

QLDC Council
12 December 2019

Report for Agenda Item | Rīpoata moto e Rāraki take: 1

Department: Finance, Legal & Regulatory

Title | Taitara Queenstown Airport Corporation Statement of Intent Process

PURPOSE OF THE REPORT | TE TAKE MŌ TE PŪRONGO

The purpose of this report is to approve a new process for agreeing the QAC 2020/22 Statement of Intent (SOI) and to comply with legal advice to agree a SOI for Queenstown Airport Corporation (QAC) for the 2019/20 year (on the express basis that work will commence immediately to prepare the new SOI).

RECOMMENDATION | NGĀ TŪTOHUNGA

That Council:

1. **Agree** that Council establishes a QAC QLDC Steering Group to comprise the Mayor; three Councillors (to be named); the QAC Chair; three QAC Directors (to be confirmed by QAC); and the QLDC and QAC Chief Executives;
2. **Receive** the modified Statement of Intent (as approved by the QAC on 20 August 2019) for 2020 - 2022 for the Queenstown Airport Corporation (Attachment B);
3. **Confirm** the Joint Position Statement between Queenstown Lakes District Council and Queenstown Airport Corporation, signed by the Mayor and Chair of QAC and dated 6 December 2019.
4. **Agree** the Statement of Intent dated 20 August 2019 in accordance with section 65 of the Local Government Act 2002 for the express purpose of closing out the process and enabling Council to commence work on the new SOI 2020/22;
5. **Direct** the Chief Executive to convene urgently the approved steering committee to commence agreeing on a new SOI 2020/22.

Prepared by:



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29/11/2019

Reviewed and Authorised by:



Mike Theelen
Chief Executive Officer
29/11/2019

- 1 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 (SOI) that complies with the requirements of Schedule 8.
- 3 Council is now in the process of preparing for the new SOI document for 2020/22. This paper outlines the proposed process to get there including agreeing the SOI for 2019/21.
- 4 As a result of discussion with Councillors in workshops and following on from the SOI process for 2019/21, in general and informally, the majority of Council wanted to see the SOI simplified, the objectives to be made clearer, assumptions around growth tempered, the reference to Climate Change strengthened, better clarity regarding Wānaka Airport intent, the need to reflect the outputs from the two assessments, the potential to establish a steering group with the QAC and finally, the need to shift the focus from the SOI to the Spatial Plan and Master Planning.
- 5 This paper promotes the establishment of a steering group to consist of three elected members and three QAC directors (including the Mayor and the Chair) and the two Chief Executives to further workshop the SOI. Meetings will also be attended by executive staff in support including the GM Regulatory and Finance and the QLDC and QAC General Managers Corporate.
- 6 The steering group will meet as required to workshop through outstanding issues around the SOI prior to 1 March 2020. In respect of the SOI process, at this stage it is proposed that the steering group will convene at the following key stages:
 - a. In advance of the preparation of a statement of expectations to workshop key issues of focus for the 2020/22 SOI.
 - b. On receipt of the draft SOI from QAC before it is workshopped with the full Council to ensure alignment with the statement of expectations and incorporate any outcomes from the social impact assessment, economic impact assessment and the spatial plan work.
 - c. If required, on receipt of the final SOI.
- 7 It is likely that staff will engage with the steering group on an informal basis many times throughout the drafting phases to seek the necessary direction.
- 8 The steering group will not have any authority to bind the Council. Rather, its purpose will be to represent the view of the broader Council in interactions with staff and the Board and executive of QAC to ensure that there is an open and transparent approach to preparation of the next SOI.
- 9 Part of the work of the steering group, along with staff, will be to ensure that the SOI reflects the new provisions in the Local Government Act. The Act was amended in October

2019 and a number of changes have been made to the provisions relating to Council Controlled Organisations. While the process for completing an SOI largely remains unchanged the requirements for the content of SOI's are a lot more focused than previously. A CCTO is now directed to include information regarding the objectives of the company, the approach to governance of the company and the nature and scope of activities to be undertaken by QAC along with the financial information that is already included. The act also now includes a purpose for the SOI document which is to:

- a. State publicly the activities and intentions of the CCO for the year and the objectives to which those activities will contribute;
- b. Provide an opportunity for shareholders to influence the direction of the organisation; and
- c. Provide a basis for the accountability for the directors to their shareholders for the performance of the organisation.

10 In addition to the above, the new legislation gives Council the ability to require QAC to prepare additional plans (similar to those prepared by QLDC itself) and provides a statutory basis for issuing a statement of expectations (which QLDC has previously done in its letter from the CEO). The steering group will likely need to consider whether it is appropriate for Council to require any additional plans from QAC in accordance with the new section 64A.

