



Waitakere City Council
Te Taiao o Waitakere

NOTICE OF MEETING

FINANCE AND OPERATIONAL PERFORMANCE COMMITTEE

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

DATE: Monday, 7 April 2008 **TIME: 9.30 am**

VENUE: Waitakere Central, 6 Henderson Valley Road, Henderson, Waitakere

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

2 April 2008

Carmen Fernandes
COMMITTEE SECRETARY

Telephone (09) 836 8000 extn 8887

MEMBERSHIP:

Councillors	RI	Clow (Chairman)
	JM	Clews, QSO, JP (Deputy Chairman)
	DQ	Battersby, JP
	BA	Brady, JP
	MFP	Chan, JP
	LA	Cooper, JP
	AK	Corban, OBE, JP
	RP	Dallow, QPM, JP
	WW	Flaunty, QSM, JP
	PA	Hulse
	MM	Jolley
	JP	Lawley, JP
	PG	Mitchell
	VS	Neeson, JP

Mayor RA Harvey, QSO, JP (ex officio)

(Quorum 5 members)

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

**AGENDA FOR A MEETING OF THE FINANCE AND OPERATIONAL PERFORMANCE
COMMITTEE TO BE HELD AT WAITAKERE CENTRAL, 6 HENDERSON VALLEY
ROAD, HENDERSON, WAITAKERE, ON MONDAY, 7 APRIL 2008
COMMENCING AT 9.30 AM**

TABLE OF CONTENTS

<u>ITEM</u>	<u>PAGE NO.</u>
<u>PART A - OPENING OF MEETING</u>	1
1 APOLOGIES	1
2 URGENT BUSINESS	1
3 CONFLICTS OF INTEREST	1
4 CONFIRMATION OF MINUTES	1
<u>PART B - LEGAL AND CONSTITUTIONAL</u>	2
5 AFFIXATION OF COMMON SEAL	2
<u>PART C - FINANCE</u>	3
6 OPERATING AND CAPITAL EXPENDITURE SUMMARIES	3
7 STATUS OF SPECIAL FUNDS	4
8 PERFORMANCE REPORT FOR THE PERIOD 1 JULY 2007 TO 31 DECEMBER 2007	5
9 PAYMENTS FOR APPROVAL	6
10 BORROWING AND INVESTMENT REPORT	7
<u>PART D - GENERAL</u>	13
11 SINKING FUND COMMISSIONERS – RESOLUTION TO DISESTABLISH	13
12 COMMUNITY ASSISTANCE FUNDS RESTRUCTURE AND POLICY DEVELOPMENT	14
13 WAITAKERE CENTRAL CIVIC SQUARE STAGE 2 PROPOSED ART WORK ON TEMPORARY FENCE	22
14 HOUSING FOR OLDER ADULTS RENTAL INCREASES	26
15 WATERCARE SERVICES LIMITED DRAFT STATEMENT OF CORPORATE INTENT 2008	31
<u>PART E - REPORTS FROM THE SUBCOMMITTEES</u>	34
16 TENDERS SUBCOMMITTEE	34
<u>PART F - PUBLIC EXCLUDED MATTERS</u>	34
17 CONSENT TO VARIATION OF MORTGAGE – 19 CHURCH STREET, SWANSON (RD AND GV BRITTEN)	34
18 SEABROOK AVENUE, NEW LYNN – PROPOSED ACQUISITION OF SURPLUS SCHOOL PROPERTY	34

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PART A - OPENING OF MEETING

1 APOLOGIES



2 URGENT BUSINESS

Section 46A(7) 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 Committee by resolution so decides; and
- (ii) the Chairman has explained at the beginning of the meeting (when open to the public) that the item will be raised for discussion and decision, why the item is not on the agenda, and why it cannot be delayed until a subsequent meeting.

The Committee may make a decision on a matter determined to be urgent.

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



3 CONFLICTS OF INTEREST

The Council has acknowledged in its Code of Conduct that Elected Members need to be vigilant to stand aside from decision making when a conflict arises between their role as a member of the Council and any private or other external interest they might have. This note is provided as a reminder to members to check that no such conflicts arise in relation to any items on this agenda.



4 CONFIRMATION OF MINUTES

Meeting Minutes – Monday, 10 March 2008

RECOMMENDATION

That the minutes of the Meeting of the Finance and Operational Performance Committee held on Monday, 10 March 2008, as circulated, be taken as read and now be confirmed.



PART B - LEGAL AND CONSTITUTIONAL

5 AFFIXATION OF COMMON SEAL

EXECUTION OF DOCUMENTS: 3 to 31 March 2008

RECOMMENDATIONS

It is recommended that Finance and Operational Performance Committee resolve to:

1. **Receive** the Affixation of Common Seal report.
2. **Agree** that the action taken in affixing the Common Seal on the documents as set out in the agenda report be adopted.

Nº	NAME	PARTICULARS
4387	WCC – Alison King	Warrant of Appointment & Evidence of Identity – No.WCC380
4388	WCC – Roma Stuart Craig	Warrant of Appointment & Evidence of Identity – No.WCC381
4389	WCC – Tracey Hamilton	Warrant of Appointment & Evidence of Identity – No.WCC383
4390	WCC – Andreas Nikolaus Carlson Lilley	Warrant of Appointment & Evidence of Identity – No.WCC385
4391	WCC – Beacon Pathway Ltd & Ecomatters Environment Trust	Deed of Assignment of Lease; Now Home on Olympic Park
4392	WCC – RG & GV Britten	Encumbrancee's consent to Variation of Mortgage – Rule 44(2) Standing Orders on the Use of the Common Seal – 18 Church Street, Swanson
4393	WCC – Bruce & Olwen Denny & 123 Trustees Ltd	Memorandum of Encumbrance – CT.NA1382/5 – 13 Lancewood
4394	WCC – PME Blayney	Conservation Covenant – CT.NA373/25 – 13 Hutchinson Avenue, New Lynn – resolution 2090/2003
4395	WCC – HA & KT Littin	Transfer Mortgage Instrument – 156 Victory Road, Laingholm – Council resolution 3603/2007
4396	WCC – GS & RM Taylor	Deed of Waiver under s.40 Public Works Act – 1/132 Te Atatu Road – resolution 1060/2006
4397	WCC – AH & RN Pedersen	Consent by Council under Encumbrance C123119.10 - registration of Variation of Mortgage – CT.NA79D/676
4398	WCC – Kingfisher Properties Ltd (Cardon Consultants Ltd)	Drainage easement in gross – CTs.389601-389610 (inclusive) – 240 Hepburn Road and 9, 11, 13-20, 22, 24, 24, 28, 30, 32, 34, 36 & 38 Scowns Way – RMA 20061157
4399	WCC – Clark Dion McKinney	Warrant of Appointment and Evidence of Identity – No.WCC382
4400	WCC – Saby Viridi	Warrant of Appointment and Evidence of Identity – No.WCC386
4401	WCC – Srinivasa Rao Pulla	Warrant of Appointment and Evidence of Identity – No.WCC387
4402	WCC – Mr & Mrs Ball	Consent by Encumbrancee to Variation of Mortgage – Rule 44.2 Standing Orders on the Use of the Common

		Seal - 59 Waitakere Road
4403	WCC – M Fuluifaga	Consent by Encumbrancee to Variation of Mortgage – Rule 44.2 Standing Orders on the Use of the Common Seal – 14 Armada Drive, Ranui
4404	WCC – Vector Ltd	Easement over Jack Colvin Park – resolution 990/2007
4405	WCC – Delking Distributors Ltd	Surrender of Lease – 2 Clark Street, New Lynn – resolution 657/2007

Report prepared by: Yvonne Donaldson, Team Leader: Legal Services



PART C - FINANCE

6 OPERATING AND CAPITAL EXPENDITURE SUMMARIES

EXECUTIVE SUMMARY

The purpose of this report is to inform the Finance and Operational Performance Committee as to the level of operating and capital expenditure to the end of February 2008 by unit compared to budget.

RECOMMENDATION

It is recommended that the Finance and Operational Performance Committee resolve to:

Receive the Operating and Capital Expenditure Summary report.

BACKGROUND

1. Through the Long Term Council Community Plan and Annual Plan process, the Council approves operating and capital expenditure. The Council follows good practice for procurement of goods and services and ensures that funding has been provided from appropriate sources.
2. If any further information is required in respect of this report, other than of a general nature, please contact either the writer prior to the meeting to enable the query to be researched.
3. This report covers expenditure for the eight months to 29 February 2008. The financial summary is attached on page A1.

A1

DECISION MAKING

4. There are no decisions required in respect of this report.

STRATEGIC CONTEXT

5. The Council's operating and capital expenditure delivers projects necessary to achieve the Council's strategic direction.

CONSULTATION

6. No consultation was required in respect of this report.

RESOURCES

7. This report has no resource implications.

IMPLEMENTATION ISSUES

8. There are no implementation issues in respect of this report.

Report prepared by: Bob Preston, Group Manager: Financial Management.



7 STATUS OF SPECIAL FUNDS

EXECUTIVE SUMMARY

A2

The purpose of this report is to inform the Finance and Operational Performance Committee on the status of the Council's special funds as at 29 February 2008, as attached at page A2.

RECOMMENDATION

It is recommended that the Finance and Operational Performance Committee resolve to:

Receive the Status of Special Funds report.

BACKGROUND

1. Special funds are those funds held or designated by the Council for a specific purpose or purposes. The balances of these funds are used to offset the Council's borrowing requirements. Interest is allocated to funds where applicable.
2. Special fund movements are recommended through the Long Term Council Community Plan and Annual Plan adoption process. Special funds are classified as either "Restricted Funds" or "Non-Restricted Funds". Restricted funds are those funds that have been received by the Council from a third party or parties and are to be used for a specific purpose or purposes. Non-restricted funds are funds established by a Council resolution to use and set aside its own funds and also to meet a specific purpose or purposes.

