

QLDC Council**23 June 2017****Report for Agenda Item: 3*****Department:*****Finance and Regulatory****Statement of Intent, Queenstown Airport Corporation 2017/18****Purpose**

To receive the Statement of Intent for Queenstown Airport Corporation (QAC) for the 2017/18 year in accordance with sections 64 and 65 of the Local Government Act 2002

Recommendation

That the Council:

- a. ***Receive the Statement of Intent for 2017/18 for the Queenstown Airport Corporation.***

Prepared by:



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Chief Financial Officer

9/06/2017

Reviewed and Authorised by:



Mike Theelen
Chief Executive

9/06/2017

Background

- 1 The QAC is a Council Controlled Trading Organisation (CCTO) as per Section 6 of the Local Government Act 2002 (the Act).
- 2 Section 64 of the Act requires all CCOs to have a Statement of Intent.
- 3 The Draft Statement of Intent for 2017/18 must be delivered to the shareholder (Council) before 1 March 2017. This was considered by the Council at the 9 March 2017 meeting.
- 4 QAC must consider any comments that are made by Council on the draft Statement of Intent within 2 months i.e. before 30 April 2017.
- 5 The completed Statement of Intent must be delivered to Council by 30 June 2017.

Comment

6. Section 6 of the Local Government Act 2002 (the Act) creates the following types of organisations for which Councils have governance responsibilities:
 - Council Organisations (CO) - organisations in which one or more local authorities controls any proportion of the voting rights or rights to appoint directors;
 - Council Controlled Organisations (CCO) – Council organisations in which one or more local authorities control 50% or more of the voting rights or have the rights to appoint 50% or more of the directors;
 - Council Controlled Trading Organisations (CCTO) - Council Controlled organisations which operate a trading undertaking with the intent of making a profit.
7. The QAC is a Council Controlled Trading Organisations (CCTO) as per Section 6 of the Local Government Act 2002 (the Act). Section 64 of the Act requires all CCOs to have a Statement of Intent (SOI).
8. Schedule 8 of the Act contains the process for adoption of the SOI, which is:
 - Draft SOI to be delivered to Council before 1 March each year
 - CCO must consider any comments on the SOI that are made by Council within 2 months i.e. before 30 April
 - Completed SOI delivered to Council by 30 June.
 - Council can, by resolution, compel the Board to amend the SOI by omitting or including any of the following:
 - Objectives
 - Statements of the Boards approach to governance
 - Nature and scope of activities to be undertaken
 - Ratio of shareholders funds to total assets
 - Accounting Policies
 - Performance targets and measures by which the CCO will be judged
 - Estimates of the amount or proportion of Accumulated profits or Reserves that may be distributed
 - Kind of information to be provided to Council, including the content of the six monthly report
 - Procedures to follow for the CCO to purchase shares in any other venture

Financial Implications

9. There are no budget or cost implications resulting from the decision.

Local Government Act 2002 Purpose Provisions

10. The Queenstown Airport is a key infrastructure asset for the district. As such, the Council's consideration of its Statement of Intent is appropriate and within the ambit of section 10 which requires Councils to meet the current and future needs of communities for good-quality local infrastructure in the most cost-effective way for households and businesses.

Consultation

11. The report provides a basis for communication between the company and the shareholder, and as such no wider consultation is required.

Queenstown Airport Corporation Statement of Intent

12. The Statement of Intent is one of QAC's key strategic documents. The content forms a summary of its 10-year Strategic Plan and its annual Operating Plan.

13. As noted in the covering report submitted with the draft Statement of Intent in March, more detailed timing and measures for specific projects and three years of financial forecasts have been updated in the final Statement of Intent. This follows the finalisation of Queenstown Airport's Master Plan which was recently signed off by its Board of Directors.

14. Changes from the February draft are as follows (page references are the tracked revisions version):

- Page 3: References to Wanaka Airport more fully describing the nature of activities at the airport – drafted by QLDC;
- Page 5: Further insight into our transport strategy and our role in assisting QLDC in solving transport challenges – requested by QLDC;
- Page 5: An update on the Wanaka governance process;
- Pages 8-17: Minor updates to initiatives, performance targets and timing arising primarily from the new Master Plan options;
- Page 19: Changes to financial forecasts driven by the Master Plan options (these changes were flagged in the footnote in the February draft):
 - Revenues grow faster than previously forecast due to improved aero pricing and commercial returns;
 - Net Profit After Tax grows more consistently over FY18 to FY20 but is weaker than previously forecast as we invest in Master Plan strategies including noise and land planning;
 - Capital Expenditure is higher primarily due to planned land investments and terminal capacity expansion;
 - Dividends are higher than previously forecast due to a proposed new dividend policy (assuming 60% of normalised NPAT);
 - Consistent with the draft SOI, any new governance arrangement at Wanaka is excluded from this forecast.

15. The tracked changes version of the final Statement of Intent is provided to provide clarity on what has changed.

Attachments

A Queenstown Airport Corporation Statement of Intent 2017-18 (Final).