



Annual report 2022

Waikato councils maximising the value they provide to their communities

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Chair & CEO report

These are extraordinary times, and we acknowledge the difficulties you face; living alongside Covid-19 in your communities, a raft of central government reform that moves closer to being reality, a tight labour market and a cost-of-living unseen in recent history. We admire all that you are doing in the face of these challenges to support your communities.

I ngeenei waa hurihuri e tauhou ana ki a taatou, ka mihi ki ngaa toimahatanga i mua i a koutou; e noho tahi naa me te mate urutaa-19 i ngoo koutou whaanau, hapori hoki. Teeraa hoki ko ngaa whakahoutanga a te kaawanatanga pokapuu e paatata neki te whakatinanatia, ko teetehi raangai mahi whaaiti me ngaa utu teitei e paa kaha neki ki a taatou i ngeenei waa. E aumihi ana te ngaakau ki too koutou maaia ki te kawe i ngaa maanuka i takoto, ki mua i ngoo koutou whaanau, hapori hoki.

Working alongside you this year, we have shared in the adverse impacts of these macro-conditions. We have maintained focus on initiatives to help you address these challenges in some way. That has included improving operational efficiency, for example:

- Leveraging your investment to develop a coordinated approach to learning and development outcomes, and to find innovative ways to use technology to engage your communities; and
- The cross-council procurement of structural asset management services.

It has also included supporting you with developing the Community Needs Analysis report that provided valuable information as you engaged with the panel considering the Future for Local Government.

Throughout the lockdowns, we were proud to help expedite knowledge sharing in the People and Capability Managers Working Party. This allowed the issues you were all grappling with to be thoroughly canvassed so that you arrived at the right outcomes for your people and your communities. We also supported you by bulk purchasing Rapid Antigen Tests, which delivered a marked cost saving for the councils involved.

In addition to exploring and addressing these needs, our shared services continue to play a pivotal role in how we add value. Co-Lab Water Services has now been in place for a year and is proving a valuable service to the nine councils involved, notwithstanding the service delivery challenges posed by Covid-19 lockdowns.

Another highlight from the past year was Waikato OneView going live in July 2021 and being recognised as a finalist for “GIS Project of the Year” at the 2021 ALGIM Awards. The tool is a great example of councils and Co-Lab coming together to efficiently deliver a product that helps your communities.

Organisational growth

Internally the organisation has continued to grow in a way that ensures we have the right resources in place to effectively support your collaboration opportunities, and to support the suite of services we are providing.

With those support structures now in place, future recruitment will focus on roles required for further service offerings, including Co-Lab Learning and Co-Lab Procurement Support services.

Governance changes

There have been significant changes to the Board over the last year. We acknowledged the contributions of Gareth Green and Rob Williams in our Half-Yearly report. Since then, David Bryant has stepped down and we thank him for his work on the Board and on the Audit & Risk Committee. For the first time since the company was established, we have experienced changes in shareholding. Taupo District Council made the decision to exit as a shareholder. However Western Bay of Plenty District Council has seen the significant projects we are progressing and want to join us. Their inclusion is supported by the existing shareholders and at the time of writing, their Councillors have approved becoming a shareholder of Co-Lab and the council is currently consulting with its community.

Performance measures and financials

We continue to remain in a financially sustainable position. We have been significantly ahead of budget with a \$543k surplus. The favourable variance is a result of expenditure on some services and projects being less than anticipated. Most of that expenditure will be incurred in the coming year. However, we will be reviewing any cash reserves and will reduce council funding in the upcoming year, wherever it makes sense.

Ongoing collaboration

For all that we have achieved we continue to face some significant challenges. Capacity constraints within your organisations has meant the development of opportunities is taking longer than anticipated. More importantly, we are challenged by financial constraints within your organisations when looking for a final commitment on opportunities developed. Co-Lab Learning is an example of this. Collectively we need to find a solution to make it easier for all councils to collaborate during the development process, so the business case becomes only a formality.

Working with Co-Lab, you have a quite unique structure in place to collaborate – there is no other organisation in the country that is positioned as well as Co-Lab to leverage council investment to get very significant value-add. We want to retain a council's ability to choose whether to take up an opportunity but need to ensure that we are not investing significant time and money into projects that aren't ultimately going to be adopted. We invite you to tell us how we can better navigate this.

With that in mind, we will shortly be sharing a survey to take the suite of opportunities we know about and refining that list in consultation with you. It is an important process to allow Council Chief Executives and other senior leaders to direct Co-Lab to areas where the most value can be created. If we collectively get this right, we will have good engagement at senior leader and business unit levels giving us the full support we need to progress the initiatives we've chosen together, with confidence.

We ask you, the Chief Executives to:

Teenei te tono ake ki a koutou, kei ngaa Rangatira:

- **Encourage your staff to work with Co-Lab at the outset of new projects so that we can collectively ensure the product /service will be fit for purpose and more likely to be taken up by your Council; and**

kia aakina e koutou ngaa koutou kaimahi ki te mahi tahi, mai i te tiimatanga o roto o ngaa kaupapa hou e whai waahi ai ngaa whakaaro o teena, o teena, o teena ki ngaa kookiritanga, e maamaa ake ai te manaakitia o ngeeraa kaupapa e too Kaunihera; otiraa

- **Ensure the messages we send you about our projects and why they are important to your people and communities are distributed among your staff along with a request that your staff prioritise helping us when we need it.**

kia maatua tautoko mai koutou i ngaa maatou kookiritanga, ahakoa peewhea, maa te aata tutuku i ngaa maatou paanui whakahirahira moo runga i ngaa maatou kaupapa, kia reia ai ki ngaa whaanau me ngaa hapori hoki.

We are better together.

Maa te mahi tahi e eke ai.

Peter Stubbs

WLASS Chair

Kelvin French

Chief Executive

FY2022 at a glance



\$3.1m

in savings for councils



1

Year of Co-Lab Water Services



8

Opportunities progressed



9,212

Water samples taken around the region with 74,146 tests undertaken on those samples



50

Talented people are part of the Co-Lab team



80%

of respondents said that Co-Lab services they received either met or exceeded their expectations.



5

New joint procurements supported



\$46.2m

Estimated annual council spend with the Professional Services Panel

Co-Lab signature programmes

Shifting landscapes

Waikato councils are faced with significant central government reform: 3-waters, resource management and the Future for Local Government review (FfLG). Councils continue to grapple with what these changes will mean for their organisation, and what the organisation will look like when the changes are complete.

Community Needs Analysis

Eight Waikato councils commissioned Co-Lab to lead the Community Needs Analysis (CNA) project. The project was a response to the FfLG review. The aim of the project was to present evidence-based qualitative data to inform councils' submissions on the review. This was the second initiative under the *Shifting Landscapes* programme and was completed in March 2022.

The report findings were based on case studies and experiences from the participating councils. These in turn were categorised according to the five priority questions asked by the FfLG review panel, looking at:

- The shape of local governance;
- Functions, roles and features of local government;
- Authentic partnership under Te Tiriti for shared prosperity and wellbeing;
- Local government reflecting and responding to their communities; and
- Funding & financing.



“The project provided a collaborative environment for council staff to brainstorm ideas and share learnings around the five priority areas raised in the Future for Local Government Panel’s Interim Report. It helped inform my thinking and the subsequent workshops we held with Councillors on the Future for Local Government review. As a result of our workshops, the Council felt informed and was able to provide constructive feedback to the Panel,” Charan Mischewski, Strategic Planner, Hauraki District Council.