DECISION MAKING

3. There are no decisions required in respect of this report.

STRATEGIC CONTEXT

4. The Council uses special funds as provided for in Long Term Council Community Plan and Annual Plans.

CONSULTATION

5. No consultation was required in respect of this report.

RESOURCES

6. This report has no resource implications.

IMPLEMENTATION ISSUES

7. There are no implementation issues in respect of this report.

Report prepared by: Bob Preston, Group Manager: Financial Management.



8 PERFORMANCE REPORT FOR THE PERIOD 1 JULY 2007 TO 31 DECEMBER 2007

EXECUTIVE SUMMARY

The purpose of this report is to present the Performance Report for the period 1 July 2007 to 31 December 2007.

RECOMMENDATION

It is recommended that the Finance and Operational Performance Committee resolve to:

Receive the Performance Report for the Period 1 July 2007 to 31 December 2007.

BACKGROUND

1. In June 2006, the Council adopted its Long Term Council Community Plan 2006 – 2016. Volume 2 of the document detailed the activity performance measures. The performance report follows this format.
2. Where possible, all measures have been reported. Most measures have met their target and explanations have been provided where targets have not been met. There are a number of measures that are only measured on an annual basis and these will be reported in the report for June 2008.
3. The Performance Report indicates that the Council has generally met its performance measures. Where targets have not been met, the action taken is detailed in the report, which is attached at pages A3 to A18.

A3-A18

DECISION MAKING

4. There are no decisions required in respect of this report.

STRATEGIC CONTEXT

5. The activities detailed in Volume 2 of the Long Term Council Community Plan 2006–2016 are the mechanisms used by the Council to deliver the Council's strategic direction and to contribute to the community outcomes. The contribution to the strategic direction and community outcomes were also detailed in Volume 2.

CONSULTATION

6. No consultation was required in respect of this report.

RESOURCES

7. This report has no resource implications.

IMPLEMENTATION ISSUES

8. There are no implementation issues in respect of this report.

Report prepared by: Bob Preston, Group Manager: Financial Management.



9 PAYMENTS FOR APPROVAL

EXECUTIVE SUMMARY

The purpose of this report is to advise the Performance and Operational Performance Committee of payments made by the Council.

A19-A26

A summary schedule of payments made for the period 10 February 2008 to 8 March 2008 is attached at pages A19 to A20. A further schedule of all payments of \$5,000 and above, together with the reason for the payment, is attached at pages A21 to A26.

Payments have been provided for in accordance with approved budgets.

If a Finance and Operational Performance Committee member wishes to ask specific questions relating to any of these payments, please direct them to the Group Manager: Financial Operations prior to the meeting to enable a response to be adequately researched.

RECOMMENDATIONS

It is recommended that the Finance and Operational Performance Committee resolve to:

1. **Receive** the Payments for Approval report.
2. **Approve** the contracts let and the payments made.

BACKGROUND

1. All payments made by the Council are presented to the Finance and Operational Performance Committee on a progressive monthly basis. Elected members are able to review the information provided and seek information or clarification in respect of any of those payments.

DECISION MAKING

2. There are no decisions required in respect of this report.

STRATEGIC CONTEXT

3. The Council makes various payments as provided for in its Long Term Council Community Plan and Annual Plans. The Council follows good practice for procurement of goods and services and ensures that funding has been provided from appropriate sources.

CONSULTATION

4. No consultation was required in respect of this report.

RESOURCES

5. This report has no resource implications.

IMPLEMENTATION ISSUES

6. There are no implementation issues in respect of this report.

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



10 BORROWING AND INVESTMENT REPORT

GLOSSARY

Long Term Council Community Plan (LTCCP)

EXECUTIVE SUMMARY

This is a monthly report to the Council's Finance and Operational Performance Committee and is also a requirement of the Council's adopted Liability Management and Investment Policy. It provides information on the Council's borrowing and investment activities over the past month and also high level information on current financial market conditions. From time to time additional and more detailed information is requested on particular areas of interest by the Finance and Operational Performance Committee or other Committees.

RECOMMENDATIONS

It is recommended that the Finance and Operational Performance Committee resolve to:

1. **Receive** the Borrowing and Investment Report.
2. **Approve** the Borrowing and Investment Report.

BACKGROUND

1. Waitakere City Council enters into treasury related financial contracts in the ordinary course of its business. It is the role of the Council's Funds Management section to manage such contracts and the impact that they have on the organisation. All funds management transactions are governed by the Liability Management and Investment Policy, prepared in compliance with the Local Government Act 2002. As a requirement of that Policy this report informs the Committee on the current and future movements of the Council's debt and cash investments, and provides a general commentary of financial market conditions.

A27-A32

2. The relevant portfolio and graphs reflect the estimated position as at 29 February 2008 and are attached at pages A27 to A32.

DECISION MAKING

3. There are no decisions in relation to this report.

Issues

4. The Council's Funds Management function actively manages a large portfolio of various debt and investment instruments. The benefit of borrowing is that it enables the Council to carry out the projects identified in the Annual Plan and

Long Term Council Community Plan (LTCCP), while spreading the costs for those projects over time to recognise the future benefits. Borrowing funds therefore assist the Council with its entire loans funded strategic initiatives. The Liability Management and Investment Policy require that a report detailing the management of the portfolio be presented to the Finance and Operational Performance Committee on a regular basis. The report must include information on the following subjects:

- Cash/debt position;
 - Forecasted borrowing profile;
 - Interest rate profile;
 - Risk management;
 - Material transactions;
 - Market commentary.
5. This report addresses the requirement of the Policy and may include other information that is relevant to the Funds Management function.

Financial Implications

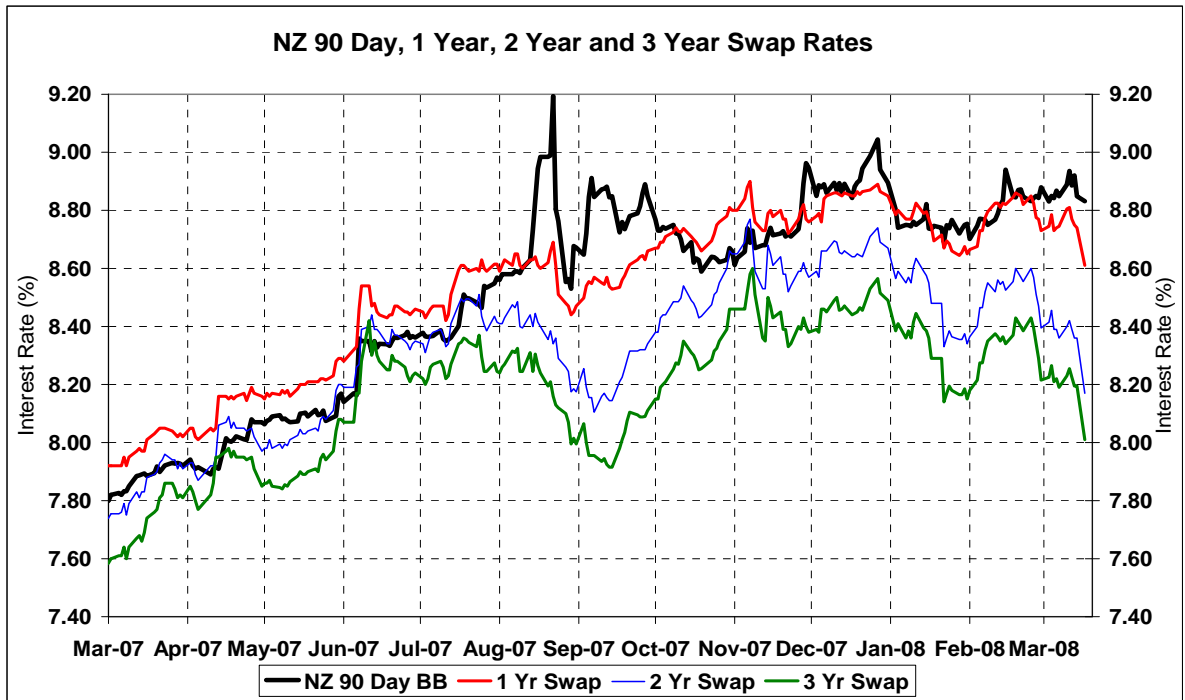
6. The active management of the treasury portfolio seeks to minimise the Council's borrowing costs and maximise investment returns of liquid assets. The Funds Management function is also charged with seeking investors, thus ensuring that there is sufficient liquidity available for the Council to continue its work programme. New Zealand financial markets are significantly volatile and therefore interest rate risk management is a key responsibility of the Funds Management function. Detailed financial information included within this report is intended to give assurance of the prudent management of the Council's portfolio.
7. The Council maintains a Standard and Poor's Credit Ratings of A-1 short term, and A+ long term (stable).

