



Annual report FY2022/23

Councils maximising the value they provide to their communities.

Co-Lab is the trading name of Waikato Local Authority Shared Services Ltd

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Chair & CEO report

In last year's annual report, we empathised with you about the challenges you faced. How little has changed in the past 12 months! While covid-19 is now 'normalised', you continue to face record inflation, uncertain central government reform (exacerbated by the forthcoming election), and a tight labour market. Local body elections have seen many new faces around the council table. And while a vision for the future of local government has been painted, it is unknown what if any of the recommendations from that report will be embraced by central government. Amidst this significantly shifting landscape your communities ask that you be part of the solution to, and not adding to, the cost-of-living crisis.

Change is undoubtedly the new normal for local government.

This backdrop culminated in a busy year for Co-Lab. We are excited that during the period two new service offerings have been established: Co-Lab Learning and Co-Lab Procurement Support. With Co-Lab Learning, we still have work to do with councils to embed collaboration into the way of working in this area, but the service is off to a good start with 20+ on-line learning modules already available to councils.

We have worked with councils to overhaul and streamline their regional Quality Manual for building consenting and are close to completing our investigation into a regional cadet programme to help build capacity in this area.

Elsewhere on the project front we have continued investigating how RATA could provide additional value to councils through new centres of expertise in asset management beyond roading and waters. We have also worked with councils' People & Capability Managers to look at how councils' resourcing challenges could be addressed by growing the pipeline of capability coming into our region's local government sector.

By contrast, we've not been able to progress some other projects as much as we would have liked. Notably, the Customer Digital Enablement programme - pooling investment to realise efficiencies and a better customer experience using technology - has lost traction within councils. Despite a great response from the market during the first stage of procurement, to date councils have not been compelled to work together at sufficient scale to allow the project to progress. The programme is a victim of councils' continued pursuit of separate digital strategies. We acknowledge they have invested heavily in those strategies but believe the lack of collaboration into technology is a significant lost opportunity.

The Future for Local Government final report delivered in June proposes some significant structural change, including reducing the local government sector to 15 councils. Importantly, it notes councils as being the anchor institutions to deliver on their community's needs. This is a role that councils should work toward, irrespective of whether the incoming government choose to progress the report's recommendations.

The report also endorses the need to utilise shared service arrangements more. This seems obvious if councils are to be efficient in delivering their services, and it is great that in Co-Lab you already have the infrastructure to investigate shared arrangements. That is why one of our key initiatives over the coming 12 months is to focus on how councils can save money by working together.

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We again had fantastic results from our staff survey, validating improvements we have made in staff development and benefits. 88% of respondents agreed or strongly agreed with the statement that they “like working for Co-Lab.” That said, we will always strive for better, and the feedback has provided a steer on improving capability, technology and processes.

Our annual stakeholder survey received an impressive response rate from councils this year. We are grateful to those that took the time to complete it. Overall, it tells us that we are doing well – 80% of respondents said that our services either met or exceeded expectation, which is in line with the previous years.

But there remain some pockets within councils where value is questioned. This is not new. In response, in last year’s Statement of Intent we signalled we would be developing a framework for quantifying and communicating our benefits to councils. This was largely completed during the year, and we will be using it in communications to councils moving forward. We want to be clear on our value proposition and know this is validated and understood by our shareholding councils. The framework categorises the benefits Co-Lab provides into three core areas;

1. **Reducing costs** such as efficiency gains in FTE or time; procurement savings; reducing unit cost of product/ service
2. **Creating value** such as improving levels and quality of service; increasing skills, expertise or compliance; improving decision making
3. **Enabling innovation and change** such as research & opportunity development; providing centres of expertise/ skills; collaboration and regional insights and enabling councils to provide a consistent customer experience.

We have started to calculate measurable benefits against each of these, depicted in our snapshot below, and we will continue to build on this. In tandem with this work, we have tweaked our vision and purpose, and considered our strategic goals for the next 3-5 years which will be reflected in our next Statement of Intent.

The future for Co-Lab and councils, by working together, remains challenging but bright. Those challenges provide councils with a compelling reason to work differently, and Co-Lab will embrace your desire to do so.

Finally, we want to acknowledge the significant mahi of Co-Lab staff who have been tireless at delivering the best possible service to councils, and those Co-Lab and council staff who have been involved in progressing opportunities to create value. Your efforts may sometimes seem thankless. Know that they do not go unnoticed. Kei runga noa atu!

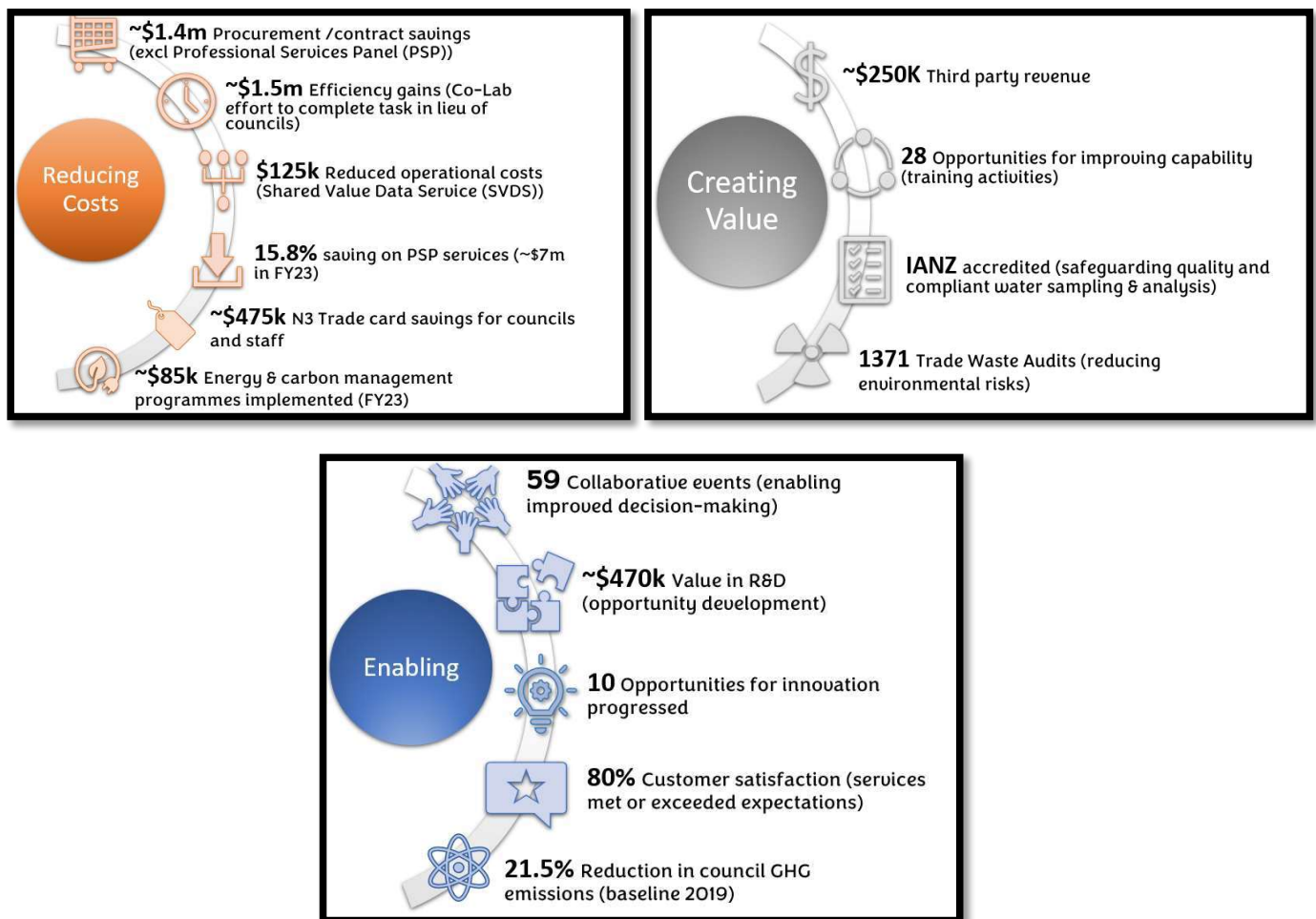
We are better together.

Maa te mahi tahi e eke ai.

Peter Stubbs
WLASS Chair

Kelvin French
Chief Executive

Co-Lab's value to councils in FY2022/23



CO-LAB ACHIEVEMENTS

FY 2022/23

HOSTED TRIENNIUM INDUCTION

Event for 100 elected members, community organisations and council executives, delivering content of shared relevance such as local government reform, Regional Transport Committee, The Waikato Plan, Civil Defence, and introductions from community organisations.



