Advisory Groups made up of staff representatives from the shareholding councils, with expertise and interest in particular services. The LASS CEO provides facilitation and co-ordination of the Working Parties, and is an ex officio member of the Advisory Groups.

As part of providing a mechanism for supporting shared services and collaborative opportunities within the region, LASS also provides support to the Waikato Mayoral Forum and its working parties.

The objectives of LASS are:

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

### Nature and Scope of Current Activities

There are currently four major initiatives operating under the LASS umbrella, plus a support role for the collaborative work streams of the Waikato Mayoral Forum.

- 1 **Shared Valuation Data Service (SVDS)**. This operational system is providing timely and accurate valuation data to member Councils and shareholders. The SVDS has become the accepted valuation database for the region.
- 2 **Waikato Regional Transportation Model (WRTM)**. This model became fully operational in February 2010. This model provides accurate information to Councils and 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 NZ Transport Agency. WRTM is making a

significant contribution to strategic planning of 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 assessment in relation to the development of Ruakura.

3. **Joint Procurement Initiatives.** LASS is a party to a number of joint procurement contracts between the company, shareholding Councils and suppliers. Some contracts (e.g. insurance brokerage services; various collective insurance policies; courier and postal services; historic aerial photography) involve all of the shareholding councils. Other joint procurement contracts have been negotiated, involving only some of the shareholding councils (e.g. the Professional Services Panel; computer-generated print, mail house and e-services). Further procurement opportunities are continually being identified, and a number are currently under active investigation (e.g. asset valuation services; pipe procurement).
4. **The 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 three WRAPS contracts – 2002, 2007 and 2012. In 2012, the WRAPS members were the councils of the Waikato Region, plus the Department of Conservation and Waikato University. The next contract is due in 2016/17. Discussions are currently being held with other parties to assess their willingness to join the syndicate. Both Land Information New Zealand (LINZ) and the NZ Transport Agency (NZTA) have indicated potential interest, which would reduce the cost to the participating councils. WRAPS became a LASS-managed project in December 2014.

### Proposed New Activities

Two new activities are proposed to transfer into LASS, effective from 1 July 2106.

#### Waikato Building Consent Group

The Waikato Building Consent Group 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 Group now comprises seven councils (Hamilton City, Hauraki, Matamata Piako, Otorohanga, Waikato, Waipa and Waitomo Districts), with the addition of a further council (Thames Coromandel) currently under consideration.

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

The Vision of the Group is to:

- provide an excellent and consistent service to building consent customers across the Waikato region
- increase collaboration between BCAs
- improve communication between BCAs, and between BCAs and industry stakeholders
- ensure the competency of technical officers undertaking building control functions.

In 2015, the LASS CEO approached the Group to discuss a proposal to bring them under the LASS umbrella, consistent with the philosophy of having all Waikato shared services within LASS. This proposal was unanimously supported by the Group, and in November 2015, the LASS Board resolved to include the transfer of the Building activity into LASS in the draft 2016/17 Statement of Intent, for consultation with shareholders.

Waikato District Council currently acts as the host council for the Group, providing accommodation and overheads (which are fully recovered from the Group), and managing the employment agreements/relationships with the two staff members. No changes to these arrangements are proposed.

The activity is fully funded by the participating councils and has been established as a separate cost centre within the LASS accounts.

#### **Road Asset Technical Accord (RATA)**

RATA was initially established as a centre of excellence for road asset planning in 2014, as a work stream under the Mayoral Forum. The aim of RATA is to achieve best practice in road asset management by improving capability, capacity and outcomes through effective collaboration.

Positive results and feedback have been achieved over the first 18 months of RATA's operation, and already, NZTA consider the RATA model to be the national benchmark for best practice. In late 2015, the RATA governance group, supported by a unanimous resolution of the Mayoral Forum, recommended the permanent establishment of RATA as a business unit within LASS.

Subsequently, the LASS Board resolved to include the transfer of RATA into LASS in the draft 2016/17 Statement of Intent, for consultation with shareholders.

Waipa District Council currently acts as the host council for RATA, providing accommodation and overheads (which are fully recovered from RATA), and managing the employment agreements/relationships with the two staff members. No changes to these arrangements are proposed, although it is anticipated that the number of staff will increase in response to the expansion of RATA's activities.

The activity is fully funded by the participating councils and has been established as a separate cost centre within the LASS accounts.

#### **Proposed New Business Transformation Initiatives**

The Board is proposing to investigate business transformation opportunities which will improve customer experiences and provide added value, particularly within the digital field of operation. No new funding is currently required, as the Chief Executives of each council will work collectively within their existing budgets to scope the work required. This work will link to, and be a logical extension of, the work being undertaken as part of "Waikato Means Business" and the Waikato Plan. Modern Councils need to identify and respond to the digital challenges that technology provides by giving people the opportunity to do Council business for themselves, via their phone, tablet or computer. It is envisaged that this project will use our collective ability to examine and deliver solutions at reduced cost to the individual partnering authorities. Examples of successes could include on-line LIMS, on-line credit card payment facilities, and the continuing opportunities that on-line building consenting will present.

### Additional Costs

Two additional activities have been included in the Information Technology cost centre. There is a new budget of \$35,000 per annum to fund licensing for all councils to access the **BOPLASS Collaboration Portal** (noting that Rotorua and Taupo are excluded, as they already participate directly through BOPLASS). The budget includes software maintenance, user licences and administration support. The Portal was developed by BOPLASS, and has a public facing website to communicate success stories to our communities; a project register where councils can record their work programmes; and a facility for shared workspaces. Further planned developments include discussion forums, a register of shared services and activity resource areas.

The second new budget of \$7,600 per annum is required to fund the **GIS Data Portal**. This covers hosting costs for the data platform and viewer, and support to all councils (except for Rotorua and Taupo, who are hosted via BOPLASS). The initial datasets include aerial photography, 3-waters data and District Plan zones for the Waikato region. Further datasets will be added over time.

A new cost centre has been established for the **Energy Management** activity. At its February 2016 meeting, the Board resolved to enter into a Collaboration Agreement with the Energy Efficiency Conservation Authority (EECA), which will bring \$210,000 in revenue from EECA over three years, subject to meeting specific energy saving targets. This activity is fully funded by the 10 participating councils and has been established as a separate cost centre within the LASS accounts.

### Waikato Mayoral Forum

The establishment of the **Waikato Mayoral Forum** in 2012 resulted in the creation of five work streams to investigate collaborative opportunities in the areas of governance, spatial planning, two waters, roading, and economic development. An additional work stream for bylaws and policies was created in 2013, and is focussing on three main areas: reducing the number and standardising the format of Council policies and bylaws, and developing a regional Infrastructure Technical Specification, which will provide a single regional guide on how to construct public infrastructure.

The governance work stream is currently in abeyance. The spatial plan work stream is now known as the Waikato Plan, and is governed by a Joint Committee, which was established in July 2015. The two waters project is now being run by a consortium comprising Hamilton City, Waikato and Waipa District Councils, who are investigating a future delivery model for water services across the three councils. As noted above, the roading work stream (RATA) is proposed for transfer into LASS from 1 July 2016. Finally, the Economic Development work stream has developed a strategy, and implementation of the "Waikato Means Business" plan has been devolved to an independent Steering Group since July 2015.

LASS provides administrative and financial support both to the Mayoral Forum and its work streams.

Over the period that the company has been operating benefits have been delivered in the form of:

- Improved level and quality of service
- Co-ordinated approach to the provision of services
- Reductions in the cost of services
- Development of new initiatives
- Opportunities for all Councils (irrespective of their location or size) to benefit from joint initiatives
- Leverage provided from economy of scales resulting from a single entity representing all Councils and leveraging procurement opportunities.

Based on feedback from the shareholding Councils and the Mayoral Forum, the LASS Directors will continue to discuss opportunities to develop shared services at Board meetings. The Directors see the continuing investigation of possible future shared services as a key focus of their role.

### Governance

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

Unless otherwise agreed by the appointing Councils, each Director shall be the Chief Executive of a local authority. In addition, the Board may appoint up to three professional directors to supplement the Directors' expertise. At this time, no independent directors have been appointed to the Board.

LASS 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 LASS policies.

### Directors

The current Directors of LASS are:

| Director          | Position   | Director Appointed By              |
|-------------------|--|------------------------------------|
| Gavin Ion (Chair) | Chief Executive, Waikato District Council                | Waikato District Council           |
| Geoffrey Williams | Chief Executive, Rotorua District Council                | Rotorua District Council           |
| Chris Ryan        | Chief Executive Officer, Waitomo District Council        | Waitomo District Council           |
| Vaughan Payne     | Chief Executive, Waikato Regional Council                | Waikato Regional Council           |
| Langley Cavers    | Chief Executive, Hauraki District Council                | Hauraki District Council           |
| Richard Briggs    | Chief Executive, Hamilton City Council                   | Hamilton City Council              |
| David Hammond     | Chief Executive, Thames-Coromandel District Council      | Thames-Coromandel District Council |
| Garry Dyet        | Chief Executive, Waipa District Council                  | Waipa District Council             |
| Don McLeod        | Chief Executive Officer, Matamata-Piako District Council | Matamata-Piako District Council    |
| Rob Williams      | Chief Executive Officer, Taupo District Council          | Taupo District Council             |
| Craig Hobbs       | Chief Executive Officer, South Waikato District Council  | South Waikato District Council     |
| Dave Clibbery     | Chief Executive Officer, Otorohanga District Council     | Otorohanga District Council        |

### Activities for which the Board seeks Compensation

Additional shared services may be developed during the year that this Statement of Intent is current. Any such services will only be delivered by LASS after the Directors have agreed that the proposed new service meets the objectives of LASS.

Shareholders will continue to contribute to the operational costs of the LASS on an annual basis. Specific projects will be funded solely by those councils which choose to participate, subject to funding approval from each participating council.

### Performance Targets

To ensure that the Company continues to operate effectively and efficiently, the performance targets for 2016/17 are as follows:

| TARGET  | METHOD  | MEASURE   |
|---|---|---|
| <b>Procurement</b><br>Joint procurement initiatives for goods and services for LASS councils will be investigated and implemented.  | Procurement is from sources offering best value, service, continuity of supply, and/or opportunities for integration. | A minimum of three new procurement initiatives investigated per annum and business cases developed if considered appropriate.<br><br>Initiatives which are implemented shall provide financial savings and/or improved service levels to the participating councils.<br><br>New suppliers are awarded contracts through a competitive tender process. |
| <b>Collaborative Projects</b><br>Priorities for collaboration are identified, business cases are developed for the highest priority projects, and the projects are implemented. | The focus is on shared services which will benefit all councils.  | A minimum of three priority projects for collaboration are identified per annum.<br><br>If considered of value, business cases are developed for approval by the Board, and the projects are implemented.   |
| <b>Existing LASS Contracts</b><br>Existing contracts are managed and renegotiated as required.  | Appointed vendors deliver on the terms of their contracts and deliver value to the shareholders.                      | The LASS Contracts Register is maintained and managed.<br><br>Contracts which are due for renewal are tested for competitiveness and either renegotiated or tendered through a competitive process.   |
| <b>Cashflow</b><br>The company shall maintain a positive cashflow position.   | The Financial Accountant reviews cashflow monthly.<br><br>The LASS Board reviews the financial statements quarterly.  | Monthly financial statements show a positive cashflow position.   |
| <b>Cost Control</b><br>Administration expenditure shall be managed and  | The Financial Accountant and Chief Executive review   | Administration expenditure shall not exceed budget by   |

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| monitored.   | expenditure monthly.<br><br>The LASS Board reviews the financial statements quarterly.   | more than 5%, unless prior approval is obtained from the Board.  |
| <b>Reporting</b><br>Six monthly reports provided to Shareholders.  | The Chief Executive prepares a written report for the LASS Board every meeting.<br><br>One 6-monthly and one Annual Report are prepared for shareholders.  | The Board shall provide a written report on the business operations and financial position of LASS to the Shareholders every six months.<br><br>Every second report shall be the Annual Report, which includes a report that all of the statutory requirements of the LASS are being adhered to. |
| <b>Waikato Mayoral Forum</b><br>The company shall provide administrative support and updates on Mayoral Forum work streams to the Mayoral Forum. | Updates on Mayoral Forum projects shall be co-ordinated by the LASS Chief Executive.<br><br>Mayoral Forum projects shall be managed financially through the LASS.<br><br>Note: The current approved work streams are: <ul style="list-style-type: none"> <li>• Regulatory Bylaws and Policies</li> <li>• Waikato Plan</li> </ul> | The Mayoral Forum is regularly updated on the progress of each approved work stream.<br><br>Approved invoices for Mayoral Forum projects are paid by the 20 <sup>th</sup> of the month following their receipt.  |
| <b>Shared Valuation Data Services (SVDS)</b><br>The SVDS is reliable, well maintained and available to all users.                                | A Contract Manager is appointed for SVDS.<br><br>The Contract Manager monitors performance of the contractor and reports quarterly to the SVDS Advisory Group.   | The SVDS is available to users at least 99% of normal working hours.<br><br>All capital enhancement work is supported by a business case and approved by the SVDS Advisory Group.<br><br>The SVDS Advisory Group meets at least 6-monthly.   |
| <b>RATA</b><br>All stakeholders are kept informed about RATA's projects and achievements.  | Six monthly and annual reports are provided to all stakeholders.<br><br>Annual Forward Works   | Reports presented to LASS Board as at 30 December and 30 June, and circulated to stakeholders.<br><br>Reports include a summary of savings achieved.<br><br>All RATA councils  |

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|--|---|---|
| <p>Sub-regional data collection contracts deliver good quality data on roading assets.</p>   | <p>Programme tours are completed, to provide opportunities for councils' roading staff to share their knowledge and experience</p> <p>Data collection contracts (minimum of two across the region) are managed in accordance with best practice.</p> <p>Data supplied by contractors is of good quality and meets all councils' requirements.</p> | <p>participate in the tour.</p> <p>Report on tour outcomes prepared by 31 December each year, and circulated to stakeholders.</p> <p>Contracts which are due for renewal are tested for competitiveness and either renegotiated or tendered through a competitive process.</p> <p>Any data issues are identified and resolved, with any incidents reported to stakeholders.</p>   |
| <p><b>Waikato Regional Transport Model (WRTM)</b><br/>The WRTM is reliable, well maintained and available to all users.</p>                                  | <p>RATA manages the WRTM on behalf of LASS, and monitors the performance of the model supplier (currently Traffic Design Group).</p> <p>RATA reports quarterly to the WRTM Project Advisory Group.</p>  | <p>All modelling reports requested from the model supplier are actioned within the agreed timeframe, scope and budget.</p> <p>A report from RATA on any new developments and on the status of the model is provided to the LASS Board at least every six months.</p> <p>The quality of the base model complies with NZTA guidelines (as set out in the NZTA's Economic Evaluation Manual), and is independently peer reviewed each time the model is updated.</p> |
| <p><b>Waikato Building Consent Group</b><br/>Provide strategic direction and actively pursue improvements in Building Control across the Waikato region.</p> | <p>Develop and maintain a quality assurance system for building consents, that meets statutory compliance and supports excellence and consistency in customer service and business practice.</p>  | <p>Internal audits completed annually for each Group member.</p> <p>Provide Group members with a joint quality assurance system that meets statutory compliance.</p> <p>Report at least six monthly to the LASS Board on the Group's activities.</p>  |
| <p><b>Shareholder Survey</b><br/>Shareholders are satisfied with the performance of LASS.</p>  | <p>An annual survey of shareholders is undertaken to assess satisfaction levels with LASS.</p>  | <p>A survey of shareholders is undertaken each year, and the results are reported to all shareholders.</p>  |

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| <p><b>Review of Benefits</b><br/>Shareholders are informed of the benefits being provided to shareholding councils by LASS.</p> | <p>The benefits of LASS (including financial and non-financial achievements) are regularly analysed and reported to shareholders.</p> | <p>Information on the financial and non-financial benefits being achieved by LASS are included in the 6-monthly and Annual Report to shareholders.</p> |
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## Policy Statements

### Changes to NZ Accounting Standards

LASS transitioned to the new Public Sector Public Benefit Entities (PBE) accounting standards for the year ended 30 June 2015. LASS is eligible to report in accordance with the Tier 2 PBE accounting standards.

### Statement of Accounting Principles

Financial statements are for a company wholly owned by the 12 local authorities within the Waikato Region, in the proportion of one share per local authority. Financial statements are prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with the New Zealand Generally Accepted Accounting Practice (NZ GAAP), the Financial Reporting Act 1993 and the NZ Financial Reporting Standard No. 42.

### Specific Accounting Principles

The following particular principles, which have a significant effect on measurement of the financial position, will apply:

- Receivables are recorded at their face value, less any provisions for impairment.
- Investments are valued at the prevailing market value.
- Fixed assets are recorded at cost, less accumulated depreciation.

### Intangible Assets

Where intangible assets are purchased, such as intellectual property and computer software, these are capitalised and written off on a straight line basis over their expected life, but over no greater than seven years.

Depreciation / Amortisation is provided on a straight-line basis on all assets other than land, and shall align with normal accepted depreciation for the types of services being developed.

### Impairment Testing

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

### Balance Sheet Ratios

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

LASS is budgeted to have an accumulated shareholders fund of \$625,571 at 30 June 2017, which relates to 71.9% of total assets. The only liabilities of LASS are trade creditors.

The Forecast Financial Statements for 2016/17 are attached to this Statement of Intent.

### **Procedures for the Purchase and Acquisition of Shares**

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

### **Inventories**

It is not envisaged that the company will hold inventories, other than those that might relate to providing computer-based services to a number of parties. They will be valued at net realisable value.

### **Taxation**

Taxation will be provided as required against the company, in line with the required legislation.

In accordance with the Public Audit Act 2001 and the Local Government Act 2002, the Auditor General will be responsible for the audit of the company's financial statements.

As the current shared services are on a cost recovery basis, it is not envisaged that any dividends will be paid.

### **Value of Shareholders' Investment**

The Directors' estimate of the commercial value of the shareholders' investment in the LASS is equal to the shareholders equity in the company. Reassessment of the value of this shareholding shall be undertaken on or about 1 April each year.

### **Distributions to Shareholders**

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

### **Compensation**

Directors of the LASS will not receive any fees or expenses for work undertaken on behalf of the LASS.

As the basis of funding for LASS, payment will be sought from all local authorities that receive services from LASS.

### **Information to be Provided to Shareholders**

The company will deliver the following information to shareholders:

- Within two months of the end of the first half of the financial year, a 6-monthly report, including a Statement of Financial Performance, a Statement of Changes in Equity, a Statement of Financial Position, and a Statement of Cashflows and Service Performance.

- Within three months of the end of the financial year, an audited Statement of Financial Performance, Statement of Changes in Equity, Statement of Financial Position, a Statement of Cashflows and Service Performance, plus a summary of how the company has fared against its objectives, its prospects for the next financial year, and a report on the company's medium to long-term plans.

#### Review of Statement of Intent

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

The shareholders must provide any comments or feedback on the Draft Statement of Intent within two months of 1 March. The Directors must consider all comments that are received, and shall deliver the completed Statement of Intent to the shareholders by 30 June.

Financials

| <b>Local Authority Shared Services</b>                                      |                  |                  |                              |                  |                  |
|---|------------------|------------------|------------------------------|------------------|------------------|
| <b>Company Summary</b>  |                  |                  |                              |                  |                  |
| <b>For the Year Ended 30 June 2017</b>                                      |                  |                  |                              |                  |                  |
|   | Budget 2015/16   | Budget 2016/17   | Variance to<br>Jun-16 Budget | Budget 2017/18   | Budget 2018/19   |
| <b>Income</b>   |                  |                  |                              |                  |                  |
| Company Administration Member Charges                                       | 169,550          | 159,550          | (10,000)                     | 162,762          | 166,045          |
| Recovery of Admin Costs   | 62,686           | 61,567           | (1,119)                      | 63,163           | 64,793           |
| SVDS Member Charges   | 290,293          | 266,735          | (23,558)                     | 280,728          | 278,853          |
| SVDS Data & Software Sales  | 192,000          | 227,919          | 35,919                       | 232,933          | 238,058          |
| TA Valuation Services Recovery  | 78,500           | 78,463           | (37)                         | 80,189           | 81,953           |
| SVDS Enhancements Recovery  | 10,000           | 10,190           | 190                          | 10,414           | 10,643           |
| WRM Member Charges  | 128,143          | 105,084          | (23,060)                     | 116,347          | 118,725          |
| WRM External User Recovery  | 12,000           | 12,000           | 0                            | 12,000           | 12,000           |
| Mayoral Forum Funding   | 440,000          | 61,000           | (379,000)                    | 7,000            | 7,000            |
| Procurement Member Charges  | 0                | 20,000           | 20,000                       | 20,000           | 20,000           |
| N3 Membership Fee Recovery  | 18,000           | 18,000           | 0                            | 18,000           | 18,000           |
| ValueFinancials Fee Recovery  | 46,750           | 37,181           | (9,569)                      | 37,181           | 37,181           |
| Insurance Brokerage Fee Recovery  | 147,500          | 147,500          | 0                            | 147,500          | 147,500          |
| Infometrics Recovery  | 70,400           | 62,400           | (8,000)                      | 62,400           | 62,400           |
| Asset Valuation Services  | 0                | 0                | 0                            | 0                | 0                |
| RATA Funding  | 611,245          | 942,500          | 331,255                      | 959,103          | 980,159          |
| Health and Safety Working Party   | 0                | 5,000            | 5,000                        | 5,000            | 5,000            |
| IT Initiatives  | 22,334           | 43,600           | 21,266                       | 43,600           | 43,600           |
| EECA Collaboration - Council Contributions                                  | 16,000           | 80,000           | 64,000                       | 89,200           | 101,500          |
| EECA Revenue  | 0                | 133,000          | 133,000                      | 35,000           | 35,000           |
| Waikato Building Consent Group - Council                                    | 0                | 179,456          | 179,456                      | 183,404          | 187,439          |
| Waikato Building Consent Group - Accumulated                                | 0                | 45,144           | 45,144                       | 46,137           | 47,152           |
| WRAPS Recovery  | 0                | 84,000           | 84,000                       | 0                | 0                |
| Historical Aerial Photos Recovery   | 77,000           | 77,000           | 0                            | 77,000           | 0                |
| Interest Received   | 2,000            | 6,500            | 4,500                        | 6,632            | 6,767            |
| <b>Total Income</b>   | <b>2,394,401</b> | <b>2,863,789</b> | <b>469,388</b>               | <b>2,695,694</b> | <b>2,669,769</b> |
| <b>Operating Expenditure</b>  |                  |                  |                              |                  |                  |
| Company Admin Operating Expenditure   | 233,736          | 221,117          | (12,619)                     | 225,925          | 230,838          |
| SVDS Operating Expenditure  | 561,293          | 573,617          | 12,324                       | 594,351          | 599,365          |
| WRM Operating Expenditure   | 186,773          | 117,084          | (69,690)                     | 128,347          | 130,725          |
| Mayoral Forum Operating Expenditure   | 440,000          | 61,000           | (379,000)                    | 7,000            | 7,000            |
| Procurement Operating Expenditure   | 359,650          | 451,081          | 91,431                       | 367,081          | 290,081          |
| RATA Operating Expenditure  | 611,245          | 942,500          | 331,255                      | 959,103          | 980,159          |
| IT Operating Expenditure  | 33,600           | 43,600           | 10,000                       | 43,600           | 43,600           |
| Building Consent Group Operating Expenditure                                | 0                | 230,600          | 230,600                      | 235,673          | 240,858          |
| Energy Management Operating Expenditure                                     | 16,000           | 213,000          | 197,000                      | 124,200          | 136,500          |
| <b>Total Operating Expenditure</b>  | <b>2,442,297</b> | <b>2,853,599</b> | <b>411,302</b>               | <b>2,685,280</b> | <b>2,659,126</b> |
| <b>Earnings before interest, tax and depreciation/ amortisation (EBITA)</b> | <b>(47,896)</b>  | <b>10,190</b>    | <b>58,086</b>                | <b>10,414</b>    | <b>10,643</b>    |
| <b>Non-Cash Operating Expenditure</b>                                       |                  |                  |                              |                  |                  |
| Company Admin Non-Cash Expenditure  | 171              | 171              | 0                            | 171              | 171              |
| SVDS Non-Cash Expenditure   | 109,699          | 97,055           | (12,643)                     | 102,055          | 110,475          |
| WRM Non-Cash Expenditure  | 328,122          | 218,748          | (109,374)                    | 0                | 0                |
| Total Non-Cash Operating Expenditure  | 437,992          | 315,974          | (122,017)                    | 102,226          | 110,646          |
| <b>Earnings before interest and tax (EBIT)</b>                              | <b>(485,888)</b> | <b>(305,784)</b> | <b>180,103</b>               | <b>(91,812)</b>  | <b>(100,003)</b> |
| <b>Net Surplus (Deficit) before tax</b>                                     | <b>(485,888)</b> | <b>(305,784)</b> | <b>180,103</b>               | <b>(91,812)</b>  | <b>(100,003)</b> |
| Company Admin Net Surplus (Deficit) before tax                              | (171)            | (171)            | 0                            | (171)            | (171)            |
| SVDS Net Surplus (Deficit) before tax                                       | (99,699)         | (86,865)         | 12,833                       | (91,641)         | (99,832)         |
| WRM Net Surplus (Deficit) before tax  | (374,752)        | (218,748)        | 156,004                      | 0                | 0                |
| Mayoral Forum Net Surplus (Deficit) before tax                              | 0                | 0                | 0                            | 0                | 0                |
| Procurement Net Surplus (Deficit) before tax                                | 0                | 0                | 0                            | 0                | 0                |
| RATA Net Surplus (Deficit) before tax                                       | 0                | 0                | 0                            | 0                | 0                |
| IT Net Surplus (Deficit) before tax   | (11,266)         | 0                | 11,266                       | 0                | 0                |
| Building Net Surplus (Deficit) before tax                                   | 0                | 0                | 0                            | 0                | 0                |
| Energy Net Surplus (Deficit) before tax                                     | 0                | 0                | 0                            | 0                | 0                |
| <b>Net Surplus (Deficit) before tax</b>                                     | <b>(485,888)</b> | <b>(305,784)</b> | <b>180,103</b>               | <b>(91,812)</b>  | <b>(100,003)</b> |
| <b>Capital Expenditure</b>  |                  |                  |                              |                  |                  |
| Enhancements  | 10,000           | 10,190           | 190                          | 10,414           | 10,643           |
| <b>Total Capital Expenditure</b>  | <b>10,000</b>    | <b>10,190</b>    | <b>190</b>                   | <b>10,414</b>    | <b>10,643</b>    |

| <b>Local Authority Shared Services</b>                                      |                |                |                              |                |                |
|---|----------------|----------------|------------------------------|----------------|----------------|
| <b>Company Admin</b>  |                |                |                              |                |                |
| <b>For the Year Ended 30 June 2017</b>                                      |                |                |                              |                |                |
| Notes   | Budget 2015/16 | Budget 2016/17 | Variance to<br>Jun-16 Budget | Budget 2017/18 | Budget 2018/19 |
| <b>Income</b>   |                |                |                              |                |                |
| Company Administration Member Charges                                       | 169,550        | 159,550        | (10,000)                     | 162,762        | 166,045        |
| Recovery of Admin Costs   | 62,686         | 61,567         | (1,119)                      | 63,163         | 64,793         |
| Mayoral Forum Interest  | 1,500          | 0              | (1,500)                      | 0              | 0              |
| <b>Total Income</b>   | <b>233,736</b> | <b>221,117</b> | <b>(12,619)</b>              | <b>225,925</b> | <b>230,838</b> |
| <b>Expenses</b>   |                |                |                              |                |                |
| Accounting/ Financial Services  | 27,500         | 27,500         | 0                            | 28,105         | 28,723         |
| External Accounting/ Financial Services                                     | 4,000          | 5,000          | 1,000                        | 5,110          | 5,222          |
| Audit Fees  | 15,349         | 15,349         | 0                            | 15,687         | 16,032         |
| IT Services   | 92             | 92             | 0                            | 92             | 92             |
| Bank Charges  | 280            | 500            | 220                          | 511            | 522            |
| Legal Fees  | 2,500          | 2,500          | 0                            | 2,500          | 2,500          |
| Value Financials Licence Fee  | 2,600          | 2,341          | (259)                        | 2,393          | 2,445          |
| Sundry Expenses   | 1,200          | 1,300          | 100                          | 1,329          | 1,358          |
| Professional Fees   | 0              | 2,500          | 2,500                        | 2,555          | 2,611          |
| Insurance   | 2,800          | 2,535          | (265)                        | 2,591          | 2,648          |
| Shared Services Contractors   | 156,000        | 146,000        | (10,000)                     | 149,212        | 152,495        |
| Company Secretary Services  | 11,415         | 5,500          | (5,915)                      | 5,621          | 5,745          |
| Mileage Costs   | 10,000         | 10,000         | 0                            | 10,220         | 10,445         |
| <b>Total Expenses</b>   | <b>233,736</b> | <b>221,117</b> | <b>(12,619)</b>              | <b>225,925</b> | <b>230,838</b> |
| <b>Earnings before interest, tax and depreciation/ amortisation (EBITA)</b> | <b>0</b>       | <b>0</b>       | <b>0</b>                     | <b>0</b>       | <b>0</b>       |
| <b>Non-Cash Expenses</b>  |                |                |                              |                |                |
| Depreciation  | 171            | 171            | 0                            | 171            | 171            |
| Earnings before interest and tax  | (171)          | (171)          | 0                            | (171)          | (171)          |
| <b>Net Surplus (Deficit) before tax</b>                                     | <b>(171)</b>   | <b>(171)</b>   | <b>0</b>                     | <b>(171)</b>   | <b>(171)</b>   |



| <b>Local Authority Shared Services</b>  |       |                 |                |                              |                |                |
|---|-------|-----------------|----------------|------------------------------|----------------|----------------|
| <b>Information Technology (IT)</b>  |       |                 |                |                              |                |                |
| <b>For the Year Ended 30 June 2017</b>  |       |                 |                |                              |                |                |
|   | Notes | Budget 2015/16  | Budget 2016/17 | Variance to<br>Jun-16 Budget | Budget 2017/18 | Budget 2018/19 |
| <b>Income</b>   |       |                 |                |                              |                |                |
| IT Initiative Contributions   | 1     | 22,334          | 43,600         | 21,266                       | 43,600         | 43,600         |
| <b>Total Income</b>   |       | 22,334          | 43,600         | 21,266                       | 43,600         | 43,600         |
| <b>Expenses</b>   |       |                 |                |                              |                |                |
| Meeting Expenses  |       | 0               | 1,000          | 1,000                        | 1,000          | 1,000          |
| GIS Shared Data Portal  | 1, 2  | 33,600          | 7,600          | (26,000)                     | 7,600          | 7,600          |
| Collaboration Portal  | 2     | 0               | 35,000         | 35,000                       | 35,000         | 35,000         |
| <b>Total Expenses</b>   |       | 33,600          | 43,600         | 10,000                       | 43,600         | 43,600         |
| <b>Earnings before interest, tax and depreciation/ amortisation (EBITA)</b>               |       |                 |                |                              |                |                |
|   | 1     | <b>(11,266)</b> | <b>0</b>       | <b>11,266</b>                | <b>0</b>       | <b>0</b>       |
| Earnings before interest and tax  |       | (11,266)        | 0              | 11,266                       | 0              | 0              |
| <b>Net Surplus (Deficit) before tax</b>   | 1     | <b>(11,266)</b> | <b>0</b>       | <b>11,266</b>                | <b>0</b>       | <b>0</b>       |
| Notes   |       |                 |                |                              |                |                |
| 1) In 2015/16, \$11,266 was funded from prior years' IT surpluses.                        |       |                 |                |                              |                |                |
| 2) All Councils are involved except Rotorua and Taupo, who are participating via BOPLASS. |       |                 |                |                              |                |                |

| <b>Local Authority Shared Services</b>                                      |       |                |                |                              |                |                |
|---|-------|----------------|----------------|------------------------------|----------------|----------------|
| <b>Energy Management</b>  |       |                |                |                              |                |                |
| <b>For the Year Ended 30 June 2017</b>                                      |       |                |                |                              |                |                |
|   | Notes | Budget 2015/16 | Budget 2016/17 | Variance to<br>Jun-16 Budget | Budget 2017/18 | Budget 2018/19 |
| <b>Income</b>   |       |                |                |                              |                |                |
| EECA Collaboration - Council Contributions                                  | 1     | 16,000         | 80,000         | 64,000                       | 89,200         | 101,500        |
| EECA Revenue  |       | 0              | 133,000        | 133,000                      | 35,000         | 35,000         |
| <b>Total Income</b>   |       | <b>16,000</b>  | <b>213,000</b> | <b>197,000</b>               | <b>124,200</b> | <b>136,500</b> |
| <b>Expenses</b>   |       |                |                |                              |                |                |
| EECA Collaboration  |       | 0              | 80,000         | 80,000                       | 89,200         | 101,500        |
| Professional Services Costs   |       | 16,000         | 133,000        | 117,000                      | 35,000         | 35,000         |
| <b>Total Expenses</b>   |       | <b>16,000</b>  | <b>213,000</b> | <b>197,000</b>               | <b>124,200</b> | <b>136,500</b> |
| <b>Earnings before interest, tax and depreciation/ amortisation (EBITA)</b> |       |                |                |                              |                |                |
|   |       | <b>0</b>       | <b>0</b>       | <b>0</b>                     | <b>0</b>       | <b>0</b>       |
| Earnings before interest and tax  |       |                |                |                              |                |                |
|   |       | 0              | 0              | 0                            | 0              | 0              |
| <b>Net Surplus (Deficit) before tax</b>                                     |       |                |                |                              |                |                |
|   |       | <b>0</b>       | <b>0</b>       | <b>0</b>                     | <b>0</b>       | <b>0</b>       |
| <b>Notes</b>  |       |                |                |                              |                |                |
| 1) All Councils are involved, except Thames Coromandel and Matamata Piako.  |       |                |                |                              |                |                |

