



## **Half-yearly report (un-audited)**

1 July 2021 to 31 December 2021

**Our councils are maximising the value they provide to their communities. We support them in doing so by making it easier for councils to identify and realise shared opportunities.**

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# Overview of Co-Lab

Co-Lab<sup>1</sup> is owned in equal portion by the 12 Waikato Local Authorities:

- Hamilton City
- Hauraki District
- Matamata-Piako District
- Ōtorohanga District
- Rotorua Lakes
- South Waikato District
- Taupo District
- Thames-Coromandel District
- Waikato District
- Waikato Regional
- Waipa District
- Waitomo District

The company has two fundamental roles:

- 1) It is a laboratory for developing opportunities that create value to councils, either by improving the experience of their communities or by making the councils themselves, collectively, more efficient and effective; and
- 2) It provides services to councils.

## Statement of service performance

### Vision and purpose

At a meeting in December 2021, the Board revisited the company's vision. Co-Lab's updated **vision** is for our councils to be maximising the value they provide to their communities. Co-Lab's **purpose** is to support councils to achieve this vision, by making it easier for them to identify and realise shared opportunities. The **outcomes** we are seeking remain unchanged and are encapsulated in the company's performance framework (see following page).

### Six-month highlights

The second half of 2021 saw Co-Lab progress several new initiatives, bed in a new service offering, and launch a new product to Waikato communities.

The company also re-branded to better reflect what we are about, established value statements, and moved into new premises in Cambridge.

This was against a backdrop of significant uncertainty with the continuing impact of COVID-19 and central government reforms. It has been challenging for the company. We recognise the significant pressures our councils face. Increasingly that is impacting the company, with council staff capacity to support the progression of opportunities constrained. However, we have flexed to respond to our councils' needs.

While opportunities are not being developed at the pace we would like, we know from engaging with our councils that it is the right pace for now. Similarly, given the significant central government reform programme impacting the sector, we have committed to councils not to pursue opportunities that will result in structural change. Instead, following engagement with Chief Executives and other senior council staff, we embarked on the Shifting Landscapes project and during the period this evolved into two workstreams.

One of these workstreams, "Stranded Overheads Assessment", remains in the planning phase and we are engaging with the Department of Internal Affairs on how we can work with them to support councils to identify and quantify the overheads left stranded following the water reforms. The second workstream, "Community Needs Analysis", is highlighted further below.

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<sup>1</sup> Co-Lab is the newly established trading name of Waikato Local Authority Shared Services Ltd

## Co-Lab's Performance Framework

<b>Our vision</b>	Our councils are maximising the value they provide to their communities					
<b>Our purpose</b>	We support them in doing so by making it easier for councils to identify and realise shared opportunities					
<b>Outcomes we are seeking</b>	Council costs are reduced / performance is improved, without increase cost		The experiences of councils' communities are improved		Central government investment into and engagement with Waikato councils is increased	
<b>Our specific objectives</b>	<ul style="list-style-type: none"> <li>➤ Achieve effectiveness and efficiency gains</li> <li>➤ Reduce duplication of effort and eliminate waste through repetition</li> <li>➤ Helping the councils achieve an appropriate balance in risk and return</li> </ul>		<ul style="list-style-type: none"> <li>➤ Promote and contribute to the development of best practice</li> <li>➤ Make it easier for communities to engage with councils in the Waikato region on a consistent basis</li> <li>➤ Promote business transformation to improve communities' experiences</li> </ul>		<ul style="list-style-type: none"> <li>➤ Enable the Waikato councils to collectively be more effective as a region on the national stage</li> <li>➤ Contribute to building central government's confidence in the Waikato region, and to encourage central government investment</li> </ul>	
<b>Priorities: How we will achieve our outcomes</b>	Investigate the right opportunities	Develop opportunities on time and within budget	Ensure opportunity benefits are realised	Provide services that meet the needs of councils	Foster cross-council collaboration	
<b>What we must manage well</b>	Our relationships	Our services	Our projects	Our people	Our resources	Our reputation

### Co-Lab Water Services

Co-Lab Water Services officially started servicing four of the nine participating councils prior to 1 July 2021, the remaining participating councils commenced receiving service from that date. The water sampling and analysis, trade waste management and "Smart Waters" services teams have been working effectively with councils, managing expectations and balancing service delivery during the extended periods of uncertainty cause by changing COVID-19 alert levels. South Waikato have been very flexible and have agreed to defer the commencement of one of their services (sampling & analysis) until early 2022 (due to covid-19 impacts).

