

Supplementary agenda for a meeting of the Performance & Strategy Committee to be held in the Council Chambers, District Office, 15 Galileo Street, Ngaruawahia on **MONDAY, 7 AUGUST 2023** commencing at **9.30am**.

*Information and recommendations are included in the reports to assist the Committee in the decision making process and may not constitute Council's decision or policy until considered by the Committee.*

## **7 PERFORMANCE REPORTS**

7.2 Council Controlled Organisations Final Statements of Intent 4

GJ Ion  
**CHIEF EXECUTIVE**

## TERMS OF REFERENCE AND DELEGATION

<b>Reports to:</b>	The Council
<b>Chairperson:</b>	Cr Janet Gibb
<b>Deputy Chairperson:</b>	Cr Marlene Raumati
<b>Membership:</b>	The Mayor, all Councillors
<b>Meeting frequency:</b>	Six-weekly
<b>Quorum:</b>	Majority of members (including vacancies)

### **Purpose:**

The Performance & Strategy Committee is responsible for:

1. Setting the broad vision and direction for the District's Long Term Plan, determine specific outcomes that need to be met to deliver on Council's vision, develop and monitor strategies to achieve those goals.
2. Monitoring of Council's strategy, and performance (both financial and non-financial) against the Long Term Plan and Annual Plan.
3. Determining financial matters within its delegations and Terms of Reference and making recommendations to Council on financial matters outside its authority.
4. Guiding and monitoring Council's interests in Council Controlled Organisations (CCOs), Council Organisations (COs) and subsidiaries.

***In addition to the common delegations, the Performance & Strategy Committee is delegated the following Terms of Reference and powers:***

### **Terms of Reference - Strategy:**

1. Develop and agree strategy and plans for the purposes of consultation (including those required under schedule 10 of the Local Government Act 2002).
2. Recommend to Council strategy and plans for adoption, that underpin Council's Long Term Plan.
3. Monitor and review adopted strategies and plans.
4. To monitor and provide advice on the development and implementation of growth and development strategies, land use, and spatial plans in line with national policy requirements.

### **Terms of Reference – Performance:**

1. To monitor Council's financial strategy, and performance against that strategy.
2. To monitor Council's non-financial performance framework as set out in the Long Term Plan.
3. To receive quarterly reports on the Chief Executive's Business Plan.
4. To provide clear direction to Council's CCOs and COs on Council's expectations, including feedback on draft statements of intent.
5. To receive six-monthly reports of Council's CCOs and COs, including on board performance.
6. To undertake any reviews of CCOs and agree CCO-proposed changes to their governance arrangements, except where reserved for full Council's approval.
7. To monitor Council's investments and Local Government Funding requirements in accordance with Council policy and applicable legislation.

**The Committee is delegated the following powers to act:**

- Approval of:
  - a. the increase or decrease of the number of members on CCO and CO boards;
  - b. appointments to, and removals from, CCO and CO boards; and
  - c. a mandate on Council's position in respect of remuneration proposals for CCO and CO board members to be presented at Annual General Meetings.
- Approval of letters of expectation for each CCO and CO.
- Approval of statements of intent for each CCO and CO.
- Exercise the Council's powers as a shareholder, or as given under a trust deed, in relation to a CCO or CO, including (but not limited to) modification of constitutions and/or trust deeds, granting shareholder approval of major transactions where required, or exempting CCOs in accordance with the Local Government Act 2002. For clarity, this delegation includes the approval or otherwise of any proposal to establish, wind-up or dispose of any holding in, a CCO or CO.
- Monitor work programme of Future Proof, Waikato Plan, Growth Strategy and cross-boundary issues.
- Approval of any process for making decisions where additional operating expenditure or capital expenditure funding, or deferred capital expenditure, is required.
- Approval of all insurance matters which exceed the delegation of the Chief Executive or other staff, including considering legal advice from the Council's legal and other advisers, approving further actions relating to insurance issues, and authorising the taking of formal actions
- Review and make recommendations to Council in relation to Fees & Charges (after consultation with relevant community boards or committees).
- Review and recommend to Council the adoption of the Annual Report.
- Approval of transactions in relation to investments in accordance with Council policy.
- Approval of contractual and other arrangements for supply and services, and revenue generating contracts, which exceed the Chief Executive's delegations, but exclude contracts or arrangements that are reserved for the Council or another committee's approval.
- Approval of rating issues where these exceed the delegated authority of officers or are an appeal against officer decisions. For clarity, this excludes decisions that are required, by law, to be made by the Council.
- Approval to write-off outstanding accounts that exceed officer delegations.

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<b>To</b>	<b>Performance &amp; Strategy Committee</b>
<b>Report title</b>	<b>Council Controlled Organisations final Statements of Intent</b>
Date:	7 August 2023
Report Author:	Alison Diaz, Chief Financial Officer
Authorised by:	Gavin Ion, Chief Executive

## **1. Purpose of the report**

### **Te Take moo te puurongo**

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To present the final Statements of Intent (SOIs) for 2023/24 from Waikato Local Authority Shared Services Limited trading as Co-lab (Co-lab), and Waikato Regional Airport Limited (WRAL).

## **2. Executive summary**

### **Whakaraapopototanga matua**

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Draft SOIs for 2023/24 from Co-lab, and WRAL were considered by both the Performance & Strategy Committee and the Audit & Risk Committee at their March meetings. No changes were requested, and the companies were advised that Council was supportive of their draft SOIs.

The final SOIs were received in June and are attached.

The proposed direction for both Co-lab and WRAL remains in line with the draft SOIs. Co-lab has made minor revisions based on changes to the three waters reform timing which has led to a small increase in the projected profit for 2023/24 of \$15,400.

WRAL has also made minor revisions to the financial projections for 2023/24 with a decrease in EBITDA (including land sales) of \$500,000 and an increase in debt of \$5 million.