Launched Co-Lab Geospatial Services to 11 participating councils.



COMPLETED LONG TERM ROAD PAVEMENT MODELLING.

Carried out for 10 RATA councils, creating a plan and budget for maintenance, renewals and reseals for the next 30 years.

Launched Co-Lab Procurement Services to 3 participating councils.

STOOD UP CO-LAB LEARNING.

Created e-learning & development team in conjunction with Hamilton City Council. Launched the new service to 10 participating councils, and delivered 20+ bespoke eLearning modules.



Increased awareness of Co-Lab through ELT face-to-face visits, post-Board meeting communications, and About Us videos.



LAUNCHED REGIONAL MAPPING DATA

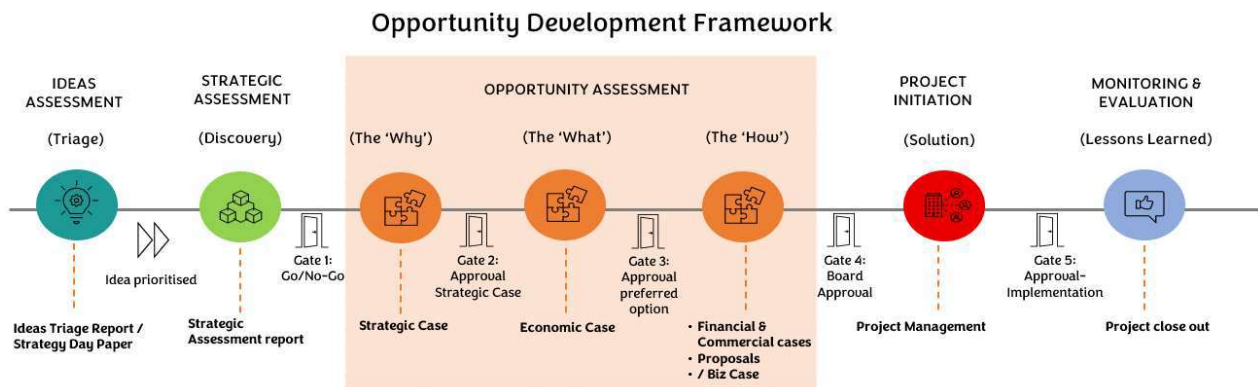
In conjunction with Waikato Regional Council and Land Information New Zealand, completed the first set of regional mapping data through the LiDAR project.

On-boarded Western Bay of Plenty District Council as newest shareholder.

Opportunity development

The opportunity development framework

During the period, the Opportunity Development Team has reviewed and improved the opportunity development process. The process continues to follow the NZ Treasury Better Business Case principles and is reflected in the framework below. The improvements include Investment Logic Mapping, internal challenge sessions and ensuring success meetings, and improved use of project 'gates'.



From our council satisfaction survey, council staff involved in opportunity development projects generally had a positive and consistent experience and feel their input to the project is valued.

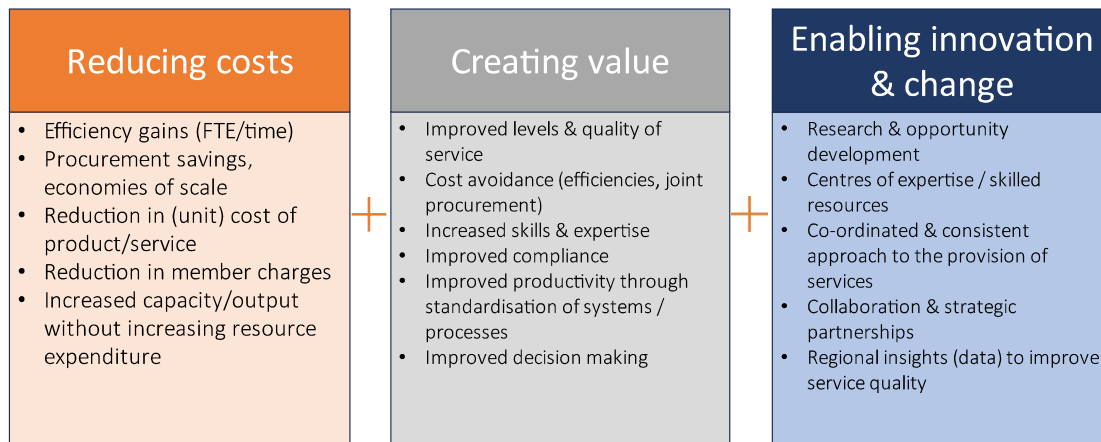
The pace of projects and councils' ability to commit resources to Co-Lab projects were highlighted as concerns. We were already aware this is a significant restraint and expect that our refreshed process and our change & communications framework (mentioned below) will help to alleviate these challenges.

Benefits realisation

During the period, the team undertook a project to better understand what benefits (quantitative and qualitative) our councils' investment in Co-Lab delivers, which will help build our value proposition. This work has culminated in Co-Lab's new benefits framework, allowing us to report against three value streams (Reducing Costs, Creating Value, Enabling Innovation & Change).

The framework includes a centralised benefits library that is being curated to include agreed methodologies for measuring specific benefits and calculating value.

CO-LAB VALUE MODEL – THE 3 PILLARS



Note: Benefits derived from a shared service may include both 'cost saving' and 'creating value' measures, especially as the service becomes established and emergent benefits are identified.

Significant projects

Right People Right Place (RPRP) RPRP aims to assist with attracting quality employees into the region's councils. It will remain a key focus for Co-Lab in FY 2023-2024.

We used Investment Logic Mapping to understand the widespread challenge of attracting talent to local government, established the case for change, and will now investigate solution options to support three key investment objectives:

1. Align workforce development opportunities with local government competencies over the next 10 years.
2. Increase the number of quality candidates with the right skills, capabilities and behaviours applying for local government roles in the region over the next 10 years.
3. Improve the appeal of local government amongst our candidate pool.

Shifting landscapes: People Post 3-Waters

People Post 3-Waters (PP3W) started as an investigation into redeploying resources across councils given that:

- There was likely to be some level of stranded resource because of the water reforms; and
- There may be demand from other councils for the skills of that stranded resource.

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The idea was to 'match' excess capacity with demand (vacancies across the region), and then consider how that resource could be utilised. However, the investigation identified that there are few councils who anticipate having stranded resource due to waters reform.

Now that waters reform has been deferred, this initiative is less urgent. Therefore, PP3W as originally defined, is now on hold until such time as the areas of excess capacity that may become available for redeployment are known. We will be keeping connected with councils to capitalise on any opportunities.



Customer Digital Enablement (CDE)

The CDE programme aimed to deliver:

1. A scalable, foundational platform to deliver digital services to councils' communities;
2. A customer-centric digital application that supports your council and communities to minimise waste and manage waste sustainably; and
3. A mechanism to collaborate and set future service delivery transformation priorities.

Co-Lab went to-market with a Registration of Interest (ROI), with a strong response from organisations which was a testament to the significance of the opportunity.

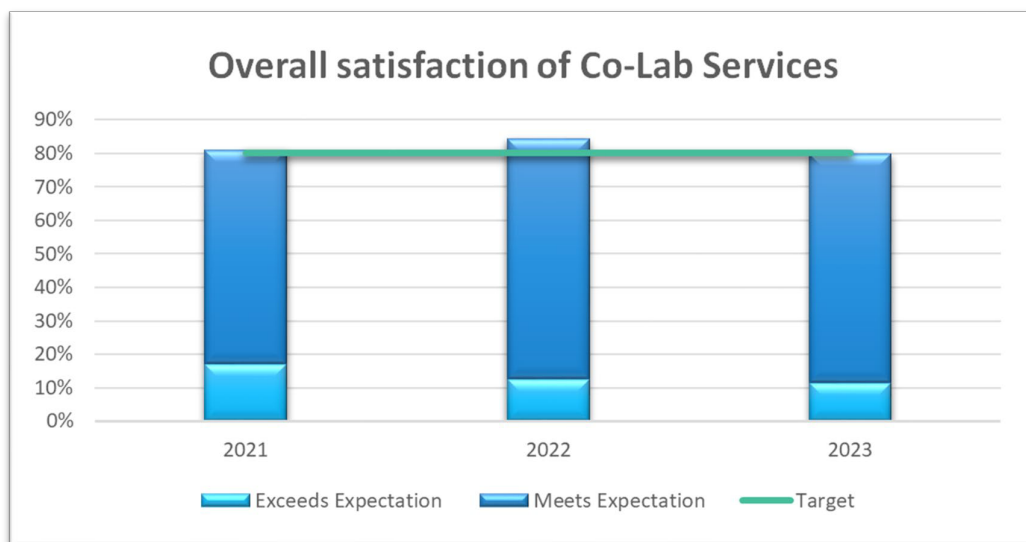
Councils had a clear expectation of a compelling value proposition, but the project wasn't able to progress to a point where Co-Lab could reasonably determine that value, and ultimately councils were unable to align their digital strategies.