Interest Rates

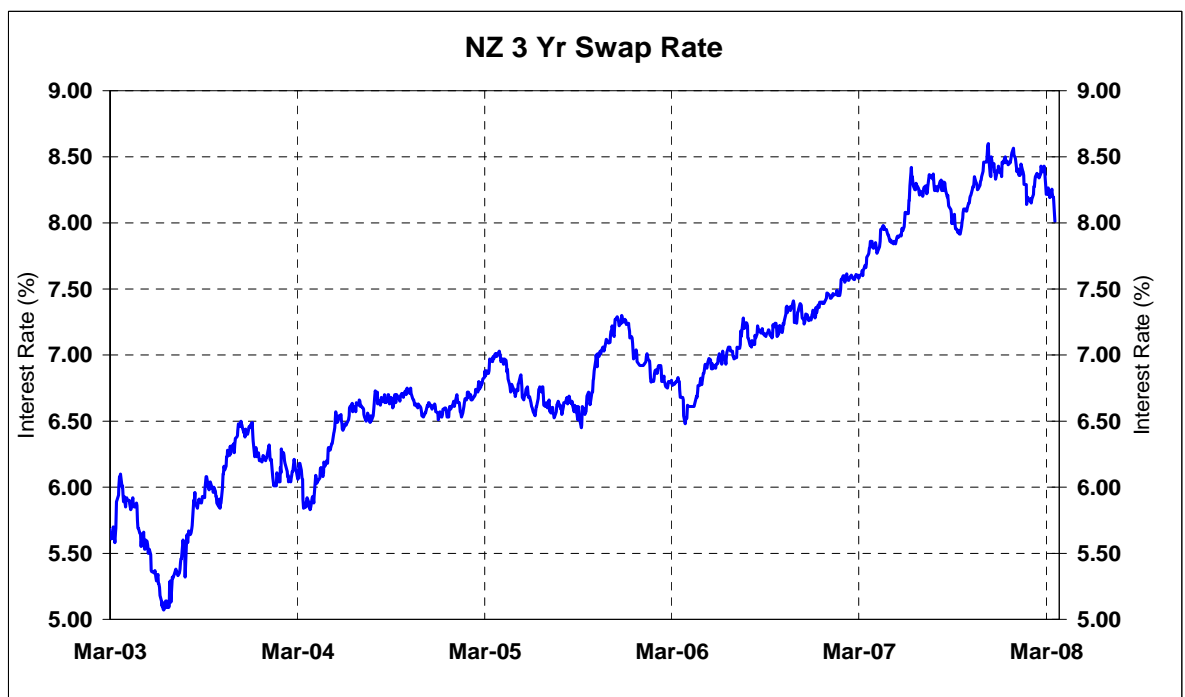
8. Waitakere issues debt securities, such as bonds and commercial paper, to fund the majority of its new capital works programme. This has been an approach used by the organisation for numerous years and is intended to spread the cost of the assets over future generations rather than increasing rates to fund the new works programme.
9. Borrowing funds exposes the Council to financial risks. As a requirement of the Local Government Act 2002, Section 104, the Council must adopt a Liability Management Policy. This Policy must state how the Council manages its borrowing and other liabilities including its interest rate exposure, liquidity, credit, debt repayment, borrowing limits and the giving of securities. The Council adopted its current Liability Management Policy with the adoption of its LTCCP 2006-2016.
10. The Council's weighted average interest rate (the rate achieved by dividing the total annualised interest cost by the total debt) had been falling significantly over the years leading up to the adoption of the LTCCP. As a result of this and consultation with external advisors and lenders, and the desire not to burden ratepayers with an overly inflated interest cost budget, it was agreed that a weighted average interest rate of 6.50% would be used for budgeting purposes for the 10 year plan.
11. Since the adoption of the LTCCP interest rates have trended upwards. Initially, higher market interest rates did not have a significant effect on the Council's debt portfolio and interest rate practices maintained the portfolio's weighted average

interest rate close to its budgeted figure of 6.50%. Interest rates have remained higher for an extended period and the requirement to fund new capital works and debt maturities slowly puts pressure on the overall portfolio's average interest rate.

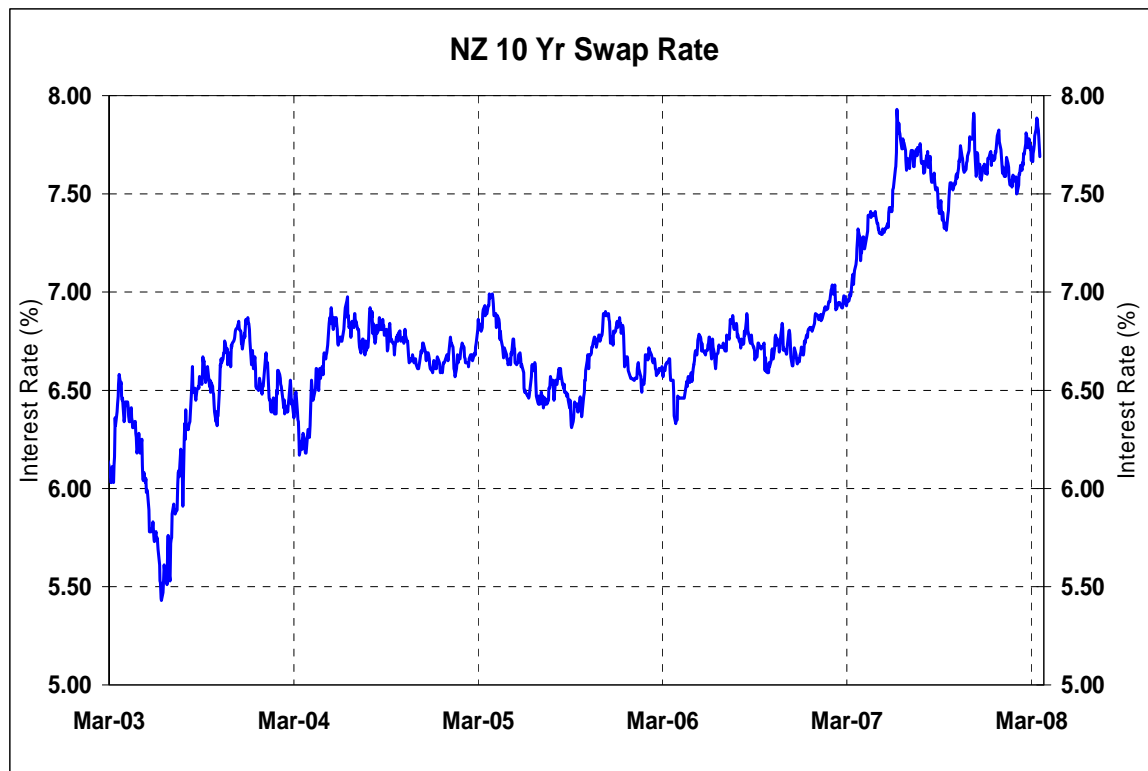
- 12. The following two graphs show interest rates for short term funding. Generally these short term interest rates are a product of the Reserve Bank of New Zealand's use of the Official Cash Rate.



- 13. These interest rates represent the base interest rate the Council would pay if it was to enter into a new financial instrument at anytime during the time frame shown. On a slightly longer time scale, the three year interest rate swap rate has traded as follows:



14. For longer dated maturities a slightly different trend developed. Traditionally, longer term interest rate trends have been more closely correlated to US interest rates. As a result, short term interest rate trends do not necessarily follow long term interest rate trends. The following graph represents the ten year swap rate over the same period as the above three year swap graph.

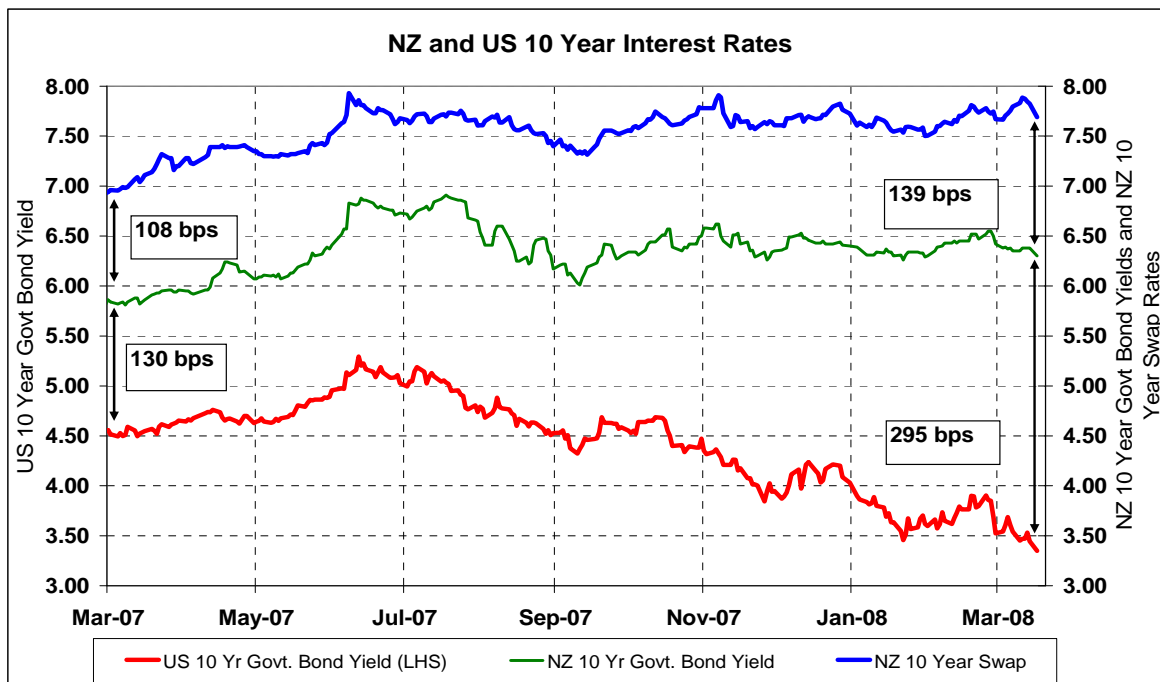


15. Over the past few years the Council's overall debt portfolio has increased due to its capital works programme. During the years, a proportion of existing debt would mature and require refinancing. While much of the activity has not had significant exposure to increased base interest rates due to active hedging activities, more recent transactions have put a certain amount of pressure on the portfolio's overall weighted average borrowing cost. The table below provides an outline of how the portfolio has grown over the past few years.

Financial Year	Gross Debt Opening Balance (\$M)	New Borrowings (\$M)	Refinanced Maturities (\$M)	Gross Debt Closing Balance (\$M)
2003/2004	97.345	4.886	25.024	102.231
2004/2005	102.231	51.913	17.970	154.144
2005/2006	154.144	73.882	10.389	228.026
2006/2007	228.026	66.500	36.357	294.526
2007/2008	294.526		30.000	

16. In order to increase the hedging coverage and reduce borrowing costs, the Council has been renegotiating existing hedging positions when the opportunities present themselves. Typically, these trades have been to shorten an existing long term hedge and use the profit to either decrease the fixed interest rate payable or increase the notional value of the financial instrument. Care is necessary not to shorten the life of the hedging instrument too far, which would increase the risk of exposure to significantly higher interest rates should the renegotiated instrument mature.