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### **3. Staff recommendations** **Tuutohu-aa-kaimahi**

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**THAT the Performance & Strategy Committee:**

- a. receives the final statement of Intent for Waikato Local Authority Shared Services Limited trading as Colab; and**
- b. receives the final Statement of Intent for Waikato Regional Airport Limited;**

### **4. Attachments** **Ngaa taapirihanga**

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Attachment 1 – 2023/24 Final Statement of Intent Colab

Attachment 2 – 2023/24 Final Statement of Intent WRAL

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## **2023 Statement of intent**

**For the year ended 30 June 2024**

**Supporting councils to maximise the value they provide to their communities by helping them identify and realise shared opportunities.**

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This SOI is a public declaration of the activities and intentions of the Council Controlled Organisation, Waikato Local Authority Shared Services Ltd trading as Co-Lab (Co-Lab). It outlines the nature and scope of the work it will undertake, the Directors' accountabilities to the shareholders for corporate performance and financial forecasts, as required by Schedule 8 of the Local Government Act 2002. This information is provided in relation to the financial years ended 30 June 2024 to 30 June 2026.

## Message from the Chair



We recognise our shareholding councils are facing many challenges right now. Communities are dealing with rising living costs, goods shortages, and deciphering what it means to live in a post-pandemic world. We are going through unprecedented change to the local government sector. In parallel, you continue to seek to provide better services to your communities against record inflation and a tight labour market, trying to navigate these conditions without exacerbating the cost-of-living challenges for communities.

Against this backdrop, we are pleased to have a suite of initiatives to support you in this environment. This includes work to improve participative democracy so that councils' better understand their community's needs. In the face of 3-waters specifically, and a constrained labour market generally, we will work with you to help improve the attraction and retention of critical skills.

Co-Lab will also change because of the 3-waters reform. The introduction of Entity B will impact on Co-Lab Water Services and RATA. The loss of Co-Lab Water Services in the forecast period leaves us facing a need to slightly increase member charges during the forecast period. However, we have worked hard over recent years to hold member charges at a constant level and we will do so again for the financial year to 30 June 2024. Beyond that we are already looking at ways we can keep anticipated increases to a minimum.

We believe Co-Lab has a bright future. The company is unique in New Zealand and places you in a great position to be an exemplar for local governance. The Future for Local Government interim report stated that to *ensure better value spend, minimise duplication, and get the best use of people and resources, more effective collaboration, innovation, and shared services are required.*

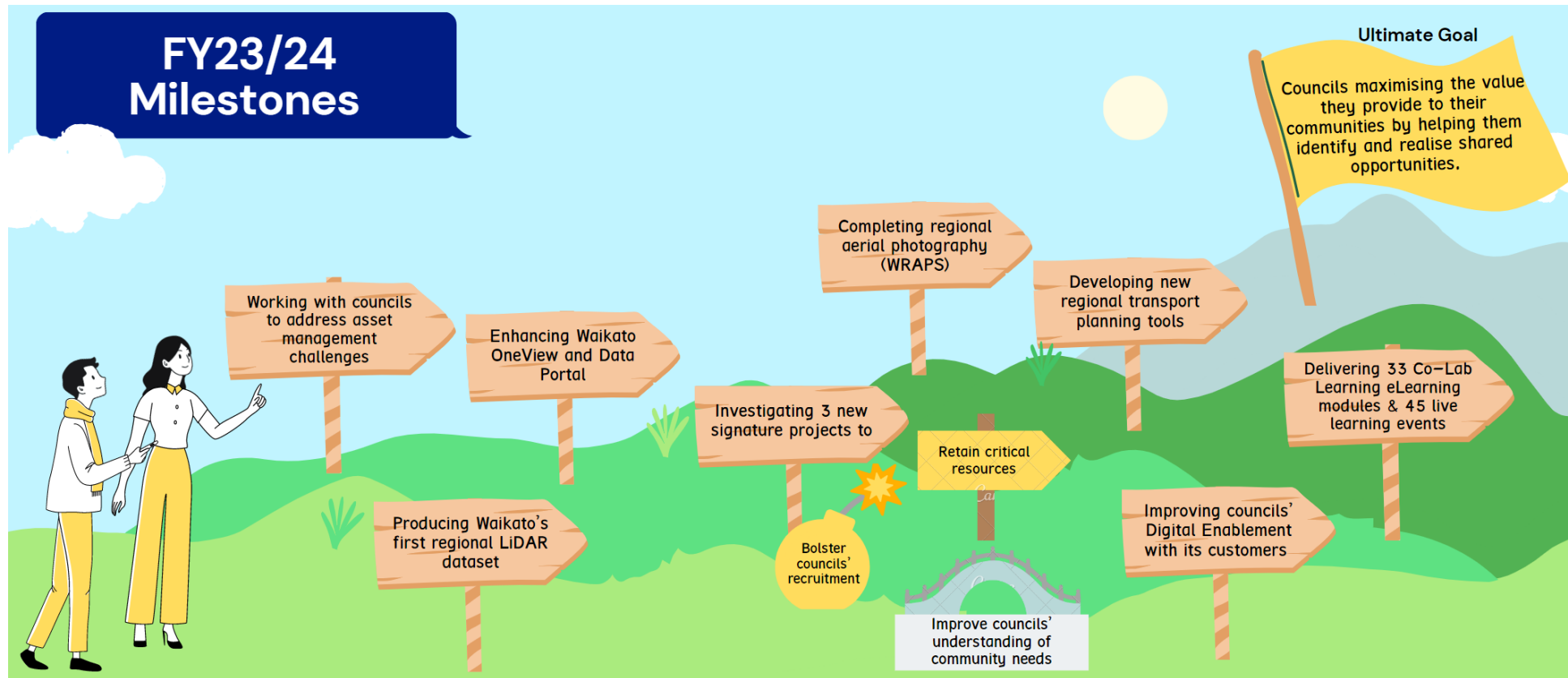
*"No matter what the future system design looks like, there needs to be greater collaboration across local government and increased use of shared services. The Panel considers that there are significant opportunities to deliver better value and ensure resources are applied to best effect, especially having shared information systems and support services in place. The Panel also believes there is great potential for central and local government to work more closely together to create a more joined-up public sector," – Jim Palmer, Chair, Future for Local Government Panel.*

Jim's words summarise not only what we *can* achieve together, but what we *must* achieve together.