Shared services

Satisfaction survey results

In May, stakeholders from councils that are customers of our services (and Waka Kotahi) were asked to provide feedback on various elements of working with Co-Lab. The questions asked in the survey covered Co-Lab services, opportunity development (projects), the working parties and advisory groups, and more generally, how we work with them.

We received 104 responses on Co-Lab services and 80% of these respondents said we have met or exceeded expectations across our 11 services, which meets our key performance indicator.



The Waikato Building Consent Group was the lowest scoring service with less than 50% of respondents, saying that it had met their expectations. Since the survey, we have addressed some of the feedback at a strategic planning day with Building Consent Authority Managers, General Managers and Chief Executives, and will take forward the actions agreed at this session. We have also been addressing the issues raised directly with the three (of eight) councils whose expectations weren't being met.

We received positive feedback about our RATA, Geospatial, WRTM, Co-Lab Learning and Co-Lab Procurement Support services.

Shared Services in action

With a number of new services and other activities supporting our partner councils during the period, we've taken a closer look at how some those collaborations came about and what benefits they provide to councils, in the following case studies.



Structural Asset Management Services

At a glance

The procurement strategy had two key features: additional supplier capacity in the market and allocating councils to contract packages as part of the evaluation process, which resulted in a \$550k cost saving.

BACKGROUND



As part of funding from Waka Kotahi New Zealand Transport Agency, councils are required to inspect their bridges, culverts, retaining walls, underpasses, and other structural assets on a regular basis. Structural Asset Management Services (SAMS) was the retender of two existing bridge inspection contracts and was renamed structural asset management services, to reflect that the type of assets were more than bridges and that the services were more than inspections.

"The evaluation was a brilliant way to allocate multiple contracts to multiple councils. Assigning suppliers during the evaluation phase ensured that councils would have suppliers best suited to their needs and that councils were right-sized based on supplier's capacity. The entire process was well delivered with excellent communication from Co-Lab as we worked through an exciting new procurement approach,"
Bryson Huxley, Senior Engineering Officer - Transport Strategy, Taupo District Council

APPROACH



Firstly, additional supplier capacity was sought because the market had effectively become a duopoly with councils experiencing a loss of genuine competition. Secondly, councils were not pre-packaged into contracts before going to market (the 2017 approach) and were instead allocated to contract packages as part of the evaluation process, to maintain competitive tension.

If the three new councils were included in the two existing contracts, then it was almost certain that there would be no change to the existing arrangement.

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To improve the attractiveness of the opportunity and to encourage competition a clear message was sent to the market; that Co-Lab was looking to award two or more contracts, and that suppliers did not need to provide a response for every council (to encourage smaller suppliers to tender within their capability and resource capacity).

OUTCOME

The outcome of the SAMS process was the inclusion of a third Waikato-based professional services firm with the benefit being stronger competition when the contracts are retendered in the future. The inclusion of a new supplier will also benefit future buyers such as Waka Kotahi and other councils.

The allocation of councils to contract packages was based on the ranking of the suppliers against the evaluation criteria, the level of confidence that the supplier had the capacity and could deliver the services, and the assessed whole-of-contract price (by council, by contract package, and overall).

BENEFITS



\$550k (7%)

Over the life of the contract, 2022 actual outcome compared to replicating the 2017 approach



Increased competition for future procurements



PROBLEM

A number of Co-Lab's smaller partner councils identified that they needed a professional to offer procurement and tendering advice, to mentor and train council staff, to check compliance and conduct reviews, and to monitor procurement performance generally.

"Having a shared resource means that our council receives cost effective support that we otherwise would not have, and benefits from identifying synergies and opportunities across a number of smaller councils," Paku Edwards, Risk & Assurance Manager, Thames Coromandel District Council.

PROBLEM EVALUATION

In analysing councils' needs, it was clear that they were not large enough to justify a full-time procurement resource so responsibility for procurement was included in a related role (such as legal or finance) with the result that procurement was not getting the required traction or profile within council. It was also a concern that it may be difficult to attract suitable candidates to jobs in the councils' locations.

OUTCOME

Hearing that these challenges were faced by multiple councils, Co-Lab recognised there was sufficient scope to recruit a shared resource. This was how Co-Lab Procurement Support was created. Co-Lab recruited a Procurement Advisor and they spend one day a week working for each of Ōtorohanga, Thames-Coromandel, and Waitomo councils, and the other two days on administering Co-Lab's joint contracts.

BENEFITS



1

Coordinated training outcomes

Demystifying procurement training (attended by 70 council people) and contract template training has led to consistent approaches and solutions for similar challenges faced by councils. The service has also addressed specific needs, such as implementing a contract register for councils without a contract management system and providing procurement quick guides for staff.

2

Knowledge sharing across councils

Cross-council training has fostered networking, professional relationships, and knowledge sharing among council staff.

3

Improved internal reputation

The shared procurement service has been utilised for running tenders when council resources are limited and overall, it has raised the profile of the procurement function within the council.



At a glance

Quality Assurance improvements included a new QA Hub and internal auditing process. Without these improvements, councils would take longer to find solutions on their own and would continue to spend time on activities (such as “mock” IANZ audits) that do very little to progress process improvements.

“Co-Lab’s implementation of the QA hub and aligned auditing schedule has helped tremendously. Through the support and collaboration of the other cluster councils, working together and sharing resources and knowledge has helped to improve the quality system at our council,”

Zara Sullivan, BCA Quality Management Officer, Hauraki District Council.

PROBLEM



The current Quality Manual was not fit for purpose; it didn’t meet all of Co-Lab’s WBCG Building Consent Authorities needs and was at risk for errors due to its complexity. IANZ was also regularly challenged by the time required to undertake their audits.

PROBLEM EVALUATION



It was clear very quickly that the Quality Manual served to create more problems than solutions.

What was required was a high-level document that set out the regulatory requirements and policies that all BCA’s follow. Anything relating to the processes where individual BCA’s differ slightly (in a way that cannot be aligned for whatever reasons) needed to be removed. This would ensure that the Quality Manual was relevant to all BCAs.

In addition to overhauling this document, Co-Lab also examined related processes. As a result, the internal audits are now carried out on a monthly basis with particular items audited each time, ensuring that all required items are audited within a 12 month period as per regulatory requirements. Prior to this, a ‘mock’ IANZ audit was carried out annually at each BCA. This was time-consuming and labour intensive for the councils, and lacked value as there was no follow-through nor any mechanism to enable continuous improvement.

IMPLEMENTATION



The breakthrough on the progression of this work came when QAHub was established, which is a group of Quality representatives from each BCA. Having the QAHub in place means the BCA Managers can review and approve items at a higher level without getting lost in detail. Proposals and improvements are discussed among the QAHub, greatly increasing efficiency.

The QAHub has reviewed the Quality Manual in detail which was presented to the Technical Committee for approval and has been submitted to IANZ.

BENEFITS



1

Continuous Improvement

Co-Lab monthly audits add value and allow the BCA's to make meaningful and sustainable improvements. By taking a small chunk of the regulations to look at each month, councils are able to dive deep and properly inspect current practice, and have the space to explore potential improvements. This includes discussing findings with the QAHub and collectively finding a solution.

2

Improved skills

Already people have improved items such as their skills matrices, logs and registers, and shared and improved forms, which together results in increased efficiencies and reduced risk. It also develops a culture of quality that goes beyond seeing 'Quality' as a once a year audit by a third party (IANZ).

3

Expected decreased costs associated with auditing

The audits now make it easier for IANZ to locate information and verify it against internal process documents (deskfiles). IANZ also commented that if the audits continue to be carried out this way they predict they would spend less time during their audits as the work will be done all year round.

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The following is a summary for the Co-Lab services that had particularly notable milestones throughout the year.



RATA

Key milestones for RATA over the period have included:

- Asset Management Centre of Expertise
- Data collection contract renewal
- Forward Works Programme tours
- dTIMS pavement modelling

The investigation into the expansion of RATA, known as AMCE (Asset management Centre of Expertise) has progressed, culminating in a proposal to councils shortly after year end. Through a series of engagements with council subject matter experts it became apparent that the area of most interest was in the asset management of their community assets. The proposal reflects this and under the newly minted name, RATA Spaces and Places, is now with councils for consideration.

