



## NOTICE OF EMERGENCY MEETING

# COUNCIL

I hereby give notice that pursuant to Standing Order 14.3 an Emergency Meeting of the Council will be held on:-

**DATE:**        **Tuesday,        3 September 2002**                    **TIME:**                **11.30 am**

**VENUE:**        **Civic Centre, 6 Waipareira Avenue, Lincoln, Waitakere City**

to consider the Statements of Corporate Intent and to take any necessary action connected therewith.

3 September 2002

Sharon Simiona  
**COMMITTEE SECRETARY**

Telephone (09) 836 8000 extn 8820

### **MEMBERSHIP:**

Mayor	RA	Harvey, QSO, JP
Deputy Mayor	CA	Stone
Councillors	DQ	Battersby, JP
	BA	Brady, JP
	JM	Clews, QSO, JP
	RP	Dallow, QPM, JP
	AC	Fenton
	OE	Hoskin, JP
	PA	Hulse
	JP	Lawley
	GE	Nash, JP
	VS	Neeson, JP
	GB	Presland
	GW	Russell
	DA	Yates, JP

(Quorum 8 members)

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(The reports and recommendations contained in all agendas are reports and recommendations only and are not to be construed, in any way, as Council policy until adopted.)

**AGENDA FOR AN EMERGENCY MEETING OF THE COUNCIL (STATEMENTS OF CORPORATE INTENT) TO BE HELD IN THE CIVIC CENTRE,  
6 WAIPAREIRA AVENUE, LINCOLN, WAITAKERE CITY,  
ON TUESDAY, 3 SEPTEMBER 2002  
COMMENCING AT 11.30 AM.**

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**1 APOLOGIES**



**2 WAITAKERE CITY HOLDINGS LIMITED (AND SUBSIDIARIES) - DRAFT STATEMENT OF CORPORATE INTENT**

**PURPOSE OF THE REPORT**

The purpose of this report is to enable the Council to provide a response to the Board of Waitakere City Holdings Limited in relation to the draft Statements of Corporate Intent for Waitakere City Holdings Limited (WCHL), Waitakere Properties Limited (WPL) and Techscape Limited (TPL).

The draft Statements of Corporate Intent have been separately circulated to Councillors at an earlier time.

**BACKGROUND**

Council has 100% ownership of Waitakere City Holdings Limited, which in turn has 100% ownership of Waitakere Properties Limited and a 50% shareholding in Techscape Limited. North Shore City Council owns the other 50% of Techscape Limited.

In the case of Waitakere Properties Limited and Techscape Limited, Council also has a customer role, through the purchase of services.

The Statement of Corporate Intent between Council and Waitakere City Holdings Limited is prepared annually by Directors and presented to councillors for review. Under the present statutory timeframe, Councillors must provide comment back to the Board by 31 August, so that the Directors can develop a final Statement of Corporate Intent by 30 September 2002. The Local Government Act reserves the right for shareholders (Council) to make modifications at any time throughout the course of the performance period.

Subsequent to a recent workshop, a Officers Advisory Group (OAG) has been established to investigate the governance processes of Waitakere City Holdings Limited and its subsidiaries.

**STRATEGIC CONTEXT**

The draft Statements of Corporate Intent have been reviewed in relation to the Council's draft Strategic Plan, to ensure that the companies align with the Council's strategic direction.

The process which Councillors adopt for the governance of Waitakere City Holdings Limited and its subsidiaries will have a high degree of impact into the ability of the Council's strategic goals to be reflected in the performance and outputs of the subsidiary companies themselves.

## ISSUES

### Strategic Alignment Process

The approach taken by the Officers Advisory Group in preparing comments and recommendations to Councillors was as follows:

1. The Officers Advisory Group considered Council's strategic direction. The Council's strategic goals were summarised and used as a benchmark, against which the desired outcomes of Waitakere City Holdings Limited and its subsidiaries could be measured;
2. The role of each LATE, and the purpose of ownership were considered, in order to identify how each entity could contribute to the Council's strategic goals;
3. The Statement of Corporate Intent for each entity was analysed in terms of its contribution to the Council's strategic goals;
4. Recommendations were developed for suggested modifications to:
  - better align the LATEs with Council's strategic direction; and
  - change the process of governance to better align with Council's own processes (including the statutory requirements likely when the Local Government Bill is implemented).

