

# **Auckland Regional Holdings Statement of Intent**

**For the period from  
1 July 2004 to 30 June 2007**

Includes variation notified to the ARC on 19 November 2004

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For the period from 1 July 2004 to 30 June 2007**

## **1. Introduction**

This Statement of Intent (SOI) is the first for Auckland Regional Holdings (ARH). It has been prepared within the terms of the Local Government Act 2002 (the principal Act), as amended by the Local Government (Auckland) Amendment Act 2004 (the Act), and the rules established for ARH. It signals how ARC as sole shareholder, and the ARH will work together with good will to achieve the public good objectives of the ARC group, in the best interests of the Auckland region. In terms of the statutory requirement for ARH to take a sustainable development approach, ARH should manage its assets to extract the optimum commercial value except where this is inconsistent with the ARH statutory framework, regional strategic direction and the policy of the ARC.

This SOI covers the three-year period from 1 July 2004 to 30 June 2007. However, by March 1 2005, ARH must prepare the draft of its next SOI, which will cover the period from 1 July 2005 to 30 June 2008.

The SOI specifies, among other things, the objectives of ARH, the Board's approach to governance of the organisation, the nature and scope of the activities to be undertaken, the performance targets and other measures by which the performance of the organisation may be judged in relation to its objectives, and the financial and other information to be provided to the ARC. The SOI should be read in conjunction with Schedule 8 of the Local Government Act 2002.

All decisions relating to the operation of ARH must be made by, or under the authority of, the Board of ARH in accordance with its SOI, its rules and relevant legislation.

The ARC has the right to vary the SOI by resolution, after consulting the Board and the ARC must provide its reasons for proposing any modification. The SOI is a public document.

## **2. Purpose of Statement of Intent**

The purpose of this SOI is to:

- (a) State publicly the activities and intentions of ARH and the objectives to which those activities will contribute;
- (b) Provide an opportunity for the ARC to influence the direction of ARH; and
- (c) Provide a basis for the accountability of the directors of ARH to the ARC for the performance of the organisation and its subsidiaries.

The Local Government Act 2002 requires that the ARC include in its Long Term Council Community Plan the performance targets and other measures by which ARH's performance will be judged. This SOI provides the basis for these targets and measures for the 2004/5 Long Term Council Community Plan. The Annual Reports of ARH and the ARC will also report on ARH's performance against this SOI.

## **3. Background**

Auckland Regional Holdings was established under the Local Government (Auckland) Amendment Act 2004, which came into force on 1 July 2004, as a statutory council

controlled organisation accountable to the ARC. The objective of ARH is to act in the long-term interest and for the benefit of the Auckland Region and manage its assets prudently.

Key functions of ARH are to:

- Own and manage assets in the long term interests of the Auckland region;
- Provide funds to ARC in accordance with ARH's Long Term Funding Plan, having regard to ARC's Long Term Council Community Plan;
- Make land transport assets available to assist ARTA achieve its objectives; and
- Undertake other functions as authorised by its Statement of Intent, the Act or any other Act.

ARH was established along with the Auckland Regional Transport Authority (ARTA) to assist the ARC to discharge its responsibility for setting transport strategy, integrating the planning, funding and development of the regional land transport system, and providing stormwater funding.

ARTA is also a statutory council controlled organisation accountable to the ARC set up to plan, fund and develop the Auckland Regional Land Transport system in a way that contributes to an integrated, safe, responsive and sustainable land transport system for the Auckland Region. ARTA is predominantly funded by the ARC from regional rates and revenue provided by ARH, and Transfund.

ARH received all the funds and assets from Infrastructure Auckland, a body formerly accountable to an Electoral College of Auckland's local authorities, which was dissolved by the Local Government (Auckland) Amendment Act 2004. ARH is charged with managing its assets and liabilities prudently, collaborating and co-operating with the ARC and ARTA to achieve the overall objectives of the ARC, ensuring prudent stewardship and the efficient and effective use of resources, undertaking its commercial activities in accordance with sound business practise and concurrently exhibiting a sustainable development approach in its decision making.

