

**QLDC Council
23 March 2018****Report for Agenda Item 2****Department: Finance and Regulatory****Draft Statement of Intent, Queenstown Airport Corporation 2018/19****Purpose**

- 1 To receive and consider the draft Statement of Intent for Queenstown Airport Corporation (QAC) for the 2018/19 year in accordance with sections 64 and 65 of the Local Government Act 2002

Recommendation

- 2 That the Council:
 1. **Receive** the Draft Statement of Intent for 2018/19 for the Queenstown Airport Corporation and make any comments on the draft Statement of Intent be made to the QAC board by 30 April 2018.

Prepared by:



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GM Finance & Regulatory
8 March 2018

Reviewed and Authorised by:



Mike Theelen
Chief Executive
8 March 2018

Background

- 3 The QAC is a Council Controlled Trading Organisation (CCTO) as per Section 6 of the Local Government Act 2002 (the Act).
- 4 Section 64 of the Act requires all CCOs to have a Statement of Intent.
- 5 The Draft Statement of Intent for 2018/19 must be delivered to the shareholder (Council) before 1 March 2018.
- 6 The draft SOI proposes the adoption of a revised dividend policy for the QAC (see attachment B). It is proposed that a workshop is arranged within the next month so that councillors may engage with QAC regarding the draft SOI. QAC must consider any comments that are made by Council on the draft Statement of Intent within 2 months i.e. before 30 April 2018.
- 7 The completed Statement of Intent must be delivered to Council by 30 June 2018.

Comment

8 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.

9 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).

10 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

11 The draft SOI proposes the adoption of a revised dividend policy for the QAC. The attached paper (Attachment B) from Mark Edghill provides the background to the proposed change. It is essentially driven by the need to provide more flexibility to the board in regard to the dividend process and to bring QAC into line with corporate best practice in New Zealand.

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

Local Government Act 2002 Purpose Provisions

13 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

14 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

15 The draft SOI submitted by QAC to Council on 23 March should be treated as a draft. The final version of the SOI will be submitted to Council by no later than 30 June 2018.

Attachments

- A Queenstown Airport Corporation Statement of Intent (Draft)
- B Proposed Queenstown Airport Corporation Dividend Policy