



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 December 2009 **TIME:** 9.30 am

MEETING ROOM: Council Chamber

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 December 2009

Judith Moore
COMMITTEE SECRETARY

Telephone (09) 836 8000 extn 8950

MEMBERSHIP:

Councillors	RI	Clow (Chairman)
	JM	Clews, QSO, JP (Deputy Chairman)
	DQ	Battersby, QSM, 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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(Meeting Room could be subject to change)

(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 IN THE COUNCIL CHAMBER AT WAITAKERE CENTRAL,
6 HENDERSON VALLEY ROAD, HENDERSON, WAITAKERE, ON MONDAY,
7 DECEMBER 2009, COMMENCING AT 9.30 AM**

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**AGENDA FOR A MEETING OF THE FINANCE AND OPERATIONAL PERFORMANCE
COMMITTEE TO BE HELD IN THE COUNCIL CHAMBER AT WAITAKERE CENTRAL,
6 HENDERSON VALLEY ROAD, HENDERSON, WAITAKERE, ON MONDAY,
7 DECEMBER 2009, COMMENCING AT 9.30 AM**

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 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, 9 November 2009

RECOMMENDATION

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

Receive the minutes of the meeting of the Finance and Operational Performance Committee held on Monday, 9 November 2009, as circulated, and that they be taken as read and now be confirmed.



PART B - LEGAL AND CONSTITUTIONAL

5 AFFIXATION OF COMMON SEAL

RECOMMENDATIONS

It is recommended that the 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.

EXECUTION OF DOCUMENTS: 2 to 30 November 2009

Nº	NAME	PARTICULARS
4885	WCC – SW O'Brien	Memorandum of Encumbrance regarding 2 car park spaces – 7 Rayner Road, Piha
4886	WCC – GC & D Laurenson and SH Withers (Ockleston Family Trust)	Performance Bond regarding 110 and 112 Hobsonville Road, Hobsonville – RMA20011666
4887	WCC – RV and P Claridge	Authority and Instruction for an electronic transaction – 48 Onedin Place, Konini – RMA20041223
4888	WCC – Jacob Fa'afua, Enforcement Officer	Warrant of Appointment and Evidence of Identity – No.WCC468
4889	WCC – Everbright Realty (Nelson) Limited	Authority and Instruction for an electronic transaction – 22, 46-58 Simpson Road, Ranui – RMA20061476
4890	WCC – EN and R Zeltwanger	Authority and Instruction for an electronic transaction – 32 Red Hills Road, Massey – RMA2009744
4891	WCC – Westpark Marina Limited and subsidiaries	Arbitration Agreement regarding Lease rentals on renewal at Westpark Marina
4892	WCC – Westview Property Holdings Limited	Certificates of Title NA1558/78 and Identifier 481510
4893	WCC – The Lopdell House Society Incorporated	Deed of Lease – Level 3, Lopdell House, Titirangi (in duplicate)
4894	WCC – HC Choong et or	Consent to deposit of plan - 30 and 32 Totara Avenue, New Lynn – Rule 44.2
4895	WCC – HC Choong et or	Consent to cross lease - 30 and 32 Totara Avenue, New Lynn – Rule 44.2
4896	WCC – Lincoln North Shopping Centre Limited	Consent of registration of Land Covenant by easement – 226-250 Lincoln Road, Henderson
4897	WCC – GD and TM Lorenzen	Encumbrancee's consent to cross lease and flats plan – 29 Katrina Place, Massey – Rule 44.2
4898	WCC – Lincoln North Shopping Centre Limited	Consent of Encumbrancee – SUB 2009/71
4899	WCC – MT McCartney	Encumbrancee's consent to variation of mortgage – 409 Titirangi Road, Titirangi – Rule 44.2
4900	WCC – Lopdell House Society Incorporated	Funding and Service Agreement (in duplicate)
4901	WCC – H Hao	Authority and Instruction for an electronic transaction – 17 and 17A Tomo Street, New Lynn - RMA2004495

Nº	NAME	PARTICULARS
4902	WCC – Amzad Ali	Authority and Instruction for an electronic transaction – 3 and 3A Harrington Road - RMA20041164

Report prepared by: Denis Sheard, Legal Services Manager.



PART C - FINANCE

6 OPERATING AND CAPITAL EXPENDITURE FORECAST REPORT AS AT 31 OCTOBER 2009

EXECUTIVE SUMMARY

An end of year financial forecast was completed by Managers between 7 and 17 November 2009 for the period ending 31 October 2009. This report presents the results of this process.

Operational and capital expenditure forecasts, associated recommendations and individual results for Directorates are reported.

The stated forecasted end of year position is \$461,000 (surplus).

RECOMMENDATIONS

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

Receive the Operating and Capital Expenditure Forecast Report as at 31 October 2009.

BACKGROUND

- A1-A17*
1. This report covers expenditure to 31 October 2009 and the forecast for the remainder of the year. The financial summary and associated notes are attached at pages A1 to A17.

DECISION MAKING

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

Issues

3. Explanations for significant variances between actual results to date and the Annual Plan budgets are provided for the overall operating performance statement and capital expenditure.

STRATEGIC CONTEXT

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

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.

AUCKLAND COUNCIL TRANSITION ISSUES

8. The decision making proposed in this report is not constrained by section 31 of the Local Government (Tamaki Makaurau Reorganisation) Act 2009, as it does not directly or because of its consequences: significantly prejudice the reorganisation, significantly constrain the powers or capacity of the Auckland Council or any subsidiary of the Auckland Council following the reorganisation, or have a significant negative impact on the assets or liabilities that are transferred to the Auckland Council as a result of the reorganisation.

Report prepared by: Geoff Williams, Deputy Director – Community Wellbeing.



7 STATUS OF SPECIAL FUNDS

GLOSSARY

Sports and Recreation New Zealand	(SPARC)
Finance and Operational Performance Committee	(the Committee)
Land Subdivision Reserve Fund	(LSRF)
Auckland Regional Services Trust	(ARST)
Auckland Regional Services Trust Arts Fund	(ARST Arts Fund)
Community Sports Fund	(CSF)
Community Wellbeing Fund	(CWF)
Official Cash Rate	(OCR)

EXECUTIVE SUMMARY

The purpose of this report is to inform the Finance and Operational Performance Committee (the Committee) on the status of the Council's special funds as at 31 October 2009.

At the September 2009 Committee meeting, it was resolved that a report be brought back to the Committee on the Special Funds outlining the background of the funds and the present distribution of the funds for further consideration.

An analysis of the special funds was performed and the historical records indicate that there were some incorrect transactions recorded within certain special funds. The recommendations below seek agreement of the Committee to correct the respective fund balance.

There will be no effect on the income statement as the corrections will be a transfer between General Fund and Special Fund in the balance sheet.

RECOMMENDATIONS

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

1. **Receive** the Status of Special Funds report.
2. **Agree** to correct the balance of the following funds:
 - Auckland Regional Services Trust Arts Fund (reduce by \$117,235);
 - Community Sports Fund (increase by \$79,706);
 - Harbourview Orangihina Fund (increase by \$291,458); and
 - Waikumete Cemetery and Park Fund (increase by \$11,038).
3. **Agree** to transfer \$30,000 from the Vehicle Testing Plant Replacement Reserve Fund no longer required for its specific purpose to the General Fund.

BACKGROUND

1. Special funds are those funds held or designated by the Council for a specific purpose or purposes.
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. Council can determine when non – restricted funds are no longer required and they can be transferred back to general fund.
3. The special funds have been used to offset Council borrowings. This is part of the overall fund management strategy. Therefore any payments from the special funds will be drawn from Council overall cash or debt funds as appropriate. Interest is allocated to applicable funds at official cash rate for each month.
4. The balances of funds at 31 October 2009 are follows:

	Balance Before Adjustment (\$)	Adjustment / Transfer (\$)	Balance After Agreed Adjustment (\$)	Interest Bearing
Restricted Funds				
Land Subdivision Reserve Fund	5,103,912	n/a	5,103,912	until June 2004
Auckland Regional Services Trust (ARST) Arts Fund	524,734	(117,235)	407,499	yes
Community Sport Fund	930,222	79,706	1,009,928	yes
Harbourview Orangihina Fund	1,114,615	291,458	1,406,073	yes

Waikumete Cemetery and Park Fund	1,292,599	11,038	1,303,637	until June 2006
Waikumete Chapel Restoration Fund	7,136	n/a	7,136	yes
Non restricted Funds				
Disaster Recovery Fund	2,497,272	n/a	2,497,272	until June 2001
Rural Fire Recovery Fund	9,916	n/a	9,916	until June 2001
Quarry Aftercare Fund	1,223,506	n/a	1,223,506	until June 2002
Testing Station Plant Renewal Fund	30,000	30,000	-	no
Community Wellbeing Fund	657,321	n/a	657,321	yes

DECISION MAKING

Issues

Land Subdivision Reserve Fund

5. The Land Subdivision Reserve (LSRF) Fund represents monies received from contributions from developers through land subdivisions and is to be applied to the purchase and development of reserves within the City.
6. The status of the LSRF was reported separately to the Finance and Operational Performance Committee in October 2009. The Committee has resolved that the current balance of the LSRF be reduced by \$10,817,282 to correct the accounting treatment for past parks projects which met the criteria of expenditure from this fund. After this adjustment, the closing balance of this fund amounted to \$5,103,912 at 31 October 2009.
7. A separate report titled "Land Subdivision Reserves Fund" report outlining the planning approach and context for the use of the Land Subdivision Reserves Fund is included in the agenda item for the Committee's consideration this month.

Auckland Regional Services Trust (ARST) Arts Fund

8. As part of the dissolution of the ARST on 1 October 1998, the Council received \$1.45 million from the proceeds of the ARST's assets to be held in trust for funding significant projects in the Auckland Region in the area of arts and culture. Council set up a special fund known as the ARST Arts Fund. The Regional Arts and Culture Funding Allocation Subcommittee was appointed to make recommendations to the Council to allocate these funds. At end of April 2004, the balance of the ARST Arts Fund amounted to \$ 793,335.

9. On 12 May 2004 the Regional Arts and Culture Funding Allocation Subcommittee recommended to the Committee (resolution 804/2004) to approve the split of the balance of the funds amounting to \$793,335 three ways to Lopdell House Arts Development Trust, Corban Estate Arts Centre and the Waitakere Pacific Arts and Cultural Centre, each receiving \$264,445.
10. The proviso in the resolution was that the amount allocated to the Waitakere Pacific Arts and Cultural Centre is to be used in the establishment of a purpose built facility to accommodate the "Mamas" so they may pass on their knowledge to young Pacific Island artists. The Pacific Island Advisory Board must also provide a financial report to the Regional Arts and Culture Funding Allocation Subcommittee within six months of the funds being approved by the Committee as to how the Waitakere Pacific Arts and Cultural Centre will spend the money.
11. The grant of \$264,445 plus interest of \$3,555 was paid to Corban Estate Arts Centre in October 2004.
12. In August 2007, the grant of \$264,445 was paid to Lopdell House Arts Development Trust.
13. At the date of this report, no payment has been made to Waitakere Pacific Arts and Cultural Centre since the Regional Arts and Culture Funding Allocation Subcommittee recommended payments of the balance of funds in May 2004, as the financial report from the Waitakere Pacific Arts and Cultural centre has been delayed.
14. When monies for the ARST Arts Fund were received in 1998, Council invested the ARST Arts Fund monies in a separate bank account and interest earned was added to the ARST Arts Fund balance. Over the past years, Council decided to consolidate all special funds bank accounts into the general fund bank account as part of overall fund management. This is effectively an internal borrowing from the special funds. Any payment to external agencies from the ARST Arts Fund will be from the general bank account or loan. Interest is then calculated and allocated to the special funds including the ARST Arts Fund.
15. As the ARST Arts Fund was not fully distributed since the Regional Arts and Culture Funding Allocation Subcommittee resolution in May 2004, the ARST Arts Fund continued to earn interest. However, interest was only allocated to June 2007. It has been noted that interest had been incorrectly calculated since May 2004 to June 2007 on the ARST Arts Fund balance. The interest allocated to the ARST Arts Fund was \$313,844.
16. To determine what the correct ARST Arts Fund balance is at 31 October 2009, a detailed interest calculation on a monthly basis from May 2004 to October 2009 was performed. The interest applied is the Official Cash Rate (OCR) at month end. The OCR is used as it provides transparency on the interest rate that reflects investment of the special fund with council general funds.
17. The total interest for the period May 2004 to October 2009 amounted to \$196,609 compared to previous calculation of \$313,844 noted above, resulting in an over allocation of \$117,235.

