

- 
- a) recognising and retaining all existing contracts with North Shore City Council and Waitakere City Council and at the same time growing the business by meeting all the commercial requirements and growth opportunities available from both councils.
  - b) increasing operational efficiency.
  - c) increasing cost effectiveness.
- 2) To increase the rate of return on the shareholders' investment in Techscape by:
    - a) achieving revenue and profitability growth in accordance with the company's annual business plans.
    - b) prudently managing assets and liabilities and adopting a sustainable dividend payment policy that balances the shareholders' expectations in respect of dividend payments with Techscape's capital requirements for asset replacement, to maintain operational capability and for investment in new technologies.
  - 3) To meet clients' expectations through the delivery of quality services by a skilled and motivated team of employees at a price that provides value for money.
  - 4) To uphold the principles contained in the partnering agreements with the shareholding councils.
  - 5) To be a good corporate citizen and employer by:
    - a) acting ethically
    - b) being culturally and environmentally conscious
    - c) complying with legislative requirements
    - d) seeking to achieve the highest standards relating to health and safety practice and to eliminate work place accidents
    - e) being a fair employer with dignified human resource practices in respect of all employees

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## **Nature and Scope of Activities**

Techscape will provide management, construction and maintenance of private and publicly owned assets and will offer a wide range of services suited to the needs of local authorities and similar organisations that own and support infrastructural assets.

Services will include:

- 1) Installation, management, rehabilitation, preventative maintenance and repairs to public and privately owned sewerage, storm water and water supply reticulation systems including associated pumping stations.
- 2) Construction, management and maintenance of roads, footpaths, bridges, driveways, and other community assets including, parks, parks furniture, playgrounds, play equipment, sports fields, reserves, bus shelters, street furniture and other civic amenities.
- 3) The development and maintenance of "green space" including landscaping, vegetation and noxious plant control and management.
- 4) Street cleaning, litter control and other environmental management services.
- 5) Asset management services.
- 6) Waste management services.
- 7) Installation of all types of underground reticulation services.

Techscape may carry out any other relevant activity, associated with that of companies engaged in the construction industry and the maintenance of infrastructural assets and such other activities that are considered appropriate by the directors and that are consistent with its objectives.

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## **Governance**

### **Council Policy**

In accordance with section 57 of the Local Government Act 2002 local authorities are required to have in place a policy on the appointment of directors that sets out an objective and transparent process for:

- the identification and consideration of the skills, knowledge, and experience required of directors of a council organisation; and
- the appointment of directors to a council organisation; and
- the remuneration of directors of the council organisation.

Local authorities may appoint a person to be a director of a council organisation only if the person has, in the opinion of the local authority, the skills, knowledge, or experience to:

- guide the organisation, given the nature and scope of its activities; and
- contribute to the achievement of the objectives of the organisation.

### **Role of the Board**

The Board aims to ensure that the business of the company is carried out in the best interests of the shareholders and with proper regard to corporate responsibility.

The primary role of the board of directors is to:

- 1) Allocate capital and resources to enable the company to achieve its goals in a manner that best serves the interests of the shareholders as a whole.
- 2) Effectively represent and promote the interests of the shareholders with a view to adding long-term value.
- 3) Direct and supervise the management of the business affairs of the company including:
  - Establishing of goals and strategies
  - Establishing policies for strengthening the performance of the company
  - Monitoring performance of management
  - Appointing the chief executive
  - Deciding whatever steps are necessary to protect the company's financial position
  - Ensuring that financial statements are true and fair and conform to law
  - Ensuring the company adheres to high standards of ethics and corporate behavior
  - Ensuring the company has appropriate risk management/regulatory compliance policies in place.
- 4) Satisfy itself that the company is achieving the company goals.

**ALG**

- 5) Familiarise itself with issues of concern to the shareholders and keep the shareholders informed on a timely basis through quarterly reporting and using the principle of no surprises.
- 6) Evaluate economic, political, social and legal issues that may impact on the business.

The chairperson's role is to manage the board effectively, to provide leadership to the board and to interface with the chief executive.

### **Risk Management**

The framework for managing and reporting on risk will follow the current standard AS/NZS 4360: 1999. Each year the Board will ensure there is a formal evaluation of the company's exposure to risk and satisfy itself that appropriate strategies are in place to manage or eliminate risk.

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**Performance targets and other measures by which the performance of the company may be judged**

1. Achieve revenue of:

For the year to 30 June 2007	\$29mil
For the year to 30 June 2008	\$29mil
For the year to 30 June 2009	\$29mil

2. Achieve a tax paid surplus (before deducting convertible note interest) on consolidated shareholders' funds (as defined) for the year to 30 June 2007 and for the years to 30 June 2008 and 2009 of	20%
3. Maintain and increase client and public satisfaction by achieving or exceeding agreed performance criteria of all contracts and measuring client and public satisfaction through periodic surveys.	90% satisfaction of all performance criteria
4. Retain ISO9001 and ISO14001 certification in each of the relevant operating areas and utilise TQM philosophy to ensure continual improvement in all facets of the company's activities.	Achieve
5. Be environmentally responsible at all times and monitor success in this aim by reference to relevant key performance indicators.	No abatement notices, fines or successful prosecutions under the RMA
6. Adopt and maintain procedures for adherence to the company's Health and Safety Programme to continually lower the frequency, severity and cost of lost time incidents; and to publish key performance indicators relating to the same.	Reduction in frequency, severity & lost days when compared to the previous period

## **Information to be provided to the Shareholders**

The company will provide information which meets the requirements of the Companies Act 1993, the Local Government Act 2002, and the Financial Reporting Act 1993, in order to enable the shareholders to make an informed assessment of the company's performance. The following information will be made available to the shareholders:

An annual Statement of Intent in accordance with Sect.64 of the Local Government Act 2002 and any other information that the directors deem appropriate.

A first and third quarter report of financial and non-financial information as deemed appropriate by the directors.

A half-yearly report in accordance with Sect.66 of the Local Government Act 2002 and any other information that the directors deem appropriate.

An annual report in accordance with Secs 67, 68 and 69 of the Local Government Act 2002 and any other information that the directors deem appropriate.

Any other information required by the shareholders, upon receipt of a joint written request from the shareholders through their respective representatives. The Local Government Act 2002 does not require the disclosure of sensitive information that may be properly withheld if a request for that information were made under the Local Government Official Information and Meetings Act 1987.