Through several interactive council workshops, the team have been preparing to procure new data collection contracts which will include on-road traffic counts as well as off-road counts for cycles. The procurement will be completed in the coming financial year.

After a COVID-enforced hiatus the popular annual road network tours recommenced in February and March to consider each council's forward works programme. For the first time RATA led an on-site data-enabled tour using new technologies where multiple potential plans and interventions could be viewed simultaneously at a location. This enabled greater analysis and more informed decision-making. Potential interventions were therefore interrogated on-site, and agreed interventions locked in to make better use of limited operations, renewal maintenance and sealing funding.

RATA undertakes road pavement modelling (dTIMS) for councils that informs their Long-Term Plans (LTPs). Using data from various sources (including traffic counts and forecasts, high speed laser survey data collecting road shape, faults and deformation, etc.), the modelling generates an optimised programme. Draft reports of each council's optimised programme were distributed at the end of the year (or shortly thereafter). This modelling is an extremely important piece of work where roading managers can determine the sufficiency of their long term (up to 30 years) budgets.

During the period, the RATA Advisory Group decided to cease most of RATA's water asset management support work. This decision has been heavily influenced by councils and the work carried out by DIA and NTU superseding the original RATA Waters value proposition. Surplus funds were returned to partner councils, with a small surplus retained by RATA to support and facilitate compliance upskilling related to the new regulatory framework released by Taumata Arowai.

Beyond these key milestones/decision points, engagement with councils and external agencies was a highlight for RATA, with several asset management forums during the year, a full day training event

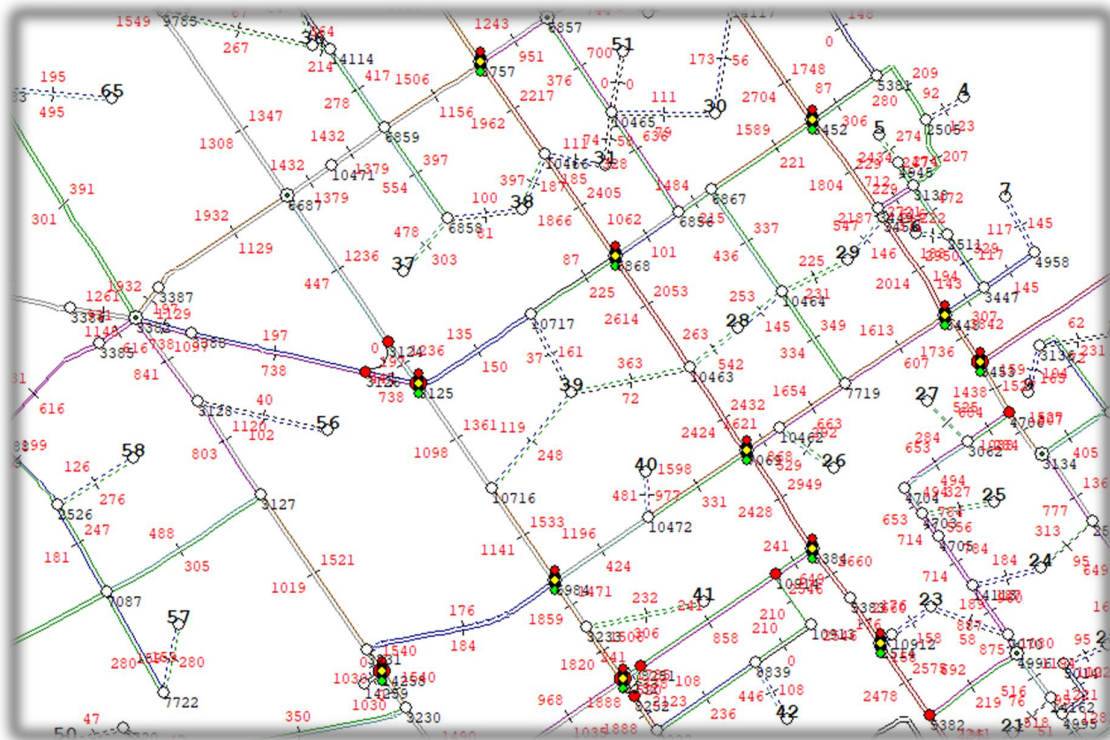
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for council asset managers delivered by IPWEA, a site visit to the Peacockes Bridge in Hamilton, and joint forums with councils and Taumata Arowai on compliance reporting.

We were pleased to see that our efforts updating partner council RAMM data for the Te Ringa Maimoa annual data quality assessments contributed to five Waikato councils within the national top ten, and all of which are RATA partner councils. The highest data quality score in the country once again was a RATA partner council.

Finally, the Asset Valuations for transport is in execution phase with a technical solution agreed, with work underway to align methodologies and inputs adopted by our councils.

Waikato Regional Transport Model



Milestones for WRTM over the period included:

- The expansion of the programme to include the Hamilton Transport Model (HTM)
- Ongoing rebuild of the WRTM Strategic model to incorporate census updates and future growth forecasts
- Early preparations for re-procuring the WRTM Strategic model
- A review of the programme's management and governance structures

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Hamilton Transport Model

From the early industry engagement with potential suppliers through to the interactive tender sessions between the Co-Lab evaluation team and the two shortlisted suppliers, the HTM has been the subject of a robust, value-adding procurement. It has reduced ambiguity and increased the confidence of the suppliers and Co-Lab, and we received positive anecdotal feedback from both suppliers about how much value the process added for the suppliers. A preferred tender has been recommended with the contract award to build the HTM occurring in early FY2023/24.

Waikato Regional Transport Model rebuild

The rebuild of the WRTM Strategic model had a slow start with a dependency on the approval timeframes of council growth and infrastructure plans. However, during the period Co-Lab finalised the future scenarios (2035, 2045, 2055, 2065), calibrated the 4-stage model (the non-car travel such as heavy vehicles), incorporated public transport (the first time in 13 years for WRTM), and developed a bespoke visualisation tool (a GIS platform to improve access to WRTM outputs and assumptions).

Waikato Regional Transport Model procurement

Early preparations for the WRTM Strategic model procurement have been incredibly valuable. By interrogating the data requirements for the new model approximately \$350k that had been set aside for FY2022/23 was determined to be not needed as the data could be purchased from technology companies rather than collected. That money has been returned to partner organisations: a great win in times of constrained budgets and a great example of collaborative working.

Reviewing WRTM's management and governance structures

Through a deep dive into WRTM in late 2022 Co-Lab management proposed a review of the governance and management structures for WRTM. An outcome from the review was to ensure that the new and expanded WRTM programme was properly resourced, so the value of the models developed under the programme are maximised. Following further investigation, Co-Lab reached agreement with the principal funders of WRTM that the programme was under-resourced and that a new WRTM Programme Manager should be recruited. In addition, a new governance structure which will remove the responsibility of WRTM oversight from the RATA Advisory Group, was proposed. Recruitment of the new resource is imminent as is formalising the governance arrangements.

Co-Lab Geospatial services

This year marked the establishment of Co-Lab Geospatial Services to oversee Waikato Data Portal and Waikato OneView. Our initial focus was renewed operational support for the services including user support functions, contract management, systems administration, and new communication channels with councils. We also established an Advisory Group and set a clear vision for the workstream: ***Our people trust regional geospatial knowledge to make better decisions.*** A three-year strategic plan is now in place to build on the foundations of both services and work towards this vision.

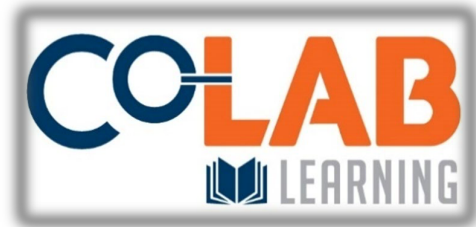
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Co-Lab Learning

During the period, Co-Lab has been focused on building the new service including hiring the team, building the learning management system, creating launch materials for councils to use internally to raise awareness and developing a three-year strategic plan.

Growing people to do great things for our communities is the guiding light for Co-Lab Learning's activities.

E-learning development has progressed well with 20 bespoke eLearning modules available, more being added regularly and a pipeline for ongoing module development.



Waikato Building Consent Group

During the period the new Quality Systems Manager has allowed us to focus on quality which has included implementing a new internal audit regime, concentrating on reviewing set regulations each month in detail. We have also created the Quality Assurance Hub to allow for cross-council collaboration and have progressed the new Quality Manual which is now with IANZ for feedback.

We held our first group training on H1 and have more planned. In June 2023 we held our first WBCG strategic planning day for the cluster to realign strategic priorities for 23/24.