Customer digital enablement

In line with technology trends, there are rising expectations from communities for self-service and engagement on digital platforms. As councils look to match this expectation, there is a risk of a growing gap between community expectations and council service delivery.

The Digital Enablement project was initiated to look for opportunities for councils to collaborate on digital initiatives that could transform service delivery and increase efficiencies, by using technology more effectively, and pooling investment.

In 2021, Datacom lead a council collaboration through a series of workshops. These workshops achieved the following:

1. Defined a collective vision to develop and understand how Co-Lab councils can meet the rising expectations of their customers, community, and central government;
2. Developed an understanding of how the councils can create a better and more connected digital citizen experience through a joint service delivery;
3. Built a strong foundation for a digital transformation strategy by helping councils create a roadmap against defined horizons; and
4. Agreed a single focus for the first product build.

The first initiative – SR4 – was chosen by the project steering committee having considered:

- The estimated resistance within each of the councils;
- The value the initiative would provide to communities and/or customers;
- The extent to which the initiative could prove the value of councils collaborating on digital initiatives; and
- How easily the initiative could be implemented over a relatively short period.

SR4 = Sustainability, Reduce, Recycle, Reuse and Rethink.

The SR4 initiative focuses on how councils and their communities can minimise waste creation and improve how waste is managed. It is a proof of concept to demonstrate that the Waikato councils can work together to create a customer-focused solution. The scope of SR4 is limited to rubbish, recycling and sustainability as councils field a lot of enquiries from their communities on these topics. However, critical to the success of the project is the establishment of scalable platform that will be the foundation for future digital strategies.

The ROI (Registrations of Interest) will go to market in August 2022.

RATA

The RATA programme continues to provide service in data management, water project delivery, transport project delivery, and delivery of collaborative transport data contracts.

Highlights for the year include the very good Road Efficiency Group (REG) data quality scores for RATA’s partner councils, reflecting the quality of their road asset data. A RATA council was again recognised as the top in New Zealand. For all partner councils, data has improved or remained at the same level and the value of our reporting continues to be appreciated. This has been aided by the development of our quarterly reports through the Power BI platform where large amounts of data are displayed easily and accessibly.



The RATA Water Asset Data Quality Dashboard project grows from strength to strength. As a New Zealand first, it continues to gather attention from outside the region and is into its second year of implementation, with ongoing improvements and expansions.

In addition to our relationships with partner councils, our strategic relationships with REG, Waka Kotahi and WaterNZ are enduring. Our objective through these relationships remains the same – to align our priorities between strategic partners, Co-Lab and councils. For example, Waka Kotahi and REG have been implementing a new roading hierarchy system through NZ. Through collaborative working, RATA facilitated the region-wide (and out of region) database updates covering approximately 10,000km of local roads with very few issues or queries during national moderation.

Our series of asset management forum events across roading and waters have continued to encourage communication and collaboration. Seven forums were held during the year with a wide variety of asset management content shared. A survey of attendees showed a 95% level of satisfaction, with the most useful aspects of the events being; networking with colleagues with similar challenges; gaining new asset management knowledge; and identifying areas to work collaboratively.

The collaborative bridge inspection contracts were retendered, with the contract awards anticipated early in FY22/23 (see below for more detail).

“The team was instrumental in assisting us where increase in costs have been incurred and have worked with us to find ways to deliver the contract, within budget constraints.” – Anonymous, Stakeholder Survey 2022.

Co-Lab Water Services



On 30 June 2022, Water Services celebrated its first birthday, providing at least one of the water sampling and analysis, trade waste management and “Smart Water” education services to nine councils across the region. The first year of service has not been without challenges – notably onboarding new councils in the Covid-19 environment. However, this has pushed the team to think differently and demonstrate how dedicated the team is to providing quality services to support council’s three waters activities.

“The Co-Lab Waters team are great to work with. They are knowledgeable and approachable and always do their best to provide high quality services to me and my team,” Ashanti Neems, Acting Compliance Manager – City Waters, Hamilton City Council.

Learning and Development Shared Service (Co-Lab Learning)

“Co-Lab Learning has the potential to increase the calibre of staff learning and development opportunities and ultimately assist councils to attract and retain a more capable and productive workforce,” Tanya Winter, Co-Lab Learning Project Sponsor.

The investigation into a Learning & Development shared service was to address the problem that many councils individually struggle to have the scale to deliver training. This problem is exacerbated where training is needed on more specialised topics. Additionally, councils often struggle to capitalise on the benefits of e-learning; few have the capability to develop their own content and the costs to do this individually, utilising external contracted services, are high.

The investigation was completed in May 2022. Most councils have agreed to participate in this collaboration and will meet in early August 2022 to finalise the launch of ‘Co-Lab Learning’.

Co-Lab Learning will deliver:

1. A vehicle to collaborate with other councils on L&D;
2. Learning event opportunities (physical and virtual) for council people;
3. E-Learning modules informed by council requirements;
4. Access to content other councils have already developed; and
5. Dedicated staff to support participating councils.

Waikato Councils spend \$4M to \$6M annually on delivering training to their people. Co-Lab Learning will supplement councils’ existing L&D function. It will provide purchasing power across the collective, and e-Learning results in less training time for trainees and trainers, and reduces duplication involved in procurement & contracting, design, development and evaluation.

We see Co-Lab Learning as one way we can support councils in addressing the increasing challenges around attracting and retaining people in a very competitive employment market.

Waikato Regional Infrastructure Procurement (WRIP)

The work programme for WRIP picked up in 2021-22 with the focus on retendering the bridge inspection contracts, now called SAMS (structure asset management services).

The outgoing bridge inspections contracts involved six councils. Three new councils have joined the SAMS procurement and the scope of work has increased beyond 'bridges' and the traditional inspection service.

The new contract has an improved focus on data, and will remove inefficiencies identified with the previous contract, for example through the use of an online client portal to share and store information, and dashboards to understand better the status of services.

There are three broader outcomes that Co-Lab has achieved:

1. Competition; The SAMS supplier market is effectively a duopoly so Co-Lab sought to introduce a third consultant. We have achieved this objective and the third consultant increases the diversity of suppliers;
2. Better employment opportunities; We encouraged the consultants to increase employment opportunities through recruitment and training; and
3. Reducing transport emissions; Commitment from consultants to undertake an increasing percentage of general travel and inspections using electric vehicles, or similar, to take advantage of the expected increased availability of electrical light commercial vehicles over the coming years.

Following SAMS, WRIP will focus on establishing a new joint procurement for CCTV inspections of wastewater and stormwater pipes and analysis of condition data.

Shared services

Waikato Regional Transport Model (WRTM)

Following the delivery of the Single Stage Business Case (SSBC) at the start of the financial year, the WRTM User Group has reviewed the future of the WRTM. The SSBC recommended activities for the next nine years, including the expansion of the WRTM from a single transportation model to a suite of models within a hierarchy, designed to draw from the strengths of different tiers in the hierarchy. A model hierarchy relies on the models being managed as a suite of tools with strong and consistent management, robust quality assurance and continuous improvement systems - the primary benefit being greater efficiency and effectiveness of investment decision-making by using the "right tool for the job".

