



**AGENDA FOR A MEETING OF THE FINANCE AND OPERATIONAL PERFORMANCE  
COMMITTEE TO BE HELD IN THE CIVIC CENTRE, 6 WAIPAREIRA AVENUE,  
LINCOLN, WAITAKERE CITY, ON MONDAY, 8 MAY 2006,  
COMMENCING AT 9.30 AM.**

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**PART A - OPENING OF MEETING**

**1 APOLOGIES**



**2 URGENT BUSINESS**

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

- (i) the Committee by resolution so decides; and
- (ii) the Chairperson 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 CONFIRMATION OF MINUTES**

Meeting Minutes - Monday, 10 April 2006

**RECOMMENDATION**

That the minutes of the Meeting of the Finance and Operational Performance Committee held on Monday, 10 April 2006, as circulated, be taken as read and now be confirmed.



**PART B - LEGAL AND CONSTITUTIONAL**

**4 AFFIXATION OF COMMON SEAL**

**EXECUTION OF DOCUMENTS: 3 March to 28 April 2006**

Nº	NAME	PARTICULARS
3625	WCC – Milano International (2005) Ltd	Transfer, withdrawal of Caveat and Consent re subdivision - 272A Sturges Road – Resolution 474/2005
3626	WCC – V & YJ Cleverly	Drainage easement in gross – CTs.257452 & 257453 – 65 Pomaria Road – SPW 22373
3627	WCC – John Ratnesh Narayan	Warrant of Appointment & Evidence of Identity – No.WCC226
3628	WCC – Jaimi Flude	Warrant of Appointment & Evidence of Identity – No.WCC227
3629	WCC – Christopher John Bindon	Warrant of Appointment & Evidence of Identity – No.WCC228
3630	WCC – Rhys Metcalfe	Warrant of Appointment & Evidence of Identity – No.WCC229
3631	WCC – Stephen Hunter	Warrant of Appointment & Evidence of Identity – No.WCC230
3632	WCC – WCC	Deposited Plan No.129371 re subdivision of 6 Waipareira Avenue
3633	WCC – Ranui Action Project Inc	Lease of Marinich Reserve – Council Resolution 1161/2004
3634	WCC	Operative status of Plan Change 19 – Resolution 140/2006
3635	WCC – Titirangi Community Arts Council	2005/2006 Funding Service Agreement
3636	WCC – Waitakere Central Community Arts Council	2005/2006 Funding Service Agreement
3637	WCC – Outdoor Discoveries Ltd	Lease – part of Tui Glen – City Development Committee Resolution 1016/2005
3638	WCC – Outdoor Discoveries Ltd	Licence for jetty at Tui Glen – City Development Committee Resolution 1016/2005
3639	WCC – L Ponniah, AP Goodwin & JP Kahukiwa	Deed of Variation of Lease - Alderman Drive, Henderson
3640	WCC – PW Dow & LM Fitzgerald	Stormwater drainage easement in gross – CT.262312 – 11 Justin Place – SPW 21950
3641	WCC – West Wave Physiotherapy (Karen Sutton)	Deed of lease – Ross McLeod Delegated authority 11/4/2006
3642	WCC – B&M Phongsa	Deed of Waiver – s.40 Public Works Act – 72A Savoy Road – Twin Streams – Resolution 1348/2005
3643	WCC – Westpark Marina Ltd	Deed of Renewal of Seabed Sub-Licence – Westpark Marina (Council 26/4/2006)
3644	WCC – Waitakere Properties Ltd	Deed of Nomination re Agreement for Sale & Purchase – 63 Keeling Road – Lot 1 DP 43473 – (Council 26/4/2006)

3645 WCC – JG Cunningham

Memorandum of Encumbrance –  
road encroachment – 62 Tanekaha  
Road – CT.NA696/333

### **RECOMMENDATIONS**

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

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



### **PART C - FINANCE**

#### **5 OPERATING AND CAPITAL EXPENDITURE SUMMARIES**

##### **PURPOSE OF THE REPORT**

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

##### **BACKGROUND**

Through the Long Term Council Community Plan processes, the Council approves operating and capital expenditure. The Council follows good practice for procurement of goods and services and ensures that funding has been provided from appropriate sources.

##### **ISSUES**

*A1* This report covers expenditure for the nine months to 31 March 2006. The financial summaries are attached at page A1.

If any further information is required in respect of this report, other than of a general nature, please contact either the writer or the Director: Finance prior to the meeting to enable the query to be researched.

##### **CONCLUSION**

Expenditure for the 9 months to 31 March 2006 is on track as per the operational budget.

##### **RECOMMENDATION**

That the Operating and Capital Expenditure Summaries report be received.

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



## 6 STATUS OF SPECIAL FUNDS

### PURPOSE OF THE REPORT

The purpose of this report is to inform the Finance and Operational Performance Committee on the status of Council's Special Funds.

### BACKGROUND

Special funds are those funds held or designated by Council for a specific purpose or purposes. With the exception of the Auckland Regional Services Trust funds which are held in a separate bank account, the balances of these funds are used to offset Council's borrowing requirements. Interest is allocated to funds where applicable.

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 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.

### ISSUES

A2 The Special Fund report is separated into restricted and non-restricted funds. The balances and summary transactions for the nine months ended 31 March 2006 are attached at page A2.