| <b>Local Authority Shared Services</b>  |                 |                 |                              |                 |                 |
|---|-----------------|-----------------|------------------------------|-----------------|-----------------|
| <b>Shared Valuation Data Service (SVDS)</b>   |                 |                 |                              |                 |                 |
| <b>For the Year Ended 30 June 2017</b>  |                 |                 |                              |                 |                 |
| Notes   | Budget 2015/16  | Budget 2016/17  | Variance to<br>Jun-16 Budget | Budget 2017/18  | Budget 2018/19  |
| <b>Income</b>   |                 |                 |                              |                 |                 |
|   | 290,293         | 266,735         | (23,558)                     | 280,728         | 278,853         |
|   | 78,500          | 78,463          | (37)                         | 80,189          | 81,953          |
| 1   | 10,000          | 10,190          | 190                          | 10,414          | 10,643          |
|   | 192,000         | 227,919         | 35,919                       | 232,933         | 238,058         |
|   | 500             | 500             | 0                            | 500             | 500             |
| <b>Total Income</b>   | <b>571,293</b>  | <b>583,807</b>  | <b>12,514</b>                | <b>604,765</b>  | <b>610,008</b>  |
| <b>Expenses</b>   |                 |                 |                              |                 |                 |
|   | 49,200          | 48,667          | (533)                        | 49,738          | 50,832          |
|   | 95,000          | 105,467         | 10,467                       | 107,787         | 110,158         |
| 2   | 276,500         | 283,187         | 6,687                        | 289,417         | 295,784         |
|   | 78,500          | 78,463          | (37)                         | 80,189          | 81,953          |
|   | 16,000          | 16,000          | 0                            | 16,352          | 16,712          |
|   | 6,250           | 6,250           | 0                            | 6,388           | 6,528           |
|   | 0               | 300             | 300                          | 300             | 300             |
|   | 1,500           | 1,500           | 0                            | 1,533           | 1,567           |
| 3   | 4,000           | 0               | (4,000)                      | 8,000           | 0               |
|   | 3,000           | 3,000           | 0                            | 3,066           | 3,133           |
|   | 31,343          | 30,784          | (560)                        | 31,581          | 32,397          |
| <b>Total Expenses</b>   | <b>561,293</b>  | <b>573,617</b>  | <b>12,324</b>                | <b>594,351</b>  | <b>599,365</b>  |
| <b>Earnings before interest, tax and depreciation/ amortisation (EBITA)</b>   | <b>10,000</b>   | <b>10,190</b>   | <b>190</b>                   | <b>10,414</b>   | <b>10,643</b>   |
| <b>Non-Cash Expenses</b>  |                 |                 |                              |                 |                 |
|   | 109,699         | 97,055          | (12,643)                     | 102,055         | 110,475         |
|   | (99,699)        | (86,865)        | 12,833                       | (91,641)        | (99,832)        |
| <b>Net Surplus (Deficit) before tax</b>   | <b>(99,699)</b> | <b>(86,865)</b> | <b>12,833</b>                | <b>(91,641)</b> | <b>(99,832)</b> |
| <b>Capital Expenditure</b>  |                 |                 |                              |                 |                 |
| 1   | 10,000          | 10,190          | 190                          | 10,414          | 10,643          |
| <b>Total Capital Expenditure</b>  | <b>10,000</b>   | <b>10,190</b>   | <b>190</b>                   | <b>10,414</b>   | <b>10,643</b>   |
| <b>Total Cash Expenditure (Opex, Interest &amp; Capital)</b>  | <b>571,293</b>  | <b>583,807</b>  | <b>12,514</b>                | <b>604,765</b>  | <b>610,008</b>  |
| <b>Notes</b>  |                 |                 |                              |                 |                 |
| 1) Enhancement work to be recovered by individual councils.   |                 |                 |                              |                 |                 |
| 2) Software contract costs have increased in 2016/17 due to enhancements no longer being covered as part of this contract after contract re-negotiations. |                 |                 |                              |                 |                 |
| 3) Provision in 2017/18 to tie in with contract review terms.   |                 |                 |                              |                 |                 |

| <b>Local Authority Shared Services</b>   |       |                |                |                           |                |                |
|--|-------|----------------|----------------|---------------------------|----------------|----------------|
| <b>Road Asset Technical Accord (RATA)</b>  |       |                |                |                           |                |                |
| <b>For the Year Ended 30 June 2017</b>   |       |                |                |                           |                |                |
|  | Notes | Budget 2015/16 | Budget 2016/17 | Variance to Jun-16 Budget | Budget 2017/18 | Budget 2018/19 |
| <b>Income</b>  |       |                |                |                           |                |                |
| NZTA   |       | 0              | 315,000        | 315,000                   | 321,930        | 329,012        |
| Councils - Data Collection   |       | 0              | 28,000         | 28,000                    | 28,616         | 29,246         |
| Councils - Project Funding   |       | 0              | 599,500        | 599,500                   | 608,557        | 621,901        |
| Roading (RATA)   |       | 611,245        | 0              | (611,245)                 | 0              | 0              |
| <b>Total Income</b>  |       | <b>611,245</b> | <b>942,500</b> | <b>331,255</b>            | <b>959,103</b> | <b>980,159</b> |
| <b>Expenses</b>  |       |                |                |                           |                |                |
| Data Collection  |       | 0              | 315,000        | 315,000                   | 321,930        | 329,012        |
| Forward Works Programme Tours  |       | 0              | 5,000          | 5,000                     | 5,110          | 5,222          |
| Asset Managers Forum   |       | 0              | 3,000          | 3,000                     | 3,066          | 3,133          |
| Benchmarking of Reg Road Outcomes  |       | 0              | 20,000         | 20,000                    | 20,440         | 20,890         |
| Staff and Contractor Services  |       | 0              | 425,000        | 425,000                   | 434,350        | 443,906        |
| Vehicles   |       | 0              | 29,000         | 29,000                    | 29,638         | 30,290         |
| Staff Training / Subscriptions / Professional Development  |       | 0              | 10,000         | 10,000                    | 10,220         | 10,445         |
| Recruitment  |       | 0              | 5,000          | 5,000                     | 1,000          | 1,000          |
| Sundry Expenses (stationery, telephones etc.)  |       | 0              | 3,500          | 3,500                     | 3,555          | 3,611          |
| External Contractor Support (Data Collection Contract)   |       | 0              | 7,000          | 7,000                     | 7,154          | 7,311          |
| Overheads  | 1     | 0              | 120,000        | 120,000                   | 122,640        | 125,338        |
| Roading (RATA)   |       | 611,245        | 0              | (611,245)                 | 0              | 0              |
| <b>Total Expenses</b>  | 2     | <b>611,245</b> | <b>942,500</b> | <b>331,255</b>            | <b>959,103</b> | <b>980,159</b> |
| <b>Earnings before interest, tax and depreciation/ amortisation (EBITA)</b>  |       |                |                |                           |                |                |
|  |       | <b>0</b>       | <b>0</b>       | <b>0</b>                  | <b>0</b>       | <b>0</b>       |
| <b>Earnings before interest and tax</b>  |       |                |                |                           |                |                |
|  |       | <b>0</b>       | <b>0</b>       | <b>0</b>                  | <b>0</b>       | <b>0</b>       |
| <b>Net Surplus (Deficit) before tax</b>  |       |                |                |                           |                |                |
|  |       | <b>0</b>       | <b>0</b>       | <b>0</b>                  | <b>0</b>       | <b>0</b>       |
| <b>Notes</b>   |       |                |                |                           |                |                |
| 1) Waipa District Council provides RATA with full support services, including accommodation, finance, IT, HR, GIS, legal advice, communications and Group Manager support. |       |                |                |                           |                |                |
| 2) CPI Increase has been applied for 2017/18 and 2018/19 as per BERL LG cost index for OPEX.   |       |                |                |                           |                |                |

| <b>Local Authority Shared Services</b>  |                   |                  |                          |                   |                                  |
|---|-------------------|------------------|--------------------------|-------------------|----------------------------------|
| <b>Waikato Regional Transport Model (WRTM) <sup>1</sup></b>   |                   |                  |                          |                   |                                  |
| <b>For the Year Ended 30 June 2017</b>  |                   |                  |                          |                   |                                  |
| Notes   | Budget<br>2015/16 | Budget 2016/17   | Variance to<br>16 Budget | Jun-<br>16 Budget | Budget Budget 2018/19<br>2017/18 |
| <b>Income</b>   |                   |                  |                          |                   |                                  |
| WRTM Member Charges   | 128,143           | 105,084          | (23,060)                 |                   | 116,347                          |
| External User Recovery  | 12,000            | 12,000           |                          | 0                 | 12,000                           |
| <b>Total Income</b>   | <b>140,143</b>    | <b>117,084</b>   | <b>(23,060)</b>          |                   | <b>128,347</b>                   |
| <b>Expenses</b>   |                   |                  |                          |                   |                                  |
| WRTM Project Manager  | 18,000            | 18,000           |                          | 0                 | 18,908                           |
| Minor Model Upgrades  | 30,000            | 30,000           |                          | 0                 | 31,513                           |
| Peer Review   | 5,000             | 5,000            |                          | 0                 | 5,252                            |
| Annual Scheduling of Works Review   | 4,500             | 4,500            |                          | 0                 | 4,727                            |
| Insurance   | 1,300             | 1,300            |                          | 0                 | 1,366                            |
| WRTM Base Model Testing   | 15,000            | 0                | (15,000)                 |                   | 0                                |
| External User Costs   | 10,000            | 10,000           |                          | 0                 | 10,000                           |
| Census Update   | 14,959            | 0                | (14,959)                 |                   | 0                                |
| Tendering for WRTM Contract   | 13,671            | 0                | (13,671)                 |                   | 0                                |
| Future Land Use Client Input  | 43,000            | 0                | (43,000)                 |                   | 0                                |
| WRTM Projects   |                   |                  |                          |                   |                                  |
| Future Land Use Update  | 2                 | 0                | 15,000                   | 15,000            | 0                                |
| Household Interview Survey (HIS) Scoping  | 3                 | 0                | 2,500                    | 2,500             | 0                                |
| HIS Input into National Survey  | 4                 | 0                | 0                        | 0                 | 25,000                           |
| On charge of LASS Admin Costs   | 31,343            | 30,784           | (560)                    |                   | 31,581                           |
| <b>Total Expenses</b>   | <b>186,773</b>    | <b>117,084</b>   | <b>(69,690)</b>          |                   | <b>128,347</b>                   |
| <b>Earnings before interest, tax and depreciation/<br/>amortisation (EBITA)</b>   | <b>5</b>          | <b>(46,630)</b>  | <b>0</b>                 | <b>46,630</b>     | <b>0</b>                         |
| <b>Non-Cash Expenses</b>  |                   |                  |                          |                   |                                  |
| Depreciation  | 6                 | 328,122          | 218,748                  | (109,374)         | 0                                |
| Earnings before interest and tax  |                   | (374,752)        | (218,748)                | 156,004           | 0                                |
| <b>Net Surplus (Deficit) before tax</b>   |                   | <b>(374,752)</b> | <b>(218,748)</b>         | <b>156,004</b>    | <b>0</b>                         |
| <b>Notes</b>  |                   |                  |                          |                   |                                  |
| 1) WRTM is being managed by RATA from 1 July 2016.  |                   |                  |                          |                   |                                  |
| 2) Update of Future Land Use reference scenario post Auckland Unitary Plan decisions and Future Proof / Smart Growth updates. |                   |                  |                          |                   |                                  |
| 3) Prov Sum item - HIS research topic with NZTA at present. This budget will allow the WRTM partners to scope inputs needed.  |                   |                  |                          |                   |                                  |
| 4) Prov Sum item - assumes input into national survey. Actual costs to be scoped with MOT.                                    |                   |                  |                          |                   |                                  |
| 5) In 2015/16 \$46,630 was funded from unspent prior years contributions.   |                   |                  |                          |                   |                                  |
| 6) The WRTM asset will be fully depreciated by Feb 2017.  |                   |                  |                          |                   |                                  |

| <b>Local Authority Shared Services</b>  |                |                |                              |                |                |
|---|----------------|----------------|------------------------------|----------------|----------------|
| <b>Waikato Building Consent Group</b>   |                |                |                              |                |                |
| <b>For the Year Ended 30 June 2017</b>  |                |                |                              |                |                |
| Notes   | Budget 2015/16 | Budget 2016/17 | Variance to<br>Jun-16 Budget | Budget 2017/18 | Budget 2018/19 |
| <b>Income</b>   |                |                |                              |                |                |
| Member Charges  | 0              | 179,456        | 179,456                      | 183,404        | 187,439        |
| Accumulated Fund  | 0              | 45,144         | 45,144                       | 46,137         | 47,152         |
| Interest Received   | 0              | 6,000          | 6,000                        | 6,132          | 6,267          |
| <b>Total Income</b>   | <b>0</b>       | <b>230,600</b> | <b>230,600</b>               | <b>235,673</b> | <b>240,858</b> |
| <b>Expenses</b>   |                |                |                              |                |                |
| Salaries  | 0              | 166,200        | 166,200                      | 169,856        | 173,593        |
| Vehicle Expenses  | 0              | 17,700         | 17,700                       | 18,089         | 18,487         |
| Training / Professional Fees  | 0              | 3,300          | 3,300                        | 3,373          | 3,447          |
| Operating Costs   | 0              | 3,000          | 3,000                        | 3,066          | 3,133          |
| Communications / IT Costs   | 0              | 2,000          | 2,000                        | 2,044          | 2,089          |
| Annual Subscriptions  | 0              | 400            | 400                          | 409            | 418            |
| Overheads   | 0              | 38,000         | 38,000                       | 38,836         | 39,690         |
| <b>Total Expenses</b>   | <b>0</b>       | <b>230,600</b> | <b>230,600</b>               | <b>235,673</b> | <b>240,858</b> |
| <b>Earnings before interest, tax and depreciation/ amortisation (EBITA)</b>   | <b>0</b>       | <b>0</b>       | <b>0</b>                     | <b>0</b>       | <b>0</b>       |
| Earnings before interest and tax  | 0              | 0              | 0                            | 0              | 0              |
| <b>Net Surplus (Deficit) before tax</b>   | <b>0</b>       | <b>0</b>       | <b>0</b>                     | <b>0</b>       | <b>0</b>       |
| <b>Notes</b>  |                |                |                              |                |                |
| 1) Waikato District Council provides the Building Consent Group with support services, including accommodation, HR and Group Manager support. |                |                |                              |                |                |

| <b>Local Authority Shared Services</b>                                      |                |                |                              |                |                |
|---|----------------|----------------|------------------------------|----------------|----------------|
| <b>Mayoral Forum Projects</b>   |                |                |                              |                |                |
| <b>For the Year Ended 30 June 2017</b>                                      |                |                |                              |                |                |
| Notes   | Budget 2015/16 | Budget 2016/17 | Variance to<br>Jun-16 Budget | Budget 2017/18 | Budget 2018/19 |
| <b>Income</b>   |                |                |                              |                |                |
| Spatial Plan  | 319,000        | 0              | (319,000)                    | 0              | 0              |
| Policy & Bylaws   | 114,000        | 0              | (114,000)                    | 0              | 0              |
| Regional Infrastructure Tech. Specs.  | 0              | 40,000         | 40,000                       | 0              | 0              |
| Policy & Bylaws   | 0              | 7,000          | 7,000                        | 0              | 0              |
| Section 17a Review  | 0              | 7,000          | 7,000                        | 0              | 0              |
| Meeting Expenses  | 7,000          | 7,000          | 0                            | 7,000          | 7,000          |
| <b>Total Income</b>   | <b>440,000</b> | <b>61,000</b>  | <b>(379,000)</b>             | <b>7,000</b>   | <b>7,000</b>   |
| <b>Expenses</b>   |                |                |                              |                |                |
| Spatial Plan  | 319,000        | 0              | (319,000)                    | 0              | 0              |
| Policy & Bylaws   | 114,000        | 0              | (114,000)                    | 0              | 0              |
| Regional Infrastructure Tech. Specs.  | 0              | 40,000         | 40,000                       | 0              | 0              |
| Policy & Bylaws   | 0              | 7,000          | 7,000                        | 0              | 0              |
| Section 17a Review  | 0              | 7,000          | 7,000                        | 0              | 0              |
| Meeting Expenses  | 7,000          | 7,000          | 0                            | 7,000          | 7,000          |
| <b>Total Expenses</b>   | <b>440,000</b> | <b>61,000</b>  | <b>(379,000)</b>             | <b>7,000</b>   | <b>7,000</b>   |
| <b>Earnings before interest, tax and depreciation/ amortisation (EBITA)</b> | <b>0</b>       | <b>0</b>       | <b>0</b>                     | <b>0</b>       | <b>0</b>       |
| Earnings before interest and tax  | 0              | 0              | 0                            | 0              | 0              |
| <b>Net Surplus (Deficit) before tax</b>                                     | <b>0</b>       | <b>0</b>       | <b>0</b>                     | <b>0</b>       | <b>0</b>       |

| <b>Local Authority Shared Services</b>        |                |                |                              |                |                |
|---|----------------|----------------|------------------------------|----------------|----------------|
| <b>Balance Sheet</b>                          |                |                |                              |                |                |
| <b>For the Year Ended 30 June 2017</b>        |                |                |                              |                |                |
|   | Budget 2015/16 | Budget 2016/17 | Variance to Jun<br>16 Budget | Budget 2017/18 | Budget 2018/19 |
| <b>CAPITAL</b>                                |                |                |                              |                |                |
| Shares - SVDS                                 | 1,607,001      | 1,607,001      | 0                            | 1,607,001      | 1,607,001      |
| Shares - WRTM                                 | 1,350,000      | 1,350,000      | 0                            | 1,350,000      | 1,350,000      |
| Profit and Loss                               | (1,845,542)    | (2,408,415)    | (562,873)                    | (2,714,199)    | (2,806,012)    |
| Plus Current Year Operating Surplus/(Deficit) | (485,888)      | (305,784)      | 180,103                      | (91,812)       | (100,003)      |
| <b>TOTAL CAPITAL FUNDS</b>                    | <b>625,571</b> | <b>242,802</b> | <b>(382,769)</b>             | <b>150,989</b> | <b>50,987</b>  |
| <b>ASSETS</b>                                 |                |                |                              |                |                |
| <b>CURRENT ASSETS</b>                         |                |                |                              |                |                |
| Prepayments                                   | 2,990          | 2,692          | (298)                        | 2,751          | 2,812          |
| Accounts Receivable                           | 15,167         | 3,503          | (11,664)                     | 3,878          | 3,958          |
| RWT On Interest                               | 560            | 1,820          | 1,260                        | 1,857          | 1,895          |
| Local Authority Shared Services On-Call       | 398,831        | 371,790        | (27,041)                     | 346,485        | 353,697        |
| GST Paid                                      | (32,833)       | (40,055)       | (7,222)                      | (37,688)       | (47,301)       |
| <b>TOTAL CURRENT ASSETS</b>                   | <b>384,715</b> | <b>339,750</b> | <b>(44,965)</b>              | <b>317,283</b> | <b>315,060</b> |
| <b>NON-CURRENT ASSETS</b>                     |                |                |                              |                |                |
| SVDS - Intangible Asset                       | 3,080,875      | 3,085,506      | 4,631                        | 3,095,920      | 3,106,563      |
| WRTM - Intangible Asset                       | 2,296,855      | 2,296,855      | 0                            | 2,296,855      | 2,296,855      |
| MoneyWorks Software                           | 1,195          | 1,195          | 0                            | 1,195          | 1,195          |
| Accumulated Depreciation                      | (4,894,039)    | (5,187,846)    | (293,807)                    | (5,290,073)    | (5,400,719)    |
| <b>TOTAL NON-CURRENT ASSETS</b>               | <b>484,886</b> | <b>195,710</b> | <b>(289,176)</b>             | <b>103,897</b> | <b>3,894</b>   |
| <b>NET ASSETS</b>                             | <b>869,601</b> | <b>535,459</b> | <b>(334,142)</b>             | <b>421,181</b> | <b>318,954</b> |
| <b>LESS CURRENT LIABILITIES</b>               |                |                |                              |                |                |
| Accounts Payable                              | 234,053        | 273,470        | 39,417                       | 257,339        | 254,833        |
| Accounts Payable Accrual                      | 9,977          | 11,473         | 1,496                        | 11,726         | 11,984         |
| <b>TOTAL CURRENT LIABILITIES</b>              | <b>244,030</b> | <b>284,943</b> | <b>40,913</b>                | <b>269,065</b> | <b>266,817</b> |
| <b>NET WORKING CAPITAL</b>                    | <b>625,571</b> | <b>250,516</b> | <b>(375,055)</b>             | <b>152,116</b> | <b>52,138</b>  |

| <b>Local Authority Shared Services</b>                          |                   |                 |                          |                    |                   |
|---|-------------------|-----------------|--------------------------|--------------------|-------------------|
| <b>Statement of Cashflows</b>                                   |                   |                 |                          |                    |                   |
| <b>For the Year Ended 30 June 2017</b>                          |                   |                 |                          |                    |                   |
|   | Budget<br>2015/16 | Budget 2016/17  | Variance to<br>16 Budget | Jun Budget 2017/18 | Budget<br>2018/19 |
| <b>Cashflows from Operating Activities</b>                      |                   |                 |                          |                    |                   |
| Interest Received   | 2,000             | 6,500           | 4,500                    | 6,632              | 6,767             |
| Receipts from Other Revenue                                     | 2,493,568         | 2,807,386       | 313,818                  | 2,751,337          | 2,727,977         |
| Payments to Suppliers   | (2,337,965)       | (2,875,749)     | (537,784)                | (2,764,573)        | (2,726,425)       |
| Taxes Paid  | (560)             | (1,820)         | (1,260)                  | (1,857)            | (1,895)           |
| Goods & Services tax (net)                                      | (20,629)          | 4,598           | 25,227                   | (1,560)            | 11,413            |
| <b>Net cash from operating activities</b>                       | <b>136,414</b>    | <b>(59,085)</b> | <b>(195,499)</b>         | <b>(10,022)</b>    | <b>17,837</b>     |
| Purchase of Intangible Assets                                   | (10,000)          | (10,190)        | (190)                    | (10,414)           | (10,643)          |
| <b>Net cash from investing activities</b>                       | <b>(10,000)</b>   | <b>(10,190)</b> | <b>(190)</b>             | <b>(10,414)</b>    | <b>(10,643)</b>   |
| <b>Net increase in cash, cash equivalents and bank accounts</b> | <b>126,415</b>    | <b>(69,275)</b> | <b>(195,690)</b>         | <b>(20,435)</b>    | <b>7,194</b>      |
| Opening cash and cash equivalents and bank overdrafts           | 272,416           | 435,363         | 162,947                  | 371,790            | 346,485           |
| <b>Closing cash, cash equivalents and bank accounts</b>         | <b>398,831</b>    | <b>366,088</b>  | <b>(32,743)</b>          | <b>351,355</b>     | <b>353,679</b>    |
| <b>Summary of Bank Accounts</b>                                 |                   |                 |                          |                    |                   |
| BNZ - Call a/c  | 398,831           | 371,790         | (27,041)                 | 346,485            | 353,697           |
| <b>Closing Balance of Bank</b>                                  | <b>398,831</b>    | <b>371,790</b>  | <b>(27,041)</b>          | <b>346,485</b>     | <b>353,697</b>    |



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# SIX MONTHLY REPORT TO SHAREHOLDERS

1 July 2015 to 31 December 2015

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## Local Authority Shared Services Limited – 6 Monthly Report

Waikato Local Authority Shared Services Limited (LASS) was incorporated in December 2005. Each of the 12 Waikato councils owns an equal number of shares in LASS and as such has an equal say in its development. This report covers the 6-month period from 1 July to 31 December 2015, as required by Section 66 of the Local Government Act 2002.

### Objectives of LASS

LASS was established principally to provide the Councils in the Waikato Region with a vehicle to procure shared services. Its key purpose is to drive collaboration between councils, to improve customer service and performance, and to reduce costs. It provides a mechanism for the development of new services, which are available to be joined by any shareholder that chooses to do so.

LASS also provides administrative and financial support services to the Waikato Mayoral Forum, to enable the successful implementation of Mayoral Forum initiated projects.

The shareholders continue to identify improvements that could be made, such as: implementing shared services related to back-office activities; shared procurement to provide cost savings and consistency; streamlining of work processes; and service improvements. A range of initiatives which could benefit from being managed by LASS continues to be considered by working groups comprising staff from the shareholding councils.

Over the period that the company has been operating, benefits have been delivered in the form of:

- improved levels and quality of service
- a more co-ordinated approach to the provision of services
- reductions in the cost of services
- the development of new initiatives
- standardisation of service levels
- opportunities for all Councils, irrespective of location or size, to benefit from joint initiatives
- economies of scale resulting from a single entity representing all Councils and leveraging procurement opportunities.

These gains have been realised by shareholders in the Shared Valuation Data Service (SVDS), the Waikato Regional Transport Model (WRTM), and a variety of joint procurement services (e.g. insurance and postal services).

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

The LASS Directors continue to seek new opportunities, either from internal investigations or from council or CEO initiatives that are presented to the Board.

## Nature and Scope of Current Activities

### Services

Currently, three major services operate under the LASS umbrella. A number of shared service procurement contracts are in place, several new initiatives are under investigation, and LASS is providing a support role for the collaborative initiatives of the Waikato Mayoral Forum. These activities are described in more detail below.

The **Shared Valuation Data Service (SVDS)** continues to provide timely and accurate property valuation data to member Councils and shareholders at a reducing cost. The SVDS has become the accepted valuation database in the region, with 10 of the 12 councils participating. Development work has slowed as the enhancement programme has been scaled back. The emphasis now is on individual Councils paying for their own enhancements unless there is a collective benefit.

A review of the management contracts for this service has recently been completed, and significant savings (\$126,000 per annum) have been realised. New contracts to sell the data have also been negotiated, which is bringing in new revenue and further reducing the cost of operating this activity. External revenue now totals over \$200,000 per annum, which reduces the cost to the participating councils.

The **Waikato Regional Transportation Model (WRTM)** became fully operational in February 2010. This model provides accurate information to Councils for their transport modelling requirements. Third parties also contract to LASS to use the model (for a charge). The WRTM is the only recognised strategic transport modelling resource in the Waikato Region, and is jointly funded by the NZ Transport Agency. The contract with the model's operations supplier was recently publicly re-tendered, and has been re-let to the Traffic Design Group. It is proposed that this activity will be managed by staff in the Road Asset Technical Accord (RATA) from 1 July 2016, as RATA will be transferring into LASS effective from 1 July 2016.

The **Waikato Regional Aerial Photography Service (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 three WRAPS contracts – in 2002, 2007 and 2012. In 2012, the WRAPS members were the councils of the Waikato Region, plus the Department of Conservation and Waikato University. The next WRAPS contract is due to be tendered in 2016/17. Work is currently underway to secure external funding for this project, which will reduce the cost to the participating councils. So far, \$84,000 revenue from third parties has been secured.

### Proposed New Services

The transfer of two existing services into LASS has been investigated over the last 6 months and both have been recommended to proceed by the LASS Board. The proposed new LASS services are the **Road Asset Technical Accord (RATA)** and the **Waikato Building Consent Group (WBCG)**. These two proposals will be consulted on with shareholders as part of the draft Statement of Intent for 2016/17.

### Benefits Review

A key achievement over the last 6-months has been the analysis and compilation of the benefits that have been achieved by LASS since its inception. A report describing these achievements, titled "*Collaboration in Action*", was published in August 2015 and presentations on the findings were made to the Mayoral Forum in September 2015, and to a special workshop for elected members, which was held at Lake Karapiro in November 2015. A copy of the report is available on request to the Company Secretary.

## Procurement

LASS is a party to numerous **Procurement Contracts** which provide value to the participating councils. Current LASS contracts include: a variety of **Insurance** coverage (Brokerage Services, Material Damage / Business Interruption Insurance, Infrastructure Insurance, Motor Vehicle Fleet Insurance); **computer-generated print, mail-house and e-Services**; a **Professional Services Procurement (PSP) Panel**; an **Accommodation** provider; **water and wastewater treatment plant chemicals**; a **Financial Reporting** tool; a **Fleet Management** system; a **GPS tracking** system; an **Economic profiler**; as well as access to **N3** (previously the Government Stores Board), **All of Government** contracts, and **Syndicated contracts**.

The existing LASS contract with NZ Post for **postal and courier services** was recently extended for a further two years, on the same terms and conditions. This contract provides annual savings of over \$100,000 and all of the LASS councils are participating in these benefits.

Earlier this year, LASS 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 of the shareholding councils are participating in this 4-year project, which includes a subsidy of \$56,000 from LINZ.

A new shared services contract for the **analysis of water and wastewater samples** has recently been negotiated with Hills Laboratories. All councils will be able to enter into a Joining Agreement with LASS to gain access to the discounted rates. Based on current levels of usage, savings of over \$170,000 per annum are anticipated.

## Advisory Groups

Two Advisory Groups have been established: to oversee the work of the Shared Valuation Data Service (SVDS) and the Insurance activities.

The **SVDS Advisory Group** manages the work of the SVDS Contract Manager. The primary role of the Advisory Group (amongst other things) is to recommend measures to enhance the value of SVDS information, to identify and investigate commercial opportunities, and to review the direction of the SVDS service. Membership comprises one representative from each of the service shareholders, with one being elected as Chair. (The current Chair is the representative from Waipa District Council.)

The **Insurance Advisory Group** works with our insurance broker (currently Aon) to deliver economies of scale, to reduce the group's exposure to market increases in premium costs, to enhance cover arrangements and to minimise risk. Membership comprises one representative from each of the service shareholders, with one being elected as Chair. (The current Chair is the representative from Waikato Regional Council.)

## Working Parties

The LASS Chief Executive co-ordinates and facilitates a number of Working Parties of council staff. The standing Working Parties are: the **Shared Services Working Party**, which comprises the GM Corporate (or equivalent) from all of the shareholding councils, and which considers and evaluates new shared services opportunities and makes recommendations to the LASS Board; the **Waikato IT Managers' Working Party**, which comprises the IT Managers from all of the shareholding councils, and which investigates collaboration opportunities in the technology space; and the **Procurement Managers' Working Party**, which comprises the Procurement Managers from Hamilton City, Waikato Regional and Waikato District councils, and which manages procurement initiatives on behalf of LASS.

Over the past 6 months, the **Shared Services Working Party** recommended that energy audits be investigated. A stocktake of the energy saving opportunities available in all councils (except

for Hamilton City and Matamata Piako), has now been completed. (Hamilton and Matamata Piako were excluded because they already have energy saving programmes in place, and therefore are not eligible for a subsidy from the Energy Efficiency Conservation Authority – EECA.) Sufficient energy-saving opportunities were identified from the stocktake to justify entering into negotiations with EECA. EECA have recently offered LASS a 3-year Collaboration Agreement, which will bring in \$210,000 in subsidies, subject to the achievement of specific energy-saving milestones. All of the eligible councils, except for Thames Coromandel, have agreed to participate in this programme, which will be considered by the LASS Board in February 2016.

The Shared Services Working Party has also initiated a review of vehicle fleet operations, to assess the feasibility of things like fleet sharing and other strategic opportunities for fleet management.

The primary focus of the **Waikato IT Managers' Working Party** over the past six months has been the development of a GIS Data Portal, which will provide easy, secure access to spatial tools, information and data, and provide a map viewer for the whole of the Waikato region, including a link to Civil Defence and Emergency Management information. The initial datasets will include the historic aerial photos archive, 3-waters pipe networks and District Plan zones, and will be expanded over time. The portal is expected to come on-line early in 2016.

Representatives from the **IT Managers' Working Party** are also involved with the Waikato Regional Aerial Photography Syndicate (WRAPS).

Current projects being led by representatives of the **Procurement Managers' Working Party** include the establishment of a Legal Services Panel and an IT Professional Services Panel (both of these Panels are expected to be in place by 1 July 2016).

Over the past 6 months, two new Working Parties have been established: a **Health and Safety Working Party** and an **Asset Valuation Working Party**.

The purpose of the **Health & Safety Working Party** is to identify issues arising from the new Health and Safety legislation which need to be addressed by the participating councils; to identify areas where Health and Safety policy, procedures and guidelines need to be developed (which are applicable to all of the councils); to develop standard reporting measures for health and safety; to develop draft Health and Safety policies, procedures and guidelines; and to make recommendations to the LASS Board. All of the LASS councils are now represented on the Working Party. The Working Party was responsible for organising training sessions on the new health and safety legislation for elected representatives, chief executives and staff in November 2015. These sessions were well attended and positive feedback was received from the attendees.

The purpose of the **Asset Valuation Working Party** is to collate data on the current asset lives being used by all councils, to enable recommendations to be developed for transitioning to standard or consistent asset lives, and to identify where changes (and possibly reductions) to depreciation rates may be appropriate. Asset condition data has recently been collected for the 3 waters, noting that the collection of roading data is being managed through the RATA project. A standard process map for valuing assets, aimed at reducing the reliance on default values and minimising the use of overly conservative values, to help reduce the risk of over-depreciation, is currently being developed.

A number of other shared services procurement initiatives are currently under investigation and will be reported on in the Annual Report.

## Waikato Mayoral Forum

The Mayoral Forum initially established six working parties to investigate collaborative opportunities in the areas of governance, planning, waters, roading, economic development, and policy and bylaws.

The governance work stream is currently in abeyance. The Waikato Spatial Plan work stream is now known as the Waikato Plan, and is governed by a Joint Committee, which was established in July 2015. The two waters project is now being run by a consortium comprising Hamilton City, Waikato and Waipa District Councils, who are investigating a future delivery model for water services across the three councils.

As noted above, the roading work stream (now called RATA) is proposed for transfer into LASS from 1 July 2016. Finally, the Economic Development work stream has developed a strategy, and implementation of the "Waikato Means Business" plan was devolved to an independent Steering Group in July 2015.