18. Summary of correct ARST Arts Fund movement from May 2004 to 31 October 2009 is as follows:

Balance of fund at end of April 2004	\$793,335
Payments:	
Corban Estate Arts Centre (\$264,445 plus interest \$3,555) in October 2004	\$268,000
Lopdell House Arts Development Trust in August 2007	264,445
Creative Solutions in August 2008	25,000
Creative Solutions in July 2009	<u>25,000</u>
Total Payments	582,445
Interest from May 2004 to October 2009	<u>196,609</u>
Balance at 31 October 2009	<u>407,499</u>
Fund balance previously reported to 31 August 2009	524,734
Difference	117,235

19. Lopdell House Arts Development Trust has now requested that they be paid the interest earned on their allocated fund of \$264,445 from the period May 2004 to the date they were paid in August 2007 as per the Funding and Partnership Agreement of 2007. If interest earned were to be allocated to the Corban Estate Arts Centre, Lopdell House Arts Development Trust and Waitakere Pacific Arts and Cultural Centre from May 2004 to the date of payment of the funds the interest allocation to each entity is as follows:

Interest Period Arts	Total Interest	Corban Estate	Lopdell House	Pacific Arts
May 2004 to September 2004	19,449	6,483	6,483	6,483
October 2004 to August 2007	120,598	-	60,299	60,299
September 2007 to October 2009	56,562	-	-	56,562
Total Interest	196,609	6,483	66,782	122,344
Interest paid to Corban Estate	(3,555)	(3,555)		
Balance of interest for distribution	193,054	2,928	66,782	122,344

20. In the last two years, Council has approved grants to Creative Solutions and the total amount paid was \$50,000 (\$25,000 a year). However if interest were now to be paid to the above three entities as allocated above based on the period from when the grant was approved in May 2004 to the date of actual payment, there would be insufficient funds to pay the balance of interest of \$193,054 to the three entities. This is because of the payment to Creative Solutions out of interest. The available interest is hence reduced by \$50,000 to \$143,054. The ARST Arts Fund balance of \$407,499 is to be apportioned to Pacific Arts share of fund approved in May 2004 of \$264,445 and interest available for distribution of \$143,054.

21. The proposed interest distributions are:
- Pay Corban Estate the balance of interest \$2,928 as this would have been the correct interest to the date of payment of the ARST Arts Fund;
 - Pay Lopdell House the interest from May 2004 to August 2007 amounting to \$66,782 as they would have earned interest had the payment been made to them in May 2004;
 - Pacific Arts has not complied with the timeline of delivering the financial report to Regional Arts and Culture Funding Allocation Subcommittee as to how the Advisory Board will spend the money within six months of the Committee approval of the ARST Arts Fund. To date the financial report has not yet been delivered and therefore there may not be any obligation to distribute the interest at all;
 - It is of note that the Pacific Island Advisory Board has no direct authority over the Waitakere Pacific Arts and Cultural Centre for some four years, making this delegation irrelevant. The current Pacific Mamas Arts and Cultural Trust is operating under direct Council supervision; and
 - If it is decided that Pacific Arts is not entitled to interest on the allocated ARST Arts Fund, then the balance of interest of \$73,344 can be allocated to other organisations.

Community Sports Fund

22. Previously known as the Recreation and Sports Fund, this represents monies accumulated via the grants from the former Hillary Commission and is allocated to sport and recreational groups by the appropriate Council Committee using criteria laid down by the Commission and guidance from Sports and Recreation New Zealand (SPARC).
23. An analysis of the Community Sports Fund (CSF) showed that there were some previous years' transactions that were not recorded in the CSF. The overall net impact on the CSF including interest amounted to \$79,706. The reported CSF balance at 31 August 2009 was \$930,222. Agreement is sought from the Committee to increase the CSF by \$79,706. Had this adjustment been made, the CSF balance at 31 October 2009 amounts to \$1,009,928.
24. Over the last nine years to 31 October 2009, community grants and loans made totalled \$2.4 million, loan repayment including interest received amounted to \$1.4 million and interest allocation \$0.5 million. Significant grants included Waitakere Regional Sports Trust for \$800,000 in 2004/2005. Over the past three years, there have not been any significant grants or loans given out from the CSF. The last community loan was given to the Waitakere Badminton Club (Loan 3) for \$100,000 in 2006/2007.
25. In November 2009, a report on the status of various community loans was presented to the Committee.

Harbourview Orangihina Fund

26. This is a special rate collected from July 2001 to June 2006 for the building of the Harbourview Orangihina Park in Te Atatu Peninsula.

27. The historical transactions for the Harbourview Orangihina Fund had not been correctly reflected in the Harbourview Orangihina Fund balance due to under recording of the actual special rates received and the consequential impact on interest. The actual amount collected amounted to \$2,393,120. The total expenditure to date is \$ 1,434,813 and interest allocated amounted to \$447,766. The correct Harbourview Orangihina Fund balance at 31 October 2009 is \$1,406,073 compared to the current book figure of \$1,114,615. Agreement is sought from the Committee to increase the Harbourview Orangihina Fund by \$291,458.
28. Over the years there have been specific requests from appropriate Council units to the Committee to approve funding out of the Harbourview Orangihina Fund for parks and reserves related projects.
29. As the Harbourview Orangihina Fund is collected from special rates for a specific purpose, the Harbourview Orangihina Fund cannot be put back to general fund. Any unused balance of the Harbourview Orangihina Fund needs to be refunded to the ratepayers who were charged for this rate.

Waikumete Cemetery and Park Fund

30. Previously known as the Waikumete Memorial Park Fund, this fund was initially transferred from Auckland City Council (approximately \$600,000) prior to amalgamation when the former Waitemata City Council took control of the facility. It has subsequently been built up by the proceeds from the sale of the Sunhill subdivision. The money is applied to the upgrading and maintenance of the Waikumete Cemetery. Interest has ceased to be allocated to the Waikumete Cemetery and Park Fund since June 2006. It has been noted that interest allocation should amount to \$753,172 compared to \$742,134. Agreement is sought to adjust the Waikumete Cemetery and Park Fund by \$11,038.
31. Over the past nine years movement in the Waikumete Cemetery and Park Fund arose from revenue from maintenance levy and interest totalling \$1.1 million and expenditure of \$1.9 million. The Waikumete Cemetery and Park Fund balance at 31 October 2009 amounted to \$1,292,599 before the interest adjustment. Major expenditure comprises burial site development and maintenance of \$0.6 million, weed control of \$0.6 million and general maintenance work of \$ 0.5 million.

Waikumete Chapel Restoration Fund

32. The Waikumete Chapel Restoration Fund represents the sum of \$6,855 received in October 2008 from the surplus fund arising from the liquidation of the Waikumete Chapel Restoration Trust Board. The Waikumete Chapel Restoration Fund is exclusively for the use of the preservation, restoration and maintenance of the Waikumete Cemetery Chapel (The Chapel of Faith in the Oaks). The Waikumete Chapel Restoration Fund is interest bearing. The Waikumete Chapel Restoration Fund balance at 31 October 2009 amounted to \$7,136.

Disaster Recovery Fund

33. The Disaster Recovery Fund was set up in response by Council for a requirement to have access to a certain specified level of funding as a contingency in respect of a civil defence emergency/disaster.
34. There has been no movement in the Disaster Recovery Fund since 2001. The Disaster Recovery Fund balance has remained at \$2,497,272 at 31 October 2009.

Rural Fire Recovery Fund

35. The Rural Fire Recovery Fund was set up to cover the situation where Council is unable to recover any direct costs in relation to the fighting of rural fires.
36. The Rural Fire Recovery Fund has no movement since 2002 and remains at \$9,916 at 31 October 2009.

Quarry Aftercare Fund

37. The Quarry Aftercare Fund, originally set up from proceeds from the sale of the Quarry operation, is designed to cover the cost of reinstatement of the site, in so far as is possible, to its natural state and the maintenance of that site thereafter. The Quarry Aftercare Fund is added to each year through the annual plan process from royalties received in respect of the contract covering the quarry operation.
38. The Quarry Aftercare Fund balance is \$1,223,506 at 31 October 2009.

Testing Station Plant Renewal Fund

39. The Testing Station Plant Renewal Fund was generated from depreciation charges in respect of the Vehicle Testing Station for the purpose of asset acquisition and replacement within that operation. The Testing Station Plant Renewal Fund balance is historical as cash surpluses generated by funding depreciation are no longer put aside in a fund for future use.
40. The balance of \$30,000 was set aside for the purpose of funding the purchase of the diesel emission testing machine which was anticipated as a legal requirement for diesel cars to be tested. This legislative requirement did not eventuate and hence there is no longer a requirement to buy the machine. The Testing Station Plant Renewal Fund balance of \$30,000 at 31 October 2009 can be released to the general fund.

Community Wellbeing Fund

41. This Community Wellbeing Fund (CWF) was set up to generate interest which in turn would be used for grants to community programmes/projects not eligible for funding via the Hillary Commission (Sport and Recreation Fund). The CWF was formally known as the Social Programme Fund and was established in 1988 by the former Waitemata City Council.
42. Over the past nine years the total community grants given amounted to \$250,000 and interest allocated to date amounted to \$352,256.
43. The CWF balance at 31 October 31 October 2009 was \$ 657,321.

STRATEGIC CONTEXT

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

CONSULTATION

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

RESOURCES

46. This report has no resource implications.

IMPLEMENTATION ISSUES

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

AUCKLAND COUNCIL TRANSITION ISSUES

48. The decision making proposed in this report is not constrained by section 31 of the Local Government (Tamaki Makaurau Reorganisation) Act 2009, as it does not directly or because of its consequences: significantly prejudice the reorganisation, significantly constrain the powers or capacity of the Auckland Council or any subsidiary of the Auckland Council following the reorganisation, or have a significant negative impact on the assets or liabilities that are transferred to the Auckland Council as a result of the reorganisation.

Report prepared by: Khee Mee Soo, Deputy Director: Finance.



8 BORROWING AND INVESTMENT REPORT

GLOSSARY

Long Term Council Community Plan	(LTCCP)
Waitakere City Council	(the Council)
Finance and Operational Performance Committee	(the Committee)
Auckland Transition Agency	(the ATA)
Integrated Treasury Group	(the ITG)

EXECUTIVE SUMMARY

This is a monthly report to Waitakere City Council's (the Council's) Finance and Operational Performance Committee (the 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 Committee or other Council 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. The 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.

- A18-A22 2. The relevant portfolio and graphs reflect the estimated position as at 31 October 2009 and are attached at pages A18 to A22.

DECISION MAKING

3. The Committee is requested to approve the Borrowing and Investment 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 Annual Plans and Long Term Council Community Plans (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 requires that a report detailing the management of the portfolio be presented to the 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; and
 - Market commentary.
5. This report addresses the requirement of the Liability Management and Investment 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 (Positive Outlook).
8. The Council has adopted financial ratios included in its Liability Management and Investment Policy which provides limits on the level of debt and interest the Council will have. The following table shows the ratio limit, the 2007/2008 actual and the 2009/2010 budgeted levels.

Financial Ratio	Actual 2007/2008	Budget 2009/2010
Net Debt as a percentage of income	144.48%	212%
Net interest as a percentage of income	9.4%	12%
Net Interest as a percentage of rates	17.7%	20%

Interest Rates

9. The Reserve Bank of New Zealand again stuck to its strategy of not changing its Official Cash Rate set at 2.50% on 29 October 2009. Financial market economists now expect this to be the continuing theme. Short term interest rates have remained relatively stable over the last month with 90 day bank bills currently setting at about 2.8%, almost exactly the same as reported last month.
10. Longer term wholesale swap rates have been in slightly increased over the month with the 10 year base interest rate currently at approximated 6.0% compared to the 5.91% reported last month.

Integrated Treasury Operating Protocols (Reported verbally at the November Committee Meeting)

11. Significant work has been undertaken over the past six months on the future state of the Auckland region's treasury operations. Analysis conducted, based on 30 June 2009 data, identified that unless the Auckland region's treasury activities were not managed in a coordinated fashion, the new Auckland Council could inherit unnecessary financial risks due to the concentrations of maturities and interest rate exposures. The Auckland Transition Agency (the ATA) along with the regions Chief Financial Officers and Treasury Officers, have developed an Integrated Treasury Operations Protocols document. This document proposes that all long term treasury strategies, debt issuance and interest rate risk management activities are undertaken centrally. Auckland City Council would be the primary borrower, solely because they currently hold the highest credit rating within the region. The protocols establish an Integrated Treasury Group (the ITG) which will be made up of a representative from each of the councils within the Auckland region.
12. The ITG will be responsible for agreeing the long term funding strategy and will instruct Auckland City Council to implement the agreed funding strategy. Before the strategy can be implemented, the decisions must be confirmed by the ATA. A member of the ATA will attend the ITG meetings. But will not have direct input into the decision making of that group.
13. Council's that need funding for new capital works or refinancing debt maturities, will borrow from the Auckland City Council. The terms of this borrowing will be at exactly the terms of the Auckland City Council's borrowing. Any fees incurred by Auckland City Council will also be on-charged to the end borrowing council.
14. Existing councils are still responsible for maintaining their respective Liability Management and Investment Policies. No transaction agreed by the ITG can be lent to a council where it would result in end council being in breach of its policy document. Existing councils are still responsible for maintaining their internal reporting requirements.