As you prepare your Long-Term Plans, we ask you to make a conscious decision to create space for collaboration. We are faced with incredibly complex times ahead, but encourage you as a business owner of Co-Lab, to utilise its unique strengths to provide a return on your investment at a very low risk.

Yours Sincerely,  
Peter Stubbs  
Chair

## Sol milestones at a glance



Co-Lab's vision, purpose, and the outcomes we are seeking are set out in the company's performance framework in Appendix II.

## Intentions for FY2023/2024

### Focus areas beyond business as usual

Beyond the continuation of our signature projects and ensuring we deliver great services, there are four new areas of focus for the company in the coming year 1 July 2023- 30 June 2024. Work on some of these has commenced.

#### 1) Co-Lab Councils: Right People, Right Place (formerly Employee Value Proposition)

Councils are faced with challenges to attract and retain talent in an increasingly tight labour market and are all looking to appoint from the same talent pool.

This idea was a clear leader in our survey results and in discussions with councils' executive leadership teams. Discovery work is already underway which has included discussions with councils' People & Capability Managers. From that, we know that the opportunity to collaborate in this area is about how to attract people with the skills councils will need in the future to work in local government generally, and in our region more particularly. The project will include engagement with LGNZ and Taituarā as we don't want to duplicate what already exists.



Source: unsplash

#### 2) People Post 3 Waters (PP3W)



For some councils, the water reform creates a compelling moment to optimise capability and capacity across the region – the risk is that people are lost from the local government sector when they needn't be.

The Board has discussed an opportunity for councils to determine to what extent, and how, capable staff can be kept within the sector and region, notwithstanding the potentially significant internal changes that will arise for some councils because of the 3-waters reform. The opportunity will consider the benefits of a new delivery model that creates efficient resource centres of expertise for specialist skills that are required by councils and in high demand, but which may be in (increasingly) short supply.

#### 3) Democracy Centre of Expertise



Source: unsplash

Some councils have poor levels of engagement from their communities and varying levels of resource to analyse their communities' needs. The Board discussed developing capacity across the region to allow councils to undertake deliberative and participative democracy. Doing so should support building the public's trust in local government.

Other ideas which councils saw as being of significant value were a regional project management office and framework, and a business intelligence programme (which bears some relationship to the 'Democracy Centre of Expertise'). Co-Lab will progress these ideas as soon as capacity allows following consideration of the top three opportunities noted earlier.

#### 4) Low-Hanging Fruit

More recent discussions with councils have indicated a desire for Co-Lab to strike a balance by spending some time delivering projects that are not necessarily transformational, but still have scope to add value to councils through more immediate cost savings. We see these projects being characterised as delivering councils value but requiring little change within the councils. It could be as simple as councils leveraging what others are already doing.

Part of this stream of work will be developing a matrix of council activities to identify:

- Where councils (likely, particularly, the smaller councils), have skill gaps; and
- What councils are spending externally on these activities to see if there is opportunity to create efficiencies with that spend – either through the appointment of cross-council resource (i.e. bringing it “in-house”), or a joint procurement arrangement;

Our workplan will also look to build in some resource capacity to enable us to be more responsive in supporting unforeseen collaboration opportunities as and when they arise.

### Continuation of business as usual

We will be continuing to develop several opportunities signalled in the 2022 SOI. These are detailed in Appendix I. Similarly, we will continue to provide our schedule of shared services to partner councils. These are outlined in Appendix II.

# Financials

## Overview

This Statement of Intent, for the first time, reflects the impact of 3-Waters reform, albeit in the 2025/26 financial year (FY).

## Services

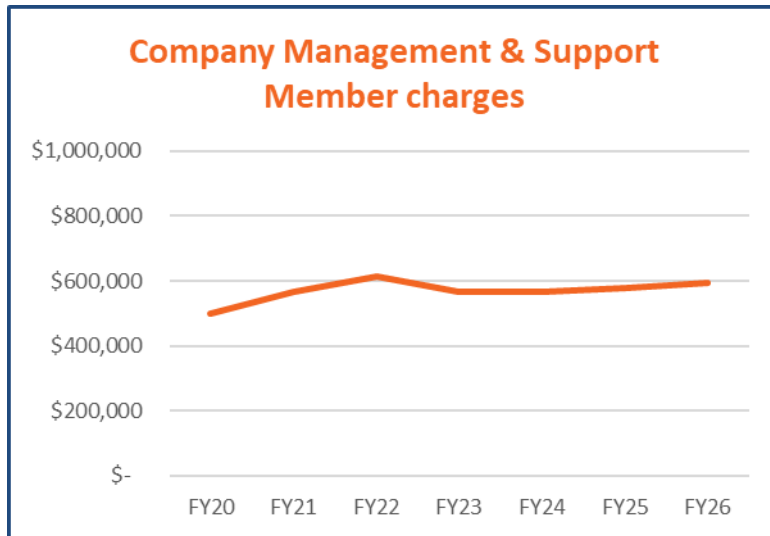
Revenue from services increases in FY2023/24 with this being the first full year of activity for Co-Lab Learning and Co-Lab Procurement support services.

From FY2025/26, services drop with Co-Lab Water Services and RATA (Waters) no longer being delivered because of the water reform.

## Member charges

In the past few years we have held member charges for core operating costs (company management and support (CMS)) relatively constant. We are again holding CMS charges at the same level as last year (which is less than had been projected in last year’s SOI).

However, we need to signal that the expected loss of Co-Lab Water Services will likely necessitate future increases in these charges, although we believe we can keep these increases small for the foreseeable future. We are considering where there are opportunities to further reduce costs without undermining our ability to deliver value to you, and how we might otherwise increase revenue streams. Our goal remains to minimise the increase in member charges.



## Cashflow

We intend to draw on cash reserves to fund the small loss forecast in FY2025/26 (refer below). While doing so our financial position remains robust.



