



NOTICE OF MEETING

FINANCE AND OPERATIONAL PERFORMANCE COMMITTEE

I hereby give notice that an Ordinary Meeting of the Finance and Operational Performance Committee will be held on:-

DATE: **Monday, 8 December 2003** **TIME:** **9.30 am**

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

to consider the business as set out herein and to take any necessary action connected therewith.

4 December 2003

Sharon Simiona
COMMITTEE SECRETARY

Telephone (09) 836 8000 extn 8820

MEMBERSHIP:

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

Mayor Bob Harvey, QSO, JP (ex officio)

(Quorum 5 members)

★ ★ ★ ★ ★ ★ ★ ★ ★ ★

(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.)

WAITAKERE CITY COUNCIL



AGENDA FOR AN ORDINARY MEETING OF THE FINANCE AND OPERATIONAL
PERFORMANCE COMMITTEE TO BE HELD IN THE CIVIC CENTRE,
6 WAIPAREIRA AVENUE, LINCOLN, WAITAKERE CITY,
ON MONDAY, 8 DECEMBER 2003,
COMMENCING AT 9.30 AM.

TABLE OF CONTENTS

<u>ITEM</u>		<u>PAGE NO.</u>
1	APOLOGIES	1
2	URGENT BUSINESS	1
3	CONFIRMATION OF MINUTES	1
	<u>PART I - PRESENTATION</u>	2
4	REFERAL FROM NEW LYNN COMMUNITY BOARD – OPOU ROAD HALL	2
	<u>PART II - PROPERTY</u>	4
5	EXTENSION OF LEASE ON 131 LINCOLN ROAD, HENDERSON (MOSELLE AVE OFFICES)	4
	<u>PART III - LEGAL AND CONSTITUTIONAL</u>	5
6	AFFIXATION OF COMMON SEAL EXECUTION OF DOCUMENTS: 3 NOVEMBER 2003 - 28 NOVEMBER 2003	5 5
	<u>PART IV - FINANCE</u>	7
7	BORROWING AND INVESTMENT REPORT	7
8	PAYMENTS FOR APPROVAL	7
9	QUARTERLY PERFORMANCE REPORT - FIRST QUARTER 2004/2004	8
10	INSURANCE ARRANGEMENTS 2003/2004	9
11	THE FIRST QUARTER FINANCIAL REVIEW	12
	<u>PART V - GENERAL</u>	14
12	GOLF ROAD/PORTAGE ROAD – PROPOSED ROUNDABOUT	14
13	LOPDELL HOUSE AND CORBAN ESTATE ART CENTRES – ANNUAL REPORTS	16
14	WESTGATE DRIVE LOADING ZONE FOR BULK WATER CARRIERS	18
15	GLEN EDEN LIBRARY - VALUE MANAGEMENT PROCESS	21

16	AUCKLAND WAR MEMORIAL MUSEUM AND MUSEUM OF TRANSPORT & TECHNOLOGY PROPOSED 2004/2005 LEVY	26
17	APPLICATION FOR FUNDING OF EARTHSONG CENTRE	28
	<u>PART VI - SUBCOMMITTEE REPORTS</u>	32
18	COMMUNITY SPORT FUND ALLOCATION SUBCOMMITTEE	32
	1. OPTIONS FOR THE USE OF THE COMMUNITY SPORT FUND MONEY	32
	2. OTHER MATTERS CONSIDERED	32
19	TENDERS SUBCOMMITTEE	33
	<u>PART VII - ITEMS TO BE CONSIDERED WITH THE PUBLIC EXCLUDED</u>	34
20	PROJECT TWIN STREAMS - PURCHASE OF PROPERTIES	34
21	LAND ACQUISITION HOBSONVILLE AIRBASE	34
22	LAND ACQUISITION HUIA	34
23	TECHSCAPE LIMITED - PERFORMANCE AND GOVERNANCE REVIEW TERMS OF REFERENCE	34
24	IN-VESSEL COMPOSTING FACILITY - KEY PERFORMANCE INDICATORS (FINANCIAL AND NON-FINANCIAL) 12 MONTHS TO JULY 2003	34
25	ROAD DESIGNATION ISSUES – 263 LINCOLN ROAD	34
	PROCEDURAL MOTION TO EXCLUDE THE PUBLIC	34

AGENDA FOR AN ORDINARY MEETING OF THE FINANCE AND OPERATIONAL PERFORMANCE COMMITTEE TO BE HELD IN THE CIVIC CENTRE, 6 WAIPAREIRA AVENUE, LINCOLN, WAITAKERE CITY, ON MONDAY, 8 DECEMBER 2003, COMMENCING AT 9.30 AM.

1 APOLOGIES



2 URGENT BUSINESS

Section 46A(7) and (7A) of the Local Government Official Information and Meetings Act 1987 provides that where an item of business is not on the agenda, it may only be dealt with at the meeting if:

- (i) the item is a minor matter; and
- (ii) the Chairperson has explained at the beginning of the meeting (when open to the public) that the item will be raised for discussion, why the item is not on the agenda, and why it cannot be delayed until a subsequent meeting; and
- (iii) the Committee resolves to deal with the item.

No resolution, decision, or recommendation may be made in respect of the item except to refer the item to a subsequent meeting for further discussion.

NOTE: Urgent Business need not be dealt with now and may be delayed until later in the meeting.



3 CONFIRMATION OF MINUTES

Ordinary - Monday, 10 November 2003

RECOMMENDATION

That the minutes of the Ordinary Meeting of the Finance and Operational Performance Committee held on Monday, 10 November 2003, including the public excluded minutes, as circulated, be taken as read and now be confirmed.



PART I - PRESENTATION

4 REFERAL FROM NEW LYNN COMMUNITY BOARD – OPOU ROAD HALL

A1-A13 At its meeting held on Monday, 1 December 2003, the New Lynn Community Board received a petition from the Opou Road residents on the Opou Road Hall (attached at pages A1 to A6) and considered the agenda report on Update On Opou Road Hall, French Bay (attached at pages A7 to A8) together with information regarding the issues arising out of the facilitated meeting held on Tuesday, 25 November 2003 (attached at pages A9 to A13) that was presented at the Board meeting.

The Board passed the following resolutions:

1. *That the New Lynn Community Board approves in principle a lease with the Scout Association of New Zealand for the footprint of the Opou Road Hall on Opou Reserve, French Bay Titirangi.*
2. *That the New Lynn Community Board refers the matter of the future of Opou Road Hall, together with the petition from the Opou Road Hall residents received at the Board meeting held on Monday, 1 December 2003, back to the Finance and Operational Performance Committee for review of their previous decision on the Hall and recommends that an opportunity be given for representatives from Opou Road residents (one who has signed the petition and one who has not signed the petition) and a representative from the Scout Association to speak at that meeting.*
3. *That a workshop be held with Council officers and two representatives each of Opou Road residents and Orpheus Sea Scouts to develop suitable terms of the lease and other actions Council may take to alleviate residents' concerns.*
4. *That a report be brought to the New Lynn Community Board in March 2004 on the outcomes of the lease workshop.*
- A14* 5. *That it be recommended to Council that if the Opou Road Hall is to be retained, area "A" on the plan a tabled (refer attachment at page A14) (being part Lot 30 on Deposited Plan 13120) be classified under section 16 (2A)(a) of the Reserves Act 1977 as a local purpose (community buildings) reserve as specified under section 23 of the Act.*
- A14* 6. *That it be recommended to Council that area "B" (and area "A: if the Opou Road Hall is not to be retained) on the plan attached at page A14 (being part Lot 30 on Deposited Plan 13120 and Allotment 467 Parish of Waikomiti) be classified under section 16 (2A)(a) of the Reserves Act 1977 as a scenic reserve as specified under section 19 of the Act.*

4222/2003.

The Board recommends:

That, pursuant to item 2 of the New Lynn Community Board's resolutions above, the Finance and Operational Performance Committee consider the Petition from the Opou Road residents and review the Finance and Operational Performance Committee's previous decision on the Hall, as appended below, and accord the representatives from Opou Road residents (one who has signed the petition and one who has not signed the petition) and the Scout Association to speak at this meeting:

- “1. *That the information be received.*
2. *That the Finance and Operational Performance Committee endorses that the Opou Road Hall be retained and repaired.*
3. *That the Finance and Operational Performance Committee recommends to the New Lynn Community Board that a lease of the Opou Road Hall be granted to the Titirangi Orpheus Sea Scouts.*
4. *The Finance and Operational Performance Committee approves that up to \$10,000 from Council's Property Renewals Budget be made available for contribution to repair costs of the Opou Road Hall.*
5. *That the Titirangi Orpheus Sea Scouts be congratulated on their highly successful effort to raise funds to repair the Opou Road Hall in French Bay.”*

2030/2003

RECOMMENDATION

That the information be received.