15. The protocols will not be binding on the existing councils, however, it is considered in the best interests of the new Auckland Council that the protocols are implemented and the decisions of the ITG are accepted. Without this level of coordination and cooperation, it is likely that individual existing councils will continue to borrow on short terms, and the resulting exposure to the Auckland Council will be unmanageable. The protocols have now been implemented. Most councils have delegated ITG membership to their respective Treasury Officers. The ITG meets fortnightly and is currently proposing a funding strategy for the period up to March 2010.

STRATEGIC CONTEXT

16. The management and use of borrowing and investments is aligned to all of the Council's strategic objectives, as adopted in both the LTCCP 2009-2019 and the Annual Plan 2009/2010.

CONSULTATION

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

RESOURCES

18. The Council, through its Annual Plan 2009/2010, provided for total new borrowings of \$230.585 million, including loans attributable to projects carried forward from previous years totalling \$114.412 million. Total interest cost has been provided in the Annual Plan 2009/2010 of \$31.839 million.

IMPLEMENTATION ISSUES

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

AUCKLAND COUNCIL TRANSITION ISSUES

20. The decision making proposed in this report is not constrained by section 31 of the Local Government (Tamaki Makaurau Reorganisation) Act 2009, as it does not directly or because of its consequences: significantly prejudice the reorganisation, significantly constrain the powers or capacity of the Auckland Council or any subsidiary of the Auckland Council following the reorganisation, or have a significant negative impact on the assets or liabilities that are transferred to the Auckland Council as a result of the reorganisation.

Report prepared by: Bruce Wilkin, Group Manager: Funds Management.



PART D - GENERAL

9 CONTRACT NO. SD09006C – ELECTRICITY – APPROVAL TO AWARD

GLOSSARY

Auckland Transition Authority	(ATA)
Request for Proposal	(RFP)
Supplier Quality Premium	(SQP)
The New Zealand Transport Agency	(NZTA)

EXECUTIVE SUMMARY

The purpose of this report is to seek approval from the Finance and Operational Performance Committee for the award of Contract No. SD09006C - Electricity to be delegated to the Chief Executive Officer. Awarding the contract will be based on the recommendation of the Auckland Transition Authority (ATA) procurement work stream sponsor, subject to the contract sum being within budget, with the outcome to be reported back to the Finance and Operational Performance Committee.

RECOMMENDATIONS

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

1. **Receive** the Contract No. SD09006C – Electricity – Approval to Award report.
2. **Approve**, subject to resolution 4 below, the award of Contract No. SD09006C - Electricity be delegated to the Chief Executive Officer on the recommendation of the Auckland Transition Authority procurement work stream sponsor subject to the contract sum being within budget, with the outcome to be reported back to the Finance and Operational Performance Committee.
3. **Approve**, subject to resolution 2 above and 4 below, the financial commitment for Contract No. SD09006C – Electricity be made in the 2010/2011, 2011/2012 and 2012/2013 financial years in the amount provided in the Long Term Council Community Plan 2009 – 2019, subject to contract final approval.
4. **Note** that resolutions 2 and 3 above for Contract No. SD09006C - Electricity be subject to confirmation by the Auckland Transition Agency.

BACKGROUND

1. The scope of work includes the retail supply of electricity for street lighting, traffic signals, water pump stations, parks, leisure facilities and buildings occupied or owned by Waitakere City Council. The existing contract is due to expire on 31 January 2010.
2. As part of the reorganisation of the councils of the Auckland region into a single Auckland Council, the ATA has been established under the provisions of the Local Government (Tamaki Makaurau Reorganisation) Act 2009. The ATA, tasked with managing and overseeing the transition to the new Auckland Council by 31 October 2010, has requested the Chief Executives of the Auckland councils to commence work on regionalised procurement.
3. It was decided that undertaking a joint electricity procurement exercise would be beneficial in avoiding duplication of separate and parallel exercises, and would align with both the ATA's and Chief Executive Forum's desire for some 'quick wins' under the ATA procurement work stream process. The majority of the regional electricity contracts were due to expire around 31 December 2009.

4. The Council approved the extension of Contract No. RM03502B – Electricity Supply Contract to Genesis Power Limited at the Tenders Subcommittee meeting held on 13 November 2009 with the following recommendation:

“The Tenders Subcommittee resolved to:

2. *Approve that, subject to a satisfactory credit check, Contract No. RM03502B - Electricity Supply Contract as awarded to Genesis Power Limited be extended in the sum of \$479,348 excluding GST for the period 1 December 2009 to 31 January 2010.”*

1857/2009

5. The ATA procurement work stream established a Regional Electricity Procurement Steering Group and Regional Electricity Procurement Working Group to determine how a regional electricity supply procurement process could be achieved and to determine the basis on which electricity procurement would be acquired.
6. Waitakere City Council is involved in the ATA procurement work stream to work on wider regional procurement outcomes moving towards the new Auckland Council. Waitakere is also involved in both the Regional Electricity Procurement Steering Group and Working Group to participate in the regional procurement of electricity supply with individual council contracts to create a similar contract basis and contract term towards the establishment of the new Auckland Council. A number of the councils, including Waitakere City Council, have required the four wellbeings, Economic, Environmental, Social and Cultural, to be taken into consideration alongside other non-price considerations.
7. The New Zealand Transport Agency (NZTA) was identified as a major stakeholder in the electricity procurement process as they fund 43 percent of councils' transport electricity costs including street lighting, traffic signals and public transport station lighting. The NZTA has developed a 'Procurement Manual for activities funded through the National Land Transport Programme' for use in all procurement processes benefiting from NZTA funding, which includes Waitakere's street lighting and traffic signals electricity costs. The ratio of NZTA load for the Auckland region is 39.5 percent and 37.7 percent for Waitakere

SCOPE OF WORK

8. The scope of work includes total or partial load supply of retail electricity (excluding third party charges such as line or Electricity Commission levy) and account management services for the defined loads of street lighting, traffic signals, time of use facilities and non-time of use facilities. The 'total or partial supply' may result in more than one contract being awarded to ensure that all loads are supplied.
9. Electricity costs are dependent on the amount of electricity the council sites and infrastructure consumes, which enables the job costs to only be estimated.
10. The contract terms and renewal included in the Request for Proposal (RFP) are for 23 months and 36 months with a right of renewal of two years from 1 February 2010, subject to confirmation from the ATA.
11. Additional information requested includes smart metering technologies and proposed roll out plan, provision of electronic information for energy management purposes, fault reporting processes for residential, commercial and street lighting, and support offered to the councils to support their energy efficiency and greenhouse gas reduction projects.

TENDERS RECEIVED

12. RFP was publicly advertised on Tenderlink and in the New Zealand Herald with 19 sets of documents being uplifted, including seven major electricity retailers. The RFP closed on 19 November 2009 and evaluation was planned during 23 November – 4 December 2009.

TENDER EVALUATION

13. In pre-tender preparation meetings and discussions with NZTA Representatives convened by the Regional Electricity Procurement Working Group project manager and endorsed by the Steering Group, it was recommended by the NZTA that for the National Land Transport Programme funded portion of the RFP, that:
- a) Price Quality evaluation method be used as per the NZTA Procurement Manual adopted July 2009; and
 - b) The split for the entire RFP to be 60 percent price and 40 percent non-price to align with the majority of councils' expectations around the weightings for the non-National Land Transport Programme funded portion of the RFP.
14. The key attributes that will be scored and their relative weighting are as shown in Table 1:

Breakdown Attributes	Weighting (out of 100)
Relevant Experience and Track Record	5.0
Relevant Technical Competence and Skills	5.0
Methodology	7.5
Management Skills - Contract	7.5
Management Skills - Sustainability	15.0
Price	60.0

Table 1 – Breakdown of Weightings for the Evaluation Process

15. The Price Quality evaluation method being used as per the NZTA Procurement Manual includes a Supplier Quality Premium (SQP). The decision on the SQP will be made after the non-price attributes are evaluated and before the non-price envelopes are opened. The intention of the Regional Electricity Procurement Working Group is to be able to evaluate the non-price attributes to acknowledge differences in outcomes through the delivery of the electricity contract, but the premium of the SQP is not anticipated to be set so high as to provide any perception of an overly high premium for the non-price attributes by the councils, ratepayers, or the ATA.
16. From Waitakere City Council's perspective, a number of issues leading towards implementing Waitakere City Council's eco city policies towards efficient resource use, climate change, and general progress in sustainability have been included with the majority of support from the Regional Electricity Procurement Working Group, including:
- a) Capability for the provision of electronic information for energy management systems.
 - b) Experience and provision of ongoing management with council distributed generation and net metering, especially photovoltaic systems.
 - c) Summary of support which the Proposer is able to offer for council energy efficiency and greenhouse gas emission reduction projects.

- d) Information on the Proposer's advanced metering technology and access to information over their website for energy management purposes.
 - e) A sustainability questionnaire on the Proposer's sustainable business policies and practices, contributions to the community of the Auckland region, and information on electricity generation sources (hydro, coal, gas, wind, diesel, national grid/other generators).
17. At the strong recommendation of the NZTA, which funds 43 percent of street lighting electricity costs and in accordance with the conditions of tendering, RFPs will be evaluated in line with the Price Quality evaluation method as contained in the NZTA 'Procurement Manual for activities funded through the National Land Transport Programme' adopted July 2009.
 18. The "Two envelope process" for Price Quality as described in Appendix C of the NZTA Procurement Manual will be followed. Under this method, only the first RFP envelope is opened for the non-price attributes to be evaluated for all RFPs and then supplier quality premium is calculated and confirmed before the second envelope containing the RFP prices is opened, and the RFP prices duly included in the evaluation.
 19. The process for evaluation of the RFPs will be undertaken by the Regional Electricity Procurement Working Group, which is made up of council officers including subject matter experts, procurement specialists, a qualified NZTA assessor and Christmas Gouwland Ltd acting as probity advisors and auditors. The tender evaluation report including the recommendation to award will be forwarded to the Regional Electricity Procurement Steering Group for review and sign-off, with the final recommendation and endorsement to the councils will be made by the ATA procurement work stream sponsor. Each council will be signing individual contracts with the winning Proposer(s) based on the umbrella request for proposals process. The award of the individual council contracts will be subject to final confirmation by the ATA.
 20. As part of Council's contracting process "Quality, Health and Safety and Environmental compliance are not negotiable" - all contractors have this focus clearly reinforced through the RFP documents and this will be strongly reiterated at the subsequent pre-start meeting and imposed during the contract period.

CREDIT CHECK

21. A credit check on the winning RFP Proposer(s) will be requested by the Regional Electricity Procurement Work Group project manager before individual contract(s) are awarded by the councils.

SOURCE OF FUNDING

22. Source of funding is shown in Table 2 below:

Unit	Cost Centre	2009 / 2010	2010 / 2011	2011 / 2012	2012 / 2013
		Annual Plan	Financial Year	Financial Year	Financial Year
		Year 1	Year 2	Year 3	Year 4
Street Lighting *	6140-78140	\$ 2,219,000	\$ 2,495,000	\$ 2,655,000	\$ 2,968,000
Traffic Signals	5990-78140	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000
Waikumete Cemetery	4790-78140	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Civil Defence	1680-78140	\$ 3,000	\$ 3,120	\$ 3,120	\$ 3,120

Unit	Cost Centre	2009 / 2010	2010 / 2011	2011 / 2012	2012 / 2013
		Annual Plan	Financial Year	Financial Year	Financial Year
		Year 1	Year 2	Year 3	Year 4
Libraries	1900-78140	\$ 226,000	\$ 226,000	\$ 368,000	\$ 368,000
Information Management	1850-78140	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000
Property HFOA	7860-78140	\$ 29,000	\$ 29,000	\$ 22,000	\$ 22,000
Property Heritage	8010-78140	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
Property Community Centre	7910-78140	\$ 61,000	\$ 61,000	\$ 61,000	\$ 71,000
Property Community Halls	7930-78140	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Property Library	8040-78140	\$ 12,000	\$ 12,000	\$ 22,000	\$ 32,000
Property Council Use	8060-78140	\$ 433,000	\$ 425,000	\$ 425,000	\$ 425,000
Property Other Property	8110-78140	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000
Solid Waste	3510-78140	\$ 25,800	\$ 25,800	\$ 25,800	\$ 25,800
Vehicle Testing Station	3870-78140	\$ 13,000	\$ 13,000	\$ 13,000	\$ 13,000
Animal Welfare	3760-78140	\$ 13,500	\$ 13,500	\$ 13,500	\$ 13,500
Total		\$ 3,145,300	\$ 3,413,420	\$ 3,718,420	\$ 4,051,420

Table 2 – Source of Funding

Note: Street lighting budget is separated between subsidised and non-subsidised following NZTA subsidy changes.