## **Other Matters required by the Local Government Act**

The following information is required to be disclosed in each Statement of Intent.

### **Ratio of Shareholders' Funds to Total Assets**

The target ratio of consolidated shareholders' funds to total assets of Techscape shall be more than 40%.

"Consolidated Shareholders' Funds" will include the sum of:

- the amount of paid up share capital
- the net of retained earnings and accumulated losses
- share premiums
- capital and revenue reserves
- loans to the company by the shareholders in the form of "Convertible Notes"

"Convertible Notes" are loans to the company by the shareholders that carry a fixed rate of interest, have no fixed repayment date, and are not repayable until after all other loans to and creditors of the company have been repaid. Under the terms of the issue of the Convertible Notes, the fixed rate of interest is set annually on 1 September each year at 5% above the published 90-day bank bill rate.

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"Total Assets" includes all current assets, investments, fixed assets and intangible assets.

### Accounting Policies

The following Accounting Policies are those as applied in the June 2005 financial statements. No material changes to these policies are foreseen for the next three financial years

1) Goods and Services Tax

The financial statements have been prepared exclusive of goods and services tax (GST) with the exception of receivables and payables which are stated GST inclusive. Where GST is irrecoverable as an input tax then it is recognised as part of the related asset or expense.

2) Employee Entitlements

Provisions are made in respect of the company's liability for annual leave and alternative holidays. Annual leave and alternative holidays have been calculated on an actual entitlement basis at relevant daily pay rates. Employees are not entitled to long service leave.

3) Taxation

Income tax is charged in the statement of financial performance in respect of the earnings for the year after allowing for permanent differences between reported earnings and assessable earnings for income tax purposes.

Deferred taxation is determined on a comprehensive basis using the liability method. A debit balance in the deferred taxation account arising from timing differences or income tax benefits from income tax losses is only recognised where there is virtual certainty of realisation.

4) Accounts Receivable

Accounts receivable is stated at expected realisable value after providing for unrecoverable debts.

5) Construction Contracts

Profits on construction contracts are determined using the percentage of completion method. Profits are recognised only when the outcome of the contract can be reliably estimated.

Foreseeable losses on a contract are recognised immediately.

6) Inventories

Inventories are valued at the lower of cost, determined on a weighted average basis, and net realisable value. Valuation includes allowances for slow moving and obsolete inventories.

7) Fixed Assets

Fixed assets are valued at historical cost and are depreciated on a straight-line basis over their estimated useful lives.

8) Depreciation

Depreciation is provided on a straight-line basis on all fixed assets. The useful lives of major classes of assets have been estimated as follows:

Buildings	10 - 33 years	3 – 10% SL
Leasehold Improvements	4 - 5 years	10 – 50% SL
Motor Vehicles	2 - 10 years	10 – 50% SL
Mobile Plant	2 - 10 years	10 – 50% SL
Plant and Equipment	2 - 10 years	10 – 50% SL
Computer Equipment	2.5 - 10 years	10 – 40% SL
Office Furniture and Equipment	2.5 - 10 years	10 – 40% SL
Telephone Equipment	2.5 - 10 years	10 – 40% SL

9) Statement of Cash Flows

Cash means cash balances on hand, held in bank accounts and demand deposits in which the company invests as part of its day to day cash management. Operating activities include cash received from all income sources of the company and records the cash payments made for the supply of goods and services. Investing activities are those activities relating to the acquisition and disposal of non-current assets. Financing activities comprise the change in equity and debt capital structure of the company.

10) Leases

Operating Leases:

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are charged as expenses in the period in which they are incurred.

Finance Leases:

Leases which effectively transfer to the company substantially all the risks and benefits incidental to ownership of the leased item are classified as finance leases. These are capitalised at the lower of the fair value of the asset and the present value of the minimum lease payments.

The leased assets and the corresponding lease liabilities are recognised in the statement of financial position. The leased assets are depreciated over the period the company is expected to benefit from their use.

11) Financial Instruments

The company is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short-term deposits, debtors and creditors. All financial instruments are recognised in the statement of financial position and all revenues and expenses in relation to financial instruments are recognised in the statement of financial performance.

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### **Distribution of Profits**

In recommending whether or not to pay dividends to the shareholders, and if so what amount, the directors will have regard to the results of Techscape and the surrounding circumstances including commercial returns applicable to comparable private sector companies. The profit retention and dividend policy will be determined from year to year by the directors in time for the shareholders' annual planning process with the objective of ensuring that the payment of a dividend shall not limit Techscape's ability to fund future expenditure requirements for the maintenance and expansion of operational capability and to service Techscape's debt structure.

The dividend for the period to 30 June 2007 shall be a sum to be agreed with the shareholders. It is anticipated that, subject to the foregoing philosophy, the dividend to be paid for the year to 30 June 2007 together with the interest on the convertible notes will total approximately 50% of the company's tax paid profits, after adjustment for the interest on the capital notes. Subject to Techscape's funding requirements, consideration will be given to payment of an interim dividend.

Any dividend will also be subject to the directors being satisfied that:

- the requirements of Section 4 of the Companies Act (Solvency Test) have been satisfied;
- the amount of the dividend does not exceed the amount of the profit after tax in the year in respect of which the dividend relates; and
- total liabilities do not exceed 50% of the total assets.

### **Procedures for the acquisition of shares in any company or other organisation**

All share investments, business acquisitions or joint venture proposals will be considered by the directors and any decision to invest in or divest shares in another company, acquire businesses or enter into a joint venture will be made by the directors, in accordance with the constitution of Techscape and in accordance with the following guidelines:

- Share acquisitions, business acquisitions or investments in Joint Ventures must be, in the opinion of the directors, likely to give returns that will add value to the shareholders' investment in Techscape.
- Without prior shareholder consent in general meeting, share or business acquisitions will only be undertaken in areas directly associated with the current activities of Techscape. No single share or business investment shall exceed \$1,000,000 without prior approval in writing of the shareholders. No single investment in, assets transferred to, or contingent liabilities incurred in respect of Joint Ventures or a series of linked transactions shall exceed \$1,000,000 without prior approval in writing of the shareholders and shall only be undertaken in areas directly associated with the current activities of Techscape.
- All such investments will only be made after a professional valuation has been completed and in those cases where (in the directors' opinion) the size of the operation warrants it, "due diligence" has been completed.

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**Activities for which the Board seeks compensation from Local Authorities**

Techscape will provide goods and services, as described in the section entitled "Nature and Scope of Activities", to the shareholding councils as part of its normal business activities. These goods and services will be contracted and charged for on a commercial basis.