LASS provides administrative support to the Mayoral Forum, and also administers the collective funding for each of these work streams, invoicing each of the participating councils and paying all of the approved invoices for each work stream.

## Service Performance

The **Shared Valuation Data Service (SVDS)** has continued to operate effectively in supplying timely and accurate information and is considered to be operating in a "steady state". No interest has been shown by councils outside the region to join, although preliminary discussions are being held with councils in the South Island West Coast region. The Advisory Group has undertaken a review of the development roadmap and scaled down future planned development. Any further development will require a business case prior to proceeding, which has reduced future costs.

Significant benefits continue to accrue to Councils using the SVDS service, including:

- Competition in the Waikato valuation market, with a resultant improved level of service
- Significantly improved data quality, and a minimum of errors
- Standardisation of information and the removal of processing inefficiencies
- Quicker and more efficient access to data
- Far greater collaboration between the user Local Authorities.

The SVDS Contract Manager and the Advisory Group are to be congratulated on their excellent management of this important operation.

The **Waikato Regional Transport Model (WRTM)** remains fully operational, and has recently been updated to include the latest census data. The WRTM service contract with the Traffic Design Group TDG) was recently publicly tendered, and TDG were again successful in winning the contract. The model continues to be an important input to the development of the Waikato Plan.

With the proposed transition of RATA into LASS from 1 July 2016, management of the WRTM will become RATA's responsibility and the engagement of an external contract manager will no longer be required.

The **Waikato Regional Aerial Photography Service (WRAPS)** became a LASS-managed project in December 2014. The next WRAPS contract is due to be tendered in 2016/17. A working party has been set up to consider the most appropriate technology to be used and the most efficient method for contracting the capture of both rural and the urban imagery.

Discussions are currently being held with other parties to assess their willingness to join the syndicate. The University of Waikato has already signed up to be a funding partner, and both Land Information New Zealand (LINZ) and the NZ Transport Agency (NZTA) have indicated potential interest, which will reduce the cost to the participating councils.

## Performance Measures

The following performance measures were included in the Statement of Intent for the 2015/16 financial year. An update on their status as at 31 December 2015 is shown in the table below.

| TARGET  | METHOD   | MEASURE  | ACTUAL OUTCOME   |
|---|--|--|--|
| <p><b>Procurement</b><br/>Joint procurement initiatives for goods and services for LASS councils will be investigated and implemented.</p>  | <p>Procurement is from sources offering best value, service, continuity of supply, and/or opportunities for integration.</p> | <p>A minimum of three new procurement initiatives investigated per annum and business cases developed if considered appropriate.</p> <p>Initiatives which are implemented shall provide financial savings and/or improved service levels to the participating councils.</p> <p>New suppliers are awarded contracts through a competitive tender process.</p> | <p><b>On Track</b><br/>One new procurement initiative has been implemented (Laboratory Services), and two are currently in progress (a Legal Services Panel and an IT Professional Services Panel).</p> <p><b>Achieved</b><br/>The Laboratory Services contract is expected to save over \$170,000 p.a.</p> <p><b>Achieved</b><br/>The Laboratory Services contract is an extension of an existing Waikato Regional Council contract, which was originally competitively tendered.</p> |
| <p><b>Collaborative Projects</b><br/>Priorities for collaboration are identified, business cases are developed for the highest priority projects, and the projects are implemented.</p> | <p>The focus is on shared services which will benefit all councils.</p>  | <p>A minimum of three priority projects for collaboration are identified per annum.</p>  | <p><b>Achieved</b><br/>Three new collaboration projects are in progress:<br/>EECA Collaboration Agreement;<br/>transfer of the Waikato Building</p>  |

|  |   |   |   |
|--|---|---|---|
|  |   | If considered of value, business cases are developed for approval by the Board, and the projects are implemented.   | Consent group into LASS;<br>the permanent establishment of RATA within LASS.<br><br><b>Achieved</b><br>All three proposals will be subject to approval by resolution of the LASS Board. |
| <b>Existing LASS Contracts</b><br>Existing contracts are managed and renegotiated as required. | Appointed vendors deliver on the terms of their contracts and deliver value to the shareholders.  | The LASS Contracts Register is maintained and managed.<br><br>Contracts which are due for renewal are tested for competitiveness and either renegotiated or tendered through a competitive process.   | <b>Achieved</b><br>The Contracts Register is up-to-date.<br><br><b>Achieved</b><br>The NZ Post contract has been extended for 2 years on the existing terms and conditions.             |
| <b>Cashflow</b><br>The company shall maintain a positive cashflow position.                    | The Financial Accountant reviews cashflow monthly.<br><br>The LASS Board reviews the financial statements quarterly.                                      | Monthly financial statements show a positive cashflow position.   | <b>Achieved</b><br>Reports on the financial position were considered at LASS Board meetings on 21 August and 3 November 2015.   |
| <b>Cost Control</b><br>Administration expenditure shall be managed and monitored.              | The Financial Accountant and Chief Executive review expenditure monthly.<br><br>The LASS Board reviews financial statements quarterly.                    | Administration expenditure shall not exceed budget by more than 5%, unless prior approval is obtained from the Board.   | <b>Achieved</b><br>Administration expenditure showed a positive variance of \$17,970 as at 31 December 2015.  |
| <b>Reporting</b><br>Six monthly reports provided to Shareholders.                              | The Chief Executive prepares a written report for the LASS Board every meeting.<br><br>One 6-monthly and one Annual Report are prepared for shareholders. | The Board shall provide a written report on the business operations and financial position of the LASS to the Shareholders every six months.<br><br>Note that every second report shall be the Annual Report, which includes a report that all of the statutory | <b>Achieved</b><br>Six-monthly report is being provided.<br><br><b>Achieved</b><br>The 2014/15 LASS Annual Report was sent to all   |

|  |  |  |   |
|--|--|--|---|
|  |  | requirements of the LASS are being adhered to.   | shareholders in November 2015.  |
| <p><b>Waikato Mayoral Forum</b><br/>The company shall provide administrative support and updates on Mayoral Forum work streams to the Mayoral Forum.</p> | <p>Mayoral Forum projects shall be managed financially through the LASS.</p> <p>Updates on Mayoral Forum projects shall be co-ordinated by the LASS Chief Executive.</p>   | <p>The Mayoral Forum is regularly updated on the progress of each approved work stream.</p> <p>Approved invoices for Mayoral Forum projects are paid by the 20<sup>th</sup> of the month following their receipt.</p>  | <p><b>Achieved</b><br/>Progress reports were provided to the Mayoral Forum on 7 September and 16 November 2015.</p> <p><b>Achieved</b><br/>All approved invoices were paid by the 20<sup>th</sup> of the month following their receipt.</p>   |
| <p><b>Shared Valuation Data Services (SVDS)</b><br/>The SVDS is reliable, well maintained and available to all users.</p>                                | <p>A Contract Manager is appointed for SVDS.</p> <p>The Contract Manager monitors performance of the contractor and reports quarterly to the SVDS Advisory Group.</p>  | <p>The SVDS is available to users at least 99% of normal working hours.</p> <p>All capital enhancement work is supported by a business case and approved by the SVDS Advisory Group.</p> <p>The SVDS Advisory Group meets at least 6-monthly.</p>                                  | <p><b>Achieved</b><br/>SVDS was available to users for more than 99% of normal working hours.</p> <p><b>Not Applicable</b><br/>There has been no capital enhancement work over the last 6 months.</p> <p><b>Achieved</b><br/>The SVDS Advisory Group met on 6 August and 5 November 2015.</p> |
| <p><b>Waikato Regional Transport Model (WRTM)</b><br/>The WRTM is reliable, well maintained and available to all users.</p>                              | <p>A Contract Manager is appointed for WRTM.</p> <p>Contract Manager monitors performance of the model supplier (currently Traffic Design Group - TDG) and reports quarterly to the WRTM Project Advisory Group.</p> | <p>All modelling reports requested from the model supplier are actioned within the agreed timeframe, scope and budget.</p> <p>A report by the Contract Manager on any new developments and on the status of the model is provided to the LASS Board at least every six months.</p> | <p><b>Achieved</b><br/>All timeframes are being met.</p> <p><b>Achieved</b><br/>A report recommending awarding the WRTM Operations contract to TDG was approved at a Board teleconference</p>   |

|   |  |   |   |
|---|--|---|---|
|   |  | The quality of the base model complies with NZTA guidelines (as set out in the NZTA's Economic Evaluation Manual), and is independently peer reviewed each time the model is updated. | on 4 December 2015<br><br><b>On track</b><br>A peer review is scheduled following the update of the model with the new census data.   |
| <b>Shareholder Survey</b><br>Shareholders are satisfied with the performance of LASS.                                   | An annual survey of shareholders is undertaken to assess satisfaction levels with LASS.  | A survey of shareholders is undertaken each year, and the results are reported to all shareholders.   | <b>On track</b><br>The annual shareholders' survey is scheduled for March 2016.   |
| <b>Review of Benefits</b><br>Shareholders are informed of the benefits being provided to shareholding councils by LASS. | The benefits of LASS (including financial and non-financial achievements) are regularly analysed and reported to shareholders. | Information on the financial and non-financial benefits being achieved by LASS are included in the 6-monthly and Annual Report to shareholders.                                       | <b>Achieved</b><br>A report on the achievements of LASS, titled "Collaboration in Action", was published in August 2015.<br><br>A verbal update to elected members was given by the LASS Chief Executive at a special Mayoral Forum meeting at Karapiro on 16 November 2015.<br><br>Further information on the LASS work programme and achievements are contained in this report. |

## LASS Financial Position

Expenditure for the LASS Company has been assessed on the basis of the direct cost of management and the Directors' governance role. The Directors have directed that these costs be kept to a minimum.

The LASS Company expenditure for this period was \$1,153,731 against a budget of \$1,199,525. The variance was largely due to under-expenditure in the Company Administration and Waikato Regional Transport Model cost centres.

Revenue was above budget at \$1,410,866 compared to a budget of \$1,362,824. The additional revenue was a result of unbudgeted income received for SVDS data and software sales, revenue in advance for the WRAPs project (which will not take place until 2016/17), and higher interest income.

Overall, revenue was higher than expenditure by \$257,134 against a budget of revenue exceeding expenditure by \$163,299. The timing of the Mayoral Forum project costs was the main contributor.

The combined service costs are shown in the attached financial statements in Appendix 1. The financial statements meet the LASS policies as stated in Appendix 2, as well as complying with the generally accepted international accounting principles.

### Outcome of 2014 Audit

Audit New Zealand issued an unmodified audit opinion on 21 August 2015. No recommendations were made.

## SVDS Financial Position

The full year forecast currently predicts an out-turn of \$23,077 favourable against the budget. Consideration will be given to reducing the fourth quarter member charges to offset the forecast cash surplus, but this decision will be made closer to the end of the financial year.

The operating costs for SVDS were \$284,637 against a year-to-date budget of \$283,897. Revenue gained from the external sale of data during this period was \$124,113 against a budgeted income of \$96,000.

There were no enhancements to SVDS over this period.

## WRTM Financial Position

The net operating deficit as at 31 December was \$26,132. The depreciation charge for this six month period was \$164,061. Income was primarily from shareholder cost recovery of \$86,242.

Forecasted expenditure is currently \$34,356 above budget due to higher costs than budgeted for the re-tendering of the WRTM Operations contract and anticipated higher costs than budgeted for the Future Land Use investigations. These additional costs either will be or have been approved by the WRTM Advisory Group. It is expected that all budgeted expenditure will be recovered from shareholders.

## Directors

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

| Director          | Position   | Director Appointed By              |
|-------------------|--|------------------------------------|
| Gavin Ion (Chair) | Chief Executive, Waikato District Council                | Waikato District Council           |
| Geoff Williams    | Chief Executive, Rotorua District Council                | Rotorua District Council           |
| Chris Ryan        | Chief Executive Officer, Waitomo District Council        | Waitomo District Council           |
| Vaughan Payne     | Chief Executive, Waikato Regional Council                | Waikato Regional Council           |
| Langley Cavers    | Chief Executive, Hauraki District Council                | Hauraki District Council           |
| Richard Briggs    | Chief Executive(s), Hamilton City Council                | Hamilton City Council              |
| David Hammond     | Chief Executive, Thames-Coromandel District Council      | Thames-Coromandel District Council |
| Garry Dyet        | Chief Executive, Waipa District Council                  | Waipa District Council             |
| Don McLeod        | Chief Executive Officer, Matamata-Piako District Council | Matamata-Piako District Council    |
| Craig Hobbs       | Chief Executive, South Waikato District Council          | South Waikato District Council     |
| Rob Williams      | Chief Executive Officer, Taupo District Council          | Taupo District Council             |
| Dave Clibbery     | Chief Executive Officer, Otorohanga District Council     | Otorohanga District Council        |

## Appendix 1

Company Summary  
Local Authority Shared Services Ltd  
Management Accounts for the Period Ended 31 December 2015

|   | Notes | Actual YTD       | Year to Date<br>Budget | Variance       | Budget           | Full Year<br>Forecast | Last Year        |
|---|-------|------------------|------------------------|----------------|------------------|-----------------------|------------------|
| <b>Income</b>   |       |                  |                        |                |                  |                       |                  |
| Company Administration Member Charges   |       | 169,550          | 169,550                | 0              | 169,550          | 169,550               | 87,146           |
| Recovery of Admin Costs   |       | 31,343           | 31,343                 | (0)            | 62,686           | 62,686                | 44,405           |
| SVDS Member Charges   |       | 217,719          | 217,720                | (1)            | 290,293          | 290,293               | 429,777          |
| SVDS Data & Software Sales  |       | 124,113          | 96,000                 | 28,113         | 192,000          | 223,670               | 191,426          |
| TA Valuation Services Recovery  |       | 78,500           | 78,500                 | 0              | 78,500           | 78,500                | 0                |
| SVDS Enhancement Recovery   |       | 0                | 0                      | 0              | 10,000           | 10,000                | 0                |
| WRM Member Charges  |       | 86,242           | 85,000                 | 1,242          | 128,143          | 150,682               | 206,781          |
| WRM External Users Recovery   |       | 8,028            | 8,000                  | 28             | 12,000           | 12,000                | 3,390            |
| Mayoral Forum Funding   |       | 372,809          | 372,809                | 0              | 1,051,245        | 1,064,773             | 535,866          |
| N3 Membership Fee Recovery  |       | 0                | 0                      | 0              | 18,000           | 18,000                | 18,000           |
| Value Financials Fee Recovery   |       | 0                | 0                      | 0              | 46,750           | 46,750                | 36,894           |
| Insurance Brokerage Fee Recovery  |       | 147,500          | 147,500                | 0              | 147,500          | 147,500               | 147,500          |
| Infometrics Fee Recovery  |       | 62,400           | 62,400                 | 0              | 70,400           | 62,400                | 70,400           |
| Asset Valuation Services  |       | 0                | 0                      | 0              | 0                | 0                     | 0                |
| Energy Management   |       | 16,000           | 16,000                 | 0              | 16,000           | 16,000                | 0                |
| Health and Safety Working Party   |       | 0                | 0                      | 0              | 0                | 0                     | 0                |
| Health and Safety Training  |       | 7805             | 0                      | 7805           | 0                | 11680                 | 0                |
| IT Initiatives - GIS Shared Portal  |       | 0                | 0                      | 0              | 22,334           | 22,334                | 0                |
| LG Collaboration Portal   |       | 0                | 0                      | 0              | 0                | 0                     | 0                |
| WRAPS Recovery  |       | 4,000            | 0                      | 4,000          | 0                | 4,000                 | 0                |
| Historical Aerial Photos Recovery   |       | 77,000           | 77,000                 | 0              | 77,000           | 77,000                | 0                |
| Debt Management Solutions Recovery  |       | 0                | 0                      | 0              | 0                | 0                     | 7,880            |
| SISP Funding  |       | 0                | 0                      | 0              | 0                | 0                     | 0                |
| Professional Services Panel Funding   |       | 0                | 0                      | 0              | 0                | 0                     | 0                |
| Interest Received   |       | 7,857            | 1,002                  | 6,855          | 2,000            | 8,500                 | 16,612           |
| <b>Total Income</b>   |       | <b>1,410,866</b> | <b>1,362,824</b>       | <b>48,042</b>  | <b>2,394,401</b> | <b>2,476,318</b>      | <b>1,796,077</b> |
| <b>Operating Expenditure</b>  |       |                  |                        |                |                  |                       |                  |
| Company Admin Operating Expenditure   |       | 91,370           | 109,340                | 17,970         | 233,736          | 228,796               | 197,516          |
| SVDS Operating Expenditure  |       | 284,637          | 283,897                | (741)          | 561,293          | 566,243               | 665,551          |
| WRM Operating Expenditure   |       | 120,402          | 157,580                | 37,178         | 186,773          | 221,129               | 202,528          |
| MF Operating Expenditure  |       | 372,809          | 372,809                | 0              | 1,051,245        | 1,064,773             | 535,866          |
| Procurement Operating Expenditure   |       | 283,705          | 275,900                | (7,805)        | 375,650          | 384,330               | 280,674          |
| SISP Operating Expenditure  |       | 808              | 0                      | (808)          | 33,600           | 34,115                | 947              |
| PSP Operating Expenditure   |       | 0                | 0                      | 0              | 0                | 0                     | 2,767            |
| <b>Total Operating Expenditure</b>  |       | <b>1,153,731</b> | <b>1,199,525</b>       | <b>45,794</b>  | <b>2,442,297</b> | <b>2,499,386</b>      | <b>1,885,849</b> |
| <b>Earnings before interest, tax and depreciation/<br/>amortisation (EBITA)</b> |       | <b>257,134</b>   | <b>163,299</b>         | <b>93,836</b>  | <b>(47,896)</b>  | <b>(23,069)</b>       | <b>(89,773)</b>  |
| <b>Non-Cash Operating Expenditure</b>   |       |                  |                        |                |                  |                       |                  |
| Company Admin Non-Cash Expenditure  |       | 85               | 86                     | 1              | 171              | 171                   | 171              |
| SVDS Non-Cash Expenditure   |       | 45,607           | 54,850                 | 9,243          | 109,699          | 109,699               | 91,236           |
| WRM Non-Cash Expenditure  |       | 164,061          | 164,061                | 1              | 328,122          | 328,122               | 328,122          |
| <b>Total Non-Cash Operating Expenditure</b>                                     |       | <b>209,753</b>   | <b>218,996</b>         | <b>9,244</b>   | <b>437,992</b>   | <b>437,992</b>        | <b>419,529</b>   |
| <b>Earnings before interest and tax</b>   |       | <b>47,381</b>    | <b>(55,697)</b>        | <b>103,079</b> | <b>(485,888)</b> | <b>(461,061)</b>      | <b>(509,302)</b> |
| <b>Net Surplus (Deficit) before tax</b>   |       | <b>47,381</b>    | <b>(55,697)</b>        | <b>103,079</b> | <b>(485,888)</b> | <b>(461,061)</b>      | <b>(509,302)</b> |
| CA Net Surplus (Deficit) before tax   |       | 117,295          | 92,218                 | 25,077         | (171)            | 11,769                | (50,976)         |
| SVDS Net Surplus (Deficit) before tax   |       | 90,087           | 53,726                 | 36,361         | (99,699)         | (73,480)              | (134,937)        |
| WRM Net Surplus (Deficit) before tax  |       | (190,193)        | (228,641)              | 38,448         | (374,752)        | (386,569)             | (319,675)        |
| MF Net Surplus (Deficit) before tax   |       | 0                | 0                      | 0              | 0                | 0                     | 0                |
| Procurement Net Surplus (Deficit) before tax                                    |       | 31,000           | 27,000                 | 4,000          | 0                | (1,000)               | 0                |
| SISP Net Surplus (Deficit) before tax   |       | (808)            | 0                      | (808)          | (11,266)         | (11,781)              | (947)            |
| PSP Net Surplus (Deficit) before tax  |       | 0                | 0                      | 0              | 0                | 0                     | (2,767)          |
| <b>Net Surplus (Deficit) before tax</b>   |       | <b>47,381</b>    | <b>(55,698)</b>        | <b>103,079</b> | <b>(485,888)</b> | <b>(461,061)</b>      | <b>(509,302)</b> |
| <b>Capital Expenditure</b>  |       |                  |                        |                |                  |                       |                  |
| SVDS Enhancements   |       | 0                | 0                      | 0              | 10,000           | 10,000                | 9,441            |
| <b>Total Cash Expenditure (Opex, Interest &amp; Capital)</b>                    |       | <b>0</b>         | <b>0</b>               | <b>0</b>       | <b>10,000</b>    | <b>10,000</b>         | <b>9,441</b>     |

**Local Authority Shared Services Ltd**  
**Management Accounts for the Period Ended 31 December 2015**  
**Company Admin**

|   | Notes | Year to Date   |                |               | Full Year      |                |                 |
|---|-------|----------------|----------------|---------------|----------------|----------------|-----------------|
|   |       | Actual YTD     | Budget         | Variance      | Budget         | Forecast       | Last Year       |
| <b>Income</b>   |       |                |                |               |                |                |                 |
| Company Administration Member Charges                                       |       | 169,550        | 169,550        | 0             | 169,550        | 169,550        | 87,146          |
| Recovery of Admin Costs   |       | 31,343         | 31,343         | (0)           | 62,686         | 62,686         | 44,405          |
| Interest Received CA  | 1     | 7,857          | 750            | 7,107         | 1,500          | 8,500          | 15,161          |
| <b>Total Income</b>   |       | <b>208,750</b> | <b>201,643</b> | <b>7,107</b>  | <b>233,736</b> | <b>240,736</b> | <b>146,712</b>  |
| <b>Expenses</b>   |       |                |                |               |                |                |                 |
| Accounting/ Financial Services  |       | 13,338         | 13,750         | 412           | 27,500         | 27,500         | 22,673          |
| External Accounting/ Financial Services                                     | 2     | 3,342          | 2,000          | (1,342)       | 4,000          | 5,000          | 3,345           |
| Audit Fees  |       | 0              | 0              | 0             | 15,349         | 15,349         | 15,145          |
| IT Services   |       | 0              | 92             | 92            | 92             | 92             | 128             |
| Recruitment Fees  |       | 0              | 0              | 0             | 0              | 0              | 277             |
| Professional Fees   |       | 0              | 0              | 0             | 0              | 0              | 1,722           |
| Bank Charges  |       | 199            | 140            | (59)          | 280            | 320            | 329             |
| Legal Fees  |       | 126            | 1,250          | 1,124         | 2,500          | 2,500          | 0               |
| Value Financials Licence Fee  |       | 0              | 0              | 0             | 2,600          | 2,600          | 2,310           |
| Sundry Expenses   |       | 765            | 600            | (165)         | 1,200          | 1,400          | 1,163           |
| Insurance   |       | 2,535          | 2,800          | 265           | 2,800          | 2,535          | 2,525           |
| Shared Services Contractors   |       | 63,991         | 78,000         | 14,009        | 156,000        | 156,000        | 132,040         |
| Secretarial Services  |       | 1,971          | 5,708          | 3,737         | 11,415         | 5,500          | 4,457           |
| Mileage Costs   |       | 5,103          | 5,000          | (103)         | 10,000         | 10,000         | 9,978           |
| Write Offs  |       | 0              | 0              | 0             | 0              | 0              | 1,424           |
| <b>Total Expenses</b>   |       | <b>91,370</b>  | <b>109,340</b> | <b>17,970</b> | <b>233,736</b> | <b>228,796</b> | <b>197,516</b>  |
| <b>Earnings before interest, tax and depreciation/ amortisation (EBITA)</b> |       | <b>117,380</b> | <b>92,304</b>  | <b>25,076</b> | <b>0</b>       | <b>11,940</b>  | <b>(50,805)</b> |
| <b>Non-Cash Expenses</b>  |       |                |                |               |                |                |                 |
| Depreciation  |       | 85             | 86             | (1)           | 171            | 171            | 171             |
| <b>Earnings before interest and tax</b>                                     |       | <b>117,295</b> | <b>92,218</b>  | <b>25,077</b> | <b>(171)</b>   | <b>11,769</b>  | <b>(50,976)</b> |
| <b>Net Surplus (Deficit) before tax</b>                                     |       | <b>117,295</b> | <b>92,218</b>  | <b>25,077</b> | <b>(171)</b>   | <b>11,769</b>  | <b>(50,976)</b> |
| <b>Cash Surplus</b>   |       |                |                |               |                |                |                 |
| Opening Balance   |       | 31,600         | 0              | 31,600        | 0              | 31,600         | 82,404          |
| plus /(less) transfers  | 3     | (7,767)        | 0              | (7,767)       | 0              | (7,767)        | 0               |
| Movement for year   |       | 117,380        | 92,304         | 25,077        | 0              | 11,940         | (50,805)        |
| Cash Surplus / (Deficit)  |       | 141,213        | 92,304         | 48,909        | 0              | 35,773         | 31,600          |

**Notes**

- 1) Interest received from revenue received in advance for the Mayoral Forum projects is used to offset administrative costs incurred.
- 2) External tax services are higher than budgeted due to additional work needed to be done on tax note for 2014/15 Annual Report due to Audit NZ requests.
- 3) Prior year surplus used to offset \$2,767 for Professional Services Panel deficit, and \$5,000 to fund Health & Safety working party projects.

**Local Authority Shared Services Ltd**  
**Management Accounts for the Period Ended 31 December 2015**  
**Shared Valuation Data Service (SVDS)**

|   | Notes | Year to Date   |                |               | Full Year       |                 |                  |
|---|-------|----------------|----------------|---------------|-----------------|-----------------|------------------|
|   |       | Actual YTD     | Budget         | Variance      | Budget          | Forecast        | Last Year        |
| <b>Income</b>   |       |                |                |               |                 |                 |                  |
| SVDS Member Charges   |       | 217,718        | 217,720        | (2)           | 290,293         | 290,293         | 429,777          |
| TA Valuation Services Recovery  |       | 78,500         | 78,500         | 0             | 78,500          | 78,500          | 0                |
| SVDS Enhancements Recovery  |       | 0              | 0              | 0             | 10,000          | 10,000          | 0                |
| SVDS Data & Software Sales  | 1     | 124,113        | 96,000         | 28,113        | 192,000         | 223,670         | 191,426          |
| Interest Received - SVDS  |       | 0              | 252            | (252)         | 500             | 0               | 647              |
| <b>Total Income</b>   |       | <b>420,331</b> | <b>392,472</b> | <b>27,859</b> | <b>571,293</b>  | <b>602,463</b>  | <b>621,850</b>   |
| <b>Expenses</b>   |       |                |                |               |                 |                 |                  |
| Hosting Contract  |       | 23,880         | 24,600         | 720           | 49,200          | 47,760          | 59,497           |
| Software Contract   | 2     | 51,750         | 47,500         | (4,250)       | 95,000          | 103,500         | 145,684          |
| Management Services   |       | 139,532        | 140,750        | 1,218         | 276,500         | 276,033         | 371,617          |
| TA Valuation Services   |       | 38,500         | 39,250         | 750           | 78,500          | 77,000          | 0                |
| Contract Management Services  |       | 10,988         | 8,000          | (2,988)       | 16,000          | 16,000          | 30,431           |
| Software Support Contingency  |       | 0              | 3,125          | 3,125         | 6,250           | 6,250           | 0                |
| Secretarial Services  |       | 1,924          | 1,500          | (424)         | 3,000           | 3,000           | 2,100            |
| SVDS Review   |       | 0              | 0              | 0             | 0               | 0               | 13,837           |
| Insurance   |       | 1,357          | 1,500          | 143           | 1,500           | 1,357           | 1,357            |
| Legal Fees  |       | 1,034          | 2,000          | 966           | 4,000           | 4,000           | 18,762           |
| Other Expenses  |       | 0              | 0              | 0             | 0               | 0               | 63               |
| Oncharge of LASS Admin Costs  |       | 15,672         | 15,672         | (1)           | 31,343          | 31,343          | 22,203           |
| <b>Total Expenses</b>   |       | <b>284,637</b> | <b>283,897</b> | <b>(741)</b>  | <b>561,293</b>  | <b>566,243</b>  | <b>665,551</b>   |
| <b>Earnings before interest, tax and depreciation/ amortisation (EBITA)</b> |       | <b>135,694</b> | <b>108,575</b> | <b>27,119</b> | <b>10,000</b>   | <b>36,219</b>   | <b>(43,701)</b>  |
| <b>Non-Cash Expenses</b>  |       |                |                |               |                 |                 |                  |
| Depreciation  | 3     | 45,607         | 54,850         | 9,243         | 109,699         | 109,699         | 91,236           |
| Earnings before interest and tax  |       | 90,087         | 53,726         | 36,361        | (99,699)        | (73,480)        | (134,937)        |
| <b>Net Surplus (Deficit) before tax</b>                                     |       | <b>90,087</b>  | <b>53,726</b>  | <b>36,361</b> | <b>(99,699)</b> | <b>(73,480)</b> | <b>(134,937)</b> |
| <b>Capital Expenditure</b>  |       |                |                |               |                 |                 |                  |
| SVDS Enhancements   |       | 0              | 0              | 0             | 10,000          | 10,000          | 9,441            |
| <b>Total Cash Expenditure (Opex, Interest &amp; Capital)</b>                |       | <b>284,637</b> | <b>283,897</b> | <b>(741)</b>  | <b>571,293</b>  | <b>576,243</b>  | <b>674,992</b>   |
| <b>Cash Surplus</b>   |       |                |                |               |                 |                 |                  |
| Opening Balance   | 4     | (3,142)        | 0              | (3,142)       | 0               | (3,142)         | 50,000           |
| plus /(less) transfers  |       | 0              | 0              | 0             | 0               | 0               | 0                |
| Movement for year   |       | 135,694        | 108,575        | 27,119        | 0               | 26,219          | (53,142)         |
| Cash Surplus / (Deficit)  |       | 132,552        | 108,575        | 23,977        | 0               | 23,077          | (3,142)          |

**Notes**

- 1) Data and Software Sales are higher due to higher revenue than budgeted to be received from Corelogic.
- 2) Slightly higher than budgeted due to actual contract coming in higher than budgeted.
- 3) Depreciation is forecasted to be lower than budget due to a lower value of enhancements than budgeted being made to the asset in 2014/15.
- 4) Prior year cash deficit of \$3,142 due to miscalculation of forecasted savings in management services contract remitted back to members. To be offset by forecasted surplus.