IMPLEMENTATION ISSUES

23. The timeframe for the electricity procurement process is very tight given the late start of the Regional Electricity Procurement Work Group and the time required for the joint process, compared to the previous plans of individual council electricity procurement processes and the end date of many of the councils' current electricity contracts being 31 December 2009. The councils have sought to extend each of their current electricity contracts where required until 31 January 2010 in order to allow appropriate time for the request for proposal, evaluation, contract signing and switching to new suppliers should a change be required.
24. It is anticipated the electricity contracts will need to be signed by the councils during 11–18 December 2009. Due to the evaluation period planned for 23 November – 4 December 2009, approval for Waitakere to award the contract would fall outside of the Finance and Operational Performance Committee on 7 December 2009 and in February 2010.

25. It is recommended that the award of Contract No. SD09006C - Electricity be delegated to the Chief Executive Officer based on the recommendation of the ATA procurement work stream sponsor subject to the contract sum being within budget, with the outcome to be reported back to the Finance and Operational Performance Committee.

AUCKLAND COUNCIL TRANSITION ISSUES

26. The Local Government (Tamaki Makaurau Reorganisation) Act 2009 imposes restrictions on Waitakere City Council's decision making capabilities in respect of 31 (4) (i) specifically:
- 4(i) to enter into any contract (other than an employment agreement)—
- (i) that imposes, or will continue to impose, any obligation on the existing local authority after 30 June 2011; and
 - (ii) the consideration for which is, or is equivalent to, \$20,000 or more.

Report prepared by: Michelle Dawson, Corporate Sustainability Manager and Mark Abbot, Deputy Group Manager: Assets.



10 REGIONAL LAND TRANSPORT PROGRAMME 2009-2012 FUNDING SUBSIDY SHORTFALL

GLOSSARY

Regional Land Transport Programme	(RLTP)
Long Term Council Community Plan	(LTCCP)
New Zealand Transport Agency	(NZTA)
Government Policy Statement	(GPS)
National Land Transport Programme	(NLTP)
Auckland Regional Transport Authority	(ARTA)
Road Controlling Authorities	(RCAs)

EXECUTIVE SUMMARY

The purpose of this report is to request approval from the Finance and Operational Performance Committee to adjust the Annual Plan 2009/2010 for the transport activity to take into account the final subsidy allocation in the Regional Land Transport Programme (RLTP) 2009-2012, which provided less subsidy than allowed for in Council's Long Term Council Community Plan (LTCCP) 2009-2019. Thus, the report recommends a reduced transport work programme to match the level of Council funding provided in the LTCCP 2009-2019.

The reduced subsidy amounts to \$10,920,356 over three years. In order to maintain levels of service and deliver on committed programmes, changes need to be made to the Annual Plan 2009/2010 and the LTCCP for the 2010/2011 and 2011/2012 financial years, as follows:

- adjusting the subsidised and non-subsidised components of the work programme while minimising the impact on levels of service;
- changing the timeline for some projects;
- reducing the budget for various items in the Council approved work programme; and
- deleting some projects. The net effect of the subsidy reductions is that planned expenditure for 2009/2010 must be reduced, as set out in the table below:

Details	Budget Reduction
Operation & maintenance of local roads	
Urban Maintenance General	\$84,000
Flood Damage General	\$110,000
Street Lighting Maintenance	\$210,000
Street Lighting Power	\$248,405
Bus Shelters	\$7,000
Renewals of Roads	
Bus Shelters Renewals	\$1,000
Capital Works	
Cycleway On Road Cycle Lanes	\$2,015,100
Bus Shelter Construction	\$101,932
Total	\$2,777,437

It is recommended that changes be made to the Annual Plan 2009/2010 and that changes for the 2010/2011 and 2011/2012 financial years be considered as part of the Annual Plan 2010/2011 process.

RECOMMENDATIONS

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

1. **Receive** the Regional Land Transport Programme 2009-2012 Funding Subsidy Shortfall report.
2. **Note** that the allocated subsidy in the Regional Land Transport Programme 2009-2012 has a shortfall of \$10,920,356 compared to the subsidy allowance in the Long Term Council Community Plan 2009-2019 for the 2009/2010, 2010/2011 and 2011/2012 financial years.
3. **Agree** that the Annual Plan 2009/2010 for transport be amended as set out in the table below:

Recommended Transport Budget for Annual Plan 2009/2010				
	Approved Budget		Recommended Budget	
Details	Subsidised		Non-Subsidised	
Operation and maintenance of local roads				
Urban Maintenance General	\$1,527,000	\$1,443,000		
Flood Damage General	\$384,000	\$274,000		
Street Lighting Maintenance	\$1,069,000	\$859,000		
Street Lighting Power	\$2,219,000	\$1,106,130		\$864,465
Bus Shelters	\$88,000	\$81,000		
Renewals of Roads				
Bus Shelters Renewals	\$273,000	\$272,000		
Road Rehabilitation/	\$2,249,616	\$2,000,000		\$249,616

Recommended Transport Budget for Annual Plan 2009/2010			
	Approved Budget	Recommended Budget	
Details	Subsidised	Subsidised	Non-Subsidised
Reconstruction			
Capital Works			
School Travel Plans	\$740,000	\$395,000	\$345,000
Cycleway On Road Cycle Lanes	\$5,019,700	\$720,000	\$2,284,600
Bus Shelter Construction	\$260,000	\$88,780	\$69,288

4. **Note** that the following projects below will not be completed:

- (i) Road reconstruction activities that will not be carried out in 2011/2012 as planned in the LTCCP 2009-2019, as follows:
- Parrs Cross Road, Henderson;
 - Lincoln Road, Henderson;
 - Parker Road, Waitakere;
 - Parker Avenue, New Lynn; and
 - School Road, Henderson.
- (ii) The School Travel Plan infrastructure projects planned for 2011/2012 will not be implemented;
- (iii) Funding for demand management and community programmes has been reduced by 20% and there is no certainty of funding for 2010/2011 and 2011/2012; and
- (iv) A number of walk and cycleway projects will not be implemented as set out in the table below:

Walk and Cycleway Projects that will not be implemented in 2011/2012			
Details	2009/2010	2010/2011	2011/2012
Cycleway On Road Cycle Lanes (Rathgar Rd)	\$1,275,400		
C/Way Universal Dr–Lincoln Rd to Swanson Rd		\$1,450,000	
C/Way Hobsonville Rd – SH16 to Buckley Ave			\$680,000
C/Way Portage Rd – Neville St to Kinross St			\$300,000
PTS C/Way Pioneer to West Wave		\$200,000	\$400,000

5. **Agree** that the transport work programme be reassessed in the 2010/2011 financial year, to determine priorities taking into account the reduced New Zealand Transport Agency subsidy and to enable Council to determine if it wishes to reinstate any programmes.

BACKGROUND

1. In May 2009 the Minister of Transport released the new Government Policy Statement (GPS), which sets out the strategy on how the land transport funding assess and prioritise activities for inclusion into the 2009-2012 National Land Transport Programme (NLTP) 2009-2012.
2. The key changes in the new GPS are:
 - a. Establishing economic growth and productivity as the primary objective for investment in land transport infrastructure and services;
 - b. Ensuring the allocation of funds is more strongly guided by economic efficiency;
 - c. Revising funding allocations to activity classes; and
 - d. Identifying roads of national significance which will be given priority within state highway construction.
3. New Zealand Transport Agency (NZTA) has retained the three factors assessment framework; however they have replaced the "Serious and Urgency" assessment factor with the 'Strategic Fit', the other remaining two are Effectiveness and Economic efficiency.

DECISION MAKING

4. The final NLTP for 2009-2012 was released in early September 2009 by NZTA, which gives effect to the GPS on the funding strategy of the RLTP developed by the Auckland Regional Transport Authority (ARTA).
5. The NZTA programme shows a record investment in overall land transport funding, but at the same time has significant shortfalls in many activities, classes and programme groups that do not meet the new GPS priority criteria, which will require either a reduction in the Road Controlling Authorities (RCAs) published three year programmes or covering the deficit in the funding subsidy from RCAs local funding.
6. Council's activities in the main Auckland NLTP 2009-2012 document are as follows:
 - Renewal of local roads;
 - Operation and maintenance of local roads;
 - New and improved infrastructure for local roads;
 - Public transport infrastructure;
 - Demand management and community programmes;
 - Walking and cycling facilities;
 - Transport planning; and
 - Bus stop infrastructure and maintenance.

Issues

7. Due to reduced subsidies in the final RLTP 2009-2012, a review of Council's transport work programme is required.
8. The tables attached at pages A23 to A24 show the impact on planned projects in the LTCCP 2009-2019 of reduction in the NZTA subsidy.

A23-A24

Options Identified

9. Two options were identified to address the shortfall of funding subsidy in the published RLTP 2009-2012. The options are as follows:
- **Option 1:** Maintain Council's three year programme as per the LTCCP 2009-2019 and fund the subsidy shortfall by increasing Council funding by \$10,920,356; and
 - **Option 2:** Balancing the three year programme with the allocated NZTA funding subsidy and Council's approved 2009-2012 budgets.

Assessment of Options

10. **Option 1** will require the Council to fund the total deficit of \$10,920,356 in NZTA's subsidy share in order to meet the Waitakere three year published programme. This means \$2,420,356 extra from rates and \$8,500,000 from loans.
- A23-A24 11. **Option 2** will address the two main issues of limited Council funding and a major reduction in the committed Council's programme of works, by maintaining Council's 2009-2012 allocated budget and the published NZTA subsidy. Refer to Table 1A, 2A and 3A attached at pages A23 to A24 for details of programme/project changes.
12. Table 1 below illustrates the advantages and disadvantages between the two options:

Activity Classes	Option 1		Option 2	
	Advantages	Disadvantages	Advantages	Disadvantages
1. Renewals of roads	Meeting Council's agreed three year programme	No issues	Meeting Council's agreed three year programme	No issues
2. Operation and maintenance of local roads	Meeting Council's agreed level of service and programmed maintenance works	Require approx. \$1.8 million extra budget to cover the three year programme	Maintaining Council's agreed level of service but a reduction in programmed maintenance works	Cancelling the advance site investigation, preventative maintenance and streetlights reliability programmes
3. New and improved infrastructure for local roads				
3(a) Improve, expand or replace network group	Meeting Council's agreed three year programme	Require approx. \$2.0 million extra budget to cover the three year programme	Implementing the three years physical safety works (AIS) and the first two years of road rehabilitation programmes.	Not implementing all of the third year of the road rehabilitation programme

Activity Classes	Option 1		Option 2	
	Advantages	Disadvantages	Advantages	Disadvantages
4. Walking and cycling facilities				
4(a) School travel plan infrastructure group	Meeting Council's agreed three year programme	Require approx. \$651,000 extra budget to cover the three year programme	Implementing the first and second years of the programme	Not implementing the third year of the programme
4(b) Walking and cycling facilities group	Meeting Council's agreed three year programme	Require approx. \$4.3 million extra budget to cover all of the three year programme	Implementing about 60% of Council's three year programme	40% of Council's three year programme will not be implemented
5. Bus stop infrastructure and maintenance	Meeting Council's agreed three year programme	Require approx. \$312,000 extra budget to cover the three year programme	Meeting Council's maintenance & renewals commitments	The programme of implementing 20 new bus shelter per year will be reduced by 8, to just 12 new shelters per year

Table 1: Advantages and Disadvantages of Options 1 and 2.

Consideration of Community Views

13. As NZTA has now published its funding plan, there is no opportunity to consult with the community on the impacts of reduced funding.