Regional cadets

The Regional Cadet Project has delivered an indicative proposal to WBCG members for consideration. The project has worked with council staff and a leading industry expert to help shape a workable solution to councils which will see councils employing cadets and Co-Lab managing the development programme on behalf of the employing councils. The Advisory Group will confirm their participation at their quarterly meeting in August.

People @ Co-Lab

It's an exciting time at Co-Lab as the organisation continues to grow. We have added six new positions to the organisation in the last year and now have 55 in the Co-Lab branded team. Our new positions strengthen our skills in procurement, communications, change management, Learning & development and supporting the Waikato Building Consent Group.

Colleague survey results

This year, we chose to cast the net of "Co-Lab staff" wider, to include all RATA and Co-Lab Waters employees.

The survey was made up of 54 statements, with colleagues asked to strongly agree, agree, agree nor disagree, disagree or strongly disagree.

There was an excellent response rate with 26 out of 42 respondents (62%) completing the survey.

- 85% of the responses were either "Strongly Agree" or "Agree"
- Only 2% of the responses were "Disagree" or "Strongly Disagree"
- 88% of respondents agreed or strongly agreed with the statement that they "like working for Co-Lab."

The results showed that most colleagues are now satisfied with professional development and training, benefits and overall compensation.

In response to this year's survey, the senior management team will incorporate 360 peer feedback into all annual reviews, improve internal communications, continue to focus on mental wellbeing, and ensure the business is positioned to scale in terms of skills, processes and technology.

Following the colleague survey in 2022 there has been a big focus on professional development and training. In addition to pursuing individual development opportunities, colleagues have been able to undertake LEAN training with the LEAN Hub University and communication training with Engineering New Zealand.

We've also been focused on improving culture with our social committee activities picking up momentum and our annual Co-Lab values awards continuing and celebrating successes with a new monthly recognition award.



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As part of improving councils' experience with and perception of Co-Lab, we have been building a communications & change framework. The framework exists so that we are consistent in the way we communicate and behave with our councils. In turn, this should enable a better experience of Co-Lab projects and services to council colleagues, especially those that may result in change, to ensure a greater chance of success. It has been introduced to Co-Lab colleagues and we will focus on embedding it into our day-to-day practises over the coming months.

By the numbers

Summary financial results for the year:

		2023 (000s)	2022 (000s)	Change
Total income		9,101	8,576	6%
Net surplus before tax		505	543	(7%)
Cash on hand		2,313	2,570	(10%)

The net surplus before tax is high in comparison with the surplus projected in the budget. This principally reflects the lower than anticipated costs for Co-Lab Water Services.

Performance reporting

The performance measures noted in the table below were included in the 2022 Statement of Intent. The company has assessed whether each target has been achieved, and how these contribute to our outcomes as an organisation.

Key:

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



Priority	Performance measure	Target	Outcome (progress toward target)		2022 Outcome	
Prioritise and develop business cases for opportunities that, if implemented, add value to councils by achieving one or more of our objectives	➤ Business cases will include measurable benefits linked to one or more of the outcomes sought	Projected savings to councils of \$300k ⁺	Seven significant projects monitored during the year. However, each of these projects – which were largely guided by feedback from councils – were principally focused on valuation creation (rather than cost savings) and/or are at an early stage where potential costs savings are yet to be quantified. The Customer Digital Enablement (CDE) project has the potential to save¹ significant amounts by pooling council investment. For example, market feedback suggested a ten-fold increase in the number of councils involved only bore a 16% increase in investment. Unfortunately, as noted earlier, most councils did not support progressing to RFP and product build. For these reasons, the target has not been met. The <i>Strategic Case</i> for the ‘Right People, Right Place’ project (see page 9) was approved by the Board in June 2023. A paper covering the ‘People Post 3 Waters’ project (see page 9) was presented to council Chief Executives in November 2022, with an update to the Board in March 2023. While we	●	No business cases were presented to the Board during the last financial year but there were various Discovery reports for initiatives and expansive resourcing required to develop Co-Lab Learning. By their nature, some of these opportunities do not lend to readily quantifiable benefits. An example of this is the Community Needs Analysis: a project supporting eight of the councils by providing learnings grounded in stories of past successes and failures, that can be used by councils in their discussion with stakeholders relating to the Future for Local Government review.	●

¹ When compared to making the investment on a standalone basis

30 June 2023

Priority	Performance measure	Target	Outcome (progress toward target)	2022 Outcome	
	➤ Opportunity assessments are supported by councils (evidenced by Board minutes)	75% of councils	await feedback from councils on what resource might become available to redeploy, we are investigating a project management shared service to address one area where many councils are resource constrained. Neither of these investigations can yet claim to give projected savings to councils, although both have the potential to reduce costs and create value in the future. We can't reasonably measure performance against this target because no opportunity assessments have been presented to the Board during the period. Having said that, as noted above, CDE is not expected to progress to this point, because of the lack of support to progress the opportunity. To that extent, it is an opportunity that, while initially supported by councils, has not ultimately been. Last year we reported that 9 of 12 councils agreed to participate in Co-Lab Learning. A 10th confirmed their involvement in the current period.	9 councils (out of 12 shareholding councils) have agreed to participate in Co-Lab Learning following proposals in May 2022. 8 councils chose to participate (and invest in) the Community Needs Analysis (CNA) project.	

30 June 2023

Priority	Performance measure	Target	Outcome (progress toward target)		2022 Outcome	
			Some opportunities have been capitalised on without a formal business case. An example of this in the current period is Co-Lab Procurement Support. That shared service came about from discussions with councils who had a need for procurement skills, but only on a part-time basis, or only as and when required to supplement their current resources. In July 2023 and August 2023, councils were presented with proposals to participate in a Building Consent Cadetship and in the RATA Spaces and Places Rōpū. Decisions are pending in early FY24.			
Develop opportunities and deliver projects within agreed budgets and timelines	➤ Opportunities / projects are developed / delivered within agreed timelines	80%	14%: (1/7 projects) The low proportion of projects delivered within agreed timelines is disappointing. However, this should be considered in the context that most Co-Lab investigations commence with significant uncertainty, including council staff's capacity to get involved in the projects, which makes reliably estimating the time to complete challenging. While capacity is the most	●	38%: Five of the eight projects under development that had a major milestone during the year, had some delays in their progress. The most significant of these was the completion of the development of Co-Lab Learning. Although Covid pressures in late 2021 contributed to the delays, the main cause was the length of time taken to reach agreement with key council	●

30 June 2023

Priority	Performance measure	Target	Outcome (progress toward target)	2022 Outcome	
	➤ Opportunities / projects are developed / delivered, within approved budget	90%	prominent unknown when setting timelines, the LiDAR project has been delayed by vendor performance issues. We acknowledge that we must be more realistic when estimating timelines. It is important to note that none of the delays have caused costs to escalate (i.e., the anticipated work is simply spread over a longer period, or the contract protects against cost escalation). 80%: Four of the five projects were completed within budget. The exception was the Co-Lab Learning Implementation where the cost of the project team went over project budget. The remaining of two projects have not started in the current year.	stakeholders. It is easy to underestimate how long this will take. Completed on time were the Community Needs Analysis project, the Building consent Cadetship discovery project and the project to establish the Co-Lab Geospatial Services unit. 86%: Six of the seven projects were completed within budget. The exception was the Learning & Development Shared Service project where the cost of the project team went slightly over budget. This was a result of the delays, and therefore extension of effort that is explained above.	

30 June 2023

Priority	Performance measure	Target	Outcome (progress toward target)		2022 Outcome	
	➤ Overall, Company Management / Support functions will be undertaken within budget, unless additional expenditure has board pre-approval		Actual Company Management & Support expenditure exceeded budget, mainly because the LAPP insurance cost, which is recovered from councils, was not included in the budget.	●		
Ensure projects realise their expected benefits	➤ Measurable benefits are actively monitored and reported against	Six-monthly	During the current financial year, management reported to the Audit & Risk Committee on: - Shared Valuation Data Service (SVDS): All benefits in the business case have been met - Co-Lab Water Services: The assessment considered benefits realised since the services inception. Of the 10 KPIs in the business case, only 1 (relating to service expectations) was determined to be 'not met' and action is already underway to remedy that.	●	During the last financial year, we presented the following to the Audit & Risk Committee: PSP Waters Collaboration Insurance	●

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30 June 2023

Priority	Performance measure	Target	Outcome (progress toward target)	2022 Outcome	
Foster and promote cross-council collaboration and networking to share ideas on improving efficiencies and best practice	➤ Across these groups, ideas for future consideration and/or initiatives are identified each year	Four per annum	Ideas received and triaged in FY23: • One digital library book database • Common LGOIMA manager tool • Councillor Induction Programme • Common staff induction content • Shared resources for election years • Parking enforcement app • Joint Procurement for contracted resources	 Ideas for future consideration and/or initiatives identified include: • 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

TO THE READERS OF WAIKATO LOCAL AUTHORITY SHARED SERVICES LIMITED T/A AS CO-LAB'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2023

The Auditor-General is the auditor of Waikato Local Authority Shared Services Limited t/a as Co-Lab (the company). The Auditor-General has appointed me, Johann van Loggerenberg, using the staff and resources of PKF Hamilton Audit Limited, to carry out the audit of the financial statements and performance information of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company on pages 36 to 56, which comprise the statement of financial position as at 30 June 2023, the statement of comprehensive revenue and expenditure, the statement of changes in equity, and the statement of cashflows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 23 to 30.