Report prepared by: Audrey Chan, Committee Secretary.



PART II - PROPERTY

5 EXTENSION OF LEASE ON 131 LINCOLN ROAD, HENDERSON (MOSELLE AVE OFFICES)

PURPOSE OF THE REPORT

This report seeks the Finance and Operational Performance Committee's approval to extend the lease on the Moselle Avenue offices at 131 Lincoln Road to the end of June 2006.

BACKGROUND

The lease agreement with Satellite Investments Ltd was due for renewal on 1 July 2003, for a period of two years to 30 June 2005. On 23 June Council was advised (in a response to a letter from Council dated 19 March) that although Satellite Investments had gone into receivership and the Mortgagees had appointed a receiver of rents, the Mortgagees had accepted the renewal of the lease and further had agreed to extend the lease for a further period of one year from 30 June 2005. This would give Council a renewal period of three years from 1 July 2003 to 30 June 2006. The Solicitors acting for the Mortgagees stated that they would prepare a Deed of Variation to be drafted up to include the right of renewal changes and the rent review.

ISSUES

The Deed of Variation to the current lease has now been received. The Deed provides for a three year right of renewal from 1 July 2003 and a rent review date of 1 July 2005. The annual rental applicable up to 30 June 2005 is \$348,294.96 per annum, an increase of \$2,364.96 per annum over the previous term.

In terms of the financial delegations to Council officers, both the Chief Executive and the Director: Corporate and Civic Services have the authority to enter into and renew leases for a maximum period of two years. Approval is hereby sought for the Director: Corporate and Civic Services, to renew the lease on the premises to 30 June 2006.

CONCLUSION

The Moselle Avenue Offices are required as accommodation for Council staff until the completion of the new Civic Centre in Henderson in early 2006.

RECOMMENDATIONS

1. That the information be received.
2. That Council authorise the Director: Corporate & Civic Services, to renew the lease on the Council Offices at 131 Lincoln Road, for a period of three years from 1 July 2003 to 30 June 2006.
3. That the Deed of Variation to the Lease be executed under seal.

Report prepared by: Duncan Miller, Property Assets.



PART III - LEGAL AND CONSTITUTIONAL

6 AFFIXATION OF COMMON SEAL

EXECUTION OF DOCUMENTS: 3 NOVEMBER 2003 - 28 NOVEMBER 2003

Nº	NAME	PARTICULARS
2827	WCC - Transportation Auckland Corporation Ltd	Right of Way Easement over part Lot 5 DP 317094 - CT.67086 - Resolution 159/2003
2828	WCC - Kaaren Kennedy	Warrant of Appointment and Evidence of Identity - No.WCC093
2829	WCC - WH & JM Wilkie	Drainage Easement in gross - CT.83664 - 50 West Lynn Road - SPW 21523
2830	WCC - KG Lawton	Drainage Easement in gross – CTs.NA118A/617- 619 -170 Edmonton Road - SPW 19311
2831	WCC - South Port Properties Ltd	Fencing Agreement Lots 27-30 DP 32613 - SPW 21526 - 9-65 Brashier Circle
2832	WCC - FC & CG Watson and Codymo Trustees Ltd (Watson Investment Trust)	Deed of Lease of EcoWater premises - Unit A 133 Central Park Drive
2833	WCC - FC & CG Watson and Codymo Trustees Ltd (Watson Investment Trust)	Surrender of Lease of EcoWater premises - Unit A 133 Central Park Drive
2834	WCC - AJ & HD Anderson	Drainage Easement in gross - CTs.NA93612-93614 - 580-594 West Coast Road - SPW 21155
2835	WCC - Patrick McSweeney & Public Trust	Surrender of Right of Way Easement in gross created by Transfer 5652840.18 - CT.65199 - 97 Carter Road - SPW 21293
2836	WCC - Patrick McSweeney & Public Trust	Right of Way Easement in gross - CT.65200 - 97 Carter Road - SPW 21293
2837	WCC - Kirsten Wood	Warrant of Appointment and Evidence of Identity - No.WCC094
2838	WCC	Discharge of Memorandum of Encumbrance No.5735551.1 from CT.91379 - 91 Winery Way
2839	WCC - Waitakere City Properties Ltd, West Coast Road Investments Ltd, Glen Eden Residential Investments Ltd	Drainage Easement in gross - 314 West Coast Road - SPW21236
2840	WCC - Waitakere City Properties Ltd, West Coast Road Investments Ltd, Glen Eden Residential Investments Ltd	Fencing Agreement re CTs.91580 & 91587 - 314 West Coast Road - SPW21236

N ^o	NAME	PARTICULARS
2841	WCC - Tretheway Properties Ltd	Water Supply Easement in gross - CTs.112038 & 112039 - 34 Portage Rd - SPW21275
2842	WCC - Northeast Developments Ltd	Fencing Agreement CTs.117065-117072 - 59-73 Winery Way - SPW21308

RECOMMENDATIONS

1. That the information be received.
2. That the action taken in affixing the Common Seal on the documents as set out in the agenda report be adopted.

Report prepared by: Magdalene Conceicao, Executive Officer (Legal).



PART IV - FINANCE

7 BORROWING AND INVESTMENT REPORT

This report has been circulated separately with the agenda.



8 PAYMENTS FOR APPROVAL

PURPOSE OF THE REPORT

The purpose of this report is to advise of payments made by the Council.

BACKGROUND

This report provides details of payments made to external suppliers in excess of \$5,000.00. In addition there is a summary listing, which aggregates payments made to various organisations and suppliers for the Finance and Operational Performance Committee's information. These payments have already been processed as allowed by delegations approved by the Council. If any Councillor requires information regarding the nature of any payment, that information can be provided.

PAYMENTS

A15 A summary schedule of payments made for the period 18 October 2003 to 13 November 2003 is attached at pages A15.

A16-A18 A further schedule of all payments of \$5,000.00 and above, together with the reason for the payment is attached at pages A16 to A18. If a committee member wishes to ask specific questions relating to any of these payments, prior to the meeting, then such questions can be directed to the Director: Finance.

RECOMMENDATIONS

1. That the information be received.
2. That the contracts let and payments made, be approved.

Report prepared by: Andrew Pollock, Director: Finance.



9 QUARTERLY PERFORMANCE REPORT - FIRST QUARTER 2004/2004

PURPOSE OF THE REPORT

This report enables the Finance and Operational Performance Committee to monitor achievement of the quarterly performance targets. This report includes performance results for the first quarter of the 2003/2004 Annual Plan.

BACKGROUND

The performance measures in the Annual Plan relate to the Council's strategic objectives for the City. These performance measures are reported when available on a quarterly basis.

STRATEGIC CONTEXT

The performance measures in the Annual Plan relate to strategic objectives and provide a way of measuring the extent to which the objectives are being achieved. This report provides an opportunity for the Committee to review performance results and identify any issues relating to meeting targets or the strategic objectives.

The performance measures for 2002/2003 are reported in the 2002/2003 Annual Report and form the basis of the Statement of Service Performance Report, including a sustainable development and key achievements report.

It should be noted that a review of these performance measures and targets took place in concurrence with the strategic review and development of Council's Long Term Council Community Plan (2003/2013). These revised measures are in place to be monitored over the 2003/2004 financial year. New performance measures will also be developed during this year.

ISSUES

First Quarter Results (July – September 2003/2004)

A19-A21 The performance results for the first quarter of 2003/2004 are summarised below. The complete list of the first quarter results for 2003/2004 is attached at pages A19 to A21.

Of the performance results reported in the first quarter of 2003/2004, 80% are on track to meet target, with no measures unreported (20 measures total).

Positive Results

- Measures related to the three waters platform are predominantly well above target;
- Development plans complying with compact city objectives being implemented in town centres;
- High number of stream restoration programmes in place (seven).

Key Issues

- Less businesses participating in environmental initiatives, this may be in part due to reduced number of Council staff hours available to work directly with businesses over this period;
- Marginally less volume of waste entering the Transfer Station that is able to be recycled or compacted due to lower volumes of green waste being received at Transfer Station, and lower steel content in inorganic waste collection.

CONCLUSION

Of the performance measures reported in the first quarter, the majority are on track to meet target. The second quarter results will be reported to the Finance and Operational Committee in March 2004.

RECOMMENDATION

That the information be received.

Report prepared by: Janelle Anthony, Strategic Planner: Monitoring.



10 INSURANCE ARRANGEMENTS 2003/2004

PURPOSE OF REPORT

The purpose of this report is to summarise Council's insurance placements for the period commencing 1 July 2003 to 1 July 2004 for all classes of insurance except Public Liability/Professional Indemnity where the period is from 30 June 2003/2004, as well as to provide information on associated issues.