*A1-A6* A draft discussion paper was developed by the Officers' Advisory Group, which is attached at pages A1 to A6.

It is recommended that Council resolves that the Officers Advisory Group negotiate with Directors to amend the content of the Statement of Corporate Intent to better reflect the timetable, commercial processes and strategic goals and objectives of Council, as outlined in the attached discussion document, prior to the development of a final Statement of Corporate Intent by 30 September, 2002. The final Statement of Corporate Intent for Waitakere City Holdings Limited will also need to take into account Council's requirement to translate its strategic goals into specific actions via the subsidiary entities.

### Company Directors

There are governance issues relating to the directorships of the LATEs concerning the adequacy of existing board representation.

The Chief Executive and two independents are on the Board of Waitakere City Holdings Limited, one of whom is on the board of all three subsidiaries. The Chief Executive's appointment to the Board of Waitakere City Holdings Limited arose from the Council's inaugural meeting, in order to maintain a quorum while Council settled its position on the matter of Director appointments. It is important to maintain at least two independent Directors on the Board, to satisfy statutory requirements.

The directorships of Waitakere City Holdings Limited need to be reviewed to reflect the role of the holding company and the Council's expectations in relation to the group of companies. This could be addressed at the same time as the review of Waitakere City Holdings Limited or earlier. It is recommended that a Directorate be appointed once Council has reviewed the Statement of Corporate Intent and established its goals and requirements of the roles of Directors.

### **Other Matters For Later Consideration**

Once the immediate matters as outlined in this report have been attended to, other aspects of the Council's relationship with its holding company and subsidiary LATEs will need to be addressed. These include:

1. The need to re-evaluate Tender criteria for projects which Techscape might submit proposals. As it stands, Techscape is a service supplier that is partly owned by Council, yet it supplies services on a purely commercial basis. Any special requirements that are desired by Council to meet its strategic goals will need to be incorporated into Tender documents, for all tenderers to submit to.
2. The relevance of the Holding Company itself will need to be evaluated. At present, it serves the purpose of amalgamating corporate finances, tax and accounts. However, this needs to be compared against such matters as the cost of its operation, and the fact that its existence places Council's involvement with the subsidiary entities at 'arms-length'.
3. Memoranda of Understanding need to be in place between Council and Waitakere Properties Limited for each trust arrangement that is in place. Although the Statement of Corporate Intent currently requires such documentation, none exists for any of the six properties that have been handed to the company for development.
4. The Officers Advisory Group needs to meet with officers of North Shore City Council, to discuss the corporate goals of Techscape, to consider whether the current major corporate goals remain relevant and to evaluate any other mutual objectives.

### **CONCLUSION**

As part of a statutory process, Councillors urgently need to provide comment on the draft Statement of Corporate Intent for Waitakere City Holdings Limited, in order that the Board may consider such comments as it develops its final Statement of Corporate Intent by 30 September 2002.

In conjunction with this process, officers recommend a much wider evaluation of Waitakere City Holdings Limited and its subsidiaries, to ensure that, as far as possible, the strategic goals and outcomes of the LATE entities are directly aligned to Council's own strategic goals and objectives.

### **RECOMMENDATIONS**

1. That the information be received.
2. That the attached Discussion Document be ratified by Councillors, and communicated to the Board of Waitakere City Holdings Limited by the end of August 2002.
3. That the Board of Waitakere City Holdings Limited be directed to work with an Officers Advisory Group, to develop specific changes to Statements of Corporate Intent, in accordance with the Discussion Document.
4. That a process be established for reviewing the Directorate of Waitakere City Holdings Limited, including, subject to Council approval, the appointment of replacement Directors where appropriate.
5. That the Other Matters outlined within the agenda report, being:
  - re-evaluation of tender criteria;
  - re-evaluating the purpose of Waitakere City Holdings Limited;
  - developing Memoranda of Understanding for trust projects with Waitakere Properties Limited; and

- meeting with officers of North Shore City Council regarding Techscape strategic goals;
- be progressed and brought back to Council for further consideration.

