

18 August 2009

FINANCE COMMITTEE:

Chair and Councillors

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NOTICE OF MEETING

I hereby give notice that a meeting of the Finance Committee of the Auckland Regional Council is to be held in the Council Chamber, Ground Floor, 21 Pitt Street, Auckland, at:

9.30 AM

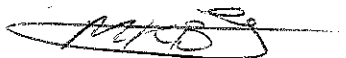
ON

THURSDAY 20 AUGUST 2009

An agenda for the meeting is attached.

B L Thomas
GROUP MANAGER, DEMOCRACY SERVICES

per:



Mara Bebich
COMMITTEE SECRETARY

Our agendas and minutes are available online, go to www.arc.govt.nz/council/agendas-and-minutes

All reports in this Agenda are not to be construed as Council policy until adopted

AGENDA

FINANCE COMMITTEE

AGENDA FOR THE MEETING OF THE FINANCE COMMITTEE OF THE AUCKLAND REGIONAL COUNCIL TO BE HELD IN THE COUNCIL CHAMBER, GROUND FLOOR, 21 PITT STREET, AUCKLAND ON THURSDAY 20 AUGUST 2009 AT 9.30 AM.

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(All reports in this Agenda are not to be construed as Council policy until adopted.)

MEMBERS:

Cr	Bill	Burrill	(Chair)
Cr	Clive	Carter	(Deputy Chair)
Cr	Michael	Barnett	
Cr	Judith	Bassett	
Cr	Joel	Cayford	
Cr	Sandra	Coney	
Cr	Dianne	Glenn	
Cr	Michael	Lee	
Cr	Brent	Morrissey	
Cr	Christine	Rankin	
Cr	Christine	Rose	
Cr	Jan	Sinclair	
Cr	Paul	Walbran	

A PROCEDURAL

A.1 MINUTES

Committee Secretary: 17 August 2009

That the minutes of the meeting held on 19 July 2009 be confirmed

B ITEMS FOR DECISION

B.1 ARH'S FINAL 2009-12 STATEMENT OF INTENT

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B.1 ARH'S FINAL 2009-12 STATEMENT OF INTENT

GD4901-02-01

Christine Perrins, Executive Officer, Chief Executive's Office; Mark Fleming, Principal Advisor, Chief Executive's Office; Janine Grainger, Policy Advisor, Chief Executive's Office: 24 July 2009

The report has been prepared in accordance with the provisions of section 76 and 77 of the Local Government Act 2002, having regard to section 79

EXECUTIVE SUMMARY

Auckland Regional Holdings (ARH) has forwarded its 2009-12 Statement of Intent (SOI) to the ARC. This follows consultation and feedback by the ARC on ARH's draft 2009-12 SOI in April 2009.

ARH has addressed a number of the issues raised by the ARC during the consultation on the draft 2009-12 SOI, including adding in an objective for ARH's investment property, and specifying the distributions to be made to the ARC from 2009/10 to 2011/12.

However, ARH has not included specific deliverables for the Wynyard precinct, and ARH's objective relating to Queens Wharf has been superseded by the purchase, by the ARC and Government, of Queens Wharf from Ports of Auckland Ltd. It is recommended that the Chairman of the Finance Committee writes to ARH, consulting the ARH board on modifications to the ARH SOI to address these two issues.

B.1.1 PURPOSE

This report presents ARH's final 2009-12 SOI for the Committee's consideration.

B.1.2 BACKGROUND

Under the Local Government Act 2002 (LGA 2002), ARH must prepare a SOI as outlined in Schedule 8 of the Act. It is the ARH Board's responsibility to prepare the SOI, although it must consult the ARC before finalising it. Once the final SOI is delivered to the ARC, the ARC must either agree to it or take steps to require the SOI to be modified. The timetable for the SOI is specified in the LGA 2002 as follows:

- The ARH Board submits its draft SOI to the ARC for consultation no later than 1 March.
- The ARC provides comments on the draft SOI no later than 30 April.
- ARH finalises its SOI no later than 30 June.

The SOI is the main accountability document for ARH, and ARH reports against the SOI in its annual report. The purpose of the SOI, as specified in the LGA 2002¹, is to:

- a) state publicly the activities and intentions of a council controlled organisation for the year and the objectives to which those activities will contribute; and

¹ Schedule 8, clause 1 of the LGA 2002

- b) provide an opportunity for shareholders to influence the direction of the organisation; and
- c) provide a basis for the accountability of the directors to their shareholders for the performance of the organisation.

Finance Committee consideration of ARH's draft SOI

The Finance Committee considered ARH's draft 2009-12 SOI at its meeting of 22 April 2009, and resolved that the following requests be made to ARH:

- (i) That ARH's final SOI specifies the level of distributions to be made to the ARC over the next three years
- (ii) That specific deliverables for the Wynyard precinct be included in ARH's final SOI.
- (iii) That ARC's objective for Wynyard precinct, as specified in ARH's draft 2009-19 Long Term Funding Plan (LTFP), be included as an objective in ARH's SOI.

ARH was also requested to engage with POAL to develop formal performance measures for inclusion in POAL's Statement of Corporate Intent (SCI), and to develop a simple set of financial, economic and environmental measures to gauge whether Ports of Auckland Ltd is a successful business contributing to the Auckland region. A copy of the letter from the Chairman of the Finance Committee to the Chair of ARH dated 27 April 2009 conveying these comments is attached. POAL's SCI is discussed in a separate report on this agenda.

B.1.3 MAIN REPORT

In the final 2009-12 SOI, ARH has addressed items (i) and (iii) above. However, it has not included specific deliverables for the Wynyard precinct (item (ii) above).

Amendment to SOI to include specific deliverables for Wynyard precinct.

The preferred approach is for ARH's SOI, and the SOI of Sea+City Projects Ltd (SCPL), to include specific projects and completion dates for projects such as the North Wharf reconstruction, completion of Jellicoe Street and Jellicoe Plaza, etc, as well as dates when various sites will become available for development. It is understood that ARH's reluctance to include specific deliverables and dates is due to the uncertainty around the regulatory processes, as well as the uncertainty in the property market. However, this concern can be addressed by adding suitable caveats to the delivery dates in the SOI.

It is recommended that the Chairman of the Finance Committee writes to the Chair of ARH requesting that the final SOI be revised to include specific deliverables i.e. when specific sites and specific public works will be completed. The LGA 2002 sets out the process that must be followed before a shareholder (the council) can modify a SOI of a CCO. In summary, before the ARC can resolve to modify ARH's SOI to include deliverables for Wynyard precinct, the ARC must first consult the board of ARH on the proposed modification (section 5 of schedule 8 of the LGA 2002).

Amendment to SOI to reflect the purchase of Queens Wharf

The final SOI refers to an objective of working collaboratively with the ARC, as lead agency, to investigate alternative uses for Queens Wharf (see section 9(b)(j) of the

SOI) This objective has been superseded by the ARC purchase, along with the Government, of Queens Wharf from POAL.

It is recommended that the Chairman of the Finance Committee writes to the Chair of ARH requesting that the final SOI be revised to the following:

Where required, ARH will work collaboratively with the ARC to facilitate, through its governance of Ports of Auckland Ltd, a smooth transfer of Queens Wharf to the ARC and Government.

Amendment to the wording of the Investment Property objective

ARH has amended the objective for investment property to enable ARH to act as a developer for Site 14 and potentially Silo 7. The business case for development at Site 14 was considered by the Finance Committee at its meeting of 22 July 2009. The Committee supported the proposal for Site 14 and resolved to consider the revised objectives for the waterfront development strategy as part of the consideration of ARH's 2009-12 SOI. The Committee also resolved to reserve its support of ARH's development of Silo 7 until a business case has been presented for the Committee's consideration.

In addition, the Chair of ARH has written to the Chairman of the Finance Committee (letter dated 5 August 2009 attached) proposing that the following words be added to section 9(h) of the SOI to confirm that SCPL will act as developer for site 14:

Where, in the specified example ARH is a developer, ARH possesses within its specialist management services company – SCPL, the skill sets and competencies to successfully undertake the specific development of Site 14. SCPL's capability in this area is complemented by its core focus on the large scale project management of Wynyard Precinct where it is undertaking the wider range of property and public amenity and infrastructure activities for both ARH and the Auckland City Council.

B.1.4 FINANCIAL AND RESOURCING IMPLICATIONS

There are no direct financial implications from this report.

B.1.5 LEGAL AND LEGISLATIVE IMPLICATIONS

The legal implications are discussed in the Background section of this report. The ARC is required to seek approval from the Auckland Transition Agency (ATA) to agree to, or modify, ARH's SOI. It is recommended that at this stage the ARC proposes to ARH that the SOI be modified, and that ATA approval is sought once the ARC decides to modify, or agree to, the SOI.

B.1.6 CONSULTATION

Consultation is not required on this report.

ATTACHMENTS

- Attachment 1 – Auckland Regional Holding's 2009-12 SOI.
- Attachment 2 - Letter from Chairman of Finance Committee to the Chair of ARH *Consultation on ARH's draft 200-12 SOI and draft 2009-19 LTFFP*, dated 27 April 2009.
- Attachment 3 - Letter from Chair of ARH to Chairman of Finance Committee *ARH Investment Property Policy – Site 14*, dated 5 August 2009.

RECOMMENDATIONS

- a) That the report be received.
- b) That Auckland Regional Holdings' 2009-12 Statement of Intent be received.
- c) The Chairman of the Finance Committee writes to the Chair of Auckland Regional Holdings, consulting the board of Auckland Regional Holdings on the proposal to modify the 2009-12 Statement of Intent to include deliverables for Wynyard precinct, and amend the wording for the objective for Queens Wharf, as outlined in this report