#### **4. Objectives of ARH**

Clause 19 (1) of the Act provides that:

1. *The objective of ARH is to -*
  - (a) Act in the long term interests and for the benefit of the Auckland Region;**
  - and**
  - (b) Without limiting paragraph a), manage its assets prudently.**

Clause 20 of the Act covers the functions of ARH

*The functions of ARH are to*

- a) own, directly or indirectly, and manage assets (including funds) in the long-term interests of the Auckland Region;*
- b) provide funds to ARC in accordance with ARH's long-term funding plan; prepared under section 21;and*
- c) make land transport assets available to assist Auckland Regional Transport Authority ("ARTA") to achieve ARTA's objective; and*
- d) undertake other functions as are given to it by the Act or any other Act, or are authorised by its statement of intent.*

#### **5. ARH Vision and Mission**

The ARC's vision is *"The Auckland region – a great place to live"*

To align with this, ARH's vision is:

*"The Auckland Region is internationally recognised for its high-quality living and natural environments and its vibrant and strong communities. The quality of life in the Auckland region is enhanced by sound and sustainable management of key assets and infrastructure."*

ARH Mission Statement is

"By bringing the best available expertise to bear upon management of its assets, ARH will contribute to the resources with which the ARC can address regional infrastructure needs. ARH will do so by owning and managing selected regional assets and investments in accordance with sound business practice and sustainable development principles. It will provide funds to the ARC while protecting those assets under its stewardship."

## **6. Strategic Issues**

In the preparation of this first ARH SOI, the Board of ARH's current strategic priorities are:

- The establishment of ARH as a new organisation
- Prudent management of investments and provision of funds to the ARC in accordance with the agreed schedule and Long Term Funding Plan
- The preparation of the first Long Term Funding Plan, which will require the development of new policies and the development of more certainty about how much funding will be required by the ARC to deliver on regional strategies
- Articulating how ARH can currently ensure prudent stewardship of its equity investments and play a relevant role in assisting with a world class waterfront development
- Determining, with the ARC and ARTA, the terms and conditions upon which ARH will make available regional Passenger Transport (PT) assets to assist ARTA to achieve its purpose

ARH will work closely with the ARC over the next nine months to address these strategic priorities. ARH's next SOI will provide greater direction on ARH's approach to asset stewardship and funding, its role in Auckland's waterfront development and the terms and conditions upon which passenger transport assets will be made available to assist ARTA.

## **7. Statement of the ARH Board's approach to the Governance of the Group**

### **(a) Introduction**

ARH is a statutory entity, being a council controlled organisation accountable to the ARC. It was established to assist the ARC to fulfil its responsibilities and must act in the long-term interests of the Auckland region. This makes ARH an unique organisation with broader objectives than a commercial corporate, and special governance requirements.

The Board of ARH is committed to the highest standards of governance and business behaviour. In developing this statement it has taken into account a range of guiding documents<sup>1</sup>. The Board will continue to monitor developments in corporate and public

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<sup>1</sup> These include the Local Government (Auckland) Amendment Act 2004; Local Government Act 2002; ARH rules; Corporate Governance Best Practice Code issued by the New Zealand Exchange, the Owner's Expectation Manual issued by the Crown Company Monitoring Unit and Best Practice Statements issued by the New Zealand Institute of Directors. Also other best practice guidelines provided by the Office of the Auditor General, State Services Commission,

sector governance to ensure ARH implements the highest standards of governance at all times.

In undertaking its current and future activities ARH will exhibit and ensure:

- Sound business practice in its commercial undertakings
- Sustainable business practice
- Ethical and good behaviour in dealing with all parties
- Regular and timely communications with the ARC and ARTA to complement regular formal reporting to the ARC to ensure a no surprises approach
- An active partnership approach with ARC and ARTA and key ARC Group stakeholders

### **(b) Role of the Board**

All decisions relating to the operation of ARH will be made by, or under the authority of, the Board of ARH in accordance with its SOI, rules and relevant legislation.

The Board is accountable to the ARC to ensure that ARH:

- Achieves its objective;
- Performs its functions;
- Acts in accordance with relevant legislation and ARH rules; and
- Achieves the objectives, performance targets and other measures set out in this SOI.