Techscape may also enter into any contractual or commercial arrangement with any other territorial or regional authority as part of its normal business activities. Payment for which will be the responsibility of the territorial or local authority concerned.

**Board's estimate of the commercial value of the Shareholders' investment**

The commercial value of Techscape has been assessed by the directors at not less than \$4 million as at 31 December 2005 having regard to the shareholders' funds as shown in Techscape's accounts and also considering anticipated revenue streams. Subsequent estimates of the commercial value of Techscape shall be made at the discretion of the directors according to the value of shareholders' funds based on historical costs and accounting policies as described in this Statement of Intent, together with any appropriate valuations of Techscape.

**Note:** The commercial value referred to above is based on the value of net assets of the company as at 31 December 2005, on an 'ongoing business' basis. Due to the impending sale of the shares in the company, the Directors feel it inappropriate to use any other basis of valuation.

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# Waitakere City Holdings Limited

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## Draft Statement of Intent

For the Three Years Commencing 1 July 2006

WAITAKERE CITY HOLDINGS LIMITED  
A WHOLLY OWNED SUBSIDIARY OF WAITAKERE CITY COUNCIL

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# Waitakere City Holdings Limited

## Statement of Intent for the Three Years Commencing 1 July 2006

### Chairman's Comment

This Statement of Intent ("SOI") is prepared in accordance with S64 of the Local Government Act 2002. The SOI specifies for the Waitakere City Holdings Limited ("WCHL") and its subsidiaries the objectives, the nature and scope of the activities to be undertaken, and the performance targets and other measures by which the performance of the group may be judged in relation to its objectives, amongst other requirements.

The process of negotiation and determination of an acceptable SOI is a public and legally required expression of the accountability relationship between the company and its sole shareholder, the Waitakere City Council. Council has previously examined its expectations of WCHL and its subsidiaries, and has advised how the Group can contribute to Council's strategic direction as follows:

- General Principles**
- All Council-controlled entities have a clearly defined purpose and are held accountable to Council and the community.
  - That roles and responsibilities within the governance structure are clear.
  - A "no surprises" policy, reinforced with formal communication.
  - That Council operates effective governance of Council-controlled entities.

- Waitakere City Holdings Limited**
- Governance of Council-controlled entities, in conjunction with Council's Finance and Operational Performance Committee, 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 Limited**
- 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 and value.
- 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.

#### Waitakere Properties Limited

Council has also advised its commitment to partnership as the core platform of its strategic plan. Council has also resolved to review the purpose of WCHL and to consider aspects of its own operation (including the basis for evaluating tenders) in order to advance its strategic goals.

Council has delegated responsibility to the Finance and Operational Performance Committee to consider matters relevant to the governance and performance (of the Boards) of Council Controlled Organisations. The delegated authorities are to:

1. Identify core and specialist competencies and skills, and mix thereof, required within the governing body of each Council Controlled Organisation.
2. Fix remuneration for, deal with, and conclude all contractual matters with the directors, including their term of office.
3. Oversee the recruitment process and make recommendations for appointment to the Finance and Operational Performance Committee.
4. Set key result areas for directors in accordance with their contracts and Council Controlled Organisation statement of intent or performance agreement.
5. Undertake an annual evaluation of individual director and Board performance against key result areas.

The SOI is reviewed annually with the Council and covers a three-year period.

**Bryan Mogridge, Chairman**

Waitakere City Holdings Limited

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# Waitakere City Holdings Limited

## Statement of Intent for the Three Years Commencing 1 July 2006

### Nature and Objectives

#### Nature and Scope of Activities

##### Mission Statement

WCHL is a wholly owned Council Controlled Trading Organisation of Waitakere City Council, which was formed on 1 July 1999. WCHL has the following mission:

*"to establish and efficiently direct an outstanding group of Council-controlled business activities which are aligned with Council's strategic direction"*

It is acknowledged that Council seeks more than a simple commercial return, and that there are particular strategic objectives associated with Council's ownership of the Waitakere City Holdings Group, with which the Group must maintain an alignment.

##### Shareholder Role

WCHL holds on behalf of Council:

- A shareholding investment in Waitakere Properties Limited (WPL) of \$2,300,000, representing 100% of WPL's share capital.
- A shareholding investment in Techscape Limited (Techscape) of \$300,000 representing 50% of Techscape's share capital. In addition, \$1,700,000 of interest bearing convertible notes are held in the company. The remaining share capital and an equivalent number of convertible notes are held by North Shore City Council's holding company, with the ownership relationship between the two councils governed by a Shareholders' Agreement. As equal shareholder with North Shore City Council, Waitakere City Council has joined North Shore in a process that seeks to tender long term service maintenance contracts for the Council's water, wastewater and stormwater infrastructure, with the requirement that the successful tenderer purchases the Company (Techscape Limited). This process is scheduled for completion in mid 2006 when both Councils will consider the results of the tender process and decide whether or not to accept a preferred tender and purchase offer.

Activities that are to be undertaken by WCHL are:

- Negotiation of the individual annual statements of intent for the Council Controlled Trading Organisations that it owns (the subsidiary companies).
- Negotiation of the annual statement of intent between Council as shareholder and WCHL.
- Monitoring the performance of the subsidiary companies that WCHL owns.
- Advice to Council regarding potential Council Controlled Trading Organisation establishment opportunities.
- Appointment and monitoring of the directors of the subsidiary companies.

The undertaking of any activity not provided for under this statement of intent requires the prior approval of Council, specifically:

- No subsidiary companies are to be formed by WCHL without the prior approval of Council.
- No shares are to be acquired by WCHL without the prior approval of Council.
- No shares held by WCHL are to be sold or otherwise disposed of without the prior approval of Council.

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The Board will also seek approval for any material departures from an adopted SOI and any material variation from budgeted financial return.

Over time, Council may form other Council Controlled Organisations from undertakings currently within the Council structure. WCHL is an obvious vehicle for holding the shares in these future enterprises, however it remains Council's intention that the approach to the holding of other shares will be determined on a case-by-case basis. With the position that the directorate holds within the overall Council group it is anticipated that WCHL will assist Council in the identification and assessment of future opportunities.

**Supervisory Role**

WCHL oversees on behalf of Council the operations of the Board of Trustees of the Waitakere Enterprise Trust Board ("Enterprise Waitakere"). Activities that are undertaken by WCHL on Council's behalf are:

- Informal briefings to each meeting of the WCHL Board on an issues basis.
- Review of formal quarterly performance reports from Enterprise Waitakere.