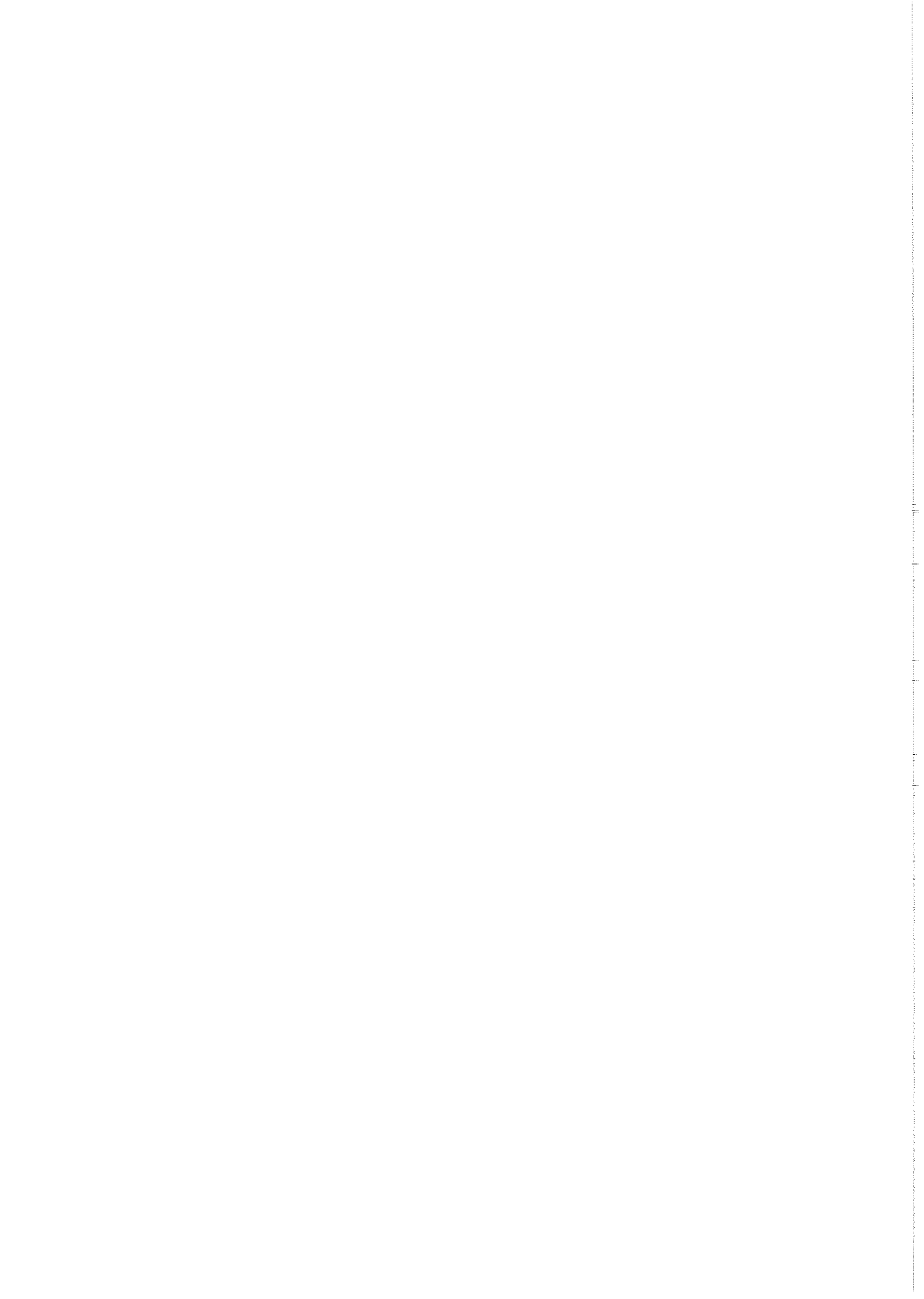


Auckland Regional
Holdings

Auckland Regional Holdings

Statement of Intent

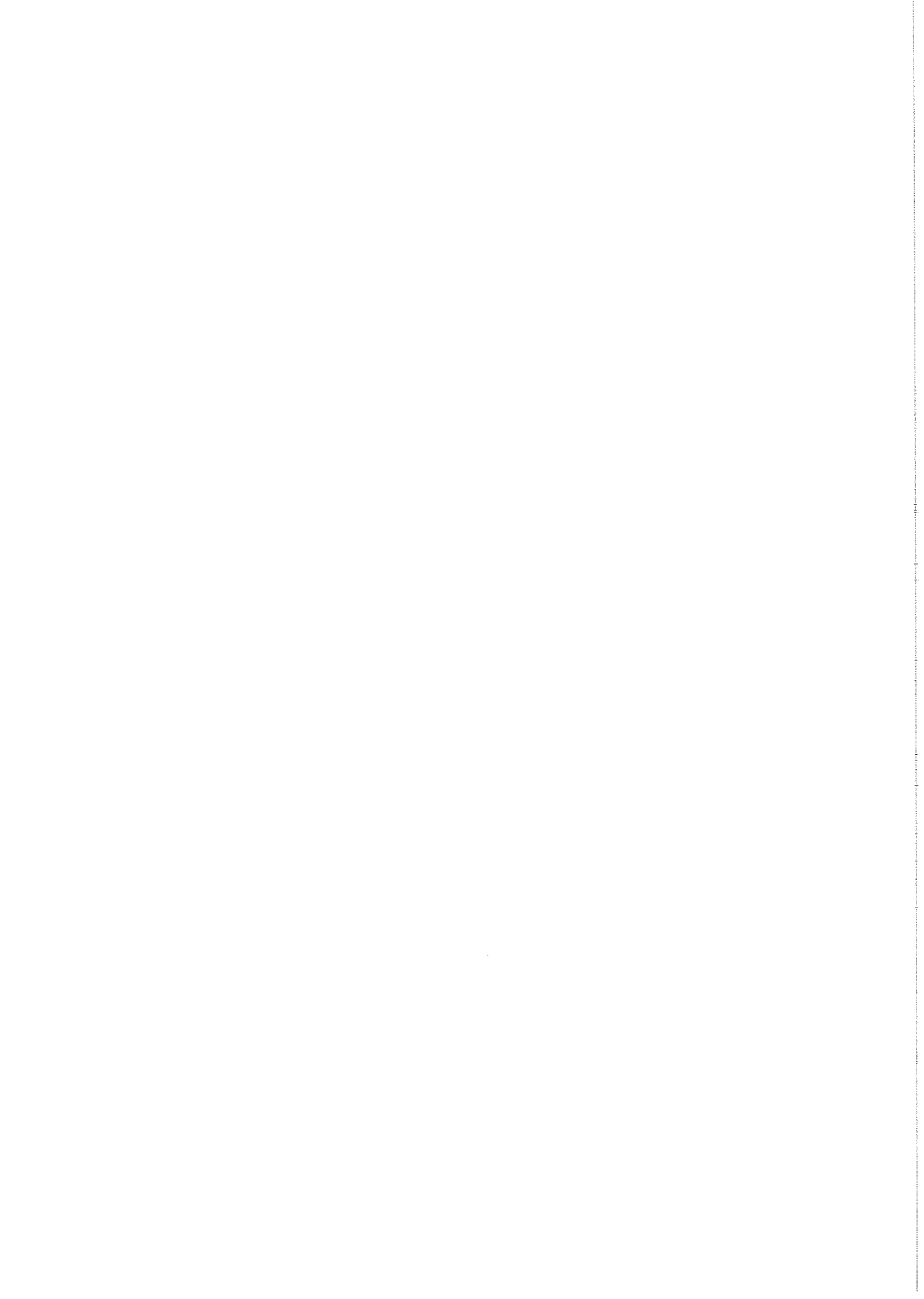
1 July 2009 to 30 June 2012



ARH STATEMENT OF INTENT 2009 – 2012

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1. Introduction

This Statement of Intent (SOI) of Auckland Regional Holdings (ARH) is for the three (3) year period from 1 July 2009 to 30 June 2012.

ARH is a statutory council-controlled organisation, engaged in investment management activities, established by the Local Government (Auckland) Amendment Act 2004 (LGAAA04) to act in the long-term interests and for the benefit of the Auckland region

ARH is accountable under LGAAA04 to the Auckland Regional Council (ARC), and provides the ARC with annual funding, in accordance with a long-term funding plan (LTFP). This SOI has been prepared in accordance with Schedule 8 of the Local Government Act 2002 (LGA02), and has been adopted by the board of directors of ARH (Board) following consultation with the ARC.

The SOI sets out, among other things ARH's objectives, the nature and scope of its activities, the Board's approach to the governance of the ARH Group and the financial and other information to be provided to the ARC. It also sets out the performance targets and other measures by which the performance of ARH may be judged. ARH will report against these in its annual report, and in quarterly reports to the ARC.

In addition to this SOI, ARH prepares and adopts a LTFP in consultation with the ARC which sets out for a 10 year period ARH's financial forecasts and the amount of funding ARH intends to provide to the ARC during that period. This SOI should be read in conjunction with ARH's 2009-2019 LTFP.

2. ARH's objective

Clause 19(1) of the LGAAA04 specifies ARH's statutory objective:

"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."*

ARH's statutory objective should be read in the context of its functions.

3. ARH's functions

Under LGAAA04, 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 the ARC in accordance with ARH's long term funding plan prepared under section 21;
- (c) make transport assets available to assist Auckland Regional Transport Authority (ARTA) to achieve ARTA's objective; and
- (d) undertake such other functions as are given to it by LGAAA04 or any other Act or are authorised by its statement of intent

In performing its functions, ARH will also act in accordance with:

- (a) the principles set out in section 19(2) of LGAAA04;
- (b) the restrictions in section 28 of the LGAAA04 regarding disposal of Ports of Auckland Limited (POAL) shares; and
- (c) the rules created for ARH by the ARC (ARH Rules - see section 5 below), and when necessary ARH will consult with, or seek, the ARC's written approval of any relevant activities as required.

4. Vision and mission statement

In keeping with ARH's objective, and to align with and complement the ARC, the ARH Board has adopted the following vision and mission statement:

ARH's vision

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

ARH's mission

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.

5. The ARH Board's approach to governance

Statutory framework

ARH is a statutory entity (a body corporate with perpetual succession) established to manage assets in accordance with objectives, functions and principles set out in LGAAA04 and ARH is accountable to the ARC for its performance.

Under section 25 of LGAAA04 ARH is deemed to be a council-controlled organisation and the ARC is to be treated as its shareholder for the purposes of Part 5 of the LGA02.

Pursuant to section 23(4) of the LGAAA04, the ARC is permitted to make rules, not inconsistent with the LGAAA04 specifying the number of directors on the Board, terms and conditions of their appointment, and the powers and procedure of the Board (ARH Rules). A copy of the ARH Rules can be found on ARH's website www.arh.co.nz

The ARH Board is appointed by the ARC. Not more than two (2) directors of ARH may be members or employees of the ARC. In accordance with the ARH Rules, the total number of directors on the Board will not at any time be more than six (6) nor less than four (4).

Best practice governance

The Board of ARH is committed to best practice corporate governance and business ethics. The Board will continue to monitor developments in corporate and public sector governance to ensure ARH implements best practice at all times.

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

- best business practice in its commercial undertakings and governance;
- a sustainable development approach in its decision making consistent with its statutory principles and the principles of the ARC;
- good faith and ethical behaviour in its dealings with all parties; and
- an active partnership approach with the ARC and ARTA.

No surprises approach

ARH has a 'no surprises' approach with the ARC in respect to ARH's dealings and will ensure the ARC is informed well in advance of anything potentially contentious in the public arena, regardless of whether or not the issue falls outside the scope of ARH's accountabilities to the ARC under this SOI, the ARH Rules, or any relevant legislation

ARH will consult with the ARC and allow sufficient time for the ARC to comment before implementing any of the following types of strategic initiatives:

- major new investments;
- material changes in the capital structure of ARH or any subsidiary;
- a significant restructure in response to a major change in the business environment;
- change of ownership (or ownership structure) of strategic assets (as defined in the ARH Rules and as per the ARC's resolution of 26 September 2005) including strategic assets owned by POAL or any of ARH's subsidiary companies;
- major new business initiatives that are outside the scope of, or have an impact on, the achievement of forecasts and objectives in ARH's LTFP or SOI, or the Statement of Corporate Intent (SCI)/SOIs of subsidiaries (including the commercial objectives of POAL); and
- strategic issues relating to the waterfront development, including the use or ownership of waterfront assets.

ARH will also keep the ARC adequately informed (via the ARC Chair and CEO) of any strategic issues affecting POAL or any of ARH's subsidiary companies

In the operation of the 'no surprises' approach the ARH Board will be mindful that the ARC is a public body with interests wider than those of a commercial entity, and will be sensitive to the demand for accountability placed on the ARC from citizens, ratepayers, and other bodies who hold the ARC directly accountable for ARH, irrespective of the legal definition of the roles of the respective parties.

ARH has also adopted branding and communications protocols that are consistent with the ARC's.

Role of the Board

In accordance with section 23(1) of LGAAA04, all decisions relating to the operation of ARH are made by, or under the authority of, the Board of ARH in accordance with LGAAA04, this SOI, the ARH Rules and any other relevant legislation.

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

- acts in a manner consistent with its objectives, principles and functions;
- performs its functions efficiently and effectively;
- complies with relevant legislation and the ARH Rules; and
- meets or exceeds the performance targets, measures, and standards 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;
- review and determine ARH's internal policies and delegations;
- negotiate the SOI with the ARC;
- monitor the external and internal environment and identify, evaluate and mitigate controllable risk factors;
- ensure ARH remains an effective, focused organisation with core competencies and appropriate systems necessary to carry out its functions;
- undertake appropriate training to ensure directors remain current on how best to perform their duties as directors;
- manage and monitor the performance of the Chief Operating Officer; and
- provide leadership in relationships with key stakeholders

Board committees

Pursuant to the ARH Rules the Board may (by resolution) appoint a committee of directors to exercise any of ARH's functions and powers delegated to that committee. When establishing any committee the Board will:

- produce written terms of reference that describe its authority, duties, responsibilities and relationship with the Board; and
- review regularly the performance of the committee having regard to those terms of reference.