11 The next SOI will be prepared in accordance with the new provisions and will likely take a different form to previous SOIs. It may be useful for the steering group to suggest an appropriate format for the next SOI so that they can be certain it will address all of the issues that are important to the shareholders.

12 In order to ensure the process outline above is efficient and effective, there remains the matter of the 2019/21 SOI which has not been agreed by Council. This report also proposes a recommended course of action for this.

13 QAC delivered a draft Statement of Intent for 2019/21 to its Shareholders and the SOI was received by the Council at the 7 March 2019 meeting. At a subsequent workshop, Councillors considered the SOI and feedback was provided to QAC.

14 QAC was required to consider the feedback provided and deliver a completed SOI to the shareholders by 30 June 2019. A completed SOI was delivered to the shareholders.

15 At its meeting of 27 June 2019 Council was asked to receive the completed SOI for 2019/21 to ensure that QAC could meet its obligation under the Act, noting that the SOI can be modified once received.

16 The Council resolved the following on the 27 June 2019:

- 1. Receive the Statement of Intent for 2020/22 for the Queenstown Airport Corporation subject to:**

- a. **The Council drawing to QAC’s attention that it remains concerned at the content of the Statement of Intent that addresses the future development of Queenstown and Wānaka Airports, notwithstanding the current masterplan processes underway; and**
 - b. **The Council seeking further discussions between QAC and Council to seek further changes to the 2020/22 Statement of Intent to better reflect its and the community’s concerns and expected directions.**
- 17 Following the meeting of the 27 June 2019, as directed, QLDC Chief Executive Mike Theelen commenced engagement with the QAC to recommend modifications to the SOI. Councillors were invited to workshop with the QAC to comment on the modifications. At this workshop, the Councillors had an opportunity to voice their views again, on behalf of the community, to QAC.
- 18 Further to this, and in response to community concerns raised in regard to the future development of the district’s two airports, Mayor Jim Boulton delivered a statement at the Council Meeting of 8 August 2019 (this is reflected in the minutes adopted on 12 September 2019).
- 19 The statement confirmed the following work would be undertaken:
 - Alignment of airports demand forecasts with growth forecasts developed for the district-wide Spatial Plan being developed in conjunction with Central Government.
 - Economic Impact Assessment in relation to the economic effect of the airports and their contribution to the economic wellbeing of the district and region.
 - Social Impact Assessments to understand the social impact of further development of the airports in the context of social licence.
- 20 The assessments are being independently undertaken by Martin Jenkins.
- 21 A modified SOI, taking into account the Council’s feedback, was considered by the QAC Board on 20 August 2019 and the amended version is now before the Council for receipt and its agreement. Both the original SOI and the amended version are attached.
- 22 On 26 August 2019 the Council did not agree the amended August SOI but agreed:

That the Council note the undertaking that until such time as an Economic Impact Assessment, Social Impact Assessment and QAC Sustainability Review have been undertaken, Council will not consider or accept a change to Queenstown Airport Air Noise Boundaries OR the development of commercial services at Wānaka Airport.
- 23 If Council does not agree an SOI it must take all practicable steps to require amendments to the SOI. The advice received from Meredith Connell in September 2019 confirmed that this was the next step for Council. However, it noted that determining what is practicable, and what timing is practicable depended on the scope of the proposed modifications. It recommended that Councillors needed to reach a consensus on their views and then consider the steps necessary to make the modifications.

- 24 In the intervening period, the legislation has changed and any modifications made to the SOI will need to be consistent with the Local Government Act as amended.
- 25 A decision not to agree an SOI for 2019/21 will also mean that Council will be progressing with modifications to the SOI whilst also focusing on the development of a new SOI for 2020/22 as outlined by this report. Council therefore needs to be mindful of the benefits or otherwise of continuing to seek modifications to a document (the August version of the 2020/22 SOI) and/or to focus on developing the new 2021/23 SOI. In order to facilitate the latter QLDC and QAC have prepared a jointly signed Joint Position Statement which further commits both parties to a series of actions and limitations that address those matters previously of concern to the majority of Councillors. While this is acknowledged to be a unique situation, it is intended to provide a bridge that would enable Council to agree to the 2020/22 SOI and allow it and the company to focus on a stronger, fit-for-purpose SOI that will set the company up for its next phase of development. The Joint Position Statement will be circulated prior to the meeting.

ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU

- 26 Option 1 that Council establishes a QAC QLDC Steering Group.

Advantages:

- 27 Establishing a two-way informal discussion around the issues in a workshop setting to form a more constructive basis for agreeing the 2020/22 SOI.
- 28 Enhance the working relationship between the Council and the QAC board.