INSURANCE TRENDS

Prior to renewal each year, a report detailing those insurance companies offering the most favourable quotations and terms to Council is provided by our insurance broker, Jardine Lloyd Thompson Ltd. Quotations invited by Jardine from alternative insurers prior to renewal this year met largely with disinterest. This seems to have been increasingly the case over the past few years and is believed to be largely due to (still) hardening insurance market conditions, and perception perhaps that activities of councils are relatively specialised in nature and Civic Assurance (NZ Local Government Insurance Corp) is better placed and or priced to meet the specific needs of this niche market.

Jardine has commented that the reason for major premium increases and policy specification changes experienced in the 18 months leading up to renewal was the inability of insurers to continue to support underwriting losses through investment income, as a direct consequence of catastrophe losses over the past few years (eg. catastrophe losses for the year 2001 estimated at \$60b (prior to World Trade Centre losses) was even then a significant increase on earlier years' losses eg. US\$35b in 1999).

The last few years have also seen a significant number of insurers withdrawing from the New Zealand market and in addition, the sale or merger of existing operators reflecting the trend worldwide. This has affected adversely market capacity, being the ability of insurance markets overall to provide the amount of underwriting capacity required. While there is little doubt that over time as market corrections produce underwriting surpluses, new investment income will be attracted, these should serve to ease the current trend, in the medium term however, insurance costs and deductibles are likely to increase and policy coverage reduce.

In New Zealand, except for the NZ Local Government Insurance Corp (Civic Assurance) and NZ Mutual Liability RiskPool both owned by local government, insurance companies represented locally are overseas owned. While Civic Assurance and RiskPool are to a limited extent insulated from the full impact of cost increases, they continue to remain heavily reliant on the international reinsurance market to provide capacity and protection. Most classes of insurance have therefore experienced rate increases, with property insurance particularly affected.

COVERS ESTABLISHED

Civic Assurance and RiskPool continue to prove to be the most competitive in providing coverage for Council and have been accepted as underwriter in relation to most covers placed for 2003/2004.

A22 Details of Council's policies that have renewed for the current period are attached at page A22 in the Attachments supplement.

COMPARISON

A comparison of the premiums charged over the past three years is provided in the schedule below. While the premiums indicated for the current financial year 2003/2004 are those quoted and charged, these will be subject to further adjustment as the result of ongoing changes to sums insured, particularly in relation to the Material Damage premiums based on revised property valuations received.

PREMIUM COMPARISON

POLICY	PREMIUM 2001/2002	PREMIUM 2002/2003	PREMIUM 2003/2004
Material Damage	\$158,830.00	\$238,799.00	\$304,788.00
Business Interruption	\$14,477.00	\$28,456.00	\$36,799.00
Motor Vehicle	\$27,141.00*	\$30,713.00*	\$33,752.00*
Fidelity Guarantee	\$6,000.00	\$14,875.00	\$30,000.00
Machinery Breakdown	\$1,318.00	\$1,700.00	\$1,768.00
Travel	\$635.00	\$698.00	\$772.00
Public Liability/ Professional Indemnity	\$110,000.00	\$132,000.00	\$165,000.00
TOTAL		\$447,221.00	\$572,879.00

- * subject to 'burning cost' adjustment;
- 2002/2003 premiums adjusted to reflect sum insured changes during that year;
- all amounts exclusive of GST and brokers remuneration.

POLICY COVERAGE

There have been no significant policy wording changes at the June/July 2003 renewal where all policies (with relevant deductibles) were renewed as expiring.

There has, however, been a new Weathertight Homes Resolution Service (WHRS) exclusion imposed in the underlying reinsurance arrangements between liability insurer RiskPool and its reinsurers with no change to our liability policy wording itself. This means that so called 'leaky building syndrome' claims lodged with the Weathertight Homes Resolution Service made against Council and notified to RiskPool in the current insurance period will fall within the new reinsurance exclusion and must be dealt with under RiskPool's self-insured retention. RiskPool is closely monitoring such claims trends with the view to assessing whether the losses from them will be manageable within their self-insured retention. It is definitely possible, judging by the Weathertight Homes Resolution Service claims received by this Council alone that RiskPool will introduce a like exclusion in the insurance arrangements with their member Councils if not part way through this period then at next renewal.

UNINSURED EXPOSURES

Uninsured exposures are any risks not covered by the classes of insurances identified above. Significant areas where there is no insurance or indemnity and the risks are accepted and retained by Council include: infrastructural assets (eg. water, sewage reticulation systems, traffic lights, roads, bridges, flood protection schemes etc.), statutory liability in respect of breaches of legislation, computer breakdown (the equipment is under warranty or maintenance contract, while assets themselves are insured on the material damage schedule), and employment disputes.

Council-Controlled Organisations

'The Insured' for public liability/professional indemnity, material damage and fidelity guarantee cover purposes, includes Waitakere Properties Limited and Waitakere City Holdings Limited.

With the introduction of the new Local Government Act 2002 effective from July 2003 prohibiting Councils from indemnifying directors of council-controlled organisations (CCO) for any liability arising from the director's acts or omissions in relation to the council-controlled organisations, Waitakere City Holdings Ltd has arranged its own Directors & Officers Liability insurance (\$5m limit of indemnity, \$10,000.00 (company) excess) to cover its directors and officers for any such liability previously dealt with by way of direct indemnities from the Council. Waitakere Properties Ltd is considering this class of insurance for its directors and officers to fill the breach created by the Act.

Waitakere Enterprise Trust Board of Enterprise Waitakere has its own combined Public Liability/Professional Indemnity insurance with a \$1m limit of indemnity and \$5,000.00 deductible, Fidelity Guarantee as well as property (Material Damage) insurances. Their broker, Penney McMurtrie & Associates, is arranging Trustees Liability insurance to cover the trust board members liability in their capacity as trustees.

RECOMMENDATION

That the information be received.

Report prepared by: Magdalene Conceicao, Executive Officer (Legal).



11 THE FIRST QUARTER FINANCIAL REVIEW

PURPOSE OF THE REPORT

The purpose of this report is to inform the Finance and Operational Performance Committee of the results of the first quarter review of revenue and expenditure.

BACKGROUND

Comprehensive quarterly reviews of forecasted revenue/expenditure are carried out with any issues reported through to this Committee at the first opportune time. The intended timings of these reviews are the quarters ending 30 September 2003 (current review), 31 December 2003 and 31 March 2004. The timings of the December and March reviews may vary to fit in with the draft and final 2004/2005 Annual Planning process.

STRATEGIC CONTEXT

Although this report, in itself, has no strategic context, issues raised in respect of over or under expenditure in projects or programmes, including over or under expenditure as a whole, may give rise to the amendment of work programmes to enable Council to proceed with a balanced budget.

ISSUES

The First Quarter Review

A23

This report should be read in context with the Financial Summary and Unit Variance Schedules attached at page A23.

Overall there is a forecast rates funded deficit at year end of \$543,300 mainly as a result of the expected \$1.1 million over run at the Aquatic Centre, an issue which has been previously reported through to Council.

Other variances include:

- A \$100,000.00 deficit in dog registration revenue as a result of a declining trend which may be attributable to recent high profile issues and resultant emerging legislation;
- A \$165,000.00 shortfall in Testing Station revenue due to competition from an increase in the number of service providers.

Mitigating factors include:

- A \$75,000.00 increase in Refuse Bag sales revenue plus;
- A one-off \$190,000.00 Refuse Bag revenue windfall due to change in supplier billing cycle;
- Extra developer contributions of approximately \$345,000.00 in respect of Storm Water and Waste Water operations.

Management will be closely monitoring expenditure to bring the budget into line and further progress in this respect will be brought forward in the Half Yearly Review scheduled for presentation to this Committee during the 2004/2005 draft Annual Plan process in February of next year. It is likely that interest savings from deferred capital works will offset the deficit. The Half Yearly Review will provide more certainty.

Capital Expenditure

A24 At this stage the reports indicate a saving in capital expenditure of \$1.3 million (see analysis attached at page A24). The only capital project forecast to go over budget to any significant extent is unscheduled repairs work being carried out on the pool at the Aquatic Centre. A further \$150,000.00 may be required for this project.

Carry Forward Projects

A25-A27 At this stage projects to the value of approximately \$14.6 million have been identified to be carried forward (see detail attached at pages A25 to A27). Of this \$6.5 million relates to Hobsonville Airbase roading and Northern region growth projects, \$3.3 million relates to the New Lynn Library project and \$1.2 million to the Glen Eden Library project. The design contract has been let for the New Lynn Library with construction due to start in the next financial year. Construction of the Glen Eden library is due to commence this year with completion early the following year. It is likely that, when the full extent of carry forward capital expenditure is known, there will be significant savings in interest.