In accordance with the ARH Rules, the Board has established an Assurance and Risk Committee

The principal functions of the Assurance and Risk Committee are to assist the Board in the assessment and management of risk and in overseeing the financial accounting and audit activities of ARH, including:

- compliance with all applicable legal requirements and accounting standards;
- reviewing the adequacy and effectiveness of internal controls;
- ensuring that the ability and independence of the external auditors to carry out their statutory audit role is not impaired in any way;
- determining what services, if any, may be provided by the external auditors in addition to their statutory audit role;
- communicating, meeting with, and reviewing the performance of, the external auditors;
- reviewing and making recommendations to ARH; and
- ensuring procedural implementation of ARH's policy in relation to the Local Authorities (Members' Interests) Act 1968, monitoring for compliance on an on-going basis, and reporting to ARH (including making recommendations) on any implementation and compliance issues.

Relationship with subsidiaries

ARH owns the following subsidiary companies:

- POAL; and
- Sea+City Projects Limited (Sea+City Projects).

Each of ARH's subsidiaries has its own board of directors (which may include up to two directors who are also current ARH directors). All decisions relating to the operation of each of ARH's subsidiaries must be taken by, or under the authority of, the board of directors of that subsidiary, in accordance with its SOI/SCI, if any, its constitution, and any relevant legislation. ARH will ensure that the constitutions, SOI/SCI's (including performance targets) and other expectations and requirements of its subsidiaries are strongly aligned with ARH's overall objectives, performance targets, expectations and other requirements of ARH (as may be required by the ARH Rules, ARH's SOI and LTFP, or any relevant legislation)

ARH will:

- act as a diligent, constructive and inquiring shareholder;
- actively monitor strategic issues affecting its subsidiaries;
- use its best efforts to ensure the boards of its subsidiaries address any strategic issues in a timely manner;
- use its best efforts to ensure its subsidiaries meet best practice governance standards;

- use its best efforts to ensure that its subsidiaries are operated on a basis that is not inconsistent with, and contributes to, this SOI and the ARC's long-term strategic objectives; and
- encourage its subsidiaries to include sustainability reporting in their annual reports.

ARH has adopted a policy that sets out an objective and transparent process for:

- identification and consideration of the skills, knowledge and experience required of the directors of each subsidiary;
- appointment of directors; and
- remuneration of directors.

The ARH policy on appointment and remuneration of directors of its subsidiaries will not be inconsistent with the ARC's policy and the requirements of the LGAAA04, LGA02, and the ARH Rules. ARH will ensure that the costs of governance of subsidiaries (including directors' remuneration) will be in keeping with ARH's statutory objective and principles, and the nature and scope of the subsidiaries' activities

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; and
- contribute to the achievement of the objectives of the subsidiary.

When appointing directors to the board of POAL, ARH will also ensure the appointment is consistent with the requirements of Port Companies Act 1988

ARH will ensure it has 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.

6. Nature and scope of activities

ARH is a unique statutory entity, engaged in investment management activities. ARH manages its investment portfolio to optimise ARH's long-term distributions to the ARC, without compromising the achievement of the ARC's other objectives for ARH. ARH does this by implementing appropriate investment strategies and managing its investments and undertaking its commercial activities in a sustainable and financially responsible manner. Through applying best business practice, and generating optimal returns within acceptable levels of risk, ARH can have a high degree of confidence that it can continue to distribute funds to the ARC in accordance with the agreed LTFP.

ARH has a defined investment framework comprising long-term investment objectives, a strategic risk budget, and fundamental investment principles. This investment framework provides the context in which ARH has developed its long-term investment strategy. For further information on ARH's investment strategy please see ARH's most recent annual report on our website www.arh.co.nz

ARH, as at 1 July 2009, has the following assets:

<p>Ports of Auckland Limited (POAL)</p>	<p>Non-listed company - 100% owned</p> <p>POAL owns and operates the Port of Auckland, New Zealand's largest international container port and a major gateway for trade on the North Island's east coast and the regional Port of Onehunga on the west coast. It also owns two inland ports at East Tamaki and Wiri, in South Auckland.</p> <p>POAL owns 19.9% of Northland Port Corporation (NZ) Limited, which operates the Port of Whangarei and part-owns the Northland port of Marsden Point, and 27.5% of United Containers Limited, one of New Zealand's largest container depot businesses, which allows Ports of Auckland to maximise container supply chain efficiencies.</p> <p>POAL provides towage and pilotage services on the Waitemata and Manukau Harbours. It also has a joint venture, North Tugz Limited, which provides towage and pilotage services on the Whangarei Harbour.</p> <p>POAL is one of New Zealand's more balanced ports - full import containers make up approximately 59% and full export containers make up approximately 41% of all full containers passing through the port, as well as imports/exports of break-bulk and handling cruise ship visits. POAL is a vital contributor to the regional and national economy. Further comprehensive information is available at www.poal.co.nz.</p> <p>ARH, through its ownership and governance of POAL, ensures that POAL continues to operate as a successful business contributing to the region's economic well-being.</p>
<p>Wynyard Precinct Investment Property</p>	<p>The Wynyard Precinct investment property comprises, at 30 June 2009, approximately 18 hectares of land and wharves, together with associated water space rights, situated in the Wynyard Quarter on Auckland's waterfront. This investment property is held for rental income from ground leases as well as to facilitate a world class waterfront development which becomes a visitor destination by delivering high quality and accessible public spaces and attractions. The property is the focus of a major redevelopment project and is to be rezoned for mixed use in accordance with the new district plan notified by the Auckland City Council and coastal plan notified by the ARC in July 2007 with decisions released by the respective councils in November 2008. These Council decisions are subject to the normal appeal process.</p>
<p>Sea+City Projects Limited (Sea+City Projects)</p>	<p>Non-listed company – 100% owned.</p> <p>Sea+City Projects is a property manager and property redevelopment facilitator, and acts as ARH's agent for the Wynyard Precinct investment property. It establishes and manages ARH property leases, and is the project director for co-ordinating and facilitating the redevelopment framework and public infrastructure services programmes for the area. Further comprehensive information is available at www.seacity.co.nz.</p>
<p>Diversified Financial Asset Portfolio (DFA)</p>	<p>The DFA is a long-term portfolio of liquid financial investments that are actively managed by specialist fund managers. The target DFA strategic asset allocation comprises 50% global equities, 40% global bonds and 10% New Zealand cash.</p>
<p>New Zealand Short-Term Cash Portfolio</p>	<p>Portfolio investments include highly liquid cash and short-term fixed interest securities, primarily bank deposits and registered certificates of deposit, which are managed by external fund managers.</p>
<p>Cash at Bank</p>	<p>Cash at bank includes funds held on call and available for working capital requirements</p>

For more information on ARH's assets and activities, please see ARH's website www.arh.co.nz

7. Ratio of shareholders funds to total assets

The forecast ratio of Shareholders Funds to Total Assets, as at 30 June, in each of the next three years is:

2010	99%
2011	99%
2012	99%

Notes:

- These ratios are achievable only under current plans and forecast economic conditions. If requirements or earnings change, ratios may also change.
- The forecast ratios are based on the forecast Balance Sheet for ARH (the parent entity) and the assumptions in ARH's 2009-2019 LTFP. The parent Balance Sheet only includes the equity value of the shares ARH owns in its subsidiaries. For forecast ratios of Shareholders Funds to Total Assets for POAL, ACVL, and Sea+City Projects, please refer to their respective SCI/SOIs.
- Shareholders Funds means the sum of vested equity, retained earnings and accumulated losses, and equity reserves, of ARH (the parent entity).
- Total Assets are defined as the total value of all current and non-current assets of ARH (the parent entity), but excluding the value of funds identified to meet Infrastructure Auckland Legacy Grant commitments.

8. Accounting policies

The ARH Group has adopted accounting policies that are consistent with New Zealand International Financial Reporting Standards (NZ IFRS), generally accepted accounting practice, and other standards issued by the New Zealand Institute of Chartered Accountants.

A full statement of ARH's accounting policies can be found in ARH's most recent annual report, on ARH's website www.arh.co.nz

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

A. Financial performance

ARH is a long-term investor focused on sustainably managing its assets and risk and maximising long-term distributions to the ARC. The key measure of ARH's success will be its long-term financial performance. *NB. While measurement and comparison of short-term returns may provide a useful immediate target, it may not be indicative of long-term performance.*

In this regard the Board has the following specific investment objectives:

- (1) To out-perform the NZ Government Bond index by 1.5% p.a., over ten-year rolling periods;
- (2) To maintain the real revenue-earning capabilities of total assets by outperforming inflation, as measured by the Consumer Price Index, by 5.5% p.a. over 20-year rolling periods;
- (3) For distributions, on a rolling ten-year basis:
 - Short term, to pay to the ARC 100% of the planned distributions per the first three (3) years of the LTFP, with a 95% probability of achievement;
 - Long-term, to pay to the ARC at least 90% of the planned distributions per years four (4) to ten (10) of the LTFP, with a 75% probability of achievement; and
- (4) To maintain the fund in a satisfactory financial condition by not exceeding the debt-servicing criteria for borrowings used to finance distributions:
 - Interest costs are no more than 40% of total expected earnings

It is noted that in the current economic climate, ARH is not able to meet the long-term target of 75% probability of achievement of paying 90% of planned distributions in years four to ten. ARH does not plan to borrow in the current economic environment, however ARH maintains the ability to borrow should the need arise.

ARH's financial performance will be measured as follows:

- (a) in respect to investment objectives (1) and (2) above, until such time as ARH has accumulated sufficient performance history to properly compare its performance over rolling ten-year and twenty-year periods, ARH's cumulative performance for the period ARH has been in operation will be measured (on an indicative basis) relative to the investment objectives for the same period;
- (b) ensure that it makes available the amounts for distributions to the ARC in the 2009/2010 financial year (for Infrastructure Auckland Legacy Grants and the ARC General distributions) as set out in section 10 of this SOI;
- (c) ensure that its financial performance for the 2009/2010 financial year will meet or exceed the forecast in ARH's 2009-2019 LTFP; and
- (d) manage its total investment portfolio to optimise ARH's long-term distributions to the ARC and will ensure that it is in a position to make future distributions in accordance with its LTFP, evidenced by the following measures:
 - (i) in preparing its LTFP, ensure that its financial performance forecast meets or exceeds the forecast for the investment objectives in (1) and (2) above for the same period;
 - (ii) ARH ensures that the management of its investment portfolio is consistent with the investment strategy and investment and treasury management policy and liability management policy in its LTFP; and

- (iii) ARH reviews its investment portfolio, policies and strategy annually, by 30 June each year.