In our opinion:

- the financial statements of the company on pages 36 to 56:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2023; and
 - its financial performance and cash flows for the year then ended; and
 - comply with the generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards Reduced Disclosure Regime; and
- the performance information of the company on pages 23 to 30 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2023.

Our audit was completed on 1 September 2023. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, comment on other information, and explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued

by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – uncertainty over the water services reform programme

Without modifying our opinion, we draw attention to Note 21 on page 56, which outlines developments in the Government's water services reform programme.

The Water Services Entities Act 2022, as amended by the Water Services Entities Amendment Act 2023 on 23 August 2023 and the Water Services Legislation Act 2023 on 31 August 2023, establishes ten publicly owned water services entities to carry out responsibilities for the delivery of three water services and related assets and liabilities currently controlled by local authorities. Water services entities' establishment dates are staggered, with all the water services entities becoming operational between 1 July 2024 and 1 July 2026. The financial impact of the water services reform on the company [as outlined in note 21] remains uncertain until the relevant water services entity's establishment date is known, and the allocation schedule of assets, liabilities, and other matters to be transferred is approved.

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with the generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors intends to liquidate the company or to cease operations or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could

reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure, and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 3 to 22 & 57 but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interest in, the company.



Johann van Loggerenberg
PKF Hamilton Audit Limited
On behalf of the Auditor-General
Hamilton, New Zealand



**Financial Statements
for the year ended 30 June 2023**

Co-Lab
Statement of comprehensive revenue and expenditure
For the year ended 30 June 2023

Statement of comprehensive revenue and expenditure

For the year ended 30 June 2023

	Note	Actual 2023 \$	Budget 2023 \$	Actual 2022 \$
Revenue				
Data sales		380,039	414,292	364,742
Interest		5,113	2,000	22
Other revenue	4	<u>8,715,546</u>	<u>10,993,686</u>	<u>8,207,700</u>
Total revenue		<u>9,100,698</u>	<u>11,409,978</u>	<u>8,572,464</u>
Expenditure				
Personnel costs	6	1,621,239	1,798,868	1,110,834
Depreciation and amortisation expense	11,10	43,550	46,137	31,855
Other expenses	5	<u>6,930,744</u>	<u>9,562,507</u>	<u>6,886,376</u>
Total expenditure		<u>8,595,533</u>	<u>11,407,512</u>	<u>8,029,065</u>
Surplus/(deficit) before tax		505,165	2,466	543,399
Income tax expense	9	<u>-</u>	<u>-</u>	<u>(733)</u>
Surplus from continuing operations		<u>505,165</u>	<u>2,466</u>	<u>542,666</u>
Surplus/(deficit) after tax		<u>505,165</u>	<u>2,466</u>	<u>542,666</u>
Total comprehensive income		<u>505,165</u>	<u>2,466</u>	<u>542,666</u>

**Co-Lab is the trading name of Waikato Local Authority Shared Services Limited
The accompanying notes form part of and are to be read in conjunction with these financial statements*

Co-Lab
Statement of changes in equity
For the year ended 30 June 2023

Statement of changes in equity

For the year ended 30 June 2023

	Actual 2023 \$	Budget 2023 \$	Actual 2022 \$
Note			
Balance at 1 July	1,991,237	1,489,968	1,448,570
Total comprehensive revenue and expense	14 <u>505,165</u>	<u>2,466</u>	<u>542,666</u>
Balance at 30 June	<u>2,496,397</u>	<u>1,492,434</u>	<u>1,991,237</u>
 Total equity attributable to:			
Equity holders of Co-Lab	<u>2,496,397</u>	<u>1,492,434</u>	<u>1,991,237</u>
Balance at 30 June	<u>2,496,397</u>	<u>1,492,434</u>	<u>1,991,237</u>

**Co-Lab is the trading name of Waikato Local Authority Shared Services Limited
The accompanying notes form part of and are to be read in conjunction with these financial statements*

Co-Lab
Statement of Financial Position
As at 30 June 2023

Statement of financial position

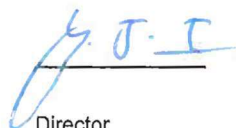
As at 30 June 2023

	Note	Actual 2023 \$	Budget 2023 \$	Actual 2022 \$
ASSETS				
Current assets				
Cash and cash equivalents	8	2,313,115	2,164,346	2,569,639
Exchange trade and other receivables	7	1,429,811	580,998	1,463,690
Non-exchange trade and other receivables	7	1,754,026	-	149,595
Prepayments		-	134,000	-
Total current assets		5,496,952	2,879,344	4,182,924
Non-current assets				
Property, plant and equipment	10	100,498	108,586	80,057
Intangible assets	11	-	-	14,583
Deferred tax assets		2,358	-	2,358
Total non-current assets		102,856	108,586	96,998
Total assets		5,599,808	2,987,930	4,279,922
LIABILITIES				
Current liabilities				
Payables and deferred revenue	12	3,018,780	1,442,458	2,208,690
Employee benefits	13	78,866	53,038	76,972
Total current liabilities		3,097,646	1,495,496	2,285,662
Non-current liabilities				
Employee benefits liabilities	13	5,765	-	3,023
Total non-current liabilities		5,765	-	3,023
Total liabilities		3,103,411	1,495,496	2,288,685
Net assets		2,496,397	1,492,434	1,991,237
EQUITY				
Contributed capital	14	2,957,001	2,957,001	2,957,001
Retained earnings	14	(460,604)	(1,464,567)	(965,764)
Total equity		2,496,397	1,492,434	1,991,237

These financial statements have been authorised for issue by the Board of Directors on 01 September 2023.



Director
01 September 2023



Director
01 September 2023

**Co-Lab is the trading name of Waikato Local Authority Shared Services Limited
The accompanying notes form part of and are to be read in conjunction with these financial statements*

Statement of cashflows

For the year ended 30 June 2023

	Actual 2023 \$	Budget 2023 \$	Actual 2022 \$
Note			
Cash flows from operating activities			
Interest Received	5,113	2,000	22
Receipts from other revenue	8,377,540	11,583,503	9,017,138
Payments to suppliers and employees	(8,671,815)	(11,999,086)	(8,096,051)
Taxes received / (paid)	-	-	-
Goods and services tax received / (paid)	82,051	(200,365)	(81,655)
Net cash flow from operating activities	<u>(207,111)</u>	<u>(613,948)</u>	<u>839,454</u>
Purchase of property, plant and equipment	<u>(49,408)</u>	<u>(81,714)</u>	<u>(72,078)</u>
Net cash flow from investing activities	<u>(49,408)</u>	<u>(81,714)</u>	<u>(72,078)</u>
Net (decrease)/increase in cash and cash equivalents	(256,519)	(695,662)	767,376
Cash and cash equivalents at the beginning of the year	<u>2,569,637</u>	<u>2,860,008</u>	<u>1,802,263</u>
Cash, cash equivalents, and bank overdrafts at the end of the year	<u>2,313,118</u>	<u>2,164,346</u>	<u>2,569,639</u>
8			

**Co-Lab is the trading name of Waikato Local Authority Shared Services Limited
The accompanying notes form part of and are to be read in conjunction with these financial statements*

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; and
- ii) The experience of councils' communities is improved;

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 2023. The financial statements were authorised for issue by the Board of Directors on 01 September 2023.

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).

Co-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 2022 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.

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.

2 Summary of significant accounting policies (continued)

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.

2.3 Accounting standards and interpretations

PBE IPSAS 41 came into effect for accounting periods starting on or after 1 January 2022. This standard replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. The Company has applied PBE IPSAS 41 for the year ended 30 June 2023 and reviewed how the standard might affect the Company's financial statements. The Company concluded that the new standard does not have any effect on the previous reporting period, nor the current period. The effect in future periods is also likely to be trivial.