If any further information is required in respect of this report, other than of a general nature, please contact either the writer or the Director: Finance prior to the meeting to enable the query to be researched.

### CONCLUSION

Special Funds are being held or designated for a specific purpose or purposes. The fund balances have been reported as required.

### RECOMMENDATION

That the Status of Special Funds report be received.

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



## 7 BORROWING AND INVESTMENT REPORT

### PURPOSE OF THE REPORT

The purpose of this report is to provide the Finance and Operational Performance Committee with an update on the estimated borrowing and investment activity for March 2006.

## BACKGROUND

Waitakere City Council enters into treasury related financial contracts in the ordinary course of its business. It is the role of 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 Council's debt and cash investments and provides a general commentary of financial market conditions.

A3-A8 The relevant portfolio and graphs reflect the estimated position as at 31 March 2006 and are attached at pages A3 to A8.

## ISSUES

Council's Funds Management function actively manages a large portfolio of various debt and investment instruments. The benefit of borrowing is that it enables Council to carry out the projects identified in the Annual Plan and Long Term Council Community Plan, while spreading the costs for those projects over time to recognise the future benefits. Borrowing funds therefore assist 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 Finance and Operational Performance Committee on a regular basis. The report must include information on the following subjects:

- Cash/Debt position;
- Forecasted borrowing profile;
- Interest rate profile;
- Risk management;
- Material transactions;
- Market commentary.

This report addresses the requirement of the Policy and may include other information that is relevant to the Funds Management function.

## FINANCIAL IMPLICATIONS

The active management of the treasury portfolio seeks to minimise 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 Council's portfolio.

Council approved a new loans funded capital works programme for the 2005/2006 year, including carry forward projects from the 2004/2005 year, through the 2005/2006 Annual Plan to a maximum gross debt of \$296.681 million. Interest expense for the 2005/2006 year is budgeted to be \$10.166 million.

Council maintains Standard and Poor's Credit Ratings of A-1 short term, and A+ long term (stable).

## ESTIMATED SUMMARY OF BORROWING AND INVESTMENT MOVEMENTS TO MARCH 2006

Council's estimated gross term debt position has increased by \$5.821 million since February 2006, with an estimated closing balance at March month end of \$216.985 million. Estimated working capital borrowings of \$8.759 million as at 31 March 2006 have been funded using internal borrowing.

## SIGNIFICANT FUNDING TRANSACTIONS ENTERED INTO DURING MARCH 2006

- Sinking Fund investment of \$2,970,298.81 at 7.48% for 49 days;
- New interest rate swap, notional \$10 million for a term of 3 years, Waitakere City Council pays fixed interest of 6.50% and receives floating interest rate of New Zealand 90 day bank bill rate (mid);
- New interest rate swap, notional \$10 million for a term of 3 years, Waitakere City Council pays fixed interest rate of 6.50% and receives floating interest rate of New Zealand 90 day bank bill rate (mid);
- Amend swap 024, extending maturity from 27 September 2011 to 27 September 2015 decreasing fixed interest payable from 6.82% to 6.715%;
- Amend swap 023, extending maturity from 13 September 2013 to 13 March 2016 decreasing fixed interest payable from 6.93% to 6.86%.

## FINANCIAL MARKET COMMENTARY

### Market Overview

Financial markets over the past month have been relatively stable. The New Zealand 90 day bank bill has remained steady in the mid 7.4% area, while 10 year interest rates continue to trade around 6.50%. The only area that did show some buying value over March was 3 year interest rates that decreased to 6.50% temporarily before rebounding to a current rate of around 6.70%.

New Zealand Consumer price index (CPI), released in April for the March year continues to show inflation above the Reserve Bank of New Zealand's target band of averaging between 1% - 3% over the medium term. The CPI result was the 3rd quarter in a row where inflation has been reported above 3%. This certainly adds strength the Governor Bollards March 2006 Monetary Policy Statement when he said:

*"given the time that it will take to bring inflation back towards the mid-point of the target band, we do not expect to be in a position to ease policy this year. Any earlier easing would require a more rapid reduction in domestic inflation pressures than the substantial slowing already assumed in our projections."*

The Official Cash Rate remains at 7.25% and is likely to remain at that level for much of this year. Some bank economists, however, are already convinced that the Reserve Bank of New Zealand should loosen monetary policy, some as soon as July 2006. Although certain imbalances within the New Zealand economy have come of their peaks, there has not been a significant change in inflation pressures such as wages, housing and now oil, which are fuelling the inflationary pressures. Add to this the depreciation of the New Zealand dollar and its likely effect on importation costs, the Reserve Bank of New Zealand's position looks far more realistic.

### Up Coming Dates

Official Cash Rate Announcement	27 April 2006
Monetary Policy Statement	8 June 2006

## CONCLUSION

All transactions covered by this report have complied with the requirements of Council's Liability Management and Investment Policy.

## RECOMMENDATION

That the Borrowing and Investment report be received.

Report prepared by: Bruce Wilkin, Treasury Manager.



## 8 PAYMENTS FOR APPROVAL

### PURPOSE OF THE REPORT

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

### BACKGROUND

This report provides details of payments made to external suppliers in excess of \$5,000. In addition there is a summary listing, which aggregates payments made to various organisations and suppliers for the Committee's information. These payments have already been processed as allowed by delegations approved by the Council. If any Councillor requires information regarding the nature of any payment, that information can be provided.