## Statement of Financial Performance

<b>Co-Lab</b>				
<b>Company Summary</b>				
<b>for the forecast financial years ended 30 June 2024-2026</b>				
	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>
	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
<b>Income</b>				
Company Management / Support	870,000	1,209,916	1,251,630	1,275,930
Working parties   projects	753,352	724,929	659,647	703,687
RITS	27,000	27,000	27,810	28,644
Information Technology	398,201	766,177	-	-
Energy Management	123,690	137,838	141,973	146,232
Shared Valuation Data Service (SVDS)	414,292	447,506	479,967	498,901
Road Asset Technical Accord (RATA)	2,015,899	1,504,614	1,524,643	2,110,962
Waikato Regional Transport Model (WRTM)	1,757,951	1,751,775	1,109,204	1,889,355
Waikato Building Consent Group	373,663	381,350	384,344	399,462
Waikato Mayoral Forum	5,000	5,000	5,000	5,000
Water Collaboration	685,092	493,988	491,984	492,509
Co-Lab Water Services	3,373,353	3,474,554	3,578,790	1,843,077
Co-Lab Learning	489,236	423,368	486,069	504,151
Procurement	268,600	325,000	334,750	344,793
Geospatial	64,623	69,170	71,245	73,382
Communications Resource	-	224,400	231,132	238,066
<b>Total Income</b>	<b>11,619,952</b>	<b>11,966,585</b>	<b>10,778,189</b>	<b>10,554,152</b>
<b>Operating Expenditure</b>				
Company Management / Support	1,203,186	1,507,208	1,590,349	1,689,306
Working parties   projects	753,352	724,929	634,647	653,687
RITS	27,000	15,600	16,068	16,550
Information Technology	395,455	666,474	-	-
Energy Management	123,690	137,838	141,973	146,232
Shared Valuation Data Service (SVDS)	325,893	309,151	318,426	327,979
Road Asset Technical Accord (RATA)	2,011,040	1,500,183	1,520,079	2,106,261
Waikato Regional Transport Model (WRTM)	1,757,951	1,722,615	1,080,044	1,860,195
Waikato Building Consent Group	373,663	381,350	384,344	399,462
Waikato Mayoral Forum	5,000	5,000	5,000	5,000
Water Collaboration	682,150	491,474	491,984	492,509
Co-Lab Water Services	3,134,485	3,236,070	3,333,152	1,716,573
Co-Lab Learning	444,760	473,159	490,685	509,859
Procurement	268,600	329,696	339,587	349,774
Geospatial	65,123	69,170	71,245	73,382
Communications Resource	-	224,400	231,132	238,066
<b>Total operating expenditure</b>	<b>11,571,349</b>	<b>11,794,318</b>	<b>10,648,716</b>	<b>10,584,835</b>
<b>Earnings before interest, tax and depreciation/ amortisation (EBITDA)</b>	<b>48,603</b>	<b>172,267</b>	<b>129,474</b>	<b>(30,683)</b>
<b>Depreciation / amortisation</b>				
Company Management / Support	31,554	41,665	43,748	45,936
WBCG	0	-	-	-
WRTM	14,583	29,160	29,160	29,160
<b>Total Depreciation / amortisation</b>	<b>46,137</b>	<b>70,825</b>	<b>72,908</b>	<b>75,096</b>
<b>Net Surplus (Deficit) before tax</b>	<b>2,466</b>	<b>101,442</b>	<b>56,565</b>	<b>(105,779)</b>

## Statement of Financial Position

<b>Co-Lab</b>				
<b>Financial Position</b>				
<b>for the forecast financial years ended 30 June 2024-2026</b>				
	<b>Budget 2022/23</b>	<b>Budget 2023/24</b>	<b>Budget 2024/25</b>	<b>Budget 2025/26</b>
<b>CAPITAL</b>				
Shares - SVDS	1,607,001	1,607,001	1,607,001	1,607,001
Shares - WRTM	1,350,000	1,350,000	1,350,000	1,350,000
Retained Earnings	(1,467,033)	(1,464,567)	(1,363,126)	(1,306,561)
Plus Current Year Operating Surplus/(Deficit)	2,466	101,442	56,565	(105,779)
<b>TOTAL CAPITAL FUNDS</b>	<b>1,492,434</b>	<b>1,593,875</b>	<b>1,650,440</b>	<b>1,544,661</b>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Prepayments	134,000	3,208	3,368	3,537
Accounts Receivable	580,998	598,329	538,909	527,708
Bank	2,164,346	2,234,551	1,991,565	1,988,703
GST Receivable / (Payable)	5,097	(25,840)	57,122	21,717
<b>TOTAL CURRENT ASSETS</b>	<b>2,884,442</b>	<b>2,810,248</b>	<b>2,590,965</b>	<b>2,541,664</b>
<b>NON-CURRENT ASSETS</b>				
WRTM - Intangible Asset	2,296,855	2,296,855	2,296,855	2,296,855
MoneyWorks Software	1,195	1,195	1,195	1,195
Accumulated Depreciation	(2,298,050)	(2,298,050)	(2,298,050)	(2,298,050)
IT Equipment & Office Furniture	150,132	180,466	180,466	180,466
Accumulated Depreciation - IT equipment & Office Furniture	(41,546)	(112,371)	(154,036)	(197,785)
<b>TOTAL NON-CURRENT ASSETS</b>	<b>108,587</b>	<b>68,095</b>	<b>26,430</b>	<b>(17,318)</b>
<b>TOTAL ASSETS</b>	<b>2,993,028</b>	<b>2,878,343</b>	<b>2,617,395</b>	<b>2,524,346</b>
<b>LESS CURRENT LIABILITIES</b>				
Accounts Payable	1,415,383	1,167,965	874,139	859,719
Accounts Payable Accrual	32,173	33,782	35,471	37,244
Employee Benefits	53,038	82,721	57,345	82,721
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,500,594</b>	<b>1,284,468</b>	<b>966,955</b>	<b>979,684</b>
<b>NET ASSETS</b>	<b>1,492,434</b>	<b>1,593,875</b>	<b>1,650,440</b>	<b>1,544,661</b>