B. Investment management, administration, governance, and other measures

Investment management, administration, governance and other measures of ARH's performance are as follows:

- (a) ARH will ensure that its subsidiaries' SOIs and/or SCIs are agreed annually in accordance with statutory requirements;
- (b) ARH receives an unqualified audit opinion in respect of its annual report;
- (c) ARH will ensure that its administration costs do not exceed:
 - (i) the annual amount approved by the ARC in accordance with the requirements of LGAAA04; and
 - (ii) 0.25% per annum (over a rolling five year period) of the total ARH investment portfolio;
- (d) Investment management costs are kept to a level appropriate to meet ARH long-term return objectives, and ARH will keep the ARC informed on a quarterly basis as to asset allocation work programmes and subsequent forecast costs to achieve long-term returns;
- (e) ARH will work with the ARC to ensure a co-ordinated approach is adopted where borrowings may be required to finance ARH distributions to the ARC;
- (f) ARH will keep the ARC informed of issues arising at the ARH/Auckland City Council Joint Liaison Body (JLB)
- (g) ARH will adhere to the Master Planning Process for the redevelopment of Wynyard Precinct and consult with the ARC on the following occasions:
 - (i) when each draft precinct plan (Precinct Plan) is developed for each stage of the project;
 - (ii) each draft comprehensive area structure plan (CASP) is developed;
 - (iii) where the JLB doesn't approve a CASP on the basis that is inconsistent with the underlying Precinct Plan – ARH will consult with the ARC on whether to resubmit a revised CASP or instead re-submit the same CASP as a non-complying activity request (in accordance with the Framework Agreement between ARH and Auckland City for the redevelopment of Wynyard Precinct); and
 - (iv) if at any time a CASP or non-complying activity resource consent application is not approved at a regulatory level, ARH will consult with the ARC on whether or not to appeal that decision to the Environment Court;

- (h) The objectives in respect of the waterfront investment property are to:
- (i) enable the creation of a world-class, mixed-use, urban waterfront redevelopment that becomes a visitor destination by delivering high-quality and accessible public spaces and attractions alongside high-quality private works;
 - (ii) give effect to the ARC's and Auckland City Council's Waterfront Vision 2040 statement of principles;
 - (iii) adhere to principles of design quality, sustainability, environmental, cultural and social responsibility;
 - (iv) while achieving i, ii, and iii, optimise the cash returns from the waterfront investment property and deliver long term value to stakeholders on a commercially-feasible and sustainable basis; and
 - (v) operate as a development facilitator and agent landlord rather than as a developer (other than by way of managing the public amenity and infrastructure works to be implemented at the Wynyard Precinct and developing key initial activation sites, Site 14 and potentially Silo 7)
- (i) ARH will contribute to the ARC's waterfront objectives in furtherance of the One Plan CBD/Waterfront Action Programme, the Waterfront Vision 2040 and the Precinct Plans through the redevelopment of Wynyard Precinct which is being undertaken on behalf of ARH by Sea+City Projects. Key tasks during the period of this SOI are:

Master Planning

- (i) Sea+City Projects actively participating on behalf of ARH in the District and Coastal Plan change processes;
- (ii) working with the relevant stakeholders to finalise and approve Precinct Plan 1;
- (iii) development and approval of CASP(s) for the Precinct Plan 1 area;

Public Works in conjunction with Auckland City Council

- (iv) completion of required remedial work on North Wharf;
- (v) design, predevelopment, and commencement of public infrastructure works within the Precinct Plan 1 area, e.g. for storm water, waste water and utilities;
- (vi) design and pre-development work for public amenities within the Precinct Plan 1 area, e.g. Jellicoe Street, Jellicoe Street West, Daldy Street, Wynyard Plaza and Gateway Plaza
- (vii) design, pre-development, and commencement of public works for the redevelopment of Jellicoe Street, Jellicoe Street West including water feature, Daldy Street and Wynyard Plaza;

Development of Investment Property

- (viii) ARH and Sea+City Projects to work collaboratively with the ARC Bulk Liquids Sector Group and Auckland City Council to achieve the relocation of bulk liquid operators currently located at Wynyard Precinct in a seamless and well managed transition process, to minimise any adverse effects or disruption to regional economic activity;
- (ix) facilitation of relocation strategies with existing lessees for their relocation from key sites, that will be redeveloped in the Precinct Plan 1 area;

- (x) ARH and Sea+City Projects to work collaboratively with the ARC and Auckland City Council regarding the Wynyard Precinct remediation strategy work with landholders and leaseholders;
 - (xi) completion of demolition and site remediation for key sites to be redeveloped in the Precinct Plan 1 area;
 - (xii) ARH and Sea+City Projects to work collaboratively with the ARC and ARTA to ensure that the transport infrastructure and servicing at Wynyard Precinct is consistent with regional strategy and policy;
 - (xiii) ARH and Sea+City Projects to work collaboratively with the ARC, Auckland City Council and ARTA towards ensuring that facilities continue to be available for Great Barrier Island ferry operations in the medium term, until a longer term location is found; and
 - (xiv) selection of developers for the private development of key sites in the Precinct Plan 1 area, leasing of those sites, and overseeing any development to ensure conformance with the agreed developed design.
- (j) ARH will work collaboratively with the ARC as the ARC leads work with ARH, POAL, Auckland City Council and central government to investigate alternative uses for Queens Wharf including:
- (i) Options for the use of Queens that do not adversely effect port commercial operations and long-term port functionality; and
 - (ii) Providing improved cruise industry facilities
- (k) In accordance with the 'no surprises policy', the ARC is advised of all pending decisions about strategic assets (including strategic assets owned by POAL or any of ARH's subsidiary companies) and, where feasible, the views of the ARC are obtained. This will be evidenced by the ARC Chair and CEO being satisfied that the 'no surprises' policy is operating appropriately;
- (l) ARH, as equity owner of POAL, will use its best efforts to work to ensure POAL continues to operate as a successful business contributing to the region's interests and economic wellbeing. In doing so ARH will:
- (i) actively engage with POAL in setting appropriate performance targets including profitability, efficiency and contribution to the regional economy in POAL's SCI;
 - (ii) monitor and report to the ARC on POAL's performance in ARH's quarterly reporting;
 - (iii) hold board-to-board meetings each year with the POAL board to share information and understandings, and convey expectations;
 - (iv) undertake appropriate succession planning and recruitment in advance of any possible board vacancies, including conducting an annual board evaluation and director review process;
 - (v) help facilitate an integrated approach with key stakeholders, including POAL, for the development of the Auckland waterfront and Auckland's long-term port and other associated infrastructure needs; and

- (vi) keep the ARC abreast of strategic issues affecting POAL in accordance with the 'no surprises' policy.

ARH will report its performance against the above targets and measures in its quarterly reports to the ARC and/or in its annual report.

10. Distributions to the ARC

ARH's estimate of the amount of funds (from ARH's accumulated profit and capital reserves) that are intended to be distributed to the ARC in each of the three (3) years to which this SOI relates is:

	<i>IALG</i>	<i>ARC General</i>	<i>Total</i>
2009/2010	\$31.4m	\$79.2m	\$110.6m
2010/2011	\$7.7m	\$62.7m	\$70.4m
2011/2012	\$3.4m	\$47.0m	\$50.4m
	\$42.5m	\$188.9m	\$231.4m

Notes:

- The basis for the estimate can be found in the forecast financial statements in ARH's LTFP for 2009-2019 on ARH's website www.arh.co.nz
- *IALG* refers to funds paid to meet Infrastructure Auckland Legacy Grants.
- Amounts rounded to nearest \$0.1million. Totals may not add exactly due to rounding.

11. Information to be provided by ARH to the ARC

Statement of Intent

ARH will provide the ARC with a draft and final SOI annually, prepared and finalised in accordance with the requirements of Schedule 8 of the LGA02.

Long-Term Funding Plan

Having regard to the ARC's current Long-Term Council Community Plan, ARH will provide the ARC, for consultation, with a draft LTFP by 31 January each year that covers a ten (10) year period from 1 July of that year. The finalised LTFP will be provided to the ARC by 30 June each year.

Section 21(2)(b) of the LGAAA04 requires that the LTFP must include the following matters:

- forecasts of funds required by the ARC from ARH;
- 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 LTFP;
- estimated changes in the net worth of the ARH Group for the period of the LTFP;

- such other financial and non-financial information as is necessary for a proper understanding of the forecasts;
- an investment and treasury management policy; and
- a liability management policy.

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 un-audited annual financial statements of ARH (parent). With best endeavours, subject to POAL commercial obligations, ARH will provide to the ARC no later than ten weeks after the end of each financial year its audited consolidated financial statements, and by mid-September each year a full annual report. This will comply with section 68 of the LGA02 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 LGA02 on the:
 - financial statements; and
 - performance targets and other measures by which ARH was judged in relation to its objectives as per the SOI;
- sustainability report; and
- reporting of subsidiary companies performance

Half-year report

Within six weeks after the end of the first six months of each financial year, ARH will provide to the ARC a report of ARH performance against the SOI, commercial and strategic issues associated with its assets, and the un-audited financial statements of ARH (parent). No later than ten weeks after the end of the first six months of each year, ARH will provide to the ARC an un-audited consolidated Half-Year 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; and
- reporting of subsidiary companies performance.

Quarterly report

Within five weeks after the end of the September and March quarters of each financial year ARH will provide to the ARC an un-audited quarterly report that includes:

- 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);
- report year one (1) LTFP gross costs and revenue against actual;
- reporting of subsidiary companies performance;
- report on the progress of key tasks and milestones in the redevelopment of the Wynyard Precinct and how ARH has contributed to the ARC's waterfront objectives;
- report on current administration costs against the ARC approved administration budget; and
- investment performance of each macro asset class, benchmarked against the following:
 - POAL (NZ equity non-listed) – against LTFP assumptions;
 - NZ property – against LTFP assumptions;
 - DFA – against a composite index made up of the market indices that each mandate is monitored against, together with the current composition of the DFA (i.e. types of investments and geographical location); and
 - NZ short-term cash – against 90-day bank bill index.

Additional information

ARH will provide additional information to the ARC (subject to and where permitted by any relevant agreements with third parties) on a confidential basis (subject to statutory requirements and the ARH Rules), so as to ensure that the ARC is informed in a timely manner of significant events which relate to ARH, which may affect the ARC, and in accordance with the 'no surprises' policy.

This includes the provision of sufficient supporting information as reasonably necessary to enable the ARC to make informed comment on ARH's draft SOI and LTFP, and the SCI/SOI's of ARH's subsidiaries. As part of ARH's LTFP consultation process with the ARC, ARH will advise the ARC on its ability to make the distributions in years two (2) to ten (10) of the relevant LTFP period.

ARH will also provide the ARC (on a confidential basis) with an analysis of POAL's performance against its cost of capital, and on POAL's capital structure versus relevant benchmarks. This analysis will be provided to the ARC at the same time as ARH's end of year reporting on its performance and the performance of its subsidiaries.

12. The procedures to be followed before ARH subscribes for, purchases, or otherwise acquires shares in any company or other organisation

Where required by the ARH Rules (sections 3.1 to 3.3), ARH will obtain the prior written approval of the ARC before ARH subscribes for, purchases, or otherwise acquires shares in any company or other organisation.

13. Any activities for which the Board seeks compensation from any local authority (whether or not the local authority has agreed to provide the compensation)

It is not anticipated that ARH will seek compensation from any local authority otherwise than in the context of normal commercial contractual arrangements

14. The Board's estimate of the commercial value of the ARH Group and the manner in which, and the times at which, that value is to be reassessed

The Board's estimated commercial value of the ARH Group as of 31 December 2008 is \$1.1 billion.

This assessment is based on the accounting policies and methods of valuation set out in the un-audited interim financial statements for the six months ended 31 December 2008, as reported to the ARC. The commercial value (and methods of valuation) of the ARH Group will be reassessed and reported to the ARC periodically in ARH's half-year and annual reports.

15. Disputes procedure

If ARH or the ARC identifies any matters of disagreement then both parties will endeavour to discuss and consult on those matters at the earliest opportunity and seek resolution between them



Auckland Regional Council

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COUNCILLORS OFFICE

27 April 2009

Judith Bassett
Chair
Auckland Regional Holdings
PO Box 105 048
Auckland City

**COPY FOR YOUR
INFORMATION**

File Ref 390_02_01

Dear Judith

ARC's comments on draft 2009-12 SOI and draft 2009-19 LTFP

Thank you for forwarding ARH's draft 2009-12 Statement of Intent (SOI) and draft 2009-19 Long Term Funding Plan (LTFP) to the ARC for consultation, as well as ARH's Half Year Report to December 2008 for the ARC's information. The Finance Committee considered these documents at its meeting of 22 April 2009. This letter conveys the Committee's comments on the draft SOI and LTFP.