The only change the Company has made as a result of the adoption is the accounting policy on "Receivables". This policy has been updated to comply with PBE IPSAS 41.

Other than the effect of adopting the PBE IPSAS 41 stated above, the accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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 statement of comprehensive revenue and expenditure, and carrying amount of the asset in the statement of financial position. 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 statement of comprehensive revenue and expenditure. The reversal of an impairment loss is recognised in the statement of comprehensive revenue and expenditure.

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 2023 \$	Actual 2022 \$
<u>Non-exchange revenue</u>		
Member Charges	3,594,315	2,847,901
Cost Recovery	-	(8,680)
Total non-exchange revenue	<u>3,594,315</u>	<u>2,839,221</u>
<u>Exchange revenue</u>		
Working Parties and Projects*	549,418	750,241
Information Technology	31,131	44,300
Energy Management	145,463	151,848
RATA **	492,505	1,146,349
Waikato Regional Transport Model	-	6,544
Waikato Building Consent Group	143,827	116,161
Waikato Mayoral Forum	8,505	5,004
Water Services ****	3,562,127	3,121,032
RITS	27,000	27,000
Geospatial Services	18,000	-
Procurement Services	143,255	-
	-	-
Total exchange revenue	<u>5,121,231</u>	<u>5,368,479</u>
Total other revenue	<u>8,715,546</u>	<u>8,207,700</u>

Explanation of variance to last year:

*The projects undertaken in FY23 were smaller than those in FY22 and therefore have resulted in decreased revenue within this workstream.

** 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 FY21, and this has had a flow-on effect, with greater than anticipated activity in FY22.

*** FY23 has seen the introduction of new Drinking Water standards which resulted in increased sampling and testing revenue.

5 Other expenses

	Actual 2023 \$	Actual 2022 \$
Audit fees	33,781	32,173
Company Management & Support	259,129	209,021
Working Parties and projects *	435,814	582,323
Information Technology	12,531	23,274
Energy Management	178,285	152,159
Shared Valuation Data Services	266,990	260,396
RATA **	1,996,249	2,256,039
Waikato Regional Transport Model	401,097	383,409
Waikato Building Consent Group	131,279	157,822
Waikato Mayoral Forum	5,536	-
Rental expense relating to operating leases ***	105,230	43,645
RITS	23,087	11,680
Water Services ****	2,912,933	2,777,475
Co-Lab Learning	192,492	-
Geospatial Services	42,351	-
Procurement Services	(66,040)	-
Total rental expense relating to operating leases	<u>6,930,744</u>	<u>6,889,416</u>

Explanation of variance to last year:

* The projects undertaken in FY23 were smaller than those in FY22 and therefore have resulted in decreased expenditure within this workstream.

** 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 FY21, and this has had a flow-on effect, with greater than anticipated activity in FY22.

*** In December 2021 Co-Lab moved into new larger premises. A rent free period of 4 months was provided in the new lease, therefore, the rental expense is a large increase on the prior year.

**** FY23 has seen the introduction of new Drinking Water standards which resulted in increased sampling and testing.

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 2023 \$	Actual 2022 \$
Salaries and wages*	1,570,076	1,022,747
Defined contribution plan employer contributions	37,719	25,077
Recruitment Costs	13,444	63,010
Total personnel costs	<u>1,621,239</u>	<u>1,110,834</u>

The total remuneration (including any non-financial benefits) paid or payable for the year to the Chief Executive was \$252k

* The increase in salary and wages reflects additional resourcing to support councils and to deliver new services.

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 2023 \$	Actual 2022 \$
Gross trade and other receivables	269,152	63,376
Related Party Receivables (note 17)	<u>2,914,685</u>	<u>1,549,909</u>
Total debtors and other receivables	<u>3,183,837</u>	<u>1,613,285</u>
Exchange		
Receivables from exchange transactions	<u>1,429,811</u>	<u>1,463,690</u>
Net exchange transactions	<u>1,429,811</u>	<u>1,463,690</u>
Non-exchange		
Receivables from non-exchange transactions	<u>1,754,026</u>	<u>149,595</u>
Total debtors and other receivables	<u>3,183,837</u>	<u>1,613,285</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 2023 \$	Actual 2022 \$
Cash at bank	<u>2,313,115</u>	<u>2,569,639</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.

	Actual 2023 \$	Actual 2022 \$
Components of income tax expense:		
Current tax expense	-	-
Adjustments to current tax in prior years	-	-
Deferred tax expense	(2,319)	(773)
Tax expense	(2,319)	(773)

Relationship between tax expense and accounting profit:

Net surplus (deficit) before tax	505,165	543,399
Tax at 28%	141,446	152,151
Non-taxable in calculating taxable income		
Non-deductible expenditure	458	445
Other timing adjustments	-	-
Non-taxable income	-	-
Prior year adjustment	2,318	(4,786)
Deferred tax adjustment	5,191	782
Tax losses not recognised	(151,731)	(149,365)
Tax expense	(2,318)	(773)

Deferred tax asset (liability)

	Property, plant & equipment	PPE & Intangible assets	Employee entitlements	Provisions	Total
Balance at 1 July 2021	(7,923)	11,014	-	-	3,091
Charged to surplus or deficit	1,623	(2,396)	-	-	(773)
Balance at 30 June 2022	(6,300)	8,618	-	-	2,318
Charged to surplus or deficit	3,168	(5,486)	-	-	(2,318)
Balance at 30 June 2023	(3,132)	3,132	-	-	-

A deferred tax asset of \$164,773 (2022: \$300,398) has not been recognised in relation to tax losses carried forward of \$533,450 (2022: \$1,072,494) and deductible temporary differences of \$55,025 (2022: nil).

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 2022 \$	Current year additions \$	Current year depreciation \$	Transfers \$	Accumulated depreciation and impairment charges 30 Jun 2023 \$	Carrying amount 30 Jun 2023 \$
2023						
Operating assets						
IT equipment	39,541	27,341	(22,570)	-	(48,223)	44,313
Office furniture and fittings	40,516	22,067	(6,398)	-	(9,984)	56,185
Total	80,057	49,408	(28,968)	-	(58,207)	100,498

	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

The office furniture additions is a result of the company's relocation to new premises in December 2021 and spreading the cost of the fit out across two years, while the increase to IT equipment is a result of employing more staff to support councils and to deliver new services.

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 statement of comprehensive revenue and expenditure.

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	
Computer software	5 to 7 years	14 to 25%	
		Actual 2023	Actual 2022
		\$	\$
Computer Software			
Balance at 1 July		2,298,050	2,298,050
Disposals/ asset write-offs		-	-
Balance at 30 June		<u>2,298,050</u>	<u>2,298,050</u>
Accumulated amortisation and impairment losses			
Balance at 1 July		2,283,467	2,268,883
Amortisation as per statement of comprehensive revenue and expenditure		14,583	14,583
Asset write-offs		-	-
Balance at 30 June		<u>2,298,050</u>	<u>2,283,467</u>
Carrying Amounts			
Balance at 1 July		14,583	29,167
Balance at 30 June		-	14,583

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

The carrying amount of the WRTM asset as at 30 June 2023 is \$nil (2022: \$14,583).

12 Payables and deferred revenue

Accounting policy

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

	Actual 2023 \$	Actual 2022 \$
Current		
Trade payables	395,032	458,096
Related party payables (note 17)	366,111	559,152
Accrued expenses	104,271	86,485
Accrued expenses - related party payables (note 17)	379,979	283,285
Deferred revenue	1,473,264	825,612
RWT on Payments	-	1,513
GST payable	300,123	(5,453)
Total creditors and other payables	3,018,780	2,208,690
Exchange		
Trade payables	757,713	517,165
Accrued expenses	482,600	363,720
Deferred revenue*	1,473,264	825,612
Other payables	3,430	2,264
Total creditors and other payables from exchange transactions	2,717,007	1,708,761

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 Hamilton Transport Meso Model build contract which was not procured in FY23 as originally planned. This is now due to be procured in FY24.

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

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 statement of comprehensive revenue and expenditure when incurred.