The Board will:

- Obtain full and timely information necessary to discharge its obligations fully and effectively;
- Actively review and direct the overall strategy of ARH;
- Monitor the external and internal environment and identify, evaluate and mitigate controllable risk factors
- Ensure ARH is established as, and remains, a small, focused organisation, retaining core competencies and appropriate systems necessary to carry out its functions; and
- Undertake appropriate training to ensure Directors remain current on how best to perform their duties as directors.

### **(c) Board Committees**

When establishing any Committee the Board will:

- Produce written terms of reference that describes its authority, duties, responsibilities and relationship with the Board, and
- Review regularly the performance of the Committee having regard to those terms of reference.

Initially the Board will establish the following committee:

#### **Risk and Assurance**

The principal function of the assurance and risk committee will be to assist the Board in producing accurate financial statements in compliance with all applicable legal requirements and accounting standards.

The role of the Risk and Assurance Committee will be:

- To establish formal and transparent procedures to:
  - Sustain communication with ARH's external and internal auditors;
  - Ensure that the ability and independence of the auditors to carry out their statutory audit role is not impaired in any way; and
  - Determine what services, if any, may be provided by the auditors in addition to their statutory audit role, and
- To monitor, and ensure compliance with, those procedures.
- To assist the Board in providing accurate financial statements in compliance with all applicable legal requirements and accounting standards

**(d) Role of Management**

The Chief Operating Officer (or equivalent position) of ARH is responsible for the overall management of ARH, including:

- Ensuring that the Board receives full and timely information necessary to discharge its obligations fully and effectively
- Providing advice to the Board;
- Support the Board by the timely development of appropriate strategies, objectives and risk mitigation for the organisation and associated controls in effecting these;
- Implementing the decisions of the Board;
- Ensuring that all responsibilities, duties, and powers delegated to him or her or to any employee of ARH, or imposed or conferred by any law, are properly performed or exercised;
- Ensuring the effective and efficient management of the activities of ARH;
- Maintaining systems to enable effective planning and accurate reporting of the financial and service performance of ARH; and
- Employing, and providing leadership for, the staff of ARH.

**(e) Alignment with ARC Objectives**

In performing its functions ARH will:

- Collaborate and co-operate with ARC and ARTA to help achieve the overall objectives of ARC; and
- Provide ARC with all the information concerning the activities of the Group described in paragraph 13 in a timely and open manner.

ARH's policies will be consistent with the vision, values and overall objectives of ARC as outlined in the ARC's regional strategies, plans and policy documents. ARH will enter into a partnering process with the ARC to agree on integrated and shared services.

**(f) Relationship with Subsidiaries**

ARH will hold shares in a number of subsidiary companies. All decisions relating to the operation of each of those companies must be taken by, or under the authority of, the board of that company, in accordance with its SOI (if any) and constitution. The constitutions of ARH subsidiaries will be consistent with ARH's rules.

ARH will:

- Act as a diligent, constructive and inquiring shareholder;
- Actively monitor strategic issues affecting its subsidiaries, and
- Ensure the Board of the subsidiary addresses those issues in a timely manner.

ARH will formulate and adopt a policy that sets out an objective and transparent process for:

- The identification and consideration of the skills, knowledge, and experience required of directors of each of its subsidiaries;
- The appointment of those directors; and
- The remuneration of those directors.

The costs of the governance of ARH subsidiaries will reflect the statutory objective of ARH being to act in the long-term interest and for the benefit of the Auckland region. ARH policy will not be inconsistent with ARC's policy on appointment and remuneration of directors, which is required under the Local Government Act 2002; and Local Government (Auckland) Amendment Act 2004.

ARH will appoint a person to be a director of a subsidiary only if the person has, in the opinion of the Board of ARH, the skills, knowledge, or experience to:

- Guide the subsidiary, given the nature and scope of its activities;
- Contribute to the achievement of the objectives of the subsidiary.

ARH will elect directors to the Board of the Ports of Auckland Ltd consistent with the Ports Companies Act and NZX Listing Rules.

ARH will formulate and adopt a robust and transparent policy and process for:

- Establishing performance targets and measures for each of its subsidiaries; and
- Monitoring the performance of the directors of each of its subsidiaries on a regular basis,

## **8. Ratio of Consolidated Funds**

ARH will set a ratio of consolidated ARH equity to total assets in determining its investment and borrowing policies for its first Long Term Funding Plan.