- Half Year and Full Year Reports on the performance of Enterprise Waitakere to Council, including commentary on opportunities for the development of services and functions and interaction with other Council initiatives.
- Comment appropriately to Council on issues of Enterprise Waitakere's strategic direction, ownership options and integration with other Council activities.

The overall group structure is illustrated to the right (the broken line to Enterprise Waitakere indicates a supervisory role and the solid lines represent a shareholding/ownership role):

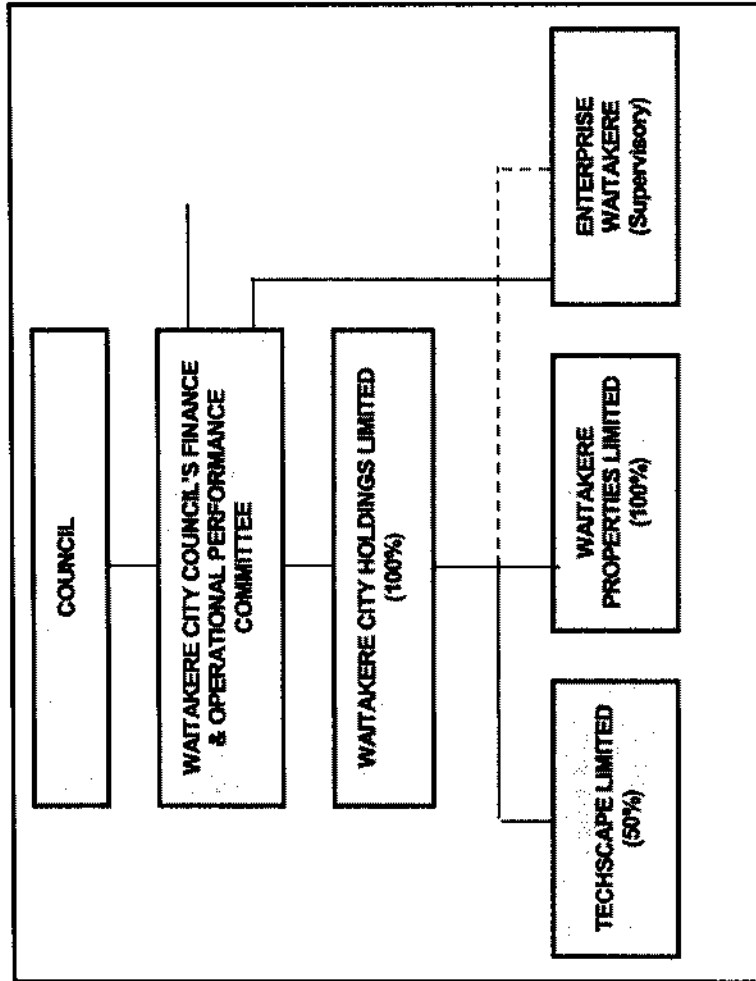
**Objectives of the Company**

As required by S59 of the Local Government Act 2002, the principal objective of WCHL is to :

- a) achieve the objectives of its shareholders, both commercial and non-commercial, as specified in the statement of intent; and
- b) being a good employer; and
- c) exhibiting a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so; and
- d) if the council-controlled organisation is a council-controlled trading organisation, conduct its affairs in accordance with sound business practice

Specific objectives of WCHL are:

- To ensure that each subsidiary company operates economically and efficiently, and in accordance with an agreed statement of intent and to optimise the returns – both financial and non-financial – from, and the value of, the subsidiary companies within the parameters set by Council.



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- To keep Council informed of matters of substance affecting the WCHL and the subsidiary companies and, insofar as it is practical and reasonable in the opinion of the directors, provide the opportunity for comment on such matters prior to taking any action.
- To ensure that there is regular and informative reporting of the financial and non-financial performance and risk exposures of WCHL and the subsidiary companies.
- To advise Council on establishment opportunities for council –controlled organisations.
- To act as a responsible corporate citizen, including being a good employer.
- To maintain and improve good governance by regularly and constructively appraising the performance of the subsidiary company directorates and maintaining an appropriate monitoring framework.

**Nature and Objectives of the Subsidiaries**

Techscape and WPL are council-controlled trading organisations in their own right. The Waikakere Enterprise Trust Board (Enterprise Waikakere) is a council-controlled organisation. As such, all three entities are subject to the provisions of the Local Government Act 2002, and must prepare and provide to their shareholders separate statements of intent. The subsidiary statements, and that of Enterprise Waikakere, outline the nature and objectives of the three organisations, as well as their performance measures.

**Procedure for the Acquisition of an Interest in Another Organisation**

No transactions relating to increase or purchase of shares in subsidiary companies, joint ventures or existing companies is to be entered into, except pursuant to an express resolution of Council authorising such a transaction."

**Management of Divestment Proposals**

In addition to the references made within this document, each such director consenting to act has been provided with a letter of direction from Council that no sale, or other disposal, or pledge as security of all or any of the shareholding in Waikakere Properties Limited or Techscape Limited is to be entered into by WCHL, except pursuant to an express resolution of Council authorising such transaction.

**Governance**

In accordance with section 57 of Local Government Act 2002 local authorities are required to have in place a policy on the appointment of directors that sets out an objective and transparent process for.

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- the identification and consideration of the skills, knowledge, and experience required of directors of a council organisation; and
- the appointment of directors to a council organisation; and
- the remuneration of directors of the council organisation.

Local authorities may appoint a person to be a director of a council organisation only if the person has, in the opinion of the local authority, the skills, knowledge, or experience to:

- guide the organisation, given the nature and scope of its activities; and
- contribute to the achievement of the objectives of the organisation.

Role of the Board

The Board aims to ensure that the business of the company is carried out in the best interests of the shareholders and with proper regard to corporate responsibility.

The primary role of the Board of Directors is to direct and supervise the management of the business affairs of the company including:

- Establishing goals and strategies
- Monitoring financial and non-financial performance of subsidiaries
- Monitoring performance of the Boards of Subsidiaries
- Ensuring that financial statements are true and fair and conform to law
- Ensuring the company and its subsidiary Boards adhere to high standards of ethics and corporate behaviour
- Ensuring the company has appropriate risk management/regulatory compliance policies in place.
- Familiarising itself with issues of concern to the shareholders and keep the shareholders informed on a timely basis through quarterly reporting and using the principle of no surprises.
- Evaluate economic, political, social and legal issues that may impact on the business of the group.