**Local Authority Shared Services Ltd**  
**Management Accounts for the Period Ended 31 December 2015**  
**Waikato Regional Transport Model (WRTM)**

|   | Notes | Year to Date     |                  |                | Full Year        |                  | Last Year<br>2014/15 |
|---|-------|------------------|------------------|----------------|------------------|------------------|----------------------|
|   |       | Actual YTD       | Budget           | Variance       | Budget           | Forecast         |                      |
| <b>Income</b>   |       |                  |                  |                |                  |                  |                      |
| WRTM Member Charges   | 1     | 86,242           | 85,000           | 1,242          | 128,143          | 150,682          | 206,781              |
| WRTM External Users Recovery  |       | 8,028            | 8,000            | 28             | 12,000           | 12,000           | 3,390                |
| Interest Received - WRTM  |       | 0                | 0                | 0              | 0                | 0                | 804                  |
| <b>Total Income</b>   |       | <b>94,270</b>    | <b>93,000</b>    | <b>1,270</b>   | <b>140,143</b>   | <b>162,682</b>   | <b>210,975</b>       |
| <b>Expenses</b>   |       |                  |                  |                |                  |                  |                      |
| WRTM Project Manager  |       | 7,500            | 9,000            | 1,500          | 18,000           | 18,000           | 18,000               |
| Minor Model Upgrades  |       | 16,187           | 16,000           | (187)          | 30,000           | 30,000           | 17,262               |
| Peer Review   |       | 276              | 2,083            | 1,807          | 5,000            | 5,000            | 0                    |
| Annual Scheduling of Works Review   |       | 0                | 1,875            | 1,875          | 4,500            | 4,500            | 0                    |
| External User Costs   |       | 6,690            | 7,000            | 310            | 10,000           | 10,000           | 2,825                |
| Census Update   | 1     | 8,662            | 8,000            | (662)          | 14,959           | 25,408           | 98,456               |
| Future Land Use Client Input  | 2     | 27,983           | 28,000           | 18             | 43,000           | 59,150           | 29,790               |
| Tendering for WRTM Contract   | 3     | 19,570           | 13,671           | (5,899)        | 13,671           | 19,865           | 12,635               |
| WRTM Base Model Testing   |       | 16,506           | 15,000           | (1,506)        | 15,000           | 16,506           | 0                    |
| Insurance   |       | 1,357            | 1,300            | (57)           | 1,300            | 1,357            | 1,357                |
| Oncharge of LASS Admin Costs  |       | 15,672           | 15,672           | (1)            | 31,343           | 31,343           | 22,203               |
| <b>Total Expenses</b>   |       | <b>120,402</b>   | <b>157,580</b>   | <b>(2,802)</b> | <b>186,773</b>   | <b>221,129</b>   | <b>202,528</b>       |
| <b>Earnings before interest, tax and depreciation/<br/>amortisation (EBITA)</b> |       | <b>(26,132)</b>  | <b>(64,580)</b>  | <b>(1,532)</b> | <b>(46,630)</b>  | <b>(58,447)</b>  | <b>8,447</b>         |
| <b>Non-Cash Expenses</b>  |       |                  |                  |                |                  |                  |                      |
| Depreciation  |       | 164,061          | 164,061          | 0              | 328,122          | 328,122          | 328,122              |
| Earnings before interest and tax  |       | (190,193)        | (228,641)        | (1,532)        | (374,752)        | (386,569)        | (319,675)            |
| <b>Net Surplus (Deficit) before tax</b>   |       | <b>(190,193)</b> | <b>(228,641)</b> | <b>(1,532)</b> | <b>(374,752)</b> | <b>(386,569)</b> | <b>(319,675)</b>     |
| <b>Cash Surplus</b>   |       |                  |                  |                |                  |                  |                      |
| Opening Balance   |       | 58,447           | 0                | 58,447         | 46,630           | 58,447           | 50,000               |
| plus /(less) transfers  |       | 0                | 0                | 0              | 0                | 0                | 0                    |
| Movement for year   |       | (26,132)         | (6,917)          | (19,215)       | (46,630)         | (58,447)         | 8,447                |
| Cash Surplus / (Deficit)  |       | 32,314           | (6,917)          | 39,231         | 0                | (0)              | 58,447               |

**Notes**

- 1) Additional costs incurred as approved by the WRTM advisory group
- 2) Additional costs incurred as approved by the WRTM advisory group
- 3) Additional costs incurred as approved by the WRTM advisory group

**Local Authority Shared Services Ltd**  
**Management Accounts for the Period Ended 31 December 2015**  
**Waikato Mayoral Forum**

|   | Notes | Year to Date   |                |          | Budget           | Full Year        |                | Project to date  |
|---|-------|----------------|----------------|----------|------------------|------------------|----------------|------------------|
|   |       | Actual YTD     | Budget         | Variance |                  | Forecast         | Last Year      |                  |
| <b>Income</b>   |       |                |                |          |                  |                  |                |                  |
| Governance  |       | 0              | 0              | 0        | 0                | 0                | (570)          | 7,430            |
| Spatial Plan  |       | 0              | 0              | 0        | 319,000          | 319,000          | 560,953        | 1,196,239        |
| Economic Development  |       | 0              | 0              | 0        | 0                | 0                | 7,636          | 200,869          |
| Waters  |       | 0              | 0              | 0        | 0                | 0                | (12,917)       | 232,440          |
| Roading (RATA)  |       | 203,458        | 203,458        | 0        | 611,245          | 611,245          | 767,820        | 1,070,458        |
| Policy & Bylaws   |       | -              | -              | -        | -                | -                | 66,000         | 86,000           |
| Regional Infrastructure Tech. Specs.  |       | 0              | 0              | 0        | 100,000          | 100,000          | -              | 0                |
| Policy & Bylaws   |       | 10,000         | 10,000         | 0        | 7,000            | 10,000           | -              | 10,000           |
| Section 17a Review  |       | 14,000         | 14,000         | 0        | 7,000            | 14,000           | -              | 14,000           |
| Administration Costs  |       | 0              | 0              | 0        | 7,000            | 7,000            | 348            | 5,348            |
| Revenue   |       | 227,458        | 227,458        | 0        | 1,051,245        | 1,061,245        | 1,389,270      | 2,822,784        |
| Less Revenue in Advance   | 1     | 145,351        | 145,351        | 0        | 0                | 3,528            | (493,703)      | (826,561)        |
| <b>Total Income</b>   |       | <b>372,809</b> | <b>372,809</b> | <b>0</b> | <b>1,051,245</b> | <b>1,064,773</b> | <b>895,567</b> | <b>1,996,223</b> |
| <b>Expenses</b>   |       |                |                |          |                  |                  |                |                  |
| Governance  |       | 0              | 0              | 0        | 0                | 0                | 0              | 7,430            |
| Spatial Plan  |       | 219,580        | 219,580        | 0        | 319,000          | 319,000          | 297,011        | 735,770          |
| Economic Development  |       | 0              | 0              | 0        | 0                | 0                | 29,020         | 200,869          |
| Waters  |       | 0              | 0              | 0        | 0                | 0                | 0              | 232,440          |
| Roading (RATA)  |       | 131,163        | 131,163        | 0        | 611,245          | 611,245          | 565,897        | 770,048          |
| Policy & Bylaws   |       | -              | -              | -        | -                | -                | -              | -                |
| Regional Infrastructure Tech. Specs.  |       | 0              | 0              | 0        | 100,000          | 100,000          | -              | 0                |
| Policy & Bylaws   |       | 13,528         | 13,528         | 0        | 7,000            | 13,528           | 3,291          | 36,685           |
| Section 17a Review  |       | 6,000          | 6,000          | 0        | 7,000            | 14,000           | -              | 6,000            |
| Administration Costs  |       | 2,538          | 2,538          | 0        | 7,000            | 7,000            | 348            | 6,981            |
| <b>Total Expenses</b>   |       | <b>372,809</b> | <b>372,809</b> | <b>0</b> | <b>1,051,245</b> | <b>1,064,773</b> | <b>895,567</b> | <b>1,996,223</b> |
| <b>Earnings before interest, tax and depreciation/ amortisation (EBITA)</b> |       | <b>0</b>       | <b>0</b>       | <b>0</b> | <b>0</b>         | <b>0</b>         | <b>0</b>       | <b>0</b>         |
| Earnings before interest and tax  |       | 0              | 0              | 0        | 0                | 0                | 0              | 0                |
| <b>Net Surplus (Deficit) before tax</b>                                     |       | <b>0</b>       | <b>0</b>       | <b>0</b> | <b>0</b>         | <b>0</b>         | <b>0</b>       | <b>0</b>         |

## Notes

1) The split of the balance of \$826,561 of revenue in advance for individual projects is:

|                              | Admin          | Spatial Plan   | RATA           | Bylaws        | Waters   | Economic Development | Governance | Total          |
|------------------------------|----------------|----------------|----------------|---------------|----------|----------------------|------------|----------------|
| Revenue                      | 5,348          | 1,196,239      | 1,070,458      | 110,000       | 232,440  | 200,869              | 7,430      | 2,822,784      |
| Expenditure                  | 6,981          | 735,770        | 770,048        | 42,685        | 232,440  | 200,869              | 7,430      | 1,996,223      |
| <b>Total Available Funds</b> | <b>(1,633)</b> | <b>460,469</b> | <b>300,410</b> | <b>67,315</b> | <b>0</b> | <b>0</b>             | <b>0</b>   | <b>826,561</b> |

**Local Authority Shared Services Ltd**  
**Management Accounts for the Period Ended 31 December 2015**  
**Procurement of Shared Services**

|   | Notes | Year to Date   |                |                | Full Year      |                |                |
|---|-------|----------------|----------------|----------------|----------------|----------------|----------------|
|   |       | Actual YTD     | Budget         | Variance       | Budget         | Forecast       | Last Year      |
| <b>Income</b>   |       |                |                |                |                |                |                |
| N3 Membership Fee Recovery  |       | 0              | 0              | 0              | 18,000         | 18,000         | 18,000         |
| Value Financials Fee Recovery   |       | 0              | 0              | 0              | 46,750         | 46,750         | 36,894         |
| Insurance Brokerage Fee Recovery  |       | 147,500        | 147,500        | 0              | 147,500        | 147,500        | 147,500        |
| Infometrics Fee Recovery  |       | 62,400         | 62,400         | 0              | 70,400         | 62,400         | 70,400         |
| Asset Valuation Services  |       | 0              | 0              | 0              | 0              | 0              | 0              |
| Energy Management   |       | 16,000         | 16,000         | 0              | 16,000         | 16,000         | 0              |
| Health and Safety Working Party   |       | 0              | 0              | 0              | 0              | 0              | 0              |
| Health and Safety Training  | 1     | 7,805          | 0              | 7,805          | 0              | 11,680         | 0              |
| WRAPS Recovery  | 2     | 4,000          | 0              | 4,000          | 0              | 4,000          | 0              |
| Historical Aerial Photos Recovery   |       | 77,000         | 77,000         | 0              | 77,000         | 77,000         | 0              |
| Debt Management Solutions Recovery  |       | 0              | 0              | 0              | 0              | 0              | 7,880          |
| <b>Total Income</b>   |       | <b>314,705</b> | <b>302,900</b> | <b>11,805</b>  | <b>375,650</b> | <b>383,330</b> | <b>280,674</b> |
| <b>Expenses</b>   |       |                |                |                |                |                |                |
| N3 Membership Fee   |       | 0              | 0              | 0              | 18,000         | 18,000         | 18,000         |
| Value Financial Fees  |       | 0              | 0              | 0              | 46,750         | 46,750         | 36,894         |
| Insurance Brokerage Fee Payable   |       | 147,500        | 147,500        | 0              | 147,500        | 147,500        | 147,500        |
| Infometrics   |       | 62,400         | 62,400         | 0              | 70,400         | 62,400         | 70,400         |
| Asset Valuation Services  |       | 0              | 0              | 0              | 0              | 0              | 0              |
| Energy Management   |       | 16,000         | 16,000         | 0              | 16,000         | 16,000         | 0              |
| Health and Safety Working Party   |       | 0              | 0              | 0              | 0              | 5,000          | 0              |
| Health and Safety Training  | 1     | 7,805          | 0              | (7,805)        | 0              | 11,680         | 0              |
| WRAPS Recovery  |       | 0              | 0              | 0              | 0              | 0              | 0              |
| Historical Aerial Photos  |       | 50,000         | 50,000         | 0              | 77,000         | 77,000         | 0              |
| Debt Management Solutions   |       | 0              | 0              | 0              | 0              | 0              | 7,880          |
| <b>Total Expenses</b>   |       | <b>283,705</b> | <b>275,900</b> | <b>(7,805)</b> | <b>375,650</b> | <b>384,330</b> | <b>280,674</b> |
| <b>Earnings before interest, tax and depreciation/<br/>amortisation (EBITA)</b> |       | <b>31,000</b>  | <b>27,000</b>  | <b>4,000</b>   | <b>0</b>       | <b>(1,000)</b> | <b>0</b>       |
| <b>Earnings before interest and tax</b>   |       | <b>31,000</b>  | <b>27,000</b>  | <b>4,000</b>   | <b>0</b>       | <b>(1,000)</b> | <b>0</b>       |
| <b>Net Surplus (Deficit) before tax</b>   |       | <b>31,000</b>  | <b>27,000</b>  | <b>4,000</b>   | <b>0</b>       | <b>(1,000)</b> | <b>0</b>       |
| <b>Cash Surplus</b>   |       |                |                |                |                |                |                |
| Opening Balance   |       | 0              | 0              | 0              | 0              | 0              | 0              |
| plus/(less) transfers   | 3     | 5,000          | 0              | 5,000          | 0              | 5,000          | 0              |
| Movement for year   |       | 31,000         | 27,000         | 4,000          | 0              | (1,000)        | 0              |
| Cash Surplus / (Deficit)  |       | 36,000         | 27,000         | 9,000          | 0              | 4,000          | 0              |

**Notes**

- 1) Not previously budgeted as training was decided in September 2015. Cost recovery from all Councils
- 2) Revenue in advance received from University of Waikato
- 3) Surplus from Company Administration to be allocated to the Health and Safety Working Party for projects

**Local Authority Shared Services Ltd**  
**Management Accounts for the Period Ended 31 December 2015**  
**Information Technology**

|   | Notes | Actual YTD   | Year to Date<br>Budget | Variance     | Budget          | Full Year<br>Forecast | Last Year    |
|---|-------|--------------|------------------------|--------------|-----------------|-----------------------|--------------|
| <b>Income</b>   |       |              |                        |              |                 |                       |              |
| SISP Funding  |       | 0            | 0                      | 0            | 0               | 0                     | 0            |
| LG Collaboration Portal   |       | 0            | 0                      | 0            | 0               | 0                     | 0            |
| IT Initiatives - GIS Shared Portal  |       | 0            | 0                      | 0            | 22,334          | 22,334                | 0            |
| <b>Total Income</b>   |       | <b>0</b>     | <b>0</b>               | <b>0</b>     | <b>22,334</b>   | <b>22,334</b>         | <b>0</b>     |
| <b>Expenses</b>   |       |              |                        |              |                 |                       |              |
| SISP Consultancy Services   |       | 0            | 0                      | 0            | 0               | 0                     | 0            |
| LG Collaboration Portal   |       | 0            | 0                      | 0            | 0               | 0                     | 0            |
| IT Initiatives - GIS Shared Portal  | 1     | 293          | 0                      | (293)        | 33,600          | 33,600                | 0            |
| Meeting Expenses  |       | 515          | 0                      | (515)        | 0               | 515                   | 947          |
| Printing and Stationery   |       | 0            | 0                      | 0            | 0               | 0                     | 0            |
| <b>Total Expenses</b>   |       | <b>808</b>   | <b>0</b>               | <b>(808)</b> | <b>33,600</b>   | <b>34,115</b>         | <b>947</b>   |
| <b>Earnings before interest, tax and depreciation/<br/>amortisation (EBITA)</b> | 2     | <b>(808)</b> | <b>0</b>               | <b>(808)</b> | <b>(11,266)</b> | <b>(11,781)</b>       | <b>(947)</b> |
| Earnings before interest and tax  |       | (808)        | 0                      | (808)        | (11,266)        | (11,781)              | (947)        |
| <b>Net Surplus (Deficit) before tax</b>   |       | <b>(808)</b> | <b>0</b>               | <b>(808)</b> | <b>(11,266)</b> | <b>(11,781)</b>       | <b>(947)</b> |
| <b>Cash Surplus</b>   |       |              |                        |              |                 |                       |              |
| Opening Balance   | 2     | 11,519       | 11,519                 | 0            | 11,519          | 11,519                | 12,466       |
| plus /(less) transfers  |       | 0            | 0                      | 0            | 0               | 0                     | 0            |
| Movement for year   |       | (808)        | 0                      | (808)        | (33,600)        | (34,115)              | (947)        |
| Cash Surplus / (Deficit)  |       | 10,711       | 11,519                 | (808)        | (22,081)        | (22,596)              | 11,519       |

## Notes

- 1) Purchase of domains for GIS data portal
- 2) Surplus to be carried over to 2015/16 to fund the GIS Data Portal development

**Local Authority Shared Services Ltd**  
**Management Accounts for the Period Ended 31 December 2015**  
**Professional Services Panel**

|   | Notes | Actual YTD | Year to Date<br>Budget | Variance | Budget   | Full Year<br>Forecast | Last Year      |
|---|-------|------------|------------------------|----------|----------|-----------------------|----------------|
| <b>Income</b>   |       |            |                        |          |          |                       |                |
| Professional Services Panel Funding   |       | 0          | 0                      | 0        | 0        | 0                     | 0              |
| <b>Total Income</b>   |       | <b>0</b>   | <b>0</b>               | <b>0</b> | <b>0</b> | <b>0</b>              | <b>0</b>       |
| <b>Expenses</b>   |       |            |                        |          |          |                       |                |
| Consultancy Services  |       | 0          | 0                      | 0        | 0        | 0                     | 2,767          |
| <b>Total Expenses</b>   |       | <b>0</b>   | <b>0</b>               | <b>0</b> | <b>0</b> | <b>0</b>              | <b>2,767</b>   |
| <b>Earnings before interest, tax and depreciation/<br/>amortisation (EBITA)</b> |       | <b>0</b>   | <b>0</b>               | <b>0</b> | <b>0</b> | <b>0</b>              | <b>(2,767)</b> |
| Earnings before interest and tax  |       | 0          | 0                      | 0        | 0        | 0                     | (2,767)        |
| <b>Net Surplus (Deficit) before tax</b>   |       | <b>0</b>   | <b>0</b>               | <b>0</b> | <b>0</b> | <b>0</b>              | <b>(2,767)</b> |
| <b>Cash Surplus</b>   |       |            |                        |          |          |                       |                |
| Opening Balance   |       | (2,767)    | 0                      | (2,767)  | 0        | 0                     | 0              |
| plus /(less) transfers  | 1     | 2,767      | 0                      | 2,767    | 0        | 0                     | 0              |
| Movement for year   |       | 0          | 0                      | 0        | 0        | 0                     | (2,767)        |
| Cash Surplus / (Deficit)  |       | 0          | 0                      | 0        | 0        | 0                     | (2,767)        |

**Notes**

1) 2014/15 Deficit has been offset by Company Administration surplus.

**Local Authority Shared Services Ltd**  
**Balance Sheet**  
**As at 31 December 2015**

| Notes   | Actual YTD       | Year to Date<br>Budget | Variance         | Full Year<br>Budget | Last YTD         |
|---|------------------|------------------------|------------------|---------------------|------------------|
| <b>CAPITAL</b>                                |                  |                        |                  |                     |                  |
| Shares - SVDS                                 | 1,607,001        | 1,607,001              | 0                | 1,607,001           | 1,607,001        |
| Shares - WRTM                                 | 1,350,000        | 1,350,000              | 0                | 1,350,000           | 1,350,000        |
| Profit and Loss                               | (1,924,992)      | (1,845,542)            | (79,450)         | (1,845,542)         | (1,415,694)      |
| Plus Current Year Operating Surplus/(Deficit) | 47,381           | (55,697)               | 103,079          | (485,888)           | (509,301)        |
| <b>TOTAL CAPITAL FUNDS</b>                    | <b>1,079,390</b> | <b>1,055,762</b>       | <b>23,628</b>    | <b>625,571</b>      | <b>1,032,006</b> |
| <b>ASSETS</b>                                 |                  |                        |                  |                     |                  |
| <b>CURRENT ASSETS</b>                         |                  |                        |                  |                     |                  |
| Prepayments                                   | 1,913            | 0                      | 1,913            | 2,990               | 149,413          |
| Accounts Receivable                           | 346,989          | 37,800                 | 309,189          | 15,167              | 781,855          |
| Accounts Receivable Accruals                  | 4,321            | 0                      | 4,321            | 0                   | 21,836           |
| Accrued Interest                              | 351              | 0                      | 351              | 0                   | 345              |
| RWT On Interest                               | 7,001            | 560                    | 6,441            | 560                 | 4,802            |
| Local Authority Shared Services 00            | 379,424          | 0                      | 379,424          | 0                   | 29,041           |
| Local Authority Shared Services On-Call       | 642,357          | 369,168                | 273,189          | 398,831             | 620,178          |
| BNZ - Term Deposit 020                        | 44,938           | 0                      | 44,938           | 0                   | 44,396           |
| GST Paid                                      | 6,557            | 6,452                  | 105              | (32,833)            | (21,003)         |
| <b>TOTAL CURRENT ASSETS</b>                   | <b>1,433,850</b> | <b>413,980</b>         | <b>1,019,870</b> | <b>384,715</b>      | <b>1,630,865</b> |
| <b>NON-CURRENT ASSETS</b>                     |                  |                        |                  |                     |                  |
| SVDS - Intangible Asset                       | 3,065,310        | 3,070,875              | (5,565)          | 3,080,875           | 3,065,316        |
| WRTM - Intangible Asset                       | 2,296,855        | 2,296,855              | (0)              | 2,296,855           | 2,296,855        |
| MoneyWorks Software                           | 1,195            | 1,195                  | 0                | 1,195               | 1,195            |
| Accumulated Depreciation                      | (4,662,118)      | (4,675,043)            | 12,925           | (4,894,039)         | (4,452,365)      |
| <b>TOTAL NON-CURRENT ASSETS</b>               | <b>701,241</b>   | <b>693,882</b>         | <b>7,359</b>     | <b>484,886</b>      | <b>911,001</b>   |
| <b>NET ASSETS</b>                             | <b>2,135,092</b> | <b>1,107,862</b>       | <b>1,027,230</b> | <b>869,601</b>      | <b>2,541,866</b> |
| <b>LESS CURRENT LIABILITIES</b>               |                  |                        |                  |                     |                  |
| Accounts Payable                              | 208,620          | 52,100                 | 156,520          | 234,053             | 492,150          |
| Accounts Payable Accrual                      | 10,054           | 0                      | 10,054           | 9,977               | 45,094           |
| ACC Prepayments                               | 52               | 0                      | 52               | 0                   | 52               |
| RWT On Payments                               | 3,960            | 0                      | 3,960            | 0                   | 990              |
| Revenue in Advance                            | 833,015          | 0                      | 833,015          | 0                   | 971,573          |
| <b>TOTAL CURRENT LIABILITIES</b>              | <b>1,055,702</b> | <b>52,100</b>          | <b>1,003,601</b> | <b>244,030</b>      | <b>1,509,859</b> |
| <b>NET WORKING CAPITAL</b>                    | <b>1,079,390</b> | <b>1,055,762</b>       | <b>23,628</b>    | <b>625,571</b>      | <b>1,032,006</b> |

**Notes**

- 1) Outstanding Receivables are expected to be received in January. No issues to note.
- 2) Funds are higher than budgeted primarily due to Mayoral Forum funds not yet spent.
- 3) Accumulated depreciation is lower than budget due to a lower value of enhancements than budgeted made to the SVDS asset in 2014/15
- 4) Unbudgeted revenue in advance relates primarily to contributions for the Mayoral Forum projects.

**Local Authority Shared Services Ltd  
Statement of Cashflows  
As at 31 December 2015**

|   | Actual YTD       | Full Year       | Last YTD       |
|---|------------------|-----------------|----------------|
| <b>Cashflows from Operating Activities</b>                      |                  |                 |                |
| Interest Received   | 7,863            | 2,000           | 16,538         |
| Receipts from Other Revenue                                     | 1,685,272        | 2,493,568       | 2,280,922      |
| Payments to Suppliers   | (1,314,459)      | (2,337,965)     | (2,101,635)    |
| Taxes Paid  | 772              | (560)           | 5,330          |
| Goods & Services tax (net)                                      | (6,344)          | (20,629)        | 59,305         |
| <b>Net cash from operating activities</b>                       | <b>373,103</b>   | <b>136,415</b>  | <b>260,460</b> |
| <b>Purchase of Intangible Assets</b>                            | <b>0</b>         | <b>(10,000)</b> | <b>(9,441)</b> |
| <b>Net cash from investing activities</b>                       | <b>0</b>         | <b>(10,000)</b> | <b>(9,441)</b> |
| <b>Net increase in cash, cash equivalents and bank accounts</b> | <b>373,103</b>   | <b>126,415</b>  | <b>251,019</b> |
| Opening cash and cash equivalents and bank overdrafts           | 693,617          | 272,416         | 442,598        |
| <b>Closing cash, cash equivalents and bank accounts</b>         | <b>1,066,719</b> | <b>398,831</b>  | <b>693,617</b> |
| <b>Summary of Bank Accounts</b>                                 |                  |                 |                |
| BNZ - Cheque a/c  | 379,424          | 0               | 29,042         |
| BNZ - Call a/c  | 642,357          | 398,831         | 620,179        |
| Term Deposit  | 44,938           | 0               | 44,396         |
| <b>Closing Balance of Bank</b>                                  | <b>1,066,719</b> | <b>398,831</b>  | <b>693,617</b> |

## Appendix 2

The following policies have been adhered to in the completion of this financial report:

### Changes to NZ Accounting Standards

LASS transitioned to the new Public Sector Public Benefit Entities (PBE) accounting standards for the year ended 30 June 2015. LASS is eligible to report in accordance with the Tier 2 PBE accounting standards.

### Accounting Principles

Financial statements are prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with the New Zealand Generally Accepted Accounting Practice (GAAP), the Financial Reporting Act 1993 and NZ IFRS Standards.

### Specific Accounting Principles

The following particular principles which have a significant effect on the measurement of financial position apply:

- Receivables are recorded at their face value, less any provisions for impairment.
- Investments are valued at the prevailing market value.
- Fixed assets are recorded at cost, less accumulated depreciation.

### Intangible Assets

Where intangible assets are purchased, such as intellectual property, these are capitalised and written off on a straight line basis over their expected life, but over no greater than seven years.

Depreciation is provided on a straight line basis on all assets other than land, and align with normal accepted depreciation for the types of services being developed.

### Impairment Testing

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

### Inventories

It is not envisaged that the company will hold inventories, other than those that might relate to providing electronic services to a number of parties. They are valued at net realisable value.

### Taxation

Taxation is provided as required against the company in line with the required legislation.

## **Audit**

In accordance with the Public Audit Act 2001 and the Local Government Act 2002, the Office of the Auditor General is responsible for auditing the company's financial statements.

## **Dividend Payments**

It is not envisaged that the Board will make any recommendation about dividend, as the shared services are on a cost recovery basis and any savings will be used to reduce service costs or to reinvest in new services or upgrades.

## **Consolidated Shareholders' Funds**

In accordance with the Local Government Act 2002, the ratio of Consolidated Shareholders' Funds to Total Assets has been included within the Statement of Financial Position (Balance Sheet).

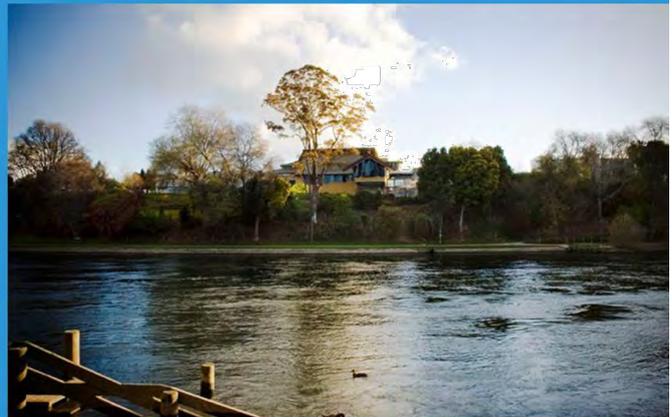
Consolidated Shareholders' Funds are defined as the sum of retained earnings, reserves and paid-up share capital.

## **Assets**

Total Assets include Current and Non-Current Assets, as disclosed in the Statement of Financial Position (Balance Sheet). This includes, but is not limited to, Bank, Debtors and Operational Assets.

# WAIKATO LASS

## Collaboration in action



August 2015



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| N3 and All of Government (AoG)                                  | 12       |  |           |
| Waikato Regional Aerial Photography Service (WRAPS)             | 12       |  |           |
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## BACKGROUND

In the early to mid-2000s, the relationships between the 12 local authorities within the Waikato region was fairly strong and one key thing on the agenda was to set up a structure under which they could share services.

In 2005, Local Authority Shared Services Limited (LASS) was created. LASS is jointly owned by:

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

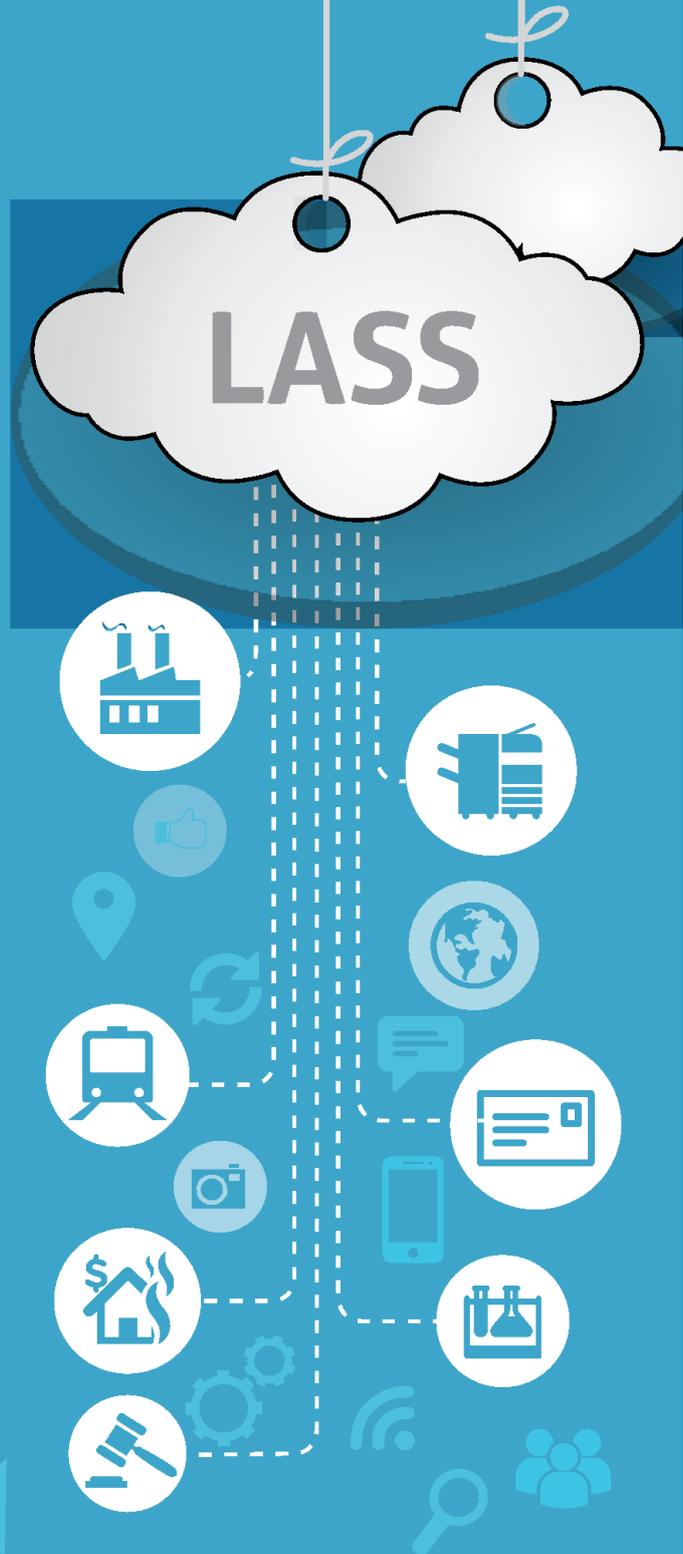
LASS provides a legal entity, representative of all the shareholding councils, which can enter into contracts and agreements with external suppliers and provide value by reducing costs. These contracts are available to be joined by any shareholder that so chooses. It also provides those councils that wish to develop new services with a company structure under which they can develop and promote services to other local authorities and to external parties.

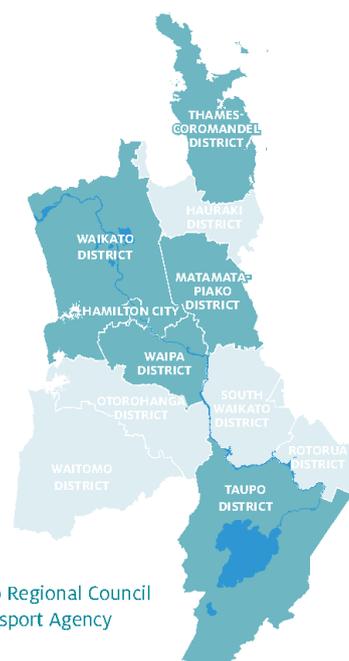
Much of the work of LASS is undertaken by working parties or advisory groups made up of staff representatives from the shareholding councils who have expertise and interest in particular services.

Member councils pay a small annual levy, depending on their size. Services obtained are funded on a user pays basis – each council pays for and receives the financial benefit of its share of any particular service.

The LASS Board has twelve directors; each the chief executive of one of the local authorities representing the shareholding councils. The directors do not receive any fees or expenses for work undertaken on behalf of the LASS.

The Board publishes a Statement of Intent in June and holds an Annual General Meeting in November each year. The accounts are audited annually by Audit New Zealand, and the Annual Report is generally published in August.





+ Waikato Regional Council  
+ NZ Transport Agency



## ACHIEVEMENTS

### Waikato Regional Transport Model (WRTM)

**Participating Councils:** Waikato Regional Council, Hamilton City, Waikato District, Waipa District, Taupō District, Matamata-Piako District, Thames-Coromandel District, and the NZ Transport Agency (NZTA).

**The Project:** The WRTM is the only recognised strategic, regional, transport modelling resource in the Waikato. It provides accurate information for council transport modelling and to other third parties (such as developers) for a charge, which generates a small amount of external revenue. Jointly funded by participating councils and the NZTA, the WRTM became fully operational in February 2010, at a cost of \$2.3 million.

**The Benefits:** Since February 2010, the WRTM has improved strategic planning for over \$3 billion of new land transport investment by:

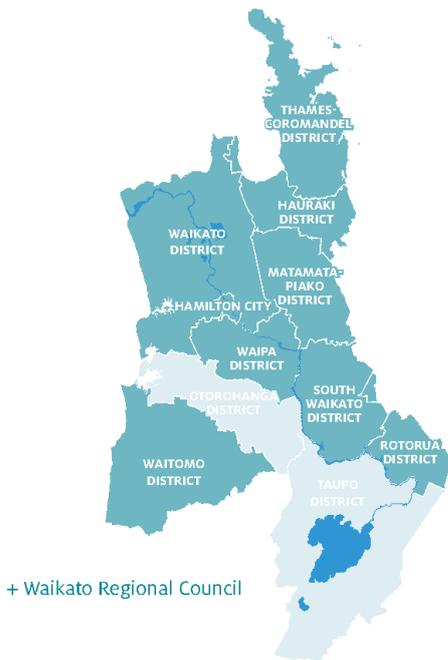
- enabling interactive decision-making, balancing regional growth and transport planning
- assessing the traffic impacts of plan changes, structure plans and major resource consents
- assessing transport projects, including tolling, Benefit Cost Ratios and alternative options

Over the last five years, the WRTM has been used in over 60 projects that have supported:

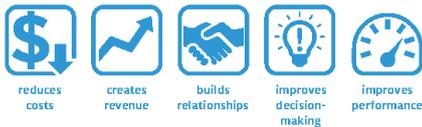
- land transport investment in excess of \$3 billion, including the Waikato Expressway Network Plan, Southern Links and Hamilton City's Wairere Drive project
- a range of strategic and statutory planning processes including Future Proof, the Waikato Regional Policy Statement, the Regional Land Transport Programme, Ruakura Inland Port Board of Enquiry process, district plans and plan changes.

**The WRTM structure provides:**

- A single recognised transport model and evidence base to inform decision-making.
- A collaborative technical and management framework enabling councils and the NZTA to identify, and jointly resolve, policy and investment issues.
- Efficiencies from joint procurement, operation and delivery of modelling advice for the whole Waikato region.