Report prepared by: Kevin Wright, Strategic Planner: Monitoring, and Michael Riley, Partnerships and Advocacy Leader: Governance and Infrastructure.



## Review of draft SCIs of Waitakere City Council LATEs

This report focuses on three areas:

1. How do the LATEs fit with the Council's draft strategic plan?
2. What are the Council's requirements/expectations as a shareholder in relation to the LATEs?
3. What amended processes should be included in the SCIs to align with the Local Government Bill and good practice governance?

### 1. How do the LATEs fit with the Council's draft strategic plan?

The draft strategic plan contains 10 sustainable city outcomes set out below:

- Urban and Rural Villages
- Transport and Communication
- Strong Innovative Economy
- Strong Communities
- Strong Democracy
- Green Network
- (Clean) Water
- Energy Cycle
- Zero Waste
- Clean Air

The Council also re-affirms its principles of open honest communication, responsiveness, accountability, partnership, innovation, excellence and integrity. Central to this list, and central to this strategic plan, is partnership.

WCHL could contribute to the strategic direction in the following ways:

- Governance of publicly owned entities with accountability to the community
- Ensuring the subsidiaries deliver on Council's strategic goals
- Financial return or contribution to Council's overall budget
- Identifying new opportunities for contributing to the strategic plan
- Supporting Enterprise Waitakere's contribution to a strong innovative economy

Techscape could contribute to the strategic direction in the following ways:

- Maintaining the City's infrastructure and developing innovative techniques
- Minimising impacts on the natural environment
- Providing local jobs, using local contractors and products
- Maintaining safety of employees and citizens
- Company and project impacts on energy, waste, water and road use
- Financial return/loss and value

WPL could contribute to the strategic direction in the following ways:

- Building communities, town centres and neighbourhoods
- Modelling innovative techniques in development, design, materials, devices, etc.
- Minimising impacts on the natural environment
- Providing local jobs, using local contractors and products
- Maintaining safety of employees and citizens
- Company and project impacts on energy, waste, water and road use
- Financial return/loss

It is important to separate a LATE's contribution to the Council as a shareholder and as a purchaser of services. The SCIs are the appropriate mechanism to identify the Council's expectations as a shareholder. In its capacity as a purchaser of services,

the Council needs to have proper specifications in place and appropriate criteria for evaluation tenders for work.

## **2. What are the Council's requirements/expectations as a shareholder in relation to the LATEs?**

### **General principles:**

- All the LATEs have a clearly defined purpose and are held accountable to the Council and the community
- Clear roles and responsibilities
- No surprises (through formal and informal communication)
- Effective governance by the Council

### **Waitakere City Holdings Limited**

Council's core requirements/expectations:

#### **Commercial:**

- Maintain/increase value of shareholding investment (to be valued).
- Make a profit (to be stated for the next 3 years).
- Payment of a dividend or subvention payment to the Council (to be stated for the next 3 years and as per Council's budgets).
- Manage risk and finances of group. Recommend to the Council on issues of sale, capital investment, borrowing, etc.

#### **Strategic:**

- Operate in a manner that is consistent with the Council's strategies and objectives.
- Identify to Council any cost-effective opportunities for the Group that support, enhance or further the Council's strategies and objectives.
- Ensure Council meets its shareholding responsibilities through delegation of some tasks (e.g. appointment of directors on subsidiaries) and involvement in others (e.g. setting strategic objectives and shareholder expectations in SCIs, directors, etc).
- Ensure Council's strategic objectives are being met by the subsidiaries. Involve Council in the review of SCIs.
- Supervision of Enterprise Waitakere – This needs to be amended to a supervisory role in relation to the "overall financial management and organisational efficiency of Enterprise Waitakere". It needs to be acknowledged that the direct relationship between the Council and Enterprise Waitakere is currently managed by those parties in the context of a funding and service agreement.