### Waikato OneView

Waikato OneView went live in August 2021. It is a great example of collaboration in action, involving council technical specialists from across the region. This Web Map viewer presents aligned data from different councils through a common data schema. It will improve the customer experience by reducing the time required to gather data and increasing the data's accessibility because it covers the whole

region and is always available. It will also reduce council staff time required to respond to queries and requests for information that can now be readily accessed.

The tool has launched with three 'maps' (3 Waters, Property, Community & Recreation).

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

### **Shifting Landscapes – Community Needs Analysis**

Eight councils have been engaging with Co-Lab to bring data together on what Waikato communities need and how the public sector as a whole is, and has historically been, meeting those needs. We will then present that data back to participating councils in a coherent way to equip them with the facts they need to effectively engage with central government and advocate for what they consider to be the right 'future for local government'. The project has progressed well throughout the period with output from the work undertaken presented to the councils in February 2022.

### **Collaboration on COVID-19 vaccinations**

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

### **Learning & Development Shared Service**

The Learning & Development Shared Services (LDSS) project is looking at how council learning and development programmes can be aligned so that a regional approach to training can be established. From work undertaken in developing the business case, it is estimated that the investment in training by councils across the region is \$15m p.a. Ultimately, the project aims to increase the quantity and quality of staff development opportunities and standardize training in the region where it makes sense to do so. The estimated benefits accruing to the Waikato councils is \$2.4m in the first three years. Those benefits reflect reduced spend on external training providers, a reduction in the sunk cost of council staff delivering training to colleagues, the value of additional training that is expected to occur, and the value of council staff having access to the training they need, when they need it.

The investigation to date has considered how councils can collaborate on the development of learning and development programmes and analysed opportunities to jointly deliver learning events and online learning content.

The project was largely completed during the second half of 2021 with final proposals to councils to be sent in the first quarter of 2022.

### **Customer Digital Enablement**

Following foundational workshops in the first half of 2021, in the second half of the year councils agreed the first initiative for development under the "Customer Digital Enablement" (CDE) banner. At its heart, CDE is about councils working together to collaborate on customer strategies and leverage investment into digital channels to support this.

With the working title of "SR4"<sup>2</sup>, the first initiative is looking at a digital solution to engage with communities on all things related to rubbish, recycling and sustainability. A council product team worked

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<sup>2</sup> Sustainability, Rubbish, Recycling, Reducing and Rethinking

with Datacom for an intensive 10-day #Rapidprototyping workshop to establish a prototype MLP: Minimum Loveable Product. We will be approaching the market in the first half of 2022 to identify a preferred supplier to develop the product.

### Customer Building Journey – the Building Consent Shared Services project

The priority project of Building Consent Shared Services remains a significant opportunity under development during the period. The issue and monitoring of building consents is a critical function of councils. It is important that this function is delivered with the customer in mind and in the most efficient way. Councils continue to lack capacity, and this issue is exacerbated by unprecedented demand from the building sector for consents in high-growth districts.


Development of the opportunity changed scope in July 2021, with the project focusing on the end-to-end process of a build, including the application and issue of land use consents. Stage one commenced in October, looking at how councils and customers are currently performing to identify the root-cause of pain points throughout the process. While it continues to progress, the project timelines have slipped, ironically, due to the very problem the project can solve – a lack of council capacity.

### Asset Management Centre of Excellence

Co-Lab is working with councils to identify whether it can extend how it can assist them with the various stages of the asset management lifecycle, beyond its current remit. This is a wide-ranging consideration across life-cycle stages and asset types. At this early stage of the investigation, there appears to be a range of opportunities for Co-Lab. The next focus for the project is to offer an asset management assessment to those councils that have not done this recently.

## Assessment of performance against targets

The following performance measures were included in the 2021 Statement of Intent covering the financial years ended 30 June 2022-2024. An update on performance against target, as at 31 December 2021, is shown in the table below.

