

HB LASS Limited

Annual Report

30 June 2014

Hawke's Bay Councils Delivering Value and Service



Directory

Directors:	Craig Waterhouse (Chair) John Freeman Peter Freeman (ceased 24 March 2014) Wayne Jack (appointed 2 September 2013) Elizabeth Lambert Ross McLeod (ceased 27 June 2014) John O'Shaughnessy (appointed 27 June 2014) Fergus Power (appointed 24 March 2014) Neil Taylor (ceased 2 September 2013)
Postal Address:	Private Bag 9002 Hastings
Street Address:	207 Lyndon Road East Hastings
Bankers:	Westpac, Napier
Solicitors:	
Auditors:	Audit New Zealand On behalf of The Auditor-General

Other Statutory Information

Entries Made in the Interests Register

Interest in Transactions

During the year there have been no transactions entered into by the Directors of the Company which would require disclosure.

Use of Company Information by Directors

The Board received no notices during the year from Directors requesting to use Company information received in their capacity as Directors which would not otherwise be available to them.

Shareholding by Directors

No Director acquired or disposed of any interest in shares in the Company during the year.

Remuneration and other benefits to directors

There have been no other remuneration or benefits received by directors other than directors fees as detailed.

Indemnity and Insurance: Directors

The Company has been provided insurance cover for any Director in respect of any liability for any act or omission in his capacity as a Director.

Approved Directors Remuneration (Directors Fees)

	<u>Annual</u>
Craig Waterhouse (Chair)	\$15,000
John Freeman	Nil
Peter Freeman	Nil
Wayne Jack	Nil
Elizabeth Lambert	Nil
Ross McLeod	Nil
John O'Shaughnessy	Nil
Fergus Power	Nil
Neil Taylor	Nil

Donations

The Company has made no donations during the year.

Auditors Remuneration

Audit Fees \$1,970 (Net of GST)

The Board of Directors of the Company authorise these financial statements presented on pages 8 - 13 for issue on 15 September 2014.

For and on behalf of the Board of Directors:

C Waterhouse
Chairman

Director

Date: 15 September 2014

Report from the Chairman

It is with pleasure I present this Annual report for HB LASS Ltd for the year ending 30 June 2014. HB LASS Ltd was established in December 2012 by the five local authorities within the Hawkes Bay. The company was established to investigate, develop and deliver shared services, and, where and when that can be done more effectively for any combinations of some or all of the shareholding councils.

This report summarises the progress of HB LASS Ltd against the objectives in the Statement of Intent and more generally the work that has been done with respect to Shared Services by the company.

Mr Neil Taylor retired from the position of Chief Executive of the Napier City Council on 30 August 2013. Mr Wayne Jack commenced on the role on 2 September 2013. In accordance with the Constitution of the company Mr Taylor also ceased to be a director and has been replaced by Mr Jack.

Mr Peter Freeman ceased his employment as Chief Executive of Wairoa District Council on 18 February 2014. Mr Fergus Power commenced in the role on 26 March 2014. In accordance with the Constitution Mr Peter Freeman also ceased to be a director and has been replaced by Mr Power.

Mr Ross McLeod, Chief Executive of Hastings District Council is on extended leave and Mr John O'Shaughnessy has been appointed by the Hastings District Council as Acting Chief Executive. In accordance with the Constitution the Board appointed Mr O'Shaughnessy as a Director on 23 June 2014.

Building Control Activity

In our mid-year report I advised that the board had sought external assistance to assist with the development of an implementation plan for a Regional Building Control Service. We subsequently engaged Morrison Low to undertake this task. Morrison Low reported to the board twice, initially to explore some of the issues that might affect decision-making in the development of the implementation plan and subsequently in October a report on the options.

The board received the further report from Morrison Low in late October and resolved to endorse an option of the delivery of the Regional Building Control Service under the auspices of HB LASS Ltd as recommended by Morrison Low. The Morrison Low report identified that while there were some small financial savings to the Councils available from the changes proposed improvements were expected more directly from improved access to skills and expertise, exchanges of best practice and in a more cohesive region wide service. The Board recommended to the Central Hawkes Bay District Council, Hastings District Council, Napier City Council and Wairoa District Council in principle approval prior to the

further development of a Shared Service Initiative business case by each of the councils. Regretfully Napier City Council and Hastings District Council have elected not to pursue this option at present, primarily because of uncertainty both related to the Building Consenting process and the question of Local Government Reorganisation.