Disadvantages:

- 29 The Steering Group cannot make decisions in a workshop setting but can give guidance to staff in developing the draft SOI.

- 30 Option 1 Receive the SOI and agree it in accordance with section 65 of the Act on the basis that work will commence immediately on agreeing a revised SOI 2020/22.

Advantages:

- 31 The SOI reflects the objectives of the Council and QAC has committed to acting in accordance with those objectives.
- 32 Agreeing the SOI will enable the company to proceed with the work that is required with the full support of the Council as its majority shareholder.
- 33 Enables the Council and QAC to focus on the Economic Impact Assessment, Social Impact Assessment and QAC Sustainability Review, Spatial Plan and Master Planning to inform the future direction of the Airport.
- 34 Provide certainty to the community that QAC has an SOI that the Council has agreed.

35 The transparency of agreeing the document, spelling out Council key areas of strategic concern, and a commitment on focussing on the future is further outlined in the Joint Position Statement to be agreed at the same time.

Disadvantages:

36 If the Council considers the SOI reflects its objectives and in particular acknowledges Council's objective to preserve social licence then there may be no real disadvantages, particularly given the process to deliver and improved SOI will commence immediately.

37 Option 2: Do not agree a SOI and resolve to continue further dialogue with the community.

Advantages:

38 Council may continue discussions with the QAC board to seek further modifications either by the Board or as directed by the Shareholders. However, it should be noted that this advantage exists even if the SOI is agreed.

Disadvantages:

39 The June SOI will continue to be the version of the SOI that QAC must operate in accordance with and that does not reflect the views of the majority shareholder, which are better reflected in the August SOI.

40 This option would be contrary to legal advice and give cause for the Council to take steps to require that the current SOI to be amended at the same time as the new SOI is being agreed, which is counterproductive. The SOI would also have to be amended to comply with the requirements of the amended LGA 2002.

41 Creates uncertainty in the community as to whether QAC have a clear direction from the Council as to their intentions over the next period.

42 This report recommends **Option one** for addressing each matter because it enables a constructive process for reviewing the SOI whilst also enabling QAC to continue with its operation (in the meantime).

- [CONSULTATION PROCESS | HĀTEPE MATAPAKI:](#)

> SIGNIFICANCE AND ENGAGEMENT | TE WHAKAMAHI I KĀ WHAKAARO HIRAKA

43 This matter is of medium significance, as determined by reference to the Council's Significance and Engagement Policy. Both the master planning processes underway and the proposed Economic Impact Assessment and Social Impact Assessment will involve consultation and engagement with stakeholders and the wider community. To reiterate, both parties have committed to no changes to Queenstown Airport noise boundaries or Wānaka Airport until these processes have been completed and the impacts reflected in long-term airport planning.

RISK AND MITIGATIONS | NGĀ RARU TŪPONO ME NGĀ WHAKAMAURUTANGA

44 This matter relates to the financial risk category. It is associated with RISK00037 Lack of Alignment - Key relationships within the QLDC Risk Register. This risk has been assessed as having a moderate inherent risk rating. See Financial Implications below.

FINANCIAL IMPLICATIONS | NGĀ RITENGA Ā-PŪTEA

45 Notably the amended SOI now contains acknowledgement from the QAC that the Council's objectives may have financial and operational consequences and this is acknowledged as a risk in the SOI (P.7).

COUNCIL EFFECTS AND VIEWS | NGĀ WHAKAAWEAWE ME NGĀ TIROHANGA A TE KAUNIHERA

46 The following Council policies, strategies and bylaws were considered:

- 10 Year Plan 2018-28

47 The recommended option is consistent with the principles set out in the named policy/policies. This matter is included in the Ten Year Plan/Annual Plan.

LEGAL CONSIDERATIONS AND STATUTORY RESPONSIBILITIES | KA TURE WHAIWHAKAARO, ME KĀ TAKOHAKA WAETURE

48 The process followed by the Council and QAC to date is consistent with the requirements of the Act.

49 Council is advised that the 2020/22 SOI should be agreed.

LOCAL GOVERNMENT ACT 2002 PURPOSE PROVISIONS | TE WHAKATURETURE 2002 O TE KĀWANATAKA Ā-KĀIKA

50 The Queenstown Airport is a key infrastructure asset for the district. As such, the Council's consideration of amendments to the 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.

ATTACHMENTS | NGĀ TĀPIRIHANGA

- A Queenstown Airport Corporation Statement of Intent 2020/22 (Version received by Council in June 2019)
- B Queenstown Airport Corporation Statement of Intent 2020/22 (Final as approved by QAC 20 August 2019)