	Actual 2023 \$	Actual 2022 \$
Current portion		
Annual leave	67,045	46,004
Salaries	<u>11,821</u>	<u>30,968</u>
Total current portion	<u>78,866</u>	<u>76,972</u>
Non-current Portion		
Long Service Leave	<u>5,765</u>	<u>3,023</u>
Total non-current portion	<u>5,765</u>	<u>3,023</u>

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 2023 \$	Actual 2022 \$
Total equity		
Contributed equity	2,957,001	2,957,001
Retained earnings	<u>(460,604)</u>	<u>(965,764)</u>
Balance at 30 June	<u>2,496,397</u>	<u>1,991,237</u>
(a) Contributed equity		
Shares on Issue	3,413,569	3,413,569
Uncalled capital	<u>(456,568)</u>	<u>(456,568)</u>
Balance 30 June	<u>2,957,001</u>	<u>2,957,001</u>
(b) Retained earnings		
Balance at 1 July 2022	(965,769)	(1,508,430)
Surplus/(deficit) for the year	<u>505,165</u>	<u>542,666</u>
Balance 30 June	<u>(460,604)</u>	<u>(965,764)</u>

The Company has issued 2,186,581 (2022 - 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	-	-	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	-
Western Bay of Plenty District Council	1	-	-	-
Total issued shares	12	1,607,001	444,568	135,000
Value per share	1,000	1	1	10
Authorised share capital	12,000	1,607,001	444,568	1,350,000
Uncalled share capital	(12,000)	-	(444,568)	-
Capital called on shares	-	<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 had approved becoming a shareholder of the company, subject to consultation with its community. Western Bay of Plenty District Council concluded their consultation with their community in August 2022 and the sale of the ordinary share legally transferred from Taupo District Council as of 20 September 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 2023 \$	Actual 2022 \$
Not later than one year	94,776	91,350
Later than one year and not later than five years	<u>119,898</u>	<u>214,674</u>
Total non-cancellable operating leases	<u>214,674</u>	<u>306,024</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 2023 the Company had no contingent liabilities or assets (2022: \$nil)

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 2023 \$	Actual 2022 \$
Chief Executive Remuneration	252,157	230,000
Independent Director	60,000	55,000
Total key management personnel compensation	312,157	285,000

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.

Taupo District Council sold its ordinary share to Western Bay of Plenty District Council during the year, with effect from 1 July 2022.

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

	Actual 2023 \$	Actual 2022 \$
Income		
Hamilton City Council	2,529,840	1,976,564
Hauraki District Council	715,543	686,135
Matamata Piako District Council	537,071	634,358
Otorohanga District Council	393,981	400,523
Rotorua Lakes Council	484,843	431,771
South Waikato District Council	743,451	514,322
Taupo District Council	-	498,465
Thames Coromandel District Council	474,482	448,725
Waikato District Council	593,481	433,591
Waikato Regional Council	680,912	708,732
Waipa District Council	1,188,239	1,291,707
Waitomo District Council	598,827	556,572
Western Bay of Plenty District Council	70,407	-
	9,011,077	8,581,465

The income disclosed above includes revenue received relating to the 2022/23 financial year and revenue received which has been transferred to deferred revenue for 2023/24.

The table above also includes the amount invoiced but not yet received and meets the criteria of revenue recognition as of 30 June 2023.

	Actual 2023 \$	Actual 2022 \$
Expenses		
Hamilton City Council	3,341,370	3,226,997
Hauraki District Council	365	-
Matamata Piako District Council	6,390	-
Otorohanga District Council	-	11,400
Rotorua Lakes Council	-	6,261
South Waikato District Council	426	-

17 Related party transactions (continued)

Thames Coromandel District Council	-	2,826
Waipa District Council	904,053	1,039,750
Waitomo District Council	-	3,159
BOP LASS Ltd	19,607	114,262
	<u>4,272,211</u>	<u>4,404,655</u>

Expenses are related to services provided by the related parties.

	Actual 2023 \$	Actual 2022 \$
Advances		
<i>Trade & Other Receivables</i>		
Hamilton City Council	490,155	289,819
Hauraki District Council	184,452	99,441
Matamata Piako District Council	307,528	285,827
Otorohanga District Council	105,528	37,140
Rotorua Lakes Council	194,981	22,811
South Waikato District Council	289,871	82,139
Taupo District Council	-	125,031
Thames Coromandel District Council	176,294	80,108
Waikato District Council	319,701	35,453
Waikato Regional Council	357,289	260,673
Waipa District Council	140,645	164,443
Waitomo District Council	267,273	67,024
Western Bay of Plenty District Council	80,968	-
7	<u>2,914,685</u>	<u>1,549,909</u>
<i>Payables:</i>		
Hamilton City Council	590,354	716,919
Rotorua Lakes Council	-	7,200
South Waikato District Council	-	18,545
Taupo District Council	-	12,696
Thames Coromandel District Council	-	6,348
Waikato District Council	-	31,740
Waipa District Council	155,736	17,250
12	<u>746,090</u>	<u>810,698</u>

18 Events occurring after the balance date

There have been no events after balance date.

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 8), and trade receivables (note 7). 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	2023 \$	2022 \$
FINANCIAL ASSETS			
Loans and receivables			
Financial assets at amortised costs	8	2,313,115	2,569,639
Receivables	7	3,183,837	1,613,285
Other financial assets		-	-
Total financial assets at amortised costs		5,496,952	4,182,924

19 Financial instruments (continued)

(d) Financial instrument categories(continued)

FINANCIAL LIABILITIES

Financial liabilities at amortised cost

Payables	12	<u>3,018,780</u>	<u>1,395,119</u>
Total financial liabilities at amortised cost		<u>3,018,780</u>	<u>1,395,119</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 HTM model was not procured as planned and subsequently \$230k was returned to councils and \$750k deferred to FY24 for the build contract. Further cost savings were identified by the WRTM User Group resulting in a further \$350k returned to partner organisations.

RATA member charges were adjusted down by \$304k following updated data collection strategies and refined cost recovery requirements.

Revenue related to LiDAR was less than budgeted by \$351k, with delays in some project milestones meaning contributions were not required during the year.

Following discussions regarding the "Affordable Water Reforms" the RATA Advisory Group resolved to pause RATA Waters Collaboration until further notice except for compliance readiness activities. This saw member charges reduce by \$173k.

Co-Lab Learning member charges were adjusted down by \$91k, reflecting changes agreed that occurred after the publication of the SOI.

Expenses

Co-Lab Learning Personnel Costs were lower (-\$92k) due to the workstream starting later than anticipated when setting the budget.

WBCG Personnel Costs were lower (-\$52k) due to the team being restructured with less time by the General Manager Service Delivery required within the workstream as much.

Expenditure related to LiDAR was less than budgeted by \$359k, with delays in some project milestones meaning supplier payments were not required during the year.

Following updated data collection strategies RATA expenditure was less than budgeted by \$378k.

The re-budgeting of WRTM following the HTM model not being procured in FY2023 saw expenditure lower by \$1,344k.

As noted above, discussions following the Affordable Water Reforms resulted in a pause in Waters Collaboration activities. Expenditure was lower than budgeted (-\$239k) as a result.

Co-Lab Water Services staff vacancies in FY2023 meant expenditure was lower than budgeted (-\$207k).

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 principally because of deferred revenue including WRTM, LiDAR and WRAPS, as explained above.

Statement of Cash Flows

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

20 Explanation of major variances against budget (continued)

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

21 Disclosures – Water services reform programme

The New Zealand Government is implementing a water services reform programme that is intended to ensure all New Zealanders have safe, clean and affordable water services. The Government believes this will be achieved by establishing new public entities to take on the delivery of drinking water, wastewater and stormwater services across New Zealand. The reform will be enacted by three pieces of legislation:

- The Water Services Entities Act 2022, which (as amended by the Water Services Entities Amendment Act 2023 on 23 August 2023) establishes ten publicly owned water services entities and sets out their ownership, governance and accountability arrangements. A water services entity is established (for transitional purposes) on the date on which the appointment of the entity's establishment board takes effect, and its establishment date (operational date) will be a date between 1 July 2024 and 1 July 2026.
- The Water Services Legislation Act 2023, which amended the Water Services Entities Act 2022 on 31 August 2023 to provide for the transfer of water services assets and liabilities to the water services entities.
- The Water Services Economic Efficiency and Consumer Protection Act 2023, which provides the economic regulation and consumer protection framework for water services. The consumer protection framework will come into force on 1 July 2024 and the rest of the Act came into force on 31 August 2023

Directory

Company number (for the legal entity, Waikato Local Authority Shared Services Ltd)	1730380
Registered office	6/34d Lake Street Cambridge 3434 Waikato
Directors	ION, Gavin MCLAY, Christopher MCLEOD, Don SMIT, Ben STUBBS, Peter VERVOORT, Lance
Bankers	Bank of New Zealand Hamilton Banking Centre Victoria Street Hamilton
Auditors	PKF Hamilton Audit Limited (on behalf of the Auditor General)