- In conjunction with Council the Chairperson will evaluate the performance of the Board on an annual basis.

The Chairperson's role is to manage the board effectively, to provide leadership to the Board, to interface with the Council to monitor performance with respect to the Company's goals and objectives.

### **Risk Management**

Each year the Board will ensure there is a formal evaluation of the company's exposure to risk and satisfy itself that appropriate strategies are in place to manage or eliminate risk.

### **Alignment to Councils Strategic Platforms**

Waitakere City Holdings Limited is required by Council to ensure that the objectives of its subsidiaries are aligned to the appropriate strategic platforms of Council. It will work with its subsidiaries to ensure that objectives are in alignment with Council strategies, that appropriate assessment frameworks are in place and to develop formal working relationships with Council and Council officers consistent with achieving those objectives.

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# Waitakere City Holdings Limited

## Statement of Intent for the Three Years Commencing 1 July 2006

### Performance Measures and Targets

STRATEGIC OBJECTIVE	PERFORMANCE MEASURE	PERFORMANCE TARGET
GOVERNANCE OF COUNCIL-OWNED ENTITIES WITH ACCOUNTABILITY TO THE COMMUNITY	<p>Ensure that the financial targets and strategic direction of WCHL are in line with the requirements of Waitakere City Council.</p> <p>Ensure that Waitakere City Council is kept informed of all significant matters relating to its subsidiaries.</p>	<p>A draft 2007/08 SOI for the holding company and the draft SOIs of its subsidiaries will be submitted no later than 1 March 2007.</p> <p>Quarterly reports to the Finance and Operational Performance Committee of Council.</p> <p>Major matters of urgency are reported to the Chair of the Finance and Operational Performance Committee of Council and Council's Chief Executive jointly on a "no surprises" basis with formal reporting undertaken as soon practical on the Board concluding its investigations and being in a position to report.</p>
	<p>Ensure that WCHL directors add value to the company, and that their conduct is according to generally accepted standards.</p> <p>Ensure that WCHL's procedures for the recommendation of directors for appointment to subsidiary directorates are open and in accordance with written policy.</p>	<p>A formal evaluation of the WCHL governance structures and directorate completed in conjunction with Council by June 2007.</p> <p>That a Directors Policy be agreed with the Councils Finance and Operational Performance Committee and the adopted Policy be followed for any further director appointments made.</p>
	<p>Ensure timely advice to Councils Finance and Operational Performance Committee and Chief Executive on the performance of the Boards of the respective activities</p>	<p>Method of reporting and performance measures to be developed in the current year.</p>

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STRATEGIC OBJECTIVE	PERFORMANCE MEASURE	PERFORMANCE TARGET												
<b>FINANCIAL RETURN OR CONTRIBUTION TO COUNCIL'S OVERALL BUDGET</b>	<p>Ensure that WCHL returns a dividend to Waitakere City Council in accordance with the Council's budgets, and meets other financial targets. This will be subject to any contributions made to Beacon Pathways Limited as agreed by the Board through the direction of Council.</p> <p>Ensure that the subsidiary companies return a minimum acceptable dividend.</p>	<p>WCHL makes financial returns by way of fully imputed dividend or tax subvention in accordance with budget:</p> <table border="1"> <tr> <td>2006/2007</td> <td>\$340,000</td> </tr> <tr> <td>2007/2008</td> <td>\$340,000</td> </tr> <tr> <td>2008/2009</td> <td>\$340,000</td> </tr> </table> <p>WCHL meets its budgeted level of income from its subsidiaries:</p> <table border="1"> <tr> <td>2006/2007</td> <td>\$380,000</td> </tr> <tr> <td>2007/2008</td> <td>\$380,000</td> </tr> <tr> <td>2008/2009</td> <td>\$380,000</td> </tr> </table>	2006/2007	\$340,000	2007/2008	\$340,000	2008/2009	\$340,000	2006/2007	\$380,000	2007/2008	\$380,000	2008/2009	\$380,000
2006/2007	\$340,000													
2007/2008	\$340,000													
2008/2009	\$340,000													
2006/2007	\$380,000													
2007/2008	\$380,000													
2008/2009	\$380,000													
<b>ENSURE SUBSIDIARIES DELIVER ON COUNCIL'S STRATEGIC GOALS</b>	<p>Ensure that the subsidiaries have in place planning for the future.</p> <p>Ensure that the draft subsidiary companies SOIs are received on a timely basis for review and comment.</p> <p>Ensure that the final subsidiary company SOIs are appropriate, measurable, attainable and timely.</p>	<p>Completion in conjunction with Council of a strategic directions document for the Group by 30 June 2007.</p> <p>Draft 2007/2008 SOIs are to be received no later than 21 February 2007.</p> <p>Comments on the draft 2007/2008 SOIs within two months of the receipt of the draft.</p>												

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STRATEGIC OBJECTIVE	PERFORMANCE MEASURE	PERFORMANCE TARGET
	<p>Ensure that the final subsidiary company SOIs are strategically aligned documents, while also being compatible with the strategic aims of Council.</p>	<p>WCHL will direct the subsidiary companies to produce strategically aligned draft 2007/2008 SOIs.                      WCHL will assess the alignment of the SOIs with any specifically notified Council strategic directives.                      Objectives of Subsidiaries developed, in conjunction with Council and Council officers, to be aligned with appropriate Council strategic platforms.                      WCHL will provide the subsidiary company SOIs to Council for comment.</p>
	<p>Ensure that subsidiary company reporting is relevant and timely.</p>	<p>Subsidiary company SOIs to incorporate specific reporting requirements, including quarterly reporting of performance.</p>
	<p>Ensure that there are adequate processes for the identification, assessment and management of the risk exposures of the subsidiary companies.</p>	<p>Subsidiary company SOIs to incorporate specific statements regarding the processes for the management of risk exposures.</p>
<p><b>SUPPORTING ENTERPRISE                      WAITAKERE'S CONTRIBUTION                      TO A STRONG INNOVATIVE                      ECONOMY</b></p>	<p>Oversee the operations of the Board of Trustees of Enterprise Waitakere.</p>	<p>WCHL will meet twice over the course of each financial year with the Board of Trustees to receive a formal update on operations.</p>

# Waitakere City Holdings Limited

## Statement of Intent for the Three Years Commencing 1 July 2006

### Other Statutory Information

#### Ratio of Consolidated Shareholder's Funds to Total Assets

*Shareholder's Funds* are defined as the sum of the amount of share capital on issue, retained earnings / accumulated losses, revenue and capital reserves. *Total Assets* are defined as the sum of the net book value of current assets, investments, fixed assets, and intangible assets as disclosed in the company's Statement of Financial Position, prepared in accordance with the accounting policies adopted by the Directors.