Extra Project Additions During the Year

A28-A36 Attached at pages A28 to A36 are a list of additions to projects, or extra projects which are a result of Council decisions, a direction given to officers at Council meetings or where directives such as legislation, dictate a course of action. Estimated budgets and staff resourcing (hours) have been included in the schedules. If commenced these will put further pressure on Council staff involved and, if no alternative source of funding is found, it will put upward pressure on the forecast deficit reported.

CONCLUSION

Due to the operational issues encountered at the Aquatic Centre an overall rates funded deficit of \$543,3000.00, before allowance for interest savings, has been forecast at year end. Some savings have already been identified within the Capital Works programme with the only significant adverse issue relating to the Aquatic Centre (leak in the main pool). A significant amount of carry forward projects have also been identified. The figure is likely to grow as other significant projects, such as strategic land purchases, are extended out into the future and will result in significant savings in interest. The next quarterly review (the Half Yearly Review) will be presented during the 2004/2005 Draft Annual Plan meetings.

RECOMMENDATIONS

1. That the information be received.
2. That the extra projects requested by Council be looked at in the context of the Half Yearly review and any extra funding available.

Report prepared by: Alec Third, Group Manager: Financial Operations.



PART V - GENERAL

12 GOLF ROAD/PORTAGE ROAD – PROPOSED ROUNDABOUT

PURPOSE OF THE REPORT

The purpose of this report is to seek approval for a reallocation of the non-subsidised Network Improvements Budget 2003/2004 among the projects covered by this budget to secure \$124,710 for the Golf Road/Portage Road roundabout project.

BACKGROUND

This intersection is now a “T” junction with a Give Way control on Golf Road. Its high accident rate and peak period delays have necessitated the need for improvements. To redress the operational deficiencies the Council and Transfund approved a single lane roundabout as a solution.

This project was planned for construction in 2002/2003. However the project could not be completed in 2002/2003, for the following reasons:

- Negotiations for land acquisitions from the Titirangi Golf Club;
- the project required relocation of a Watercare bulk watermain and this work could not be carried out by Watercare until November 2003; and
- due to the above, the cost of the project was greater than originally approved by Transfund and additional funding approval was required.

Accordingly, it was considered at the time that the draft 2003/2004 Annual Plan was being developed, that the project would not go ahead until 2004/2005 and therefore funding was not provided in the 2003/2004 Annual Plan.

STRATEGIC CONTEXT

The Waitakere City Council’s ‘Integrated Transport and Communication’ platform provides the strategic context for this report. The vision is for public transport and communications systems that provide fast, effective services, and for city travel facilitated by integrated, environmentally responsible, and innovative design, with a focus on meeting the essential needs of all, for access, communication, and safety.

ISSUES

The key issue is the need to obtain approval for funding for the project as set out below, with Council’s share of the cost to complete the project is as follows:

Item	Required Budget
Physical works	\$85,503
Relocation of services	\$23,400
Contingency	\$8,527
Land Purchase	\$5,200
Professional Services	\$2,080
Total	\$124,710

Transfund has already approved (November 2003) its normal share of the cost (48%), \$115,117.

The detailed design, contract documentation, and relocation of some of the utility services, are complete and paid for from the 2002/2003 Subsidised Network Improvements budget. A request for tenders was advertised in October 2003 and the tender period has closed. The tenders have been evaluated and will be presented to the Tenders Subcommittee in January 2004, subject to the Finance and Operational Performance Committee's approval of the recommendations of this report.

RESOURCES

A review of the funding requirements has been made for all projects covered by the Non-subsidised Network Improvement Budget 2003/2004.

The shortfall of \$124,710 to complete the Portage Road/Golf Road roundabout, Council's share, can be made up from minor feasible reductions in the budgets for some of the other projects. No change to the approved bottom line is required.

CONCLUSION

There is a shortfall of \$124,710 to complete the Golf Road/Portage Road roundabout project in 2003/2004. This can be provided through a minor reallocation of funds within the Non-Subsidised Network Improvements Budget with no change to the approved bottom line.

The required budget reallocations are summarised as follows:

Budget Description (from Annual Budget line item)	Account Code	Budget	Allocation to This Project
Contribution to Sub-dividers	75-9814-30680	\$350,000	\$50,000
Street Lighting Main Street Development	75-9814-30580	\$210,000	\$10,000
Facilities for the Disabled	75-9814-30640	\$10,000	\$3,000
Parking Areas	75-9814-24710	\$140,000	\$15,000
New Lynn Transport Design	75-9814-45910	\$260,000	\$20,000
Central Park Drive Extension	75-9814-47670	\$300,000	\$15,000
Forward Design Capital Expenditure	75-9814-45900	\$100,000	\$12,000
Total			\$125,000

There are no consequences to the reallocation from the above budgets and the programmed works will be completed within the remaining budgets. Otherwise, arrangements are complete for construction of the roundabout in 2003/2004.

RECOMMENDATIONS

1. That the information be received.
2. That approval been given for a re-distribution of the Non-Subsidised Network Improvements Budget 2003/2004 to secure \$124,710 representing Council's share of the budget required for the Golf Road/Portage Road roundabout construction.
3. That the Director: City Services be authorised to offset the amount of funding for the Golf Road/Portage Road roundabout construction by adjusting the Roding Network Improvement Programme.

Report prepared by: Hussam Abdul-Rassol, Transport Assets Engineer.



13 LOPDELL HOUSE AND CORBAN ESTATE ART CENTRES – ANNUAL REPORTS

PURPOSE OF THE REPORT

This report gives a brief overview of the operation and performance of the city's two main arts centres for the period July 2002 to June 2003 and attaches the director's report from each institution. The full documents will be placed in the Councillors lounge for further examination.

BACKGROUND

Waitakere City now has two main hubs of arts and cultural activity; the Lopdell House Gallery, which has a history of nearly 20 years of arts activity and the Corban Estate Arts Centre, which is now into its second year of activity.

Both centres deliver complementary services to the city and their geographic location allows for a wider spread of arts access to Waitakere residents. Both centres have this year entered three-year funding contracts with the Council which will allow for greater certainty and security in their forward planning processes.

Lopdell House Gallery maintains a status and reputation as a significant regional gallery complex; its mission statement *'To develop and foster the practice and appreciation of art in Waitakere City with an emphasis on contemporary New Zealand art in all its creative diversity'*. The institution is now on the cusp of a major expansion and refurbishment project which is being developed by the newly established Lopdell House Arts Development Trust. The gallery is managed by the Lopdell House Society.

The Corban Estate Arts Centre is now in its second year of activity. The refurbished homestead now holds three gallery spaces, a retail shop, administrative offices and teaching spaces. Other buildings hold further teaching spaces and artists' studios, which form the genesis of an arts incubator. The exhibition programme reflects a strong community base and a focus on local heritage. The range of buildings and outdoor spaces also provide a venue which is developing a diverse programme of activities. The estate is also home to the new Pacific Islands Arts and Cultural Centre and houses a part of the programme of the Waitakere Central Community Arts Council. This is an arts hub undergoing a rapid and exciting period of development.

A feasibility study to be completed in this financial year will examine the viability of the estate to provide a major performance centre for the city. The Arts Centre is managed by the Waitakere Arts and Cultural Development Trust.

STRATEGIC CONTEXT

Both Lopdell House Gallery and the Corban Estate Arts Centre support the Council's aspiration to provide a rich and diverse cultural life for the residents of the city.

The Arts and Cultural Strategy, adopted by Council in December 2002, identifies these two centres as 'arts precincts' delivering a diverse range of arts and cultural benefits to the city.

ISSUES

- A37-A45 The Lopdell House Gallery report, attached at pages A37 to A45, shows that all Performance Measures have been met or exceeded in the 2002/2003 financial year;
- Of note are the plans for upgrading and refurbishment of the gallery, including a potential expansion of gallery space. This is in response to the limitations placed on the programme by the lack of climate control and security in the galleries, the need to rotate the change of exhibitions without closing the gallery and the potential requirements of the McCahon House Arts Residency Project;
- A46-A70 The Corban Estate Arts Centre report, attached at pages A46 to A70, likewise shows that all Performance Measures have been met or exceeded;
- It is critical that the staff and trust are involved in the overall planning of the Corban Estate in order to ensure that all development is supportive of, and complementary to, the further development of this second arts and cultural hub. Proximity to the developments in the Henderson business district further support this.

RESOURCES

Lopdell House Gallery is funded through Council with a current operating budget of \$225,000 per annum, now confirmed for three years. Corban Estate Arts Centre was funded through Council for 2002/2003 with an operating budget of \$140,000. This has been increased for the 2003/2004 year to \$180,000, confirmed for three years.