+ Waikato Regional Council

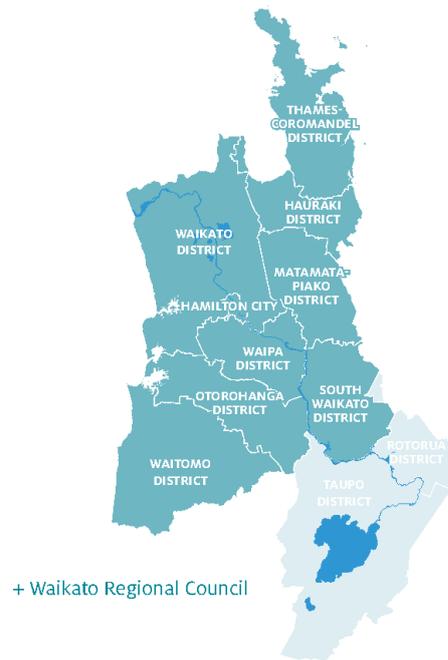


### Shared Valuation Data Service (SVDS)

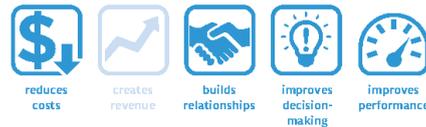
**Participating Councils:** Hamilton City, Hauraki District, Matamata-Piako District, Rotorua District, South Waikato District, Thames-Coromandel District, Waikato District, Waikato Regional Council, Waipa District, Waitomo District

**The Project:** SVDS is a real time, online, property database containing the District Valuation Rolls and associated registers of the participating councils. SVDS was the first LASS shared service, and “went live” in 2005.

**The Benefits:** SVDS enables greater competition in the delivery of valuation services to councils and provides more accurate and timely property valuation data. The operating costs of the SVDS are partially offset by selling access to the data, with a number of contracts worth about \$200,000 per annum. Renegotiated SVDS service contracts have reduced the 2015/16 OPEX budget by \$126,000 (an 18% saving).



+ Waikato Regional Council



### Insurance

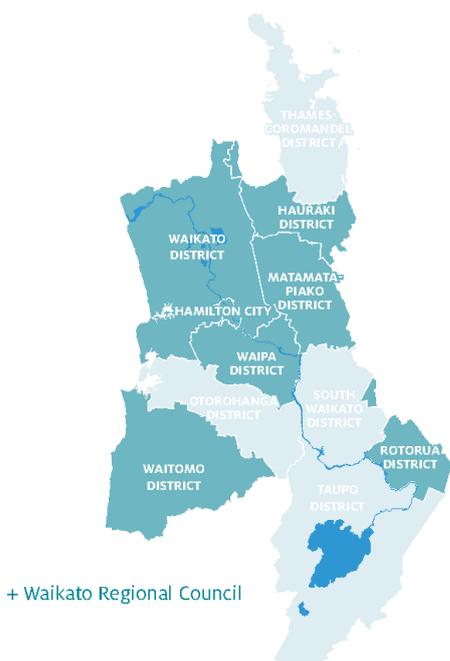
**Participating Councils:** Hamilton City, Hauraki District, Matamata-Piako District, Otorohanga District, South Waikato District, Thames-Coromandel District, Waikato District, Waikato Regional Council, Waipa District, Waitomo District

**The Project:** Leverages the region’s collective insurance requirements to deliver economies of scale through reducing brokerage costs and reducing the exposure to market increases in premium costs, while enhancing cover arrangements and focusing on risk mitigation.

**The Benefits:** Significant premium savings with enhanced cover arrangements and a focus on risk mitigation. Brokerage fees reduced by over 35% (\$80,000), to \$147,500 per annum. Savings will total at least \$400,000 over the five years of the contract.

Material Damage and Business Interruption insurance premiums reduced by 21.5% (\$600,000) in 2012, when other councils were facing insurance increases. A further 14% saving was achieved in 2013/14, and another 15% in 2014/15 .

After a risk engineering assessment and loss modelling, most councils have now moved to commercial infrastructure insurance, considerably reducing excess levels and resulting in premium savings of \$446,000.

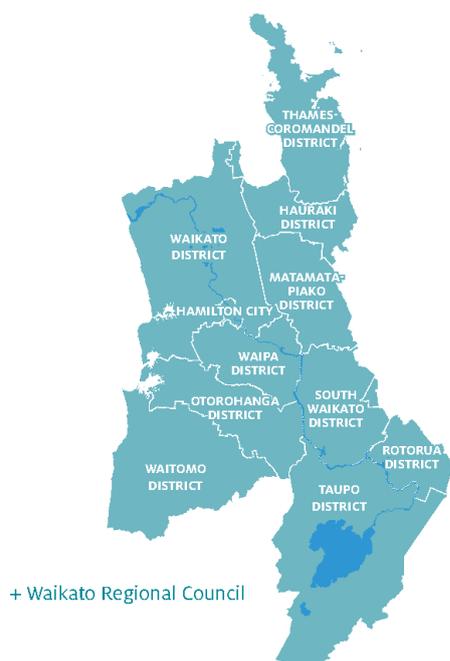


### Computer-generated Print, Mail house and E-Services (Dataprint)

**Participating Councils:** Hamilton City, Hauraki District, Waikato District, Waikato Regional Council, Waipa District, Waitomo District (Note: Matamata-Piako and Rotorua Districts also use Dataprint, but their contract is currently out sourced via a broker.)

**The Project:** Dataprint is a centralised one-stop-shop providing computer-generated print, mail house and e-service solutions. Their services are tailored to meet the needs of the individual councils, and currently include the redesign, printing and distribution of rates notices and penalty reminders, water rates notices, flyers and dog registrations.

**The Benefits:** In the first year of the contract, Waikato District estimates \$10,000 in savings as well as business process efficiencies. It is currently reviewing its rates process, and is anticipates will provide further internal savings (in staff time). Other participating councils have yet to quantify their savings.



### Postal and Courier Services (NZ Post)

**Participating Councils:** All

**The Project:** The LASS contract with NZ Post has been in place since 2003 and covers all mail services – postal and courier.

**The Benefits:** Estimated savings range between \$8,000 and \$13,000 per annum for each participating council. Process and contract negotiation savings have also been achieved as a result of the collaboration.



+ Waikato Regional Council



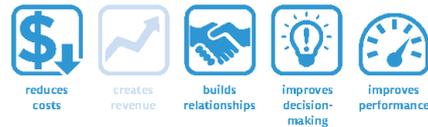
### Professional Services Panel (PSP)

**Participating Councils:** Hamilton City, Waikato District, Waikato Regional Council, Waipa District

**The Project:** A panel of 37 consultants that offer discounted services to participating councils in the areas of Three Waters, flood hazard management, building services, urban design and planning.

**The Benefits:** The discount ranges between 5% and 39% off standard hourly rates, with most of the discounts between 10% and 20%. In 2014, the annual spend on consultancy services across the four participating councils was approximately \$13 million. Therefore, the overall annual saving is between \$650,000 and \$5,070,000. If a saving of only 10% off market rates is used then, over the 5 years of the contract, savings will equate to \$6,500,000.

The PSP provides more efficient engagement of consultants, and standardised contracts and processes.



### Legal Services

**Participating Councils:** Open to all

**The Project:** A shared services agreement with Tompkins Wake (TW) for legal services. This is not a “one size fits all” discount. Each participating council must negotiate with TW regarding specific hourly rates.

**The Benefits:**

- Discounted rates.
- Joint procurement and shared fees for opinions.
- Development of an opinion database for each participating council.
- Hosting in-house lawyers and other staff for relevant seminars conducted by TW experts.
- Notifying councils of changes in law or policy affecting them.
- Making TW’s library and databases available for research.
- Making staff available for on-site secondment at agreed rates, for agreed periods or projects, subject to availability.

Note: A procurement process to secure a Legal Services Panel, which will provide a choice of general and specialist legal services at preferential rates, is currently underway. This will replace the current arrangement with TW from 1 July 2016.



+ Waikato Regional Council



### Accommodation Providers

**Participating Councils:** Hamilton City, Waipa District, Waikato Regional Council

**The Project:** This arrangement accesses accommodation for business travel using Orbit Corporate Travel’s management and booking processes.

**The Benefits:**

- Savings of between 10-40% per night.
- Additional staff time savings using Orbit’s online booking and reporting application.



### Chemicals

**Participating Councils:** Hamilton City, South Waikato District, Waikato District, Waipa District

**The Project:** Water and wastewater treatment plants use bulk treatment chemicals to ensure regulatory compliance with the NZ Drinking Water Standards and resource consent conditions. The four participating councils undertook a competitive tender process to ensure security of supply and preferential customer status. Contracts have been entered into with four suppliers (Orica Chemnet, Holcim NZ, Redox and Chemiplas Australia Ltd) for a three year term, with two three-year rights of renewal. Councils use suppliers depending on the products they require.

**The Benefits:**

- Treatment operations during and following emergency events will be maintained.
- Cost savings of \$107,650 (4.7%) per year – just under \$1 million for the duration of the contract.



+ Waikato Regional Council  
+ LASS



### Energy Supply

**Participating Councils:** Open to all

**The Project:** Two syndicates have been formed amongst the 12 LASS councils to procure electricity and gas supplies:

1. Hamilton City, Waikato and Waipa districts and Waikato Regional Council (since early 2000). Due for retender in 2016.
2. Hauraki, Matamata-Piako and South Waikato districts (and Thames-Coromandel since 2015). Retendered in 2015.

**The Benefits:**

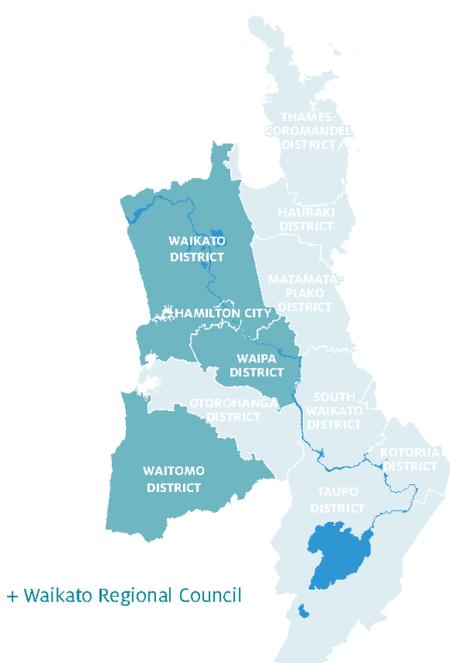
- The Hamilton syndicate achieved savings of \$2.11 million over three years, and an additional 9% savings when the contract was extended a further two years.
- The Hamilton syndicate have joined the Ministry of Business, Innovation and Employment (MBIE) All of Government gas syndicated contract. Hamilton City will save \$228,450 over four years as a result. Data is not available for the other councils.
- Both syndicates reduced their cost of tendering by combining to tender for electricity supply.
- All councils have the opportunity to join the Hamilton-based syndicate for the 2016 tendering process.
- In 2015 the Hauraki, Matamata-Piako, South Waikato and Thames-Coromandel syndicate achieved savings of 5-10% over their previous contract prices.

### Financial Reporting – Value Financials

**Participating Councils:** Hamilton City, Hauraki District, Otorohanga District, Waikato District, Waikato Regional Council and LASS

**The Project:** Value Financials is a financial tool supplied by PricewaterhouseCoopers (PwC), which is used for completing end-of-year financial statements to meet statutory requirements. There is an annual licence fee, which includes 50 hours of support per annum to the participating councils and LASS.

**The Benefits:** Increased efficiency and ease of completing year-end financial reports.



+ Waikato Regional Council



### GPS and Emergency Devices – Smartrak

**Participating Councils:** Hamilton City, Waikato District, Waikato Regional Council, Waipa District, Waitomo District

**The Project:** A comprehensive fleet management, GPS-tracking system, using advanced tracking devices, web-based mapping and visualisation, reporting tools, and pool car booking. It provides a system that locates, tracks and records real time information 24/7, and provides reports and recommendations on vehicle use.

**The Benefits:** Councils can effectively manage their fleets, including:

- monitoring and identifying potential health and safety risks of driver behaviour
- optimising fleet utilisation
- reducing fuel consumption
- improving labour efficiencies
- reducing operational costs.

The savings achieved depend on the number of units installed, and range from \$36,000-\$60,000 per council over the five-year term of the contract.

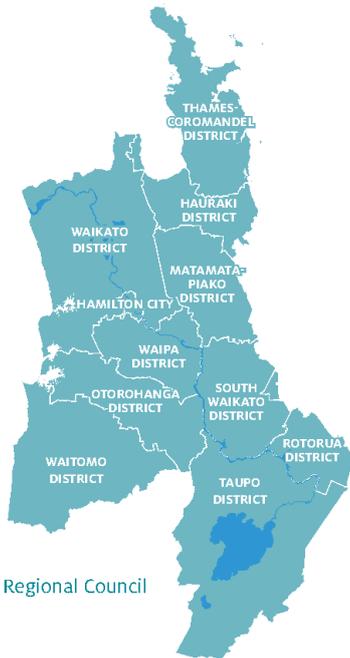


### Infometrics – Online

**Participating Councils:** Hamilton City, Thames-Coromandel District, Waikato District, Waipa District

**The Project:** Infometrics provides on line economic profiles and data for understanding local economic performance in the areas of economy, employment, productivity, population, businesses, skills, exports and regional comparisons. An optional toolkit enables a more in-depth analysis of a district's regional economic indicators.

**The Benefits:** The savings gained from the use of a consortium approach has been a group discount of 20% with four in the consortium. The more councils in the consortium, the greater the discount (34% for up to 11 councils).



+ Waikato Regional Council



### N3 and All of Government (AoG)

**Participating Councils:** All

**The Project:** Previously known as the Government Stores Board, N3 is a business-buying network with over 100 suppliers. Each council pays an annual fee and chooses which companies it wishes to purchase from, and to what extent.

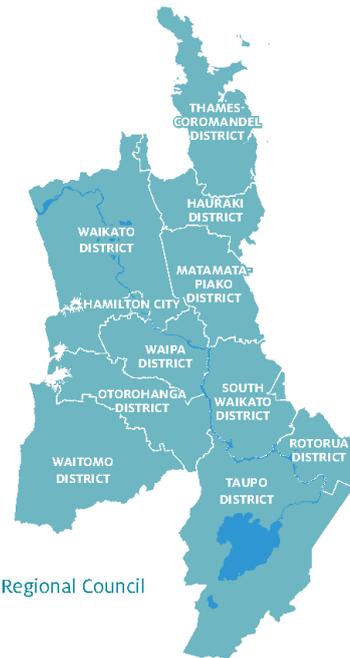
Run by the Ministry of Business, Innovation and Employment (MBIE) Government Procurement Branch, AoG contracts establish a single supply agreement between the Crown and approved suppliers of selected goods and services commonly purchased across central and local government. Current AoG contracts of relevance to local government include electricity, energy management services, IT hardware, mobile voice and data services, office consumables, print devices, rental vehicles, reticulated gas, travel and vehicles.

**The Benefits:** In the year to December 2013, N3 reported savings of \$742,000 for the participating councils.

AoG contracts have provided:

- cost savings
- productivity gains
- improved competition
- eliminated the need to tender for the range of goods and services for which AoG contracts are in place.

As at 30 June 2015, AoG reported that the LASS councils had achieved savings of \$1,446,000 for a spend of \$11.76 million (12.3% saving), across a range of services.



+ Waikato Regional Council



### Waikato Regional Aerial Photography Service (WRAPS)

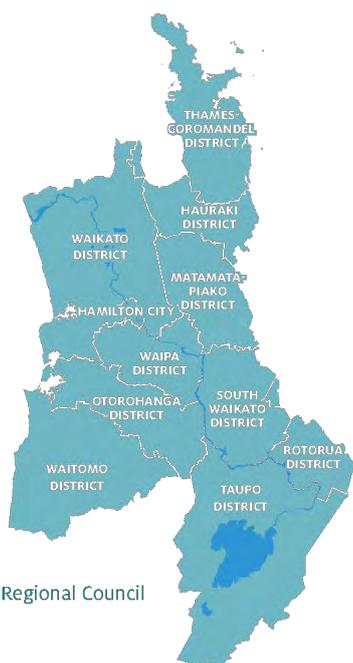
**Participating Councils:** All

**The Project:** WRAPS supplies colour, digital, orthorectified, aerial photography for the whole Waikato region, supplying all councils in the region. Discussions are currently underway with other parties to assess their willingness to join the syndicate. These include Land Information New Zealand (LINZ), the University of Waikato, the Ministry of Business, Innovation and Employment (MBIE) and Fonterra.

**The Benefits:** The availability of up-to-date aerial photographs across the Waikato region provides benefits to the councils, the general public and commercial businesses by:

- providing images that can be used for map backdrops (these images are a fundamental layer used for mapping)
- being able to use the five-yearly images to compare changes, such as coastal erosion or accretion, river paths, vegetation, city and town extents, and infrastructure such as roading
- being part of the national view of aerial images (aerial photos are available nationwide)
- delivering efficiencies in time and cost, by having LASS manage the tender and contract process collectively for the rural imagery, and providing an opportunity to negotiate a reduced, collective rate for urban photography.

In 2012, the WRAPS contract was \$480,000, offset by \$14,000 from two external partners. Significantly more external funding is expected for the next contract, reducing the cost to councils.



+ Waikato Regional Council



### Waikato Historic Aerial Photos Archive

**Participating Councils:** All

**The Project:** The Land Information New Zealand (LINZ) Crown archive contains over 500,000 historic aerial photo negatives captured by surveys flown over New Zealand between 1936 and 2005. LASS has entered into a Memorandum of Understanding with LINZ to scan the archive over the next four years. The total cost for the Waikato syndicate will be \$287,000, including a LINZ subsidy of \$56,000.

**The Benefits:** In the Waikato, aerial photography is used each year to identify hazardous activities, to respond to approximately 300 public enquiries (at a cost of \$60,000 per year in staff time) and to undertake approximately 150 contaminated land investigations. The images show land use changes across New Zealand and can be used to identify:

- illegal resource consent developments
- potentially contaminated sites
- areas where vegetation has changed, assisting with natural hazard information
- changes in land use (e.g. dairy and forestry land conversions or coal mining).

It is estimated that this new digital resource should save the private sector at least \$75,000 per annum for image retrieval, as well as reducing council staff costs.



## WHERE TO FROM HERE?

A number of new initiatives are currently being investigated under the LASS collaboration model.

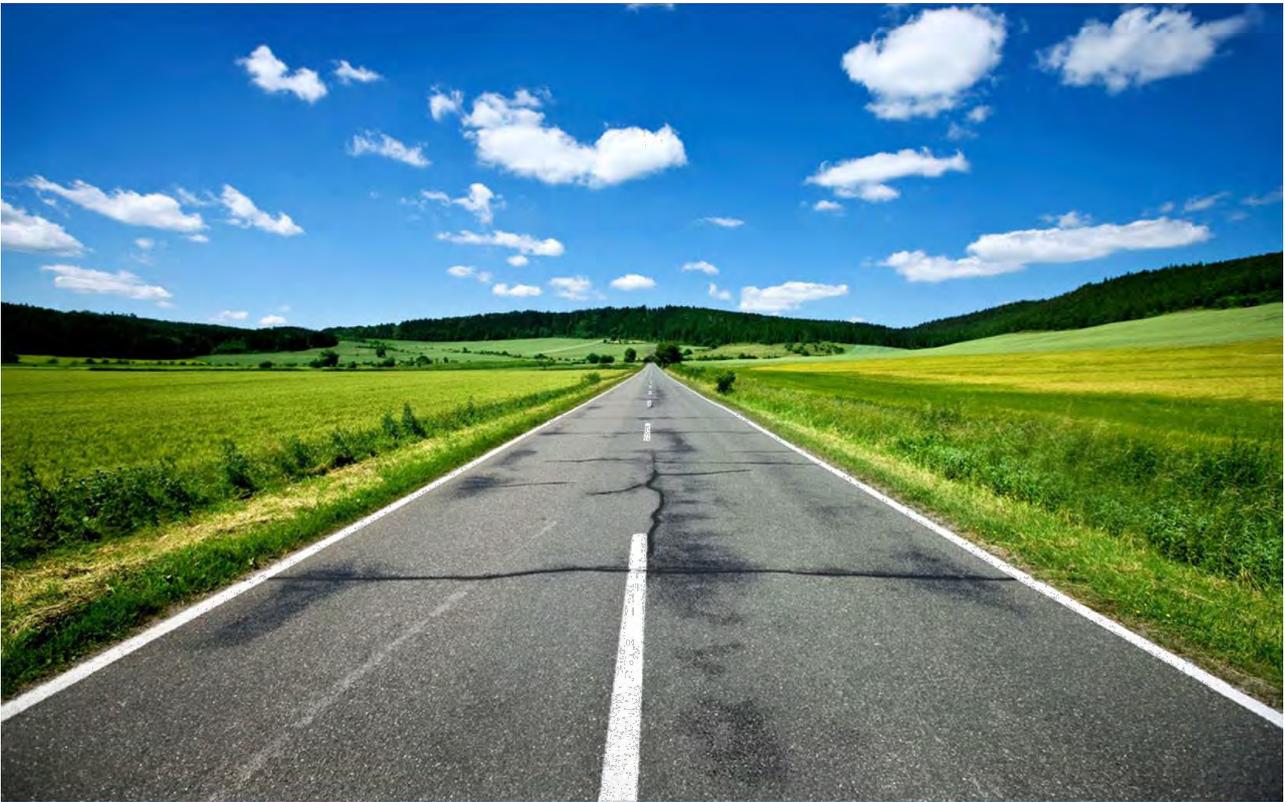
| Activity                        | What  |
|---------------------------------|---|
| Laboratory services             | Analysis of water and wastewater samples at competitive rates.  |
| Pipe procurement                | Procurement of water, wastewater and stormwater pipes and fittings at competitive rates.  |
| Legal Services Panel            | A panel of legal firms, providing councils with a choice of general and specialist legal services at preferential rates.  |
| Energy audits                   | Subsidised energy audits and the implementation of energy-saving initiatives – up to \$100,000 could be available through the Energy Efficiency Conservation Authority (EECA) by entering into a Collaboration Agreement with them. |
| Asset valuations                | Develop standard templates for collecting asset condition data, review current asset lives, and seek agreement to use common valuation data.  |
| Health and Safety Working Party | Develop standard, best practice reporting measures for health and safety, and provide assurance that all councils are complying with the new legislation.   |

### How else do we collaborate?

#### Collaboration with Bay of Plenty LASS (BOPLASS), Manawatu Wanganui LASS (MWLASS) and Hawkes Bay LASS (HBLASS)

The LASS CEO currently liaises with three other LASS companies operating in the North Island – BOPLASS, MWLASS, and HBLASS. The chief executives meet three times a year, to share information and ideas and to update each other on progress.

Most of our interaction is with BOPLASS, who are currently developing a significant project in which we are taking a particular interest – the Local Government Collaboration Portal. This is essentially a web presence, where local government can promote shared service initiatives and work collaboratively.



## Mayoral Forum

The Waikato Mayoral Forum was established in 2012 and provides a venue for the Waikato Mayors to collectively discuss how to maximise the wellbeing of the regional community. The purpose of the forum is to:

- develop a vision for the Waikato
- act as a collective voice where appropriate
- engage with central Government, iwi and key stakeholders
- seek efficiencies in the provision of local government services.

Six workstreams have been established:

- planning
- roading
- economic development
- regulatory bylaws and policies
- water and wastewater
- governance.

## The Waikato Plan

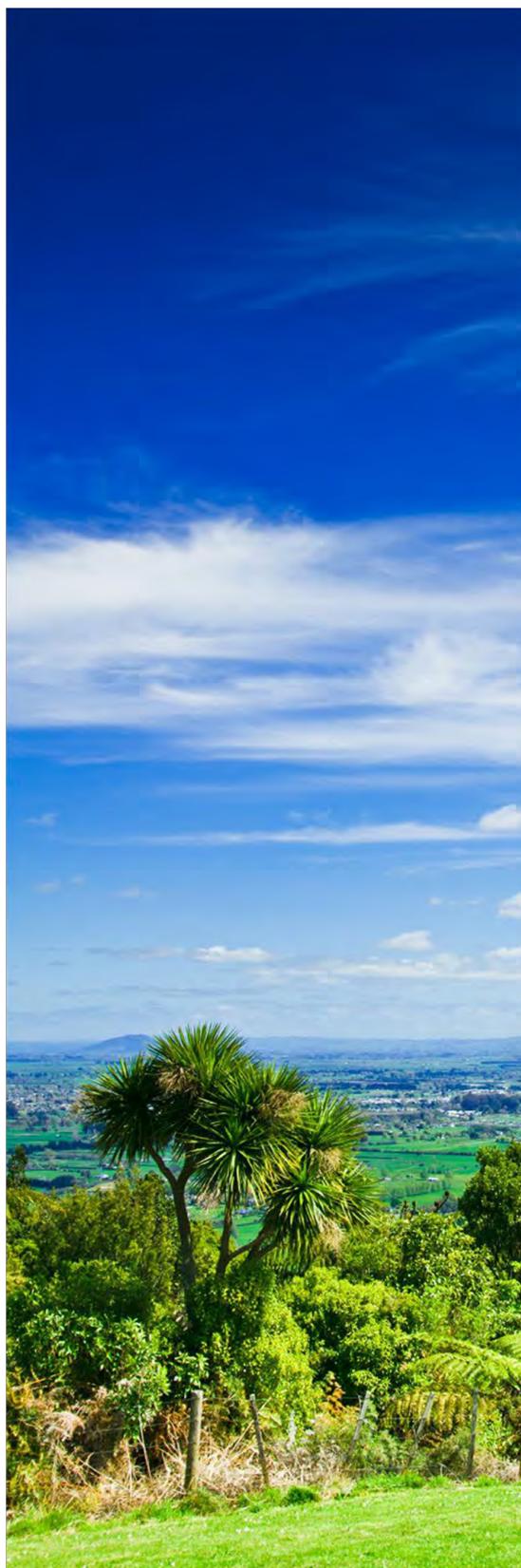
Local authorities in the Waikato hold combined assets of \$11 billion and have combined annual operating revenues of over \$800 million, mostly funded by ratepayers. Collaborative planning and governance is one way that local authorities can reduce costs to ratepayers and improve service delivery.

To build a collective voice, the Waikato Mayoral Forum is developing a "Waikato Plan", which will:

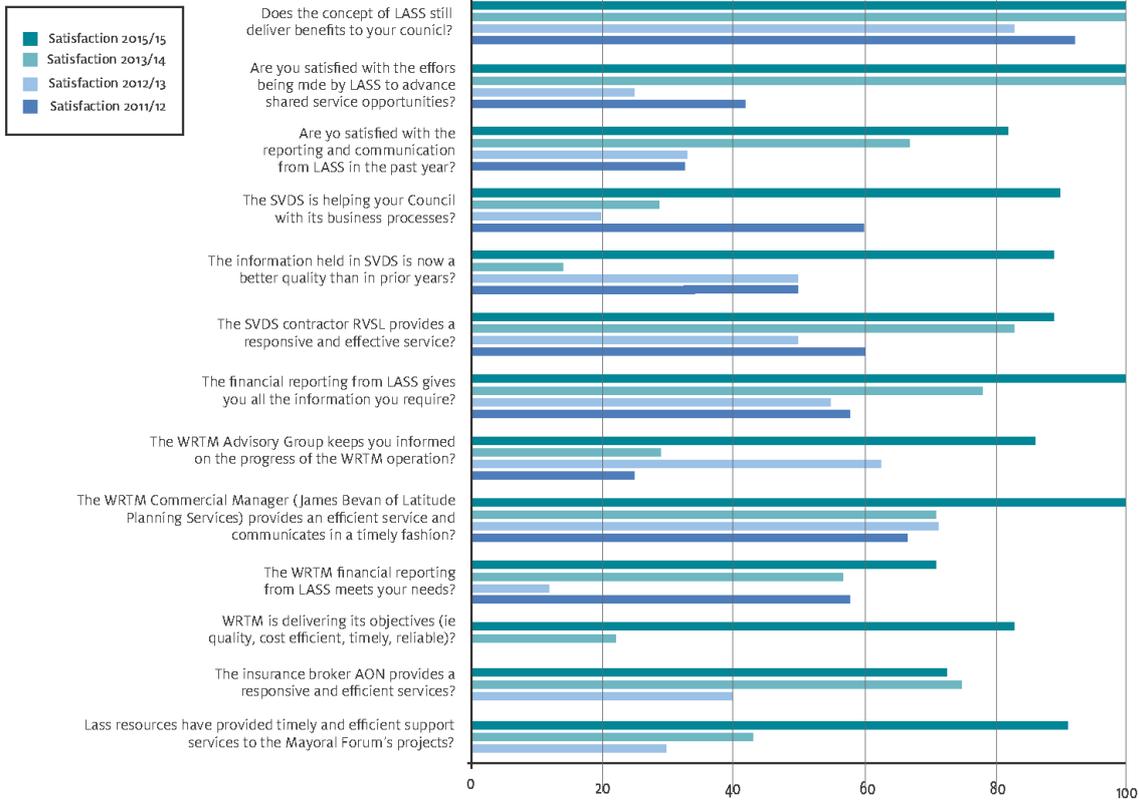
- set a strategic direction for the Waikato and its communities
- outline a high level development strategy that identifies settlement, infrastructure and service needs
- provide an evidential basis to support policy and investment decision making within the Waikato
- enable coherent and co-ordinated decision making by the local authorities, central Government and other parties to determine the future location and timing of critical infrastructure, services, and investment within the Waikato
- provide a basis for aligning the implementation plans, regulatory plans and funding programmes of local government and strategic partner agencies.

Implementation of the plan will provide a simpler regulatory framework, which will help our community, iwi and key stakeholders engage in business with confidence, reduce regulatory compliance hurdles and achieve positive environmental outcomes.

The plan is currently under development; it is anticipated that a draft will be available for public consultation by early 2017.



### Shareholder Satisfaction Survey Results



### Roading – Road Asset Technical Accord (RATA)

Roads in the Waikato make up around 11% of the national network, and their management and maintenance more than 11% of the national funds applied to operations and maintenance. The purpose of this workstream is to seek opportunities for greater collaboration in the roading sector within the Waikato region.

The objectives of RATA are to:

- reduce asset costs, while enhancing safety and ensuring a sound, resilient, local and regional network
- improve decision-making and investment
- assist the understanding, development and implementation of consistent road classifications
- utilise existing resources, and provide resilience to specialist staff
- achieve efficiencies.

RATA is supported by the NZ Transport Agency, who has contributed \$250,000 in start-up funding, with a requirement to demonstrate savings to at least this value by June 2017.

The Waikato roading managers are now actively working together to identify savings and to improve strategic asset management and planning.

As at 30 June 2015, \$180,000 in savings had been achieved, together with the development and implementation of a consistent data collection regime across the region, and a greater sharing of knowledge and expertise between roading staff. Benchmarking of outcomes across the region is also well underway.

### Economic Development

The business led strategy, "Waikato Means Business", was published in February 2014. It will help to boost economic growth by building on areas of regional advantage and assisting the Waikato region to identify and take opportunities, and to more effectively manage risks.

The implementation plan, which is currently underway, identified seven actions:

- developing the Ruakura Hub inland port
- completing the Waikato Expressway
- creating a new Waikato Plan for the region
- undertaking a study of constraints on growth and future investment opportunities
- improving the supply of and demand for skilled labour
- reducing local government red tape for business
- creating a better Waikato marketing "story" to help facilitate growth.

## Regulatory Bylaws and Policies

By working collaboratively to create Bylaws and Policies, we aim to achieve greater consistency, quality and efficiency in our regulatory roles.

The first project completed was the development of a "Significance and Engagement Policy" template, with embedded guidance material, which is now being used by all of the Waikato councils.

A second project is underway which will streamline councils' policy manuals by using a standard process for reviewing council policies. Terminology will be standardised and simplified, so that the policies are easy for the public to understand and are more consistent across the region.

A new project currently under investigation is to develop a Regional Infrastructure Technical Specification and guide. This would be a public document, available on each council's website, that would provide approved design and construction techniques which council staff, consultants, contractors and developers can use to design and construct public infrastructure.

## Water and Wastewater

A preliminary review suggested that at least several million dollars a year could be saved by Waikato councils working together to deliver water and wastewater services. While business as usual was fine, the review concluded that there was potential for cost savings and a need to improve the resilience of water and wastewater services.

Over the past few months, an investigation has been underway into the benefits and challenges of a cooperative approach between Hamilton City, Waikato District and Waipa District councils. The final report and recommendations are currently being considered by the three councils.

## Governance

The purpose of this work stream was to provide an opportunity for the region's Mayors to discuss options for future governance in the region, recognising that this conversation would be facilitated by the outcomes of the other work streams. It was also to identify the common ground and a common vision for the region.

However, over time, the goals of the Planning and Governance work streams came together and it made no sense for governance to operate in isolation. Therefore this work stream is currently in abeyance.







*value beyond boundaries*



**Committee:** Council Controlled  
Organisations Subcommittee

**Date:** 06 April 2016

**Report Name:** Civic Assurance - Draft  
Statement of Intent 2016

**Author:** Brett Brinkworth

|   |  |
|---|--|
| <b>Report Status</b>                    | <i>Open</i>  |
| <b>Strategy, Policy or Plan context</b> | <i>Monitoring the performance of CCOs</i>  |
| <b>Financial status</b>                 | <i>Not applicable</i>  |
| <b>Assessment of significance</b>       | <i>Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance</i> |

## 1. Purpose of the Report

- To present the New Zealand Local Government Insurance Corporation Limited (trading as Civic Assurance) Draft Statement of Intent for the year ending 31 December 2016.

## 3. Executive Summary

- Civic Assurance has recently settled the insurance claims arising from the Christchurch earthquakes.
- The company now intends to re-enter the local government insurance market from 30 June 2016.
- Financial projections are not provided due to them being meaningless until Civic Assurance has re-established itself as a provider of insurances to local government. It is expected that 2016 will be profitable, as were 2014 and 2015.
- Paragraph 5 of the Draft Statement of Intent contains the performance targets and measures for the year ahead.

## Recommendations from Management

That:

- the report be received, and
- Council provides a written response to Civic Assurance advising that the CCO Subcommittee approves the Draft Statement of Intent with no amendments.