Of particular importance to the WRTM User Group is how to respond to new and upcoming challenges around emissions reduction, climate change, regional spatial planning, public transport, active mode transport, and increased urban densities. The WRTM in its regional strategic form is not equipped with the tools needed to consider these new challenges. The new hierarchy allows analysis

across the entire region as well as cross-border and cross-agency collaboration to share investment and resources for greater benefit.

The first initiative in the new WRTM hierarchy of tools is the Hamilton Transport Model (HTM). The objective of the HTM is to provide greater confidence in transport and land use decisions in the Hamilton metro area. Procurement commenced during the year and the contract for building the HTM will be advertised and awarded during FY22/23.

Updating the regional strategic WRTM is ongoing. Most Road Controlling Authorities (RCAs) have confirmed their future assumptions for land use and transport network improvements. Once remaining responses have been received the construction of the future scenarios for 2025, 2035, 2045, 2055 and 2065 can be completed, which will provide the most up-to-date representative planning scenarios utilising Census 2018 data. In the interim, RCAs are still able to plan for their futures using updated 2031, 2041 and 2051 scenarios, albeit without the adjustments incorporating Census 2018 data.

Over the next few months Co-Lab will be reviewing the governance and project management resources required to effectively deliver the suite of models in a timely manner.

Shared Valuation Data Services (SVDS)

The Shared Valuation Data Service is one of Co-Lab's legacy services. The service was established in 2005 with a council-owned application which contracted valuation service providers could use to access and maintain valuation data. In 2017 a review of the service was undertaken and this found that transferring to a Software as a Service (SaaS) provider would reduce risk and costs to participating councils.

The process of transferring councils to the SaaS was completed in early 2020 and over the last year we undertook a project benefits assessment. We found that the risks involved with running the previous SVDS application have been significantly reduced and that operational costs of the service have been reduced by c. \$150k per annum. User feedback on the service from within councils is also positive.

Opportunities Development

Waikato Building Consent Group (WBCG)

Council building consent units continue to face challenges with high construction demands stretching under-resourced teams. All councils face difficulties in recruiting building control staff and this challenge is expected to increase due to an ageing workforce.

To respond to this, the WBCG has commissioned an investigation into the establishment of a building consent cadetship scheme. This is a continuation of the Building Consent Shared Service investigation. The opportunity is to establish a cadetship programme coordinated by Co-Lab that recruits and trains Building Control Officers in partnership



with the eight WBCG councils. The intent is that the cadets would be available to work in all WBCG councils.

A cadetship programme would help provide a stable pipeline of building consent staff to meet current and future needs. It would also aim to reduce council expenditure on contractors and lessen the cost and time pressure on existing council building consent teams who are required to upskill new staff.

The project discovery phase was completed in June 2022 and assessment of the opportunity commenced in July 2022.

Over the last year, Co-Lab has also redesigned the Build Waikato website making it more user-friendly with improved functionality, and initiated a project to redesign the WBCG quality manual to reduce its complexity.

Joint procurement initiatives

Over the last year, we supported councils to establish or renew joint contracts for regional economic data, group buying services, online driver training, print and mailhouse services, whistleblowing services, and a panel of legal service providers. We also supported BOPLASS to procure post and courier services to councils across the Bay of Plenty, Waikato, Manawatū, and Hawkes Bay.

The Professional Services Panel continued to provide councils with efficient access to quality consulting services. In 2022 Waitomo District Council joined eight other councils utilising the PSP. Council data shows that participating councils spend approximately \$46.2m per year over 1,200 engagements with panel members.

This year we also stepped up our programme of contract reviews, ensuring existing joint contracts are delivering best value to participating councils.

LiDAR

LiDAR (Light Detection and Ranging) provides precise laser measurements of the earth's surface with the data used to create highly accurate 3D maps of the land. The data enables better management of natural hazards, such as flooding, erosion and sea level rise. It provides farm-scale land information to benefit the agriculture and forestry sectors as well as being used for many other planning purposes.

The Waikato LiDAR project involves the procurement of data as part of a Land Information New Zealand nation-wide initiative. The initiative is supported by funding from the Provincial Growth Fund and other commercial partners, which has significantly reduced the investment required from councils.

The aerial and ground survey operations were completed in May 2021. The enormous task of processing the 22 Terabytes of survey data is well advanced. The vendor supplied the first 'blocks' of processed data in June 2022 and data completion is expected around March 2023.

Asset management centre of expertise

Councils are challenged to deliver good asset management practise across a wide range of asset types, whilst satisfying a range of regulatory requirements. Additionally, they are facing significant reforms that will have a large impact on their ability to maintain good practises.

The Co-Lab RATA team has been investigating the problems that councils face in delivering good asset management practises and looking at how the success of the RATA team might help solve these problems.

The investigation has identified a wide range of opportunities which will be presented to the Co-Lab Board for consideration.

Rotorua Laboratory Partnership Discovery

Both Rotorua Lakes Council (RLC) undertakes water sampling and analyses in the same way as Co-Lab Water Services. With opportunities for RLC to expand their customer base and the imminent transition to 'Entity B' under the Three Waters reform, RLC has identified that benefits could be gained for their sampling and analysis services through collaborating with Co-Lab Water Services.

RLC has requested that Co-Lab explore this opportunity further and a 'discovery' investigation has commenced.

Co-Lab achievements

Waikato OneView

Waikato OneView went live in July 2021 and is a great example of collaboration in action, involving council technical specialists from across the region. This Web Map viewer presents aligned data from different councils through a common data schema. It will improve the customer experience by reducing the time required to gather data and increasing the data's accessibility because it covers the whole region and is always available. It will also reduce council staff time required to respond to queries and requests for information that can now be readily accessed. The tool has launched with three 'maps' (3 Waters, Property, Community & Recreation).

Waikato OneView was a finalist for the Association of Local Government Information Management's "GIS project of the year" award.

The establishment of Geospatial services

The Co-Lab Geospatial Service (CGS) was established during the year to deliver the management, administration and communications skills required to progress regional geospatial initiatives. CGS was established to manage the Waikato Data Portal [CoLab Data Portal](#) and Waikato OneView <https://oneview.colabsolutions.govt.nz/>. It is expected that the unit will grow over time as other regional geospatial initiatives occur. This will likely soon include the Disaster Waste Management Plan.

Covid-19 collaboration

A great example of collaboration in action and how Co-Lab can make that easier for councils, was evident in the response to Covid-19 lockdowns and vaccination requirements. Co-Lab facilitated fortnightly meetings with the councils' People & Capability Managers, where challenges and possible solutions were discussed, and policy and communication documentation was shared. Councils saved time from being able to leverage the work of others. The forums also provided the basis for better decision-making and the managers themselves, undoubtedly, benefited from the support they provided one another at a particularly difficult time.

People @ Co-Lab

It's an exciting time at Co-Lab as the organisation continues to grow. We have added four new positions to the organisation in the last year and now have 50 positions in total. Our new positions strengthen our skills in opportunity development, communications and change engagement, and administration. This completes these functions and future hiring will only be focused on service delivery.

As the workforce returns to the office environment following the Covid-19 pandemic, we have been intentional to re-establish team culture through social events.

Our values continue to play a pivotal role in how our people engage inside and outside the office and in the last year we have introduced four internal awards aligned to our values to recognise and celebrate colleagues that are living these in their work every day. We will also be incorporating how people live our values into their individual performance plans.