17. A further observation on the New Zealand 10 year swap interest rate is the widening spread to the US 10 year Government Bond. As stated in paragraph fifteen, New Zealand long term rates traditionally follow the US market trends. This appears to have changed at the same time the “credit crunch” began in the last quarter of 2007. New Zealand Government debt yields increased while US Government debt yields decreased.



18. The effect of the increased spread of New Zealand 10 year government debt to US 10 year government debt has resulted in significantly higher wholesale 10 year base interest rates. Added to this, the increased cost of credit to borrowers has increased dramatically. Prior to September 2007, 10 year debt would have a credit margin of less than 0.20%. Now it is difficult to even price this term, as investors have no appetite for medium to long term illiquid securities. Investors are currently more likely to accept smaller parcels of relatively short term paper. Over the early stages of this year the type of credit margins expected on these short term issues has grown significantly week by week. The following table represents some of the issues by local authorities over February and March 2008.

Deal Date	Principal \$M	Term (Years)	Fixed/Floating	All In Margin
5 February 2008	\$5.0	2	Floating	0.22%
8 February 2008	\$5.0	2	Floating	0.27%
8 February 2008	\$5.0	2	Fixed	0.29%
18 February 2008	\$5.0	2	Floating	0.37%
18 February 2008	\$10.0	2	Floating	0.37%
28 February 2008	\$10.0	5	Floating	0.75%
28 February 2008	\$5.0	6	Fixed	0.95%
4 March 2008	\$5.0	2	Fixed	0.70%

19. Waitakere has equally been exposed to the changes in debt markets, though to some extent the Council’s credit rating has supported our ability to still fund in some markets far more cheaply than unrated local authorities. With the lack of appetite for long term private placements, the commercial paper market has become increasingly valuable. However, due to the short term nature of this market, adequate liquidity through bank committed undrawn funding lines must be maintained. This became evident recently when one local authority received bids for their 90 day commercial paper tender at around 0.30% and they were forced to

use their standby facilities instead of accepting the credit margins expected. Waitakere currently has \$50 million outstanding commercial paper which is currently being priced at a credit margin of 0.10%.

20. It is possible that Waitakere's outstanding commercial paper will need to be converted to bank debt before 30 June 2008, however, it is important to maintain good relationships with existing investors. To this end in late 2007 additional bank facilities of \$100 million were negotiated in an attempt to provide some certainty of ongoing liquidity. The total amount of undrawn bank committed funding facilities the Council has available is \$185 million. If credit margins on any issue are greater than the negotiated credit margin of bank facilities, economically it is better to draw against the bank facility. The amount of funding available represents approximately 1 to 2 years liquidity before the Council is forced to accept higher credit margins.
21. Waitakere has also taken advantage of the earlier low credit margin environment before more recent events occurred and targeted 5 year, 7 year and 10 year maturities. This has resulted in few debt maturities, apart from commercial paper, over the next few years. Excluding commercial paper, Waitakere will have to refinance only \$5 million of bonds maturing in 2008/2009 financial year, though in the 2009/2010 financial year the amount maturing and requiring refinancing will currently be \$35.025 million. At some stage in the future, the Council will be exposed to significantly higher credit margins if the current pricing is prolonged.

Options Identified

22. There are no options identified in this report.

Assessment of Options

23. There are no assessment of options in this report.

Consideration of Community Views

24. The LTCCP and the Annual Plan are documents used to gather opinions of the community through the consultation, hearing and final document adoption. The Council presents its debt position within these documents.

STRATEGIC CONTEXT

25. The management and use of borrowing and investments is aligned to all of the Council's strategic objectives, as adopted in both the LTCCP 2006-2016 and the Annual Plan 2007/2008.

Preferred Option

26. There is no preferred option presented with this report.

CONSULTATION

27. This report includes data sourced by the Council's external treasury advisors, Asia Pacific Risk Management, and opinions or views sourced from various financial institutions.

RESOURCES

28. The Council, through its Annual Plan 2007/2008, provided for total new borrowings of \$183.265 million, including loans attributable to projects carried forward from previous years totalling \$62.255 million. Total interest cost has been provided in the Annual Plan 2007/2008 of \$20.020 million.

IMPLEMENTATION ISSUES

29. There are no implementation issues identified for this report.

Report prepared by: Bruce Wilkin, Treasury Manager



PART D - GENERAL

11 SINKING FUND COMMISSIONERS – RESOLUTION TO DISESTABLISH

EXECUTIVE SUMMARY

The Sinking Fund Commissioners resolved at their Annual General Meeting held on 18 February 2008 their intention to disestablish the Sinking Fund and the positions of the Sinking Fund Commissioners on completion and adoption of the 2007/2008 Financial Statements, to officially retire two commissioners and appoint one replacement. The Sinking Fund Commissioners require the Council to approve the disestablishment of the Sinking Fund and the positions of Sinking Fund Commissioners.

RECOMMENDATIONS

It is recommended that the Finance and Operational Performance Committee resolve to:

1. **Receive** the Sinking Fund Commissioners – Resolution to Disestablish report.
2. **Agree** that the current Sinking Fund Commissioners, namely Robert Rudd and Harry O'Rourke be retired as Sinking Fund Commissioners, and that Vijaya Vaidyanath be appointed as a Sinking Fund Commissioner for the purposes of adopting and approving the Sinking Fund Commissioners 2007/2008 Financial Statements.
3. **Agree** that on the completion of the Sinking Fund Commissioners 2007/2008 Financial Statements, the Sinking Fund and Positions of Sinking Fund Commissioners be disestablished.

BACKGROUND

1. Sinking Funds are a product of historical legislation. The needs to continue Sinking Funds after changes in legislation lead to the Council choosing to continue to provide contributions toward debt raised prior to the law changes, but make no further contributions towards debt raised afterwards. The Sinking Fund Investments subsequently decreased as portions were released to repay maturing loans. As at 1 July 2007 the final Sinking Fund Investment was released to repay its corresponding maturing debt. No further investment remains, however, a set of financial statements will need to be prepared for the 2007/2008 financial year due to the timing of the final release.

DECISION MAKING

2. The decision required has no implications as there is no value remaining within the Sinking Fund Investment. The only affected persons identified are the individuals who have been Sinking Fund Commissioners and they have resolved their intentions to disestablish the Sinking Funds and Positions of the Sinking Fund Commissioners after the adoption of the Sinking Fund 2007/2008 Financial Statements.

Issues

3. The Sinking Fund released its final investment to the Council on 1 July 2007. Due to the timing, the Sinking Fund Commissioners will need to provide a set of Financial Statements on a disestablishment basis for the 2007/2008 financial year. Since the termination of employment by Robert Rudd (former Director: Quality Assurance, Waitakere City Council) and the retirement of Harry O'Rourke (former Chief Executive Officer, Waitakere City Council), only one commissioner, Andrew Pollock, Director: Finance, remains in employment at the Council. It is therefore appropriate to officially retire the two commissioners no longer employed by Waitakere City Council and to appoint a second commissioner for the purposes of adopting and approving the 2007/2008 Financial Statements. On the completion and adoption of the 2007/2008 financial statements, the Sinking Funds and Positions of the Sinking Fund Commissioners can be disestablished.

STRATEGIC CONTEXT

4. There is no Strategic Content.

Preferred Option

5. The preferred option is to retire two existing Sinking Fund Commissioners and appoint a new Sinking Fund Commissioner for the purposes of adopting the 2007/2008 Sinking Fund Commissioners 2007/2008 Financial Statements and after the adoption of these Financial Statements disestablish the Sinking Funds and the Positions of Sinking Fund Commissioners.

CONSULTATION

6. Consultation has been undertaken within the Sinking Fund Commissioners and Audit New Zealand. No other consultation has been undertaken.

RESOURCES

7. There appears to be little to no resources required.

IMPLEMENTATION ISSUES

8. There are no implementation issues.

Report prepared by: Bruce Wilkin, Treasury Manager.



12 COMMUNITY ASSISTANCE FUNDS RESTRUCTURE AND POLICY DEVELOPMENT

GLOSSARY

Community Assistance Funds	(CAF)
Finance and Operational Performance Committee	(FOP)
Community Wellbeing Fund	(CWF)
Accommodation Assistance Fund	(AAF)
Out of School Care Fund	(OSCF)
Youth Programme Fund	(YPF)
Fee Waivers Fund	(FWF)
Community Halls Fund and Capital Work Fund	(CHF&CWF)

EXECUTIVE SUMMARY

The purpose of this report is to provide the Finance and Operational Performance Committee (FOP) with information regarding the Community Assistance Funds (CAF) restructure and policy developments.

The CAF restructure could consist of the following funds; Community Wellbeing Fund (CWF); Out of School Care Fund (OSCF); Youth Programme Fund (YPF); Accommodation Assistance Fund (AAF) and Fee Waivers Fund (FWF). The restructure proposes that;

1. An applicant may seek assistance from any of the above listed funds via one application, assessment and allocation process.
2. That the CWF Community Boards Funds are more responsive to local community needs.
3. That the policy development for the CWF involves changes to the following criteria; leisure, religion, individuals, cultural activities and other sources of funding.

Following consultation, a number of options for the restructure of the CAF were investigated. One feasible option has been recommended for further consideration in this report.

RECOMMENDATIONS

It is recommended that the Finance and Operational Performance Committee resolve to:

1. **Receive** the Community Assistance Funds Restructure and Policy Development report.
2. **Approve** the recommended option for the Community Assistance Funds restructure and policy development.
3. **Approve** that the Community Sports Fund Allocation Subcommittee be disbanded and the meeting cost funds transferred to the Community Assistance Fund Subcommittee.