Preferred Option

14. Option 2 is the preferred option, as no additional budget is required. The alternative of implementing Option 1 would mean that additional funding of \$10.9 million would need to be provided and is beyond the funding available in the LTCCP 2009-2019.
15. Implementation of Option 2 requires a reduction in the work programme and in some cases there will be longer term implications which will result in additional costs. It is thus recommended that the work programme for transport be reassessed in the 2010/2011 financial year.
16. The effects of option 2 on specific categories are as follows:
- a. Renewals of roads, no effect due to contract savings in the maintenance and reseal contracts.
 - b. Operation and maintenance of local roads:
 - Advanced site investigations deleted. This means that there will be no information available to optimise road maintenance programmes beyond 2011-2012;
 - Preventative maintenance in slip-prone areas deleted. The consequence of this is increased risk of slips and associated damage; and

- Reduced investment in streetlight reliability programme, increasing the risk of lengthy outages; and savings in power costs, although this cannot be confirmed at this stage.
- A25 c. Reduced expenditure in road reconstruction programmes in 2011/2012, with the consequence that there will be additional repair costs in subsequent years. Attached at page A25 is the list of programmed 2009-2012 road reconstruction sites, and examples of typical failure sites.
- A26,A27 d. Walking and cycling facilities:
- No school travel plans in 2011/2012, attached at page A26 is the list of programmed 2009-2012 school travel plans sites. The consequence on this will be delaying the Citywide programme and not addressing safety issues around the affected schools; and
 - Reduced cycleway programme, attached at page A27 is the revised 2009-2012 cycleway programme list, which will mean the cycleway network will not be completed and will be inconvenience to the users.
- e. Bus stop infrastructure and maintenance, the 26% lower subsidy in this category will have no effects on the maintenance and renewals for this programme, but will reduce the number of new bus shelters construction to only 12 per year rather than the planned 20, will compromise the Council's strategy to encourage more usage of public transport.
- f. Demand management and community programmes subsidy has been set at 80% of the expected level and there is no certainty of funding in the 2011/2012 and 2012/2013 financial years. If the funding is not reinstated, Council will need to consider a significant reduction in these programmes and possible staff redundancies.
- g. Transport planning and studies: NZTA requires a reduction in this programme. Officers have proposed the Transport Strategy Update, Walking Plan and Activity Management Plan to be withdrawn from NZTA funding. The Transport Strategy Update has been completed in house. The Walking Plan is proposed to be completed in house with a peer review. The Activity Management Plan will be updated in house.

STRATEGIC CONTEXT

17. Council's Transport Strategy aims to achieve a sustainable multi-modal transport system that is integrated with land use and contributes to Waitakere as an eco city.
18. The reduction in the work programme recommended in this report will have a minor negative impact in the achievement of Council's Transport Strategy.

CONSULTATION

19. Consultation with the internal staff in Transport Assets, Transport Strategy and Finance has been undertaken to agree on the options.
20. Separate consultation with the relevant staff in NZTA and ARTA has also been undertaken.

RESOURCES

21. The preferred Option 2 will maintain Council's share of funding as approved in the LTCCP 2009-2019, for the period 2009-2012.

IMPLEMENTATION ISSUES

22. Implementation of the recommended decisions will require an adjustment to the Council's transport work programme.

AUCKLAND COUNCIL TRANSITION ISSUES

23. The decision making proposed in this report is not constrained by section 31 of the Local Government (Tamaki Makaurau Reorganisation) Act 2009, as it does not directly or because of its consequences: significantly prejudice the reorganisation, significantly constrain the powers or capacity of the Auckland Council or any subsidiary of the Auckland Council following the reorganisation, or have a significant negative impact on the assets or liabilities that are transferred to the Auckland Council as a result of the reorganisation.

Report prepared by: Hussam Abdul-Rassol, Manager: Transport Services.



11 AUCKLAND REGIONAL TRANSPORT NETWORK LIMITED UPDATE

GLOSSARY

Auckland Regional Transport Network Limited (ARTNL)
Auckland Regional Transport Authority (ARTA)

EXECUTIVE SUMMARY

The purpose of this report is to approve the Annual Report 2008/2009 of Auckland Regional Transport Network Limited (ARTNL) and to approve that ARTNL's 2009 annual meeting be held by way of written resolution in lieu of a physical meeting.

ARTNL performed satisfactorily over the year ending 30 June 2009 and achieved, before interest, tax, depreciation and amortisation, a net surplus of \$601,000.

In order to minimise costs, it is proposed to waive meetings of the Shareholders Representative Group and approve resolutions of shareholders by way of written resolution.

RECOMMENDATIONS

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

1. **Receive** the Auckland Regional Transport Network Limited Update report.
2. **Agree** that the Annual Report 2008/2009 of Auckland Regional Transport Network Limited be adopted, noting that Auckland Regional Transport Network Limited made a net surplus after tax of \$601,000.
3. **Approve** Waitakere City Council to vote as a shareholder in favour of the following resolutions for Auckland Regional Transport Network Limited's 2009 annual shareholders meeting, to be held by way of written resolution in lieu of a physical meeting:
 - i) That the Auckland Regional Transport Network Limited company and the Auckland Regional Transport Network Limited group consolidated financial statements for the year ended 30 June 2009 together with the auditor's report and directors' report be received, considered and adopted; and
 - ii) That the Controller and Auditor-General be appointed as auditor of the company and the consolidated group until the conclusion of the next annual meeting and that the directors be authorised to fix the auditor's fees.

4. **Approve** that the Chief Executive Officer be delegated authority to vote on behalf of Waitakere City Council and sign documents required to give effect to the resolutions of Auckland Regional Transport Network Limited's 2009 annual shareholders meeting.

BACKGROUND

1. Waitakere City Council owns 14.18 per cent of the shares in ARTNL. The other shareholders are Manukau City Council and Auckland City Council.
2. ARTNL's ferry and metro train station assets transferred to the Auckland Regional Transport Authority (ARTA) on 1 October 2007. It was intended to transfer the remaining Britomart assets to ARTA and subsequently wind up the ARTNL group of companies in a voluntary liquidation. As part of the government's plan for restructuring Auckland's governance, ownership of the Britomart transport assets is expected to transfer to the new Auckland Council or the new Regional Transport Agency. It is likely that ARTNL will be wound up by way of voluntary liquidation once the new ownership arrangements are in place.
3. In the meantime, ARTNL remains a council controlled organisation, and must comply with the Companies Act 1993 and Local Government Act 2002 requirements, such as holding annual meetings and providing annual reports to its shareholders.
- A28-A64 4. ARTNL has provided its Annual Report 2008/2009, attached at pages A28 to A64, to its shareholders for consideration. ARTNL proposed to hold its 2009 annual shareholders meeting by way of written resolution in lieu of a physical meeting.

DECISION MAKING

5. This report is seeking decisions on the following matters:
 - a) Approving shareholders resolutions by a written resolution rather than holding meetings of the Shareholders Representative Group and shareholders.
 - b) Adopting the Annual Report 2008/2009 and approving the appointment of an auditor and setting of the auditor's fees.
 - c) Approving the Chief Executive Officer to sign resolutions to give effect to the above.

Issues

Annual Meeting of Shareholders

6. ARTNL has provided its Annual Report 2008/2009 to its shareholders. ARTNL proposed to hold its 2009 annual shareholders meeting by way of written resolution in lieu of a physical meeting. The simple administrative nature of the business to be placed before the annual meeting means it is more efficient to pass written resolutions instead of holding a physical meeting. This practice occurred in the previous year and is also followed for Watercare Services Limited.
- A65 7. ARTNL's shareholders must consider the Annual Report 2008/2009 and vote on the annual meeting resolutions, as attached at page A65:
 - a) To receive, consider and adopt the ARTNL company's and the ARTNL group's consolidated financial statements for the year ended 30 June 2009.
 - b) To re-appoint the Controller and Auditor-General as auditor of the ARTNL group and to authorise the directors to fix the auditors fees.

Annual Report 2008/2009

8. The Annual Report 2008/2009 provides financial and non-financial information about the ARTNL group. Highlights are summarised below.
9. ARTNL performed well over the year ending 30 June 2009, and achieved, a net surplus after tax of \$601,000. This is an improvement on the 2997/2008 result and exceeds ARTNL's target to break even financially. Since the transfer of rail and ferry assets to ARTA in 2007, the ARTNL group's revenue sources are from rentals of Britomart retail and interest earned on deposits.
10. As at 30 June 2009, shareholders' equity comprised share capital of \$4.8 million, and an accumulated net surplus of \$1.7 million. The financial statements have been prepared on the basis that the ARTNL group is a going concern. The directors consider that ARTNL is well capitalised for its current levels of activity.
11. Britomart celebrated six years of successful operation with patronage up to 30,000 people (an increase of 5,000 from 2007/2008) using the station each weekday. All 14 retail/food outlet locations in Britomart (old post office retail area) are now occupied and the returns from investment are regarded as satisfactory. ARTNL and ARTA have cooperated effectively in managing Britomart over the year.

Auditors

12. The Local Government Act 2002 requires that the Auditor-General is the auditor of council controlled organisations and their subsidiaries. It is therefore recommended that the Waitakere City Council vote in favour of the resolution to reappoint the Controller and Auditor-General as auditor of the ARTNL group. Officers also consider it appropriate that the directors of ARTNL fix the auditors fees.

Consideration of Community Views

13. The community interest in ARTNL is to ensure that its assets remain in public ownership. The ARTNL group is operated prudently and its annual report is publicly available. No consultation with the public is required.

STRATEGIC CONTEXT

14. The matters in this report relate to the Council's governance responsibilities. The Britomart assets owned by ARTNL are important public assets for the region. The financial management of ARTNL is important so that these assets can be transferred to the Auckland Council or the new Regional Transport Agency.

CONSULTATION

15. No consultation is required to be undertaken in relation to the matters contained in this report as these relate to the exercise of statutory responsibilities of the Council as a shareholder.

RESOURCES

16. No resources other than staff time are required in relation to the matters raised in this report other than staff time. The Council has previously written down the value of its shares in ARTNL.

IMPLEMENTATION ISSUES

17. The shareholder resolutions will need to be signed and provided to ARTNL.

AUCKLAND COUNCIL TRANSITION ISSUES

18. The decision making proposed in this report is not constrained by section 31 of the Local Government (Tamaki Makaurau Reorganisation) Act 2009, as it does not directly or because of its consequences: significantly prejudice the reorganisation, significantly constrain the powers or capacity of the Auckland Council or any subsidiary of the Auckland Council following the reorganisation, or have a significant negative impact on the assets or liabilities that are transferred to the Auckland Council as a result of the reorganisation.

Report prepared by: Kevin Wright, Manager Transport Strategy.



12 VARIATION TO WATERCARE SERVICES LIMITED SHAREHOLDERS' AGREEMENT

GLOSSARY

Board Appointment and Remuneration Subcommittee	(BARS)
Council Controlled Organisation	(CCO)
Officers Working Group	(OWG)
Local Network Operators	(LNOs)
Shareholders Agreement	(SA)
Watercare Services Limited	(Watercare)
Watercare Shareholders' Representative Group	(SRG)
Watercare's Statement of Corporate Intent	(SCI)

EXECUTIVE SUMMARY

The purpose of this report is to seek approval of changes to Watercare Services Limited's Shareholders Agreement by the Finance and Operational Performance Committee.

RECOMMENDATIONS

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

1. **Receive** the Variation to Watercare Services Limited Shareholders' Agreement report.
2. **Approve** changes to clause 18 of Watercare Services Limited Shareholders' Agreement.
3. **Approve** that authority be delegated to the Chief Executive Officer to sign the Deed of Variation of Shareholders' Agreement relating to Watercare Services Limited, executing the variation on behalf of Waitakere City Council.

BACKGROUND

1. Watercare Services Limited (Watercare) is the bulk water and wastewater service provider for much of the Auckland Region. Watercare's 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 Shareholders' Representative Group (SRG) which appoints the Board of Watercare, provides input to Watercare's Statement of Corporate Intent (SCI), and monitors the performance of the Watercare Board against the SCI. Watercare negotiates the SCI with the SRG each year. The SCI is effectively the Watercare Board's charter for running Watercare on the shareholders' behalf. It sets 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. Council has two representatives on the SRG, Councillors Clews and Clow. An Officers Working Group (OWG) with representatives from the shareholder Auckland councils support the SRG. The Local Network Operators group (LNOs), comprising the six retailers also provide advice to the OWG on matters of common interest.
5. The Watercare Services Limited Shareholders Agreement contains guidance on the appointment of members to the Board of Directors of the company. Clause 18 of the Shareholders Agreement specifically prohibits certain parties, including members or directors of Council Controlled Organisations (CCO) to the Board of Watercare. The detailed wording of clause 18 is as follows:

APPOINTMENT BY SHAREHOLDER REPRESENTATIVE GROUP

"(18) The shareholder representative group will decide upon the directors to be appointed as the board of the Company from applicants identified by it or from the existing directors on the basis that:

(a) each of the persons to be appointed as a director must:

- In the opinion of the shareholder representative group have relevant knowledge and experience of water and wastewater management in New Zealand and appropriate skills to assist the Company to achieve its principal objective set out in the Act; or*
- In the opinion of the shareholder representative group have appropriate skills to assist the Company to achieve its principal objective set out in the Act; and*
- Not be a member, officer or employee of:*
 - (i) a local authority;*
 - (ii) a council controlled organisation or council organisation engaged in the provision of water or wastewater services within the Auckland Region; or*
 - (iii) a principal contractor, licensee or franchisee of any council controlled organisation or council organisation engaged in the provision of such services; and*

(b) collectively the directors to be appointed as the board of the Company will have relevant knowledge and experience of water and wastewater management in New Zealand and appropriate skills to assist the Company to achieve its principal objective set out in the Act."