## **9. Distributions to the ARC**

The estimate of the distribution of funds that is intended to be distributed to the ARC is recorded in the Long Term Funding Plan, which will have regard to the ARC's Long Term Council Community Plan.

## **10. Nature and Scope of Activities**

ARH will initially (directly or via a ARH controlled organisation) hold the following:

- 84,803,976 shares in Ports of Auckland Limited ("Ports"), equivalent to 80% of the issued share capital of Ports;
- 64,400,000 shares in America's Cup Village Limited ("ACVL"), equivalent to 100% of the issued share capital of ACVL; and
- 16,000,000 shares in Northern Disposal Systems Limited ("NDSL"), equivalent to 100% of the issued share capital of NDSL.
- all cash and treasury assets held by Infrastructure Auckland as at 30 June 2004;

ARH will hold land transport assets indirectly or directly on behalf of the ARC Group, and make these available to assist ARTA to achieve its objectives. ARH will ensure the long term sustainability of these assets<sup>2</sup> to deliver required services. ARH will work with the ARC and ARTA to resolve how depreciation and renewals will be funded, and the terms and conditions upon which passenger transport assets will be made available to ARTA.

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<sup>2</sup> This does not preclude opportunities for effective and efficient use of resources by ARH or its subsidiaries

ARH will obtain the prior written approval of the ARC before it enters into any transaction or series of linked transactions which constitutes:

- The acquisition or disposal of any strategic asset or any other asset having a value exceeding 5% of the market value of ARH's tangible assets
- The effect of ARH acquiring rights or interests or incurring obligations or liabilities having a value exceeding 5% of the market value of ARH's tangible assets;
- A change in the essential nature or scope of the activities of ARH or any ARH company;

except for any transaction authorised under ARH's long term funding plan or undertaken by the Ports of Auckland Limited.

To the extent that any acquisition or disposition of an asset by Ports of Auckland Limited (or any subsidiary of Ports of Auckland Limited) requires the approval of ARH, in its capacity as a shareholder, under the Companies Act 1993, the NZX Listing Rules or the constitution of Ports of Auckland Limited, the Board will ensure that ARH gives or does not give any such approval (as the case may be) in accordance with any direction of the ARC regarding that matter received by the Board prior to giving or not giving (as the case may be) such approval.

ARH will manage its assets, and take all appropriate action to fulfil the functions and objectives described in paragraph 4, in the long-term interests of the Auckland region in accordance with the principles set out in section 19(2) of the Act.

**11. Performance targets and other measures by which the performance of ARH may be judged in relation to its objectives**

**Objectives relating to ARH Establishment**

<b>Objective</b>	<b>Supporting Activity</b>	<b>Performance Measure</b>	<b>Target</b>
<p>Establish policies to comply with following principles</p> <ul style="list-style-type: none"> <li>• A sustainable development approach to decision-making</li> <li>• A good employer</li> </ul>	Policy development	Board approves relevant policies	By 31 March 2005
	Review and state best practice in sustainable development and prudent stewardship for a public sector holding entity	Board approves decision support framework	Ongoing
		Board applies decision support framework	No breach
	Staff possessing the core competencies to carry out ARH's key functions retained and developed	Complies with legal requirements for ER management	Agreed performance measures are delivered
	Provides a healthy and pleasant work environment.		
	All staff receive appropriate training to ensure they have and retain core competencies		Staff competency register and training records.

### Objectives relating to Alignment and Governance.

Objective	Supporting Activity	Performance Measure	Target
I. Collaborate and co-operate with ARC and ARTA	Consult with ARC (and ARTA when appropriate) before adopting any key policy, including long-term funding plan.	Records demonstrate relevant briefings have taken place at appropriate intervals	ARH policies consistent with ARC's vision, values and objectives
	ARH will collaborate and co-operate with the ARC to achieve public good elements on matters arising from ARH assets	Records demonstrate participation in joint meetings at appropriate intervals	Achievement of agreed positions on waterfront and passenger transport assets.
	Development of joint stakeholder relationship management programme by ARH, ARTA and ARC	Joint programme developed	Programme developed by 31 March 2005
	ARH and ARC will agree communication protocols <sup>3</sup> that ensure consistency with ARC's vision, values and objectives	Protocols in place	Agreed by 31 December 2004
	Participate in joint partnering process to agree on shared services	Joint partnering agreement developed	Agreement in place by 31 March 2005
	Discuss with ARC the adoption of the ARC Group branding guidelines	Public communications branded according to ARC Group guidelines	100% consistency with brand guidelines by 31 March 2005

