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8 February 2022

PAPA RERERANGI I PUKETAPU LIMITED STATEMENT OF EXPECTATIONS

As part of the process of establishing the Statement of Intent (SOI) each year the Council issues a Statement of Expectations (SOE) to Council Controlled Organisations (CCOs).

This Papa Rererangi i Puketapu Ltd (PRIP) SOE has been developed in a collaboration with PRIP to guide their strategic direction and set out the expectations to be addressed in their 2022/23 SOI.

This SOE has been developed in accordance with the Local Government Act 2002 (LGA) Section 64b including:

- Specifying how the CCO is to conduct its relationship with New Plymouth District Council (NPDC, the Council) and the wider district including our local Iwi and Hapū and other Māori organisations; and
- Requiring the CCO to act consistently with the statutory obligations of the Council and the Council's obligations pursuant to agreements with third parties.

Expectations Specific to PRIP

- 1 *Airport Terminal:*
 - The Council approved the new terminal development based on the information presented in the business case to the project on 4 April 2017.
 - A project a post-project review, including a "Benefits Realisation" report, was due to be presented to the CCOs Committee within 12 months of project completion.
 - Due to the uncertainty of when passenger numbers will return to pre-COVID levels (i.e. 450,000), the project report already presented will suffice at this time. This will be revisited during the next SOE
- 2 *Capital Projects:* The Council expects that the Board will have in place appropriate controls to ensure that capital projects are appropriately managed and delivered within time and on budget.
- 3 *Agreements:* There are various agreements (Service Level Agreement, Loan Facility, General Security Deed and Lease of Airport Land Deed) between the Council and PRIP regarding the on-going operation of the airport. The Council expects that PRIP will abide by these agreements in good faith and report any breaches of these agreements to council officers on a timely basis.
- 4 *Civil Aviation Requirements:* As holder of the Airport Operations Certificate (AOC), the Council is responsible for meeting aviation health and safety obligations under

the Civil Aviation Authority (CAA) Rules part 139. This requirement is managed by PRIP on a day to day basis, on behalf of the Council. PRIP will keep council officers informed, at all times, of any changes in the status of these obligations.

5 *Updated quarterly cashflow forecasts:* When PRIP require funds from Council to be advanced for capital projects, they are to provide council officers with an updated quarterly cash flow forecast including their future borrowing requirements.

6 *Loan facilities:*

- On 30 June 2020 the Council resolved that \$22 million of debt owed to the Council by PRIP be converted to equity. It is not expected that PRIP will be a position to pay dividends during the period of this SOI. If this changes, PRIP must inform Council and seek clarification on the best option for these funds, such as paying dividends, reducing the loan balance or investing in other activities.
- Given that the terminal project is completed, the current loan facilities should be reviewed, including any potential opportunities for diversification. Council will consider the loan facilities options at a future meeting.

7 *Diversification:*

- PRIP is to consider all opportunities to grow and/or diversify its sources of income. This is to reduce the impact of flight disruptions on the organisation.
- Opportunities for diversification will be greatly influenced by future decisions made by Council related to loan facilities including, level of capital available, rules on drawdowns, purposes and return-on-investment required.
- Recruitment is underway for an additional PRIP board member. This person is required to have experience to assist with business diversification.

8 *Accounting*

- Council officers must continue to be provided access to PRIP's accounting software (currently Xero) and any other documentation or information required for the officers to fulfil their financial accounting duties.
- PRIP are expected to co-operate in the company's financial audit and in resolving any audit issues raised in the "Report to the Board on the audit".
- The signed audit opinion and audit management report will be presented to the CCOs Committee (or any other appropriate committee) after it has been reviewed by the PRIP Board. Council expect the audit opinion to be unqualified.

- PRIP are expected to answer reasonable queries on their financial performance as and when requested by council officers or councillors via the shareholders representative or at briefings.
- PRIP are expected to provide Council Officers with a trial balance every quarter for September, December, March and June.

General Expectations

- 1 *Draft SOI:* All CCOs must provide a draft SOI to council officers by 1 March each year. The draft SOI will be considered by the CCOs Committee meeting on 13 April 2022. Feedback will be provided at that meeting and the final SOI is to be provided to council officers by 30 June.
- 2 *Reporting:*
 - A quarterly report will be provided to the CCOs Committee within two months of the end of each quarter. The Board approved Annual Report will be provided to the CCOs Committee within three months of year end. All reports will be made publicly available within one month of being received.
 - The half-yearly and end-of-year reports must be detailed and include updates on all measures and activities (where applicable). The quarter one and three reports may be less detailed dashboard style reports.
- 3 *CCO Committee Meetings:* The board Chair or in their absence a board member, must attend CCO Committee meetings to present quarterly updates. The Chief Executive and/or management should attend to answer questions for clarification.
- 4 *CCO Committee Briefings:* Briefings should be led by the Chair or in their absence a board member. Management should attend to answer questions and present any detailed information.
- 5 *“No Surprises” Policy:* It is expected that you will maintain a “no surprises” policy and inform council officers well in advance of any material or significant events, transactions or other issues that would be considered contentious or attract wide public interest.
- 6 *Sensitive Expenditure:* While noting that CCOs operate in a different market than the Council, they need to be cognizant of the fact that they are operating in a public environment and should be aware of the Council’s sensitive expenditure policy.
- 7 *Sustainability/Climate change:* NPDC has adopted a strategic goal “Sustainability: Nurturing our environment, mitigating our impact and adapting to climate change” and also a Climate Action Framework. CCOs must be aware of these and assist in the achievement of them where and when appropriate. This should be reported on in the half-yearly and end-of-year reports.

- 8 *Relationship with NPDC:* To ensure strong communications and alignment between the Council and its CCOs an advisor will attend, as an observer, all Board meetings. This is currently the Deputy Chief Executive.
- 9 *Relationship with New Plymouth District Community:* Council expects that PRIP's decisions are for the benefit of the District.
- 10 *Relationship with Iwi, Hapū and other Māori organisations:* The Council expects the PRIP Board and Airport Company to drive and maintain a strong partnership with mana whenua. This includes discussions with Puketapu Hapū at any time it is considered appropriate and at all times when future decisions will impact local Iwi and Hapū.
- 11 *Obligations:* PRIP must always act in a manner consistent with the statutory obligations of NPDC and also those pursuant to agreements with third parties (including Iwi, Hapū, or other Māori organisations).

Yours faithfully

Richard Jordan
CHAIRPERSON CCO'S COMMITTEE