## Statement of Cashflows

<b>Co-Lab</b>				
<b>Statement of Cashflows</b>				
<b>for the forecast financial years ended 30 June 2024-2026</b>				
	<b>Budget 2022/23</b>	<b>Budget 2023/24</b>	<b>Budget 2024/25</b>	<b>Budget 2025/26</b>
<b>Cashflows from Operating Activities</b>				
Interest Received	2,000	80,625	80,625	61,875
Receipts from Other Revenue	11,583,503	11,868,628	10,756,984	10,503,479
Payments to Suppliers	(11,999,086)	(11,879,652)	(10,966,390)	(10,572,274)
Taxes Paid	0	0	0	0
Goods & Services tax (net)	(200,365)	30,937	(82,962)	35,406
<b>Net cash from operating activities</b>	<b>(613,947)</b>	<b>100,538</b>	<b>(211,743)</b>	<b>28,485</b>
<b>Cashflows from Investing Activities</b>				
Capital enhancements	0	0	0	0
Purchase of PPE	(81,714)	(30,334)	(31,243)	(31,347)
Purchase of investments	0	0	0	0
<b>Net cash from investing activities</b>	<b>(81,714)</b>	<b>(30,334)</b>	<b>(31,243)</b>	<b>(31,347)</b>
<b>Net increase in cash, cash equivalents and bank accounts</b>	<b>(695,661)</b>	<b>70,205</b>	<b>(242,986)</b>	<b>(2,862)</b>
Opening cash and cash equivalents and bank overdrafts	2,860,007	2,164,346	2,234,551	1,991,565
<b>Closing cash, cash equivalents and bank accounts</b>	<b>2,164,346</b>	<b>2,234,551</b>	<b>1,991,565</b>	<b>1,988,703</b>

## Appendix I: Opportunity development projects

### Customer Digital Enablement (CDE)

The CDE programme underpins a progressive digital transformation of council services. It is about adding a digital means of engaging with council for those in the community who want to do so. The Customer Digital Enablement project identified its first initiative, “SR4” – an opportunity for councils to better engage with their communities digitally on sustainability, rubbish, and recycling.

On the journey to selecting SR4 as the first initiative, council staff identified many other opportunities to add value through digital engagement with your communities. From that, a roadmap has been created. It is hoped that Customer Digital Enablement will become an ongoing programme of work.

### Shifting Landscapes

Waikato councils are faced with significant central government reform: 3-waters, resource management and the Future for Local Government review (FfLG). Councils continue to grapple with what these changes will mean for their organisation, and what the organisation will look like when the changes are complete. This project began with a commissioned report, Community Needs Analysis, providing evidence-based qualitative data to inform councils’ submissions on the review.

Following a series of workshops with council chief executives, FY2023/24 work will focus on facilitating a new triennium agreement that will focus on regional collaboration, cogent long-term thinking, in the spirit of the FfLG report and with supporting programmes of work.

### Asset Management Centre of Expertise (AMCE)

Councils have told us that they are facing significant asset management challenges. Water reform is expected to lead to changes in some councils’ organisational structures and have an impact on the services that councils provide. The Co-Lab RATA team is already a proven centre of expertise in asset management and is well positioned to assist councils through its shared service model. In FY2022/23, the board commissioned a project to investigate how existing Co-Lab RATA capability could be increased and extended to other asset types and other asset management stages.

Subsequently six councils have indicated a desire to be involved and now jointly fund the project. These six councils are now assisting Co-Lab directly in investigating how RATA can best assist in the following areas of asset management:

- Community Asset Management (Parks, reserves, building and ‘other’ facilities) – work to date suggests this is the priority opportunity to support councils.
- Management and advisory services (assisting with analysis, valuations, renewal programmes, reporting and recommendations for improved practice).
- Joint procurement to reduce duplication in contract administration and take advantage of regional buying power.

### Building Consent Cadetship

The Waikato Building Consent Group (WBCG) commissioned an investigation into the establishment of a building consent cadetship scheme, building on the Building Consent Shared Service investigation. The opportunity is to establish a cadetship programme coordinated by Co-Lab that recruits and trains Building Control Officers in partnership with the WBCG councils.

The intent is that the cadets would be available to work in all WBCG councils, would help provide a stable pipeline of building consent staff to meet current and future needs, and reduce council expenditure. Planned work in FY2023/24 will be focused around implementation.

### **WRTM Governance & Management**

In June 2022, the Board supported a recommendation to investigate management and governance required to realise the full potential of WRTM. This investigation has commenced and participating councils have agreed that a full-time resource is required to manage the strategic relationships and work programme to realise the full potential of the model. Implementation will continue into FY23/24.

### **RATA Asset Valuations**

It was identified that there are inconsistencies in Asset Valuations stemming from poor assumptions of replacement costs and asset lives, leading to potential overcharging or underfunding.

Objectives for the project are:

- Develop the tools that enable repeatable, efficient, robust and consistent asset valuations, which support informed decision making.
- Greater level of confidence in the process – connecting of the asset management system and collaboration between engineers and finance teams.
- Ability to help other councils (resourcing) therefore creating resilience in the region.
- Assess the possibility of collaborative procurement for asset valuation services using the Co-Lab Asset Valuation Process.
- The Co-Lab Asset Valuation process is the process of choice for Co-Lab councils.