GIS Services

In November the Board received an Implementation Plan for a Regional GIS Service from Digital Mapping Services Ltd. This plan proposed a three stage implementation with review of implementation at each stage. The Board have recommended to the Councils the implementation of the first two stages. Stage II of the implementation plan includes the development of a business case to support stage III. There have been some challenges with this project however the Board is confident progress will be made early in the new financial year. The development of this project uses to some extent the GIS Forum that has been operating successfully for some years.

The full benefits of the GIS project will only become apparent towards the end of the implementation programme. This will be tangible evidence of the wider benefits that are available through shared services.

Regional Call Centre

The Board received a further report from the officers' advisory group as to the viability of pursuing this proposal. Implementation of such a proposal will require changes in business practice in those councils that would benefit from such an approach. The board has resolved to look again at this opportunity in the next financial year.

Fleet Management

The Board have completed an investigation into the viability of a regional fleet management service. While the investigation identified a range of opportunities for savings in Fleet costs they were not sufficient to support the establishment of a formal Shared Services entity. The board did identify that there was benefit to be obtained from working together in a collaborative way and have subsequently endorsed the terms of reference for a Collaborative Fleet Management Group.

This group has met on a number of occasions and as a consequence both Central Hawkes Bay District Council and Napier City Council have changed their fuel supply arrangements to obtain greater savings. Napier City estimates that the saving will exceed \$30,000 per annum. Central Hawkes Bay District Council expect to save at least 10% on their fuel purchases. Also as a consequence of this project Hastings District and the Hawke's Bay Regional Council have entered into a shared service arrangement for fleet management services that is being delivered by the Hawke's Bay Regional Council and providing savings to both councils.

Information Technology Services

The scope of consideration for this new project encompasses Information management, applications, data, delivery systems and Information technology infrastructure. This project has significant potential and has already provided tangible evidence of the benefits of a shared approach.

As a consequence of the initiative we have been able to advance a shared purchasing agreement for the provision of a software application (VMware) to all of the Hawkes Bay Councils. By approaching this on a shared basis savings in excess of that which could have been obtained under an Association of Local Government Information Management initiative have been significantly advanced. As a result of this approach a saving of 18% on the overall cost across the five Councils over the ALGIM obtained discounted pricing was achieved. The 2014 price obtained was less than the 2011 prices. While these savings are relatively small in dollar terms they do have an incremental affect and assist in promoting the benefits of shared services approaches.

The Information Technology Services investigation is also expected to look closely at opportunities to explore Process Automation on a shared service basis. This is one area where there is a potential for long-term and sustainable savings to be obtained.

Liquor Licensing and Environmental Health

At the December 2013 meeting the Board initiated the exploration of a Liquor Licensing and Environmental Health Inspection Services Shared Service. The Terms of Reference for the evaluation have been agreed and an Advisory Group has been formed.

Further Opportunities

The Board is continually looking for other opportunities for Shared Service Initiatives to be explored. The Board asked the Hawkes Bay Regional Council to look into a Joint Five Council Plan for the Fibre Network Connection. Four of the Councils are currently connected under separate agreements to the network provided by FX Networks Ltd. This project is still being explored.

The Board has also expressed a wish to look more closely at options for shared services arrangements related to Asset Management Functions. It had been hoped that this project would have been further advanced however key staff from the Councils are to meet early in the new financial year with a view to developing a scope for the investigation.

The Board has also identified a desire to also look closely at opportunities for some form of Shared Service in the area of Health and Safety so that the shareholding councils are better able respond in a cost effective and efficient way to the increased expectations in this area.

As I reported last year the Councils use their combined purchasing power in a number of procurement exercises that would have provided low hanging fruit for HB LASS. Also the wider availability of all of government contracts has also captured some of this low hanging

fruit. The Hawke's Bay Councils are already involved in a wide range of collaborative activity. These include but are not limited to, road safety initiatives, property valuation, insurance and energy purchasing, tourism, recreational water quality, and the regional transport strategy, civil defence.

As was observed in the Local Government New Zealand study of Shared Services for Local Government in 2011 there can be a range of benefits that arise from shared services. Such benefits include cost savings, access to skills and expertise, exchanges of best practice, procurement savings, improved community outcomes and strategic action, improved service delivery and improved compliance with legislation and standards. That study also identified that implementing Shared Services is not easy and takes time.

As can be seen from this report it is this combined purchasing power that has enabled the Councils through HB LASS initiated projects to gain the benefits that would otherwise be missed.