6. The forthcoming amalgamation of Auckland's regional water and wastewater services into a single water entity, expected to be completed on 1 November 2010, has highlighted the need for retail knowledge and experience in the Watercare Board.

7. The SRG's Board Appointment and Remuneration Subcommittee (BARS) is currently conducting its annual Watercare Board appointments and reappointments process. At its October 2009 meeting, BARS considered the best Board composition option for the transition of Auckland's water entities to an integrated Watercare entity. BARS identified the need to add two Auckland retail water companies' Directors on to the Watercare Board, to introduce the required retail knowledge to the wholesale water company and allow for a smooth amalgamation process.

DECISION MAKING

Issues

8. The appointment of directors from the retail water companies to the Watercare Board would allow for a smooth amalgamation of the water and wastewater businesses under Watercare. The appointment process however cannot be carried out unless clause 18 of the Shareholders' agreement prohibiting a Director of a CCO from being a Director on the Watercare Board, is amended.
9. Changing clause 18 of the Shareholders' Agreement to allow the appointment of CCO members or directors to the Watercare Board requires the prior written approval of the Minister of Local Government, together with the written consent of all the shareholding councils.
10. The proposed change allows candidates to remain on their retail water company boards simultaneously for the duration of the transition which is considered beneficial.
11. The detailed changes to clause 18 below of the Watercare Services Limited Shareholders Agreement allow members of a CCO to be a Director of the Watercare Board but prohibits officers and employees:

APPOINTMENT BY SHAREHOLDER REPRESENTATIVE GROUP

"(18) The shareholder representative group will decide upon the directors to be appointed as the board of the Company from applicants identified by it or from the existing directors on the basis that:

(a) each of the persons to be appointed as a director must:

- In the opinion of the shareholder representative group have relevant knowledge and experience of water and wastewater management in New Zealand and appropriate skills to assist the Company to achieve its principal objective set out in the Act; or*
- In the opinion of the shareholder representative group have appropriate skills to assist the Company to achieve its principal objective set out in the Act; and*
- Not be an officer or employee of:*
 - (i) a local authority;*
 - (ii) a council controlled organisation or council organisation engaged in the provision of water or wastewater services within the Auckland Region; or*
 - (iii) a principal contractor, licensee or franchisee of any council controlled organisation or council organisation engaged in the provision of such services; and*
- Not be a member of:*
 - (i) a local authority; or*

(ii) a principal contractor, licensee or franchisee of any council controlled organisation or council organisation engaged in the provision of such services; and

(b) collectively the directors to be appointed as the board of the Company will have relevant knowledge and experience of water and wastewater management in New Zealand and appropriate skills to assist the Company to achieve its principal objective set out in the Act."

- A66-A69
12. A Deed of Variation executing the removal of clause 18(a)(ii) from the Watercare Services Limited Shareholders Agreement enabling retail water company director appointments to the Watercare Board is attached at pages A66 to A69.
 13. The support of the shareholding councils for the amendment to the Watercare Services Limited Shareholders Agreement is currently being sought, following which the Minister of Local Government's approval for the amendment will be formally requested in writing.
 14. Given the limited timeframe involved for making the appointments, Council officers recommend that the Finance and Operational Performance Committee approve the amendment and provide delegation to the Chief Executive Officer to sign the Deed of Variation, executing the variation on behalf of Council.
 15. The Watercare Services Limited Shareholders Agreement will remain in effect until the amalgamated Watercare organisation becomes a legal entity, expected to be on 1 November 2010.

STRATEGIC CONTEXT

16. 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.
17. The Council has two major roles in connection with Watercare, one as shareholder/owner and 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

18. There is no consultation required.

RESOURCES

19. There are no resources required other than staff time to facilitate the process.

IMPLEMENTATION ISSUES

20. There are no implementation issues associated with this report.

AUCKLAND COUNCIL TRANSITION ISSUES

21. The Local Government (Tamaki Makaurau Reorganisation) Act 2009 imposes restrictions on Waitakere City Council's decision making capabilities in respect of section 31(1) where a decision of an existing local government organisation significantly constrain the powers or capacity of the Auckland Council or any subsidiary of the Auckland Council following the reorganisation.

22. The appointment of Directors with retail experience to the Watercare Board during the transition period will impact on the process of amalgamating the water businesses. However, the Auckland Council as the sole shareholder in the future will develop a new constitution and charter for Watercare, as the current establishing documents for the company, including the Shareholders Agreement will no longer be relevant.

Report prepared by: Kingsha Changwai, Manager Assurance Services.



13 ACQUISITION OF LAND FOR ROAD AT SCENIC DRIVE NORTH, SWANSON

EXECUTIVE SUMMARY

A70 The purpose of this report is to seek the Finance and Operational Performance Committee's approval to the acquisition of a small parcel of land at 1131 Scenic Drive North, Swanson for road. The location of this property is shown on the diagram attached at page A70 .

RECOMMENDATIONS

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

1. **Receive** the Acquisition of Land for Road at Scenic Drive North, Swanson report.
- A71 2. **Agree** that the land at 1131 Scenic Drive North, Swanson, shown bordered by bold black line and marked A on the diagram attached at page A71 be acquired for road.

BACKGROUND

1. Under Council's new footpath construction programme, priority has been given in the current financial year, to those roads with no footpath on either side. Such is the case with large sections of Scenic Drive North, including that in the vicinity of number 1131.
- A71 2. The footpath will of course be constructed adjacent to the sealed carriageway, but the property at 1131 Scenic Drive North protrudes into the natural path of the proposed footpath, as can be seen from the diagram attached at page A71.
- A71 3. The owners have been approached by Council officers and it transpired that they were unaware of the location of their true boundary which they believed to be immediately adjacent to the row of acmena trees, shown on the diagram at page A71.
- A71 4. The owners have agreed to sell the land marked A on the plan attached at page A71, to Council for the GST inclusive sum of \$3,000, being the amount of compensation assessed by our registered valuer. The owners were advised that they could engage their own valuer and solicitor at Council's expense but declined to do so.
5. The owners have been advised that any agreement made would be subject to a resolution of approval from the Finance and Operational Performance Committee.

DECISION MAKING

Issues

6. Council must decide whether or not to proceed with the proposed purchase of land for road.

Assessment of Options

7. The Council could proceed no further with the proposed purchase and have no sealed footpath outside the property at 1131 Scenic Drive North.
8. Council could proceed with the purchase to ensure that the public has a continuous sealed footpath on this section of Scenic Drive North.

Consideration of Community Views

9. The only parties that could be affected by the proposed land purchase are the landowners, who have indicated their agreement with it.

Preferred Option

10. The preferred option is to proceed with the purchase, so that Council will be able to complete its new footpath construction programme.

STRATEGIC CONTEXT

11. In accordance with Council's Transport Strategy, a footpath on at least one side of the road is desirable in rural areas to encourage and promote local access by foot. The 2006 Waitakere Transport Strategy notes the importance of improving the footpath network, to enable safer pedestrian access to local employment, schools, shops, parks and other community infrastructure. This project would also reinforce the aims of the 2003 Waitakere City Walking and Cycle Strategy, which promotes the healthy benefits of walking and the requirement to reduce the negative impacts of motor vehicle trips.

CONSULTATION

12. Consultation has been carried out with Council's Transport Assets section and the Strategy Unit, but for the reasons stated under "Consideration of Community Views", further consultation is considered unnecessary.

RESOURCES

13. The costs of this proposed acquisition relate to the valuation, survey, Gazette Notice checking and publication fees and registration costs. These will be met by Council and will come from Council's Footpath Construction budget.

IMPLEMENTATION ISSUES

14. Should Council pass the resolutions sought, then it is proposed that a written agreement be signed by Council and the land owners and that a Gazette Notice under the Public Works Act 1981, be submitted to Land Information New Zealand for signature and publication in the New Zealand Gazette and then registered against the land owner's title. This will have the affect of vesting the required land in Council as road.

AUCKLAND COUNCIL TRANSITIONAL ISSUES

15. The decision making proposed in this report is not constrained by section 31 of the Local Government (Tamaki Makaurau Reorganisation) Act 2009, as it does not directly or because of its consequences: significantly prejudice the reorganisation, significantly constrain the powers or capacity of the Auckland Council or any subsidiary of the Auckland Council following the reorganisation, or have a significant negative impact on the assets or liabilities that are transferred to the Auckland Council as a result of the reorganisation.

Report prepared by: Maurice Hieatt, Solicitor.



14 RELEASE OF FUNDS TO KEN MAUNDER PARK COMMUNITY TRUST

GLOSSARY

Ken Maunder Park	(the Park)
Suburbs New Lynn Cricket Club and the Lynn Avon United Football Club	(the Clubs)
Ken Maunder Park Community Trust	(the Trust)

EXECUTIVE SUMMARY

The purpose of this report is to seek approval from the Finance and Operational Performance Committee to commence the release of funds allocated to Ken Maunder Park Community Trust (the Trust) for the development of the public toilet and changing rooms upon presentation of invoice(s) for certified and completed works.

RECOMMENDATIONS

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

1. **Receive** the Release of Funds to Ken Maunder Park Community Trust report.
2. **Approve** the release of funds up to \$330,000 plus GST to the Ken Maunder Park Community Trust for the works completed as per progress payments on invoices, less retentions, in relation to the development of the public toilet and changing room facilities at Ken Maunder Park, subject to the executed Access Agreement between the Council and the Ken Maunder Park Community Trust.
3. **Agree** that retentions from approved progress payments to the Ken Maunder Park Community Trust in relation to the development of the public toilet and changing room facilities at Ken Maunder Park are held in accordance with contract documents, and that:
 - a) 50% to be paid upon practical completion of the public toilet and changing room facilities, that is upon issue of a Code Compliance Certificate or if a Code Compliance Certificate is not available at that time a Certificate of Public Use under section 363A of the Building Act 2004; and
 - b) With the remaining 50% being paid at the end of the defects liability period subject to satisfying any defected works.

BACKGROUND

1. The existing public toilet facility at Ken Maunder Park (the Park) requires renewal and is located, in what is considered to be, an undesirable location within the car park. Funding has been provided in the Annual Plan 2009/2010 for physical works.
2. In 2006 the Suburbs New Lynn Cricket Club and the Lynn Avon United Football Club (the Clubs) received \$250,000 from Council's Leisure Facility Partnership Fund to develop an indoor training facility and upgrade the Suburbs New Lynn Cricket Clubrooms on the Park. Concept plans for the redevelopment of the Park were presented and approved by the Infrastructure and Works Committee at its December 2007 meeting, where it was resolved:

"2. That the Infrastructure and Works Committee approves the proposed plan for the redevelopment of Ken Maunder Park."

3868/2007

3. In April 2009 the Infrastructure and Works Committee approved the integration of the public toilet and changing rooms into the indoor training facility at the Park and resolved as follows:

"The Infrastructure and Works Committee resolved to:

2. **Approve** the proposed public toilet and changing rooms at Ken Maunder Park be incorporated into the new indoor training facility at Ken Maunder Park."

500/2009

4. In August 2009 the Infrastructure and Works Committee resolved as follows:

"The Infrastructure and Works Committee resolved to:

2. **Approve** the final Ken Maunder Park redevelopment design which includes the inclusion of the public toilets and changing rooms along with a new Parks maintenance storage area within the indoor training facility.
3. **Agree** to fund the Ken Maunder Park Community Trust up to \$330,000 + GST from the Parks Assets 2009/2010 budget to develop new public toilets and changing rooms as part of the indoor training facility at Ken Maunder Park."

1343/2009

DECISION MAKING

Issues

Regulatory Requirements

5. Resource consent for the development of the indoor training facility and public toilet have been obtained. Building consent for the indoor training facility and public toilet and changing rooms has been lodged. It is anticipated that building consent will be approved in early December 2009. Works will not commence on site until all required consents are obtained.

Access Agreement

6. To secure a good outcome for Council and the community an Access Agreement between Council and the Trust is being finalised. This agreement includes, but is not limited to, details on the indoor training facility management, community use, hire charges, and responsibilities for the maintenance and management of the public toilet and changing room facilities.

Tender Process

7. Tender documents for the construction of the indoor training facility and the public toilet and changing rooms were uplifted by seven companies. Five tenders were received by the closing date. Tenders are currently being evaluated by the Trust and it is anticipated that a contract will be awarded in early December 2009, after building consent has been obtained.

STRATEGIC CONTEXT

8. Through the Social Strategy, Council is assisting in the development of community infrastructure and partnering with local clubs to provide sustainable development.
9. New facilities create more opportunities for residents to participate in sport and physical activity and will complement the initiatives being implemented through the Active Waitakere 'Move It Waitakere' Action Plan.