People survey

Our second survey of our people was undertaken in May 2022. The responses to the survey demonstrate that a good team culture has been maintained and that overall, our people think very positively about working at Co-Lab.

The survey showed that our people feel the values are the right values for the organisation, that they treat each other with respect, that they have a good relationship with their colleagues, and are satisfied with workplace flexibility.

Compensation and benefits have been identified as an area for attention and we launched a new benefits package in July 2022. We have also raised the awareness of the professional development available and it will be part of discussions with our people on a quarterly basis.

Collaboration & Partnership
We are better together | *He hunga toa takitini*
We collaborate and partner by:

- Building kotahitanga and respect
- Delivering together
- Focussing on community benefits
- Valuing diversity

Integrity
We do the right thing | *He hunga whai i te tika*
We act with integrity by:

- Being accountable and honest
- Trusting and listening
- Having courage
- Behaving in good faith

Innovation
We transform ideas into results
He hunga whai i te tika
We innovate by:

- Thinking boldly
- Being solution focused
- Challenging perceptions
- Embracing change

Shareholder survey

"Just noting that the Co-Lab staff I dealt with were professional and very easy to work with. Given the nature of the project - it was a little tricky to get a collective understanding of the project purpose / scope / methodology. Co-Lab staff were great at navigating this aspect of the project under tight timeframes"

Anonymous, Stakeholder Survey 2022

In May 2022, people at shareholding councils were asked to provide feedback on working with Co-Lab; specifically, opportunity development, the working parties, and the services we provide.

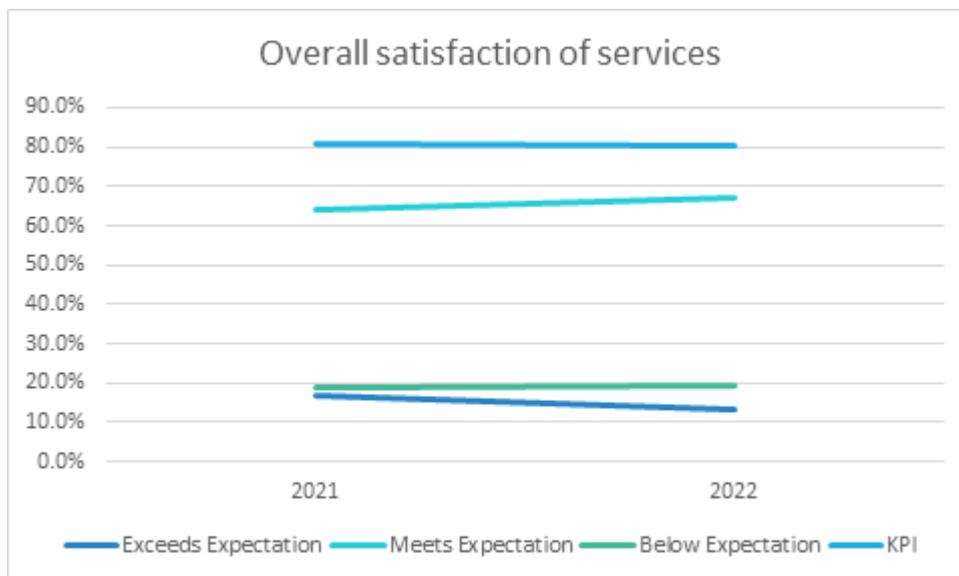
The survey was sent to all council Chief Executives and any council people considered a key point of contact for a service, involved in opportunity development or had been involved in a working party.

The survey was sent to ~307 people and we received 50 responses (~16%).

Across the six services against which we were measuring ourselves, we had 47 responses.

Respondents were asked to assess whether the service “exceeds”, “meets” or is “below” expectations.

Across the six services the overall satisfaction is in line with last year’s result, and we meet the KPI in our SOI. We have already had discussions with the shared services working party as to how we address areas of concern raised in the survey.



The survey validates the hard work Co-Lab is doing to engage with, understand and work together with councils.

By the numbers

Summary financial results for the year:

	2022 (000s)	2021 (000s)	Change
Total income	8,576	6,930	24%
Net surplus before tax	543	517	5%
Cash on hand	2,570	1,802	43%

The net surplus before tax is high in comparison with the deficit projected in the budget. This principally reflects the lower than anticipated costs on many workstreams (albeit these costs will mostly be incurred in the following financial year).

Performance measures

The performance measures noted in the table below were included in the 2021 Statement of Intent. The company has assessed whether each target has, or has not, been achieved, and how these relate to our outcomes as an organisation.

Key:

- Achieved
- Unable to currently measure
- Partially achieved: Activity remains in progress
- Not achieved

Co-Lab outcomes

Our vision
Our councils maximising the value they provide to their communities

Our purpose
Support councils to achieve this vision by identifying and realising shared opportunities

Outcomes

Council costs are reduced Performance is improved without increased cost	The experience of council's communities is improved	Central government investment into and engagement with Waikato Councils is increased
<ul style="list-style-type: none"> + Achieve effectiveness & efficiency gains + Reduce duplication of effort and eliminate waste through repetition + Help councils achieve an appropriate balance in risk & return 	<ul style="list-style-type: none"> + Promote and Contribute to the development of best practice + Make it easier for communities to engage with councils in the Waikato region on a consistent basis + Promote business transformation to improve communities' experiences 	<ul style="list-style-type: none"> + Enable Waikato councils to collectively be more effective as a region on the national stage + Contribute to building Central Government's confidence in the Waikato region and to encourage central government investment

How we will be successful

Investigate the right opportunities	Develop opportunities on time and in budget	Ensure opportunity benefits are realised	Provide services that meet the needs of councils	Foster cross-council collaboration	
Our relationships	Our services	Our projects	Our people & values	Our resources	Our reputation

Priority	Performance measure	Target	Outcome (progress toward target)	
<p>Ensure existing services are meeting the needs of councils</p> <div data-bbox="209 483 459 557" style="border: 1px solid black; padding: 2px;"> <p>Linked impact(s)</p> <div style="width: 100%; height: 10px; background-color: #f4a460; border: 1px solid black;"></div> </div>	<p>➤ The services we provide (below) are considered by councils who use that service to meet or exceed their expectations (evidenced by an annual survey):</p> <ul style="list-style-type: none"> ○ RATA – roading & waters ○ Waikato Building Cluster ○ Regional Infrastructure Technical Specifications ○ Energy & Carbon Management ○ Professional Services Panel ○ Health & Safety pre-qualification 	<p>80% of councils</p>	<p>A stakeholder survey was undertaken in May 2022 as noted above.</p> <p>80% of respondents said that the services they received either met or exceeded their expectations.</p>	
<p>Foster and promote cross-council collaboration and networking to share ideas on improving efficiencies and best practice</p> <div data-bbox="209 1469 459 1543" style="border: 1px solid black; padding: 2px;"> <p>Linked impact(s)</p> <div style="width: 100%; height: 10px; background-color: #f4a460; border: 1px solid black;"></div> </div>	<p>➤ Across these groups, ideas for future consideration and/or initiatives are identified each year</p>	<p>Four per annum</p>	<p>Ideas for future consideration and/or initiatives identified include:</p> <ul style="list-style-type: none"> ● Redesign of the WBCG Quality Manual – In progress ● Cadet Project – In progress ● New Build Waikato website delivered – Completed ● Water Data Quality dashboard ● Fortnightly P&C response group for Covid-19 ● The Insurance Advisory Group engaged Aon to undertake an assessment of potential losses to Waikato councils' three-waters reticulation networks and flood protection assets due to earthquake damage. ● Procurement Managers have been involved in a few joint procurements. 	