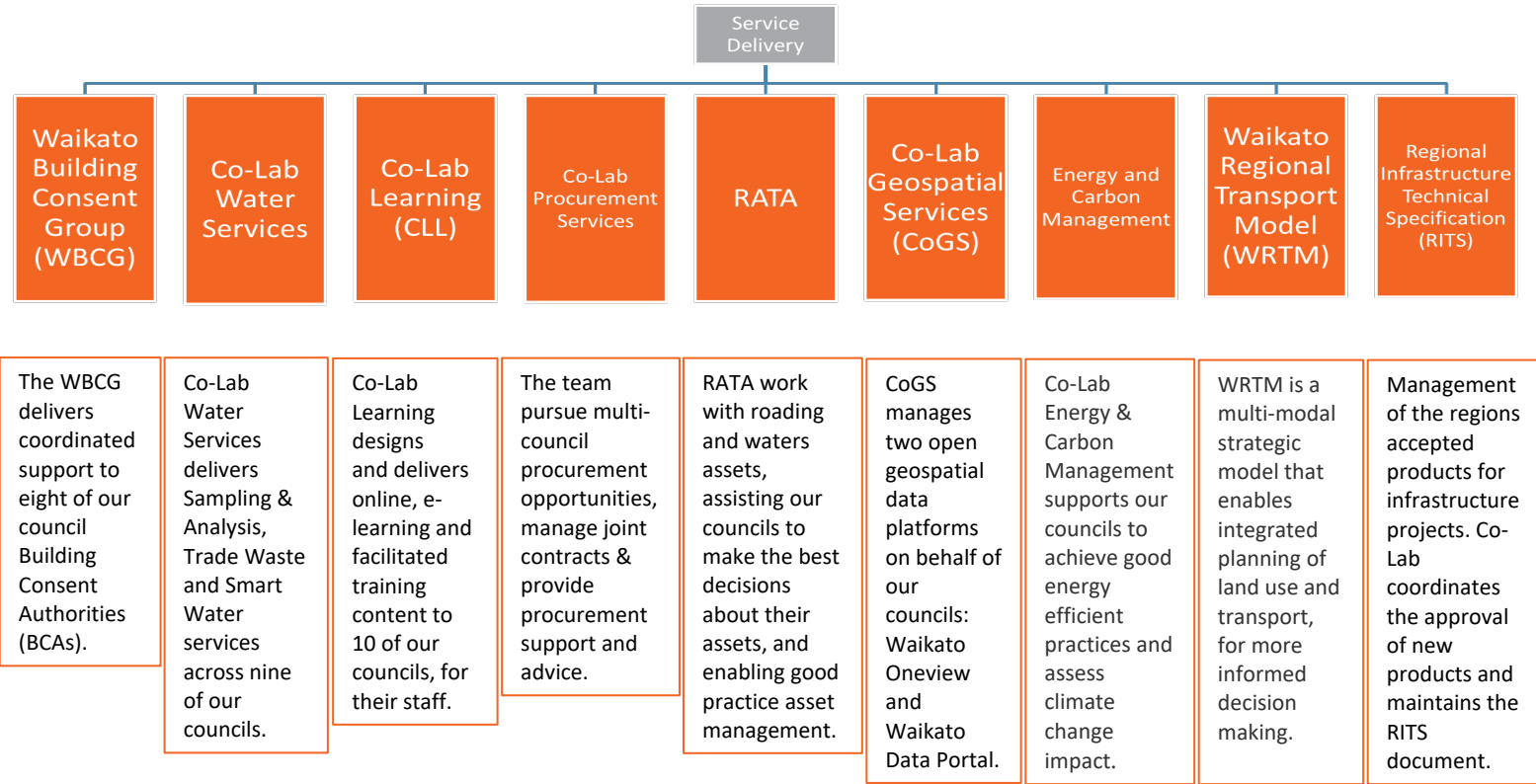
This is a three-year project and FY2023/24 will focus on the implementation phase of the project. With the uncertainty of Three Waters the governance group decided to pilot “transport” first, with other asset classes to follow.

### **Benefits realisation**

We will be undertaking an internal investigation to establish robust methodologies for measuring benefits, recognising there will always be qualitative benefits as well, and use this as the basis for improved reporting on the value you receive from Co-Lab. And if we don’t think an area is providing value, and doesn’t have a reasonable prospect of doing so, we will stop it.

## Appendix II: Nature & Scope of services

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



For more information on our services, please visit our website [www.colabsolutions.govt.nz](http://www.colabsolutions.govt.nz)

## Appendix III: Performance framework & measures



How we intend to measure our performance remains the same.

Priority	Performance measure	Target
Prioritise and develop business cases for opportunities that, if implemented, add value to councils by achieving one or more of our objectives	<ul style="list-style-type: none"> <li>➤ Business cases will include measurable benefits linked to one or more of the outcomes sought</li> <li>➤ Businesses cases are supported by councils (evidenced by take up of the opportunity)</li> </ul>	Projected savings/increased revenue to councils of at least \$300k  75% of councils
Develop opportunities and deliver projects within agreed budgets and timelines	<ul style="list-style-type: none"> <li>➤ Opportunities / projects are developed / delivered within agreed timelines</li> <li>➤ Opportunities / projects are developed / delivered, within approved budget</li> <li>➤ Overall, Company Management / Support functions will be undertaken within budget, unless additional expenditure has board pre-approval</li> </ul>	80%  90%

Priority	Performance measure	Target
Ensure projects realise their expected benefits	<ul style="list-style-type: none"> <li>➤ Measurable benefits are actively monitored and reported against</li> <li>➤ Audit &amp; Risk Committee undertake an assessment of projects following implementation (which will include an assessment of whether projected benefits have been realised)</li> </ul>	<p>Six-monthly</p> <p>For \$200k+ Projects (based on cost of opportunity development and ongoing investment) Assessment within 15 months 90% of projected quantifiable benefits are realised</p>
Ensure existing services are meeting the needs of councils	<ul style="list-style-type: none"> <li>➤ The services we provide are considered by councils who use that service to meet or exceed their expectations (evidenced by an annual survey):</li> </ul>	80% of councils
Foster and promote cross-council collaboration and networking to share ideas on improving efficiencies and best practice	<ul style="list-style-type: none"> <li>➤ Across these groups, ideas for future consideration and/or initiatives are identified each year</li> </ul>	Four per annum

- 1 Budgets and timelines for opportunity development will be those established following discovery and/or opportunity assessment. A business case will refine these parameters with respect to project delivery.
- 2 Time and cost targets for the development of opportunities and delivery of projects have been initially set based on what, in practical terms, are consider stretch goals, but achievable. However, we aspire to *always* better, or at least meet, timetables and budgets.

## Appendix IV: Governance

Co-Lab<sup>1</sup> is owned in equal portion by the 12 Waikato Local Authorities<sup>2</sup>:

- Hamilton City
- Hauraki District
- Matamata-Piako District
- Ōtorohanga District
- Rotorua Lakes
- South Waikato District
- Thames-Coromandel District
- Waikato District
- Waikato Regional
- Waipa District
- Waitomo District
- Western Bay of Plenty 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 shared services to councils.

Co-Lab conducts itself in accordance with its constitution, its annual Statement of Intent, the provisions of the LGA and Co-Lab policies.

The Board is made up five council representative directors and an independent Chair. There is also a standing Audit & Risk Committee.