**8. Attachments**

- 9. Attachment 1 - Civic Assurance Chief Executive's Letter
- 10. Attachment 2 - Draft Statement of Intent for year ending 31 December 2016

**Signatory**

|            |   |
|------------|---|
| Authoriser | David Bryant, General Manager Corporate |
|------------|---|



26 FEB 2016

Richard Briggs  
 Chief Executive  
 Hamilton City Council  
 Private Bag 3010  
 HAMILTON 3240

22 February 2016

Dear Richard

Share Offer and Statement of Intent for 2016

On 11 December 2015, CCC (Christchurch City Council), Civic and other parties signed a settlement agreement for \$635 million for a full and final settlement of CCC's earthquake claims, making it the biggest single insurance settlement in New Zealand's history. Payment was completed, as agreed, on Friday 19 February. It was a good result for everyone, but especially for CCC. The total paid to CCC by Civic and LAPP for CCC's 2010-11 earthquake claims was \$829 million.

With Civic finalizing CCC's earthquake claims, Civic's second share offer has closed. Civic now has five new councils as shareholders, and welcomes Bay of Plenty Regional Council, Hawkes Bay Regional Council, Opotiki District Council, Kaikoura District Council and Southland Regional Council to its share register. This now means that 72 out of 78 local authorities in New Zealand are shareholders of Civic.

New shares in Civic for its two post Canterbury earthquake capital raisings were priced at \$0.90 per share. Congratulations to the 47 councils who subscribed: the asset backing of your new shares is currently \$1.46 per share, a gain of 62%.

As stated in the attached draft 2016 Statement of Intent, Civic intends to re-enter the local government insurance market from 30 June 2016. Comments or suggestions from shareholders before 24 March on Civic's draft 2016 Statement of Intent will be gratefully received.

Yours sincerely

Tim Sole  
 Chief Executive  
 DDI: 04-978-1254  
 Email: [tim.sole@civicassurance.co.nz](mailto:tim.sole@civicassurance.co.nz)

New Zealand Local Government Insurance Corporation Ltd

Civic Assurance  
 114 Lambton Quay  
 PO Box 5521, Wellington 6145  
<http://www.civicassurance.co.nz>  
 Tel: (04) 978 1254 Fax: (04) 978 1260



**NEW ZEALAND LOCAL GOVERNMENT  
INSURANCE CORPORATION LIMITED  
trading as Civic Assurance**

**DRAFT STATEMENT OF INTENT**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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New Zealand Local Government Insurance Corporation Ltd.

Civic Assurance  
16 Lambton Quay  
PO Box 551, Wellington 6145  
<http://www.civicassurance.co.nz>  
TEL (04) 978 1250 Fax (04) 978 1260

Civic Assurance

2

## 1.0 Mission Statement

| Mission Statement of Civic Assurance   |
|--|
| To provide insurance, risk-financing and superannuation solutions to the local government sector |

## 2.0 Corporate Goals

The specific goals of the Company are:

- 2.1 To operate as a sound and successful business.
- 2.2 To be active in the provision of insurance to the local government sector.
- 2.3 To be the primary supplier of risk-financing and superannuation services to the local government sector.
- 2.4 To investigate and facilitate, as appropriate, new products and markets in insurance, risk-financing and superannuation and such other markets that it believes could prove beneficial to its shareholders and the local government sector.
- 2.5 To regain and retain a claims paying ability rating of A- or better.

### 3.0 Nature and Scope of Activities

- 3.1 For traditional insurance, the Company has offered and intends to offer in the future:
- Competitive prices.
  - An honest and fair process for managing claims.
  - Products from which the profits are returned to the sector through the Company's local government shareholders.
- 3.2 The Company provides administration, reinsurance, accounting, and a range of other services to Civic Property Pool, Riskpool and LAPP.
- 3.3 The Company provides superannuation services for local government and local government staff via SuperEasy and SuperEasy KiwiSaver.
- 3.4 The Company investigates and facilitates as appropriate new insurance, risk-financing and superannuation services and/or markets that it believes will prove beneficial to its shareholders and the local government sector.
- 3.5 In a modest and selective way the Company provides sponsorship for a range of local government activities at regional and national level.

## **4.0 Profits, Dividend Policy & Projections**

The Company historically has three main sources of revenue: insurance premiums, fees from providing administration and accounting services, and investment income. The profit outlook is as follows:

**Profits from providing insurance:** These will take a while to build following the Company's withdrawal from the property insurance market after it was unable to secure suitable reinsurance terms for 1 July 2011. The Company intends to re-enter the local government insurance market from 30 June 2016.

**Profits from providing administration and accounting services:** The fee income generated contributes significantly to Civic's overheads.

**Profits from investment income:** Civic's investment income is mainly from its rental income from Civic Assurance House, a nine-storey Wellington CBD office building.

Until such time that Civic has re-established itself as a provider of insurances to the local government sector, it is not meaningful to provide financial projections. However, following profitable years in 2014 and 2015, Civic expects 2016 to be profitable.

## **5.0 Performance Targets and Measures**

- 5.1 To replace its provisional insurance licence from RBNZ with a full insurance licence.
- 5.2 To obtain and maintain a claims paying ability rating from rating agency AM Best of 'A- (Excellent)' or better.
- 5.3 To provide superannuation services to at least 90% of local authorities.
- 5.4 To continue to be an efficient and effective administration manager for Civic Property Pool, Riskpool and LAPP.

## 6.0 Reporting to Shareholders

- An annual report for 2015 by 31 May 2016 containing:
  - A review of the Company's operations by Directors
  - Statement of Financial Performance
  - Statement of Movements in Equity
  - Statement of Financial Position
  - Statement of Cash Flows
  - Notes to the Financial Statements
  - Auditor's Report on the above Financial Statements
- A report on the first half of 2016 by 30 September 2016 containing:
  - A review of the Company's operations during the half year
  - Unaudited half-yearly accounts

## 7.0 Acquisitions/Disposals

Any acquisition or disposal which is equivalent to 50% or more of the Company's assets will fall under the definition of a "major transaction" in the Company's constitution and approval of the shareholders will be sought in accordance with the constitution. Any acquisition which is equivalent to 25% or more but less than half of the Company's assets will fall under the definition of a "minor transaction" in the Company's constitution, and consultation with shareholders will take place.

## 8.0 Transactions with Related Parties

The Company has 72 local authority shareholder members plus TrustPower (holding 1.21% at 22 February 2015). The Local Government Superannuation Trustee Limited and Local Government Mutual Funds Trustee Limited are wholly owned subsidiaries of the Company. Because it is sharing management resources, the Local Authority Protection Programme (LAPP) and Civic Property Pool are also considered to be related parties. Transactions with shareholder members include insurances, other risk-financing services, and superannuation related financial services.

Charges from shareholder members and charges to shareholder members will be made for services provided as part of the normal trading activities of the Company and its subsidiaries. Transactions with shareholder members are on a wholly commercial basis.

**Committee:** Council Controlled Organisations Subcommittee

**Date:** 06 April 2016

**Report Name:** Local Government Funding Agency - Draft Statement of Intent 2016/17 and Half Yearly Report to 31 December 2015

**Author:** Brett Brinkworth

|   |  |
|---|--|
| <b>Report Status</b>                    | <i>Open</i>  |
| <b>Strategy, Policy or Plan context</b> | <i>Monitoring the performance of CCOs</i>  |
| <b>Financial status</b>                 | <i>Not applicable</i>  |
| <b>Assessment of significance</b>       | <i>Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance</i> |

## 1. Purpose of the Report

- To present the Local Government Funding Agency (LGFA) Draft Statement of Intent 2016/17 and Half Year Report to 31 December 2015.

## 3. Executive Summary

- Council is a shareholder of the LGFA and is represented on the Shareholders Council of the LGFA by David Bryant.
- The purpose for involvement in LGFA is to have more certainty of access to debt funding and at a more favourable rate than other sources.

## 6. Draft Statement of Intent 2016/17

- An improving profit outlook is expected due to increased lending to participating Councils.
- Base funding margins are forecast to remain low at just 0.1%.
- There are expected to be increased costs in part due to greater offshore investor participation. The benefit of this diversification of the investor base is that the lowest possible borrowing costs for Councils are achieved – that is, greater competition for bonds issued.
- Performance targets are similar to previous years.
- See Attachment 1 for a summary and Attachment 2 for the full Draft Statement of Intent 2016/17.

## 12. Half Year Report to 31 December 2015

- The LGFA performed strongly during the period with a 6.7% increase in operating profit to \$4.5 million, a confirmation of their AA+ credit rating and successful transition to a new treasury management system.

- 14. Bonds issued on behalf of Council members increased to \$5.665 billion and LGFA bonds are now listed on the NZX Debt Market to make them more easily accessible to both domestic and offshore investors.
- 15. Council membership has increased by two to forty-seven Councils and there are more options available in terms of choosing suitable maturity dates.
- 16. See Attachment 3 for the Half Year Report in full.

**Recommendations from Management**

That:

- a) the report be received, and
- b) Council provides a written response to the Local Government Funding Agency advising that the CCO Subcommittee approves the Draft Statement of Intent 2016/17 with no amendments.

**17. Attachments**

- 18. Attachment 1 - LGFA - Letter to Shareholders
- 19. Attachment 2 - LGFA - Draft Statement of Intent 2016/17
- 20. Attachment 3 - LGFA - Half Year Report to 31 December 2015

**Signatory**

|            |   |
|------------|---|
| Authoriser | David Bryant, General Manager Corporate |
|------------|---|



29 February 2016

Dear Shareholder

### Draft Statement of Intent 2016/17

Please find attached a copy of the Draft Statement of Intent (SOI) for the 2016/17 year.

LGFA continues to focus on delivering strong results for both our council borrowers and shareholders.

For our borrowing councils we seek to optimize funding terms and conditions by

- Achieving savings in borrowing costs
- Provide longer dated funding and
- Provide certainty of access to markets

For our shareholders we are focused on

- Delivering a strong financial performance
- Monitoring asset quality and
- Enhancing our approach to treasury and risk management and

The following points regarding the Draft SOI are worth noting

- Profitability is forecast to be higher in the outer years as a result of higher Net Interest revenue on increased Local Government loans. Expenses are modestly higher in the outer years due to NZX listing fees.
- Net Interest revenue is forecast to be higher in the outer years due to an increase in the value of loans to Local Government. We have increased our forecast for Local Government loans outstanding as at June 2017 to \$7.605 billion and to \$8.226 billion as at June 2018 (from \$7.095 billion and \$7.735 billion in the previous SOI).
- We have made no changes to the on-lending margins given the base lending margin now averages 10bps. Further reductions in the base margin is unlikely as we need to ensure we have sufficient capital to match the growth in the balance sheet. LGFA on-lending margins are the narrowest margins compared with our international peers.
- Compare to the previous SOI, Issuance and on-lending costs are forecast to be higher due to the NZX listing fees and an increase in forecast Approved Issuer Levy (AIL) payments to \$1.75 million as a result of growing offshore investor participation in LGFA bonds. The positive impact from the growth in offshore investors is the diversification of the LGFA investor base. This will have a positive impact on LGFA cost of funds (and council borrowing costs) as we

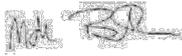
NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED  
 AUCKLAND Level 12, West Plaza Tower, Corner Albert and Customs Street  
 WELLINGTON Level 8, City Chambers, 142 Featherston Street  
 PO Box 5704, Lambton Quay, Wellington 6145 | PH +64 4 974 6530 | [www.lgfa.co.nz](http://www.lgfa.co.nz)

enter an environment of more challenging market conditions for all borrowers compared to previous years.

- The SOI performance targets are similar to the previous targets except that we now include short dated lending in the volume and pricing measures.
- There is some timing uncertainty within the SOI forecast relating to Local Government loans and LGFA bonds outstanding as we now have to project both the repayment amount and repayment timing of the Local Government loans that are due to mature in December 2017. While the loans and bonds do not mature for another twenty-one months, decisions made by our council members regarding early refinancing will have a phasing impact across the 2016/17 and 2017/18 years.

If you have any questions or wish to provide comments then please feel free to contact myself or any member of the Shareholders Council.

Yours sincerely



Mark Butcher  
Chief Executive

NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED  
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## Statement of Intent 2016/17

### 1. Introduction

This Statement of Intent (SOI) sets out the intentions and expectations of New Zealand Local Government Funding Agency Limited (LGFA).

The LGFA is enabled under the Local Government Borrowing Act 2011 and is a council-controlled organisation (CCO) for the purposes of the Local Government Act 2002.

The SOI is prepared in accordance with section 64(1) of the Local Government Act 2002.

### 2. Nature and scope of activities

LGFA will raise debt funding either domestically and/or offshore in either NZ dollars or foreign currency and provide debt funding to New Zealand local authorities, and may undertake any other activities considered by the Board of LGFA to be reasonably related or incidentally to, or in connection with, that business.

The LGFA will only lend to local authorities that enter into all the relevant arrangements with it (Participating Local Authorities) and comply with the LGFA's lending policies.

In lending to Participating Local Authorities, LGFA will:

- Operate in a manner to ensure LGFA is successful and sustainable in the long-term;
- Educate and inform Participating Local Authorities on matters within the scope of LGFA's operations;
- Provide excellent service to Participating Local Authorities;
- Ensure excellent communication exists and be professional in its dealings with all its stakeholders; and
- Ensure its products and services are delivered in a cost effective manner.

### 3. Objectives

#### Principal Objectives

In accordance with the Local Government Act 2002, in carrying on its business, the principal objectives of LGFA will be to:

- Achieve the objectives and performance targets of the shareholders in LGFA (both commercial and non-commercial) as specified in this SOI;
- Be a good employer;
- Exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so; and
- Conduct its affairs in accordance with sound business practice.

#### Primary objectives

LGFA will operate with the primary objective of optimising the debt funding terms and conditions for Participating Local Authorities. Among other things this includes:

- Providing savings in annual interest costs for all Participating Local Authorities on a relative basis to other sources of financing;
- Making longer-term borrowings available to Participating Local Authorities;
- Enhancing the certainty of access to debt markets for Participating Local Authorities, subject always to operating in accordance with sound business practice; and
- Offering more flexible lending terms to Participating Local Authorities.

LGFA will monitor the quality of the asset book so that it remains of a high standard by ensuring it understands each Participating Local Authority's financial position and the general issues confronting the Local Government sector. This includes

- LGFA will review each Participating Local Authority's financial position, its financial headroom under LGFA policies and visit each Participating Local Authority on an annual basis;
- LGFA will analyse finances at the Council group level where appropriate; and
- LGFA will work closely with the Department of Internal Affairs (DIA), Office of the Auditor General (OAG) and Local Government New Zealand (LGNZ) on sector and individual council issues.

#### Additional objectives

LGFA has a number of additional objectives which complement the primary objective. These objectives will be measurable and achievable and the performance of the company in achieving its objectives will be reported annually. These additional objectives are to:

- Operate with a view to making a profit sufficient to pay a dividend in accordance with its stated Dividend Policy set out in section 6;
- Provide at least 50% of aggregate long-term debt funding for Participating Local Authorities;
- Issue a new long dated LGFA bond (should one not be issued in the 2015/16 year;
- Ensure its products and services are delivered at a cost that does not exceed the forecast for issuance and operating expenses set out in section 4;
- Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency;
- Achieve the Financial Forecasts (excluding the impact of AIL) set out in section 4;
- Meet or exceed the Performance Targets outlined in section 5; and
- Comply with its Treasury Policy, as approved by the Board.

#### 4. Financial forecasts

LGFA's financial forecasts for the three years to 30 June 2019 are:

| Financial Year (\$m)   | 2016/17  | 2017/18  | 2018/19  |
|--|----------|----------|----------|
| <b>Comprehensive income</b>                                      |          |          |          |
| Net interest revenue   | 16.46    | 19.05    | 20.16    |
| Issuance and operating expenses (excluding Approved Issuer Levy) | 4.61     | 4.76     | 4.89     |
| Approved Issuer Levy   | 1.75     | 1.75     | 1.75     |
| P & L  | 10.10    | 12.55    | 13.52    |
| <b>Financial position</b>  |          |          |          |
| Dividend   | (1.50)   | (1.50)   | (1.50)   |
| Retained earnings  | 31.54    | 44.09    | 57.6     |
| Total assets   | 7,880.00 | 8526.00  | 8908.50  |
| Total LG loans   | 7605.00  | 8,226.00 | 8608.50  |
| Total bonds  | 7,505.00 | 8,090.00 | 8,450.00 |
| Total borrower notes   | 120.08   | 130.02   | 136.14   |
| Total equity   | 56.54    | 69.09    | 82.60    |
| Shareholder Funds/Total Assets                                   | 0.72%    | 0.81%    | 0.93%    |

Note that there is some forecast uncertainty around the timing of Net Interest Revenue, P&L, Total Assets, LG Loans, Bonds and Borrower Notes depending upon individual council decisions regarding the amount and timing of refinancing of their December 2017 loans. LGFA will work with council borrowers over the 2016/17 year to reduce this uncertainty.

## 5. Performance targets

LGFA has the following performance targets:

- LGFA's average cost of funds on debt issued relative to the average cost of funds for New Zealand Government Securities for the 12 month period to:
  - 30 June 2017 will be less than 0.50% higher.
  - 30 June 2018 will be less than 0.50% higher.
  - 30 June 2019 will be less than 0.50% higher.
- The average margin above LGFA's cost of funds charged to the highest rated Participating Local Authorities for the period to:
  - 30 June 2017 will be no more than 0.10%.
  - 30 June 2018 will be no more than 0.10%.
  - 30 June 2019 will be no more than 0.10%.

The above indicators include both LGFA Bills and Bonds and short dated and long dated lending to councils.

- LGFA's annual issuance and operating expenses (excluding ALL) for the period to:
  - 30 June 2017 will be less than \$4.61 million.
  - 30 June 2018 will be less than \$4.76 million.
  - 30 June 2019 will be less than \$4.89 million.
- Total lending to Participating Local Authorities<sup>1</sup> at:
  - 30 June 2017 will be at least \$7,605 million.
  - 30 June 2018 will be at least \$8,226 million.
  - 30 June 2019 will be at least \$8,608 million.
- Savings on borrowing costs for council borrowers:
  - LGFA will demonstrate the savings to council borrowers on a relative basis to other sources of financing achieved in the relevant financial year and compared to previous financial years.

## 6. Dividend policy

LGFA will seek to maximise benefits to Participating Local Authorities as Borrowers rather than Shareholders. Consequently it is intended to pay a limited dividend to Shareholders.

The Board's policy is to pay a dividend that provides an annual rate of return to Shareholders

<sup>1</sup> Subject to the forecasting uncertainty noted previously

equal to LGFA cost of funds plus 2.00% over the medium term.

At all times payment of any dividend will be discretionary and subject to the Board's legal obligations and views on appropriate capital structure.

## **7. Governance**

### **Board**

The Board is responsible for the strategic direction and control of LGFA's activities. The Board guides and monitors the business and affairs of LGFA, in accordance with the Companies Act 1993, the Local Government Act 2002, the Local Government Borrowing Act 2011, the Company's Constitution, the Shareholders' Agreement for LGFA and this SOI.

The Board will comprise between four and seven directors with a majority of independent directors.

The Board's approach to governance is to adopt "best practice" with respect to:

- The operation of the Board.
- The performance of the Board.
- Managing the relationship with the Company's Chief Executive.
- Being accountable to all Shareholders.

All directors are required to comply with a formal Charter, to be reviewed from time to time in consultation with Shareholders.

The Board will meet on a regular basis and no less than 6 times each year.

### **Shareholders' Council**

The Shareholders' Council is made up of between five and ten appointees of the Shareholders (including an appointee from the Crown). The role of the Shareholders' Council is to:

- Review the performance of LGFA and the Board, and report to Shareholders on that performance on a periodic basis (no less frequently than quarterly).
- Make recommendations to Shareholders as to the appointment, removal, replacement and remuneration of directors.
- Make recommendations to Shareholders as to any changes to policies, or the SOI, requiring their approval.
- Ensure all Shareholders are fully informed on LGFA matters and to coordinate Shareholders on governance decisions.

## **8. Information to be provided to Shareholders**

The Board aims to ensure that the Shareholders are informed of all major developments affecting LGFA's state of affairs, while at the same time recognising that commercial sensitivity may preclude certain information from being made public. The LGFA will adhere to a 'no

surprises' approach in its dealings with its Shareholders.

#### **Annual Report**

The LGFA's balance date is 30 June.

By 30 September each year, the Company will provide to the Shareholders an Annual Report complying with Sections 67, 68 and 69 of the Local Government Act 2002, the Companies Act and Financial Reporting Act. The Annual Report will contain the information necessary to enable an informed assessment of the operations of the company, and will include the following information:

- Directors' Report.
- Financial Statements incorporating a Statement of Financial Performance, Statement of Movements in Equity, Statement of Financial Position, Statement of Cashflows, Statement of Accounting Policies and Notes to the Accounts.
- Comparison of the LGFA's performance with regard to the objectives and performance targets set out in the SOI, with an explanation of any material variances.
- Auditor's Report on the financial statements and the performance targets.
- Any other information that the directors consider appropriate.

#### **Half Yearly Report**

By 28 February each year, the Company will provide to the Shareholders a Half Yearly Report complying with Section 66 of the Local Government Act 2002. The Half Yearly Report will include the following information:

- Directors' commentary on operations for the relevant six month period.
- Comparison of LGFA's performance with regard to the objectives and performance targets set out in the SOI, with an explanation of any material variances.
- Un-audited half-yearly Financial Statements incorporating a Statement of Financial Performance, Statement of Movements in Equity, Statement of Financial Position and Statement of Cashflows.

#### **Quarterly Report**

By 31 January, 30 April, 31 July, and 31 October each year, the Company will provide to the Shareholders' Council a Quarterly Report. The Quarterly Report will include the following information:

- Commentary on operations for the relevant quarter, including a summary of borrowing margins charged to Participating Local Authorities (in credit rating bands).
- Comparison of LGFA's performance with regard to the objectives and performance targets set out in the SOI, with an explanation of any material variances.
- Analysis of the weighted average maturity of LGFA bonds outstanding.
- In the December Quarterly Report only, commentary on the Net Debt/Total Revenue percentage for each Participating Local Authority that has borrowed from LGFA (as at

the end of the preceding financial year).

- To the extent known by LGFA, details of all events of review in respect of any Participating Local Authority that occurred during the relevant quarter (including steps taken, or proposed to be taken, by LGFA in relation thereto).

#### **Statement of Intent**

By 1 March in each year the Company will deliver to the Shareholders its draft SOI for the following year in the form required by Clause 9(1) of Schedule 8 and Section 64(1) of the Local Government Act 2002.

Having considered any comments from the Shareholders received by 30 April, the Board will deliver the completed SOI to the Shareholders on or before 30 June each year.

#### **Shareholder Meetings**

The Board will hold an Annual General Meeting between 30 September and 30 November each year to present the Annual Report to all Shareholders.

The Company will hold a meeting with the Shareholders' Council approximately every six months – prior to the Annual General Meeting and after the Half Yearly Report has been submitted. Other meetings may be held by agreement between the Board and the Shareholders' Council.

#### **9. Acquisition/divestment policy**

LGFA will invest in securities in the ordinary course of business. It is expected that these securities will be debt securities. These investments will be governed by LGFA's lending and/or investment policies as approved by the Board and/or Shareholders.

Any subscription, purchase or acquisition by LGFA of shares in a company or organisation will, if not within those investment policies, require Shareholder approval other than as concerns the formation of wholly-owned subsidiaries and the subscription of shares in such wholly-owned subsidiaries.

#### **10. Activities for which compensation is sought from Shareholders**

At the request of Shareholders, LGFA may (at its discretion) undertake activities that are not consistent with its normal commercial objectives. Specific financial arrangements will be entered into to meet the full cost of providing such as activities.

Currently there are no activities for which compensation will be sought from Shareholders.

#### **11. Commercial value of Shareholder's investment**

LGFA will seek to maximise benefits to Participating Local Authorities as Borrowers rather than Shareholders.

Subject to the Board's views on the appropriate capital structure for LGFA, the Board's intention will be to pay a dividend that provides an annual rate of return to Principal Shareholders equal to LGFA cost of funds plus 2.00% over the medium term.

As the Shareholders will have invested in the LGFA on the basis of this limited dividend, the Board considers that at establishment the commercial value of LGFA is equal to the face value

of the Shareholders' paid up Principal Shares - \$25 million.

In the absence of any subsequent share transfers to the observed share transfers on 30 November 2012, the Board considers the current commercial value of LGFA is at least equal to the face value of the Shareholders' paid up Principal Shares - \$25 million.

## 12. Accounting policies

LGFA has adopted accounting policies that are in accordance with the New Zealand International Financial Reporting Standards and generally accepted accounting practice. A Statement of accounting policies is attached to this SOI.

This statement is taken from the Financial Statements presented as part of LGFA's Annual Report 2014-2015 (updated where necessary).

### ATTACHMENT: Statement of accounting policies

#### a Reporting Entity

The New Zealand Local Government Funding Agency Limited (LGFA) is a company registered under the Companies Act 1993 and is subject to the requirements of the Local Government Act 2002.

LGFA is controlled by participating local authorities and is a council-controlled organisation as defined under section 6 of the Local Government Act 2002. LGFA is a limited liability company incorporated and domiciled in New Zealand.

The primary objective of LGFA is to optimise the debt funding terms and conditions for participating local authorities.

The registered address of LGFA is Level 8, 142 Featherston Street, Wellington Central, Wellington 6011.

The financial statements are as at and for the year ended 30 June 2014. The comparatives are for the twelve month period to 30 June 2013.

These financial statements were authorised for issue by the Directors on 26 September 2014.

#### b Statement of compliance

LGFA is an issuer in terms of the Financial Reporting Act 1993. The financial statements comply with the Financial Reporting Act 1993, in accordance with the transitional provisions under Section 55 of the Financial Reporting Act 2013 and Schedule 4 of the Financial Markets Conduct Act 2013.

LGFA is a profit orientated entity as defined under the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with NZ IFRS and other applicable Financial Reporting Standards, as appropriate for Tier 1 for-profit entities. The financial statements also comply with International Financial Reporting Standards ("IFRS").

c Basis of Preparation

**Measurement base**

The financial statements have been prepared on a historical cost basis modified by the revaluation of certain assets and liabilities.

The financial statements are prepared on an accrual basis.

**Functional and presentation currency**

The financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless separately identified. The functional currency of LGFA is New Zealand dollars.

**Foreign currency conversions**

Transactions denominated in foreign currency are translated into New Zealand dollars using exchange rates applied on the trade date of the transaction.

**Changes in accounting policies**

There have been no changes in accounting policies.

**Early adoption standards and interpretations**

The following accounting standard has been early adopted by LGFA.

NZ IFRS 9: Financial Instruments. The first two phases of this new standard were approved by the Accounting Standards Review Board in November 2009 and November 2010. These phases address the issues of classification and measurement of financial assets and financial liabilities.

**Standards not yet adopted**

LGFA does not consider any standards or interpretations in issue but not yet effective to have a significant impact on its financial statements. Those which may be relevant to LGFA are as follows:

- NZ IFRS 9: Financial Instruments (2014) - Effective for periods beginning on or after 1 January 2018. This standard aligns hedge accounting more closely with the risk management activities of the entity and adds requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit.

d Financial instruments

**Financial assets**

Financial assets, other than derivatives, are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents include cash on hand; cash in transit, bank accounts and deposits with an original maturity of no more than three months.

Purchases and sales of all financial assets are accounted for at trade date.

At each balance date an assessment is made whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired when objective

evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

#### **Financial liabilities**

Financial liabilities, other than derivatives, are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method.

#### **Derivatives**

Derivative financial instruments are recognised both initially and subsequently at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively.

#### **Fair value hedge**

Where a derivative qualifies as a hedge of the exposure to changes in fair value of an asset or liability (fair value hedge) any gain or loss on the derivative is recognised in profit and loss together with any changes in the fair value of the hedged asset or liability.

The carrying amount of the hedged item is adjusted by the fair value gain or loss on the hedged item in respect of the risk being hedged. Effective parts of the hedge are recognised in the same area of profit and loss as the hedged item.

#### **e Other assets**

#### **Property, plant and equipment (PPE)**

Items of property, plant and equipment are initially recorded at cost.

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its remaining useful life.

#### **Intangible Assets**

Intangible assets comprise acquired and internally developed computer software costs incurred for the implementation of the treasury management system. Capitalised computer software costs are amortised on a straight line basis over the estimated useful life of the software (3 to 7 years). Costs associated with maintaining computer software are recognised as expenses when incurred.

#### **f Other liabilities**

#### **Employee entitlements**

Employee entitlements to salaries and wages, annual leave and other similar benefits are recognised in the profit and loss when they accrue to employees.

#### **g Revenue and expenses**

#### **Revenue**

#### **Interest income**

Interest income is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

### **Expenses**

Expenses are recognised in the period to which they relate.

### **Interest expense**

Interest expense is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

### **Income tax**

LGFA is exempt from income tax under Section 14 of the Local Government Borrowing Act 2011.

### **Goods and services tax**

All items in the financial statements are presented exclusive of goods and service tax (GST), except for receivables and 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 asset or expense.

The net amount of GST recoverable from, or payable to, the IRD 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 a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

### **h Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

### **i Segment reporting**

LGFA operates in one segment being funding of participating local authorities in New Zealand.

### **j Judgements and estimations**

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. For example, the present value of large cash flows that are predicted to occur a long time into the future depends critically on judgements regarding future cash flows, including inflation assumptions and the risk free discount rate used to calculate present values. Refer note 2b for fair value determination for financial instruments.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Where these judgements significantly affect the amounts recognised in the financial statements they are described below and in the following notes.

# HALF YEAR Report

31 DECEMBER 2015





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Cover: The newly refurbished Upper Hutt Train Station. Upper Hutt City Council.

Left: Construction of a new road layout at Narrow Bridge, Ngatimoti, Tasman. Tasman District Council.





# CHAIRMAN'S REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

"LGFA continues to provide high quality service to our local government stakeholders while introducing new products and growing our membership."

*Craig Stobo, Chairman LGFA Board*



Directors would like to highlight the following developments at LGFA for the interim results for the six months to December 2015:

## 1. Strong Financial and Operational Performance

LGFA total interest income for the six-month period of \$134.2 million was a 28.3% increase over the 2014-15 comparable period of \$104.6 million while Net Operating Profit of \$4.8 million was a 6.7% increase on the 2014-15 comparable period of \$4.5 million. Operating expenses were higher as a result of the listing of LGFA bonds on the NZX and increased Approved Issuer Levy (AIL) payments incurred as offshore investor holdings of LGFA bonds grow. The financial strength of the LGFA was reaffirmed by credit rating agencies Standard and Poor's and Fitch who maintained our credit rating at AA+. Our credit rating is the same as the NZ Government.

LGFA commenced nearly all front, middle and back office activities from 1 July 2015 following the transition of services previously undertaken on our behalf by the NZ Debt Management Office. It was pleasing to note that the new Treasury Management System was completed on time and under budget.

## 2. Borrowing activity

LGFA has now issued \$5.665 billion of bonds on behalf of its Council members across six maturities from 2017 to 2027. LGFA is now one of the largest issuer of NZD securities after the NZ Government and our bonds are amongst the largest and most liquid NZD debt instruments available for investors.

LGFA successfully launched its short-dated LGFA Bill programme in October 2015 and now auctions 3-month and 6-month LGFA Bills on a monthly basis.

On 16 November 2015, LGFA listed its bonds on the NZX Debt Market and this will increase our domestic and offshore investor base and add to liquidity.

## 3. Lending to the sector

LGFA was established four years ago to provide long-dated borrowing, certainty of access to markets and reduce the borrowing costs for the local government sector. It is pleasing to note the following achievements over the past six months:

- We added two new members, Canterbury Regional Council and Buller District Council, bringing total membership to forty-seven councils.

Left: Construction of the Stopbank Cycle Track. Upper Hutt City Council.

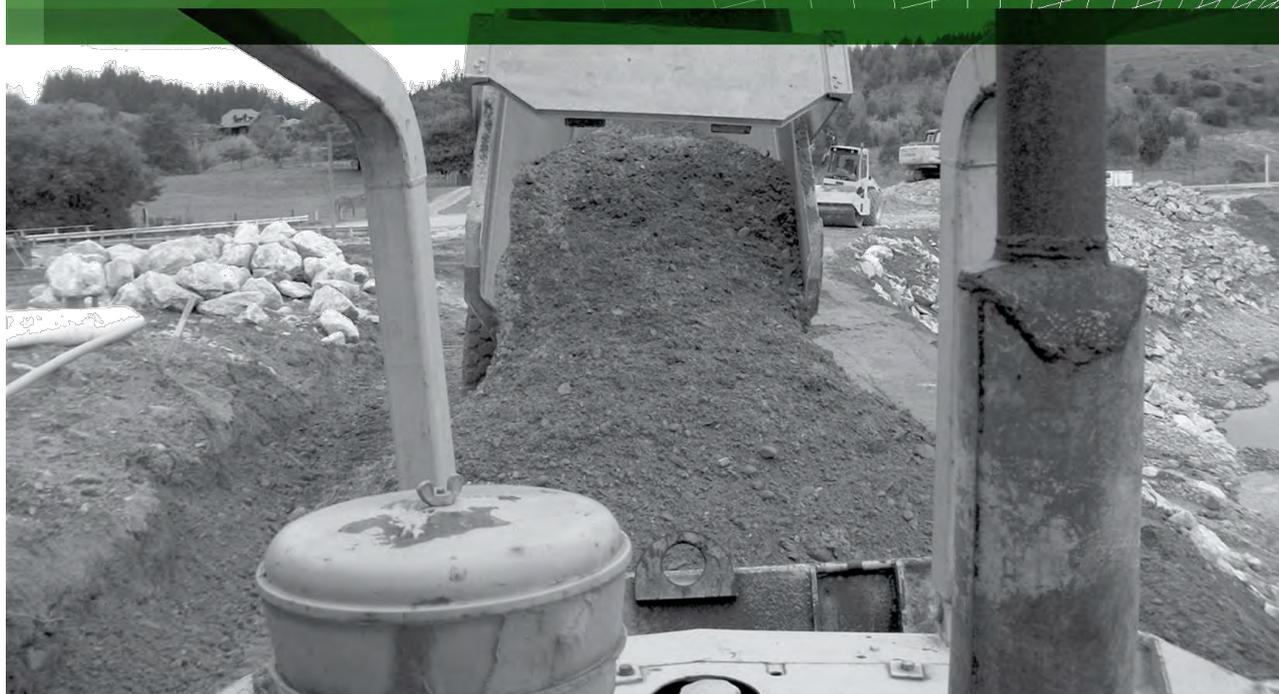
- Bespoke lending continues to be popular for councils in that it provides flexibility as to maturity dates of borrowing and the date of drawdown. LGFA lent \$178 million on a bespoke basis for the six-month period. This was approximately 25% of our total lending over that six-month period.
- Following the issuance of LGFA Bills we were able to offer short-dated lending (less than 365 day terms) to councils. LGFA in the first month of this initiative had lent \$44 million to three councils.
- The tenor of lending by LGFA to the sector continued to lengthen with the average term of borrowing by councils increasing to 9.2 years in the six-month period.