<sup>3</sup> These protocols will include:

- a proactive consultation process to ensure ARH generated public statements assist with a consistent ARC group approach
- ARH will not seek to promote its identity other than as part of the ARC Group

<sup>4</sup> At times to be mutually agreed

### Objectives relating to Alignment and Governance.

Objective	Supporting Activity	Performance Measure	Target
II. Sound governance of ARH and its subsidiaries	Policy development	Board Committees <ul style="list-style-type: none"> <li>• Terms of reference produced</li> <li>• Committees appointed</li> </ul>	31 December 2004
		Criteria and process for appointing directors of subsidiaries approved	31 December 2004
		Criteria and process for establishing performance targets for subsidiaries and reviewing performance of directors	31 December 2004
		Review all directors of subsidiaries	30 June 2005
III. Provide information to the ARC	Reports	Makes available all relevant reports requested	
	A minimum of two Board Representatives (including the chair or deputy chair) attend ARC Council/or Finance Committee meetings at least quarterly <sup>4</sup> to present financial statements, performance against SOI and report on all strategic and commercial issues associated with ARH assets	Representation as required and adequate information provided.	ARH and the Council are satisfied with the process and with the information provided.
	Public statements	Copies of ARH-generated public statements provided to the ARC prior to release	All copies of statements provided before release

## Economic, Financial, Social and Environmental Objectives

Objective	Supporting Activity	Performance Measure	Target
I. Manage assets in long term interests of region in terms of: <ul style="list-style-type: none"> <li>• Prudent stewardship</li> <li>• Efficient and effective use of resources</li> <li>• Financially responsible</li> </ul>	Maintain the capacity of ARH assets to achieve the overall objectives of the ARC Group	Ensure subsidiary SOI's and plans are consistent with ARH business plan, which has regard to ARC's Long Term Council Community Plan	Compliance with business plan
	Sound business practice within an acceptable level of risk for all commercial activities	Treasury funds meet established benchmark indices as per the approved ARH treasury policy  Equity investments meet SOI targets or relevant NZX index  Statement of risk profile developed	Overall investment portfolio achieves financial benchmarks  Risk profile measures included in second LTFP and no breach
II. Provide funds to ARC according to Long Term Funding Plan that has regard to the ARC's Long Term Council Community Plan	Development of Long Term Funding Plans	Approve and publish: <ul style="list-style-type: none"> <li>• Investment and treasury management policy; and</li> <li>• Liability management policy</li> </ul> Legislative and ARC requirements reflected in Long Term Funding Plan	First Long Term Funding Plan approved by 30 November 2004  Second and subsequent Long Term Funding Plans provided to ARC by 31 January  100% compliance with policies
	Distribution to ARC	ARH meets all payment calls that ARC provides prior to development of first LTFP  ARH meets all payments provided for in approved LTFP	Unqualified audit opinion confirms best practice followed  ARH meets agreed ARC Group requirements for funds
	III. Hold land transport assets	Agreement reached with ARC and ARTA on the terms and conditions upon which ARH will make passenger transport assets available to assist ARTA.	Agreement reached and signed
IV. New Activities	New activities	Undertaken in the long term interests of the Auckland region determined in consultation with ARC	ARC endorsement of ARH Business Plan
V. Administration costs within budget approved by ARC	Management of costs	Budget	No breach

## **12. Accounting Policies**

### Accounting Policies

ARH will comply with the accounting and disclosure practices set out in all the relevant Financial Reporting Standards (FRS) issued by the Institute of Chartered Accountants of New Zealand as periodically updated and as required by the Financial Reporting Act 1993.