To reflect the above, the Mission Statement needs careful consideration. It needs to be redrafted, and in conjunction with the Council. Despite appearing in what amounts to a preamble of the document, the Mission Statement is the overarching expression of the company's objectives and should 'set the scene' for all performance goals, objectives and targets that follow. In this case, there is nothing that explains the Council's purpose for owning the holding company or subsidiaries, or what direction the company intends to take. The Mission statement could be amended with the addition of the words "aligned with the Council's strategic direction".

## **Techscape Limited**

Council's core requirements/expectations:

Commercial:

- Grow the business and generate shareholder income (objectives in the partnering agreement). i.e. Increase value of work done, number of FTEs and net assets (estimate value); and make a profit (to be stated for the next 3 years); and payment of a dividend to Shareholders (to be stated for the next 3 years).
- Tender for Council work so that there is competition and prices for Council work are at competitive market rates.
- Manage risk, finances and contractors in a commercially prudent manner.

Strategic:

- Operate in a manner that is not inconsistent with the Shareholders' strategies and objectives.
- Gain critical mass so that Techscape can deliver on its strategic objectives and assist the Council in civil defence emergencies.
- Be able to deliver on Council maintenance projects which Techscape successfully tenders for (to agreed standards and/or partnering agreement with EcoWater).
- Retain institutional knowledge about Council and Waitakere City so that Techscape can successfully tender for Council maintenance projects.
- Be a participant in the market so that tender prices are competitive for maintenance projects.
- As a minimum, participate in tendering for Council work for services that Techscape provides. It is acknowledged that it may be inappropriate to set a target for a tenders won.

## **Waitakere Properties Limited**

Council's core requirements/expectations:

Commercial:

- Financial breakeven - retain sufficient cash on deposit to finance operational costs of the company and maintain capacity to do work for the Council.
- No requirement to increase value of shares.
- Acquire property on trust for Council for development and sale
- Providing a financial return to Council as trustee (not as shareholder) – specific targeted amounts for next three years from trust developments (as per Council's budget).
- Manage risk, finances, partners, and contractors in a commercially prudent manner.
- Identify commercial opportunities for Council.

Strategic:

- Operate in a manner that is consistent with the Council's strategies and objectives.
- Demonstrate the strategic goals and methods of the Council through WPL's developments so that it is recognised as a leader in sustainable development.
- Particular developments over next 3 years (list).
- Advice to Council on proposed developments of Council land.

- Following the strategic objectives and strategic criteria (set out in the draft SCI) for development projects,
- Give priority to development of property on trust for Council.
- Sustainable building criteria applied to all projects (or Council projects).
- Quality developments – even if low value housing.
- Ecologically sustainable developments – leading edge of advances in urban redevelopment, urban features, mixed use, energy and resource use, supporting other initiatives (e.g. transport, art, leisure, etc) of the Council as outlined in the Council's strategic plan for the city.
- Memorandum of Understanding with Council in relation to each project prior to commencement which incorporate the Council's requirements.

**3. What amended processes should be included in the SCIs to align with the Local Government Bill and good practice governance?**

- SCI process – The LG Bill requires the SCI process to begin earlier in the year (draft SCI by 1 March). The Council would also benefit from the SCI process aligning with its draft Annual Plan process. A proposed process is:

WCHL will provide a draft and final Statement of Corporate Intent (SCI) for WCHL and each of its subsidiaries to WCHL and the Council by 1<sup>st</sup> February each year. The Council will provide comment by 31<sup>st</sup> March each year. The Board will approve the final SCIs by 30<sup>th</sup> April each year. The SCI is reviewed annually.

The Board of WCHL will endeavour to ascertain the Council's expectations (via an Officers Advisory Group and a Councillors group) and advise the Council on how the draft SCIs deliver on the Council's expectations. The Board of WCHL will participate in the Council's Annual Plan process and Long Term Financial Strategy process as required by the Council.