BACKGROUND

1. In 1998, Council adopted the Community Assistance Policy. Since then a number of changes and developments have been identified by Council officers for the Community Assistance Funds. The 2007 CWF review report to FOP in May 2007 identified that the citywide component of the fund had a significantly high number of applications, the fund did not currently align with the Council's strategic platforms and community outcomes, and that there were only a handful of applicants that identified their services/activities as specifically supporting ethnic organisations. At the FOP meeting held on 7 May 2007 the Committee resolved as follows;

- “1. *That the Community Wellbeing Fund 2006/2007 report be received.*
2. *That future applications to the Community Wellbeing Fund be prioritised against the Community Outcomes and Council's strategic platforms be approved.*
3. *That a review of the Community Assistance Policy be undertaken and reported back to the Finance and Operational Performance Committee for approval.*”

(839/2007)

2. The new scoring criteria for the CWF was utilised in the 2006/ 2007 allocations which prioritised organisations for funding assistance. In this allocation there was a significantly low number of applicants to some of the Community Board funds and a continued high demand on the citywide funds. The Community Boards requested that a review be undertaken regarding the low number of applications to the CWF and that the remainder of the funds remain with the boards to allocate in another funding round or to specific ward based projects. At the four Community Board meetings in September 2007, the Community Boards resolved:

“That a review is undertaken regarding the low number of applications to the Community Wellbeing Fund Allocation 2007/2008 and that this review include a representative from each Community Board.”

*(Henderson Community Board 3329/2007;
Waitakere Community Board 3402/2007;
Massey Community Board 3378/2007;
New Lynn Community Board 3343/2007)*

3. In December 2007, a report on the Community Wellbeing Grants Restructure was presented to FOP by the Leisure Services Manager which recommended a consolidation of the YPF OSCF, AAF, CWF and FWF. This consolidation would reduce the number of times an applicant needed to apply to Council within the same financial year. At the FOP meeting 10 December 2007, the Committee resolved:

- “1. That the Community Wellbeing Grants Restructure report be received.*
- 2. That the Youth Programmes Assistance, Out of School Care, Accommodation Assistance and Fee Waivers funds be amalgamated into the Community Wellbeing Fund.*
- 3. That a workshop be held with Councillors and a representative from each Community Board in February 2008 to set the policy and guidelines for the consolidated Community Wellbeing Fund.”*

(3937/2007)

4. In December 2007, a report on the Community Sport Fund Review was presented to FOP by the Leisure Services Manager. The change was recommended as there was concern that the grants provided to clubs were not proving as effective as they could be, as the grants were principally used for strategies with little subsequent support or follow up. There was also concern that this fund was duplicating work that was conducted by Sport Waitakere via their sport development officer and the Club Mark Programme. At the FOP meeting held on 10 December 2007, the Committee resolved:

- “1. That the Community Sport Fund Review report be received.*
- 2. That the Sports Loan Fund and the Community Sport Fund are no longer available for sports clubs to apply to.*
- 3. That the interest from the Sports Loan Fund be used as a direct grant to Sport Waitakere to fund a Sport Development officer to develop the Club Mark Programme capped at \$50,000.”*

(3938/2007)

5. A CWF restructure and CAF policy development workshop was held in February 2008 by the Council grants officer for Councillors and Community Board representatives. The following recommendations were made:

CWF policy recommendations:

A33-A38

- That an overriding policy/guidelines is created to cover all funds and called the Community Assistance Fund Policy and Guidelines (see attachments at pages A33 to A38).
- Community Boards: To design separate criteria for the CWF Community Boards. To base these criteria on the same principles as the CAF. To enable the funds to be open throughout the year. The criteria to be expanded to include applications from individuals. For every applicant to present to the Community Board on their application.
- Catering and cultural activities: To enable organisations to apply for cultural activities. For catering costs to only be accepted as part of a larger programme/ project/ activity (a maximum of \$250 to be available per project for catering).
- Physical leisure activities: Include physical activity applications to the citywide CWF and include Push Play budget (\$15,000).

CAF policy recommendations:

- Religious promotion: In general, support will not be provided to organisations that request assistance for activities that promote religious/ political thought, unless they are proven to have community benefit.
- Significant other sources of funding: To decline applicants that receive significant other sources of funding for the same project. To make this decision applicants will need to provide the following information: net operating surplus, assets, bank accounts, for what purpose is the surplus intended and whether the organisation can cover the cost of the project themselves.

CAF application and management procedures:

- Application procedure:
 - The CAF consists of the following funds; Community Wellbeing Fund (CWF) citywide fund; Out of School Care Fund (OSCF); Youth Programme Fund (YPF); Accommodation Assistance Fund (AAF); Community Halls Fund and Capital Work Fund (CHF&CWF) and Fee Waivers Fund (FWF).
 - Two rounds of funding to occur per financial year, closing at the end of August and February.
 - That an organisation may only apply twice per financial year, and once per financial year to each fund.
- Ongoing assistance: Organisations may only apply once every two years for funding assistance to reduce the demand on the funds and enable new organisations the opportunity to apply for assistance.
- Incomplete applications: To decline applicants that fail to include more than two relevant documents without sufficient explanation. To chase up two documents with one letter/ email/ phone call, if no response then the applicant may be declined. Organisations that are new, have not applied for assistance before, will receive more assistance with their application.
- Simplify the application process: That the application process, form, guidelines and relevant policies are simplified.
- Accountability: To request a project report form from organisations that receive funding from Council and for the grants officer to report to the Committee on the success and failure of projects, with measurable outcomes and how these align to the policy and Council's strategic direction.

- Financial reviews and qualitative standards: Adopt the NZ Chartered Institute of Accountants quality assurance standards for varying sized organisations and funding assistance.
- Subcommittee:
 - That the Community Sports Club Fund Allocation Subcommittee meeting costs be utilised to establish a CAF subcommittee that meets twice a year (depending on the number of rounds of funds) and reviews the fund structure, policy, applications and allocations. (Chairs from Te Taumata Runanga, Waitakere Pacific Board and Waitakere Ethnic Board, Social Cultural Manager, Community Waitakere manager, FOP Councillors, two lead social service agency representatives elected on a rotating basis).
 - To establish an official protocol for committee members with regards to conflict of interest.

DECISION MAKING

Issues

6. The criteria for the CWF does not currently support innovative local initiatives as most community groups/organisations are funded year after year.
7. The application assessment and allocation process of the CWF has been identified by Council and the community as complex and time consuming as it has taken up to three months before an applicant is informed whether they are successful or not with their funding.
8. Community groups/ organisations have made complaints that they must provide the same financial and organisation details several times during the same financial year if applying to more than one fund and that the application form and guidelines are too complex for the small amount of funds that are allocated.
9. There has been a significant increase in demand on the CWF citywide beyond the amount of funds that are available. A number of community groups/ organisations that are applying for assistance have received several years of funding consecutively, which has meant as new organisations apply to the funds the demand increases as applicants apply for assistance in consecutive years.
10. Currently there are no methods of evaluation which measure how the funds are supporting Council's current Strategic Priorities, Platforms and Community Outcomes.

Options Identified

11. One option has been identified to provide Council with a reasonable CAF restructure with the least resource implications.
12. Status quo.

Assessment of Options

A39-A52

13. The restructure of the CWF was a result of following reports, workshop and Council officer consultation: 2007 CWF review report, 2007 CWF allocations report, 2007 CAF restructure report, CWF/CAF restructure workshop and further consultation with Council Officers from a number of teams (detailed in the consultation section of this report) resulted in the following recommendations (please see appendix attached at pages A39 to A52 for the relevant documents):

CWF policy recommendations:

- CWF policy criteria to include the following;
 - Catering and cultural activities: To enable organisations to apply for cultural activities and for catering costs to only be accepted as part of a larger programme/ project/ activity (a maximum of \$250 to be available per project for catering).
 - Physical leisure activities: Include physical activity applications to the citywide CWF and include Push Play budget (\$15,000).
- CWF Community Board policy to;
 - Utilise the CWF policy
 - Analysis and allocate the ward based local initiatives
 - Expand the criteria to include individuals.
 - Keep the funds open throughout the financial year.

CAF policy recommendations:

A33-A38

- That an overriding policy/guidelines is created to cover all funds and called the Community Assistance Fund Policy and Guidelines (see appendix attached at pages A33 to A38);
- Religious promotion: That the criteria that excludes activities that promote religious activities in the CWF, CAAF and YPF policy/guidelines that have proven community benefit is taken out and replaced with;
“Activities that can be supported by the Community Assistance Funds, are those that have community benefit”
- Current Strategic Priorities: That the YPF, OSCF, FWF, AAF and CWF are assessed with regards to the current Councils Strategic Priorities, Strategic Platforms and Community Outcomes.
- Significant other sources of funding: Applicants with sufficient funding to cover the costs of the project will not be accepted. To include a section in the application form that requests detailed information about the organisations financial situation.

CAF application and management procedure:

- Application procedure:
 - The CAF consist of the following funds; CWF citywide fund; OSCF; YPF; AAF and FWF.
 - Two rounds of funding occur per financial year, closing at the end of August and February.
 - That an organisation may only apply once per round per financial year, and once per financial year to each fund.
- Ongoing assistance: That innovative projects or initiatives that support Waitakere residents are provided a higher priority. This could encourage a double up of services to the community, therefore it is recommended that the criteria from the Wellbeing Fund stating that applicants that are recognised at providing similar services will be encouraged to collaborate.
- Incomplete applications: Applicants that fail to include two or more requested documents along with their application are declined, and those that fail to include one or two required documents in their application will be followed up and provided with one opportunity to submit the necessary documents.

- Simplify the application process: That the application process, form, guidelines and relevant policies are simplified.
- Accountability:
 - That all applicants must complete project report forms including certificates of expenditure.
 - That the Council grants officer evaluates the project report forms and reports back to the Committee once a year on the success/ failure of the funded projects/ services.
- Financial reviews and qualitative standards: Adopt the NZ Chartered Institute of Accountants quality assurance standards once a protocol is established for smaller grants by the National Forum for Council Grants Officers.
- CAF Subcommittee: A FOP subcommittee is created that is representative of the community and has delegated authority to allocate funds, monitor the policy and application, feedback into Councils policy process and enhance Councils funding policies.
 - The subcommittee is to be called the Community Assistance Funds Subcommittee.
 - The subcommittee is to meet three times a year for each of the two funding rounds and for one policy review per financial year.
 - That this committee consists of; one invited representative from each of the following committees; Te Taumata Runanga, Waitakere Pacific Board and Waitakere Ethnic Board. One invited representative from; Community Waitakere and Sport Waitakere. Two invited Councillors and two Community Board members which are representative of all the wards.
 - That a Conflict of Interest protocol is implemented by the Community Boards and CAF Subcommittee.
 - That the Community Sports Club Fund Allocation Subcommittee meeting costs be utilised for the CAF Subcommittee.