### STRATEGIC CONTEXT

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

### PAYMENTS

A9-A15

A summary schedule of payments made for the period 17 February 2006 to 23 March 2006 is attached at pages A9 to A10. A further schedule of all payments of \$5,000 and above, together with the reason for the payment is attached at pages A11 to A15. If a committee member wishes to ask specific questions relating to any of these payments, prior to the meeting, then such questions can be directed to the Director: Finance.

### CONCLUSION

The summary schedule of payments is shown for the period 17 February 2006 to 23 March 2006. Payments have been provided for in accordance with approved budgets.

## RECOMMENDATIONS

1. That the Payments for Approval report be received.
2. That the contracts let and payments made be approved.

Report prepared by: Andrew Pollock, Director: Finance.



## **PART D - GENERAL**

### **9 WAITAKERE CITY HOLDINGS LIMITED AND SUBSIDIARIES THIRD QUARTER REPORTS**

#### **PURPOSE OF THE REPORT**

The purpose of this report is to present to the Finance and Operational Performance Committee the third quarter reports (nine months ended 31 March 2006) of Waitakere City Holdings Limited and Subsidiaries including the Waitakere Enterprise Trust Board which falls under the governance of Waitakere City Holdings Limited.

#### **BACKGROUND**

Council, through the respective statements of intent, requires that Waitakere City Holdings Limited, Waitakere Properties Limited, the Waitakere Enterprise Trust Board and Techscope Limited present to Council quarterly performance reports.

#### **STRATEGIC CONTEXT**

Council has a financial investment in its Holding Company and subsidiaries. These companies 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.

#### **ISSUES**

*A16-A66*

The third quarter reports for Waitakere Properties Limited, Techscope Limited and the Waitakere Enterprise Trust Board are attached at pages A16 to A66. Presentations will be made at this meeting by the boards and management of these organisations.

Waitakere City Holdings Limited does not prepare formal quarterly financial reports as the company merely operates as a consolidating entity for its subsidiaries.

#### **CONCLUSION**

The third quarter reports for Waitakere Properties Limited, Techscope Limited and the Waitakere Enterprise Trust Board are attached for this Committees information and consideration. Board members and management from the respective organisations will be present at this meeting to present their reports and to field any question regarding the performance and operations of the organisations that they represent.

#### **RECOMMENDATION**

That the Waitakere City Holdings Limited and Subsidiaries Third Quarter Reports be received.

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



## 10 SECOND AND THIRD QUARTER PERFORMANCE REPORT 2005/2006

### **PURPOSE OF THE REPORT**

The purpose of this report is to communicate the progress against the performance measures in the Annual Plan for the second and third quarters of the 2005/2006 financial year.

### **BACKGROUND**

The performance measures contained in the Annual Plan 2005/2006 were established to assist the Council in monitoring its performance. In order to do this effectively, this report has been divided into nine sections that directly relate to the nine strategic platforms developed by Council in 2002.

Each of the nine platforms is made up of several measurements some are gathered on a quarterly basis while others are available on an annual basis. All of the current measures have undergone analysis prior to the writing of this report. From this analysis, 41 measures applicable to the second quarter and 40 measures applicable to the third quarter (from an overall total of 154) have been assessed and presented within the following platforms – Integrated Transport and Communication, Strong Communities, Three Waters, Sustainable Energy and Clean Air, and Zero Waste.

This report has been written specifically for the second (October through to December) and third (January through to March) quarters of the 2005/2006 financial year. Its aim is to assist the Councillors of Waitakere City Council in their decision making processes regarding the future strategic direction of the Council.

The measures contained in this report are a snap shot of past performance and were established to monitor how Waitakere City Council is performing on a quarterly basis. In order to do this effectively, this report has been divided into nine sections that directly relate to the nine strategic platforms developed by Council in 2002. Each of the nine platforms is made up of several measures. In addition, each measure has been allocated a target to achieve by the end of the financial year.

All comments contained in this report are based on sound data supplied by the departments (or in some cases third parties) directly involved in each measure. An attempt is made to outline the key performance issues for as many of the platforms as possible. It hopes to review both positive and negative trends in a justified and substantive manner.

In addition, the five Council priorities each have a single measure. These are measured by an annual survey and are not included in this report.

### **STRATEGIC CONTEXT**

The performance measures were designed to monitor quarterly performance in relation to the annual objectives as included in the Annual Plan. This report provides an opportunity for the Committee to review performance results and to assist in the identification of issues that may impact on the ability to meet targets or the overall strategic objectives of the Council.

All performance measures gathered in 2005/2006 are reported in the 2005/2006 Annual Report.

A review of all performance measures and their targets is currently underway in conjunction with the strategic review and development of Council's Long Term Council Community Plan 2006-2016. These revised measures will be introduced for the 2006/2007 financial year.

## ISSUES

A67-A102

The performance results for the second and third quarter of 2005/2006 are summarised below, with the complete list of the results to date attached at pages A67 to A102.