There have been some changes to the governance of LGFA following the November 2015 AGM. I would like to welcome Linda Robertson and Mike Timmer to the LGFA board and acknowledge the contribution of Paul Anderson who has retired as a director. Paul, as Christchurch City Council Chief Financial Officer, was a member of the Tight Nine that seed funded the LGFA concept, a member of the LGFA Establishment Board and then the LGFA Board when the company was incorporated in December 2011. Paul has made a significant contribution to the success of LGFA and I wish to express my thanks to him for his efforts.

The next six months will be a challenging period for borrowers as a result of the recent market volatility and deteriorating credit market sentiment. I believe however that LGFA is well positioned to continue to deliver relative cost savings to the sector.

Craig Stobo  
Chairman, LGFA Board

# STATEMENT OF SERVICE PERFORMANCE



Construction of a new road layout at Narrow Bridge, Ngatimoti,  
replacing an old bridge constructed in the 1930s. Tasman District Council.

## STATEMENT OF SERVICE PERFORMANCE

### Performance Against Objectives and Performance Targets

#### 1 Primary objectives

##### LGFA operates with two primary objectives

1. Optimising the debt funding terms and conditions for participating local authorities.
2. LGFA will monitor the quality of the asset book so that it remains of a high standard by ensuring it understands each Participating Local Authority's financial position and the general issues confronting the Local Government sector:

#### 1.1 Optimising the debt funding terms and conditions for participating local authorities

##### (i) Providing savings in annual interest costs for all Participating Local Authorities

LGFA measures the pricing performance of bond tenders against two key benchmarks:

- LGFA aims to reduce its margin over New Zealand Government bonds (NZGBs).
- LGFA aims to minimise its margin over swap rates to provide cost-effective funding to councils.

The LGFA margin to swap and NZGB will depend upon a number of factors including the relative demand and supply of high grade bonds, general credit market conditions, performance of NZGBs and swap rates, investor perceptions of LGFA and the issuance volume and tenor of LGFA bonds.

Given that LGFA tends to match fund its on-lending to councils, ie. tends to issue bonds in the same tenor and volume as its on-lending. As a result LGFA only has influence over investor perception amongst the above factors that determine LGFA spreads to NZGB and swap.

There will be periods within the interest rate and credit market cycles when LGFA bonds will outperform its benchmarks (spreads narrowing) and there will be periods of time when LGFA bonds underperform (spreads widening).

LGFA spreads to its benchmarks have narrowed since it first began issuing bonds in February 2012 but these spreads have widened from the historical lows over the past six months.

Over the course of the six-month period to 31 December 2015:

- LGFA margins to NZGB widened by between 3 bps (2017s) and 17 bps (2027s).
- LGFA margins to swap widened by between 11 bps (2019s) and 32 bps (2027s).

These secondary market pricing movements are summarised in the following tables:

| Margins – 15 December 2017         | As at 30 June 2015 (bps) | As at 31 Dec 2015 (bps) | Pricing movement |
|------------------------------------|--------------------------|-------------------------|------------------|
| LGFA margin to NZ Government Bonds | 36                       | 39                      | 3                |
| NZGB margin to swap                | (29)                     | (20)                    | 9                |
| LGFA margin to swap                | 7                        | 19                      | 12               |

| Margins – 15 March 2019            | As at 30 June 2015 (bps) | As at 31 Dec 2015 (bps) | Pricing movement |
|------------------------------------|--------------------------|-------------------------|------------------|
| LGFA margin to NZ Government Bonds | 44                       | 47                      | 3                |
| NZGB margin to swap                | (33)                     | (25)                    | 8                |
| LGFA margin to swap                | 11                       | 22                      | 11               |

## STATEMENT OF SERVICE PERFORMANCE

| Margins – 15 April 2020            | As at 30 June 2015 (bps) | As at 31 Dec 2015 (bps) | Pricing movement |
|------------------------------------|--------------------------|-------------------------|------------------|
| LGFA margin to NZ Government Bonds | 49                       | 56                      | 7                |
| NZGB margin to swap                | (34)                     | (27)                    | 7                |
| LGFA margin to swap                | 15                       | 29                      | 14               |

| Margins – 15 May 2021              | As at 30 June 2015 (bps) | As at 31 Dec 2015 (bps) | Pricing movement |
|------------------------------------|--------------------------|-------------------------|------------------|
| LGFA margin to NZ Government Bonds | 58                       | 67                      | 9                |
| NZGB margin to swap                | (42)                     | (32)                    | 10               |
| LGFA margin to swap                | 16                       | 35                      | 19               |

| Margins – 15 April 2023            | As at 30 June 2015 (bps) | As at 31 Dec 2015 (bps) | Pricing movement |
|------------------------------------|--------------------------|-------------------------|------------------|
| LGFA margin to NZ Government Bonds | 67                       | 79                      | 12               |
| NZGB margin to swap                | (47)                     | (33)                    | 14               |
| LGFA margin to swap                | 20                       | 46                      | 26               |

| Margins – 15 April 2027            | As at 30 June 2015 (bps) | As at 31 Dec 2015 (bps) | Pricing movement |
|------------------------------------|--------------------------|-------------------------|------------------|
| LGFA margin to NZ Government Bonds | 71                       | 88                      | 17               |
| NZGB margin to swap                | (40)                     | (25)                    | 15               |
| LGFA margin to swap                | 31                       | 63                      | 32               |

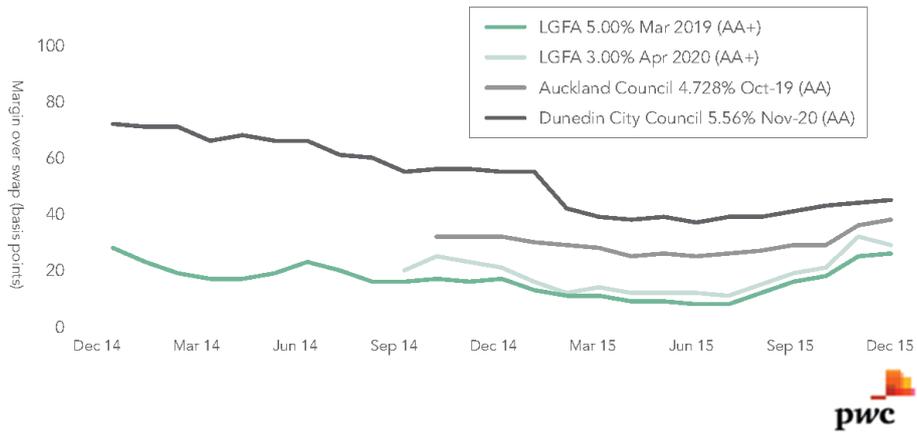
The widening in our margin to swap and NZGB over the past six months has reversed the improvement in the 2014-15 year. Until July 2015, credit market conditions were strong and there was growing offshore investor interest in LGFA bonds. Margins on LGFA bonds to NZGB or swap were at or near historical lows in June 2015.

Over the past six months there has been a number of factors that have led to a widening in spreads for all borrowers. Global investors have been concerned over the global economic outlook and the implications of the US Federal Reserve raising the Fed Funds rate. As a result there has been a reduction in risk sentiment and this has reduced demand for NZD investments and for bonds issued by all non-sovereign borrowers, eg. the margin to swap on the World Bank October 2021 issue widened by 14 bps over the same period and the margin to swap on the KBN February 2024 issue widened by 26 bps.

While LGFA continues to provide cost savings to councils, our estimate of savings for AA-rated councils has diminished over the past six months. This is because although margins for our benchmark councils (Auckland and Dunedin) have widened, they have not widened as much as the LGFA margins. These two councils have not issued as much debt (\$50 million between them) compared to previous periods whereas LGFA remains a large issuer (\$710 million) over the same period. Our two benchmark councils also benefit from a general shortage of single name council debt since most councils are now borrowing from LGFA.

**STATEMENT OF SERVICE PERFORMANCE**

**LGFA March 2019 and April 2020 secondary market credit margin over swap**



From the table below we estimate that as at 31 December 2015, LGFA was saving AA-rated councils approximately 11 bps for a 2019 (four year) maturity.

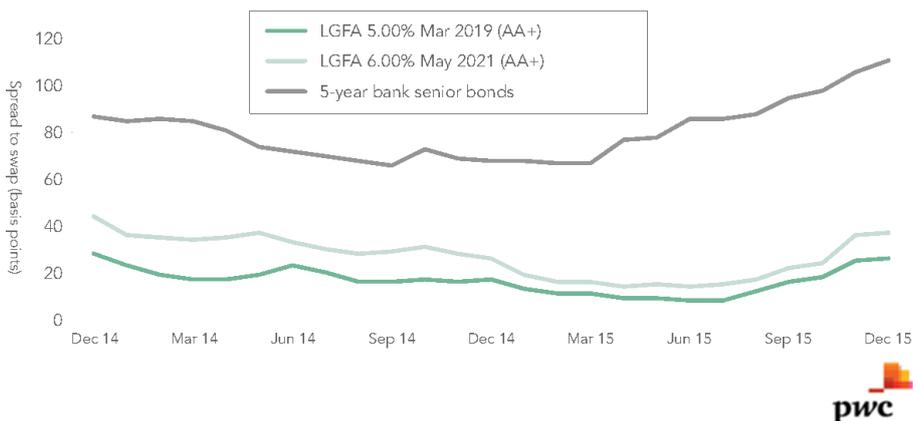
| 31 December 2015                 | Auckland 2019 | Dunedin 2020  | Dunedin 2021  | Auckland 2022   | Auckland 2025 |
|----------------------------------|---------------|---------------|---------------|-----------------|---------------|
| AA-rated councils margin to swap | 35            | 45            | 50            | 59              | 69            |
| Less LGFA margin to swap         | -25           | -29           | -35           | -41             | -54           |
| LGFA Gross Funding Advantage     | 10            | 16            | 15            | 18              | 15            |
| Less LGFA Base Margin            | -9            | -10           | -10           | -10.5           | -11           |
| LGFA Net Funding Advantage       | 1             | 6             | 5             | 7.5             | 4             |
| Add 'LGFA Effect' *              | 10            | 10            | 10            | 10              | 10            |
| <b>Total Saving</b>              | <b>11 bps</b> | <b>16 bps</b> | <b>15 bps</b> | <b>17.5 bps</b> | <b>14 bps</b> |

\* The 'LGFA effect' represents the estimated conservative reduction in AA-rated council's margin to swap as a result of LGFA operations. From May to June 2012, the margin to swap for AA-rated councils fell by 10 bps, with no corresponding move in swap spreads for other borrowers. This suggests that potential access to cost-effective LGFA funding has enabled these councils to reduce their borrowing margin by around 10 bps.

It should be noted that although the costs savings for the sector have diminished over the past six months, LGFA remains the cheapest source of borrowing for the sector as illustrated in the following chart which shows the widening borrowing cost for banks.

**STATEMENT OF SERVICE PERFORMANCE**

**LGFA March 2019 and April 2020 secondary market credit margin over swap**



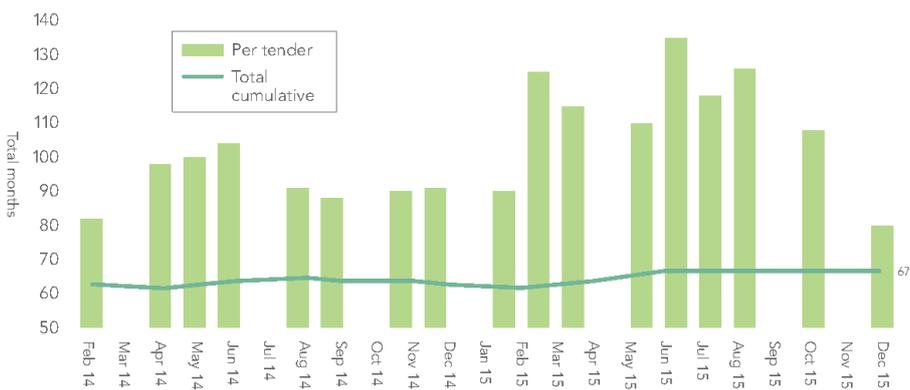
**(ii) Making longer-term borrowings available to participating local authorities**

Over the past six months, LGFA offered two maturity dates for borrowing in excess of seven years to participating councils:

- 15 April 2023 bond (seven years) and this maturity has comprised 15.5% of total issuance in the past six months, and
- 15 April 2027 (eleven years) and this maturity comprised 53.5% of our issuance in the past six months.

The following chart shows the average months to maturity for LGFA bonds issued at each tender, and the average months to maturity for all LGFA bonds outstanding at each tender. Over the past year the average maturity of LGFA bonds on issue has lengthened by four months to 67 months (despite a natural 12-month shortening in time).

**Average total months to maturity**



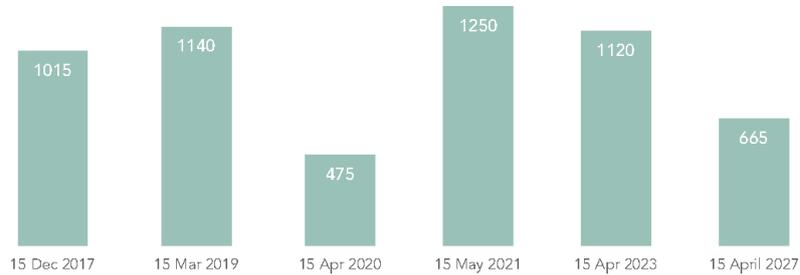
The average term of borrowing by Councils from LGFA was approximately 9.2 years for the six-month period to 31 December 2015. This compares favourably to the average term of 8.1 years for the 2014-15 year.



## STATEMENT OF SERVICE PERFORMANCE

The following chart shows the total LGFA bond outstandings by maturity as at 31 December 2015.

LGFA bond outstandings as at 31 December 2015 (\$ million)



Over the six-month period to 31 December 2015 LGFA issued \$710 million of debt with a weighted average maturity of 8.9 years. This compares favourably to an average maturity for the 2014-15 year of 7.9 years. Approximately 69% of LGFA bond issuance for the six-month period was in the two longest dated maturities – 2023 and 2027.

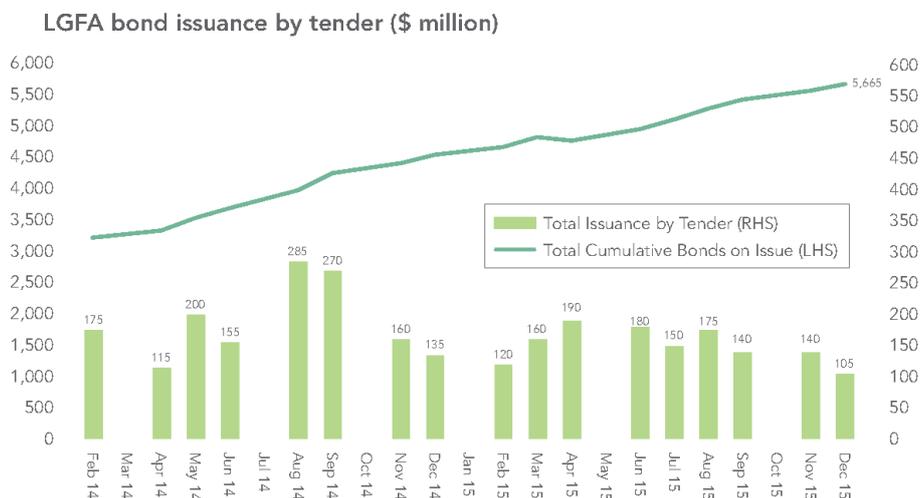
### July 2015 – December 2015 LGFA Bond Issuance

| Dec-17 | Mar-19       | Apr-20        | May-21       | Apr-23        | Apr-27        | Total         |
|--------|--------------|---------------|--------------|---------------|---------------|---------------|
| \$ nil | \$30 million | \$110 million | \$80 million | \$110 million | \$380 million | \$710 million |
| 0.0%   | 4.2%         | 15.5%         | 11.3%        | 15.5%         | 53.5%         | 100%          |

(iii) **Enhancing the certainty of access to debt markets for Participating Local Authorities, subject always to operating in accordance with sound business practice**

LGFA held five tenders during the six-month period to 31 December 2015, with an average tender volume of \$142 million. The volume offered at each tender ranged from \$105 million to \$175 million and all tenders were successful and fully subscribed. Total issuance during the six-month period of \$710 million resulted in nominal outstandings of LGFA bonds of \$5.655 billion as at 31 December 2015.

**STATEMENT OF SERVICE PERFORMANCE**



Over the six-month period to 31 December 2015, total bids received across the five tenders were \$1.8 billion for the \$710 million of LGFA bonds offered resulting in a coverage ratio of 2.6 times. The LGFA cover ratio for each tender and the cumulative ratio for tenders over the past two years are shown in the following chart.

**Tender cover ratio**



While the coverage ratio for the past six months is lower than the average coverage ratio of 3.3 times since LGFA first commenced issuing in February 2012, this is not surprising given the longer duration of LGFA bonds being currently tendered, the smaller tranche sizes now being offered in the shorter dated LGFA maturities, tight spreads to both NZGB and swap and low outright yields. Furthermore, offshore investor demand for LGFA securities has been noted in the secondary market rather than at LGFA tenders.

While LGFA issues fixed coupon debt to investors, Councils were provided the choice of either fixed or floating rate borrowing for their borrowing from LGFA. Councils tend to borrow on a floating rate basis from LGFA.

## STATEMENT OF SERVICE PERFORMANCE

Improved certainty of access for councils was achieved with the commencement of bespoke lending in February 2015 and short-dated lending (less than one-year terms) in November 2015. Bespoke lending allows councils to have flexibility in the tenor of their borrowing and the timing of their drawdown.

### (iv) **Offering more flexible lending terms to Participating Local Authorities**

The successful introduction of bespoke lending and short-dated lending has provided councils with flexible lending conditions.

LGFA first offered bespoke lending in February 2015 where council borrowers could select their preferred borrowing maturity date and their preferred date of borrowing drawdown. In the six-month period to 31 December 2015 LGFA lent \$178 million on a bespoke basis across 23 transactions. Total bespoke lending outstanding as at 31 December 2015 was \$257 million.

LGFA first offered short-dated lending to councils in November 2015 and to date has lent \$44 million to three councils. Councils can now borrow on attractive terms out to 364 days where previously the shortest borrowing maturity was to December 2017.

### **1.2 LGFA will monitor the quality of the asset book so that it remains of a high standard by ensuring it understands each Participating Local Authority's financial position and the general issues confronting the Local Government sector. This includes:**

#### **(i) LGFA will review each Participating Local Authority's financial position, its financial headroom under LGFA policies and visit each Participating Local Authority on an annual basis**

LGFA undertakes a detailed financial assessment on each of its borrowers and meets with all member councils on an annual basis while monitoring council performance throughout the year. LGFA reviews the Annual and Long Term Plans for each council and the annual financial statements. LGFA assigns an internal credit rating to each of its council members as part of the review exercise. All council members were compliant with LGFA covenants at June 2015.

#### **(ii) LGFA will commence work on analysing finances at the Council group level in addition to parent level. Previously the analysis was undertaken at the Council parent level**

As in previous years we continue to analyse the financial position of each council on a Group basis where appropriate e.g. where council services are delivered through subsidiaries or holds substantial investments in subsidiaries.

#### **(iii) LGFA will work closely with the Department of Internal Affairs (DIA), Office of the Auditor General (OAG) and Local Government New Zealand (LGNZ) on sector and individual council issues**

LGFA staff and directors have met with the OAG during the past six months and staff have met with DIA. LGFA has presented at each of the two LGNZ quarterly media briefings during the six-month period and authored the LGNZ report on local government sector finances in December 2015.

## **2 Additional objectives**

LGFA has a number of additional objectives which complement the primary objectives. These additional objectives are to:

### **2.1 Operate with a view to making a profit sufficient to pay a dividend in accordance with its stated Dividend Policy set out in section 6 of the Statement of Intent**

The LGFA's policy is to pay a dividend that provides an annual rate of return to shareholders equal to LGFA cost of funds plus 2% over the medium term.

## STATEMENT OF SERVICE PERFORMANCE

Due to higher lending volumes and expenditure being contained close to budget we expect profitability to be sufficient to make a dividend payment.

The decision to pay a dividend for the 2015-16 financial year is at the discretion of the LGFA Directors and will be made no later than the 30 September 2016.

### 2.2 Provide at least 50% of aggregate long-term debt funding for Participating Local Authorities

Two new councils joined LGFA in the six-month period: Buller District Council as a borrower and Canterbury Regional Council as a borrower and guarantor, bringing the total number of council members to 47. Councils have strongly supported LGFA and by 31 December 2015, 46 participating councils have borrowed from LGFA.

The strong council support for LGFA is demonstrated in the following chart which shows the progression of council participation.

Participating councils



The following chart shows the LGFA market share of new local government debt issuance and is derived from data provided by PwC. Our share of long-term borrowing by the sector including non-members of LGFA was 71.3% for the twelve-month period to September 2015. The market share is influenced by the amount of debt issued by the sector's largest borrower, Auckland Council in its own name in the domestic market. If we exclude Auckland Council external borrowing from the data then our estimated market share for the year to September 2015 was 84%.

## STATEMENT OF SERVICE PERFORMANCE

LGFA Market Share – rolling one year average



### 2.3 Ensure its products and services are delivered at a cost that does not exceed the forecast for issuance and operating expenses set out in section 4 of the Statement of Intent

Issuance and Operating Expenses for the six-month period to December 2015 were \$2.82 million compared to a full year SOI forecast of \$5.94 million and as such expenses for the six-month period are slightly lower than budget.

Over the past six months, legal costs and expenses associated with the listing of LGFA bonds on the NZX debt markets were higher than planned. This was offset by a lower than forecast expenditure on AIL, NZDMO facility fee and general operating expenses.

### 2.4 Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency

On 10 November 2015, Standard & Poor's (S&P) affirmed LGFA's local currency credit rating at AA+ and foreign currency credit rating at AA. The outlook on both ratings is stable.

On 13 November 2015, Fitch affirmed LGFA's local currency credit rating at AA+ and foreign currency credit rating at AA. The outlook on both ratings is positive.

Both the S&P and Fitch ratings are the same as, and are capped by, New Zealand's sovereign credit ratings. Fitch has defined LGFA as a dependant Public Sector Entity and our credit rating is now explicitly linked to the New Zealand Sovereign credit rating.

### 2.5 Achieve the Financial Forecasts set out in section 4 of the Statement of Intent

LGFA's financial results for key items set out in section 4 of the SOI for the six-month period to 31 December 2015 are:

| In \$ million                   | 31 Dec 2015<br>Actual | 30 June 2016<br>SOI Forecast |
|---------------------------------|-----------------------|------------------------------|
| Net interest revenue            | 7.59                  | 16.36                        |
| Issuance and operating expenses | (2.82)                | (5.94)                       |
| <b>Net Profit</b>               | <b>4.77</b>           | <b>10.42</b>                 |

## STATEMENT OF SERVICE PERFORMANCE

Net interest revenue is expected to be lower than forecast for the full year due to lower interest rates reducing returns on the investment assets, differences in the accrual accounting treatment of the bonds and derivative positions, and timing differences associated with bespoke lending.

Issuance and operating expenses are \$159k below budget due to lower NZDMO facility charges and AIL.

### 2.6 Meet or exceed the Performance Targets outlined in section 5

| Current performance targets  | Full Year Target | Result as at Half Year | Outcome |
|--|------------------|------------------------|---------|
| 1 Average cost of funds on debt issued relative to New Zealand Government Securities for the 12-month period | 0.50%            | 0.69%                  | No (i)  |
| 2 Average base on-lending margin above LGFA's cost of funds  | 0.10%            | 0.114%                 | No (ii) |
| 3 Annualised issuance and operating expenses   | \$5.9 million    | \$5.6 million          | Yes     |
| 4 Lending to participating councils  | \$5,885 million  | \$5,665 million        | Yes     |

(i) The average cost of funds of total bond issuance for the six-month period ending 31 December 2015 relative to NZGS was 0.69%. This compares to a spread of 0.64% for the six-month period to June 2015. The widening in the margin is due to a softening in credit market sentiment for non-sovereign bonds and the disproportionate amount of longer dated LGFA bonds issued (and hence a wider margin) over the past six months.

(ii) The average base on-lending margin has narrowed from 13 bps (0.13%) in the six-month period to 31 December 2015 but is still above the 10 bps (0.10%) target. The margin is a function of duration of council borrowing as the current margin is 0.09% for council borrowing to March 2019, 0.10% from April 2020 to May 2021 and 0.11% for terms longer than April 2023. Given that councils have been borrowing for longer tenors, the average margin is above 0.10%. Note that this margin calculation does not include any short-dated lending where the base margin is zero and LGFA only charges a credit margin. If short-dated lending was included then the average base on-lending margin would reduce to 0.107%.

### 2.7 Comply with its Treasury Policy, as approved by the Board

LGFA was compliant at all times with the Treasury Policy for the six-month period ending 31 December 2015.



# FINANCIAL STATEMENTS



Upper Hutt Train Station. A joint project with Wellington Regional Council. Upper Hutt City Council.

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## DIRECTORS' DECLARATION

In the opinion of the directors of the New Zealand Local Government Funding Agency Limited, the financial statements and notes on pages 22 to 38:

- Comply with New Zealand generally accepting accounting practice and give a true and fair view of the financial position of the Company as at 31 December 2015, and
- Have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.
- The directors believe that proper accounting records have been kept which enables, with reasonable accuracy, the determination of the financial position of the Company and facilitates the compliance of the financial statements with the Financial Reporting Act 1993.

The directors consider that they have taken adequate steps to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

For and on behalf of the Board of Directors



C. Stobo, Director  
29 February 2016



A. Foote, Director  
29 February 2016

## STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2015 (unaudited) in \$000s

|  | Note | 31 December<br>2015<br>Unaudited | 31 December<br>2014<br>Unaudited |
|--|------|----------------------------------|----------------------------------|
| <b>Interest income from</b>                      |      |                                  |                                  |
| Cash and cash equivalents                        |      | 635                              | 848                              |
| Loans to local government                        |      | 108,035                          | 95,394                           |
| Marketable securities                            |      | 598                              | 130                              |
| Deposits   |      | 2,037                            | 1,197                            |
| Derivatives                                      |      | 22,912                           | 7,052                            |
| Fair value hedge ineffectiveness                 | 2    | -                                | -                                |
| <b>Total interest income</b>                     |      | <b>134,217</b>                   | <b>104,621</b>                   |
| <b>Interest expense on</b>                       |      |                                  |                                  |
| Bills  |      | 542                              |                                  |
| Bonds  |      | 124,476                          | 96,602                           |
| Borrower notes                                   |      | 1,606                            | 1,419                            |
| <b>Total interest expense</b>                    |      | <b>126,624</b>                   | <b>98,021</b>                    |
| <b>Net interest income</b>                       |      | <b>7,593</b>                     | <b>6,600</b>                     |
| <b>Operating expenses</b>                        |      |                                  |                                  |
| Issuance and on-lending expenses                 | 3    | 1,556                            | 1,027                            |
| Operating expenses                               | 4    | 1,268                            | 1,105                            |
| <b>Total expenses</b>                            |      | <b>2,824</b>                     | <b>2,132</b>                     |
| <b>Net operating profit</b>                      |      | <b>4,769</b>                     | <b>4,468</b>                     |
| <b>Total comprehensive income for the period</b> |      | <b>4,769</b>                     | <b>4,468</b>                     |

These statements are to be read in conjunction with the notes to the financial statements

## STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2015 (unaudited) in \$000s

|   | Note | Share<br>Capital | Retained<br>earnings | Total<br>equity |
|---|------|------------------|----------------------|-----------------|
| Equity as at 30 June 2015                 | 10   | 25,000           | 11,287               | 36,287          |
| Net operating profit                      |      |                  | 4,769                | 4,769           |
| Total comprehensive income for the period |      |                  | 4,769                | 4,769           |
| Transactions with owners:                 |      |                  |                      | -               |
| Dividend paid on 15 October 2015          |      |                  | (1,603)              | (1,603)         |
| <b>Equity as at 31 December 2015</b>      | 10   | <b>25,000</b>    | <b>14,453</b>        | <b>39,453</b>   |

For the six months ended 31 December 2014 (unaudited) in \$000s

|   | Note | Share<br>Capital | Retained<br>earnings | Total<br>equity |
|---|------|------------------|----------------------|-----------------|
| Equity as at 30 June 2014                 |      | 25,000           | 3,848                | 28,848          |
| Net operating profit                      |      |                  | 4,468                | 4,468           |
| Total comprehensive income for the period |      |                  | 4,468                | 4,468           |
| Transactions with owners:                 |      |                  |                      | -               |
| Dividend paid on 15 October 2014          |      |                  | (1,765)              | (1,765)         |
| <b>Equity as at 31 December 2014</b>      |      | <b>25,000</b>    | <b>6,551</b>         | <b>31,551</b>   |

These statements are to be read in conjunction with the notes to the financial statements

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2015 (unaudited) in \$000s

|   | Note | 31 December<br>2015<br>Unaudited | 30 June 2015     | 31 December<br>2014<br>Unaudited |
|---|------|----------------------------------|------------------|----------------------------------|
| <b>Assets</b>   |      |                                  |                  |                                  |
| <b>Financial assets</b>                               |      |                                  |                  |                                  |
| Cash and bank balances                                |      | 42,409                           | 31,708           | 31,983                           |
| Trade and other receivables                           |      |                                  | 38               | 1                                |
| Short-term loans to local government                  | 5    | 44,071                           | -                | -                                |
| Loans to local government                             | 5    | 5,733,848                        | 5,031,942        | 4,571,548                        |
| Marketable securities                                 |      | 94,861                           | 5,345            | 10,196                           |
| Deposits  |      | 105,967                          | 70,896           | 107,341                          |
| Derivatives in gain                                   |      | 298,392                          | 270,503          | 179,289                          |
| <b>Non-financial assets</b>                           |      |                                  |                  |                                  |
| Prepayments   |      | 805                              | 325              | 446                              |
| Property, plant and equipment                         |      | 1,011                            | 1,081            | 510                              |
| <b>Total assets</b>                                   |      | <b>6,321,364</b>                 | <b>5,411,838</b> | <b>4,901,314</b>                 |
| <b>Equity</b>   |      |                                  |                  |                                  |
| Share capital   |      | 25,000                           | 25,000           | 25,000                           |
| Retained earnings                                     |      | 9,684                            | 11,287           | 2,083                            |
| Total comprehensive income / (deficit) for the period |      | 4,769                            | -                | 4,468                            |
| <b>Total equity</b>                                   |      | <b>39,453</b>                    | <b>36,287</b>    | <b>31,551</b>                    |
| <b>Liabilities</b>                                    |      |                                  |                  |                                  |
| <b>Financial liabilities</b>                          |      |                                  |                  |                                  |
| Trade and other payables                              |      | 457                              | 444              | 3,139                            |
| Accrued expenses                                      |      | 455                              | 344              | 557                              |
| Bills   |      | 148,952                          | -                | -                                |
| Bonds   | 6    | 6,034,179                        | 5,274,319        | 4,770,050                        |
| Borrower notes  | 7    | 97,868                           | 85,120           | 76,462                           |
| Derivatives in loss                                   |      | -                                | 15,324           | 19,555                           |
| <b>Total liabilities</b>                              |      | <b>6,281,911</b>                 | <b>5,375,551</b> | <b>4,869,763</b>                 |
| <b>Total equity and liabilities</b>                   |      | <b>6,321,364</b>                 | <b>5,411,838</b> | <b>4,901,314</b>                 |

These statements are to be read in conjunction with the notes to the financial statements

## STATEMENT OF CASH FLOWS

For the six months ended 31 December 2015 (unaudited) in \$000s

|   | Note | 31 December<br>2015<br>Unaudited | 31 December<br>2014<br>Unaudited |
|---|------|----------------------------------|----------------------------------|
| <b>Cash flow from operating activities</b>        |      |                                  |                                  |
| Cash applied to loans to local government         |      | (746,138)                        | (823,027)                        |
| Interest paid on bonds issued                     |      | (134,839)                        | (106,325)                        |
| Interest paid on borrower notes                   |      | (57)                             | -                                |
| Interest paid on loans                            |      | (26)                             | -                                |
| Interest received from cash & cash equivalents    |      | 635                              | 848                              |
| Interest received from loans to local government  |      | 108,270                          | 89,345                           |
| Interest received from marketable securities      |      | 756                              | 89                               |
| Interest received from deposits                   |      | 1,966                            | 1,398                            |
| Net interest on derivatives                       |      | 32,147                           | 21,091                           |
| Payments to suppliers and employees               |      | (3,051)                          | (2,017)                          |
| <b>Net cash flow from operating activities</b>    | 9    | <b>(740,337)</b>                 | <b>(818,598)</b>                 |
| <b>Cash flow from investing activities</b>        |      |                                  |                                  |
| Purchase of marketable securities                 |      | (89,745)                         | (10,155)                         |
| Purchase of deposits                              |      | (35,000)                         | (58,000)                         |
| Purchase of plant and equipment                   |      | (4)                              | (91)                             |
| <b>Net cash flow from investing activities</b>    |      | <b>(124,749)</b>                 | <b>(68,246)</b>                  |
| <b>Cash flow from financing activities</b>        |      |                                  |                                  |
| Dividends paid                                    |      | (1,608)                          | (1,765)                          |
| Cash proceeds from borrower notes                 |      | 11,200                           | 13,152                           |
| Cash proceeds from bonds issued                   |      | 744,807                          | 854,603                          |
| Cash proceeds from bills issued                   |      | 148,410                          | -                                |
| Cash applied to derivatives                       |      | (27,022)                         | (2,289)                          |
| <b>Net cash flow from financing activities</b>    |      | <b>875,787</b>                   | <b>863,701</b>                   |
| <b>Net increase / (decrease) in cash</b>          |      | <b>10,701</b>                    | <b>(23,143)</b>                  |
| Cash and cash equivalents at beginning of year    |      | 31,708                           | 55,126                           |
| <b>Cash and cash equivalents at end of period</b> |      | <b>42,409</b>                    | <b>31,983</b>                    |

These statements are to be read in conjunction with the notes to the financial statements

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Statement of accounting policies

#### a Reporting Entity

The New Zealand Local Government Funding Agency Limited (LGFA) is a company registered under the Companies Act 1993 and is subject to the requirements of the Local Government Act 2002.