Priority	Performance measure	Target	Outcome (progress toward target)
Prioritise and develop business cases for opportunities that, if implemented, add value to councils by achieving one or more of our objectives  <div style="border: 1px solid black; padding: 2px; width: fit-content;"> <b>Link to outcomes in the performance framework</b> </div> 	<ul style="list-style-type: none"> <li>➤ Business cases will include measurable benefits linked to one or more of the outcomes sought</li> </ul>	Projected savings/increased revenue to councils of at least \$300k	<ul style="list-style-type: none"> <li>➤ Various opportunities continued to advance during the first six months of the financial year. Those opportunities included:               <ul style="list-style-type: none"> <li>- The first initiative under the Customer Digital Enablement programme of work</li> <li>- The Asset Management Centre of Expertise</li> <li>- Learning &amp; Development Shared Services (LDSS) implementation (following the Board’s approval of the business case in June 2021)</li> <li>- Shifting Landscapes – Community Needs Analysis</li> <li>- BCSS – the Customer Building Journey</li> </ul> </li> <li>➤ By their nature, some of these opportunities do not lend to readily quantifiable benefits. An</li> </ul>

Priority	Performance measure	Target	Outcome (progress toward target)
			<p>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</p> <ul style="list-style-type: none"> <li>➤ The other projects are under development and yet to be finalised with a determination of quantifiable benefits (LDSS benefits were reported in the 2021 Annual Report)</li> <li>➤ Business cases are also be established for some more significant joint procurements</li> </ul>
	<ul style="list-style-type: none"> <li>➤ Businesses cases are supported by councils (evidenced by take up of the opportunity)</li> </ul>	75% of councils	<ul style="list-style-type: none"> <li>➤ Unable to measure: No proposals have been put to councils during the period</li> </ul>
Develop opportunities and deliver projects within agreed budgets and timelines  <div style="border: 1px solid black; padding: 2px; width: fit-content;"> <b>Link to outcomes in the performance framework</b> </div>	<ul style="list-style-type: none"> <li>➤ Opportunities / projects are developed / delivered within agreed timelines</li> </ul>	80%	17%: Various externalities have impacted our ability to develop opportunities within the timelines originally anticipated. The single greatest impact has been the capacity of council staff to work with Co-Lab on opportunity development. COVID-19 is the root cause of those capacity constraints, and we see the risk of staff availability increasing over the coming months with the community spread of Omicron. We have regularly communicated with councils to keep them informed of timing and the reason(s) for delays. We have also regularly engaged with Council Executives to ensure the pace of delivery is appropriate having regard to their staffs' capacity
	<ul style="list-style-type: none"> <li>➤ Opportunities / projects are developed / delivered, within approved budget</li> </ul>	90%	No projects were concluded during the six-month period. However, those opportunities under development all remain on track to come within budget
	<ul style="list-style-type: none"> <li>➤ Overall, Company Management / Support functions will be undertaken within budget,</li> </ul>		Actual expenditure for Company Management and Support functions is slightly favourable to that budgeted for the period

Priority	Performance measure	Target	Outcome (progress toward target)
	unless additional expenditure has board pre-approval		
Ensure projects realise their expected benefits  <div style="border: 1px solid black; padding: 2px; width: fit-content;"> <b>Link to outcomes in the performance framework</b> </div>	➤ Measurable benefits are actively monitored and reported against	Six-monthly	Management presented two “Project Benefit Assessments” to the Audit & Risk Committee during the period. One of these is being resubmitted following further consultation with council staff
	➤ Audit & Risk Committee undertake an assessment of projects following implementation (which will include an assessment of whether projected benefits have been realised)	For \$200k+ Projects (based on cost of opportunity development and ongoing investment) Assessment within 15 months 90% of projected quantifiable benefits are realised	The Audit & Risk Committee assessed the performance of the Professional Services Panel as presented by Management  Overall, five of the seven benefits are considered to have been realised, and given the significant time and cost savings, the target of 90% achieved. During the first 19 months, the estimated council spend with PSP contractors is ~\$83m, with estimated savings across the councils of \$14m
Ensure existing services are meeting the needs of councils  <div style="border: 1px solid black; padding: 2px; width: fit-content;"> <b>Link to outcomes in the performance framework</b> </div>	➤ The services we provide (below) are considered by councils who use that service to meet or exceed their expectations (evidenced by an annual survey): <ul style="list-style-type: none"> <li>○ RATA – roading &amp; waters</li> <li>○ Waikato Building Cluster</li> <li>○ Regional Infrastructure Technical Specifications</li> <li>○ Energy &amp; Carbon Management</li> <li>○ Professional Services Panel</li> <li>○ Health &amp; Safety pre-qualification</li> </ul>	80% of councils	Not currently measurable: As in the prior year we will be undertaking a survey of council staff in the first half of 2022 to ensure each service offering is continuing to meet the needs of councils – the feedback in 2021 was that they were.
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	The Insurance Advisory Group agreed to engage Aon to undertake an assessment of potential losses to Waikato councils’ three-waters reticulation networks and flood protection assets due to earthquake damage. This work will be undertaken in the first half of 2022