14. The following table highlights the benefits, costs, risks and social/ cultural/ economic and environmental implications:

Major policy/ procedure developments:	Benefits	Costs	Risks	Implications
CWF Community Board more responsive to local community needs	Increase in: Ability to respond more quickly to community needs. Local community benefit. Number of applications Innovative projects/ initiatives	No associated costs.	As the number of applications increase so does the demand on Community Board and Council resources. The funds should be monitored and increased appropriately.	The local community benefits from improved services.
CAF application form and assessment processes	Increase in: • Community groups/ organisation	Decrease in costs for the community and Council resources for administration,	No risks	The community and Council benefit from simplified application

simplified	benefit from a combined reduction in application processes. • Council benefit by a reduction in processing and analysing applications.	processing, allocation of funds.		processes for CAF.
Increased evaluation measures	Increase in alignment with Council's and the community's strategic direction for improved services to Waitakere residents.	Increase in Council and community resources.	No risks.	Higher level of alignment with supporting innovative, strategic community services.
Creation of a CAF Subcommittee	Increase in community groups/organisation benefit as applications are provided with a more strategic assessment committee.	Increase in Council resource for the paid meeting times of Committee members. However, the Sports Club Subcommittee has recently been closed and the money for this subcommittee can be utilised for the CAF Subcommittee.	Risk of conflict of interest with committee members that could be involved applicants projects. Therefore a conflict of interest policy and protocol has been proposed.	Representative committee that are specialised in the community service sector and provide strategic advise.

Consideration of Community Views

15. All of the CAF restructure and policy developments are in response to suggestions made by the general community, past successful and unsuccessful applicants, Council officers, Community Board members and Councillors.

Communications Plan

16. Information will be mailed/ emailed out to the community via the community fund database and Council officers' networks. The internet/intranet will be updated with all relevant information including policies/guidelines and application forms. Leaflets will go out with the next rates letters and advertisements in the Western Leader and community newsletters.

STRATEGIC CONTEXT

17. The Local Government Act 2002 states that as part of the preparation of the Long Term Council Community Plan a set of community outcomes must be identified for the City. Council takes these into account in the formulation of its strategic direction and budgeting and provides a mandated set of strategic outcomes to assess grants against. A number of Council's Community Outcomes and Council's Strategic Platforms priorities have a strong connection to social wellbeing. The Community Outcomes and Strategic Platforms priorities are

proposed to be the key areas for which the CWF would be assessed against. The key Community Outcomes include; Strong Communities, Toiora, Urban and Rural Villages and Working Together. The Council Platforms are Strong Communities and Urban and Rural Villages. As part of the prioritisation process, applications to the CAF will be assessed against the contribution for achieving the social wellbeing oriented Community Outcomes and Council's Strategic Platforms priorities.

Preferred Option

18. Implement the Community Wellbeing Fund and Community Assistance Funds restructure and policy developments as outlined in the assessment for the reasons that:
 - Community Assistance Funds can meet Council's and the community's current strategic direction.
 - Increased evaluative measures will enable more efficient and sustainable use of Council and community services resources.
 - Efficient use of community and council time and resource.
19. For these reasons the resource implications are justified by increased quality assessments by Council that are strategic, sustainable and innovative.

CONSULTATION

20. Consultation has been undertaken with Community Boards, Councillors and with Council Officers from the following teams: Strategy, Maori Relationships, Leisure, Rates, Quality Assurance and Legal.

RESOURCES

21. Administration resources and meeting costs associated with the Community Sports Club Allocation Subcommittee to be transferred over to the Community Assistance Funds Subcommittee.

IMPLEMENTATION ISSUES

22. A part-time administrator has recently been assigned to the Council grants officer, however, their hours may need to be increased during closing dates of the two rounds of funding. The administrator's hours will be monitored over the following year and adjusted appropriately. A team of Council officers have been selected to assist with the analysis of related projects services. The Council grants officer will analyse all organisational information and the administrator will provide the project information to each relevant Council officer to review. The Council grants officer will present all officers recommendations to the CAF committee.

Report prepared by: Greta Buchanan, Council Grants Officer.



13 WAITAKERE CENTRAL CIVIC SQUARE STAGE 2 PROPOSED ART WORK ON TEMPORARY FENCE

GLOSSARY

Waitakere Central Civic Square	(the square)
Waitakere Properties Limited	(WPL)
Communication and Facilitation Group	(CAF)

EXECUTIVE SUMMARY

The purpose of this report is to gain approval from the Finance and Operational Performance Committee for the expenditure of a portion of the current Stage 2 Civic Square budget allocation within the 2007/2008 Annual Plan on an art work to be located on the existing temporary fence adjacent to the Civic Square (the square).

The art work is being proposed in order to address the short to medium term amenity issues relating to the temporary wall and to provide a point of interest within the square over the next two year period until the Waitakere Properties Ltd (WPL) building is completed.

It is proposed that the art work would then be re-located to another site, either within the WPL site on further temporary fencing and/or located to another site within the City.

RECOMMENDATIONS

It is recommended that the Finance and Operational Performance Committee resolve to:

1. **Receive** the Waitakere Central Civic Square Stage Two Proposed Art Work on Temporary Fence report.
2. **Approve** that a total of \$30,000 be allocated from the Civic Square Stage 2 budget within the 2007/2008 Annual Plan for the Civic Square fence to implement the art work concept presented within this report.

BACKGROUND

1. A number of comments have been made about the temporary fence alongside the square and if it is going to stay painted white. There has also been some minor tagging associated with the currently blank wall created by the temporary fence. The fence was erected by Waitakere Properties Ltd (WPL) as a temporary boundary between their development site and the square and to form a backdrop to the square until such time as the WPL building proposed for the site has been completed.
2. The intention in the future is that the next WPL building within the site development will run along that same alignment and the square will be extended back to connect with the frontage of that new building when complete. WPL approached Council to see if we would be interested in progressing a possible art treatment along the fence, given that their timeline for the completion of the building has now been extended.

DECISION MAKING

Issues

3. A budget has been allowed for within the 2007/2008 Annual Plan for Stage 2 Civic Square Works. This budget was allocated when the timeline for the WPL building was going to near completion this year. The budget also included funding for a second John Edgar sculpture installation within the square.
4. The John Edgar sculpture is currently under construction, and is due for installation by the end of April. This work was able to proceed as the sculpture location is within the existing square area. The additional funding was for the extension of the square paving and furniture to meet the new WPL building (the area currently filled with loose pebbles).

5. As the timeline for the building is now extended, this aspect of the Stage 2 works is no longer required to be undertaken this year and will need to be scheduled for a future year in alignment with the confirmed building timeline for the WPL building
6. Council's arts team have progressed with having an art concept developed for the fence by Flox (artist: Hayley King). The concept involves using stencil art work along the entire length of the fence. The art work has a water and stream theme and reflects the key flora and fauna associated with stream environments. It is considered that this is fitting given the near vicinity of the Opanuku stream and the water theme reflected in the square and the Japanese garden. The art work is designed in muted tones, to provide a backdrop appropriate to the Civic Square area.

A53-A55

7. Attached at pages A53 to A55 are the artists concept proposals for the proposed art work along the fence.

Options Identified

8. There are a number of options available to Council with regards to addressing the amenity issues associated with the temporary fence located adjacent to the square. These are outlined in the following assessment.

Assessment of Options

9. The following assessments of options for the fence provides details which have determined the proposed preferred option.

Option	Advantages	Disadvantages
Do nothing	<ul style="list-style-type: none"> • No cost to Council. 	<ul style="list-style-type: none"> • Continued opportunity for tagging along a very open white wall; • Detracts from the square area.
Paint fence in plain colour	<ul style="list-style-type: none"> • Improves the amenity of the fence compared to plain white; • Minimal cost to Council. 	<ul style="list-style-type: none"> • Continued opportunity for tagging along a very open wall, albeit with a different colour; • Only slight improvement in the amenity of the square.
Screen printed art work on fence	<ul style="list-style-type: none"> • Provides an interesting backdrop to the square relating to a key feature of the City – streams making the square feel less 'unfinished' in the interim; • Improves the amenity of the square significantly; • Anticipated that it will reduce tagging as the surface is less open for tagging. 	<ul style="list-style-type: none"> • More significant cost to Council; • Temporary location (although the intention is to re-use the panels).

10. Based on the above evaluation, implementing an art work along the fence is considered the preferred option to improve the current amenity of the square.

Consideration of Community Views

11. There has been a good response from the community on Council's programme of art within the City. In particular, the artists proposed for this work have implemented similar stencil art works on local utility boxes (ie. at the Henderson Valley Road entrance to Waitakere Central) and Council has received positive comments from the community on those art works and the style of the art work.

STRATEGIC CONTEXT

12. The provision of art works within the City responds to the Urban and Rural Villages strategic platform, which highlights in particular for Town Centres being *"...thriving places, providing exciting options for people to live, work and play. Public facilities, places and spaces teem with people; the streets are alive and busy"*.
13. A key element of the City's arts practice is around place making and engaging with artists to develop and enrich spaces in a very site specific way and the proposed art work fits very comfortably within that scope. The art work will also be a highly visible feature from within the square and will form a backdrop to the range of Civic events that are being held within the square.

Preferred Option

A53-A55

14. The preferred option for the temporary fence is for the implementation of an art work along the wall. The attached art concept at pages A53 to A55 being considered by the arts team as the most appropriate and cost effective artistic response for the fence site.