The combined purchasing power that has been exercised through the HB LASS initiatives as provided opportunities for savings within each of the participating local authorities. The degree of savings will vary according to the use of some of the services such as the fuel purchasing initiative, our initial estimates of the savings as a consequence of HB LASS initiatives are in excess of \$100,000 per annum continuing at least for the life of the current contracts.

The opportunities for further savings are being exposed through the forum of meeting regularly and building the relationships and trust around the board table between councils. The uncertainty of the political landscape is unhelpful to progressing some initiatives; however the platform that HB LASS is providing the Chief Executives is excellent for exposing what progress we can make for the delivery of cost savings, efficiency and challenging the operational basis of individual councils. It is also providing a vehicle through which the obligations for collaboration contained in the recent amendments to the Local Government Act can be achieved.

C Waterhouse

Chairman

Key Performance Indicators

The Statement of Intent outlines the following KPI's against which the company is measured.

Year to Date achievement against the performance targets are shown below in italics.

- Initiate at least three shared services in the first full year of operation and at least one shared service each year and no less than two shared services successfully implemented within the following three years;
 - ✓ *The Company has initiated four Shared Services investigations during its first full year of operation (Dec 2012 to Dec 2013). In the 2014 Calendar year to date two additional investigations have commenced (Information Technology Services, Liquor Licensing & Environmental Health Inspection Services).*
- Implement Shared Services demonstrating best practice and added value to participating councils and stakeholders;
 - ✓ *The Company has recommended to the shareholding Councils implementation of a Regional GIS Shared Service project and further evaluation of a Building Control Shared Service. A Shared Service for Fleet Management has been implemented by the Hawkes Bay Regional Council and Hastings District Council.*
- Explore Joint Procurement initiatives for goods and services from sources offering best value, service, and/or continuity of supply;
 - ✓ *The Company explored an initiative related to Regional Fleet Management that included elements of joint procurement. Implementation of this has resulted in savings to Napier City Council and Central Hawkes Bay District Council.*
 - ✓ *As a consequence of the Information Technology initiative a shared procurement arrangement has been arranged for virtual server software. This has provided significant savings above that which could have been attained under a general local government arrangement.*
 - ✓ *Arrangements extending some internet connection services across those Councils on the FX network were also secured.*

Independent of the Company the Shareholding Councils advance and develop joint procurement as described in our Annual Report.

- Ensure sufficient income is available from activities to sustain a viable company.
 - ✓ *The Company remains viable.*
- Operate in a manner that conforms with any applicable regulatory requirements.
 - ✓ *Regulatory requirements have been met.*

FINANCIAL STATEMENTS

30 June 2014

HB LASS Limited**Statement of Comprehensive Income**

For the Year Ending 30 June 2014

	Notes	Actual 2014 \$	Budget 2014 \$	Actual 2013 \$
Operating Income				
Shareholder Membership Fees		19,468	42,350	13,679
Project Evaluation Fees		88,897	20,000	3,607
Interest Income		1	-	-
		108,366	62,350	17,286
Operating Expenditure				
Directors Fees		15,000	15,000	11,250
Audit Fees		1,970	2,500	2,000
Project Investigations		88,897	20,000	3,607
Operational Expenses		2,499	24,850	429
		108,366	62,350	17,286
Surplus / (Deficit) before income tax				
		-	-	-
Income Tax Expense	2			-
Surplus / (Deficit) after income tax				
		-	-	-
Other Comprehensive Income		-	-	-
Total Comprehensive Income for the year, net of tax				
		-	-	-
Profit attributable to:				
Equity holders of Hastings District Properties Limited		-	-	-
Total Comprehensive income attributable to:				
Equity holders of Hastings District Properties Limited		-	-	-

The Statement of Accounting Policies and notes to the Financial Statements form part of these accounts.

HB LASS Limited
Statement of Financial Position
As at 30 June 2014

	Notes	2014 \$	2013 \$
Current Assets			
Cash and Cash Equivalents		29,686	46,981
Prepaid Expenditure		2,200	2,000
GST Receivable		563	-
Debtors & Other Receivables	5	-	23,781
		\$32,449	\$72,762
Total Assets		\$32,449	\$72,762
Current Liabilities			
Creditors and other payables		24,853	2,791
Prepaid Income		2,596	56,493
Income Tax	2	-	-
GST Payable		-	8,478
		27,449	67,762
Net Assets		\$5,000	\$5,000
Shareholders Funds			
Contributed Capital		5,000	5,000
Retained Earnings		-	-
Total Shareholders' Funds		\$5,000	\$5,000
Statement of Changes in Equity			
For the Year Ended 30 June 2014			
Equity at start of period		-	-
Share Capital		5,000	5,000
Total Comprehensive Income for the year		-	-
Equity at end of Period		\$5,000	\$5,000

For and on behalf of the Board of Directors:

C Waterhouse
Chairman

Director

Date: 15 September 2014

The Statement of Accounting Policies and notes to the Financial Statements form part of these accounts.