The target ratio of Shareholder's Funds to Total Assets shall not be less than 50% for the period covered by this Statement of Intent. There is no current intention to increase the level of consolidated debt for the 2006/2007 financial year without prior Shareholder approval. The Directors will review the appropriateness of this target ratio annually.

**A89**

#### Accounting Policies

Note: These policies will be subject to amendment to conform to the requirements of International Financial Reporting Standards which will come into effect for the 2006/2007 reporting year.

WCHL will comply with the International Financial Reporting Standards as deemed appropriate by the Institute of Chartered Accountants of New Zealand, and Generally Accepted Accounting Principles to the extent that this is practicable without disclosing commercially sensitive information that, in the view of the Directors, would be of value to competitors.

The company will be subject to taxation, and accordingly normal commercial taxation policies will apply, including where appropriate, deferred taxation provisions.

**Specific Accounting Policies are as follows:**

**Basis for Preparation**

Waitakere City Holdings Limited (WCHL) is a wholly owned subsidiary of Waitakere City Council formed for the purpose of holding its investments in subsidiary companies. The company was incorporated on 5 July 1997 and commenced trading operations on 1 July 1999. WCHL is a reporting entity for the purposes of the Financial Reporting Act 1993.

The consolidated financial statements will comprise WCHL and its subsidiary and associate. As at the date of adoption of this statement of intent, the consolidated companies are:

- Techscape Limited, 50% owned by WCHL, consolidated as an associate.
- Waitakere Properties Limited, 100% owned by WCHL, consolidated as a subsidiary.

The financial statements are prepared in accordance with the requirements of the Local Government Act 2002, the Companies Act 1993, the Financial Reporting Act 1993, and the standards issued by the Institute of Chartered Accountants of New Zealand, and comprise statements of the following: significant accounting policies, financial performance, movements in equity, financial position, cash flows, as well as notes to these statements.

The financial statements are prepared on the basis of historical cost. The accounting policies are applied consistently in the financial statements, except for any changes noted in the Changes in Accounting Policies.

The Company is a Council Controlled Organisation as defined by Section 6 of the Local Government Act 2002.

#### Accounting Policies

##### **A : Basis for Recognising Components of the Financial Statements**

The following general accounting policies have been adopted:

##### *Assets*

A transaction results in an asset being recognised in the statement of financial position when it will probably give rise to ongoing benefits, and those can be measured with reliability.

##### *Liabilities*

A transaction results in a liability being recognised in the statement of financial position when it will probably give rise to the need to sacrifice assets in the future, and those sacrifices can be measured with reliability.

##### *Revenue*

Revenue is recognised in the statement of financial performance when the transaction gives rise to an increase in the value of net assets, and that increase can be measured with reliability.

##### *Expenses*

Expenses are recognised in the statement of financial performance when the transaction gives rise to a decrease in the value of net assets, and that decrease can be measured with reliability.

*Classification of Assets and Liabilities Between Current and Non-Current*

An amount classified as current when it is expected to be settled or extinguished within one year of the balance date of the financial statements. All other amounts are classified as non-current.

**B : Basis for Consolidation**  
*Subsidiaries*

Subsidiaries in which WCHL has a controlling shareholding are accounted for using the purchase method, which shows the Group profits in the consolidated statement of financial performance and the assets and liabilities in the consolidated statement of financial position. All significant inter-company profits and transactions are eliminated.

*Associates*

Associates are entities in which the Company has significant influence, but not control, over the operating and financial policies. The net surplus and reserves of associates are equity accounted.

**C : Fixed Assets and Depreciation**

Fixed assets are valued at historical cost or transfer value (transfer value is used where a subsidiary or associate has been formed from the business assets of a local authority undertaking being transferred to a local authority trading enterprise).

Depreciation is provided for on a straight-line basis to allocate the carrying value of each asset, less any anticipated residual amount, over the estimated useful life of that asset.

**D : Income Tax**

Income tax is charged to the statement of financial performance in respect of the earnings for the year after allowing for permanent differences between reported earnings and assessable earnings for income tax purposes.

Deferred taxation is determined on a comprehensive basis using the liability method. A debit balance in the deferred taxation account arising from timing differences or income tax benefits from income tax losses is only recognised where there is virtual certainty of realisation.

**E : Investments**

All investments - including WCHL's investments in subsidiaries and associates - are shown at the lower of cost and net realisable value.

**F : Recoverable Value**

If the estimated recoverable amount of an asset is less than the carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the financial statements.

**G : Financial Instruments**

The Group is party to financial instruments as part of its normal operations. The financial instruments include bank accounts, short-term borrowings, debtors and creditors. All financial instruments are recognised in the statement of financial position and all revenues and expenses in relation to financial instruments are recognised in the statement of financial performance. No derivative instruments have been employed by the Group.

#### **H : Goods and Services Tax**

The financial statements have been prepared exclusive of Goods and Services Tax (GST), with the exception of receivables and payables which are stated inclusive of GST. Where GST is irrecoverable as an input tax item then it is recognised as part of the related asset or expense.

#### **I : Accounts Receivable**

Accounts receivable are stated at net realisable value, after providing for uncollectible or doubtful debts.

#### **J : Employee Entitlements**

Provisions are made in respect to the Group's liability for annual leave and lieu days. Annual leave and lieu days have been calculated on an actual entitlement basis at current rates of pay.

#### **K : Cash and Cash Equivalents**

For the purpose of the statement of cash flows, cash comprises cash balances (net of bank overdrafts) and demand deposits. Cash excludes treasury bills and other similar financial instruments that are not part of the Group's day-to-day cash management.

### **Distribution Policy**

Profit retention and dividend policy will be determined from year to year by the Directors in accordance with operational results, financial prospects, and the circumstances prevailing, with the objectives of ensuring that:

- the amount of the dividend does not limit WCHL's ability to fund future capital expenditure requirements to both maintain and expand current operations and address issues relating to the company's debt structure;
- and with the provisos that:
  - the Directors are satisfied that the requirements of S4 of the Companies Act (the "solvency test") have been satisfied,
  - the amount of the dividend does not exceed the amount of the profit after tax in the year to which the dividend relates, and
  - the targeted ratio of Consolidated Shareholders' Funds to Total Assets is not breached.