Both contracts are managed and reviewed by the Arts Manager in Public Affairs. Liaison is undertaken by all arts staff both informally and formally through a bi-monthly arts network meeting.

CONCLUSION

Waitakere City has two arts and cultural hubs, supported by Council. Each centre has a distinct flavour and serves the community in diverse and appropriate ways. Both centres are undergoing positive change and development and are fully meeting performance targets set by Council.

RECOMMENDATION

That the information be received.

Report prepared by: Naomi McCleary, Manager: Arts.



14 **WESTGATE DRIVE LOADING ZONE FOR BULK WATER CARRIERS**

PURPOSE OF THE REPORT

The purpose of this report is to seek approval from the Finance and Operational Performance Committee to fund construction of a 40 metre recessed parking bay in Westgate Drive associated with the relocation of a loading zone for bulk water carriers, as this project was not included in the 2003/2004 Annual Plan.

BACKGROUND

There are several water carrier firms who collect water from the Waitakere City Council water supply network at Westgate and deliver water to Waitakere City and Rodney District Council rural residents and businesses. A significant volume of water is delivered by these carriers, and the provision of a bulk filling station which records the amount of water taken by individual carriers is an important function associated with the water supply system. The regular use of a hydrant for filling purposes is not permitted, and hence the bulk filling station provides a very important role in providing for these carriers.

At the November 1994 meeting of the Massey Community Board, the Massey Community Board approved the establishment of a 40 metre long loading zone in Westgate Drive for the use of bulk water carriers.

A71 This location for the bulk filling point (as shown on the attachment at page A71) was chosen for several reasons:

- The water supply reticulation can provide a high flow rate with minimal impact on water supply pressures in the area;
- There is a good roading network for tanker truck movements to and from the loading point in Westgate Drive;
- The loading zone is adjacent to a passive recreation reserve and does not impact on local residents or businesses (a restriction on operating hours is in place).

When the site was chosen in 1994 the zoning of the land adjacent was in the process of being confirmed as passive recreation reserve. This zoning was confirmed, however, a block of land at the eastern end of the loading zone was subsequently approved for commercial development. The 40 metre loading zone overlaps the frontage of this block of land by approximately 12 metres.

A71 Building on this block of land has now commenced and it has become necessary to relocate the loading zone 25 metres further along Westgate Drive in order to provide clear access for this new development. The attachment at page A71 shows the current and proposed location of the loading zone.

The proposed location of the loading zone is between 110 and 150 metres west of the Fernhill Drive intersection on the southern side of Westgate Drive. A 40 metre long loading zone is required in order to accommodate several water carriers, which can arrive at the filling point at one time.

The matter was reported to the 5 November 2003 meeting of the Massey Community Board, which resolved as follows:

- “1. That the report on the Westgate Loading Zone for Bulk Water Carriers be received.
2. That in relation to Westgate Drive, Massey:
 - (a) That all existing parking restrictions or limitations (affected, or superseded, or replaced by this resolution) applicable to Westgate Drive imposed by any prior resolution (including resolution of any former authority) cease to have any force and effect as from the date of this determination provided however that any current enforcement action by way of prosecution arising from, or infringement notice issued in relation to, any non-compliance with or breach of any such parking restriction or limitation be authorised to be concluded in the normal manner.
 - (b) That, in accordance with the powers conferred by virtue of the Local Government Act 1974, the Transport Act 1962 and the Waitakere City Council Bylaw No 7, 1991 - Traffic, the following parking limitations and restrictions be now resolved to be specified and imposed namely:
 - On the southern kerb line of Westgate Drive from a start point 110 metres west of the centreline of the Fernhill Drive intersection to an end point 40 metres further west, a “Loading Zone” parking control be put in place.
 - That the appropriate signage and/or marking, in accordance with the Traffic Regulations 1976, be hereby approved to be put in place to properly establish, delineate and record the said parking limitations and restrictions.
3. That the new bulk water carriers loading zone to be constructed in Westgate Drive, Massey be located within a recessed parking bay.
4. That as the new bulk water carriers loading bay project is not included in the 2003/2004 Annual Plan, the Finance and Operational Performance Committee be requested to approve the use of funds generated from the sale of water to water carriers, to fund the construction of the recessed parking bay.”

4072/2003

STRATEGIC CONTEXT

The Council’s strategic platform for the three waters is that Waitakere is a centre of innovative water management. Some of the success measures that contribute to this platform are as follows:

- Average domestic water use per person in the city is reduced to 160 litres or less per person per day;
- An ‘A’ grade of water supply is maintained, including compliance with the 2000 NZ Drinking Water Standards;
- 60% or more of residents are aware of actions they might take to conserve water or protect water quality in streams.

Controlling the provision of water carrier services contributes to reducing water use as set out in the strategic objectives.

ISSUES

The key issue is that the work needs to be carried out as a priority but has not been included in the 2003/2004 Annual Plan.

The proposed relocation of the loading zone as outlined above has been agreed with Transport Assets staff and the main water carriers. The residents in Cinnabar Place closest to the filling point have also been notified, and no comments have been received.

RESOURCES

Funding for this project was not provided for in the 2003/2004 Annual Plan, however the income from water carriers will generate sufficient funding for this project to proceed without any impact on the water account. The cost of the project is \$26,000.

The work can be carried out with existing staff resources, subject to approval of funding as set out above.

CONCLUSION

Due to development of commercial property at Westgate Drive, it is necessary to relocate the filling point for bulk water carriers to a new location that has been approved by the Massey Community Board.

Accordingly, it is recommended that approval be granted to proceed with this project immediately.

RECOMMENDATIONS

1. That the information be received.
2. That authority be given to construct a 40 metre long recessed parking bay for the bulk water filling station in Westgate Drive, with funding income generated from the sale of water from the bulk filling station.

Report prepared by: Richard Taylor, Assets and Network Manager.



15 **GLEN EDEN LIBRARY - VALUE MANAGEMENT PROCESS**

PURPOSE OF THE REPORT

The purpose of this report is to update the Finance and Operational Performance Committee on the value management process that has been carried out for Glen Eden library, and to seek endorsement of the recommendations from the value management working party. It is intended that these recommendations can be forwarded to the Tenders Subcommittee for approval.

BACKGROUND

Following receipt of tenders for Contract SP02501D - Glen Eden Library Construction, which were significantly in excess of the available budget, the Tenders Subcommittee passed the following resolutions at their meeting on Friday, 16 October 2003:

- “ *That authority be given to the Director: City Services to enter into negotiations with Hawkins Construction Limited for Contract No. SP02501D Glen Eden Library Construction, to reduce the lump sum tender amount of \$3,127,000.00 excluding GST to a revised amount to be established through the negotiation process with the aim of achieving the targeted savings of \$488,600.00 excluding GST.*
- *That a report be brought back to the Finance and Operational Performance Committee outlining that options available for reduction in cost of the project, and potential budget sources for any cost escalation over the approved budget.*
- *That the outcome from the tender negotiation process, including any recommendations from Finance and Operational Performance Committee and the results of the credit check be reported to Tenders Subcommittee for approval to award the contract.*

3013/2003

ISSUES

Project Funding

The available budget for the Glen Eden Library construction contract is \$2,538,400.00 (inc contingency of \$200,000.00). The original tender from Hawkins Construction Ltd. was \$3,127,000.00 plus contingency of \$200,000.00, totalling \$3,327,000.00. The shortfall between the budget and the tendered job cost amounts to \$788,600.00. Approximately \$265,000.00 of this shortfall is attributable to escalation (see below for details). The balance of \$523,600.00 is the targeted amount for the value management process.

Note: This balance of \$523,600.00 differs from the targeted savings figure contained within the recommendations from the Tenders Subcommittee as the escalation was initially estimated at \$300,000.00 over the whole project budget, however further calculations have resulted in an escalation figure of \$265,000.00 for the construction contract only.

Escalation

One of the reasons that the tender sum was in excess of the available budget is due to the current buoyant state of the construction market in NZ and the increased level of escalation that has been experienced since the budgets were set in January 2002. An escalation rate of 3% was allowed for in the original budgets, however, the actual rate that has been experienced in the Auckland region is in the order of 7-8%.

Therefore approximately \$265,000.00 of the \$788,600.00 shortfall is attributable to escalation that was not allowed or foreseen when the budgets were set.

The initial approach taken therefore, was to recommend that Council allocate additional funding to meet escalation of \$265,000.00 and that the balance of \$523,600.00 be targeted in the value management process. If the value management process achieved this figure, then efforts would be turned toward the escalation component.