Comments on ARH's draft 2009-12 Statement of Intent

Section 10 of ARH's draft SOI specifies the distributions that ARH intends to make to the ARC over the next three years. These distributions are not specified in the draft SOI. The ARC's expectation is that ARH would ensure it is able to make the distributions to the ARC for 2009/10 to 2011/12. ARH is requested to include the distributions, as specified in the ARC's final 2009-19 LTCCP, in section 10 of ARH's final SOI.

ARH's draft SOI, in section 9k(ii), states that ARH will actively engage with Ports of Auckland Ltd (POAL) in setting appropriate performance targets in POAL's SCI. The ARC's expectation relates to developing performance measures and benchmarks that measure POAL's profitability, efficiency, and contribution to the regional economy. It is appropriate that ARH engages with POAL to improve the formal SCI performance measures, as the current measures do not adequately cover financial and operational performance, and do not provide an effective basis for accountability of POAL.

In addition to the formal measures in POAL's SCI, ARH is asked to develop a simple set of financial, economic, and environmental measures that gauge whether POAL is a successful business contributing to the Auckland region. I would like to see operational efficiency, profitability, and dividend payout among these performance measures, given the critical role played by POAL in ARH's financial position. I note that POAL's own external reports *Serving New Zealand* and *Working with New Zealand*, contain a large number of measures that show POAL's financial, economic, environmental and operational performance. Many of these would usefully form the basis for measuring POAL's performance.

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ARH's draft SOI contains a number of deliverables for the Wynyard precinct, although the list is not complete as precinct plan 1 is currently undergoing a round of consultation, including consultation with the ARC. ARH is asked to include specific deliverables for Wynyard precinct in its final SOI, once consultation on the precinct plan 1 has been completed.

ARH is requested to include the ARC's objectives for Wynyard precinct as an objective for ARH in the final SOI. That objective is already specified in ARH's draft 2009-19 LTFP, although ARH should note that part of the ARC's objective was amended at this meeting of the Finance Committee, and now reads (with areas of change bolded):

"to enable the creation of a world-class, mixed-use, urban waterfront redevelopment that becomes a visitor destination by delivering high-quality and accessible public spaces and attractions alongside high-quality private works"

Finally, the Committee discussed whether the wording in section 9B(i), relating to "investigate alternative uses for Queens wharf" could be improved. A review of the resolutions on item E 1 *Auckland Waterfront*, from the meeting of the Transport and Urban Development Committee on 12 November 2008, suggests that 'alternative uses' could cover a primary cruise terminal, other shipping (including ferries), limited public access, as well as providing for some existing port operations.

Comments on ARH's draft 2009-19 LTFP

ARH's investment management and distribution policies in this draft LTFP were developed when ARH's financial outlook differed considerably from its current outlook. They include policies of maintaining the real revenue-earning capabilities of ARH's total assets, and making distributions to the ARC only after meeting operating expenses and assuring the long-term revenue-generating capability of ARH's investment base. If applied strictly, these policies would mean that the distributions sought by the ARC would not be paid by ARH. ARH's investment policies also provide for some borrowing by ARH, although the text in ARH's draft LTFP makes clear that ARH no longer deems it appropriate or prudent to utilise planned external debt funding to meet the ARC distribution requirements.

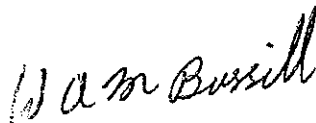
This suggests the need for ARH to reassess its investment and distribution policies in light of the current and forecast financial situation. ARH is asked to address any inconsistencies in the draft 2009-19 LTFP, and to confirm that it will provide the distributions specified in the ARC's 2009-19 LTCCP.

One significant change in this LTFP, compared with previous LTFPs, is ARH's assumption that ground rental payments for the residential properties will be prepaid. Prepaid rental payments improve ARH's medium term financial position, enabling ARH to make the distributions sought by the ARC. However, it will mean that lease receipts in the years beyond the period of this LTFP will be lower. Given the significance of the leasing strategy, ARH is asked to keep the ARC fully informed of its leasing strategy for the Wynyard quarter, and related financial implications.

Finally, ARH is asked to note the amendment to the ARC's objective in relation to the waterfront investment property that was agreed at the meeting, as outlined above. ARH is asked to reflect that amendment in its final LTFP.

I trust you have found these comments useful. I look forward to receiving ARH's final 2009-12 SOI and 2009-19 LTFP.

Yours sincerely



Cr Bill Burrill
Chairman, Finance Committee

Attachment 3



**Auckland Regional
Holdings**

Level 3, 21 Pitt Street
PO Box 105 048
Auckland City
Auckland 1143
Telephone: 09 303 9460
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5 August 2009

Cr Bill Burrill
Chair Finance Committee
Auckland Regional Council
Private Bag 92012
AUCKLAND 1142

Dear Bill

ARH Investment Property Policy – Site 14

Thank you for your letter of 3 August 2009 informing me of the ARC's support for the ARH to be a developer for Site 14. Your letter also communicates your assumption that ARH's specialist management services company, Sea+City Projects Limited, will be ARH's agent in undertaking any development activities on Site 14. Your assumption is correct. To make this very explicit I propose that ARH add the following underlined italicised wording to its final Long-term Funding Plan (LTFP) and Statement of Intent (SOI) which will be made publicly available on ARH's webpage.

The objectives in respect of the waterfront investment property are to:

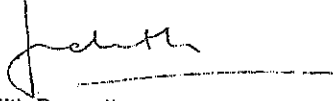
- i) enable the creation of a world-class, mixed-use, urban waterfront redevelopment that becomes a visitor destination by delivering high-quality and accessible public spaces and attractions alongside high-quality private works;*
- ii) give effect to the ARC's and Auckland City Council's Waterfront Vision 2040 statement of principles;*
- iii) adhere to principles of design quality, sustainability, environmental, cultural and social responsibility;*
- iv) while achieving i, ii, and iii, optimise the cash returns from the waterfront investment property and deliver long term value to stakeholders on a commercially-feasible and sustainable basis; and*
- v) operate as a development facilitator and agent landlord rather than as a developer (other than by way of managing the public amenity and infrastructure works to be implemented at the Wynyard Precinct and developing key initial activation sites, Site 14 and potentially Silo 7).*

Where, in the specified example ARH is a developer, ARH possesses within its specialist management services company - Sea+City Projects Limited, the skill sets and competencies to successfully undertake the specific development of Site 14. Sea+City Projects Limited's capability in this area is complemented by its core focus on the large scale project management of Wynyard Precinct where it is undertaking the wider range of property and public amenity and infrastructure activities for both Auckland Regional Holdings and the Auckland City Council.

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At the ARH Board's 27 August 2009 meeting the additional wording will be formally considered. Following approval by the ARH Board, the final LTFP and SOI, as modified to include the additional wording, will be made available on ARH's webpage

Yours sincerely



Judith Bassett
Chair

C ITEMS FOR INFORMATION

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C.1 REPORT FROM CHIEF OPERATING OFFICER C736-F080

Brian Monk, Chief Operating Officer, Corporate Services: 14 August 2009

This report has been written to briefly update the Committee on a range of issues and progress on the committees work programme. Any matters that the committee requires information or action can be reported to the next meeting.

C.1.1 EMERGING ISSUES / IMMINENT ANNOUNCEMENTS

Annual Report 2008/09

Under the Local Government Act 2002 (the Act), each local authority is required to complete and adopt an annual report, containing audited financial statements, within four months of the end of the financial year; and make both the report and an audited summary of the annual report publicly available within one month of adoption. This year's Annual Report summarises achievements and financial information for the fiscal year ending 30 June 2009, year three of the LTCCP 2006-16.

The ARC Annual Report 2008/09 process has commenced and the first Audit visits (April and July) have been completed to review our systems and controls for the process. The internal process is similar to last year and is managed by Diane Ukrainec (Planning and Reporting Project Manager), and Graeme Horne (Group Manager Revenue, Planning and Operations).

A draft document will be presented to the Finance Committee in September, prior to Audit's final visit (21 – 30 September). The final document will go to Council on 14 October for adoption.

The document will once again be structured around the Groups of Activities. A significant difference though is that the document will be produced almost entirely in-house this year. It will be black and white, portrait layout and spiral bound, similar to the LTCCP 2009-19 although less 'designed'. An electronic version will be made available on the ARC website after it has been adopted by Council.

C.1.2 SEA+CITY PROJECTS LTD FINAL 2009-12 STATEMENT OF INTENT

Auckland Regional Holdings (ARH) has forwarded Sea+City Projects Ltd's (SCPL) final 2009-12 Statement of Intent (SOI) to the ARC. This follows consultation with the Finance Committee on 20 May 2009 on SCPL's draft 2009-12 SOI. At that meeting, the Finance Committee resolved that the following comments on the draft SCPL SOI be conveyed to ARH:

- (i) that the final 2009-12 SOI includes specific deliverables, and related performance measures, for the Wynyard precinct redevelopment, so that performance can be assessed against those deliverables;
- (ii) that the final 2009-12 SOI should reflect the objective for the waterfront development that has been agreed by the ARC;
- (iii) that the Ratio of Consolidated Shareholders Funds to Total Net Assets is set at 100%, rather than the proposed 50%, to recognise that Sea+City Projects Ltd is an agent of ARH and would not be undertaking any borrowing.

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ARH has amended its SOI to address (ii) and (iii) above. Regarding the second resolution, the objectives for the redevelopment of Wynyard Quarter have been amended to reflect the ARC's revised objectives, for ARH to operate, through its agent SCPL, as a developer for Site 14 and potentially Silo 7. The Finance Committee had given its support to ARH acting as a developer for Site 14 at its meeting of 22 July 2009. The final SOI includes no specific deliverables for the Wynyard precinct development, as requested in the first resolution.

There is no requirement for the ARC or ARH to seek approval from the Auckland Transition Agency for SCPL's SOI

SCPL's final 2009-12 SOI and the letter from the Chairman of the Finance Committee to the Chair of ARH, outlining the issues raised by the ARC, are attached.

C.1.3 PROGRESS ON REPORT BACKS TO COMMITTEE

Resolution Date	Item	Status
26 Mar 09	Improvements resulting from the Annual Audit of the ARC for the year ended 30 June 2008 and the SAP follow up audit	To be reported to Finance Committee once completed
18 June 08	Proposed Disposal of former Auckland Harbour Land at Fred Thomas Drive Takapuna by North Shore City Council	On Hold pending new Auckland Council

ATTACHMENTS

- Attachment 1 – Sea+City Projects Limited Statement of Intent 1 July 2009 – 30 June 2012.
- Attachment 2 - Letter from Chairman of Finance to Chair of ARH, dated 9 June 2009.

RECOMMENDATIONS

- a) That the report be received.
- b) That the final 2009-12 Statement of Intent of Sea+City Projects Ltd be received.