The key issues that were established in this report include:

- Development plans completed for New Lynn and Massey North, while the plans for the two Hobsonville areas are near completion;
- Four additional heritage buildings and two heritage trees are going through the statutory process for listing in the District Plan;
- Disclosure of archaeological sites and waahi tapu to landowners seeking PIMs and LIMs (with support of iwi);
- Of all the vehicles that underwent the free emissions testing at the vehicle testing station, a year to date average of 75% passed to an international standard;
- The number of local jobs has increased at greater rate than the increase of working population (by 0.6%);
- So far this year there has been 444 new businesses in Waitakere City. While no accurate correlation to employment figures can be made, the average number of employees in a Waitakere business is 3.5 however, 65% of all businesses (8,791 of the 13,525 total business units in 2005) have no employees at all;
- A total of 73 additional businesses have begun participating in Council-run environmental initiatives;
- Visitor numbers to the West Wave Aquatic Centre have increased from similar quarters in previous years;
- Visitor numbers to the Massey Leisure Centre have higher than in previous years however a 19.3% increase or more on the third quarter figure is required to meet the target;
- Total occupancy of the community centres has been inconsistent and at this stage the number of casual users is unlikely to meet the desired annual target;
- To date, 45 events were run or supported by the Council with a total of 111,431 participants in attendance. These figures have both exceeded the annual targets;
- A total of 1,901 residents participated in tree planting and weed removal projects run by Green Network. In addition 48 weed management plans have been written and implemented;
- Council response rates to watermain breaks increased during the second quarter (quarter from 96% to 99%) but fell significantly below the annual target during the third quarter (down to 91%). The restoration rates have continued to fall from 100% to 90%. All other water measures are either within or exceeding their annual targets.
- A total of 193 waste clean-ups were undertaken by the community during the second quarter. All of the domestic waste figures continue to trend above the desired target of reduced tonnage being deposited at the Transfer Station or collected by the Council contractor;
- Recycled waste has slowly increased in regards to glass, plastic and paper (from 24% in the second quarter to 25% in the third quarter) however it has fallen for green waste and other recyclable materials (from 47% during the second quarter to 44% in the third quarter). This measure takes into account both green waste and scrap metal. At this stage, it is unclear as to why green waste has decreased. Scrap metal on the other hand has reduced due to private industries purchasing it from residents.

A summary of results for each of the Strategic Platforms follows:

Platform	Comments	Ability to meet Targets
Urban & Rural Villages	All measures in this platform are currently on target. Both second and third quarter results are indicating positive trends so far this financial year.	On track
Integrated Transport and Communication	Of the measures reported under this platform, all are within target except for the number of kilometres travelled per resident which remains 8.8% above the desired target. Over 60% of the measures in this platform are measured annually so results will not be known until the end of the financial year.	On track
Strong innovative Economy	Half of the measures are monitored on an annual basis so it is unknown at this stage how they are tracking. Of those that were analysed under this platform, 50% are on track, successfully exceeding annual targets. The other 50% are well below the desired target and at this stage of the financial year they seem unlikely to recover.	Some of the measures are below target
Strong Communities	The measures for West Wave Aquatic Centre, regular groups at the Community Centres, arts and events are all significantly exceeding their targets so far this year. Measures concerning the Massey Leisure Centre, Community Houses and casual visitors to the Community Centres however, appear unlikely to meet their annual targets.	Some of the measures are below target
Active Democracy	All of these measures are collected on an annual basis; therefore no conclusion can be reached until the end of the financial year.	Annual measures only
Green Network	Results for approximately 60% of the measures in this platform are provided at the end of the financial year. Of the remaining 40%, the majority are on track however there are issues with the measure that records the design and implementation of management plans on privately owned property as well the measure of legal protection of native vegetation. Both measures at this stage are unlikely to meet their targets.	Some of the measures are below target
Three Waters	The results for over 80% of the measures under this platform have been presented, the majority of which are on track with annual targets. Key areas of concern at this stage are the response and restoration measures for water mains breaks, and the domestic metered water use. The measure regarding the number of flood incidents is close to the desired target.	Some of the measures are below target
Sustainable Energy and Clean Air	Half of these measures are collected on an annual basis. Of the results presented in this report, all of the measures are exceeding their targets. One of the most exciting	On track

Platform	Comments	Ability to meet Targets
	developments in this area is the establishment of the first permanent monitoring site for air quality which commenced operating in Ceramco Park on the 1 December 2005.	
Zero Waste	All 10 of the measures under this platform have presented data in this report. Landfill measures and community participation in waste cleanups are all meeting their targets to date. Inorganic collections and recycling of glass, plastic and paper have all seen a very small incremental increase in resident uptake. Tonnage of domestic waste, illegal dumping and litter however, all continue to increase - a trend that has been occurring consistently over the past 3 years.	50% of measures are unlikely to meet target

## RESOURCES

The main resource being used for the development and monitoring of performance measures is staff time.

## CONCLUSION

The Second and Third Quarter Performance Report 2005/2006 provides an indication of how well the Council is meeting each strategic platform during the months of October 2005 through to March 2006.

While many of the measures analysed in this report are on track or exceeding expectations, the report identifies some areas for discussion. It appears that at this stage there are several measures that will be unlikely to meet their desired targets for this financial year. In some cases it is due to the measure being out of the control of the Council, while for others, the allocated targets failed to take into consideration trend data and/or seasonal variations.

Overall, the performance during the second and third quarters is what was expected.