Value Management Process

Following receipt of tenders for Contract SP02501D – Glen Eden Library Construction a value management process has been undertaken with the aim of identifying possible cost savings of \$523,600.00. The initial targeted savings related to the contractual mechanism and the schedule of quantities, as outlined below.

Lump Sum Contract

The tender documents for the library construction contract were based on a lump sum contract. Whilst lump sum contracts generally reduce the risk to Council of budgetary overruns during construction, this type of contract can cost more than a measure and value contract as the risks are passed on to the contractor. Contractors pricing lump sum contracts generally include a significant cost in their tendered sum to cover their own risk.

For the Glen Eden contract, negotiations have been carried out with the preferred contractor in order to make the schedule of quantities a contract document and reduce the risk to the contractor. The contractor has revised their tender sum to \$2,912,929.00 as a result.

In order to minimise the risk to Council of entering into this type of contract, the quantity surveyor for the project, Rawlinsons Ltd, have reviewed the drawings and schedule of prices to increase confidence in the accuracy of the documentation.

The cost saving to Council of including the schedule of quantities as a contract document is \$214,071.00.

Value Management Workshop

Due to the complexity involved in thoroughly considering the options available for cost reduction and the importance of awarding the contract prior to Christmas, a working party comprising of Councillors Clews, Lawley, Presland and Stone, the selected contractor, architect, quantity surveyor and council officers was formed to consider the cost saving options and provide recommendations to the Finance and Operational Performance Committee.

The target cost saving for the group to work towards was the initial cost saving figure of \$523,600.00, less the savings made due to including the schedule of quantities as a contract document of \$214,071.00, amounting to a target figure of \$309,529.00.

The cost saving items identified were grouped under the following headings:

Option 1 - Natural Ventilation

Under this option, all the items associated with ventilation, which could be redesigned or deleted without compromising the natural ventilation design of the library, were identified and valued.

Option 2 - Mechanically Assisted Natural Ventilation

Under this option, the ventilation system considered for the library was a mechanically assisted natural ventilation system. All the items that could be redesigned or deleted without compromising this type of ventilation system were identified and valued.

Option 3 - Air Conditioned

Under this option, a full air conditioning system was considered. All the items that could be redesigned or deleted without compromising this type of ventilation system were identified and valued.

Miscellaneous

Under this heading, all the items that could be redesigned or deleted without impacting on the ventilation system in any way, were identified. These 'miscellaneous' savings could therefore be made in conjunction with either of the three ventilation options outlined above.

The 'miscellaneous' savings were grouped under sub headings, including Environmentally Sensitive Design, Joinery, Structure, Materials & Finish, Amenity, Landscape, Services and Air Conditioning. In looking at savings in the Environmentally Sensitive Design area, the team was careful not to suggest design changes that would undermine the Council's sustainability objectives for the building.

A72-A77 A table outlining the items above is included in the attachments at pages A72 to A77.

The total cost savings that were identified for each option are summarised in the table below:

OPTION	TOTAL COST SAVING
Option 1 - Natural Ventilation & Miscellaneous Savings	\$190,000.00 - \$200,000.00
Option 2 - Mechanically Assisted Natural Ventilation & Miscellaneous Savings	\$260,000.00 - \$270,000.00 + \$6,500.00 per annum operating costs * (\$130,000.00 over 20 years)
Option 3 - Air Conditioned & Miscellaneous Savings	\$290,000.00 - \$300,000.00 + \$10,000.00 per annum operating costs * (\$200,000.00 over 20 years)

*NOTE: The operating costs outlined in the table above are not the total operating costs for each option but are the estimated operating costs over and above the operating costs of Option 1.

The recommendation from the Working Group was to implement 'Option 1 - Natural Ventilation and Miscellaneous savings', which would deliver a total cost saving of approximately \$190,000.00 - \$200,000.00. This is less than the target figure of \$309,529.00. However, Option 1 is most consistent with Council's strategic direction and specifically Council's Better Building Code, which was adopted as the minimum standard for Council's new buildings in 2000. The Working Group was adamant that it did not want to significantly compromise the sustainable design of the building. Whilst Option 1 delivers the least capital cost saving of the three options, the reduced operating costs through savings on energy and maintenance over a 20 year period result in it being the cheapest option in terms of lifecycle costs.

It will also result in lower environmental impacts, mainly as a result of reduced greenhouse gas emissions. Another significant advantage of Option 1 is likely to be in the comfort of the facility users and staff, which has also been linked in some research to gains in workplace productivity.

Other cost saving options

Various other cost saving options were discussed, including:

- **Reducing the size of the library** - This would involve a reduction in the scope and scale of the library brief to reduce the building to fit within the available budget. This was determined by the working party to be unacceptable as it would not be consistent with the commitments made to the Glen Eden community regarding the library. It is also an action that would require a resolution of the Committee and, whilst it would result in the savings required, the programme would be significantly delayed due to the significant re-design work required;
- **Excluding the CAB from the library** - Removing the area required for the CAB from the library would result in a capital cost saving, however there would be extensive re-design work involved to modify the library and the project timeline would be significantly affected. Also, there would be lease costs incurred for the CAB to be located elsewhere and the annual lease costs would exceed the capital cost saving (of approximately \$110,000.00) within 7-8 years. For these reasons this option was also determined by the working party to be unacceptable.

RESOURCES

Job Cost

Original tender (inc. contingency of \$200,000.00)	\$3,327,000.00
Revised tender (inc contingency & SOQ as contract doc)	\$3,112,929.00
Final Estimated tender (inc contingency, SOQ as contract doc and 'Option 1' cost savings of approx. \$190,000.00)	\$2,922,929.00
Current available budget for construction (inc. contingency of \$200,000.00)	\$2,538,400.00
Budget shortfall (including escalation component of \$265,000.00)	\$384,529.00

The above table outlines that the current shortfall in budget is approximately \$384,529.00 (Note: at the time of writing the report the final tender amount, including the 'Option 1' cost savings, had not been confirmed by the contractor so this figure is an estimated value. The confirmed tender amount will be reported to tenders subcommittee on 12 December 2003).

Alternative Source of Funding

There are two main options for alternative sources of funding for the library project. One is increasing the amount of loan funded capital expenditure over and above that shown in the Annual Plan. The other is to reallocate funding from other projects included in the Annual Plan.

The 2003/2004 Annual Plan contains a capital expenditure budget of \$519,000.00 for the Automated Library Systems Project (ALS). This project was linked to the Radio Frequency Identification Project (RFID), which has been deferred pending the development of a full business case for consideration as part of the next Long Term Council Community Plan process.

Staff have reviewed the Automated Library Systems Project and identified that the project should not be progressed in isolation of the Radio Frequency Identification Project. Therefore some of the Automated Library Systems Project budget could be reallocated to the Glen Eden Library project to fund the shortfall outlined above, with the rest being surrendered as savings.

Another suggestion was to utilise any surplus funds over returns forecast from the sale of the site at the corner of West Coast Road and Glendale Road. At the time of writing the report, it did not appear that there was any surplus over forecast.

CONCLUSION

The shortfall between the Glen Eden library construction budget and the tendered job cost amounts to \$788,600.00. Approximately \$265,000.00 of this shortfall is attributable to escalation and a value management process has been undertaken with the aim of identifying possible cost savings to reduce the remaining balance of \$523,600.00.

A72-A77

The cost saving to Council of including the schedule of quantities as a contract document is \$214,071.00 and a further cost saving of approximately \$190,000.00 is possible by implementing the 'Option 1 - Natural Ventilation & Miscellaneous Savings' identified in the table attached at pages A72 to A77. Of the three options considered, 'Option 1' is the most consistent with Council's strategic direction and the Better Building Code, will be the cheapest option in terms of lifecycle costs and will result in lower environmental impacts.

Assuming that 'Option 1' is implemented, then the budget shortfall, including the escalation component, is estimated to be \$384,529.00. In order to fund this shortfall, an alternative funding source has been identified.

RECOMMENDATIONS

1. That the information be received.
2. That the Schedule of Prices be included in the Glen Eden Library Construction Contract as a contract document in order to realise a cost saving to Council of \$214,071.00.
3. That the recommendation of the Value Management Working Group to implement 'Option 1 - Natural Ventilation and Miscellaneous savings', which would deliver a total cost saving of approximately \$190,000.00 - \$200,000.00 to Council, be endorsed and that the Contractor's confirmed tender price, based on this option, be approved.
4. That the budget for the Glen Eden Library Construction be increased to \$2,928,400.00 (inc. contingency of \$200,000.00).
5. That the Tenders Subcommittee be authorised to proceed with the tender from Hawkins Construction Limited on the basis of 2, 3 and 4 above.
6. That additional funding of approximately \$390,000.00 be reallocated from the Automated Library Systems budget to fund the shortfall in the Glen Eden Library construction budget, with the remainder of the Automated Library Systems budget to be surrendered as a saving.