Attachment 1

Sea+City Projects Limited
Statement of Intent
for the period 1 July 2009 to 30 June 2012

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Sea+City Projects Limited

Statement of Intent

1 July 2009 to 30 June 2012

1. INTRODUCTION

- 1.1. This Statement of Intent (SOI) is for Sea+City Projects Limited (referred to as the "Company").
- 1.2. The Company is 100% owned by Auckland Regional Holdings (referred to as either "ARH" or the "Shareholder"). ARH owns and leases the Auckland waterfront property known as Wynyard Precinct which is part of Wynyard Quarter
- 1.3. This SOI covers the period from 1 July 2009 to 30 June 2012.
- 1.4. This SOI specifies the objectives for the Company, the nature and scope of the activities to be undertaken, the performance targets and other measures by which the Company's performance may be judged in relation to its objectives, and the other contents required in an SOI as set out in clause 9 of Schedule 8 of the Local Government Act 2002 ("the Act")
- 1.5. All decisions relating to the operation of the Company are made by, or pursuant to the authority of, the directors of the Company in accordance with the SOI. The SOI is a public document.
- 1.6. The Board adopts an SOI each year after consultation with the Shareholder. The Shareholder has the right to vary the SOI by resolution, after consulting the Board

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2. NATURE AND SCOPE OF ACTIVITIES

- 2.1. The Company provides property management services and project management / redevelopment services in respect of the Wynyard Precinct on Auckland's waterfront, in accordance with the agreements between the Company and its clients - ARH and/or Auckland City.
- 2.2. The scope of activities carried out by the Company includes:
- (a) acting as ARH's agent in respect of ARH's investment property in the Wynyard Precinct, and day-to-day property management of existing tenancies and leases for existing tenants
 - (b) acting as ARH's agent for the redevelopment of ARH's investment property in the Wynyard Precinct
 - (c) acting as project manager to ARH and Auckland City for the management and implementation of the Public Amenity and Infrastructure Works within the Wynyard Precinct
 - (d) acting as project director to Auckland City for the design and construction of Te Wero Bridge

3. THE BOARD'S APPROACH TO GOVERNANCE OF THE ORGANISATION

3.1. Introduction

The Company has a skilled and experienced Board of Directors, with specialised knowledge and experience in property and lease management, property development, planning, Resource Management Act requirements, local government issues, business, finance, urban design and creative industries. The directors are responsible to the Shareholder for the activities of the Company and achievement of the objectives set out in this SOI.

3.2. Functions

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

The functions of the Board include:

- a) Reviewing and approving annually the business plan and budget for the Company;
- b) Providing specialist recommendation to the ARH Board with regards to the budgets and strategies for ARH's investment property and the Public Amenity and Infrastructure Works matters relating to / within the Wynyard Precinct;
- c) Monitoring financial performance including approval of the annual and half-year financial reports and liaison with the Company's auditors;
- d) Reporting to the Shareholder (refer to Section 8 on pages 10 to 12 of this SOI); and
- e) Ensuring there are effective management processes in place.

The Board will:

- obtain full and timely information necessary to discharge its obligations fully and effectively;
- determine and review the Company's internal policies and delegations;
- monitor the external and internal environment and identify, evaluate and mitigate controllable risk factors;
- ensure the Company remains an effective, focused organisation with core competencies and appropriate systems necessary to carry out its functions;
- undertake appropriate training to ensure directors remain current on how best to perform their duties as directors;
- manage and monitor the performance of the Chief Executive/Project Director; and
- provide leadership in relationships with key stakeholders.

3.3. Commitment

The Board meets monthly and other special meetings are convened as and when required.

The Board of the Company is committed to best practice corporate governance and business ethics.

3.4. Independent Professional Advice

Directors have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense

4. OBJECTIVES

4.1. Principal Objective

In accordance with section 59 of the Local Government Act 2002, the principal objective of the Company is:

- a) To achieve the objectives of its Shareholder as set out in this SOI;
- b) To be a good employer;
- c) To exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates, and by endeavouring to accommodate and encourage these when able to do so; and
- d) To conduct its affairs in accordance with sound business practice

4.2. Achieve Shareholder's Objectives

ARH's objectives for the redevelopment of Wynyard Precinct which the Company should seek to achieve are:

- e) enable the creation of a world-class, mixed-use, urban waterfront redevelopment that becomes a visitor destination by delivering high-quality and accessible public spaces and attractions alongside high-quality private works;
- f) give effect to the ARC's and Auckland City Council's Waterfront Vision 2040 statement of principles;
- g) adhere to principles of design quality, sustainability, environmental, cultural and social responsibility;
- h) while achieving i, ii, and iii, optimise the cash returns from the waterfront investment property and deliver long term value to stakeholders on a commercially-feasible and sustainable basis; and
- i) operate as a development facilitator and agent landlord rather than as a developer (other than by way of managing the public amenity and infrastructure works to be implemented at the Wynyard Precinct and developing key initial activation sites, Site 14 and potentially Silo 7).

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5. PERFORMANCE TARGETS

The Company's performance will be assessed in relation to the objectives set out in Section 4 and its roles and scope of activities as detailed under Section 2. The following key objectives and performance measures reflect the importance of the Company's management services and facilitative functions as agent of ARH.

Objective	Key Performance Measure
1. Conduct its affairs in accordance with sound business practice	<ul style="list-style-type: none"> - Maintains appropriate systems, policies, procedures and delegations and ensures that these are strictly adhered to - Maintains an active risk management approach in the delivery of services to its clients - The Company meets financial targets in accordance with annual business plans and budgets as approved by ARH. - Obtains an unqualified audit report regarding the Company's annual financial statements and Annual Report - Operates in 100% compliance with requirements of: <ul style="list-style-type: none"> - its SOI - its Constitution - Relevant legislation - Relevant agreements
2. Be a good employer	<ul style="list-style-type: none"> - Develops a Human Resources policy appropriate for the level of staff employed and which is consistent with the legal requirement to be a good employer - Achieves a high level of staff retention, and low staff turnover.
3. Manage the land and the existing tenants professionally and in a fair and reasonable manner.	<ul style="list-style-type: none"> - Ensures that leased premises are in fit and proper condition and attends to tenants requests - Assists with issues related to tenants relocation. In particular, assists with progressing the temporary relocation of Sealink within the Wynyard Precinct so that ferry operations to the Great Barrier Island are not disrupted, until a longer term location for Sealink is found by other parties. - Assists, together with other stakeholders, with facilitating the relocation of bulk liquid operators currently located at Wynyard Precinct in a seamless and well managed transition process, to minimise any adverse effects or disruption to regional economic activity - Assists in working with other stakeholders, landholders and leaseholders within the Wynyard Precinct, in facilitating contamination remediation work - Assists in overseeing tenants' remediation activities within the Wynyard Precinct

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Objective	Key Performance Measure
4. Enable the creation of a world-class, mixed-use, urban waterfront redevelopment that becomes a visitor destination by delivering high-quality and accessible public spaces and attractions alongside high-quality private works	<ul style="list-style-type: none"> - Provides management services that maintain active leadership in the master planning process to ensure that redevelopment activities are consistent with the Urban Design Framework as endorsed by ARC and Auckland City. Key evaluation factors include: <ul style="list-style-type: none"> - Actively participating on behalf of ARH in concluding the District Plan and Coastal Plan change processes - Facilitating the delivery of a high quality public space and private development design
5. Give effect to ARC's and Auckland City's Waterfront Vision 2040 statement of principles	<ul style="list-style-type: none"> - Provides management services that drive the public amenity and infrastructure works to be integrated with private works on ARH land to create "high quality and accessible public spaces" Key evaluation factors include: <ul style="list-style-type: none"> - Assists in facilitating the implementation of Public Amenity and Infrastructure Works located in Precinct Plan 1 area (includes Jellicoe Street, Jellicoe Street West, Daldy Street, Wynyard Plaza and Gateway Plaza and the completion of required remedial work on North Wharf) - Completing related tasks as agreed with Auckland City to facilitate an East-West Accessway - Pursuing the intent as recorded in the Framework Agreement by actively seeking a role with ARC / Auckland City for the project management of the design and construction of the Headland Public Space - Assists in facilitating the alignment of transport infrastructure and servicing at the Wynyard Precinct with regional strategy and policy
6. Adhere to principles of design quality, sustainability, environmental, cultural and social responsibility	<ul style="list-style-type: none"> - Include sustainability reporting within the Annual Report for the Company's direct management services activities and assist their clients with their sustainability reporting information needs
7. While achieving 4, 5 and 6, to optimise the cash returns from Wynyard Precinct and deliver long-term value to ARH on a commercially feasible and sustainable basis.	<ul style="list-style-type: none"> - Meets agreed financial targets appropriate for each stage of management of the property and redevelopment

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Objective	Key Performance Measure
8. To operate as a development facilitator and agent landlord rather than as a developer (other than by way of managing the public amenity and infrastructure works to be implemented at the Wynyard Precinct and developing key initial activation sites, Site 14 and potentially Silo 7)	<ul style="list-style-type: none">- Develops and implements a marketing strategy for each of the sites marked for private development- Assists in the selection of developers for the private development of key sites encompassed in Precinct Plan 1- Ensures private developers' proposals are in accordance with the Master Planning Process and Urban Design Framework prior to their appointments, to achieve a high quality delivery and result.- Where ARH is required to act as a developer of any Private Sites, to seek approval from ARH before commencing on any related material workstreams

6. RATIO OF CONSOLIDATED SHAREHOLDER'S FUNDS TO TOTAL ASSETS

6.1. Ratio

The ratio of Consolidated Shareholder's Funds to Total Assets as at 30 June 2008 is 50%

- The Company will ensure for the period of this SOI that the ratio of Consolidated Shareholder's Funds to Total Assets will not be less than 50%.

Notes:

- Consolidated Shareholder's Funds means the sum of the amount of paid up share capital, retained earnings and equity reserves of the company
- Total Assets means the sum of the net book values of property, plant and equipment, investments, intangible assets, and current assets, as disclosed in the company's balance sheet.

7. STATEMENT OF ACCOUNTING POLICIES

7.1. The Company will maintain a 30 June Balance Date

7.2. The Company has adopted accounting policies that are consistent with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other standards issued by the New Zealand Institute of Chartered Accountants

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

7.4. As a subsidiary of ARH, the Company's accounting policies will be consistent with those of the ARH Group. A full statement of ARH's most recent accounting policies can be found in ARH's most recent financial statements on its website: www.arh.co.nz

7.5. The Company's financial statements will record the results of the Company's own operational activities, comprising management of the Wynyard Precinct for and on behalf of ARH and other parties. The financial performance and financial position relating to the Wynyard Precinct properties will be separately reported by ARH and the other parties who own the properties.

8. DISTRIBUTION POLICY

- 8.1. Profit retention and the level of dividend to be paid to the Shareholder will be recommended from year to year by the directors in accordance with results and circumstances prevailing. It is anticipated that no less than 75% of Net Profit after Tax will be returned to the Shareholder as a dividend each year

9. INFORMATION TO THE SHAREHOLDER

9.1. Statutory Information Requirements

Annual Statement of Intent

By 31 December each year the Company will provide the Shareholder with a draft Statement of Intent ('SOI') together with any other information it considers appropriate. The Board will respond to comments from the Shareholder on the draft SOI within three weeks after receipt of those comments and deliver the final SOI to the Shareholder for approval by 30 April each year.

Half Yearly Report

Within six weeks after the end of the first half of each financial year, the Company will deliver to the Shareholder its un-audited Half Yearly Report, including financial statements and performance commentary, together with such other information as the Board considers appropriate. The report will include:

- Income Statement;
- Balance Sheet;
- Cash Flow Statement;
- Statement of Changes in Equity;
- Notes to the Financial Statements; and
- Report on performance against the SOI.

Annual Report

Within six weeks after the end of each financial year, the Company will deliver to the Shareholder its audited Annual Report (prepared in accordance with NZ IFRS and the Financial Reporting Act 1993), including audited financial statements and performance commentary, together with such other information as the Board considers appropriate. The report will include:

- Income Statement;
- Balance Sheet;
- Cash Flow Statement;
- Statement of Changes in Equity;
- Notes to the Financial Statements;
- Report on Performance against the SOI;
- Auditors' Report;
- Sustainability Report; and
- Progress towards the Shareholder's objectives.