## RECOMMENDATION

That the Second and Third Quarter Performance Report 2005/2006 be received.

Report prepared by: Vanessa McDonald, Strategic Planner: Monitoring.



11 **WATERCARE SERVICES LIMITED DRAFT STATEMENT OF CORPORATE INTENT  
2006**

**PURPOSE OF THE REPORT**

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

**BACKGROUND**

Watercare Services Limited (Watercare) is the bulk water and wastewater service provider for much of the Auckland Region. Its main responsibilities are the collection, treatment and supply of drinking water, and the collection, treatment and disposal of bulk wastewater. Watercare is classified as a "Council organisation" and is governed by specific legislative provisions set out in the Local Government Acts 1974 and 2002.

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.

The six local Councils are Watercare's shareholders. The Councils have appointed a Shareholders Representative Group which appoints the Board of Watercare, provides input to Watercare's Statement of Corporate Intent, and monitors the performance of the Board against the Statement of Corporate Intent. Watercare negotiates the Statement of Corporate Intent with the Shareholders Representative Group each year. The statement is effectively the Board's charter for running the Company on the shareholders' behalf. It lays out the activities to be undertaken by Watercare and sets specific environmental, social and economic objectives for the Company for a three-year period. It also sets performance targets that will be used to measure the Company's performance.

Waitakere City Council has two representatives on the Watercare Shareholders Representative Group, Councillors Clews and Lawley. An Officers Working Group with representatives from the shareholder Territorial Authorities supports the Shareholders Representative Group. The Local Network Operators Group, comprising the six retailers often provides advice to the Officers Working Group on matters of common interest.

*A103-A118*

The Draft Statement of Corporate Intent is attached at pages A103 to A118.

On 14 December 2005, the Shareholders Representative Group engaged in an extensive direction setting exercise identifying and communicating priorities for inclusion in the Statement of Corporate Intent to Watercare.

**STRATEGIC CONTEXT**

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 Shareholders Representative Group.

The Council has two major roles in connection with Watercare, one as shareholder/owner, the other as customer. The extent to which this Council can add strategic input to the governance of Watercare through its ownership and governance role heavily influences the extent to which it can supply retail services to the City's ratepayers that meet the Council's own strategic goals, and at the most efficient price possible.

## ISSUES

At the December 2005 workshop the key issues identified by the Shareholders Representative Group for Watercare consideration were:

- Watercare Strategic performance measures to be developed according to SMART principles (specific, measurable, achievable, relevant and time bound);
- Emphasising and expanding the leadership role Watercare Services Limited has taken in regional initiatives e.g. the Three Waters Vision;
- Increased focus on sustainability management;
- Watercare Services Limited to be proactive in ensuring the Shareholders Representative Group members are adequately informed about its initiatives, projects and decisions;
- Watercare to be cognisant of ownership and regulation issues, and investigate options for owners to achieve a 'return' on their investment in Watercare Services Limited.

In considering the Shareholders Representative Group feedback from the workshop and also the Shareholders Representative Group comment on last year's final Statement of Corporate Intent, Watercare has made changes and improvements to its Statement of Corporate Intent in the following areas:

- Vision Statement;
- Sustainability Policies;
- Strategic Performance Targets; and its
- Reporting against Performance Measures.

### Vision Statement

Watercare has changed its vision statement. Formerly, it stated:

*Watercare's vision is to be the water industry leader in New Zealand. We will provide high quality water and wastewater services in the most cost effective way. Within our core business we want to stretch our capabilities and competencies to go further than current industry practice in Australasia.*

Its new vision statement states:

*Watercare's vision is to be the most efficient water and wastewater utility in Australasia **whilst meeting industry best practices**. We will provide high quality water and wastewater services in the most cost effective way. Within our core business we want to stretch our capabilities and competencies to achieve leading practices in utility operations.*

The change of emphasis relates to applying industry best practice to its operation. Watercare no longer aspires to be the leader of the water industry or stretch its capabilities and competencies ahead of Australasian industry practice, instead aspiring to achieving leading industry practice in utilities through greater efficiencies and application of industry best practice.

### Revised Sustainability Policies

Watercare has modified its Sustainability policy, by adding a linkage between the sustainability policies and the measurement of their achievement through quarterly and annual reporting.

The six sustainability policies growing from its core values are:

- **Environmental Care:** To minimise the adverse impact of the company's operations on the environment;
- **Employees Health and Safety:** To be an industry best workplace;
- **Stakeholder Relationships:** To be responsive to stakeholder requirements;
- **Customer Service Commitment:** To provide high quality products and meet customer service level requirements;
- **Asset Management:** To manage and maintain the long-term integrity of its assets;
- **Economic Performance:** To manage the business efficiently at minimum prices.

To ensure effective disclosure of Watercare's commitment to sustainable business practice to its shareholders, and to maintain stakeholder confidence, Watercare will report annually (in its Annual Report) with a range of 'sustainability performance rules' used to provide a measure to compare current performance against prior years and to assess improvement against objectives.

This statement links planned targets to actual measurement and reporting.

### Changes to Performance Measures

Watercare has amended some of its Strategic Performance Measures. They are:

- **Environmental Care**

The reference to Watercare's coordination of the Water Advisory Group's operation, in co-operation with the Local Network Operators and Auckland Regional Council has been removed. Watercare advises that this target is operational rather than strategic, and it has been relocated to operational targets listed under the heading, Other Considerations in the Statement of Corporate Intent.