Priority	Performance measure	Target	Outcome (progress toward target)
<a href="#">Link to outcomes in the performance framework</a>			<p>Co-Lab facilitated fortnightly sessions with the council People &amp; Capability Managers in response to the rollout of vaccine passes. Members collaborated to share thinking and leverage policy and other documentation relating to mandatory (or otherwise) vaccination policies</p> <p>Procurement Managers have been involved in a few joint procurements. Some councils have also expressed interest in access to a central procurement resource (that would be provided by Co-Lab). This initiative is being developed and a proposal will be presented to councils in the first quarter of 2022</p>

## Co-Lab's Financial Position

### Summary

Summary financial results for the six months to 31 December 2021 are:

	2022 actual	2022 forecast	Variance (Actual v Budget)	2022 budget (Full Year)
Total income	5,408,667	4,972,147	436,520	12,000,340
Total operating expenditure	3,029,708	2,660,318	369,390	12,336,176
<b>Net surplus before tax</b>	<b>2,378,959</b>	<b>2,311,830</b>	<b>67,129</b>	<b>(335,836)</b>
Cash on hand	2,130,196	n/a	n/a	1,080,452

Revenue and expenditure are both higher than anticipated. While this is expected to trend closer to budget over the second half of the financial year, we are now forecasting a full-year profit of \$104k (against a budgeted loss of \$336k).

The cash position is:

	Cash balance @ 1/07/2021	Cash surplus / (deficit)	Cash balance @ 31/12/2021
Company Management & Support	86,228	208,872	295,100
RITS	56,869	20,860	77,729
Working Parties   Projects	137,334	240,351	377,685
Information Technology	9,712	13,088	22,800
Energy Management	89,635	70,524	160,159
Shared Valuation Data Service (SVDS)	338,779	46,684	385,463
Road Asset Technical Accord (RATA) & Waters Collaboration	176,969	614,937	791,906
Waikato Regional Transport Model (WRTM)	139,100	679,141	818,241
Waikato Building Consent Group (WBCG)	270,084	199,151	469,235
Mayoral Forum	(21,128)	5,004	(16,124)
Co-Lab Water Services	101,564	279,048	380,612
Accounts Receivables	(1,976,745)	(1,000,106)	(2,976,851)
Accounts Payables	2,393,856	(1,049,615)	1,344,242
<b>Total</b>	<b>1,802,257</b>	<b>327,939</b>	<b>2,130,196</b>

Note: Cash balances for each workstream vary from the actual cash position as a result of accounts receivable / payable which are not tracked on an activity by activity basis.

Invariably the cash balance has arisen because actual expenditure has been less than anticipated. It is expected to reduce over the coming six months. We will be reforecasting in March and will assess the likely year-end cash position for each workstream. The cash “surplus” within Company Management and Support surplus reflects member charges being invoiced at the beginning of the financial year.

## Statement of Financial Performance

### Co-Lab

#### Statement of Financial Performance

For the six months ending 31 December 2021

	Financial year 2022 YTD Actuals	Financial year 2022 YTD Forecast	Financial year 2022 YTD Budget	Financial year 2020 YTD Actuals
<b>Revenue</b>				
SVDS Data & Software Sales	179,809	193,994	193,996	266,751
Interest	7	6	250	7
<b>Other Revenue</b>				
User Charges	5,228,851	4,778,147	5,132,573	2,048,689
<b>Total Other Revenue</b>	<b>5,228,851</b>	<b>4,778,147</b>	<b>5,132,573</b>	<b>2,048,689</b>
<b>Total Revenue</b>	<b>5,408,667</b>	<b>4,972,147</b>	<b>5,326,819</b>	<b>2,315,447</b>
<b>Expenditure</b>				
Depreciation and amortisation expense	13,761	14,562	10,027	10,868
Personnel costs	404,373	452,887	662,769	321,198
Other expenses	2,611,574	2,192,869	4,764,309	1,285,762
<b>Total Expenditure</b>	<b>3,029,708</b>	<b>2,660,318</b>	<b>5,437,105</b>	<b>1,617,828</b>
<b>Net Profit</b>	<b>2,378,959</b>	<b>2,311,830</b>	<b>(110,286)</b>	<b>697,619</b>