### **Information to be Provided to the Shareholder**

WCHL will provide information which meets the requirements of the Companies Act 1993, the Local Government Act 2002, and the reporting requirements prescribed from time to time by the Institute of Chartered Accountants of New Zealand in order to enable the shareholders to make an informed assessment of the company's performance. The following information will be made available:

- 1) An annual Statement of Intent in accordance with S64 of the Local Government Act 2002 and any other information that the Directors deem appropriate.
- 2) Quarterly reporting to Council, including the half yearly report in accordance with S.66 and S.68 and 69 of the Local Government Act 2002 and the reporting requirements prescribed from time to time by the Companies Act 1993, the Institute of Chartered Accountants of New Zealand, and any other information that the Directors deem appropriate.
- 3) An annual report in accordance with S.67, S. 68 and S.69 of the Local Government Act 2002 and the reporting requirements prescribed from time to time by the Institute of Chartered Accountants of New Zealand, and any other information that the Directors deem appropriate.
- 4) Any other information required by Council, upon receipt of a written request from Council through its Chief Executive.

### **Estimate of the Commercial Value of the Company**

The value of WCHL has been defined as the estimated value of Shareholders Funds as at 1 July 2006, being \$5,800,000. *[to be updated before final version is adopted]*

The value ascribed to Shareholder's Funds will be that stated in the annual Statement of Financial Position of the company as at the end of the financial year preceding each Statement of Intent.

### **Transactions Between Related Parties and Compensation from Council**

Transactions between Council, WCHL and the subsidiary companies will be conducted in accordance with prevailing contracts and service agreements. Compensation for any services provided by WCHL to Council will be conducted in accordance with prevailing contracts and service agreements. While generally on a commercial basis, some advice will be provided without specific charge in accordance with the nature of the relationship.

# Waitakere City Holdings Limited

## Statement of Intent for the Three Years Commencing 1 July 2006

### Directory

**Registered Office**

6 Waipareira Ave  
Henderson, WAITAKERE CITY

**Bankers**

Bank of New Zealand  
Henderson, WAITAKERE CITY

**294**

**Solicitors**

KPMG Legal  
AUCKLAND CITY

**Auditors**

Audit New Zealand on behalf of the  
Controller and Auditor General

**Directors**

Bryan Mogridge (Chairman)  
Ross Jewell  
Harry O'Rourke

**Postal Address**

C/- Waitakere City Council  
Private Bag 93-109  
Henderson, WAITAKERE CITY

**Telephone** (09) 839-8000

**Facsimile** (09) 836-8011

**Email** [holdings@waitakere.govt.nz](mailto:holdings@waitakere.govt.nz)

**Website** <http://www.waitakere.govt.nz/OurPar/cityholdings.asp>

**MINUTES OF A MEETING OF THE TENDERS SUBCOMMITTEE HELD IN THE  
CIVIC CENTRE, 6 WAIPAREIRA AVENUE, LINCOLN, WAITAKERE CITY,  
ON FRIDAY, 10 MARCH 2006, COMMENCING AT 9.05 AM**

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**PRESENT:** Councillors JM Clews, QSO, JP (Chairperson)  
RI Clow (Deputy Chairperson)  
Director: Quality Assurance  
Director: Finance  
Acting Director: Corporate & Civic Services

**OBSERVERS:** WW Flaunty, QSM, JP

**IN ATTENDANCE:** Manager: Property Assets  
Property Assets Unit: Asset Management  
Committee Administrator: S Riley

**1 APOLOGIES**

243/2006

MOVED by Cr Clow, seconded R Rudd:

That apologies from H O'Rourke, J Dragicevich, R McLeod and W Paki for absence be received and sustained.

**CARRIED**

**2 URGENT BUSINESS**

There was no Urgent Business.

**3 CONFIRMATION OF MINUTES**

244/2006

MOVED by Cr Clews, seconded A Pollock:

That the minutes of the Meeting of the Tenders Subcommittee held on Friday, 24 February 2006, as circulated, be taken as read and now be confirmed.

**CARRIED**

A95

**4 CONTRACT NO. PY05017C - WAITAKERE CITY COUNCIL CITYWIDE CLEANING**

245/2006

MOVED by Cr Clews, seconded A Pollock:

1. That the Contract No. PY05017C - Waitakere City Council Citywide Cleaning report be received.
2. That the tender from Professional Property & Cleaning Services for Contract No. PY05017C - Waitakere City Council Citywide Cleaning in the sum of \$681,946.33 plus \$85,243.29 GST totalling \$767,189.62 be accepted.
3. That approval for Contract No. PY05017C - Waitakere City Council Citywide Cleaning be given to committing \$304,446.08 against the 2006/2007 Annual Plan.
4. That approval for Contract No. PY05017C - Waitakere City Council Citywide Cleaning Contract be given to committing \$304,446.08 against the 2007/2008 Annual Plan.
5. That the authority to enter into Contract No. PY05017C - Waitakere City Council Citywide Cleaning on behalf of Council be delegated to the Group Manager: Asset Management.
6. That the renewal for Contract No. PY05017C - Waitakere City Council Citywide Cleaning for the 2006/2007 and 2007/2008 financial years be reported back to the Tenders Subcommittee for approval.

**CARRIED**

**5 CONTRACT NO. PY05017H - WAITAKERE CITY COUNCIL CITYWIDE HYGIENE**

246/2006

MOVED by Cr Clow, seconded R Rudd:

1. That the Contract No. PY05017H - Waitakere City Council Citywide Hygiene report be received.
2. That the tender from Fumacare for Contract No. PY05017H - Waitakere City Council Citywide Hygiene in the sum of \$89,313.65 plus \$11,164.20 GST, totalling \$100,477.85, be accepted.
3. That approval for Contract No. PY05017H - Waitakere City Council Citywide Hygiene be given to committing \$43,975.90 against the 2006/2007 Annual Plan.
4. That approval for Contract No. PY05017H - Waitakere City Council Citywide Hygiene be given to committing \$43,975.90 against the 2007/2008 Annual Plan.
5. That the authority to enter into Contract No. PY05017H - Waitakere City Council Citywide Hygiene on behalf of Council be delegated to the Group Manager: Asset Management.
6. That the renewal for Contract No. PY05017H - Waitakere City Council Citywide Hygiene for the 2006/2007 and 2007/2008 financial years be reported back to the Tenders Subcommittee for approval.