- **Stakeholder Relationships**

Watercare's consultation statement now states:

To consult with the community and stakeholders on matters of relevance to them **including both the Company's Maori and Environmental Advisory Groups** (New words highlighted).

This is less specific compared to the last Statement of Corporate Intent, which stated:

*To meet with the Maori Advisory Group and the Environmental Advisory Group at least quarterly.*

The change results from a consolidation of Watercare's consultation statements. However, the frequency of meetings with Watercare's Maori Advisory Group and Environmental Advisory Group is unchanged.

- **Asset Management**

There are more substantive changes in this Strategic Performance Target. The 2005/2006 target stated:

- a) *To promote joint regional planning with all Local Network Operator's, including where appropriate co-ordination of capital investment decisions.*

- b) *To ensure Watercare's Asset Management Plans and processes are best appropriate New Zealand industry practice.*

The 2006/2007 equivalent states:

- 1) *To lead the development of an integrated regional solution for the management of water, wastewater and stormwater.*
- 2) *To ensure Watercare's Asset Management Plans and processes are best Australasian industry practice.*

These changes result from requests made by the Shareholders Representative Group in December 2005 for Watercare to lead the development of an integrated regional solution. Watercare is also determined to benchmark itself against a wider range of industry entities, with the aim of providing the best possible service for its customers, and its updated Vision Statement reflects this objective.

- **Economic Performance**

Target c) in 2005/2006 stated:

- c) *To maintain the CPI-x pricing philosophy.*

The 2006/2007 Economic Performance target equivalent states:

- c) *To maintain the CPI-x philosophy to deliver operational efficiency and productivity improvements in relation to costs.*

It also adds a new target, which states:

- d) *To ensure the price formula transparently identifies the key components*

In its draft Statement of Corporate Intent, Watercare's price path policy is set at CPI-x for the three years from 1 July 2005. Watercare notes that it intends to ensure price consistency in future years by providing rolling three-year declarations of the price path.

The Marsden Jacob Associates report on the Watercare Funding Plan discusses issues arising from this approach in detail. As noted in that report, Watercare has signalled its inability to maintain that pricing policy after the end of the current contract, principally because of the impact of regional growth. Watercare's current draft 2006-2009 Statement of Corporate Intent does not reflect this. The final Statement of Corporate Intent for 2006-2009 needs to explicitly reflect future pricing policy uncertainty, and the factors contributing to that uncertainty.

In general, Watercare's pricing will remain at CPI -x for the 2006/2007 and 2007/2008 years. The issue relates to the price increases in the 2008/2009 year. Shareholders Representative Group resolved to approve the 2006/2007 Funding Plan (next year's) as required by legislation and has noted the need for Watercare to do further work on the review of the future price increases. The issue on future price uncertainty will be covered in detail by a separate report to this Committee in June 2006 on Watercare's 2006 Funding Plan.

- **Specific Credit Rating**

Watercare intends to maintain its Standard and Poors credit rating at A-1 for short-term credit, and A+ for long term credit. Watercare has opposed changing its credit rating policy in previous years, contending that this policy is an operational issue, and therefore a matter properly within the purview of Watercare's board.

The proposed target is:

“To maintain a ‘A’ credit rating from international rating agency Standard & Poor’s and in doing so: achieving a funds flow from operations to interest cover of times or better; renewing/replacing long-term debt facilities at least 6 months before their maturity; achieving a net debt to total capitalisation ratio of less than or equal to 60% (excluding impact of asset valuation).”

At last year’s review of the Watercare’s Draft Statement of Corporate Intent, the Finance and Operational Performance Committee expressed disagreement with the inclusion of specific credit rating targets in the Statement of Corporate Intent. The inclusion may constrain both price-setting and Watercare’s discretion and responsibility to choose optimal and least-cost funding arrangements. As a result, the Finance and Operational Performance Committee requested that the Shareholders Representative Group consider the matter alongside the recommendations from the Funding Plan review in April 2005.

The Funding Plan review carried out by Marsden Jacob Associates identified complex issues relating to Watercare’s credit rating such as Watercare’s Risk Assessment and Intergenerational Equity. These issues are still being debated between the Shareholders Representative Group and the Officers Working Group and Watercare. Further information on these issues will be dealt with in a separate report to this Committee in June 2006.

### **Other Statement of Corporate Intent Issues**

#### **Transparent and Open Reporting - Performance Measures**

Watercare expands its commitment to transparent and open reporting in the Statement of Corporate Intent. It intends to improve information provided to shareholders by linking operational objectives directly to strategic targets by using relevant ‘sustainability performance rulers,’ in its quarterly reports. This development follows a request made to Watercare by the Shareholders Representative Group in December 2005, to develop performance using SMART principles. The measures used by Watercare on its annual report align with SMART objectives (SMART – Specific, Measurable, Achievable, Relevant and Time Bound).

#### **Regional Synergies**

Watercare notes that it is looking for opportunities to develop synergies and efficiency benefits within the Auckland water and wastewater industry, and is working closely with its existing customers on a number of initiatives.