# Statement of Cashflows

Co-Lab

As at 31 December 2021

For the six months ending 31 December 2021

	Financial year 2022 YTD Actuals	Financial year 2021 YTD Actuals
<b>Cashflows from Operating Activities</b>		
Interest Received	(16)	7
Receipts from Other Revenue	4,199,560	2,059,188
Payments to Suppliers and Employees	(3,786,763)	(1,898,160)
Taxes Paid	0	0
Goods & Services tax (net)	(69,783)	35,150
Net cash from operating activities	342,999	196,184
<b>Cashflows from Investing Activities</b>		
Capital enhancements	0	0
Purchase of PPE	(15,060)	(13,611)
Purchase of investments	0	0
Net cash from investing activities	(15,060)	(13,611)
<b>Net increase in cash, cash equivalents and bank accounts</b>	<b>327,939</b>	<b>172,730</b>
Opening cash and cash equivalents and bank overdrafts	1,802,263	1,127,986
<b>Closing cash, cash equivalents and bank accounts</b>	<b>2,130,202</b>	<b>1,300,716</b>

# Statement of Financial Position

Co-Lab

Statement of Financial Position

As at 31 December 2021

	Financial year 2022 Actual at 31/12/2021	Financial year 2021 Actual at 31/12/2020
<b>Assets</b>		
<b>Current Assets</b>		
<b>Bank</b>		
Call Account	28,989	28,921
Transaction Account	2,101,214	1,271,796
<b>Total Bank</b>	<b>2,130,203</b>	<b>1,300,717</b>
<b>Accounts Receivable</b>		
Accounts Receivable	765,740	897,371
Accounts Receivable Accruals	2,208,020	710,705
<b>Total Accounts Receivable</b>	<b>2,973,760</b>	<b>1,608,075</b>
Prepayments	0	0
Deferred Tax Asset	3,091	0
<b>Total Current Assets</b>	<b>5,107,054</b>	<b>2,908,792</b>
<b>Non-current Assets</b>		
SVDS - Original Cost	0	3,065,316
WRTM - Original Cost	2,296,855	2,296,855
MoneyWorks Software	1,195	1,195
IT equipment	40,455	24,350
Accumulated Depreciation	(2,294,613)	(5,334,214)
Office Furniture	11,821	7,956
<b>Total Non-current Assets</b>	<b>55,713</b>	<b>61,458</b>
<b>Total Assets</b>	<b>5,162,768</b>	<b>2,970,250</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
<b>Accounts Payable</b>		
Accounts Payable	561,345	147,341
Accounts Payable Accrual	709	5,000
<b>Total Accounts Payable</b>	<b>562,054</b>	<b>152,341</b>
RWT on Payments	1,513	0
Credit Card Balance	2,962	2,472
Revenue in Advance	722,563	1,093,486
Employee Entitlements	21,967	1
GST	33,184	92,518
<b>Total Current Liabilities</b>	<b>1,344,242</b>	<b>1,340,819</b>
<b>Total Liabilities</b>	<b>1,344,242</b>	<b>1,340,819</b>
<b>Net Assets</b>	<b>3,818,526</b>	<b>1,629,432</b>
<b>Equity</b>		
Contributed Capital	2,957,001	2,957,001
Retained Earnings	861,525	(1,327,569)
<b>Total Equity</b>	<b>3,818,526</b>	<b>1,629,432</b>

## Policies

The accounting policies on which the preceding financial statements have been prepared are consistent with those used in preparing the Financial Statements for the year ended 30 June 2021, included in the company's Annual Report.

## Governance arrangements

During the period, the Directors of Co-Lab were:

Director	Representing
Peter Stubbs	Independent Chair
David Bryant	Hamilton City Council
Gareth Green (resigned 08 December 2021)	Ōtorohanga, Rotorua, Taupo, South Waikato and Waitomo District Councils
Gavin Ion	Waikato and Waipa District Councils
Chris McLay	Waikato Regional Council
Ben Smit (appointed 08 December 2021)	Ōtorohanga, Rotorua, Taupo, South Waikato and Waitomo District Councils
Rob Williams	Hauraki, Matamata-Piako and Thames-Coromandel District Councils

## Financial forecasts

Latest financial forecasts are contained in the company's 2022 Statement of Intent issued for shareholder comment in February 2022.

## Nature & scope of activities

The principal initiatives operating under the Co-Lab umbrella are:

- Energy management
- Health & safety pre-qualification
- Joint procurement initiatives
- LiDAR
- Regional Asset Technical Accord (RATA)
- Regional Infrastructure Technical Specifications
- Waikato GIS tools: the Waikato Data Portal and Waikato One View
- Shared Valuation Data Services (SVDS)
- Waikato Building Consent Group (WBCG)
- Waikato Regional Aerial Photography Service (WRAPS)
- Waikato Regional Transportation Model (WRTM)
- Co-Lab Water Services (CWS)

Information on these activities is included in the company's Statement of Intent.