CONSULTATION

10. Parks Assets, Leisure Services, and the Trust are in regular contact and are working together to develop the Park to make it more accessible and appealing to the community.
11. The Clubs are supportive of the public toilets and changing rooms being incorporated into the indoor training facility.

RESOURCES

12. Council officers from Parks Assets and Leisure Services are involved with overseeing the developments on the Park and developing the Access Agreement.
13. Funding of \$330,000 has been allocated in the Annual Plan 2009/2010 for the upgrade of the public toilet at the Park. This includes all professional fees, consent fees, construction costs and the removal of the existing toilet block.

IMPLEMENTATION ISSUES

14. There are no implementation issues relating to the recommendations.

AUCKLAND COUNCIL TRANSITION ISSUES

15. The decision making proposed in this report is not constrained by section 31 of the Local Government (Tamaki Makaurau Reorganisation) Act 2009, as it does not directly or because of its consequences: significantly prejudice the reorganisation, significantly constrain the powers or capacity of the Auckland Council or any subsidiary of the Auckland Council following the reorganisation, or have a significant negative impact on the assets or liabilities that are transferred to the Auckland Council as a result of the reorganisation.

Report prepared by: Tracey Hamilton, Project Development Officer, Parks and Open Spaces.



15 SALE OF LAND – TRIG ROAD, WHENUAPAI

GLOSSARY

New Zealand Transport Agency (NZTA)
Long Term Council Community Plan 2009 - 2019 (LTCCP)

EXECUTIVE SUMMARY

The purpose of the report is to seek a decision from the Finance and Operational Performance Committee on the sale of land at 27-31 Trig Road, Whenuapai. A decision to sell the land would also need to be forwarded to Council as it involves a land sale not identified in the Long Term Council Community Plan 2009-2019 (LTCCP).

The land at 27-31 Trig Road was originally bought by Council to facilitate construction of the east-bound on-ramp to the new State Highway 18 motorway alignment. The New Zealand Transport Agency (NZTA) has now approached Council seeking to acquire the land on which the motorway ramp will be built.

RECOMMENDATIONS

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

1. **Receive** the Sale of Land – Trig Road, Whenuapai report.
2. **Approve**, subject to resolutions 4 and 5 below, the sale of the land at 27-31 Trig Road, Whenuapai to the New Zealand Transport Agency.
3. **Agree**, subject to resolutions 4 and 5 below, that the Chief Executive Officer be authorised to negotiate the sale of 27-31 Trig Road, Whenuapai and execute all necessary documentation for the sale.
4. **Note** that resolutions 2 and 3 above be subject to confirmation by Council.
5. **Note** that resolutions 2, 3 and 4 above be subject to confirmation by the Auckland Transition Agency.

BACKGROUND

1. Approval to purchase land at 27-31 Trig Road was granted on 12 December 2002, by the Finance and Operational Performance Committee through the following resolutions:

- “1 That the information be received.
2. That the Chief Executive is authorised to negotiate to acquire 27-31 Trig Road (1.1860 hectares) and execute all necessary documentation for the purchase.
3. That Council designate the reserve for the proposed new on-ramp onto State Highway 18, once the land has been acquired.
4. That Council make the land and designation available to Transit for the purpose of constructing the on-ramp from Trig Road onto State highway 18 in the position required by Council.
5. That the Land Purchase Trig Road report and recommendations remain confidential until the completion of the negotiations.”

3595/2002

2. The land was purchased by the Council to facilitate realignment of the proposed east-bound on-ramp to the new State Highway 18 motorway at Trig Road. The realignment was considered desirable by Council so that the intersection of Trig Road and the motorway on-ramp lined up with the future intersection of Northside Drive and Trig Road.

A72

3. The location of the property is indicated on the diagram attached at page A72.

DECISION MAKING

Issues

4. The property at 27-31 Trig Road was purchased to facilitate realignment of the proposed motorway on-ramp. The motorway ramp is currently being built on this Council preferred alignment by NZTA and transferring the land to NZTA will still deliver this outcome for Council.
5. Sale of the land to NZTA would simplify the management of the on-ramp by giving NZTA control over the land for purposes of implementing any regulatory controls such as ramp metering, changing the legal status of the land from road reserve to motorway, and restricting entry onto the on-ramp by pedestrians or cyclists.
6. Sale of this land is not budgeted for in the LTCCP. The sale would result in a reduction in Council assets and the proceeds from the sale could be used to repay existing loans or offset the requirement for future borrowing.

Options Identified

7. Two options have been identified: to sell the land to NZTA or to retain the land in Council's ownership.

Option 1

8. The first option is to agree to sell the land to NZTA. Under this option the sale would be negotiated between Council and NZTA with the market value of the land to be agreed upon between the two organisations based on the advice of registered valuers.
9. Transfer of the land to NZTA would take place under section 50 of the Public Works Act 1981. The land transfer would be to another authority requiring the same public work for which it was originally taken and consequently the requirement to offer back the land to its original owner would not apply.

Option 2

10. The second option would be to decline to sell the land to NZTA. However, this would likely result in NZTA either reverting to the on-ramp alignment that is less favourable to Council, or using the Public Works Act 1981 to undertake a compulsory acquisition of the land from Council.

Preferred Option

11. The first option to sell the land to NZTA is preferred. The outcome that Council sought to achieve through the purchase of the land will still be achieved if the land is sold to NZTA. Council's assets and liabilities will be reduced with a consequent reduction in debt servicing costs. The first option is also more constructive in maintaining Council's ongoing working relationship with NZTA.

STRATEGIC CONTEXT

12. Council's Transport Strategy aims to achieve a sustainable, multi-modal, transport system that is integrated with land use and contributes to Waitakere as an eco city.
13. Sale of this land will not result in any adverse impact on the implementation of Council's Transport Strategy.

CONSULTATION

14. Council's Legal Services section was consulted during the preparation of this report

RESOURCES

15. The resources required to carry out the sale would be internal staff time primarily from Council's Legal Services section.

IMPLEMENTATION ISSUES

16. There are no implementation issues associated with this report.

AUCKLAND COUNCIL TRANSITION ISSUES

17. The Local Government (Tamaki Makaurau Reorganisation) Act 2009 imposes restrictions on Waitakere City Council's decision making capabilities in respect of a decision to purchase or dispose of assets, specifically s31(4)(f):

"To purchase or dispose of assets other than in accordance with its long-term council community plan."

18. The sale of the property at 27-31 Trig Road was not proposed in the LTCCP. Therefore, the decision to sell the land requires confirmation from the Auckland Transition Agency.

Report prepared by: Adam Moller, Senior Transport Engineer.



16 **SALE OF LAND – TE ATATU ROAD, TE ATATU SOUTH**

GLOSSARY

New Zealand Transport Agency (NZTA)
Long Term Council Community Plan (LTCCP)

EXECUTIVE SUMMARY

The purpose of the report is to seek a decision from the Finance and Operational Performance Committee on the sale of land at 130-132 Te Atatu Road, Te Atatu South. A decision to sell the land would also need to be forwarded to Council as it involves a land sale not identified in the Long Term Council Community Plan (LTCCP) 2009-2019.

The land at 130-132 Te Atatu Road was originally bought by Council to facilitate construction of the Central Park Drive extension between Edmonton Road in the vicinity of Central Park Drive and Te Atatu Road in the vicinity of Roberts Road.

The project was subsequently abandoned and is not provided for in the LTCCP 2009-2019.

RECOMMENDATIONS

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

1. **Receive** the Sale of Land – Te Atatu Road, Te Atatu South report.
2. **Approve**, subject to resolutions 4 and 5 below, the sale of the four properties at 130-132 Te Atatu Road, Te Atatu South.
3. **Agree**, subject to resolutions 4 and 5 below, that the Chief Executive Officer be authorised to negotiate the sale of the four properties at 130-132 Te Atatu Road, Te Atatu South and execute all necessary documentation for the sale.
4. **Note** that resolutions 2 and 3 above be subject to confirmation by Council.
5. **Note** that resolutions 2, 3 and 4 above be subject to confirmation by the Auckland Transition Agency.

BACKGROUND

1. Council purchased the four properties at 130-132 Te Atatu Road between 2006 and 2008. The properties were purchased by Council to facilitate the connection of a new road to be built by developers at 82 McLeod Road, which would form part of the future Central Park Drive Extension to Te Atatu Road. The four properties consist of duplex units on cross leased titles on two sites in Te Atatu Road.
2. The location of the properties is indicated on the diagram attached at page A73.
3. Since their purchase, the properties have been managed by Council's Property Services section with rental income from the properties covering the management and maintenance costs of the units and providing some return to offset the costs of Council's borrowing to fund the purchases.

A73

DECISION MAKING

Issues

4. The concept for the Central Park Drive Extension was developed as part of the Te Atatu Road Strategic Corridor Study in 2003. The route was identified as an opportunity to achieve a future connection that would allow traffic from the Lincoln North business area to access the southern part of Waitakere, including New Lynn, Kelston, Glen Eden, and the proposed Whau crossing to Avondale, without having to pass through Henderson.
5. Funding was provided through the LTCCP 2006-2016 to secure the land required for the project and to fund scheme level design.
6. During work on the scheme design in 2008/2009 it became apparent that the overall costs of the project were going to be substantially higher than initially estimated due to a number of factors including the identification of the need for substantial earthworks and retaining walls at the western end of the proposed new road, and the consequential increase in the extent of land take required.
7. Updated traffic modelling also showed that the benefits of the project were unlikely to be realised until later than initially predicted. The consequence is that the project would be unlikely to produce net economic benefits until 2021, and it would likely be five to 10 years later before the benefits became large enough to justify a New Zealand Transport Agency (NZTA) subsidy for the project.
8. A decision was therefore made not to proceed any further with the project and funding was removed from the LTCCP 2009-2019.

Options Identified

9. Two options have been identified: to sell the properties or to retain the properties.

Option 1

10. The four properties have a combined value in the order of \$1,000,000. Council is renting out the units on the properties and the revenue from this is partially, but not fully, offsetting the cost of Council's borrowing to fund the purchase of the properties.
11. Selling the four properties would reduce Council's borrowing and the reduction in debt servicing costs would be likely to exceed the reduction in rental revenue.
12. Sale of the properties would be subject to the provision of section 40 of the Public Works Act, if applicable, which may require the properties to be offered back to the original owners prior to selling the properties on the open market.

Option 2

13. Retaining ownership of the four properties would result in Council continuing to incur debt servicing costs that exceed the rental income from the properties. However this loss may potentially be offset by gains in the value of the property, over time.
14. Retaining ownership of these properties would retain the opportunity to form this part of the Central Park Drive Extension if the project were brought back into a later LTCCP. However without additional investment to secure other sections of land along the route as development takes place, it may still become very difficult to revisit the project in the future when the economic justification improves.

Preferred Option

- Option 1 is the preferred option. The Central Park Drive Extension project will not produce an economic return in the short to medium term. It is not affordable to secure further land to protect the route at this time and therefore there is no apparent benefit in continuing to hold these properties that had been acquired prior to the decision to remove the project from the LTCCP.

STRATEGIC CONTEXT

- Council's Transport Strategy aims to achieve a sustainable, multi-modal, transport system that is integrated with land use and contributes to Waitakere as an eco city.
- The Central Park Drive Extension was identified in the Transport Strategy. However, this was based on the original costings and expectations of a NZTA subsidy, both of which are no longer valid.
- A decision not to continue to protect the future extension of Central Park Drive would not critically impact on delivery of the Transport Strategy. Other projects to address capacity on existing routes could ultimately be implemented instead of the Central Park Drive Extension.

CONSULTATION

- Council's Legal Services section was consulted during the preparation of this report.

RESOURCES

- The resources required to carry out the sale would be internal staff time primarily from Council's Legal Services section.

IMPLEMENTATION ISSUES

- There are no implementation issues associated with this report.

AUCKLAND COUNCIL TRANSITION ISSUES

- The Local Government (Tamaki Makaurau Reorganisation) Act 2009 imposes restrictions on Waitakere City Council's decision making capabilities in respect of a decision to purchase or dispose of assets other than in accordance with its LTCCP, specifically s31(4)(f):

"to purchase or dispose of assets other than in accordance with its long-term council community plan."

- The sale of the properties at 130-132 Te Atatu Road was not proposed in the LTCCP. Therefore, the decision to sell the land requires confirmation from the Auckland Transition Agency.

Report prepared by: Adam Moller, Senior Transport Engineer.