**A96**

**CARRIED**

**6 CONTRACT NO. PY050171 - WAITAKERE CITY COUNCIL AQUATIC CENTRE CLEANING**

247/2006

MOVED by R Rudd, seconded D Griffin:

1. That the Contract No. PY050171 - Waitakere City Council Aquatic Centre Cleaning report be received.
2. That the tender from Cleaning Plus for Contract No. PY050171 - Waitakere City Council Aquatic Centre Cleaning in the sum of \$337,680.07 plus \$42,210.00 GST totalling \$379,890.07 be accepted.
3. That approval for Contract No. PY050171 - Waitakere City Council Aquatic Centre Cleaning be given to committing \$148,579.81, inclusive of a 3% CPI increase, against the 2006/2007 Annual Plan.
4. That approval for Contract No. PY050171 - Waitakere City Council Aquatic Centre Cleaning be given to committing \$153,037.20, inclusive of a 3% CPI increase, against 2007/2008 Annual Plan.
5. That the authority to enter into Contract No. PY050171 - Waitakere City Council Aquatic Centre Cleaning on behalf of Council be delegated to the Group Manager: Asset Management.
6. That the renewal for Contract No. PY050171 - Waitakere City Council Aquatic Centre Cleaning for the 2006/2007 and 2007/2008 financial years be reported back to the Tenders Subcommittee for approval.

**CARRIED**

9.20 am

The Chairperson thanked Members for their attendance and attention to business and declared the meeting closed.

CONFIRMED AT A MEETING OF THE TENDERS  
SUBCOMMITTEE HELD ON

**DATE:**.....

**CHAIRPERSON:**.....

**A97**

**MINUTES OF A MEETING OF THE TENDERS SUBCOMMITTEE HELD IN THE  
CIVIC CENTRE, 6 WAIPAREIRA AVENUE, LINCOLN, WAITAKERE CITY,  
ON FRIDAY, 24 MARCH 2006, COMMENCING AT 9.04 AM**

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**PRESENT:** Councillor JM Clews, QSO, JP (Chairperson)  
Director: Corporate & Civic Services  
Director: Quality Assurance  
Director: Finance  
Maori Issues Manager

**OBSERVERS:** Cr WW Flaunty, QSM, JP

**IN ATTENDANCE:** Group Manager: Asset Management  
Principal Transport Engineer Construction  
Committee Secretary Intern: S McDaid

**1 APOLOGIES**

450/2006

MOVED by R McLeod, seconded W Paki:

That apologies from Cr Clow, H O'Rourke and J Dragicevich for absence be received and sustained.

**CARRIED**

**2 URGENT BUSINESS**

There was no Urgent Business.

**3 CONFIRMATION OF MINUTES**

451/2006

MOVED by A Pollock, seconded W Paki:

That the minutes of the Meeting of the Tenders Subcommittee held on Friday, 10 March 2006, as circulated, be taken as read and now be confirmed.

**CARRIED**

**4      CONTRACT NO. TA04535C - WAIPAREIRA/WOODFORD AVENUE LINK**

452/2006

MOVED by R Rudd, seconded R McLeod:

1.      That the Contract No. TA04535C - Waipareira/Woodford Avenue Link report be received.
2.      That the tender from HEB Smithbridge Limited for Contract No. TA04535C - Waipareira/Woodford Avenue Link in the sum of \$381,876.23 plus \$47,734.53 GST, totalling \$429,610.76 be accepted.
3.      That authority to enter into Contract No. TA04535C - Waipareira/Woodford Avenue Link on behalf of Council be delegated to Group Manager: Asset Management.

**CARRIED**

9.06 am

The Chairperson thanked Members for their attendance and attention to business and declared the meeting closed.

CONFIRMED AT A MEETING OF THE TENDERS  
SUBCOMMITTEE HELD ON

**DATE:**.....

**CHAIRPERSON:**.....

**A99**

**MINUTES OF AN EXTRAORDINARY MEETING OF THE TENDERS SUBCOMMITTEE  
HELD IN THE CIVIC CENTRE, 6 WAIPAREIRA AVENUE, LINCOLN,  
WAITAKERE CITY, ON FRIDAY, 31 MARCH 2006,  
COMMENCING AT 11.00 AM.**

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**PRESENT:** Councillor JM Clews, QSO, JP (Chairperson)  
Chief Executive Officer  
Director: Corporate & Civic Services  
Director: Quality Assurance  
Maori Issues Manager

**IN ATTENDANCE:** Group Manager: Service Management  
Group Manager: Project Services  
Group Manager: Asset Management  
Special Projects Manager  
Service Manager - Parks Planning  
Committee Secretary: N Delamere

**1 APOLOGIES**

470/2006

MOVED by W Paki, seconded R McLeod:

That apologies from Cr Clow, J Dragicevich and A Pollock for absence be received and sustained.

**CARRIED**

**2 URGENT BUSINESS**

There was no Urgent Business.

**3 CONTRACT NO. PK 05039A - CIVIC SQUARE AND JAPANESE GARDEN**

471/2006

MOVED by R Rudd, seconded R McLeod:

1. That the Contract No. PK 05039A - Civic Square and Japanese Garden report be received.
2. That the adjusted tender from HEB Smithbridge for PK 05039A - Civic Square and Japanese Garden in the sum of \$1,860,155.55 plus \$232,519.44 GST, totalling \$2,092,674.99 be accepted subject to approval from the Finance and Operational Performance Committee to transfer funds on the basis set out in this report.
3. That it be recommended to the Finance and Operational Performance Committee that \$210,000 be transferred from the Transport Hobsonville Construction budget and \$90,000 from the Transport Hobsonville Detailed Design budget, totalling \$300,000 in the 2005/2006 Annual Plan to the Japanese Garden project in order to fund contract contingency.

A100

4. That authority to enter into PK 05039A - Civic Square and Japanese Garden on behalf of Council be delegated to the Director: City Services.
5. That a letter of intent be sent to HEB Smithbridge forthwith.

**CARRIED**

11.13 am

The Chairperson thanked Members for their attendance and attention to business and declared the meeting closed.

CONFIRMED AT A MEETING OF THE TENDERS  
SUBCOMMITTEE HELD ON

**DATE:**.....

**CHAIRPERSON:**.....

A101