- Reporting process – More frequent reporting is recommended to ensure alignment with Council's processes and in relation to the entire group of companies. Proposed reporting arrangements are:

*Quarterly Management Reports*

Management reports for each company will be provided within one month at the end of September, December, March and June quarters, including: The unaudited Statement of Financial Position as at the end of the preceding quarter, and the Statement of Financial Performance, Statement of Cash Flows, and a Capital Expenditure Summary for the year to date and the preceding quarter. These statements will include comparative budget data and variances. A Statement of Service Performance for the year to date and the preceding quarter should also be provided. Management reports should be provided to an Officers Advisory Group and a Councillors group each quarter with opportunity for questions and discussion.

*Half Yearly Report*

The statutory obligation to provide shareholders with a half-year report on operations will be met by the management report for the December quarter.

*Annual Report*

Each company will provide an Annual Report including audited financial and performance statements within two months of the end of the financial year in accordance with ss594Z(3) and (4) of the Local Government Act 1974, the reporting requirements of the Companies Act and the Financial Reporting Act. The Annual Report will include: an overview of the company's general business situation, its fields of business and the company's position in its fields of business. Financial statements and statement of service performance are to be provided to the Council within one month of the conclusion of the financial year. The Board of WCHL will present the Annual Report to the Council.

- Subsidiaries' transactions – The Council doesn't wish to delegate to WCHL all governance responsibilities in relation to the subsidiaries. The SCIs should require that the Council's approval is obtained for the following:
  - Material deviations from the SCI
  - Material variations in budgeted costs or payments to Council or WCHL
  - Major transactions of WPL or Techscape
  - Establishment of a new subsidiary
  - Sale, liquidation or reorganisation of a subsidiary
  
- Limitations - There should be some consideration of any limitations on the businesses of the LATEs. This is particularly in relation to the type of activity for external parties and investment in new activities. The following limitations are proposed:
  - WCHL – The target ratio of Shareholders' Funds to Total Assets shall be not less than 90%. The 50% ratio currently enables WCHL to borrow up to \$2,500,000 for investment purposes. This limitation would restrict WCHL in taking up new investments without a change in the SCI. The Council wishes to operate on a "no surprises" basis.
  - WCHL – The Council may wish to require any new investments to be subject to the Council's approval.
  - WPL – The Council needs to consider whether or not WPL should be using its resources to undertake any development contracts other than via the deed of trust arrangements with the Council. The draft SCI states all development projects funded from share capital shall be located in Waitakere City, but is silent about debt funded projects or partnership projects.
  - Techscape – Shareholders may wish to limit contracts outside NZ.
  
- Related transactions - The SCI needs to describe more fully the proposed transactions between the Council and the LATEs. The draft SCIs state that compensation for services will be on a wholly commercial basis, i.e. the LATEs will charge the Council for advice and services. This doesn't appear to cover all the transactions between the LATEs and the Council. For example: the trust arrangements between WPL and the Council for developing properties, debt arrangements between WPL and the Council, dividends and subvention payments from WCHL and the Council. There may be an expectation from the Council that WCHL and WPL will provide advice to the Council whenever required at no charge on certain matters. These arrangements need to be clarified in the SCI taking into account the resources of the LATEs. The following is a list of services that the Council might expect to be provided free of charge:
  - WCHL – Working with an Officers Advisory Group and a Councillors Group e.g. ascertaining strategic requirements for the LATEs

- WCHL – Advice on directors of WCHL
- WCHL – Review of the roles of the holding company
- WCHL – Review of the partnering agreement with North Shore City Council regarding the strategic requirements for Techscape
- WPL – Development projects on behalf of the Council
- WPL – Developing a sustainability assessment framework.

The following is a list of possible services that the Council might expect to be provided at a commercial charge (if budgeted for in the Council's Annual Plan):

- WPL – Advice on the property market in Waitakere City
- WPL – Advice on suitability of Council projects for development
- WPL – Advice on Council projects e.g. the accommodation project, property acquisition, etc.