17 COUNCIL CONTROLLED ORGANISATIONS – FIRST QUARTER REPORTING

GLOSSARY

Auckland Transition Agency	(ATA)
Auckland Film Studios Limited	(AFSL)
Council Controlled Organisation/s	(CCO/s)
Statement of Intent/s	(SOI/s)
Waitakere City Holdings Limited	(WCHL)
Waitakere Enterprise Trust Board	(WE)
Waitakere Properties Limited	(WPL)

EXECUTIVE SUMMARY

The first quarter reporting and performance reviews have been completed for Waitakere City Holdings Limited (WCHL), Waitakere Enterprise Trust Board (WE) and Waitakere Properties Limited (WPL). WCHL has also received a quarterly performance update on the Joint Venture partnership Council has with Auckland Film Studios Limited (AFSL). All entities are tracking well against the performance targets and requirements identified within their respective Statement of Intent (SOI) and supporting documents (WE Activity Plan / Funding and Service Agreement and WPL Trust Deeds / Letters of Direction). Detailed performance reporting is available upon request.

This report also provides details on the first quarter (July to September 2009) performance of Waitakere's Council Controlled Organisation (CCOs). An update is also provided for AFSL, which is not classed as a CCO within the Local Government Act 2002.

The Chairman of the WCHL Board will be available at the meeting, to provide further comment or explanation as required.

RECOMMENDATIONS

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

Receive the Council Controlled Organisations – First Quarter Reporting report.

BACKGROUND

1. Through their respective SOIs, the Council requires that WCHL, WPL and WE provide regular financial and operational performance reports and commentary to Council. WCHL is responsible for providing leadership and a performance monitoring role for WE and WPL. WCHL also provides an overview of the performance of the Council's joint venture with AFSL which manages and operates the Henderson Valley Film Studios.
2. The Finance and Operational Performance Committee has the delegated responsibility to consider matters relevant to the governance and performance (of the boards) of the CCOs. This includes consideration of the quarterly performance reports for the group of entities represented by WCHL and periodic evaluation of the performance of WCHL against key performance targets.

DECISION MAKING

3. As this report is for information only there is no decision making required.

4. It is noted that the role of WCHL and its reporting entities is likely to change as a result of the amalgamation to one Auckland Council. There is considerable effort and cost associated with demonstrating the best possible model for service delivery and operations. Resources are currently prioritised in ensuring that the information requirements of the Auckland Transition Agency (ATA) are being met in a proactive manner, to ensure that Waitakere's CCOs are well represented and positioned as the next phase of planning (Strategy and Design) is completed.
5. It is suggested that Council reconsiders the relevance and priority of reviewing the Council investment in WPL (request of the Finance and Operational Performance Committee on 8 June 2009) once there is more certainty on the future approach to be taken by Auckland Council in relation to the governance and management of CCOs. Preliminary tax advice and strategies have been sought from the Council's tax advisory and risk management specialists (estimated total cost of \$20,000 to complete). It is noted that the impending decisions should not foreclose options for the Council to maximise tax benefits and that there are operational and legal implications to be considered should Council decide to extract investment at this point in time. Further information will be provided within the first quarter of 2010.

Issues

Waitakere City Holdings Limited (WCHL)

6. The WCHL Board is operating in accordance with its strengthened governance and leadership role determined through the Council's CCO Governance Review (November 2008). Enhanced and improved performance monitoring and reporting functions are being implemented and the WCHL Board is on target to meet the requirements of its SOI and annual Audit New Zealand reviews (key initiatives either being underway or programmed for delivery later in the financial year). The Audit and Risk Committee will have its inaugural meeting on 10 December 2009.
7. The WCHL Board underwent a rigorous re-establishment process earlier this year. The first round of self-assessment and evaluation for the performance of WCHL Directors was completed in November 2009. It is noted that all members of the WCHL Board are confident that it is working effectively and in an open and collaborative manner, to ensure optimised performance. The WE and WPL Boards have also completed self-assessment reviews of the performance of their Directors within the past two years (in accordance with their SOIs). Facilitated evaluations and reporting for the Board and Chairman for all entities (WCHL, WE & WPL) have been scoped and costed, should it be determined appropriate to proceed with more formalised Board reviews within the next year (approximately \$8,500 per Board excluding GST). This will be considered within the next quarter, within the context of decisions relating to the treatment of CCOs in the year ahead.
8. In support of improved financial reporting regimes within Council, quarterly forecasting is being provided on project budgets associated with WPL and the "Trust Projects" (planned and actual expenditure and revenues against approved budgets). The actual expenditure and recoveries within the accounts for these projects are reconciled and settled on a monthly basis by the Council's Finance Unit.

Waitakere Enterprise Trust Board (WE)

9. The first quarter performance is reporting exceptionally well and WE is generally tracking ahead of its total annual performance targets for service delivery. Where targets are tracking below the quarterly average, it is due to forecasted seasonal fluctuations in events. The WCHL and WE Boards are confident that year-end targets will be met.

10. As per the requirements of the current Activity Plan, WE has programmed a regionally aligned, locally delivered programme of business information and training, to leverage opportunities resulting from the Rugby World Cup. This is primarily through special topics within the existing Business Information, Training and Mentoring services on offer. There is already recognition of WE as a leader in sustainable business practice (active recycling programmes, fuel-efficient vehicles, environmentally friendly printing supplies, etc), and efforts continue in this area.
11. Minor financial losses are forecast at this point as the worst case scenario as a result of the impact of cuts to Tertiary Education Commission funding and the closure of the Mt Roskill office and the associated staffing impacts. Alternative sources of funding are being sought to enable the future provision of services. Investigations are also underway in relation to potential tax efficiencies for WE in the future.
12. It is noted that the Chief Executive of Waitakere Enterprise has been seconded to the ATA four days a week. This provides a fabulous opportunity for Waitakere Enterprise to be well positioned and represented through the Strategy and Design phase ahead.

Waitakere Properties Limited (WPL)

13. The first quarter performance is generally reporting on track, with annual performance targets programmed for completion during the year ahead. It is envisaged that upcoming decisions of the government and the ATA, on the likely role and service delivery model for CCOs, will provide more certainty for the recommended way to progress key projects and initiatives which are currently being delayed within the WPL portfolio.
14. Priority Development Projects:
 - Hobsonville Marine Industry Cluster:
 - Subsequent to ATA funding and project approval in October 2009, approval has also now been provided for the Comprehensive Development Plan to be lodged (November 2009);
 - Work in the calendar year ahead will focus on the processing of the Comprehensive Development Plan, civil construction and marine resource consents, and marketing for "Yard 37" (expression of interest launched to the domestic New Zealand industry); and
 - Capital expenditure for infrastructure works and associated recoveries from sales will be incorporated into the 2010/2011 financial years.
 - Old New Lynn Hotel Site Redevelopment (independent childcare facility):
 - Business case to be updated and finalised; and
 - It is likely that delivery of this project will continue through to 2010/2011 (current budget allocation to be spread across two years). The sale of this asset is still on track for 2011/2012.
 - Wilsher Village:
 - ATA approval will be required for this project to proceed and a business case will be presented to them in due course;
 - Within the first quarter, planning and design work has been completed through to building consent stage for early stages of the development and final market analysis work is scheduled over the next month;
 - As requested by WCHL, WPL will test the market for the development proposal with leading service providers (and potential investment and delivery partners) in the Housing for the Elderly industry; and

- Settlement on the final property purchase at Henderson Valley Road has now been completed.

15. Property Divestments:

- As programmed and budgeted, WPL will provide a dividend to Council for \$1.5 million from the sale of property at Keeling Road this year. There will be reduced rental recoveries for the remainder of the site due to tenant vacancies. ATA approval may also be required in advance of any further property sales.
- On the advice of WPL, the WCHL Board is recommending that the programmed disposal of Waitakere Central One be deferred for at least two years. A budgeted sale of \$7 million was programmed for 2009/2010, to reduce the Council's gross debt level. Waitakere Central One is a positively geared investment property. Updated revenues and interest expenses have been incorporated for Council consideration in the 2010/2011 financial years.

16. Reviews:

- The review of all Trust projects against the development criteria in WPL's SOI (due 31 December 2009) has been completed. It will be considered by WCHL and reported back to the Finance and Operational Committee early 2010.
- The review of all current WPL land holdings (requested by the Long Term Council Community Plan and Annual Plan Committee in June 2009) is underway (Development Investment Group and WPL). Final recommendations will be made within the context of the decisions on future structure and purpose of CCOs with the Auckland Council.
- The development of project and sustainability objectives for all WPL projects is scheduled for completion by 30 June 2010.

Auckland Film Studios Limited (AFSL)

17. Key issues for AFSL are the desire to formalise an easement for fiberoptic cables across the Council Civic Centre landholding to facilitate broadband to the film studios (needed for post-production work) and the implications of the likely change in private investor shareholding. Council has pre-emptive rights to purchase additional shareholding.

STRATEGIC CONTEXT

18. Council Organisations of all types are used as vehicles to implement aspects of the Long Term Council Community Plan and Annual Plan. The Council has established WCHL, WPL, WE and other entities to assist the Council in meeting its strategic outcomes through a return on investment, involvement in strategic projects, economic development and in the support of service delivery. This includes investigating investment opportunities which have the potential to enhance employment opportunities or to stimulate economic growth, promoting investment in Waitakere.
19. WCHL has a responsibility to ensure that WPL and WE operate economically and efficiently, and in accordance with their agreed SOI, to optimise returns (both financial and non-financial) within the parameters set by the Council.
20. The role and reporting structures for CCOs will be affected by outcomes from the amalgamation to one Auckland Council. Decisions on the future structure and governance of CCOs are anticipated early 2010.

CONSULTATION

21. Engagement has occurred with the Chairmen and Chief Executives of WCHL, WPL, WE and AFSL. The Chief Executives of WPL, WE and AFSL attended the 9 November 2009 WCHL Board Meeting and provided an update on their first quarter performance (July to September) 2009.
22. Consultation has also been undertaken with staff across Council who engage directly with Waitakere's CCOs – these include Democracy and Support Services, the Finance Directorate, Legal Services, Strategic Planning and the Development and Investment Group (formerly known as Strategic Projects).

RESOURCES

23. The resources required, to support the WCHL Board in its expanded operations and reporting requirements, continue to be met through the prioritisation of work programmes for existing Council staff resources. In addition, an appointment has now been made to the role of CCO Advisor. This position reports directly to the Corporate and Business Services Director and will provide ongoing programme management, relationship leadership and support for the operational and reporting functions of WCHL, WPL, WE and AFSL.
24. The financial implications of assets held in WPL Trust Project accounts being retained this year (Waitakere Central One) and the impact of delayed development projects (Wilsher Village, Old New Lynn Hotel site) and new budget items (Hobsonville Marine Industry Cluster) will be addressed through the appropriate annual budget processes and reporting avenues. Council's Treasury Manager has advised that the main impact is to the gross debt levels of Council. The ATA may also need to approve significant expenditure in the related project areas.

IMPLEMENTATION ISSUES

25. There are no implementation issues associated with this report.

AUCKLAND COUNCIL TRANSITION ISSUES

26. The decision making proposed in this report is not constrained by section 31 of the Local Government (Tamaki Makaurau Reorganisation) Act 2009, as it does not directly or because of its consequences: significantly prejudice the reorganisation, significantly constrain the powers or capacity of the Auckland Council or any subsidiary of the Auckland Council following the reorganisation, or have a significant negative impact on the assets or liabilities that are transferred to the Auckland Council as a result of the reorganisation.
27. On 22 October 2009, the ATA confirmed the Council's decision to fund WPL \$967,000 in relation to the Hobsonville Marine Precinct.
28. The ATA has advised that it also now wishes to see further information on the business case and development proposals for Wilsher Village, the Old New Lynn Hotel site and the Hobsonville Marine Industry Precinct. It is also likely that they may request further information on proposed land sales and any re-appropriation of investment in CCOs.

Report prepared by: Jaine Lovell-Gadd, Director: Corporate and Business Services.



PART E - REPORTS FROM THE SUBCOMMITTEES

18 TENDERS SUBCOMMITTEE

THE SUBCOMMITTEE SUBMITS THE FOLLOWING REPORTS OF ITS MEETINGS HELD ON FRIDAY, 13 NOVEMBER 2009 AND FRIDAY, 27 NOVEMBER 2009

MATTERS CONSIDERED

A74-A82

The Subcommittee dealt with a number of items for which it has delegated powers to act and a copy of the minutes of the meetings are attached at pages A74 to A82.

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

Receive the reports of the meetings of the Tenders Subcommittee held on Friday, 13 November 2009 and Friday, 27 November 2009.

RI Clow
CHAIRMAN



PART F - PUBLIC EXCLUDED MATTER

19 LAND SUBDIVISION RESERVE FUND

This item 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 part of the proceedings of this meeting, namely, Land Subdivision Reserve Fund.

The general subject of the matter to be considered while the public is excluded, the reason for passing this resolution in relation of the matter, 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.
Land Subdivision Reserve Fund.	The withholding of information is necessary in order to: <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). 	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.

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)(i) of that Act which would be prejudiced by the holding of the relevant part of the proceedings of the meeting in public as follows:

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