HB LASS Limited

Notes to the Financial Statements

For the Year Ending 30 June 2014

1. Statement of Accounting Policies

Reporting Entity

The financial statements presented here are for HB LASS Limited, a Limited Liability Company registered under the Companies Act 1993. The Company was incorporated on 21 December 2012 and is jointly owned by Central Hawke's Bay District Council, Hastings District Council, Hawke's Bay Regional Council, Napier City Council and Wairoa District Council. The Company is a Council Controlled Organisation as defined in Sec 6 of the Local Government Act 2002.

Basis of Preparation

a) Statement of Compliance

The Financial Statements have been prepared in accordance with the Financial Reporting Act 1993, Companies Act 1993 the Local Government Act 2002.

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ, GAAP), applying the Framework for Differential Reporting for entities adopting the New Zealand equivalents to International Financial Reporting standards (NZ IFRS), and its interpretations as appropriate to public benefit entities that qualify for and apply differential reporting concessions.

b) Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis have been used, with the exception of certain items for which specific accounting policies have been identified.

c) Functional and Presentation Currency

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

d) Changes in Accounting Policies

There have been no changes in Accounting Policies and the policies have been applied in a consistent basis.

e) Differential Reporting

HB LASS Limited qualifies for Differential Reporting because:

- It is not publicly accountable and
- It is deemed to be 'not large' under all criteria specified, including.
 - o The gross turnover is less than \$20 million
 - o Total assets are less than \$10 million, and
 - o There are less than 50 fulltime employees.

All concessions available have been taken advantage of.

Significant Accounting Policies

a) **Income Tax**

Tax expense is calculated using the taxes payable method. As a result, no allowance is made for deferred tax. Tax expense includes the current tax liability and adjustments to prior year tax liabilities.

b) **Cash & Cash Equivalents**

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

c) **Debtors and other receivables**

Receivables are stated at their estimated realisable value. Bad debts are written off in the year in which they are identified.

d) **Goods & Services Tax**

The Statement of Comprehensive Income has been prepared so that all components are stated exclusive of GST. All items in the Statement of Financial Position are stated exclusive of GST, with the exception of account receivables and payables.

e) **Revenue**

Revenue is comprised of annual membership fees charged to the shareholding Councils and project evaluation fees charge to participating Councils. Membership Fees are recognised when they become payable. Project evaluation fees are recognised as the related expenditure is incurred.

2. Income Tax

	2014	2013
	\$	\$
Profit before Income Tax	-	-
Income Tax at 28%	-	-

3. Financial Instruments

There was no overdraft facility in place at balance date for the Company. All financial instruments are recorded in the financial statements at fair value.

4. Events Subsequent to Balance Date

As at the date that this report was adopted there had been no significant events subsequent to balance date.

5. Related Parties

The directors of HB LASS Ltd include the Chief Executives of the 5 participating Councils. During the year all participating Councils were invoiced for Membership Fees and Project Evaluation Fees.

The following is a breakdown of fees charged to each of the participating Councils and the value outstanding as at 30 June 2014. As at 30 June 2014 none of the shareholding Councils owed HB LASS Ltd any funds, however credit notes had been issued for unspent Shareholder Membership Fees of \$26,280 incl. GST.

	2014 Fees Charged (excl. GST) \$	2013 Fees Charged (excl. GST) \$	Balance Outstanding at 30 June 2014 (incl. GST) \$	Balance Outstanding at 30 June 2013 (incl. GST) \$
Central Hawke's Bay District Council	4,930	6,088	(2,857)	676
Hastings District Council	17,432	24,568	(6,855)	9,048
Hawke's Bay Regional Council	3,433	14,268	(6,855)	6,403
Napier City Council	17,432	22,868	(6,855)	7,093
Wairoa District Council	4,930	5,987	(2,857)	561
	48,157	73,779	(26,280)	23,781

6. Capital Commitment

There were no capital commitments as at 30 June 2014.

7. Commitments

There were no other commitments as at 30 June 2014.

8. Bad Debts

There were no bad debts written off for the year ended 30 June 2014.

9. Contingent Liabilities

There were no contingent liabilities as at 30 June 2014.