## **13. Information to be provided to ARC by ARH**

### (a) Annual Statement of Intent

ARH will provide the ARC with a draft and completed SOI for each financial year in accordance with Schedule 8 of the principal Act

### (b) Long Term Funding Plan

ARH will provide in 2004 a long term funding plan as soon as practicable and thereafter by 31 January each year that covers a ten-year period, and includes:

- Forecasts of funds, required by ARC from ARH: and
- Forecasts of funds, both capital and income, that will be available for distribution by ARH to the ARC;
- Forecasts of funds, both capital and income, that ARH intends to reinvest in existing or new activities;
- The proposed source of those funds;
- Estimated cash flow projections for the period of the plan;
- Estimated changes in the net worth of ARH for the period of the plan; and
- Such other financial and non-financial information as is necessary for a proper understanding of these forecasts
- An investment and treasury management policy; and
- A liability management policy

ARH's first long term funding plan will have regard to the ARC's 2004/5 Long Term Council Community Plan, as amended by the Council in September 2004, and ARTA's funding requirements as estimated in ARTA's first Land Transport Programme to be delivered to the ARC by 30 November 2004.

ARH's second and subsequent long term funding plans will be developed in light of ARC's requirements established once ARTA's Land Transport Programme and Funding Agreement have been finalised. ARH's long term funding plan and ARTA's funding agreements will be summarised in ARC's 2005/6 and subsequent Long Term Council Community Plans.

### (c) Annual Report

Within six weeks from the end of each financial year, ARH will provide to the ARC an executive summary of ARH (parent) performance against the SOI, and the unaudited annual accounts of the ARH parent. With best endeavours, subject to POAL listed company obligations, ARH will provide to ARC no later than nine weeks after the end of each financial year its audited consolidated accounts, and by mid September a full Annual Report. This will comply with section 68 of the Act and include the following:

- Directors Report
- Statement of Financial Performance
- Statement of Financial Position
- Statement of Cash Flows

- Statements of Movements in Equity
- Notes to the Financial Statements
- Auditors Report in terms of section 69 of the Act on:
  - The above Financial Statements; and
  - The performance targets and other measures by which ARH was judged in relation to its objectives as per the SOI
- Sustainable Development Report

(d) Half Yearly Report

No later than two months after the end of the first six months of each year, ARH will provide to the ARC an unaudited Half Yearly Report that includes:

- Statement of Financial Performance
- Statement of Financial Position
- Statement of Cash Flows
- Statements of Movements in Equity
- Notes to the Financial Statements
- Report on performance against the SOI
- Report on all commercial and strategic issues associated with its assets (subject to confidentiality agreements)

(e) Quarterly Report

Within one month after the end of each quarter of the financial year ARH will provide to the ARC an unaudited quarterly:

- Statement of Financial Performance
- Statement of Financial Position
- Statement of Cash Flows
- Report on performance against the SOI
- Report on all commercial and strategic issues associated with its assets (subject to confidentiality agreements)

(f) Additional Information

ARH will provide additional information to the ARC on a confidential basis as permitted by other agreements so as to ensure that the ARC is informed in a timely manner of significant events which relate to ARH and which may affect the ARC.

(g) Sustainable Development Reporting

ARH will adopt sustainable development reporting for its Annual Report and Annual Business Plan. The reports will be developed in a manner that assists the ARC and ARTA in preparing their own Sustainable Development Report

**14. The procedures to be followed before ARH acquires or disposes of assets**

ARH will not make any decision to acquire or dispose of any assets having a value exceeding 5% of the net market value of ARH's tangible assets; without the prior written approval of the ARC.

**15. Any activities for which the board seeks compensation from any local authority (whether or not the local authority has agreed to provide the compensation);**

There are currently no activities for which the directors seek compensation from any local authority.

**16. The board's estimate of the commercial value of the ARH group assets and the manner in which, and the times at which, that value is to be reassessed**

To be inserted once the 30 June 2004 IA accounts have been audited and signed off on 23 September 2004 and reviewed by the ARH Risk and Assurance Committee.

**17. Any other matters that are agreed by the ARC and the ARH Board**

No matters to hand

**18. Disputes Procedure**

If ARH or ARC identifies any matters of disagreement both parties will endeavour to discuss and consult on these matters at the earliest opportunity, and seek resolution between themselves.