9.2. Other Information Requirements

Annual Business Plan

By the last day of February each year the Company will provide to the Shareholder a draft Business Plan and Budget that reflects the draft SOI. By no later than 30 April in each year the Company will deliver to the Shareholder the Company's Business Plan, Budget and Statement of Treasury Management Policies for agreement with the Shareholder by 30 June

Quarterly Reports

Within four weeks after the end of the September and March quarters of each financial year, the Company will deliver to the Shareholder a quarterly report on the preceding quarter, consisting of the following:

- Financial update as at the end of the quarter showing progress against budget
 - Progress against key performance indicators, SOI targets, and sustainable development measures;
 - Commentary on progress on key issues affecting or likely to affect the Company's activities in relation to the Wynyard Precinct; and
 - Any significant events that have arisen in the quarter.
- Within four weeks after the end of the December and June quarters of each financial year, the Company will deliver to the Shareholder a quarterly report on the preceding quarter, consisting of the following:
- Progress against key performance indicators, SOI targets, and sustainable development measures;
 - Commentary on progress on key issues affecting or likely to affect the Company's activities in relation to the Wynyard Precinct; and
 - Any significant events that have arisen in the quarter.

Financial results for the December and June quarters will be incorporated in the Half Yearly Reports and the Annual Reports to be delivered to the Shareholder in accordance with timetables for those reports as stated on page 10 of this SOI.

Within six weeks after the end of each quarter of the financial year, the Company will present to the Shareholder on the performance of the Company as well as progress on key issues affecting or likely to affect the Wynyard Precinct, and any significant events that have arisen

Group Policy

The Company will adopt and comply with any Corporate Governance policy that the Shareholder has resolved as appropriate to be implemented across the group's investments.

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No Surprises Policy

The Company will operate a 'no surprises' policy between itself and ARH with and will ensure that ARH is informed well in advance of anything potentially contentious in the public arena (including anything that might be politically contentious for the ARC) in connection with the Wynyard Precinct or the Company's activities, including without limitation, issues for existing tenancies, and redevelopment issues.

General Disclosure

The Company will provide information to the Shareholder on an ongoing but confidential basis so as to ensure that the Shareholder is informed in a timely manner of significant events which relate to the Company and which may affect the Shareholder or any matter that may affect the Wynyard Precinct.

Sustainability Reporting

The Company will adopt and include in its Annual Report a Sustainability Report, including any information specified by the Shareholder in order to enable the Shareholder to prepare its own sustainability report in respect of its ownership of the Wynyard Precinct property.

10. ACQUISITION OF SHARES IN ANY COMPANY OR OTHER ORGANISATION

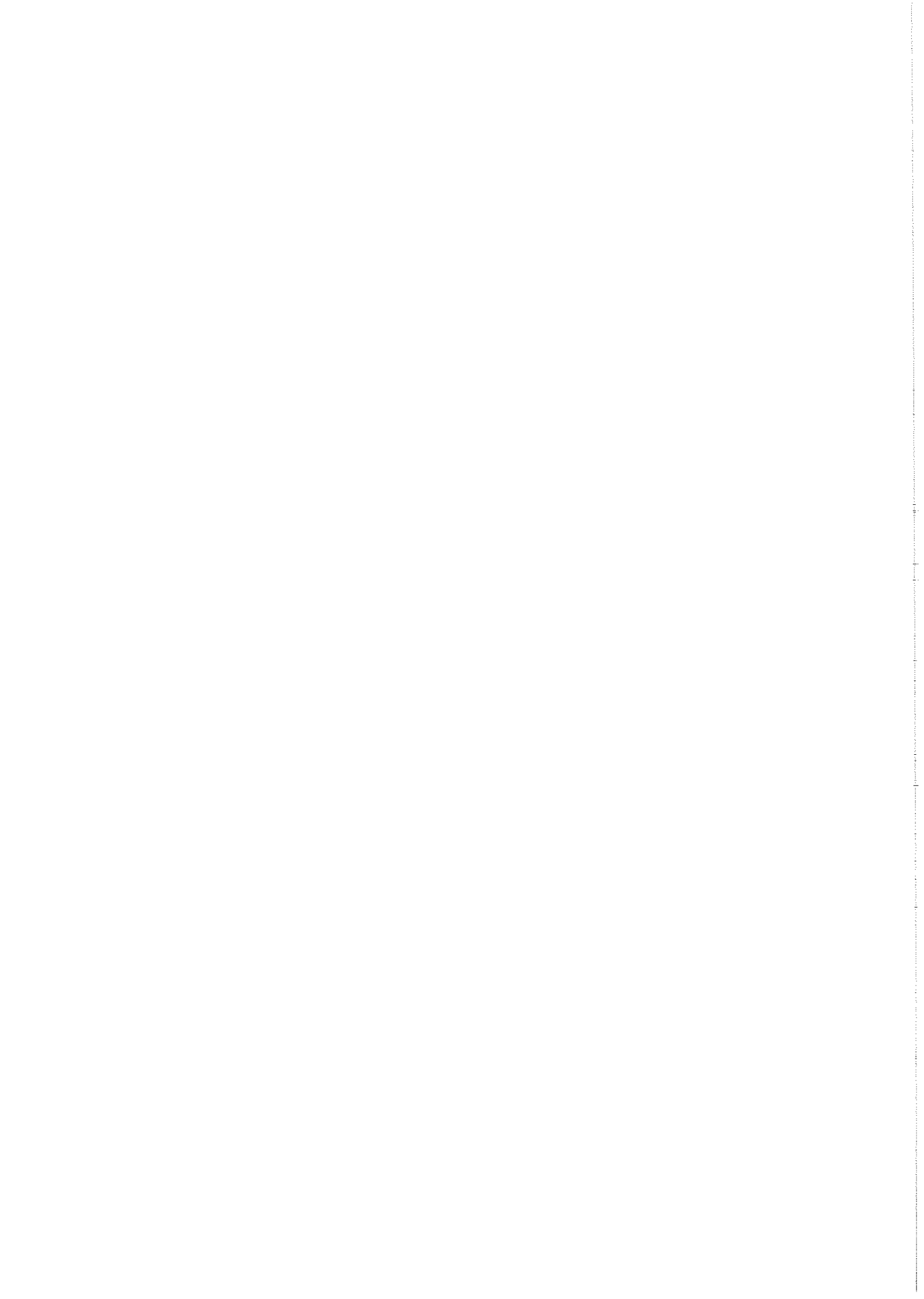
10.1. The Directors may not invest in or divest shares in any company or other organisation without the prior written approval of ARH, and provided the transaction is permitted and carried out in accordance with the Company's constitution and any relevant statutory requirements.

11. ACTIVITIES FOR WHICH THE BOARD SEEKS COMPENSATION FROM ANY LOCAL AUTHORITY

11.1. Currently there are no activities for which the Directors seek compensation from any local authority, other than management services provided to the Auckland City Council and the Auckland Regional Council as disclosed under Section 2.3.

12. ESTIMATE OF THE COMMERCIAL VALUE OF THE COMPANY

12.1. The Directors' assessment of the commercial value of the Shareholder's investment in the Company as at 31 December 2008 was \$384,000.





Auckland Regional Council

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Telephone 09 366 2000 Facsimile 09 366 2115 www.arc.govt.nz

COUNCILLORS OFFICE

9 June 2009

**COPY FOR YOUR
INFORMATION**

File Ref 390_10

Judith Bassett
Chair
Auckland Regional Holdings
PO Box 105 048
Auckland City

Dear Judith

Thank you for consulting the ARC on 20 May 2009 on the draft 2009-12 Statement of Intent (SOI) for Sea+City Projects Ltd (SCPL). This was considered by the Finance Committee at its meeting of 20 May 2009. The Committee resolved that I convey that the following comments to you.

Deliverables and performance measures for the Wynyard precinct redevelopment

ARH is asked to ensure that SCPL's final 2009-12 SOI includes specific deliverables, and related performance measures, for the Wynyard precinct redevelopment, so that performance can be assessed against those deliverables. SCPL is responsible for managing the existing tenancies at Wynyard precinct, as well as the re-development of the area. SCPL's deliverables specified in the draft SOI include:

- assisting with issues relating to tenants' relocation, including the temporary relocation of Sealink within the Wynyard precinct,
- assisting with facilitating the relocation of bulk liquid operators, and
- working with other stakeholders on facilitating contamination remediation work, and overseeing tenants' remediation activities.

Yet the deliverables expected from SCPL are much greater than this. The draft SOI does reference other agreements between ARH and SCPL, although those agreements are not provided to the ARC by ARH.

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Therefore, ARC asks that specific deliverables relating to the redevelopment are included in the SCPL's final SOI, including related performance measures, so that SCPL's performance can be assessed against those deliverables

The objective for the waterfront development

Section 4.2(j) of SCPL's draft SOI, relating to achieving the shareholder's (ARH's) objectives, is still to be finalised. Section 5(8) suggests that ARH, and SCPL as ARH's agent, could act as a developer on private sites. This would be a significant shift away from ARH's planned role of acting only as a facilitator and landlord, and may change the financial profile and risk of the redevelopment. I understand that these aspects of SCPL's SOI are still under discussion between ARH and SCPL.

In the absence of any alternative advice from ARH, it is recommended that SCPL's SOI reflects the objective for the waterfront development that has been agreed by the ARC, as amended by the ARC and advised to you in my letter to you dated 27 April 2009. ARH would need to bring to the ARC the rationale for any change to ARH's role in respect of the redevelopment.

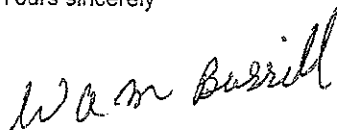
The wording of section 5 Performance targets would also need to be updated to reflect the ARC's agreed objective for the waterfront development.

Ratio of Consolidated Shareholders Funds to Total Net Assets

ARH is asked to ensure that the Ratio of Consolidated Shareholders Funds to Total Net Assets is set at 100%, rather than the proposed 50%, to recognise that SCPL is an agent of ARH and would not be undertaking any borrowing.

Finally, at its meeting on 11 February 2009, when considering a deputation from Mr Cameron Pitches from the Campaign for Better Transport, the Transport and Urban Development Committee resolved "That the ARC champion light rail, including heritage trams, in any public transport options for Wynyard Quarter and Quay Street as part of the area's redevelopment, and take the lead in developing and progressing this initiative". On behalf of the Chair of the Transport and Urban Development Committee, I request that ARH and SCPL consider and advise the Council how it can contribute to the Committee's objective.

Yours sincerely



Cr Bill Burrill
Chair, Finance Committee
Auckland Regional Council

C.2 FMR – YEAR END REPORT JUNE 2009
F080-01-04

Circulated Under Separate Cover

RECOMMENDATION

That the report be received.

C.3 ORGANISATIONAL SUSTAINABILITY C900

Brian Monk, Chief Operating Officer; Graeme Horne, Group Manager Revenue, Planning and Operations; Paul Chambers, Project Leader Sustainability.

The report has been prepared in accordance with the provisions of section 76 and 77 of the Local Government Act 2002, having regard to section 79.

C.3.1 PURPOSE

The purpose of this report is to inform the Finance Committee on the progress of the Organisational Sustainability Programme and to present to the Finance Committee proposed initiatives that are aimed at meeting the work programme targets.

C.3.2 MAIN REPORT

This section of the report provides an overview of the key actions undertaken in accordance with the report presented to the Finance Committee on 20 May 2009.

Communities for Climate Protection

The ARC has been a member of the Communities for Climate Protection (CCP-NZ) programme since 2006 and will remain in the programme for 2009-10. The ARC was awarded Milestone 4 in June 2009.