Independent auditor's report



**Financial Statements
for the year ended 30 June 2022**

DRAX

Statement of comprehensive revenue and expenditure

For the year ended 30 June 2022

	Note	Actual 2022 \$	Budget 2022 \$	Actual 2021 \$
Revenue				
Data sales		364,742	388,115	368,862
Interest		22	500	14
Other revenue	4	<u>8,210,739</u>	<u>11,087,502</u>	<u>6,561,526</u>
Total revenue		<u>8,575,503</u>	<u>11,476,117</u>	<u>6,930,402</u>
Expenditure				
Personnel costs	6	1,110,834	1,353,768	852,651
Depreciation and amortisation expense	11,10	31,855	20,054	22,822
Other expenses	5	<u>6,889,415</u>	<u>10,458,211</u>	<u>5,541,265</u>
Total expenditure		<u>8,032,104</u>	<u>11,832,033</u>	<u>6,416,738</u>
Surplus/(deficit) before tax		543,399	(355,916)	513,664
Income tax expense	9	-	-	3,091
Surplus from continuing operations		<u>543,399</u>	<u>(355,916)</u>	<u>516,755</u>
Surplus/(deficit) after tax		<u>543,399</u>	<u>(355,916)</u>	<u>516,755</u>
Total comprehensive income		<u>543,399</u>	<u>(355,916)</u>	<u>516,755</u>

**Co-Lab is the trading name of Waikato Local Authority Shared Services Limited
The accompanying notes form part of these financial statements
Explanations of major variances against budget, not stated elsewhere, are provided in note 20*

Co-Lab
Statement of changes in equity
For the year ended 30 June 2022

Statement of changes in equity

For the year ended 30 June 2022

	Note	Actual 2022 \$	Budget 2022 \$	Actual 2021 \$
Balance at 1 July		1,448,570	3,130,050	941,656
Total comprehensive revenue and expense		<u>543,399</u>	<u>(355,916)</u>	<u>516,755</u>
Balance at 30 June	14	<u>1,991,970</u>	<u>182,867</u>	<u>1,448,570</u>
Adjustment to Reained Earnings		-	-	(9,843)
Retained earnings at end of the year		-	-	<u>(9,843)</u>
Total equity attributable to:				
Equity holders of Co-Lab		<u>1,991,970</u>	<u>2,774,134</u>	<u>1,448,570</u>
Balance at 30 June		<u>1,991,970</u>	<u>2,774,134</u>	<u>1,448,570</u>

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**Co-Lab is the trading name of Waikato Local Authority Shared Services Limited
The accompanying notes form part of these financial statements
Explanations of major variances against budget are provided in note 20*

Statement of financial position

As at 30 June 2022

	Note	Actual 2022 \$	Budget 2022 \$	Actual 2021 \$
ASSETS				
Current assets				
Cash and cash equivalents	8	2,569,639	1,080,452	1,802,263
Exchange trade and other receivables	7	1,219,791	310,270	711,606
Non-exchange trade and other receivables	7	149,595	-	988,548
Prepayments		-	178,900	-
Total current assets		3,939,025	1,569,622	3,502,417
Non-current assets				
Property, plant and equipment	10	80,057	9,008	25,248
Intangible assets	11	14,583	14,583	29,167
Deferred tax assets		3,091	-	3,091
Total non-current assets		97,731	23,591	57,506
Total assets		4,036,756	1,593,213	3,559,923
LIABILITIES				
Current liabilities				
Payables and deferred revenue	12	1,976,832	1,362,446	2,056,552
Employee benefits	13	64,931	47,900	54,801
Total current liabilities		2,041,763	1,410,346	2,111,353
Non-current liabilities				
Employee benefits liabilities	13	3,023	-	-
Total non-current liabilities		3,023	-	-
Total liabilities		2,044,786	1,410,346	2,111,353
Net assets		1,991,970	182,867	1,448,570
EQUITY				
Contributed capital	14	2,957,001	2,957,001	2,957,001
Retained earnings	14	(965,031)	(2,774,134)	(1,508,431)
Total equity		1,991,970	182,867	1,448,570

These financial statements have been authorised for issue by the Board of Directors on ## ##### 2022.

Director
2022

Director
2022

*Co-Lab is the trading name of Waikato Local Authority Shared Services Limited
The accompanying notes form part of these financial statements
Explanations of major variances against budget are provided in note 20

Statement of cashflows

For the year ended 30 June 2022

	Note	Actual 2022 \$	Budget 2022 \$	Actual 2021 \$
Cash flows from operating activities				
Interest Received		22	500	14
Receipts from other revenue		9,346,056	11,937,767	6,136,807
Payments to suppliers and employees		(8,506,624)	(11,183,608)	(5,503,159)
Taxes received / (paid)		-	-	-
Goods and services tax received / (paid)		-	(94,596)	59,134
Net cash flow from operating activities		<u>839,454</u>	<u>660,063</u>	<u>692,796</u>
Purchase of property, plant and equipment		(72,078)	(13,408)	(18,522)
Net cash flow from investing activities		<u>(72,078)</u>	<u>(13,408)</u>	<u>(18,522)</u>
Net (decrease)/increase in cash and cash equivalents		767,376	646,655	674,274
Cash and cash equivalents at the beginning of the year		<u>1,802,263</u>	<u>433,797</u>	<u>1,127,986</u>
Cash, cash equivalents, and bank overdrafts at the end of the year	8	<u>2,569,639</u>	<u>1,080,452</u>	<u>1,802,260</u>

**Co-Lab is the trading name of Waikato Local Authority Shared Services Limited
The accompanying notes form part of these financial statements
Explanations of major variances against budget are provided in note 20*

1 Statement of accounting policies

1.1 Reporting entity

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

The company seeks the following outcomes for its shareholding councils:

- i) Council costs are reduced / performance is improved, without increased cost;
- ii) The experience of councils' communities is improved; and
- iii) Central Government investment into, and engagement with, Councils is increased.

It has the roles of developing opportunities which achieve one or more of these outcomes, and of providing any resulting services to councils, or organising someone else to do so.

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

The financial statements of the Company are for the year ended 30 June 2022. The financial statements were authorised for issue by the Board of Directors on the ## ##### 2022.

2 Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of compliance

The financial statements of the Company have been prepared in accordance with the requirements of the LGA, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The financial statements have been prepared in accordance and comply with Tier 2 PBE Standards reduced disclosure regime (RDR).

C-Lab is eligible to report in accordance with the Tier 2 PBE accounting standards RDR as it:

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

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

Measurement base

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

Presentation currency and rounding

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

Budget figures

The budget figures are those approved by the Board of Directors in the 2020/21 Statement of Intent. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Company in preparing the financial statements.

2.2 Goods and services tax

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

2 Summary of significant accounting policies (continued)

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

The net GST paid, or received, including the GST relating to investing and financing activities, is classified as an operating cash flow in the cash flow statement.

Commitments and contingencies are disclosed exclusive of GST.