CONSULTATION

15. Council officers have presented the proposed art work concept to the Communication and Facilitation Group (CAF). CAF indicated they would support the proposal being forwarded to the Finance and Operational Performance Committee for consideration.
16. Council officers have also consulted with WPL and they have confirmed that they would allow Council to implement the art work on the fence. WPL have made a commitment to Council to re-use the wall artwork elsewhere within the WPL site when the fence is no longer required in its existing location (ie. when the building is completed). If WPL do not identify any site suitable within their property for re-location of the fence art work they have confirmed that they will give the fence panels to Council. At that point in time Council will identify a suitable site within the City to place the panels.
17. WPL have indicated that they will require some form of signage to be incorporated within the fence area once their building starts being constructed. This signage will advertise the lease opportunities for the building and the construction details. Opportunity for this signage will be incorporated into the overall art work along the fence so that when the signage is required it can be put in place without affecting the overall impact of the art work.

RESOURCES

18. There is an existing budget of \$219,000 within the 2007/2008 Annual Plan for Stage 2 Civic Square. Of this budget, a total of \$50,000 has been allocated to the John Edgar stone sculpture (currently being carved) for placement at the front of Esquires at the entry to Waitakere Central. Another \$960 has been committed for

engineering designs for the foundation of the sculpture and an estimated \$3,000 is to be committed to the construction of the foundation of the sculpture. This leaves a budget of \$165,040 which is not required until the WPL building is completed. It is this remaining budget that is being proposed for use to cover the art work.

19. The cost estimate for the stencil art work is \$23,000. An additional \$4,000 is required to graffiti guard the art work. It is recommended that there is an overall budget allocation for this project of \$30,000 which will provide a contingency of \$3,000.
20. As the WPL building adjacent to the square is not due for construction for at least the next two years, the remaining Stage 2 Civic Square budget will either need to be carried forward, or additional funding for the Stage 2 works allocated in a future Annual Plan when a confirmed timeline for the completion of the WPL building has been determined.

IMPLEMENTATION ISSUES

21. It is proposed that implementation of the project would occur this summer, with an estimated completion date of the end May. There will be no disruption to the use of the square during the installation of the art work.
22. As detailed in the resources section. The art work will have a graffiti guard finish placed on the final surface. This finish will need to be renewed occasionally depending on the level of tagging that the art work receives. It is anticipated that there will be minimal tagging on this feature and certainly less than currently occurring on the plain white fence.

Report prepared by: Renee Davies, Service Manager Parks Planning and Naomi McCleary, Manager: Arts.



14 HOUSING FOR OLDER ADULTS RENTAL INCREASES

GLOSSARY

Housing New Zealand Corporation	(HNZC)
Housing for Older Adults	(HFOA)
Work & Income New Zealand	(WINZ)
Housing Innovation Fund	(HIF)

EXECUTIVE SUMMARY

The original funding concept for the Housing for Older Adults (HFOA) renewal project was that the remaining net cost to council after any Housing New Zealand (HNZC) funding from its Housing Innovation Fund (HIF) would be recovered through increased rentals set at 70% of market rental rates. This included covering the loan principal, interest and depreciation costs. Due to cost increases, recovery of all components is not possible as market rent has not increased at the same rate. Therefore it is recommended that depreciation be dropped from the funding requirement in line with current Council practice.

Approval to increase the rentals for the first of the renovated units is sought. This is to be at 70% for singles and 80% for couples, capped at 30% of gross income. For a number of tenants this increase will be higher than originally reported due to the fact that recent increases have not been enacted. The gross rental increase for a superannuate is \$26 per week; and there may be an additional amount up to \$10 per week relating to current undercharging.

An accommodation subsidy is available from Work & Income New Zealand (WINZ) and this will provide for 70% of the increase, resulting in a standard net increase in weekly rentals of \$7.80 for single superannuates paying rent at the correct rates under current policy. The net increase in rent for tenants paying below current policy rent could be up to \$10.80 per week.

RECOMMENDATIONS

It is recommended that the Financial and Operational Performance Committee resolve to:

1. **Receive** the Housing for Older Adults Rental Increases report.
2. **Agree** that the requirement to fund depreciation for the new renovations of the HFOA units under the current renewal programme from the increased tenant rentals be excluded in accordance with current Council practice
3. **Approve** that 60 days notice, to all tenants of renovated HFOA units completed currently and for those tenants as the renovations on their units are completed, to effect rental increases to 70% of market rent for singles and 80% for couples, capped at 30% of gross income.

BACKGROUND

1. Council embarked on a programme to upgrade its HFOA units, with physical implementation beginning this financial year. The programmes' funding philosophy was that funding was to be provided from the HNZN HIF with the remainder loan funded by Council to be progressively paid back from rental increases to 70% of market. This was approved as follows:

“3. That Scenario 2 for management of the Housing for Older Adults, which includes the following:

- a) That the units in the eleven villages be upgraded to the standard of threshold 3 together with some size modifications for twenty units;*
- b) That the housing for older adults portfolio continues to be governed and managed in house; and*
- c) That the rental levels be moved to 70% of the market rent with annual reviews providing that the accommodation supplement provides for the majority of this increase,*

Be endorsed in principle, for consultation with tenants and other key stakeholders.”

520/2006

2. The concept of pricing the HFOA units at 70% market value was established as the appropriate mix of value for money and recognition of the social aspect as Council is supplying a service to a sector of the community who can't afford market alternatives. For an application for a HFOA unit to be accepted proof of financial limitation is required.

DECISION MAKING

Issues

3. Two issues are discussed in this report. The first is the impact of project cost increases on the ability of the proposed rental increases to fund the full cost and, secondly, the requirement to increase rentals and the impact on tenants.

Impact of Project Cost Increases

Gross cost increases

4. It has been reported through the Committee that the costs of the HFOA refurbishment project has increased from that originally put through Committee in 2006. The City Services overview report in the draft Annual Plan deliberations notes that the gross cost is \$7 million; however, current estimates factoring in similar construction price increases to that recently experienced put the likely estimate at between \$7.6 million and \$8 million. The actual cost will be dependant on a number of market factors such as the impact of interest rates which may dampen overall demand for building contractors and increase the chances of getting competitive tender prices but at this stage none of this is factored in. However, this compares to a gross cost estimate of \$4.2 million reported in 2006. Not all of this can be attributed to increases in prices; the following issues have also been reported through to the Committee.

Increase in scope

5. An example was to scope in walk-in showers. This was done to provide a place for tenants to stay for a longer period where previously hip replacements meant relocation to a more suitable residence. It was cheaper to do during upgrade construction than later on and in effect brought forward renewals that would likely to have been required anyway.

Increases due to factors unknown

6. Upgrades of sanitation and electrical supply have been required and were not envisaged in the original concept being only identified during the construction phase.
7. Tenancy movement and care costs are higher than envisaged, however this is reflected in the excellent feedback from a majority of tenants.

Net cost to Council

8. As noted again verbally to committee Council officers are endeavoring to secure further funding from the HNZC HIF to keep the net contribution required from Council at a similar level to that originally envisaged. As reported through committee in 2002 the net cost to Council was \$2.8 million, and that any additional amount over that already in LTCCP was to be recouped through rentals.
9. Council officers will be submitting a further application to HNZC in April for \$1.5 million and will be applying for additional funding next year. There is no guarantee that we will get the additional funding as HNZC are unable to set aside allocation at this time, as the HIF beyond the current financial year is yet to be ratified by Central Government. If Council officers do get any indication that this money will not be forthcoming it will be reported immediately as it will obviously have a significant impact on cost allocations. Assuming HNZC funding for this year and next year is received the net Council cost is up to \$3.5 million. The difference in the original Council funded net contribution has grown as the gross cost increases due to the formula applied by HNZC which means that there will always be a portion of the costs which are expected to be picked up by Council.

Impact of cost increases

10. The impact of the cost increase is significant when reviewing the original premise that the rental increases will cover all additional costs. This included interest costs for Councils loan funded component, a principal repayment and depreciation which have all increased but the market rental has not increased in line with these costs.
11. The interest costs and the principal repayment have increased in relation to Councils net contribution and generally this increase can still be accommodated with an increased payback period. However, the depreciation component is a derivative of the gross cost, which has increased considerably, factored in most cases over a short time period of 20 years for fixtures. This component cannot be funded by the proposed rent increases.

Funding of depreciation

12. Council's policy of funding depreciation is to fund depreciation to the level of required renewal. As this project is a renewal in itself, significant additional renewals in the near future are unlikely.
13. It is a recommendation of this report that the original concept that rentals cover all costs of the HFOA renewal project be modified to exclude depreciation. In the long term when the interest and principal obligations of the loan have been discharged, the portion of the rental utilised for this purpose can be applied to fund renewals as they occur and therefore the impacts of not funding depreciation is not likely to impact on funding needs current or future. In addition it brings it in line with current Council practice.

Rental Increase Requirements and Impact on Tenants

Implementing rental increases

14. The rental increase proposed differs little from that proposed in 2002. Currently the average rental charged to single superannuates is \$84 per week. An indicative new rental proposed to take it to 70% of market is \$110. When taking into account the additional WINZ supplement tenants will receive, the proposed rental increase falls within the original maximum increase of \$10 per week. The exact amount of market value will depend on location and amenities.
15. To maintain affordability, it is also proposed to cap any rentals after subsidy to 30% of gross income. The tenants who will benefit by cap are those on unemployment and sickness benefits. For those tenants who would typically be on a weekly rental of \$110.00, they will instead be charged a rental of \$107.00. The number of tenants currently in this category are 15.
16. As an exception to the original proposal, which was to move all to 70% of market rent, Council staff recommend increasing rental for couples units to 80%. This provides an increase which varies between \$2 and \$19 per week and is again reduced in real terms by WINZ subsidy of 70% (applied on weekly rental at 70% after the first \$69 per week). Movement to only 70% for couples units would not provide any increase in income, or justification for the increase in value received from the redesigned units.
17. As reported to the Committee in 2006, it was estimated that the real increase to the tenants was \$7 per week with the rest funded through rental supplement by WINZ. This average "real" increase net of rental supplement of \$7 still prevails.