Report prepared by: Peter Sewell, Special Projects Engineer.



16 **AUCKLAND WAR MEMORIAL MUSEUM AND MUSEUM OF TRANSPORT & TECHNOLOGY PROPOSED 2004/2005 LEVY**

PURPOSE OF THE REPORT

The purpose of this report is to inform the Finance and Operational Performance Committee as to the progress towards the setting of the Auckland War Memorial Museum and Museum of Transport & Technology levies for 2004/2005.

BACKGROUND

A78-A80 There was a meeting of the Territorial Local Authority (TLA) Electoral College Auckland War Memorial Museum and MOTAT held on Friday, 21 November 2003 to discuss the draft annual plans of the two organisations with specific attention to the level of the proposed levies. The minutes from that meeting are attached at pages A78 to A80.

The levies required to fund their respective operations are allocated, through legislation, across the Auckland Territorial Local Authorities. Waitakere City Council is levied approximately 10% of the total, a split which is based on the rating capital value contained within each Territorial Local Authority. The levy finally arrived on must be agreed on by both the Board of the Respective Museum and the Electoral College. Council has two representatives on the Electoral College, Councillors Neeson and Russell.

STRATEGIC CONTEXT

Statute provides for mandatory funding from Territorial Local Authorities to the Auckland War Memorial Museum and MOTAT. Both of these facilities contribute to the preservation of cultural and heritage history on a regional basis.

ISSUES

The 2004/2005 MOTAT Draft Annual Plan was approved for consultation by the Electoral College with a proposed levy of \$4,400,000.00. This represents an increase on the 2003/2004 levy of \$878,000.00 (25% increase). The proposed levy is \$300,000.00 below that originally signalled in the 2003/2004 Annual Plan for the 2004/2005 year however the reduction is achieved by deferring programmes out to future years. The proposed levy will result in an approximate increase of \$90,000.00 to Councils share of the levy. MOTATs levy is forecast to increase from \$2,650,000.00 in 2002/2003 to \$5,250,000.00 in 2006/2007 where it appears to flatten out. It is generally recognised by the Electoral College that this level of funding increase is required to transform MOTAT into a viable museum facility.

The Electoral College, in February of this year, passed a resolution signalling that the starting point for future funding levels be the rate of depreciation plus inflation. The Electoral College, Territorial Local Authority officer groups and the Chief Executives Forum have, over the past months, been discussing various options (levels of levy funding) proposed by the Board of the Auckland War Memorial Museum. All groups, excluding the Museum Board, have indicated strong support for the Electoral Colleges original resolution. The proposal tabled by the Museum Board at the meeting was approximately \$500,000.00 above this. After discussion a motion to restrict the level of levy increase to "depreciation plus 2% of the balance of operating expenditure" (total levy, \$14,375,000.00) was passed.

The approximate impact on the Waitakere City's share of the proposed levy is as follows:

- As tabled by the Museum Board - Proposed levy increase to Waitakere City Council \$91,000.00 (6.4%);
- As resolved by the Electoral College – Proposed levy increase to Waitakere City Council \$14,700.00 (1.0%).

The Museum Board has yet to respond to this level of funding approved by the Electoral College. If the Museum Board do not consider the funding adequate, and if subsequent negotiations are unsuccessful, the matter is settled by arbitration as required by legislation.

CONCLUSION

The Electoral college has resolved to accept the level of funding requested by MOTAT and to approve their Draft 2004/2005 Annual Plan for release.

The level of funding approved is \$4,400,000.00 up from \$3,522,000.00.

The Electoral College has also resolved to limit the level of levy in respect of the Auckland War Memorial Museum to \$14,375,000.00 which is based on the formula "depreciation plus a 2% increase on the balance of the operating costs". The Board of the War Memorial Museum has yet to respond to this directive.

RECOMMENDATIONS

1. That the information be received.
2. That the Finance and Operational Performance Committee endorse the resolutions passed by the Electoral College in respect of the 2004/2005 proposed levy funding levels of the two Museums, those proposed levies being as follows:
 - the Auckland War Memorial Museum \$14,375,000.00;
 - the Museum of Transport & Technology \$4,400,000.00.
3. That the formula "depreciation plus balance of operating costs + inflation" be endorsed as the cap for future years levy funding in respect of the Auckland War Memorial Museum unless otherwise resolved by Finance and Operational Performance Committee.

Report prepared by: Alec Third, Group Manager: Financial Operations.



17 **APPLICATION FOR FUNDING OF EARTHSONG CENTRE**

PURPOSE OF THE REPORT

The purpose of the report is to consider an application from Earthsong Eco-Neighbourhood (Earthsong) for an interest free loan of \$300,000.00 for the construction of an Earthsong Centre (common house) at 457 Swanson Road, Ranui.

BACKGROUND

Earthsong Eco-Neighbourhood chose to locate in Waitakere City specifically because of the Council's Eco City policies. Earthsong's relationship with the Council has been developing since 1992. Over the past year or so, Council's representative and senior Council officers have been meeting with Earthsong representatives to discuss issues related to the relationship between Earthsong and Council.

Over the past few years the level of interest in Earthsong from Council staff has escalated, resulting in an increase in the number of requests to visit the site and to show case Earthsong as an example of sustainable development. Earthsong residents have been more than willing to share their experience and their homes as a contribution to the City's Eco City vision. One of the many examples of the extent of this co-operation is Earthsong's agreement to allow 300 Council staff to visit the site as part of the Eco City Experience in April 2003.

A81-A89 A Memorandum of Understanding between Earthsong Eco-Neighbourhood and Waitakere City Council attached at pages A81 to A89 was ratified by the Environmental Management Committee on 8 July 2003 and formally signed by the Chief Executive on 26 July 2003.

The Memorandum provides for regular formal meetings between Earthsong and the Council to share information on progress and strategic priorities, to negotiate terms of access to the Earthsong site, and to develop contracts to meet Annual Plan requirements. Any budget required will be subject to standard Annual Plan processes.

A Councillor was appointed to meet with Earthsong on a quarterly basis and Council officers meet regularly with Earthsong representatives to liaise on work programmes, research projects, contracts and matters arising.

STRATEGIC CONTEXT

The Council's Strategic Plan sets the City's direction for sustainable management through to 2013. Earthsong's vision to establish a cohousing neighbourhood based on the principles of permaculture that will serve as a model of a socially and environmentally sustainable community aligns with all nine of the Council's strategic platforms underpinning the City's direction.

Earthsong's vision aligns particularly well with the Council's Three Waters objective to demonstrate innovative water management, and its Zero Waste, Sustainable Energy and Clean Air, Strong Communities and Active Democracy platforms.

APPLICATION FOR INTEREST FREE LOAN

Overview

A90-A105 The application from Earthsong for an interest free loan of \$300,000.00 is attached at pages A90 to A105. Earthsong are planning on building a Community Centre at an estimated cost of \$748,000.00.

The Centre will be located within their sustainable development site, which presently has 17 rammed earth and timber terraced houses and apartments with extensive common facilities. Further developments include another 15 houses to be constructed during 2004/2005. Proceeds from the sale of those houses are expected to fund the construction of the Centre.

The Centre is planned to be run by a separate legal entity with Charitable Trust status. The Centre is expected to provide:

- A meeting place and common facilities for Earthsong residents;
- A venue that will embody the principles of social, environmental and economic sustainability;
- A venue for small high level specialised conferences on a wide range of sustainability issues for businesses, local bodies, government departments, international visitors and community groups;
- A facility for arts, music and literature functions.

The Council's Community Assistance Policy allows for loans and guarantees to be considered for organisations where there is strong community benefit. The Council's Liability Management and Investment Policy provides the necessary statutory mechanism for the Council to authorise loans and guarantees under the Local Government Act 2002.

Memorandum of Understanding

The provision of any financial assistance should be considered in context of the Memorandum of Understanding. The purpose of the Memorandum of Understanding is to recognise Council's relationship with Earthsong and to set out how the future relationship is to be managed. The outcomes, as stated in the Memorandum of Understanding clause 4.0, are:

"Through its relationship with Earthsong, the Council wants to continue demonstrating today's and future practice for sustainable homes and communities. The Council wants to draw from the Earthsong model to learn how to develop future neighbourhoods that demonstrate low environmental impact, are affordable, where people enjoy living and which have a sense of community.

Earthsong wants to be a recognised provider of services, advice and expertise to further the Council's processes, information and resources."

The Objectives in clause 5.0 include:

- Strengthening the relationship between Earthsong and Council;
- Providing a mechanism for Earthsong and Council to work together to achieve their mutual goals; and
- Developing and implementing mutually agreed work programmes.