The current Directors of Co-Lab are:

Director	Representing
Peter Stubbs	Independent Chair
Chris McLay	Waikato Regional Council
Lance Vervoort	Hamilton City Council
Ben Smit	Rotorua Lakes and Ōtorohanga, South Waikato and Waitomo District Councils
Gavin Ion	Waikato and Waipa District Councils
Don McLeod	Hauraki, Matamata-Piako, Thames-Coromandel District and Western Bay of Plenty District Councils

Peter Stubbs' appointment as Independent Chair has been renewed for a further three years from 1 July 2022.

The independent Chair of Co-Lab receives director fees and reimbursed expenses. Directors representing the councils will not receive any fees or reimbursed expenses for work undertaken on behalf of the company.

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



## Appendix V: Policy Statements

### Statement of accounting policies

#### 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 is a Council Controlled Organisation as defined under section 6 of the Local Government Act 2002 (LGA), by virtue of the shareholding councils’ right to appoint the Board of Directors.

The primary objectives of the Company are to:

- Develop opportunities that benefit the Waikato region's local authorities; and
- Act as a vehicle to deliver value-added services to those local authorities.

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

### Summary of significant accounting policies

#### Basis of preparation

Financial statements are prepared on the going concern basis, and the accounting policies are applied consistently throughout the period.

#### Statement of Compliance

Financial statements are 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).

Financial statements are prepared in accordance with and comply with Tier 2 PBE Standards reduced disclosure regime (RDR). WLASS is eligible to report under the RDR as it:

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

The accounting policies set out below are consistent with the prior year, other than the inclusion of policy:

- on operating leases, related to the lease of commercial premises;
- employees; and
- property, plant and equipment.

#### Measurement base

The financial statements are 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.

#### 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 (IR) is included as part of receivables or payables in the statement of financial position.

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

Commitments and contingencies are disclosed exclusive of GST.

### **Critical accounting estimates and assumptions**

In preparing the financial statements the Company makes 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. There are no areas requiring estimate or assumptions made that are considered to carry a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

#### **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 future sale of the asset.

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

##### **Impairment of intangible assets**

Intangible assets measure 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 by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is higher of an assets fair value less costs to sell and value in use.

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

### **Revenue**

#### **Revenue**

Revenue comprises the fair value of the considerations received or receivable for the sale of goods and services, excluding GST, 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.

#### **Other Revenue**

Member charges for all activities are recognised when invoiced to the user (i.e. councils). The recorded revenue is the net amount 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. Until such time, contributions are recognised as liabilities.

## Operating expenses

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

## Personnel costs

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.

## Receivables

Short-term receivables are recorded at the amount due, less any provision for amounts not considered collectable.

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.

## Cash and cash equivalents

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.

## Income tax

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.

### **Intangible assets Other financial assets**

Investments in bank deposits are measured at fair value plus transaction costs.

At each balance date the Company assesses whether there is any objective evidence that an investment is impaired. Any impairment losses are recognised in the income statement.

### **Payables and deferred revenue**

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

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.

### **Employee benefits liabilities**

#### 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 includes 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.

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.

#### Presentation of employee entitlements

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

### **Reconciliation of equity**

Equity is the shareholders interest in WLASS 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.





**Hamilton  
Airport**

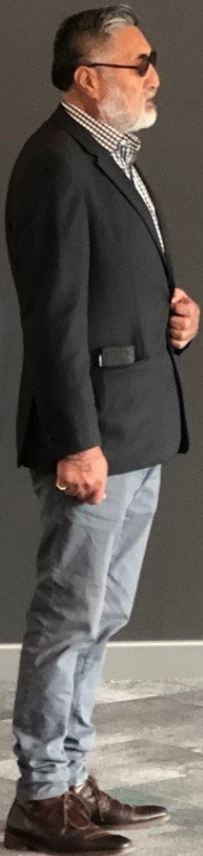


# **GROUP STATEMENT OF INTENT**

For the year ended 30 June 2024

**WAIKATO REGIONAL AIRPORT LIMITED**

(June 2023)





# INTRODUCTION

This statement is presented by the Directors in accordance with s.64(1) of the Local Government Act 2002 and sets out the Board's intentions for the Company and Group for the year ending 30 June 2024 and succeeding two financial years.

# STRATEGIC INTENT

The Group has identified its core purposes under its current ten-year strategic plan to be:

## CORE PURPOSES

1. An enabler of air services to the region.
2. A supporter and developer of aviation through investment in, and provision of, airport infrastructure and support services for both general aviation and airline activities.
3. The operator of a first class, safe, sustainable and compliant airport that connects the Mighty Waikato to New Zealand.
4. To strategically position the Group to enhance capital value and be financially self-sustaining through an income diversification strategy.



Hamilton Kirikiriroa



## ABOUT THE WRAL GROUP

The Group comprises the following entities:



- **Waikato Regional Airport Limited (trading as Hamilton Airport)** - is the Group's parent company, and the owner and operator of Hamilton Airport.
- **Titanium Park Limited** - has a goal to develop and optimise land holdings to generate long-term income streams from a diversified property portfolio.
- **Waikato Regional Airport Hotel Limited** - has an intent to provide non-aeronautical earnings to the Group through the operation of a Qualmark 4 Star hotel and conference centre facility at Hamilton Airport.
- **Hamilton & Waikato Tourism Limited** - the Regional Tourism Organisation markets the Hamilton & Waikato region as a visitor and business events destination, and to assist in growing the visitor economy through tourism development and destination management.

## KEY OBJECTIVES OF THE WRAL GROUP

The Group's key objectives and activities that will be undertaken to deliver on these include the following:

### Operate an efficient and compliant airport.

Operate a first class, safe and compliant regional airport by providing for essential projects, together with any compliance expenditure warranted.

### Enhance the traveller experience.

Maximise traveller satisfaction and airport experience through continued investment in passenger facilities and technologies that also assist to drive sustainable outcomes.

### Maintain a viable aeronautical business.

- Assist airlines to identify opportunities to increase flight schedules and passenger numbers.
- Identify and activate new development opportunities within the general aviation sector.
- Position and protect the airport as an efficient, cost effective international port.
- Remain collaborative with local authorities and central government agencies for joint infrastructure and transport initiatives.