3 Critical accounting estimates and assumptions

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

3.1 Intangible assets

Useful lives and residual values

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

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

Impairment of intangible assets

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

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

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

4 Revenue

Accounting policy

(i) Revenue

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

(ii) Other Revenue

Member charges for all activities are recognised when invoiced to the user, i.e. Councils. The recorded revenue is the net amounts of the member charges payable for the transaction. Contributions received for projects that were not completed in a financial year are recognised when the Company provides, or is able to provide, the service for which the contribution was charged. To the extent the service has not been delivered, contributions for that service are recorded as revenue in advance.

	Actual 2022 \$	Actual 2021 \$
<u>Non-exchange revenue</u>		
Member Charges	2,847,901	2,662,360
Cost Recovery	(5,641)	49,689
Total non-exchange revenue	<u>2,842,260</u>	<u>2,712,049</u>
<u>Exchange revenue</u>		
Working Parties and Projects*	750,241	668,348
Information Technology **	44,300	1,957,063
Energy Management	151,848	92,184
RATA ***	1,146,349	396,697
Waikato Regional Transport Model	6,544	2,005
Waikato Building Consent Group	116,161	117,533
Waikato Mayoral Forum	5,004	5,000
Water Services ****	3,121,032	560,172
RITS	27,000	50,475
Total exchange revenue	<u>5,368,479</u>	<u>3,849,477</u>
Total other revenue	<u>8,210,739</u>	<u>6,561,526</u>

Explanation of variance to last year:

*FY22 has seen the introduction of 5 new projects which has increased the revenue within this workstream.

** The delivery of LiDAR data has been delayed. Although some of the data was delivered before 31 June 2022, it did not pass quality control and required rework, thus payment will occur in FY23 once the data is acceptable to WRC/Co-Lab. Delivery has been delayed. Although some of the data was delivered before 31 June 2022, it did not pass quality control and required rework, thus payment will occur in FY23 once the data is acceptable to WRC/Co-Lab.

*** RATA manages a number of data collection contracts for councils. These contracts are typically a three-year programme of work. Covid-19 impacted the ability of suppliers to undertake planned work in the prior year, and this has had a flow-on effect, with greater than anticipated activity this year.

**** In September 2020 the Board approved the establishment of Co-Lab Water Services. Co-Lab Water Services officially went live on 1 July 2021 with additional councils receiving the services. This has meant that a full year's revenue has been derived from councils who have taken up the Co-Lab service.

5 Other expenses

	Actual 2022 \$	Actual 2021 \$
Audit fees	32,173	28,540
Company Management & Support	209,021	186,927
Working Parties and projects *	582,323	505,954
Information Technology **	23,274	1,875,648
Energy Management	152,159	135,338
Shared Valuation Data Services	260,396	256,787
RATA ***	2,296,039	1,484,576
Waikato Regional Transport Model	388,409	452,558
Waikato Building Consent Group	157,822	105,708
Waikato Mayoral Forum	-	3,037
Rental expense relating to operating leases	43,645	34,224
RITS	11,680	13,360
Water Services ****	1,175,767	458,608
Total other expenses	<u>5,332,708</u>	<u>5,541,265</u>

Explanation of variance to last year:

* FY22 has seen the introduction of 5 new projects which has increased spend within this workstream

** The delivery of LiDAR data has been delayed. Although some of the data was delivered before 31 June 2022, it did not pass quality control and required rework, thus payment will occur in FY23 once the data is acceptable to WRC/Co-Lab. Delivery has been delayed. Although some of the data was delivered before 31 June 2022, it did not pass quality control and required rework, thus payment will occur in FY23 once the data is acceptable to WRC/Co-Lab.

*** RATA manages a number of data collection contracts for councils. These contracts are typically a three-year programme of work. Covid-19 impacted the ability of suppliers to undertake planned work in the prior year, and this has had a flow-on effect, with greater than anticipated activity this year.

**** In September 2020 the Board approved the establishment of Co-Lab Water Services. As of 1 July 2021 Co-Lab Water Services officially went live. This has meant that a full years costs have been incurred in delivering to councils who have taken up the Co-Lab service.

6 Personnel costs

Accounting policy

Defined contribution schemes

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

	Actual 2022 \$	Actual 2021 \$
Salaries and wages*	1,022,747	782,385
Defined contribution plan employer contributions	25,077	18,523
Recruitment Costs	63,010	51,743
Total personnel costs	<u>1,110,834</u>	<u>852,651</u>

The total remuneration (including any non-financial benefits) paid or payable for the year to the Chief Executive was \$230k

* The increase in salary and wages reflects additional resourcing to support councils and to deliver services established as a recommendation from the investigation of opportunities.

7 Receivables

Accounting policy

Short-term receivables are recorded at the amount due, less any provision for uncollectability.

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

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

	Actual 2022 \$	Actual 2021 \$
Gross trade and other receivables	45,676	238,783
Related Party Receivables (note 17)	<u>1,323,710</u>	<u>1,461,371</u>
Total debtors and other receivables	<u>1,369,386</u>	<u>1,700,154</u>
Exchange		
Receivables from exchange transactions	<u>1,219,791</u>	711,606
Net exchange transactions	<u>1,219,791</u>	<u>711,606</u>
Non-exchange		
Receivables from non-exchange transactions	<u>149,595</u>	988,548
Total debtors and other receivables	<u>1,369,386</u>	<u>1,700,154</u>

8 Cash and cash equivalents

Accounting policy

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

	Actual 2022 \$	Actual 2021 \$
Cash at bank	<u>2,569,639</u>	<u>1,802,263</u>

The carrying value of cash and cash equivalents approximates their fair value.

9 Income tax

Accounting policy

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

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

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

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

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable surpluses will be available against which the deductible temporary differences or tax losses can be utilised.

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

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

Components of income tax expense:

	Actual 2022	Actual 2021 \$
Current tax expense	-	-
Adjustments to current tax in prior periods	-	-
Deferred tax expense	-	(3,091)
Tax expense	-	(3,091)

Relationship between tax expense and accounting profit:

Net surplus (deficit) before tax	543,399	513,664
Tax at 28%	152,152	143,826
Non-taxable in calculating taxable income	-	-
Non-deductible expenditure	-	7,622
Other timing adjustments	-	-
Non-taxable income	-	-
Prior year adjustment	-	(6,520)
Deferred tax adjustment	-	371
Tax losses not recognised	-	(148,390)
Tax expense	152,152	(3,091)

Balance at 1 July 2020	(27,255)	-	-	27,255	-
Charged to surplus or deficit	(2,113)	11,014	-	(5,810)	3,091
Balance at 30 June 2021	(29,368)	11,014	-	21,445	3,091
Balance at 30 June 2022	(29,368)	11,014	-	21,445	3,091

A deferred tax asset of \$450,694 (2020: \$601,911) has not been recognised in relation to tax losses carried forward of \$1,609,623 (2020: \$2,139,587).

10 Property, plant and equipment

Accounting policy

Property, plant, and equipment consist of operational assets, including land, buildings, plant and equipment, motor vehicles, computer equipment and furniture.

Additions

The cost of an item of property, plant, and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the company and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, at rates that will write-off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Class of PP&E	Estimated useful life	Depreciation rates
IT equipment	3 years	33%
Office Furniture	8 1/2 years	12%

The residual value and useful life of an asset is reviewed and adjusted, if applicable, at each financial year end.