#### **Accounting Policies**

Watercare has adopted New Zealand International Financial Reporting Standards early. The new standard becomes mandatory from 1 January 2007. The overall impact of the switch to the new reporting standards is a higher level of conservatism in business management approach. Impacted areas include deferred tax, revaluation reserves, retained earnings, and interest rate hedges. The impact on the Company is a one off favourable variance in its financial performance against budget at the end of the 2006 financial year.

### North Shore City's Request

North Shore City Council's Strategic Management Committee passed the following resolution on 14 February 2006:

*"That the Watercare Shareholders Representative Group be advised that North Shore City Council notes that their SCI does not specify strategic planning performance targets in relation to the future growth of the Auckland region, and request that this detail be included in future SCI documents."*

The Statement of Corporate Intent obliquely covers this objective in its current strategic performance targets, and Watercare has explicitly referred to regional growth in the Statement of Corporate Intent (B.1 of the Statement of Corporate Intent). However, this issue is likely to be addressed in the "Three Waters Strategic Plan" due for publication in June 2006, and which is expected to contain milestone dates and outcomes which will be able to be used as a platform for developing strategic performance targets in future.

### CONCLUSION

Watercare Services Limited has submitted to its shareholders a Draft Statement of Corporate Intent for the three year period commencing 1 July 2006.

The content of the attached draft Statement of Corporate Intent has been changed to give effect to the issues discussed by both the Shareholders Representative Group and Watercare at their December workshop. The quality of the accountability document continues to improve, reflecting key strategic issues.

All Shareholding Councils have an opportunity to provide any further input for consideration by the Watercare Shareholders Representative Group.

### RECOMMENDATIONS

1. That the Watercare Services Limited Draft Statement of Corporate Intent 2006 report be received.
2. That it be noted that Watercare has submitted to its shareholders a Draft Statement of Intent for the three year period commencing 1 July 2006 and that in general Watercare has addressed shareholders priorities previously communicated.

Report prepared by: Kingsha Changwai, Manager: Quality Assurance.



12 **INFORMATION MANAGEMENT CAPITAL EXPENDITURE PROGRAMME - LONG TERM COUNCIL COMMUNITY PLAN**

**PURPOSE OF THE REPORT**

The purpose of this report is to provide the Finance and Operational Performance Committee with a further break down of Information Management's Capital Expenditure (Capex) programme in the Long Term Council Community Plan for the period 2006/2007 to 2015/2016.

**BACKGROUND**

Council's Information Management Capital Expenditure Long Term Council Community Plan is made up of two broad elements, one being Technical Infrastructure (hardware) and the second being Application Systems (software).

The Technical Infrastructure has three main components known as the 'front office' and 'back office' which is connected via the 'network' and all these components also have their own associated system software.

The 'front office' is best defined as being desktop PCs, Laptops, Printers, telephones (land and mobile) and associated peripherals. The 'back office' comprises of Servers and a Storage Area Network (SAN) environment which run Council's Application Systems and stores all the data. The 'Network' provides the connectivity of the back and front office components and also connects Council with the outside world.

Council's Application Systems comprises of Core Enterprise Wide Applications, Unit Applications and Desktop applications. The Core Enterprise Wide Applications are:

- GEMS presently being replaced by Pathways;
- GEMS Financials which still needs to be replaced;
- Electronic Document and Record Management;
- Infrastructure Asset Management;
- Spatial System (GIS);
- Web Sites.

Unit Applications comprise of many applications that are Unit specific such as the Library System, West Wave Membership System, Solid Waste Weighbridge System, Elections System and Long Term Council Community Plan/Annual Plan Submissions System. Desktop Applications include word processing, spread sheets, internet, email and presentation tools.

**STRATEGIC CONTEXT**

Information Management is a core strategic support function within the Council organisation. It enables the rest of the organisation to operate and deliver the activities Council requires in line with its strategic direction: asset management, property records management, rates collection, customer service information and financial record keeping are just some of the functions enabled by information management systems. In addition, Information Management also contributes directly to a number of strategic goals by providing infrastructure and software for Learning Centres, supporting local transactions through extended services and providing the Waitakere Online City web portal.

## PROGRAMME

Council is presently undertaking a major Application System and supporting Technical Infrastructure programme of work. This is required as Council's core enterprise wide application system GEMS will no longer be supported by the supplier as the product has reached the end of its life cycle. Council also recognised the need to upgrade and improve its record and document management systems and processes. Other Councils in the Auckland Region have also experience similar issues and have had work programmes in place to address these similar issues over the last 5-10 years. Council is now in a 'catch-up' phase and Information Management's Capital Expenditure Programme makes provision for this programme of work over the next 2-3 years and the ongoing improvement and renewal over the following 7 years of the programme. Benchmarking information from other Councils was still not available at the time of writing the report, but will be provided with the presentation.

Some of the key elements of Information Management's Capital Expenditure Long Term Council Community Plan programme include:

### **AIM – Addressing Information Management**

This programme had been progressing for a number of years and the core foundation will be completed in 2007. The project includes the completion of an information management framework (policies, standards), implementation of information management systems (most notably Trim, know as the Tracker System), migration of all Council information into the new system, establishment of processes for dealing with new information and resulting organisational changes. It will cover strategic as well as operational objectives and will encompass all forms of information including:

- Records, archives and other information;
- Electronic and manual/hard copy information;
- Created by Council or supplied to it;
- Aimed at internal or external or both;
- Intended for operational, management and democracy support.