### Maximise revenue diversification through non-aeronautical business opportunities.

- Promote and secure tenants for the airline engineering base and flight training academy facilities to secure new aeronautical operators and enhance a vibrant general aviation community.
- Support Pyper Vision to deliver trials of the fog dispersal technology to improve airline efficiency and customer experience, whilst also enhancing value of WRAL's investment in this venture.

- Complete construction of airport infrastructure to support private aeronautical property development.

### People

- Implement an organisation-wide strategy that takes a holistic view of employee wellbeing, recognising wellbeing as a measure of our organisation's success.
- Provide training and development to personnel to ensure individually and collectively, our personnel remain leaders of best practice in their respective fields.
- Retain a high performing team to build resilience, capability and responsiveness to growth and change opportunities.

### Sustainability

- Achieve Level Three certification under the global Airport Carbon Accreditation Program.
- Maintain the Jet Park Hotel's Qualmark Silver Enviro rating.
- Continue to develop and implement a long-term sustainability plan aligned to advancing levels under the global Airport Carbon Accreditation Program.

### Develop and optimise the land holdings of the Group to generate a long-term income from a diversified property portfolio.

- Titanium Park Limited will continue marketing for sale, development and optimised investment, all



available non-aeronautically strategic land in a planned and co-ordinated approach.

- Support the development of land within the bounds of a sound, strategic approach to long-term planning as defined in the 2022 updated aeronautical master plan.
- Upon notification of the private plan change outcome, complete a detailed master plan for the first stage of Northern Precinct for at least 10ha of land and its enabling infrastructure.

### Operate the airport hotel to return to (or exceed) its investment business case growth targets and customer satisfaction targets following the disruptions to its growth strategy from the pandemic.

- Improvement of hotel brand awareness through increased marketing activity.
- Establishment of Propeller Restaurant as a local destination restaurant.
- Complete renovations of guest recreation facilities to improve customer satisfaction.

### Assist in the development and marketing of the Hamilton and Waikato region as a visitor destination to domestic and international visitors.

- Implement activities within the Destination Management Plan to assist with the restart and reimagining of the tourism sector in a regenerative/sustainable manner.
- Assist with major event bids and then work with major event promoters to ensure the event is leveraged to activate visitors to the region.
- Maintain and strengthen support for regional tourism through partnerships with local government, the tourism industry and the wider regional community.





## KEY PERFORMANCE TARGETS

The following annual performance targets are proposed for the Waikato Regional Airport Limited Group in relation to its core purpose and key objectives.

	Financial year ending		
	30 June 2024	30 June 2025	30 June 2026
EBITDA (excluding Land Sales)	\$6.0m	\$6.5m	\$7.0m
EBITDA (including Land Sales)	\$7.5m	\$9.5m	\$18.0m
Net profit before tax (no less than)	\$1.0m	\$3.0m	\$12.5m
Net operating cash flow (excl land sales)	\$6.0m	\$7.0m	\$15.0m
Total debt excluding design-build acquisitions (maximum)	\$35.0m	\$35.0m	\$55.0m
Percentage of non-landing charge revenue	60%	60%	60%
Land sales	\$3.0m	\$4.5m	\$40.0m
Interest coverage (at least)	3.0x	4.0x	4.0x

## NON-FINANCIAL PERFORMANCE TARGETS

The following non-financial key performance targets are proposed for the Waikato Regional Airport Limited Group in relation to its core purpose and key objectives for the year ending 30 June 2024.

### Health, safety and wellbeing.

- Zero Work Safe notifiable accidents/injuries
- Operate a workplace that fosters employee wellbeing and improving organisational culture, as measured by the Employee Engagement Survey.

### Aeronautical compliance.

- To maintain the Airport Certification Standards as required by the Civil Aviation Authority.
- Ensure airport is operationally available for all scheduled passenger services (except for uncontrollable events).

### Maintain a viable aeronautical business.

- Assist airlines to identify opportunities to increase flight schedules and passenger numbers.
- Identify and activate new development opportunities within the general aviation sector.
- Position and protect the airport as an efficient, cost effective international port.
- Remain collaborative with local authorities and central government agencies for joint infrastructure and transport initiatives.

### Property.

- Complete construction of airport infrastructure to support property development and optimisation.
- Develop a MOU with local iwi organisations that provides for a collaborative relationship to future developments that will embrace Te Ao Maori principles and celebrating the rich cultural history of our rohe.

### Climate Change Response.

- Reduce Group electricity purchases by at least 20% on 2023 levels (measured in kWh used) upon commissioning of the first stage of the solar farm development.
- Achieve Level 3 (Optimisation) accreditation to the Airport Council International's Airport Carbon Accreditation programme.
- Reduce landfill waste through reduced usage of non-recyclable single-use materials and improved sustainable material usage in construction.



## NON-FINANCIAL PERFORMANCE TARGETS

### Governance and management of the Group.

At all times the Group will behave in a professional and ethical manner in all its business dealings with its customers and stakeholders and strive to be an employer of choice in fostering a high performing organisation. The Group is committed to its obligations under the Local Government Act 2002 to its employees, shareholders, the community including climate change response and Te Tiriti o Waitangi.

The Board and Management will ensure that all requirements of the Health & Safety at Work Act 2015 are maintained, including through the engagement of an independent consultant and audit processes to ensure the organisation and its subsidiary companies are maintaining compliant and best practice processes.

### Shareholder value.

While no commercial valuation of shares has been completed, the consolidated balance sheet of WRAL as at 30 June 2022 shows shareholder equity of \$211 million based on current independent valuations of the Group's property, plant and equipment and investment properties.

The Directors will review the performance and outlook for the group annually before declaring any dividends.

### Future investment proposals.

If the Group wishes to subscribe for, purchase, or otherwise acquire shares in any other company or any other organisation, it can do so only after first obtaining approval from the majority of shareholders at either a General Meeting or at a Special Meeting convened for that purpose.

There are no additional major transactions presently contemplated for which shareholders have not already been consulted over. Major transactions in the WRAL Group are those that would result in 10% of the company's assets (by book value) being acquired or disposed by the Group annually before declaring any dividends.