	Carrying amount 1 Jul 2021 \$	Current year additions \$	Current year depreciation \$	Accumulated depreciation and impairment charges 30 Jun 2022 \$	Carrying amount 30 Jun 2022 \$
2022					
Operating assets					
IT equipment	18,103	35,932	(14,496)	(25,654)	39,541
Office furniture and fittings	7,145	36,146	(2,776)	(3,586)	40,516
Total	25,248	72,078	(17,272)	(29,240)	80,057
	Carrying amount 1 Jul 2020 \$	Current year additions \$	Current year depreciation \$	Accumulated depreciation and impairment charges 30 Jun 2021 \$	Carrying amount 30 Jun 2021 \$
2021					
Operating assets					
IT equipment	11,855	13,739	(7,491)	(11,158)	18,103
Office furniture and fittings	3,110	4,783	(748)	(811)	7,145
Total	14,965	18,522	(8,239)	(11,969)	25,248

The increase in property additions relative to the prior year is a result of the company's relocation to new premises in December 2021.

11 Intangible assets

Accounting policy

Software acquisition and development

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

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

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

Amortisation

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

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

Class of intangible asset	Estimated useful life	Amortisation rates	
		Actual 2022 \$	Actual 2021 \$
Computer software	5 to 7 years	14 to 25%	
Computer Software			
Balance at 1 July		2,298,050	2,298,050
Disposals/ asset write-offs		-	-
Balance at 30 June		<u>-</u>	<u>2,298,050</u>
Accumulated amortisation and impairment losses			
Balance at 1 July		2,268,883	2,254,299
Amortisation as per Income statement		14,583	14,583
Asset write-offs		-	-
Balance at 30 June		<u>2,283,467</u>	<u>2,268,883</u>
Carrying Amounts			
Balance at 1 July		29,167	43,751
Balance at 30 June		14,583	29,167

Intangible assets include the Waikato Regional Transport Model (WRTM).

The carrying amount of the WRTM asset as at 30 June 2022 is \$14,583 (2021: \$29,167).

12 Payables and deferred revenue

Accounting policy

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

	Actual 2022 \$	Actual 2021 \$
Current		
Trade payables	455,831	416,818
Related party payables (note 17)	315,254	348,897
Accrued expenses	98,526	56,247
Accrued expenses - related party payables (note 17)	283,285	458,320
Deferred revenue	825,612	671,579
Credit Card Balance	2,264	176
RWT on Payments	1,513	1,513
GST payable	<u>(5,453)</u>	<u>103,002</u>
Total creditors and other payables	<u>1,976,832</u>	<u>2,056,552</u>
Exchange		
Trade payables	517,165	765,715
Accrued expenses	390,579	514,567
Deferred revenue*	825,612	671,579
Other payables	2,264	176
RWT on payments	1,513	1,513
GST payable	<u>(5,453)</u>	<u>103,002</u>
Total creditors and other payables from exchange transactions	<u>1,731,680</u>	<u>2,056,552</u>

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

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

* The increase in deferred revenue reflects in large part the revenue accrued for the LiDAR project where the delivery of LiDAR data has been delayed. Although some of the data was delivered before 31 June 2022, it did not pass quality control and required rework, thus payment will occur in FY23 once the data is acceptable to WRC/Co-Lab delivery has been delayed. Although some of the data was delivered before 31 June 2022, it did not pass quality control and required rework, thus payment will occur in FY23 once the data is acceptable to WRC/Co-Lab.

13 Current liabilities - Employee Entitlements

Accounting policy

Short-term employee entitlements

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

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

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

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

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows.

Presentation of employee entitlements

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

Superannuation schemes

Defined contribution schemes

Obligations for contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit when incurred.

	Actual 2022 \$	Actual 2021 \$
Current portion		
Annual leave	46,004	40,490
Salaries	18,927	14,311
Total current portion	64,931	54,801

14 Reconciliation of equity

Accounting policy

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

Contributed equity

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

Retained earnings

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

	Actual 2022 \$	Actual 2021 \$
Total equity		
Contributed equity	2,957,001	2,957,001
Retained earnings	<u>(965,031)</u>	<u>(1,508,431)</u>
Balance at 30 June	<u>1,991,970</u>	<u>1,448,570</u>
(a) Contributed equity		
Shares on Issue	-	-
Uncalled capital	3,413,569	3,413,569
Balance 30 June	<u>(456,568)</u>	<u>(456,568)</u>
	<u>2,957,001</u>	<u>2,957,001</u>
(b) Retained earnings		
Balance at 1 July 2021	(1,508,430)	(2,025,186)
Surplus/(deficit) for the year	543,399	516,755
Balance 30 June	<u>(965,031)</u>	<u>(1,508,431)</u>

The Company has issued 2,186,581 (2021 - 2,186,581) shares.

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

Income	Ordinary Shares	SVDS Shares	WRAPS Shares	WRTM Shares
Hamilton City Council	1	220,514	79,152	50,625
Hauraki District Council	1	40,215	2,864	-
Matamata Piako District Council	1	56,380	4,708	4,500
Otorohanga District Council	1	-	5,716	-
Rotorua Lakes Council	1	126,703	7,516	-
South Waikato District Council	1	42,571	4,916	-
Taupo District Council	1	-	21,652	4,500
Thames Coromandel District Council	1	108,015	6,476	2,250
Waikato District Council	1	106,674	9,376	11,250
Waikato Regional Council	1	803,500	287,872	50,625
Waipa District Council	1	78,748	3,780	11,250
Waitomo District Council	1	23,681	10,540	-
	12	1,607,001	444,568	135,000
	<u>1,000</u>	<u>1</u>	<u>1</u>	<u>10</u>
	12,000	1,607,001	444,568	1,350,000
	<u>(12,000)</u>	<u>-</u>	<u>(444,568)</u>	<u>-</u>
	-	<u>1,607,001</u>	<u>-</u>	<u>1,350,000</u>

14 Reconciliation of equity (continued)

As at 30 June 2022 Taupo District Council had advised the Board and other shareholders of its intention to exit as a shareholder of the company. Separately, Western Bay of Plenty District Council has approved becoming a shareholder of the company, subject to consultation with its community. The intention is that Taupo District Council will sell its ordinary share in the company to Western Bay of Plenty District Council. This is expected to occur in August 2022.

SVDS, and WRAPS Shares (Service Shares)

In relation to the service shares:

- (a) the holders are entitled to participate in certain services to be provided by the Company, on terms that reflect their investment.
- (b) the holders do not have any right to share in the distribution of the surplus assets of the Company except to the extent provided for in Schedule 1 of the Company's constitution or in accordance with the terms of issue of those shares pursuant to Clause 6 of the Company's constitution.
- (c) Except as provided in section 177 of the Act and Clause 6.1 of the Company's constitution, the holders do not have any voting rights.

WRTM shares

Holders of WRTM shares have:

- (a) A right to one vote prior to further WRTM shares being issued;
- (b) A right to one vote on the application of any surpluses arising from the WRTM service;
- (c) The right to any surplus from the sale of outputs of the WRTM service;
- (d) No right to share in the distribution of the surplus assets of the Company except to the extent provided for in (c) above;
- (e) No right to share in dividends authorised by the Company except to the extent provided for in (c) above.

15 Commitments

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Non-cancellable operating expenses

	Actual 2022 \$	Actual 2021 \$
Not later than one year	91,350	43,563
Later than one year and not later than five years	<u>214,674</u>	<u>306,024</u>
Total non-cancellable operating leases	<u>306,024</u>	<u>349,587</u>

The Company entered into an operating lease for new premises 16 December 2021. The initial term of the lease is six years, however, it is able to be cancelled after four years. The lease is fixed with two-yearly rental increases of 5% with market rent reviews upon renewal.