One of the drivers for AIM originally was to ensure Council met legislative obligations for Records Management. A further driver was to provide better and more timely access to information for frontline staff assisting the community, which is key to improving customer service standards.

A further initiative for the latter driver is the digitisation and scanning of Council's Records and the first phase will focus primarily on Property Records. This will improve the back office processes and ensure timely and accurate information not only for the frontline staff but also for community access over the internet. The property file digitisation phase will run over a period of four to six years but Council will start to see benefits flowing during 2007.

Some of the key improvements that have been delivered to date are:

- Introduction of a new classification scheme for recordkeeping. This is consistent with recognised standards and has been tailored as required to suit Council's needs;
- Retention and disposal management. Council has built its rules into the system and these are able to be maintained as required. These rules have been reviewed and approved by Archives New Zealand;
- Re-design of Council's Intranet (EcoNet) and Document Central;

- Launching of the City Wide Portal;
- Centralised data warehouse for Council's key hardcopy records and tools to enable them to be more effectively maintained and managed;
- Ongoing remediation of Council's hardcopy records and introduction of new record keeping processes;

### **Pathway Programme**

The replacement of GEMS, Council's core enterprise wide system is another key element in the programme of work and will run over a two to three year period. Work on this project commenced in 2005/2006 and implementation is now well underway, with stage 1 due for completion in October 2006. This stage will address core areas of Council's operations including Requests for Service (workflows), Consents, Rates, Water Billing, Cash Receipting, Property, Infringements and Licensing.

Stage 2 is the replacement of Council's Financial System which is currently part of GEMS. This will be replaced by a separate fit for purpose financial system as the Pathway System does not provide a financial module. This stage is due for implementation by July 2007.

The need for this work arose due to the fact that support for the current GEMS system is to be withdrawn by the supplier as the product has reached the end of its lifecycle. In addition, the hardware and system software will no longer be supported. Together with the end of GEMS life cycle, this would place Council in the high risk situation if these two stages of Council's core business system replacement are not completed within the targeted due dates.

Some improvements that have already been experienced are:

- Through the work carried out in the Planning and Design Phase, the traditional boundaries between organisational 'back office silos' have been broken down and better communication is resulting. When the new processes are put in place for ongoing operations and maintenance the value of this benefit should be able to be maintained.
- Pathway will provide a solid platform for future growth. Through implementing Pathway Council will gain a system that will continue to grow and add value over the years.
- Pathway will also provide a platform for Council to offer an alternate service delivery channel via the internet, and enable transactions through the internet.

### **Technology Infrastructure**

Council's technology infrastructure comprising of computer servers, network (data and voice) and data storage environment needs to be upgraded and enhanced to support the core application systems programme of work. This enhancement will also provide the required IT infrastructure for Council's move to Waitakere Central.

### **Other Programmes**

The programme also allows for investment in other core systems such as Infrastructure Asset Management, GIS and specific business systems such as the Library Systems.

## RESOURCES

A119 Information Management's Capital Expenditure programme for these key areas of expenditure is set out in page A119 showing a detailed break down of the main IM Capital Expenditure activities over the 2006/2007 to 2015/2016 Long Term Council Community Plan period. The programme also allows for the appropriate improvement and renewal programme for Application Systems and Technical Infrastructure as well as specific applications of projects such as in Libraries.

## CONCLUSION

This report sets out a break down and overview of Council's Information Management Capital Expenditure programme in the Long Term Council Community Plan for the period 2006/2007 to 2015/2016. It can be seen that the next 3 years is the major catch up period and there after it is on going improvement and replacement programme.

## RECOMMENDATION

That the Information Management Capital Expenditure Programme - Long Term Council Community Plan report be received.

Report prepared by: John Johnston, IM Manager, Information Management.



## PART E - REPORTS FROM THE SUBCOMMITTEES

### 13 EMERGENCY SERVICES SPECIAL COMMITTEE

**THE SPECIAL COMMITTEE SUBMITS THE FOLLOWING REPORT OF ITS MEETING HELD ON TUESDAY, 4 APRIL 2006.**

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### MATTERS CONSIDERED

A120-A121 The Special Committee dealt with a number of items for which it has delegated powers to act and a copy of the minutes of the meeting is attached at pages A120 to A121.

#### **The Special Committee Recommends:**

That the Meeting report of the Emergency Services Special Committee held on Tuesday, 4 April 2006 be received.

DQ Battersby, JP  
**CHAIRPERSON**



14 **TENDERS SUBCOMMITTEE**

**THE SUBCOMMITTEE SUBMITS THE FOLLOWING REPORT OF ITS MEETING HELD ON FRIDAY, 7 APRIL 2006 AND FRIDAY, 21 APRIL 2006.**

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**MATTERS CONSIDERED**

*A122-A127*

The Subcommittee dealt with a number of items for which it has delegated powers to act and a copy of the minutes of the meeting is attached at pages A122 to A127.

**The Subcommittee Recommends:**

That the Meeting report of the Tenders Subcommittee held on Friday, 7 April 2006 and Friday, 21 April 2006 be received. The public excluded minutes are included in the confidential supplement.

JM Clews, QSO, JP

**CHAIRPERSON**