The Principles of the Agreement are in clause 6.0 and specifically 6.5 (c) relates to:

6.5 (c) "Support for specific initiatives that the parties agree on and that further the relationship, the needs and aspirations of Earthsong, or are of benefit to the City as a whole; resourcing for such initiatives to be considered by the Council through the Annual Plan process."

Further financial considerations are also provided in that Council will pay for services supplied at Council's written consent and that payment may be in cash/or in kind.

The provision of a loan, whether interest free or at a nominal interest rate, would assist in achieving the outcomes and objectives of the Memorandum of Understanding.

Financial Considerations

Council can provide a loan of \$300,000.00. The interest expense on this loan would be approximately \$20,000.00 per annum. There is no allowance in the current Annual Plan or the Long Term Council Community Plan for interest free loans, as consideration of these requests is on a case-by-case basis and infrequent. The amount and nature of the loan is not considered to be significant in relation to the Council's Significance Policy adopted 30 June 2003. The proceeds from the development of the next stage of the Earthsong complex will provide for the repayment of the loan.

Council has provided loans to external bodies in the past where their activities have helped meet Council goals. For instance, the Council loaned (and still loans) money to Te Whanau O Waipareira Trust for the land adjacent to Hoani Waititi Marae which was purchased to be used for a Wananga. However, Council charged interest on this loan, albeit at a lower rate than the Trust could have obtained from the market. Granting of an interest-free loan would differ from the approach taken to assisting the Wananga Project.

Security of Loan

Earthsong has advised that the Centre is to be built on common ground owned by the Body Corporate under the Unit Titles Act, and the common property cannot be mortgaged to secure any loans. The application makes reference to suitable personal guarantees or the possibility of mortgage security over Earthsong properties being provided.

It is considered financially prudent that if a loan is to be provided there is adequate securable assets provided to ensure the loan can be repaid.

Term of Loan

The application is not term specific but the intention of Earthsong is to repay the loan in two instalments of \$150,000.00 in December 2006 and December 2008 respectively. Based on this scenario, an interest free loan over this period would incur an approximate total interest cost to Council of \$80,000.00. This would incur rates funding.

CONCLUSION

Earthsong, by way of their Memorandum of Understanding with Waitakere City Council, are provided with a number of avenues for gaining some financial advantage, including direct payment for services supplied and in-kind payment by way of the use of Council resources and services.

The provision of an interest free loan will greatly assist in the development of a facility that will provide community benefit and will enhance further knowledge of practical sustainable development principles and practices. However, provision of a loan on an interest-free basis would differ from recent past Council practice.

RECOMMENDATIONS

1. That the information be received.
2. That the Finance and Operational Performance Committee determine whether it wishes to recommend to Council to provide a loan to Earthsong Eco-Neighbourhood and on what basis.
3. That it be recommended to Council that a loan of \$300,000.00 for five years to Earthsong Eco-Neighbourhood or an appropriate legal entity to develop the Earthsong Centre be granted on terms and conditions to be specified by the Finance and Operational Performance Committee, subject to:
 - satisfaction as to community access to the Centre by the Chief Executive;
 - appropriate security being provided to Council by the borrower to ensure full repayment of the loan can be achieved; and
 - loan documentation being prepared and executed to the satisfaction of the Director: Civic and Corporate Services and Manager: Legal Services.
4. That the Finance and Operational Performance Committee be advised of the progress of the development of the Earthsong Centre and loan related matters at six monthly intervals.

Report prepared by: Andrew Pollock, Director: Finance.



PART VI - SUBCOMMITTEE REPORTS

18 COMMUNITY SPORT FUND ALLOCATION SUBCOMMITTEE

THE SUBCOMMITTEE SUBMITS THE FOLLOWING REPORT OF ITS ORDINARY MEETING HELD ON THURSDAY, 22 MAY 2003 AND ITS RECONVENED MEETING HELD ON THURSDAY, 13 NOVEMBER 2003

1. OPTIONS FOR THE USE OF THE COMMUNITY SPORT FUND MONEY

Your Subcommittee Recommends:

1. That \$800,000 of the remaining Community Sport Fund money be used to provide strategic loans funding to community clubs and organisations for sporting purposes and be given out in accordance with the criteria which is to be developed.
2. That the remaining Community Sport Fund money, after loans funding, including the interest earned, be used to fund Club Development projects and be given out in accordance with the criteria which is to be developed.
3. That a set of criteria be developed to allow Council to make decisions on what Club Development projects and strategic loan funding will be given priority, and that this criteria focus on the long-term strategic improvement for the sport or physical recreation aspect of a club or organisation in Waitakere City.
4. That \$20,000 be allocated from the Community Sport Fund to the club audit project managed by Sport Waitakere.
5. That an additional allocation of up to \$22,000 from the Community Sport Fund be provided to the club audit project managed by Sport Waitakere, subject to an assessment of the progress results and costs to date of the initial club audits by 31 May 2004.

2. OTHER MATTERS CONSIDERED

A106-A108

The Subcommittee dealt with a number of items for which it has delegated powers to act and a copy of the minutes of the meeting is attached at pages A106 to A108.

The Subcommittee Recommends:

That the Ordinary Meeting report of the Community Sport Fund Allocation Subcommittee held on Thursday, 22 May 2003 and its reconvened meeting held on Thursday, 13 November 2003 be received.

BA Brady, JP
CHAIRPERSON



19 **TENDERS SUBCOMMITTEE**

THE SUBCOMMITTEE SUBMITS THE FOLLOWING REPORT OF ITS ORDINARY MEETING HELD ON FRIDAY, 7 NOVEMBER 2003 AND FRIDAY, 21 NOVEMBER 2003.

MATTERS CONSIDERED

A109-A115 The Subcommittee dealt with a number of items for which it has delegated powers to act and a copy of the minutes of the meetings are attached at pages A109 to A115.

The Subcommittee Recommends:

That the Ordinary Meeting reports of the Tenders Subcommittee held on Friday, 7 November 2003 and Friday, 21 November 2003 be received.

JM Clews, QSO, JP
CHAIRPERSON



PART VII - ITEMS TO BE CONSIDERED WITH THE PUBLIC EXCLUDED

- 20 **PROJECT TWIN STREAMS - PURCHASE OF PROPERTIES**
- 21 **LAND ACQUISITION HOBSONVILLE AIRBASE**
- 22 **LAND ACQUISITION HUIA**
- 23 **TECHSCAPE LIMITED - PERFORMANCE AND GOVERNANCE REVIEW TERMS OF REFERENCE**
- 24 **IN-VESSEL COMPOSTING FACILITY - KEY PERFORMANCE INDICATORS (FINANCIAL AND NON-FINANCIAL) 12 MONTHS TO JULY 2003**
- 25 **ROAD DESIGNATION ISSUES – 263 LINCOLN ROAD**

These items will be considered in the Confidential Supplement of the agenda, and have been circulated to members separately with this agenda.

PROCEDURAL MOTION TO EXCLUDE THE PUBLIC

That the public be excluded from the following parts of the proceedings of this meeting, namely Project Twin Streams - Property Purchase, Land Acquisition Hobsonville Airbase, Land Acquisition Huia, Techscape Limited and Governance Review Terms of Reference, In-Vessel Composting Facility - key performance indicators (financial and non-financial) 12 months to July 2003 and Road Designation Issues – 263 Lincoln road.

The general subject of the matters to be considered while the public is excluded, the reason for passing this resolution in relation of the matters, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of the matters to be considered.	Reason for passing this resolution in relation to the matters.	Ground(s) under Section 48(1)(a) for the passing of this resolution.
<ul style="list-style-type: none"> • Project Twin Streams : Property Purchase 	<p>The withholding of information is necessary in order to:</p> <ul style="list-style-type: none"> • protect the privacy of persons, including that of deceased natural persons. • enable the local authority holding the information to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations). 	<p>That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist.</p>
<ul style="list-style-type: none"> • Land Acquisition Hobsonville Airbase • Land Acquisition Huia 	<ul style="list-style-type: none"> • enable the local authority holding the information to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations). 	

<ul style="list-style-type: none"> • Techscape Limited - Performance and Governance Review Terms of Reference • In-Vessel Composting Facility - key performance indicators (financial and non-financial) 12 months to July 2003 	<ul style="list-style-type: none"> • enable the local authority holding the information to carry out, without prejudice or disadvantage commercial activities. 	
<ul style="list-style-type: none"> • Road Designation Issues – 263 Lincoln road 	<ul style="list-style-type: none"> • enable the local authority holding the information to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations). 	

This resolution is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 7(2)(a)(h)(i) of that Act which would be prejudiced by the holding of the relevant part of the proceedings of the meeting in public as follows:

- *The matters will address information which if released would affect the Council's negotiations and commercial activities.*