16 Contingencies

As at 30 June 2022 the Company had no contingent liabilities or assets (2021 - \$0)

17 Related party transactions

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

Transactions with key management personnel

Key management personnel include the Chief Executive and directors. Co-Lab has one independent director who receives remuneration.

	Actual 2022 \$	Actual 2021 \$
Chief Executive Remuneration	230,000	220,846
Independent Director	55,000	55,000
Total key management personnel compensation	<u>285,000</u>	<u>275,846</u>

Related party disclosures have been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances.

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

	Actual 2022 \$	Actual 2021 \$
Income		
Hamilton City Council	1,976,564	1,120,027
Hauraki District Council	686,135	362,805
Matamata Piako District Council	634,358	451,395
Otorohanga District Council	400,523	241,391
Rotorua Lakes Council	431,771	88,107
South Waikato District Council	514,322	324,312
Taupo District Council	498,465	360,061
Thames Coromandel District Council	448,725	425,814
Waikato District Council	433,591	565,503
Waikato Regional Council	708,732	1,111,140
Waipa District Council	1,291,707	693,240
Waitomo District Council	556,572	296,048
	<u>8,581,465</u>	<u>6,039,843</u>

The income disclosed above includes revenue received relating to the 2021/22 financial year and revenue received which has been transferred to deferred revenue for 2022/23.

The table above also includes the amount invoiced but not yet received and meets the criteria of revenue recognition as of 30 June 2022.

	Actual 2022 \$	Actual 2021 \$
Expenses		
Hamilton City Council	3,226,997	446,920
Hauraki District Council	-	322
Otorohanga District Council	11,400	11,400
Rotorua Lakes Council	6,261	-
South Waikato District Council	-	16,000
Thames Coromandel District Council	2,826	-
Waikato District Council	-	20,000
Waikato Regional Council	-	88,857
Waipa District Council	1,039,750	761,368
Waitomo District Council	3,159	-
	<u>4,290,393</u>	<u>1,344,867</u>

17 Related party transactions (continued)

Expenses are related to services provided by the related parties.

	Note	Actual 2022 \$	Actual 2021 \$
Advances			
<i>Trade & Other Receivables</i>			
	7		
Hamilton City Council		146,983	329,864
Hauraki District Council		99,441	118,734
Matamata Piako District Council		285,827	247,278
Otorohanga District Council		37,140	3,839
Rotorua Lakes Council		22,811	3,831
South Waikato District Council		63,594	128,600
Taupo District Council		112,335	121,633
Thames Coromandel District Council		73,760	97,902
Waikato District Council		3,713	182,067
Waikato Regional Council		260,673	35,520
Waipa District Council		164,443	16,858
Waitomo District Council		<u>67,024</u>	<u>176,257</u>
		<u>1,337,744</u>	<u>1,462,383</u>
<i>Amounts outstanding at year end:</i>			
	12		
Hamilton City Council		574,089	446,920
Hauraki District Council		-	-
Otorohanga District Council		-	11,400
Rotorua Lakes Council		7,200	-
Waikato Regional Council		-	55,200
Waipa District Council		<u>17,250</u>	<u>293,697</u>
		<u>598,539</u>	<u>807,217</u>

18 Events occurring after the balance date

As referenced in Note 14, the intention is that Taupo District Council will sell its ordinary share in the company to Western Bay of Plenty District Council. This is expected to occur in August 2022 but will have a practical effect from 1 July 2022, with respect to determining the contributions from councils.

19 Financial instruments

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

(a) Market risk

Fair value interest rate risk

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

Cash flow interest rate risk

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

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

Currency risk

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

(b) Credit risk

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

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

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

The Company's maximum credit exposure for each class of financial instruments is represented by the total carrying amount of cash equivalents (note 7), investments (note 10), and trade receivables (note 8). There is no collateral held as security against these financial instruments, including these instruments that are overdue or impaired.

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

(c) Liquidity risk

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

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

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

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

(d) Financial instrument categories

	Note	2022 \$	2021 \$
FINANCIAL ASSETS			
Loans and receivables			
Cash and cash equivalents	8	2,569,639	1,802,263
Receivables	7	1,369,386	1,700,154
Other financial assets		-	-
Total loans and receivables		3,939,025	3,502,417

19 Financial instruments (continued)

(d) Financial instrument categories(continued)

FINANCIAL LIABILITIES

Financial liabilities at amortised cost

Payables and deferred revenue	12	<u>1,976,832</u>	<u>2,056,552</u>
Total financial liabilities at amortised cost		<u>1,976,832</u>	<u>2,056,552</u>

20 Explanation of major variances against budget

An explanation of year-on-year variances in line items is set out within the preceding relevant notes. The following explains the major variations to the budget.

Statement of comprehensive revenue and expenditure

Revenue

Main reasons for the variance are:

The WRTM budget was reworked and subsequently agreed by partner organisations following the delivery of the Single Stage Business Case. This saw member charges reduce by \$1,029k.

Operational changes within the Waikato Building Consent Group (WBCG) allowed member charges to be reduced by \$240k.

RATA member charges were adjusted down by \$522k, reflecting changes to the agreed projects that occurred after the publication of the SOI.

Revenue related to LiDAR was less than budgeted by \$726k, with delays in some project milestones meaning contributions will now occur in the 2023 financial year.

Co-Lab Water Services revenue was lower by \$206k due to Covid-19 delaying the onboarding of some councils.

Expenses

WBCG Personnel Costs were significantly lower (-\$240k) due to Quality Manager and Competency Assessor not being employed along with the introduction of the GM Service Delivery role which reduced the WBCG Manager role to 0.5 FTE.

Expenditure related to LiDAR was less than budgeted by \$726k, with delays in some project milestones meaning supplier payments will now occur in the 2023 financial year.

Operational contingency for SVDS and some TA valuation services were not required reducing expenditure by \$87k.

The re-budgeting of WRTM following the Single Stage Business Case saw expenditure lower by \$1,176k.

As noted above, the delay in onboarding some councils to Co-Lab Water Services meant some expenditure was lower than budgeted (-\$82k).

Statement of Financial Position

Cash and cash equivalents is higher than budget with lower than anticipated costs across various workstreams (as noted above).

Delays in Purchase Orders from some councils meant greater than anticipated invoicing in June, with a flow-on affect to receivables.

Current liabilities are higher than budgeted: Deferred revenue was not budgeted for (it is this year).

Property, Plant and Equipment is higher than budget reflecting the purchase of soft fitout and IT equipment as part of the move to new premises in December 2021.

Statement of Cash Flows

Receipts from other revenue were less than budgeted due to the reasons noted in this and earlier notes to these accounts.

Payment to suppliers and employees were less than budgeted due to the reasons noted in this and earlier notes to these accounts.

Directory

Company number (for the legal entity, Waikato Local Authority Shared Services Ltd)	1730380
Registered office	15 Wilson Street Cambridge 3434 Waikato
Directors	ION, Gavin BRYANT, David GREEN, Gareth MCLAY, Christopher (appointed 25 September 2020) STUBBS, Peter WILLIAMS, Rob
Bankers	Bank of New Zealand Hamilton Banking Centre Victoria Street Hamilton
Auditors	Audit New Zealand (on behalf of the Auditor General)