

2 November 2020



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).

Papa Rererangi i Puketapu Ltd's (PRIP) SOE should guide PRIP's strategic direction and set out the expectations to be addressed in their 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 *New Airport Terminal:* The Council approved the new terminal development on the basis of the information presented in the business case to the project on 4 April 2017. At the completion of the project a post-project review was due to be undertaken. This included a "Benefits Realisation" report to be presented to the CCOs Committee within 12 months of project completion. However, due to impact on the Airport from COVID-19, this report has been delayed to be presented to the Finance Audit and Risk Committee in 2021 when the operations of the Airport are likely to return to a pre-COVID normality.
- 2 *Major Projects:* The Council expects that the Board will have in place appropriate controls to ensure that major 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 *Dividends:* On 30 June 2020 the Council resolved that \$22 million of debt owed to the Council by PRIP be converted to equity with the expectation that the amounts will be paid back in the form of dividends. Thus, PRIP are expected to pay dividends to Council from July 2024 given the expected cash surplus.
- 7 **Accounting**
- From 1 March 2019 PRIP outsourced their accounting services to a local Accounting Firm. For reporting, efficiency and transparency purposes, the financial accounting services are to be provided by council officers from 1 July 2021. This includes providing budgets for PRIP's SOI, preparing annual and interim financial statements, reconciliations and providing financials for PRIP's quarterly reports.
 - Prior to the transition of accounting services on 1 July 2021, council officers must be provided access to PRIP's accounting software (currently Xero) and any other documentation or information required for the officer's to fulfil their financial accounting duties.
 - PRIP are expected to co-operate in the company's financial audit and in resolving all audit issues raised in the "Report to the Board on the audit" (including those issued in 2018/19 and 2019/20).
 - The signed audit opinion and audit management report will be presented to the scheduled CCOs Committee on 14 December 2021 after it has been reviewed by the PRIP Board. Council expect the audit opinion to be unqualified.
 - PRIP are expected to answer queries on their financial performance as and when requested by council officers or councillors.
 - Until the financial accounting services are transferred to Council, PRIP are expected to provide Council Officers with a trial balance every quarter for September, December, March and June.

General Expectations

- 8 *Draft SOI:* All CCOs are expected to provide a draft SOI to council officers by 1 March each year. The draft SOI will be considered by the CCOs Committee Meeting at their meeting of 31 March 2021. Feedback will be provided at that meeting and the final SOI is to be provided to council officers by 30 June.
- 9 *Reporting:* A quarterly report will be provided to the CCOs Committee within two months of the end of each quarter. A half-yearly report will be provided to the

CCOs Committee within two months of the end of the first half of the financial year. 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.

- 10 *"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.
- 11 *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.
- 12 *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.
- 13 *Relationship with New Plymouth District Community:* Council expects that PRIP's decisions are for the benefit of the District.
- 14 *Relationship with Iwi, Hapū and other Māori organisations:* The Council expects ongoing consultation with Puketapu Hapū at any time it is considered appropriate and at all times when future decisions will impact local Iwi and Hapū.
- 15 *Obligations:* PRIP must act at all times 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