LGFA is controlled by participating local authorities and is a council-controlled organisation as defined under section 6 of the Local Government Act 2002. LGFA is a limited liability company incorporated and domiciled in New Zealand.

The primary objective of LGFA is to optimise the debt funding terms and conditions for participating local authorities.

The registered address of LGFA is Level 8, City Chambers, 142 Featherston Street, Wellington Central, Wellington 6011.

The financial statements are for the six-month period ended 31 December 2015.

These financial statements were authorised for issue by the Directors on 29 February 2016.

#### b Basis of Preparation

##### Measurement base

The financial statements have been prepared on a historical cost basis modified by the revaluation of certain assets and liabilities.

The financial statements are prepared on an accrual basis.

##### Functional and presentation currency

The financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless separately identified. The functional currency of LGFA is New Zealand dollars.

##### Foreign currency conversions

Transactions denominated in foreign currency are translated into New Zealand dollars using exchange rates applied on the trade date of the transaction.

##### Changes in accounting policies

There have been no changes in accounting policies.

##### Early adoption standards and interpretations

The following accounting standard has been early adopted by LGFA.

NZ IFRS 9: Financial Instruments. The first two phases of this new standard were approved by the Accounting Standards Review Board in November 2009 and November 2010. These phases address the issues of classification and measurement of financial assets and financial liabilities.

##### Standards not yet adopted

LGFA does not consider any standards or interpretations in issue but not yet effective to have a significant impact on its financial statements. Those which may be relevant to LGFA are as follows:

- NZ IFRS 9: Financial Instruments (2014) – Effective for periods beginning on or after 1 January 2018. This standard aligns hedge accounting more closely with the risk management activities of the entity and adds requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit.

#### c Financial instruments

##### Financial assets

Financial assets, other than derivatives, are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method.

## NOTES TO THE FINANCIAL STATEMENTS

Cash and cash equivalents include cash on hand; cash in transit, bank accounts and deposits with an original maturity of no more than three months.

Purchases and sales of all financial assets are accounted for at trade date.

At each balance date an assessment is made whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

### Financial liabilities

Financial liabilities, other than derivatives, are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method.

### Derivatives

Derivative financial instruments are recognised both initially and subsequently at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively.

### Fair value hedge

Where a derivative qualifies as a hedge of the exposure to changes in fair value of an asset or liability (fair value hedge) any gain or loss on the derivative is recognised in profit and loss together with any changes in the fair value of the hedged asset or liability.

The carrying amount of the hedged item is adjusted by the fair value gain or loss on the hedged item in respect of the risk being hedged. Effective parts of the hedge are recognised in the same area of profit and loss as the hedged item.

## d Other assets

### Property, plant and equipment (PPE)

Items of property, plant and equipment are initially recorded at cost.

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its remaining useful life.

### Intangible assets

Intangible assets comprise acquired and internally developed computer software costs incurred for the implementation of the treasury management system. Capitalised computer software costs are amortised on a straight-line basis over the estimated useful life of the software (3 to 7 years). Costs associated with maintaining computer software are recognised as expenses when incurred.

## e Other liabilities

### Employee entitlements

Employee entitlements to salaries and wages, annual leave and other similar benefits are recognised in the profit and loss when they accrue to employees.

## f Revenue and expenses

### Revenue

#### Interest income

Interest income is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

## NOTES TO THE FINANCIAL STATEMENTS

### Expenses

Expenses are recognised in the period to which they relate.

### Interest expense

Interest expense is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

### Income tax

LGFA is exempt from income tax under Section 14 of the Local Government Borrowing Act 2011.

### Goods and services tax

All items in the financial statements are presented exclusive of goods and service tax (GST), except for receivables and 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 asset or expense.

The net amount of GST recoverable from, or payable to, the IRD 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 a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

### g Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

### h Segment reporting

LGFA operates in one segment being funding of participating local authorities in New Zealand.

### i Judgements and estimations

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. For example, the present value of large cash flows that are predicted to occur a long time into the future depends critically on judgements regarding future cash flows, including inflation assumptions and the risk-free discount rate used to calculate present values.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Where these judgements significantly affect the amounts recognised in the financial statements they are described below and in the following notes.

## NOTES TO THE FINANCIAL STATEMENTS

### 2 Hedge accounting

LGFA is exposed to interest rate risk from fixed rate borrowing and variable rate lending to councils. LGFA manages this interest rate risk through the use of interest rate swaps. For hedge accounting purposes, LGFA has designated these swaps in fair value relationships to its fixed rate borrowing.

The gain or loss on the hedging instrument and the hedged item attributable to the hedged risk for fair value hedge relationships is shown in the table below.

| For the six months ended 31 December 2015<br><i>in \$000s</i>              | 2015<br>Gain/(loss)<br>Unaudited | 2014<br>Gain/(loss)<br>Unaudited |
|--|----------------------------------|----------------------------------|
| Hedging instruments – interest rate swaps                                  | 127,024                          | 99,404                           |
| Hedged item attributable to the hedged risk – fixed rate bonds             | (127,024)                        | (99,404)                         |
| <b>Ineffectiveness recognised in profit or loss from fair value hedges</b> | -                                | -                                |

The gains or losses on the hedging instrument (interest rate swaps) and the hedged item (bonds) are mapped to the same fair value account. For this reason, the statement of comprehensive income will only report any ineffectiveness arising from the fair value hedge.

### 3 Issuance and on-lending expenses

Issuance and on-lending expenses are those costs that are incurred as a necessary expense to facilitate the ongoing issuance of LGFA debt securities.

| For the six months ended 31 December 2015<br><i>in \$000s</i> | 2015<br>Unaudited | 2014<br>Unaudited |
|---|-------------------|-------------------|
| NZDMO facility fee  | 200               | 100               |
| NZDMO processing fees   | -                 | 77                |
| NZX   | 56                | -                 |
| Rating agency fees  | 255               | 250               |
| Legal fees for issuance                                       | 171               | 59                |
| Regulatory, registry, other fees                              | 14                | 11                |
| Trustee fees  | 50                | 51                |
| Approved issuer levy  | 751               | 463               |
| Promotion/roadshow  | -                 | 16                |
| Information Services <sup>(1)</sup>                           | 59                | -                 |
|   | <b>1,556</b>      | <b>1,027</b>      |

<sup>1</sup> Information services expenses were included in NZDMO processing fees in the 31 December 2014 Half Year Report.

## NOTES TO THE FINANCIAL STATEMENTS

### 4 Operating expenses

Operating expenses are all other expenses that are not classified as 'Issuance and on-lending expenses.'

| For the six months ended 31 December 2015<br><i>in \$000s</i> | 2015<br>Unaudited | 2014<br>Unaudited |
|---|-------------------|-------------------|
| Consultants <sup>(1)</sup>                                    | 75                | -                 |
| Directors' fees   | 144               | 135               |
| Insurance   | 31                | 31                |
| Legal fees  | 19                | 62                |
| Other Expenses  | 361               | 339               |
| Auditors' remuneration : Statutory Audit                      | 21                | 23                |
| Personnel   | 617               | 515               |
|   | <b>1,268</b>      | <b>1,105</b>      |

<sup>1</sup> The cost of consultants relates primarily to the treasury system and was included in Other Expenses in the 31 December 2014 Half Year report.

## NOTES TO THE FINANCIAL STATEMENTS

### 5 Loans to local government

Includes loans and short-term loans to local government.

| As at 31 December 2015<br>(unaudited) in \$000s | Face value       | Unamortised<br>Premium /<br>(Discount) | Accrued<br>interest | Total            |
|---|------------------|--|---------------------|------------------|
| Ashburton District Council                      | 15,000           | 768                                    | 116                 | 15,884           |
| Auckland Council                                | 1,957,000        | 16,602                                 | 12,362              | 1,985,964        |
| Buller District Council                         | 20,000           | -                                      | 2                   | 20,002           |
| Canterbury Regional Council                     | 15,000           | -                                      | 29                  | 15,029           |
| Christchurch City Council                       | 1,050,000        | 3,144                                  | 5,692               | 1,058,836        |
| Far North District Council                      | 10,000           | -                                      | 47                  | 10,047           |
| Gisborne District Council                       | 17,000           | -                                      | 71                  | 17,071           |
| Greater Wellington Regional Council             | 205,000          | -                                      | 721                 | 205,721          |
| Grey District Council                           | 20,000           | 545                                    | 164                 | 20,709           |
| Hamilton Council                                | 225,000          | -                                      | 782                 | 225,782          |
| Hastings Council                                | 50,000           | -                                      | 205                 | 50,205           |
| Hauraki District Council                        | 36,011           | -                                      | 149                 | 36,161           |
| Horizons Regional Council                       | 10,000           | -                                      | 18                  | 10,018           |
| Horowhenua District Council                     | 47,000           | 572                                    | 364                 | 47,936           |
| Hurunui District Council                        | 15,000           | -                                      | 80                  | 15,080           |
| Hutt City Council                               | 79,000           | 246                                    | 558                 | 79,804           |
| Kapiti Coast District Council                   | 150,000          | -                                      | 513                 | 150,513          |
| Manawatu Council                                | 41,000           | 15                                     | 290                 | 41,306           |
| Marlborough District Council                    | 28,000           | (115)                                  | 179                 | 28,064           |
| Masterton Council                               | 44,000           | -                                      | 200                 | 44,200           |
| Matamata-Piako District Council                 | 24,500           | -                                      | 86                  | 24,586           |
| Nelson City Council                             | 35,000           | -                                      | 173                 | 35,173           |
| New Plymouth Council                            | 61,000           | -                                      | 229                 | 61,229           |
| Opotiki District Council                        | 5,000            | 183                                    | 43                  | 5,226            |
| Otorohanga Council                              | 9,000            | 204                                    | 76                  | 9,280            |
| Palmerston North City Council                   | 77,000           | -                                      | 352                 | 77,352           |
| Porirua City Council                            | 23,500           | -                                      | 135                 | 23,635           |
| Queenstown Lakes District Council               | 75,000           | 1,006                                  | 476                 | 76,482           |
| Rotorua District Council                        | 92,197           | 522                                    | 457                 | 93,176           |
| Selwyn Council                                  | 35,000           | -                                      | 66                  | 35,066           |
| South Taranaki Council                          | 62,000           | -                                      | 279                 | 62,279           |
| Taranaki District Council                       | 9,000            | -                                      | 39                  | 9,039            |
| Tasman Council                                  | 90,000           | -                                      | 372                 | 90,372           |
| Taupo Council                                   | 125,000          | -                                      | 511                 | 125,511          |
| Tauranga Council                                | 245,000          | 672                                    | 1,152               | 246,823          |
| Thames-Coromandel District Council              | 35,000           | -                                      | 81                  | 35,081           |
| Timaru District Council                         | 51,000           | 39                                     | 318                 | 51,356           |
| Upper Hutt City Council                         | 22,500           | -                                      | 100                 | 22,600           |
| Waikato District Council                        | 50,000           | -                                      | 189                 | 50,189           |
| Waimakariri District Council                    | 75,000           | 301                                    | 642                 | 75,943           |
| Waipa Council                                   | 13,000           | -                                      | 21                  | 13,021           |
| Wellington City Council                         | 208,000          | -                                      | 995                 | 208,995          |
| Western Bay Of Plenty District Council          | 70,000           | -                                      | 276                 | 70,276           |
| Whakatane District Council                      | 28,000           | -                                      | 90                  | 28,090           |
| Whanganui District Council                      | 41,000           | -                                      | 192                 | 41,192           |
| Whangarei Council                               | 127,035          | 41                                     | 541                 | 127,617          |
|   | <b>5,722,743</b> | <b>24,744</b>                          | <b>30,431</b>       | <b>5,777,919</b> |

## NOTES TO THE FINANCIAL STATEMENTS

## 5 Loans to local government (continued)

| As at 30 June 2015<br>in \$000s        | Face value       | Unamortised<br>Premium /<br>(Discount) | Accrued<br>interest | Total            |
|--|------------------|--|---------------------|------------------|
| Ashburton District Council             | 15,000           | 829                                    | 113                 | 15,941           |
| Auckland Council                       | 1,725,000        | 16,818                                 | 11,396              | 1,753,214        |
| Buller District Council                | -                | -                                      | -                   | -                |
| Canterbury Regional Council            | -                | -                                      | -                   | -                |
| Christchurch City Council              | 932,500          | 3,219                                  | 5,463               | 941,183          |
| Far North District Council             | 10,000           | -                                      | 55                  | 10,055           |
| Gisborne District Council              | 17,000           | -                                      | 51                  | 17,051           |
| Greater Wellington Regional Council    | 155,000          | -                                      | 741                 | 155,741          |
| Grey District Council                  | 20,000           | 592                                    | 163                 | 20,754           |
| Hamilton Council                       | 225,000          | -                                      | 771                 | 225,771          |
| Hastings Council                       | 50,000           | -                                      | 204                 | 50,204           |
| Hauraki District Council               | 34,000           | -                                      | 184                 | 34,184           |
| Horizons Regional Council              | 10,000           | -                                      | 18                  | 10,018           |
| Horowhenua District Council            | 47,000           | 618                                    | 366                 | 47,985           |
| Hurunui District Council               | 12,000           | -                                      | 67                  | 12,067           |
| Hutt City Council                      | 49,000           | 281                                    | 401                 | 49,682           |
| Kapiti Coast District Council          | 130,000          | -                                      | 480                 | 130,480          |
| Manawatu Council                       | 41,000           | 27                                     | 303                 | 41,330           |
| Marlborough District Council           | 28,000           | -129                                   | 175                 | 28,046           |
| Masterton Council                      | 40,000           | -                                      | 194                 | 40,194           |
| Matamata-Piako District Council        | 24,500           | -                                      | 98                  | 24,598           |
| Nelson City Council                    | 25,000           | -                                      | 150                 | 25,150           |
| New Plymouth Council                   | 56,000           | -                                      | 221                 | 56,221           |
| Opotiki District Council               | 3,500            | 49                                     | 25                  | 3,574            |
| Otorohanga Council                     | 9,000            | 235                                    | 73                  | 9,308            |
| Palmerston North City Council          | 77,000           | -                                      | 376                 | 77,376           |
| Porirua City Council                   | 20,000           | -                                      | 140                 | 20,140           |
| Queenstown Lakes District Council      | 60,000           | 1,096                                  | 444                 | 61,539           |
| Rotorua District Council               | 55,000           | 599                                    | 573                 | 56,172           |
| Selwyn Council                         | 35,000           | -                                      | 66                  | 35,066           |
| South Taranaki Council                 | 62,000           | -                                      | 234                 | 62,234           |
| Tararua District Council               | 9,000            | -                                      | 45                  | 9,045            |
| Tasman Council                         | 90,000           | -                                      | 428                 | 90,428           |
| Taupo Council                          | 100,000          | -                                      | 423                 | 100,423          |
| Tauranga Council                       | 215,000          | 525                                    | 1,062               | 216,587          |
| Thames-Coromandel District Council     | 35,000           | -                                      | 89                  | 35,089           |
| Timaru District Council                | 51,000           | 45                                     | 334                 | 51,378           |
| Upper Hutt City Council                | 18,000           | -                                      | 72                  | 18,072           |
| Waikato District Council               | 50,000           | -                                      | 215                 | 50,215           |
| Waimakariri District Council           | 55,000           | 324                                    | 409                 | 55,733           |
| Waipa Council                          | 13,000           | -                                      | 22                  | 13,022           |
| Wellington City Council                | 138,000          | -                                      | 712                 | 138,712          |
| Western Bay Of Plenty District Council | 70,000           | -                                      | 127                 | 70,127           |
| Whakatane District Council             | 28,000           | -                                      | 101                 | 28,101           |
| Whanganui District Council             | 41,000           | -                                      | 182                 | 41,182           |
| Whangarei Council                      | 98,000           | 43                                     | 507                 | 98,550           |
|  | <b>4,978,500</b> | <b>25,170</b>                          | <b>28,272</b>       | <b>5,031,942</b> |

## NOTES TO THE FINANCIAL STATEMENTS

### 6 Bonds issued

| As at 31 December 2015<br>(unaudited)<br>in \$000s |             | Face value       | Unamortised<br>premium /<br>(discount) | Accrued<br>interest | Fair value<br>hedge<br>adjustment | Total            |
|--|-------------|------------------|--|---------------------|-----------------------------------|------------------|
| 15 December 2017                                   | 6% coupon   | 1,015,000        | 32,261                                 | 2,829               |                                   | 1,050,090        |
| 15 March 2019                                      | 5% coupon   | 1,140,000        | 31,203                                 | 16,912              |                                   | 1,188,115        |
| 15 April 2020                                      | 3% coupon   | 475,000          | (21,126)                               | 3,037               |                                   | 456,911          |
| 15 May 2021  | 6% coupon   | 1,250,000        | 76,279                                 | 9,684               |                                   | 1,335,963        |
| 15 April 2023                                      | 5.5% coupon | 1,120,000        | 51,323                                 | 13,128              |                                   | 1,184,451        |
| 15 April 2027                                      | 4.5% coupon | 665,000          | 20,248                                 | 6,377               |                                   | 691,625          |
| Fair value hedge adjustment                        |             |                  |  |                     | 127,024                           | 127,024          |
|  |             | <b>5,665,000</b> | <b>190,188</b>                         | <b>51,967</b>       | <b>127,024</b>                    | <b>6,034,179</b> |

| As at 30 June 2015<br>in \$000s |             | Face value       | Unamortised<br>premium /<br>(discount) | Accrued<br>interest | Fair value<br>hedge<br>adjustment | Total            |
|---------------------------------|-------------|------------------|--|---------------------|-----------------------------------|------------------|
| 15 December 2017                | 6% coupon   | 1,015,000        | 40,097                                 | 2,496               |                                   | 1,057,593        |
| 15 March 2019                   | 5% coupon   | 1,110,000        | 33,719                                 | 16,137              |                                   | 1,159,856        |
| 15 April 2020                   | 3% coupon   | 365,000          | (21,839)                               | 2,274               |                                   | 345,435          |
| 15 May 2021                     | 6% coupon   | 1,170,000        | 72,162                                 | 8,775               |                                   | 1,250,937        |
| 15 April 2023                   | 5.5% coupon | 1,010,000        | 41,034                                 | 11,535              |                                   | 1,062,569        |
| 15 April 2027                   | 4.5% coupon | 285,000          | 8,683                                  | 2,663               |                                   | 296,346          |
| Fair value hedge adjustment     |             |                  |  |                     | 101,583                           | 101,583          |
|                                 |             | <b>4,955,000</b> | <b>173,856</b>                         | <b>43,880</b>       | <b>101,583</b>                    | <b>5,274,319</b> |

### 7 Borrower notes

Borrower notes are subordinated debt instruments (which are required to be held by each local authority that borrows from LGFA in an amount equal to 1.6% of the aggregate borrowings by that local authority).

LGFA may convert borrower notes into redeemable shares if it has made calls for all unpaid capital to be paid in full and the LGFA Board determines it is still at risk of imminent default.

## NOTES TO THE FINANCIAL STATEMENTS

## 7 Borrower notes (continued)

| As at 31 December 2015<br>(unaudited) in \$000s | Face value    | Accrued<br>interest | Total         |
|---|---------------|---------------------|---------------|
| Ashburton District Council                      | 240           | 25                  | 265           |
| Auckland Council                                | 31,312        | 2,566               | 33,878        |
| Buller District Council                         | 320           | 1                   | 321           |
| Canterbury Regional Council                     | 240           | 0                   | 240           |
| Christchurch City Council                       | 16,800        | 1,225               | 18,025        |
| Far North District Council                      | 160           | 15                  | 175           |
| Gisborne District Council                       | 272           | 16                  | 288           |
| Greater Wellington Regional Council             | 3,280         | 202                 | 3,482         |
| Grey District Council                           | 320           | 31                  | 351           |
| Hamilton Council                                | 3,600         | 378                 | 3,978         |
| Hastings Council                                | 800           | 73                  | 873           |
| Hauraki District Council                        | 544           | 35                  | 579           |
| Horizons Regional Council                       | 160           | 14                  | 174           |
| Horowhenua District Council                     | 752           | 66                  | 818           |
| Hurunui District Council                        | 240           | 11                  | 251           |
| Hutt City Council                               | 1,264         | 58                  | 1,322         |
| Kapiti Coast District Council                   | 2,400         | 200                 | 2,600         |
| Manawatu Council                                | 656           | 50                  | 706           |
| Marlborough District Council                    | 448           | 29                  | 477           |
| Masterton Council                               | 704           | 64                  | 768           |
| Matamata-Piako District Council                 | 392           | 31                  | 423           |
| Nelson City Council                             | 560           | 30                  | 590           |
| New Plymouth Council                            | 976           | 79                  | 1,055         |
| Opotiki District Council                        | 80            | 2                   | 82            |
| Otorohanga Council                              | 144           | 17                  | 161           |
| Palmerston North City Council                   | 1,232         | 85                  | 1,317         |
| Porirua City Council                            | 376           | 17                  | 393           |
| Queenstown Lakes District Council               | 1,200         | 96                  | 1,296         |
| Rotorua District Council                        | 880           | 98                  | 978           |
| Selwyn Council                                  | 560           | 76                  | 636           |
| South Taranaki Council                          | 992           | 71                  | 1,063         |
| Taranaki District Council                       | 144           | 9                   | 153           |
| Tasman Council                                  | 1,440         | 127                 | 1,567         |
| Taupo Council                                   | 2,000         | 151                 | 2,151         |
| Tauranga Council                                | 3,920         | 326                 | 4,246         |
| Thames-Coromandel District Council              | 560           | 44                  | 604           |
| Timaru District Council                         | 816           | 74                  | 890           |
| Upper Hutt City Council                         | 360           | 16                  | 376           |
| Waikato District Council                        | 800           | 63                  | 863           |
| Waimakariri District Council                    | 1,200         | 51                  | 1,251         |
| Waipa Council                                   | 208           | 18                  | 226           |
| Wellington City Council                         | 3,328         | 163                 | 3,491         |
| Western Bay Of Plenty District Council          | 1,120         | 90                  | 1,210         |
| Whakatane District Council                      | 448           | 38                  | 486           |
| Whanganui District Council                      | 656           | 46                  | 702           |
| Whangarei Council                               | 1,952         | 134                 | 2,086         |
|   | <b>90,856</b> | <b>7,012</b>        | <b>97,868</b> |

## NOTES TO THE FINANCIAL STATEMENTS

## 7 Borrower notes (continued)

| As at 30 June 2015<br>in \$000s        | Face value    | Accrued<br>interest | Total         |
|--|---------------|---------------------|---------------|
| Ashburton District Council             | 240           | 19                  | 259           |
| Auckland Council                       | 27,600        | 1,999               | 29,599        |
| Buller District Council                | -             | -                   | -             |
| Canterbury Regional Council            | -             | -                   | -             |
| Christchurch City Council              | 14,920        | 920                 | 15,840        |
| Far North District Council             | 160           | 12                  | 172           |
| Gisborne District Council              | 272           | 11                  | 283           |
| Greater Wellington Regional Council    | 2,480         | 153                 | 2,633         |
| Grey District Council                  | 320           | 24                  | 344           |
| Hamilton Council                       | 3,600         | 311                 | 3,911         |
| Hastings Council                       | 800           | 58                  | 858           |
| Hauraki District Council               | 544           | 26                  | 570           |
| Horizons Regional Council              | 160           | 11                  | 171           |
| Horowhenua District Council            | 752           | 50                  | 802           |
| Hurunui District Council               | 192           | 7                   | 199           |
| Hutt City Council                      | 784           | 40                  | 824           |
| Kapiti Coast District Council          | 2,080         | 161                 | 2,241         |
| Manawatu Council                       | 656           | 37                  | 693           |
| Marlborough District Council           | 448           | 19                  | 467           |
| Masterton Council                      | 640           | 51                  | 691           |
| Matamata-Piako District Council        | 392           | 25                  | 417           |
| Nelson City Council                    | 400           | 22                  | 422           |
| New Plymouth Council                   | 896           | 61                  | 957           |
| Opotiki District Council               | 56            | 1                   | 57            |
| Otorohanga Council                     | 144           | 14                  | 158           |
| Palmerston North City Council          | 1,232         | 63                  | 1,295         |
| Porirua City Council                   | 320           | 11                  | 331           |
| Queenstown Lakes District Council      | 960           | 74                  | 1,034         |
| Rotorua District Council               | 880           | 77                  | 957           |
| Selwyn Council                         | 560           | 66                  | 626           |
| South Taranaki Council                 | 992           | 53                  | 1,045         |
| Taranaki District Council              | 144           | 6                   | 150           |
| Tasman Council                         | 1,440         | 101                 | 1,541         |
| Taupo Council                          | 1,600         | 117                 | 1,717         |
| Tauranga Council                       | 3,440         | 259                 | 3,699         |
| Thames-Coromandel District Council     | 560           | 34                  | 594           |
| Timaru District Council                | 816           | 57                  | 873           |
| Upper Hutt City Council                | 288           | 11                  | 299           |
| Waikato District Council               | 800           | 49                  | 849           |
| Waimakariri District Council           | 880           | 30                  | 910           |
| Waipa Council                          | 208           | 15                  | 223           |
| Wellington City Council                | 2,208         | 115                 | 2,323         |
| Western Bay Of Plenty District Council | 1,120         | 126                 | 1,246         |
| Whakatane District Council             | 448           | 30                  | 478           |
| Whanganui District Council             | 656           | 34                  | 690           |
| Whangarei Council                      | 1,568         | 102                 | 1,670         |
|  | <b>79,656</b> | <b>5,464</b>        | <b>85,120</b> |

## NOTES TO THE FINANCIAL STATEMENTS

### 8 Other Assets

As at 31 December 2015, property, plant and equipment comprised:

| <i>in \$000s</i>              | <b>31 December 2015</b><br>Unaudited | 30 June 2015 |
|-------------------------------|--------------------------------------|--------------|
| Property, plant and equipment | 50                                   | 46           |
| Intangible assets             | 961                                  | 1,035        |
| <b>Total Other Assets</b>     | <b>1,011</b>                         | <b>1,081</b> |

### 9 Reconciliation of net profit to net cash flow from operating activities

| <i>For the six months ended 31 December 2015</i><br><i>in \$000s</i> | <b>2015</b><br>Unaudited | 2014<br>Unaudited |
|--|--------------------------|-------------------|
| <b>Net profit/(loss) for the period</b>                              | 4,769                    | 4,468             |
| Cash applied to loans to local government                            | (746,139)                | (823,027)         |
| <b>Non-cash adjustments</b>  |                          |                   |
| Amortisation and depreciation  | 1,261                    | 314               |
| <b>Working capital movements</b>                                     |                          |                   |
| Net change in trade debtors and receivables                          | 51                       | 39                |
| Net change in prepayments  | (481)                    | (220)             |
| Net change in accruals   | 202                      | (172)             |
| <b>Net cash from operating activities</b>                            | <b>740,337</b>           | <b>(818,598)</b>  |

### 10 Share capital

#### Share capital

As at 31 December 2015 LGFA had 45 million ordinary shares on issue, 20 million of which remain uncalled. All ordinary shares rank equally with one vote attached to each ordinary share.

As at 31 December 2015, the shareholding of the New Zealand Government had been fully paid up. For all other shareholders, 50% of the shareholding had been called.

## NOTES TO THE FINANCIAL STATEMENTS

## 10 Share capital (continued)

| Shareholder information                | 31 December 2015  |             | 30 June 2015      |             |
|--|-------------------|-------------|-------------------|-------------|
|  | Number of shares  | Percentage  | Number of shares  | Percentage  |
| New Zealand Government                 | 5,000,000         | 11.1%       | 5,000,000         | 11.1%       |
| Auckland Council                       | 3,731,960         | 8.3%        | 3,731,960         | 8.3%        |
| Christchurch City Council              | 3,731,960         | 8.3%        | 3,731,960         | 8.3%        |
| Hamilton City Council                  | 3,731,960         | 8.3%        | 3,731,960         | 8.3%        |
| Bay of Plenty Regional Council         | 3,731,960         | 8.3%        | 3,731,960         | 8.3%        |
| Greater Wellington Regional Council    | 3,731,960         | 8.3%        | 3,731,960         | 8.3%        |
| Tasman District Council                | 3,731,960         | 8.3%        | 3,731,960         | 8.3%        |
| Tauranga City Council                  | 3,731,960         | 8.3%        | 3,731,960         | 8.3%        |
| Wellington City Council                | 3,731,960         | 8.3%        | 3,731,960         | 8.3%        |
| Western Bay of Plenty District Council | 3,731,960         | 8.3%        | 3,731,960         | 8.3%        |
| Whangarei District Council             | 1,492,784         | 3.3%        | 1,492,784         | 3.3%        |
| Hastings District Council              | 746,392           | 1.7%        | 746,392           | 1.7%        |
| Marlborough District Council           | 400,000           | 0.9%        | 400,000           | 0.9%        |
| Selwyn District Council                | 373,196           | 0.8%        | 373,196           | 0.8%        |
| Gisborne District Council              | 200,000           | 0.4%        | 200,000           | 0.4%        |
| Hauraki District Council               | 200,000           | 0.4%        | 200,000           | 0.4%        |
| Horowhenua District Council            | 200,000           | 0.4%        | 200,000           | 0.4%        |
| Hutt City Council                      | 200,000           | 0.4%        | 200,000           | 0.4%        |
| Kapiti Coast District Council          | 200,000           | 0.4%        | 200,000           | 0.4%        |
| Manawatu District Council              | 200,000           | 0.4%        | 200,000           | 0.4%        |
| Masterton District Council             | 200,000           | 0.4%        | 200,000           | 0.4%        |
| New Plymouth District Council          | 200,000           | 0.4%        | 200,000           | 0.4%        |
| Otorohanga District Council            | 200,000           | 0.4%        | 200,000           | 0.4%        |
| Palmerston North District Council      | 200,000           | 0.4%        | 200,000           | 0.4%        |
| South Taranaki District Council        | 200,000           | 0.4%        | 200,000           | 0.4%        |
| Taupo District Council                 | 200,000           | 0.4%        | 200,000           | 0.4%        |
| Thames-Coromandel District Council     | 200,000           | 0.4%        | 200,000           | 0.4%        |
| Waimakariri District Council           | 200,000           | 0.4%        | 200,000           | 0.4%        |
| Waipa District Council                 | 200,000           | 0.4%        | 200,000           | 0.4%        |
| Wanganui District Council              | 200,000           | 0.4%        | 200,000           | 0.4%        |
| Whakatane District Council             | 200,000           | 0.4%        | 200,000           | 0.4%        |
|  | <b>45,000,000</b> | <b>100%</b> | <b>45,000,000</b> | <b>100%</b> |

## NOTES TO THE FINANCIAL STATEMENTS

### 11 Related parties

#### Identity of related parties

The Company is related to the local authorities set out in the Shareholder Information by shareholding.

The Company operates under a Statement of Intent with the respective local authorities that requires the Company to provide debt to them at the lowest possible interest rates and to enhance their certainty of access to debt markets.

Shareholding local authorities, and non-shareholder local authorities who borrow more than \$20 million, are required to enter into a guarantee when they join or participate in LGFA. The guarantee is in respect of the payment obligations of other guaranteeing local authorities to the LGFA (cross guarantee) and of the LGFA itself.

#### Related party transactions

LGFA was established for the purpose of raising funds from the market to lend to participating councils. The lending to individual councils is disclosed in note 5, and interest income recognized on this lending is shown in the Statement of Comprehensive Income.

The purchase of LGFA borrower notes by participating councils is disclosed in note 7, and the interest expense on these is shown in the Statement of comprehensive income.

### 12 Subsequent events

There have been no significant events after balance date that have affected the accuracy of these financial statements.

Subsequent to balance date, on 26 January 2016 Fitch Ratings revised the Rating Outlook of LGFA from Positive to Stable. The Long-Term Local Currency Issuer Default Rating (IDR) is affirmed at 'AA+' and Long-Term Foreign Currency IDR at 'AA'. The Rating Outlook revision followed Fitch Ratings revision of the outlook on the New Zealand Government to Stable.

Subsequent to balance date, LGFA has issued \$120 million in bonds through a tender on 17 February 2016.

Right: Creation of a two lane route at Narrow Bridge, Ngatimoti. Tasman District Council.

Back Cover: Construction of the Waimate West production bore in the Waimate West Water Supply. South Taranaki District Council.

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To change your address, update your payment instructions and to view your registered details including transactions, please visit; [www.investorcentre.com/nz](http://www.investorcentre.com/nz)

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Please assist our registrar by quoting your CSN or holder number.