Table 1: The CCP programme's "Milestone" based performance framework

Milestone	Performance	Status
Milestone 1:	Conduct an inventory and forecast for corporate (council) greenhouse gas emissions.	Inventory complete and verified
Milestone 2:	Establish emissions reduction goals Refer to work programme targets	Completed and verified by CCP.
Milestone 3:	Develop and adopt a local action plan	Milestones 1, 2 and 3 formally awarded to the council on April 2nd 2008 at the CCP (NZ) 2 nd national forum in Hamilton.
Milestone 4:	Implement the local action plan.	Milestone 4 of the CCP Programme awarded in June 2009.
Milestone 5:	Monitor and report on achievements.	The Local Action Plan has been updated for the period 2009-2012 (Refer to Appendix 1). With the funding cuts from MfE, the CCP (NZ) programme of Milestones and the support for the CO ₂ accounting software ended in July 2009. The ARC will continue to monitor and mitigate for CO ₂ in accordance with the LTCCP goals and targets despite the ending of the CCP (NZ) Milestone programme.

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Table 2 – Progress on Local Action Plan

Work Programme	Annual Plan Targets	Progress	Proposed Initiatives
Regional Leadership	To reduce green house gas (GHG) emissions for ARC operations (excluding farming) by 20% (CO ₂ /FTE) by 2009/10 (based on 2005/06 baseline)	ARC GHG emissions (excluding farming) decreased by 13% (CO ₂ /FTE) from the previous financial year	To implement the Carbon Now/Future project plan through the regional response to climate change working group
Refer to Local Action Plan (LAP) (Attachment 1, A 1)		ARC GHG emissions (excluding farming) decreased by 11% (CO ₂ /FTE) based on 2005/06 baseline.	To continue to work collaboratively with councils and central government to deliver integrated sustainable, resilient, and adaptive mitigation responses to climate change
Energy Management	Energy Efficiency	Energy Audit	
Refer to Local Action Plan (LAP) (Attachment 1, A 4)	To reduce energy use at Head Office by 20% (kWh/m ²) by 2009/10 (based on 2005/06 baseline)	A full energy audit of 21 Pitt St was undertaken by Ecosystems on behalf of the Building owners	The recommendations from the energy audit are being explored to identify and assess their financial viability.
		A programme of tenant energy efficiency projects has been investigated.	Investigations are underway to reduce energy usage by connecting the water cylinders and zip water heaters with the DALI smart lighting controls ² This would mean, for example, that water heating would not be 24/7 but would be triggered by occupancy on each floor outside office hours
		An 85.5% energy saving for lighting as a result of the lighting upgrade at Head Office has been achieved	
		Energy use at head office in 2008/09 was at similar levels to the previous financial year. This is due in part to upgrades to the server room UPS's and ventilation of the server room	
		Energy use at head office has increased overall by 4% (KWh/m ²) from the 2005/06 baseline. This is due in part to; upgrades to the server room, construction of the GEOC, the Environmental Services workshop and the Records storage room.	
		Office Equipment	
		Office equipment was identified from the Ecosystem energy	A Power saving tool for computers/ monitors is being tested.

² DALI - Digital Addressable Lighting Interface. It is an international standard lighting control system providing a single interface for all lights and lighting controllers

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		audit as potentially offering large energy savings.	Investigating resetting power down and hibernation for PC's. Investigating the removal of non-critical black and white printers from each floor Meeting Ricoh to look at achieving greater power savings from the floor photocopiers
Resource Efficiency & Waste Minimisation	Waste minimisation	Following a report to the Executive Management Team on waste management, an intranet story was produced informing staff of recycling facilities at the ARC.	Waste audit undertaken on 7 August at Pitt St Ongoing monitoring of recycling will continue. Zero waste initiatives at Mt Smart Stadium are planned in-line with the Rugby World Cup 2011 aspirations towards zero waste at stadia
Refer to Local Action Plan (LAP) (Attachment 1, A.6)			
	Air Travel	Air travel has decreased by 34% in 2008/09 from the previous financial year	To promote the use of video conferencing at 21 Pitt Street rather than employees flying to meetings or conferences
	To decrease air travel emissions by 5% in 2008/09 (from 2007/08)		
	Fleet Efficiency	Fleet fuel efficiency has not changed significantly from the baseline year 2005-06 There was been a small improvement in fleet fuel efficiency in 2008/09	This year the vehicle purchase programme will identify the vehicles that most need replacing first. Whole of life costs associated with the vehicle (including sustainability criteria) will be considered with each purchase
	To improve fleet fuel efficiency by 20% (target 7.3 L/100 km) by 2009/10 (base line year 2005-06)		
	Paper Efficiency	In 2008/09 Copy Centre paper consumption has reduced 22% per FTE from the baseline year 2005-6. ARC and ARTA paper usage was 43.56 kg per FTE for the year	To investigate removing black and white floor printers at 21 Pitt Street To investigate setting photocopiers to default duplex printing
	Reduce paper consumption by 20% by 2009/10 per FTE (base line year 2005-06) through efficient paper use, as well as using cleaner printing practices.		
	Water efficiency	Water usage was 1955 m ³ higher in 2007-08 than for the previous year at 21 Pitt St for the following reasons: Additional services have been added including the additional	Faulty water metres were replaced and a leak at head office underneath the worm farm has been fixed. The toilet cisterns have been replaced throughout the building at Pitt Street. Each flush has been reduced from 9

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		air conditioners and Environmental Services washing facilities.	litres to 4.5 litres, which should result in future savings.
		Water usage was high in December and January. This is largely attributed to cleaning the fountain and cooling towers, sprinkler flow tests and the higher temperatures which resulted in an increase in water consumption to cope with an additional air conditioning load.	
ARC Travel Plan	To implement a travel plan - a customised package of measures for the ARC promoting alternative travel choices and reducing reliance on single occupancy vehicle use.	Survey information	We are working with ARTA to encourage those staff that make single occupant car trips to car pool, use public transport, walk or cycle
Refer to Local Action Plan (LAP) (Attachment 1, A.5)		The ARC conducted a staff travel survey in June 2009.	Car pooling initiatives are underway following the survey in June 2009.
		The survey had a 52% response rate from staff. The results produced a positive picture of how ARC staff travel to work; 49% use public transport, walk or cycle every day, with 25% driving alone and 9% driving with a passenger. The CO ₂ emissions from staff driving to work are estimated to be 190 tonnes per year.	Promotion of Auckland's Carpool Day on Wednesday 5 August.
		This compares favourably with the Auckland average of 65% driving to work.	A new cycle stand will be installed at 21 Pitt Street in 2009.
Agriculture	Investigate opportunities to reduce GHG emissions from ARC's farming activities	Regional Parks Management Plan	A Parks sustainability steering group has been formed to implement the work programme identified by the sustainability stock take and RPMP. The programme is designed to assist Parks in delivering its sustainability commitments in the RPMP and LTCCP.
Refer to Local Action Plan (LAP) (Attachment 1, A.2)	Benchmark the GHG profile of ARC farms (i.e. CO ₂ per 100 ha) against best practice	A stocktake of all current and planned sustainability initiatives was undertaken as a part of the review of the Regional Parks Management Plan (RPMP).	

C.3.3 FINANCIAL IMPLICATIONS

There are no financial implications.

C.3.4 CONSULTATION

Consultation has taken place with Policy and Planning on the CCP (NZ) programme.

C.3.5 LEGAL IMPLICATIONS

There are no legal implications


ATTACHMENT

Attachment 1: Local Action Plan

RECOMMENDATION

That the report be received.

ORGANISATIONAL SUSTAINABILITY ACTION PLAN

 Shaded areas to be completed between 2009 -2012 and reported in each year's Annual Report

Objective	Work Programme	Timeline			Employee
		09/10	10/11	11/12	
A1. Regional Leadership	Action				Owner
To work collaboratively with councils and central government to deliver responses to climate change that are: integrated; sustainable; resilient; adaptive; mitigating	Implement the Carbon Now/Future programme: Achieve significant, demonstrable and quantifiable reductions in greenhouse gas emissions. Work with key stakeholders to elicit action to mitigate and adapt to the potential effects of climate change. Identify mechanisms to build critical mass and regional consistency of approach in the priority areas (e.g. sustainable energy management) and sectors (e.g. community emissions).				Senior Policy Advisor- Climate Change/Project Leader Sustainability
To work collaboratively with councils and central government to minimise the actual or potential environmental impacts caused by the staging of the Rugby World Cup	Energy, waste and resource efficiency feasibility studies for the stadia, live sites, festival sites and cruise ship terminal. Implement sustainable procurement guidelines.				Senior Policy Advisor- Climate Change/Project Leader Sustainability
A2. Agriculture	Action				Owner
Investigate opportunities to reduce GHG emissions from ARC's farming activities	Establish Sustainable the Farming Programme in conjunction with the Parks Sustainability Steering Group.				Farming Manager/ Parks Operations Manager
To benchmark the GHG profile of ARC farms (i.e. CO ₂ per 100 ha) against best practice	Conduct annual monitoring and reporting of ghg emissions from each individual farm.				Farming Manager
	Identify opportunities in sustainable management and demonstrate sustainable farming practices.				Farming Manager /Parks Operations Manager
A3. Green House Gas Mitigation	Action				Owner
To quantify co-benefits of Parks-based programmes in terms of their contribution to carbon mitigation	Investigate research project opportunities with research institutions.				Project Leader Sustainability
To mitigate residual greenhouse gas emissions	Investigate the feasibility and practical methods to offset the GHG impact of ARC operations.				Parks Operations Manager
A4. Building and Energy Management	Action				Owner
To improve energy use and efficiency across ARC assets and operations	Implement a corporate energy management programme.				Project Leader Sustainability
	Undertake energy audit across the ARC.				Project Leader Sustainability
	Implement energy use efficiency across the ARC.				Parks/Parks Operations

					Manager
	Investigate and implement Utility Services software.				Project Leader Sustainability
A5. Travel and transport	Action	09/10	10/11	11/12	Owner
Fleet procurement and management	Drive improvement on fleet management by Operations.				Corporate Services
Staff Travel	Develop and Implement staff travel plan.				Project Leader Sustainability
	Investigate a good driver education programme.				Corporate Services
Fuel switching e.g. biodiesel, ethanol	Investigate opportunities to trial biodiesel on Regional Parks vehicles.				Parks
A6. Resource Efficiency & Waste Minimisation	Action	09/10	10/11	11/12	Owner
Waste minimisation	Implement zero waste at all ARC events.				Project Leader Sustainability
	Work towards achieving “zero waste” at match venues through waste minimisation programmes initiatives trialed at Mt. Smart stadium.				Project Leader Sustainability/ Parks
	Expand campsite waste collection/recycling bins across the Parks network.				Parks
Water and waste water management	Investigate water harvesting across Parks.				Project Leader Sustainability/ Parks
	Integrate the upgrading of water/wastewater management systems in ongoing CAPEX programme.				Regulatory Services/ Parks
A7. Procurement	Action	09/10	10/11	11/12	Owner
Sustainable Procurement	Implement sustainable procurement policy and practices.				Corporate Services
A8. Awareness and Understanding	Action	09/10	10/11	11/12	Owner
Improving awareness and understanding	Develop and implement effective internal and external methods communication to raise awareness and understanding about sustainability and climate change.				Project Leader Sustainability

D ADMINISTRATIVE ITEMS

D.1 PROCEDURAL MOTION TO EXCLUDE THE PUBLIC

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D.1 PROCEDURAL MOTION TO EXCLUDE THE PUBLIC

RECOMMENDATION

That, pursuant to the provisions of Section 48(1)(a) of the Local Government Official Information & Meetings Act 1987, the public be excluded from the following proceedings of this meeting; the subject matter, the reasons and specific grounds for exclusions are set below:

E.1:	ARH's Final 2009-19 Long Term Funding Plan
Reason:	Commercial Position
Grounds:	Withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information - Section 7(2)(b)(ii) of the Act
Specifics:	This report contains information relating to commercial activities.

E.2:	Ports of Auckland Ltd Draft Statement of Corporate Intent
Reason:	Commercial Position
Grounds:	Withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information - Section 7(2)(b)(ii) of the Act
Specifics:	This report contains information relating to commercial activities