As the landlord Council is required to give 60 days notice of a rental increase. This report recommends that this committee provides a blanket approval to increase the rentals as the modifications are completed and tenants are relocated.

Rental increase communication and support

18. Along with formal notification tenancy staff will be working with the tenants to ensure that they recover their due supplement from WINZ. As with the upgrade process it is expected that there may be some tenant discontent and a communication plan will be developed.
19. The current rental policy specifies rent at 25% of income and unfortunately the issue of rental increases may be accentuated because there are a significant number of tenants paying less than the expected \$84 per week assumed in the costings as increases in line with superannuation increases have not been carried out in recent times. The extent of this is that there are 149 tenants who are undercharged between \$5 and \$10 per week, 59 who are undercharged less than \$5 per week and a further 32 in double units undercharged \$10 per week.
20. It is understood that previous staff may not have carried out each rental increase due to the cost and time of sending out letters, actioning new automatic payments and following up these payments until the amount justified it, however this practice has been changed. While this will mean that a number of tenants will have increases of up to a further \$10 per week they have been the beneficiaries of cheap rental less than policy up to now.
21. As rental increases can't be given within 6 months of another the process will be to rectify all tenants paying less than current policy. If those tenants are to have rentals increased with the completion of their unit upgrades within 6 months then the increase will be delayed until that time to have just one increase in the 6 month period.
22. New procedure will be developed to clarify the operational impact of the rental policy being at 70% market regarding when market assessments are to be carried out and in particular how a decrease in market rental would be applied.

Options Identified

23. In regard to the two issues above, applicable options are:

Issue 1: The ability of proposed rental increase to fund project cost

Option 1:

Remove the requirement to fund depreciation in line with Council practice.

Option 2:

Fund depreciation.

Issue 2: Rental increase and impact on tenants

Option 1:

Increase rent to 70% of market rent for single units, and 80% of market rent for double units as the units are upgraded or if the tenants are granted exemptions.

Option 2:

Consider a staged approach to rent increases over two six month periods.

Assessment of Options

24. In regard to the above:

Issue 1, Option 1 is the only practical option.

Issue 2, Option 1 will recoup Council's investment in the project, and will be a fair rental reflecting service.

Consideration of Community Views

25. The results of the levels of service survey carried out as part of the 2006–2016 LTCCP showed that participants in the survey considered the Housing for Older Adult upgrades are to be a high priority.

STRATEGIC CONTEXT

26. Council's strategic priorities that are of particular relevance to the HFOA arena include 'Sustainable Development' and 'Safe City'. Of further strategic importance when considering Council's provision for housing in the City, are the following platforms: 'Urban and Rural Villages' and 'Integrated Transport and Communication by ensuring people have choices in housing and have accessibility to transport and communication links, and 'Strong Communities' by supporting the health and wellbeing of the community.

RESOURCES

27. The draft 2008/2009 Annual Plan includes a gross capital budget of \$3.3 million, together with current year budget of \$3 million.

IMPLEMENTATION ISSUES

28. Implementation of the rental increases will require a communication plan, consultation with tenants, assistance in liaising with WINZ regarding accommodation supplements and the associated paper work to be prepared.

Report prepared by: Stephen Drumm, Group Manager: Service Management and Tina Hemsworth, Manager: Property Assets



15 **WATERCARE SERVICES LIMITED DRAFT STATEMENT OF CORPORATE INTENT 2008**

GLOSSARY

Watercare Services Limited	(Watercare)
Watercare Shareholder Representative Group	(SRG)
Officers Working Group	(OWG)
Local Network Operators	(LNOs)

EXECUTIVE SUMMARY

The purpose of this report is to present the Watercare Services Limited Draft Statement of Corporate Intent for the Finance and Operational Performance Committee's consideration.

The Chairman of the Shareholders Representative Group (SRG) has written to shareholding Councils requesting comments on Watercare's Draft Statement of Corporate Intent.

Comments from the shareholding Councils will be considered by Watercare in finalising its Statement of Corporate Intent within the statutory timeframe.

RECOMMENDATIONS

It is recommended that the Finance and Operational Performance Committee resolve to:

1. **Receive** the Watercare Services Limited Draft Statement of Corporate Intent 2008 report.
2. **Approve** that Council's representatives on the Watercare Shareholders Representative Group be delegated the authority to formalise Council's feedback on the Watercare Services Limited Draft Statement of Corporate Intent 2008.

BACKGROUND

1. Watercare Services Limited (Watercare) is the bulk water and wastewater service provider for much of the Auckland Region. Its main responsibilities are the collection, treatment and supply of drinking water, and the collection, treatment and disposal of bulk wastewater. Watercare is classified as a "Council Organisation" and is governed by specific legislative provisions set out in the Local Government Acts 1974 and 2002.
2. Watercare's primary customers are six water and wastewater retailers, five of which (including EcoWater) are owned by or are part of the local Councils. United Water, which services the Papakura District, is a franchised operation.
3. The six local Councils are Watercare's shareholders. The Councils have appointed a SRG which appoints the Board of Watercare, provides input to Watercare's Statement of Corporate Intent, and monitors the performance of the Board against the Statement of Corporate Intent. Watercare negotiates the Statement of Corporate Intent with the SRG each year. The statement is effectively the Board's charter for running Watercare on the shareholders' behalf. It lays out the activities to be undertaken by Watercare and sets specific environmental, social and economic objectives for Watercare for a three year period. It also sets performance targets that will be used to measure Watercare's performance.
4. Waitakere City Council has two representatives on the SRG, Councillors Clews and Clow. An Officers Working Group (OWG) with representatives from the shareholder Territorial Local Authorities supports the SRG. The Local Network Operators Group (LNOs), comprising the six retailers often provide advice to the OWG on matters of common interest.
5. At the 19 March 2008 SRG meeting, a resolution was passed by the SRG for its Chairman to write to the shareholding Councils to comment on Watercare's Draft Statement of Corporate Intent 2008.

A56-A72

6. The Draft Statement of Corporate Intent 2008 is attached at pages A56 to A72.

DECISION MAKING

Issues

7. The SRG as part of its annual processes holds a workshop for its members in November each year to determine issues to be considered by Watercare in preparing its Draft Statement of Corporate Intent. The arrangement allows Watercare adequate time to consider issues raised by the SRG.
8. The SRG workshop planned for November 2007 was cancelled due to delays caused by the 2007 Local Government Election.
9. The SRG considered Watercare's Draft Statement of Corporate Intent 2008 at its meeting on the 19 March 2008 passed a resolution for the SRG Chairman to write to the shareholding Council's to comment on Watercare's Draft Statement of Corporate Intent. The SRG has indicated that it would like the shareholding Councils to provide their feedback by the 28 April 2008, enabling Watercare to finalise its Statement of Corporate Intent within the statutory timeline.
10. Council officers have arranged a workshop with Council's SRG representatives on 14 April 2008 to discuss issues relating to the Watercare Draft Statement of Corporate Intent 2008.
11. Council officers are seeking a delegation from the Finance and Operational Performance Committee for Council's representatives on the SRG to be delegated the authority to finalise Council's feedback on Watercare's Draft Statement of Corporate Intent 2008. The formal feedback will incorporate comments by the Finance and Operational Committee.

STRATEGIC CONTEXT

12. The Council's strategic goal of sustainable management of the three waters (water supply, wastewater and stormwater) is integral to its relationship with Watercare, and to its role on the SRG.
13. The Council has two major roles in connection with Watercare, one as shareholder/owner, the other as customer. The extent to which this Council can add strategic input to the governance of Watercare through its ownership and governance role heavily influences the extent to which it can supply retail services to the City's citizens that meet the Council's own strategic goals, and at the most efficient price possible.

CONSULTATION

14. There is no consultation required.

RESOURCES

15. There are no resources required other than officers time to facilitate the process.

IMPLEMENTATION ISSUES

16. There are no implementation issues.

Report prepared by: Kingsha Changwai, Manager Quality Assurance



PART E - REPORTS FROM THE SUBCOMMITTEES

16 TENDERS SUBCOMMITTEE

THE SUBCOMMITTEE SUBMITS THE FOLLOWING REPORT OF ITS MEETING HELD ON FRIDAY, 7 MARCH 2008 AND FRIDAY, 28 MARCH 2008

MATTERS CONSIDERED

A73-A78

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 A73 to A78.

The Subcommittee Recommends:

That the Meeting report of the Tenders Subcommittee held on Friday, 7 March 2008 and Friday, 28 March 2008 be received.

RI Clow
CHAIRMAN



PART F - PUBLIC EXCLUDED MATTERS

17 CONSENT TO VARIATION OF MORTGAGE – 19 CHURCH STREET, SWANSON (RD AND GV BRITTEN)

18 SEABROOK AVENUE, NEW LYNN – PROPOSED ACQUISITION OF SURPLUS SCHOOL PROPERTY

These items will be considered in the Confidential Supplement of the agenda, and has 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; Consent to Variation of Mortgage – 19 Church Street, Swanson (RD and GV) and Seabrook Avenue, New Lynn – Proposed Acquisition of Surplus School Property.

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 matter to be considered.	Reason for passing this resolution in relation to the matter.	Ground(s) under Section 48(1)(a) for the passing of this resolution.
Consent to Variation of Mortgage – 19 Church Street, Swanson (RD and GV Britten)	The withholding of information is necessary in order to: <ul data-bbox="655 1966 1075 2132" style="list-style-type: none">• protect the privacy of natural persons, including that of deceased natural persons;• maintain legal professional privilege.	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.

Seabrook Ave, New Lynn – Proposed Acquisition of Surplus School Property	<ul style="list-style-type: none">• enable any local authority holding the information to carry on without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).	
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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)&(g) and Section 7(2)(i) of that Act which would be prejudiced by the holding of the relevant parts of the proceedings of the meeting in public as follows:

- *The report contains information which if released could affect the Council's negotiations.*

