



NOTICE OF AN ORDINARY MEETING OF COUNCIL
TO BE HELD IN THE COUNCIL CHAMBER, ON THURSDAY 28 MAY 2015 AT 7PM

AGENDA

1. **OPENING PRAYER**

2. **APOLOGIES**

3. **DECLARATIONS OF INTEREST**

Members need to stand aside from decision-making when a conflict arises between their role as a Member of the Council and any private or other external interest they might have. This note is provided as a reminder to Members to review the matters on the agenda and assess and identify where they may have a pecuniary or other conflict of interest, or where there may be a perception of a conflict of interest.

If a member feels they do have a conflict of interest, they should publicly declare that at the start of the meeting or of the relevant item of business and refrain from participating in the discussion or voting on that item. If a member thinks they may have a conflict of interest, they can seek advice from the Chief Executive or the Governance & Partnerships Manager (preferably before the meeting). It is noted that while members can seek advice the final decision as to whether a conflict exists rests with the member.

4. **URGENT BUSINESS**

Section 46A of the Local Government Official Information and Meetings Act 1987 states:

- (7) An item that is not on the agenda for a meeting may be dealt with at the meeting if –
- (a) the local authority by resolution so decides, and
 - (b) the presiding member explains at the meeting at a time when it is open to the public, -
 - (i) the reason why the item is not on the agenda; and
 - (ii) the reason why the discussion of the item cannot be delayed until a subsequent meeting.
- (7A) Where an item is not on the agenda for a meeting, -
- (a) that item may be discussed at the meeting if –
 - (i) that item is a minor matter relating to the general business of the local authority; and
 - (ii) the presiding member explains at the beginning of the meeting, at a time when it is open to the public, that the item will be discussed at the meeting; but
 - (b) No resolution, decision, or recommendation may be made in respect of that item except to refer that item to a subsequent meeting of the local authority for further discuss.”

5. **CONFIRMATION OF COUNCIL MINUTES**5.1 Ordinary Council meeting – 16 April 2015, cont. on 29 April 20156

Motion to be moved: “That the minutes of the Ordinary Council meeting held 16 April and continued on 29 April 2015 be confirmed as a true and correct record.”

6. **MATTERS ARISING**

None

7. **RECOMMENDATIONS FROM OTHER COMMITTEES**

7.1 RECOMMENDATION 2: Recommendations from Other Committees13

8. **STAFF REPORTS**

RECOMMENDATION 3: Grow Rotorua Limited Statement of Intent 2015/16.....	15
RECOMMENDATION 4: Statements of Intent – Rotorua Regional Airport Ltd, Terax Limited.....	29
RECOMMENDATION 5: Airport Assets Transfer.....	60
RECOMMENDATION 6: Amendment of the Rotorua Regional Airport Limited Constitution.....	70

9. **NOTICES OF MOTION**

None

10. **RESOLUTION TO GO INTO PUBLIC EXCLUDED (TO CONSIDER AND ADOPT CONFIDENTIAL ITEMS)**

10.1 MOTION TO BE MOVED: “That the public be excluded from the following parts of the proceedings of this meeting, namely to adopt the confidential minutes of the Council meeting held 16 April 2015 and to consider reports on “Grow Rotorua Funding for 2015/2016” and “Rotorua Regional Airport Limited Directors Fees”.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987, for the passing of this resolution are as follows:

<u>General subject of each matter to be considered</u>	<u>Reason for passing this resolution in relation to each matter</u>	<u>Ground(s) under Section 48(1) for passing of this resolution</u>
Council meeting 16 April (Minutes) Recommendation 6: District Plan Appeals and Delegations for Appeal Resolution	To prevent the disclosure of use of official information for improper gain or improper advantage.	Section 48(1)(a) Section 7(2)(j)

<u>General subject of each matter to be considered</u>	<u>Reason for passing this resolution in relation to each matter</u>	<u>Ground(s) under Section 48(1) for passing of this resolution</u>
Recommendation 7 Grow Rotorua Funding for 2015/2016	Maintain effective conduct of public affairs through free and frank expression of opinions by or between or to members or officers or employees of any local authority in the course of their duty.	Section 48(1)(a) Section 7(2)(f)(i)
Recommendation 8 Paper discusses remuneration for identifiable individuals	Protect the privacy of natural persons, including that of deceased natural persons.	Section 48(1)(a) Section 7(2)(a)

Motion to be moved: *"That the confidential minutes of the Council meeting held 16 April 2015 be confirmed as true and correct."*

12. CONFIDENTIAL ITEMS

RECOMMENDATION 7: Grow Rotorua Funding for 2015/2016	94
RECOMMENDATION 8: Rotorua Regional Airport Limited Directors Fees	106

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987, for the passing of this resolution are as follows:

G Williams
Chief Executive

Note: Rotorua Lakes Council is the operating name of Rotorua District Council.

COUNCIL DELEGATIONS

Type of Committee	Council Committee
Subordinate to	
Subordinate Committees	<ul style="list-style-type: none"> • Strategy, Policy and Finance committee • Operations and Monitoring committee • District Licencing committee • Tourism committee • Statutory Hearings committee • CEO performance committee • District Plan sub-committee • Audit and Risk sub-committee • Working / Strategy Groups (People, Sustainable living, Creative communities, Inner city revitalisation, Sustainable economic development strategy, Sports and recreation)
Legislative Basis	Schedule 7 S30 (1) (A), Local Government Act 2002 Committee delegated powers by the Council as per Schedule 7, S32, Local Government Act 2002
Purpose	The purpose of the Council is to make decisions on all matters that cannot be delegated, that it has not delegated or that it has had referred to it by staff or a committee.
Reference	01-15-010
Membership	Mayor (Chair) Deputy Mayor (Deputy Chair) All elected members
Quorum	7
Meeting frequency	Monthly
Delegations	<ul style="list-style-type: none"> • the power to make a rate • the power to make a bylaw • the power to borrow money, or purchase or dispose of assets, other than in accordance with the Long-term Plan • the power to adopt a long-term plan, annual plan, or annual report • the power to appoint a chief executive • the power to adopt policies required to be adopted and consulted on under the LGA 2002 in association with the long-term plan, or developed for the purpose of the local governance statement, and • the power to adopt a remuneration and employment policy • the power to set an support strategies in measures related to emergency matters. • all the powers, duties and discretions under the Civil Defence Act for the proper operation and administration of the approved Civil Defence Plan; such delegation to be executed solely within the defined policy guidelines as determined from time to time by the Council and subject to the Financial limits imposed by the approved Council estimates.
Relevant Statues	All the duties and responsibilities listed above must be carried out in accordance with the relevant legislation.
Limits to Delegations	Powers that cannot be delegated to committees as per the Local Government Act 2002 Schedule 7 S32

**MINUTES OF
AN ORDINARY MEETING OF
COUNCIL HELD
16 APRIL 2015**

ROTORUA LAKES COUNCIL

**MINUTES OF AN ORDINARY MEETING OF COUNCIL
HELD ON 16 APRIL 2015 AT 7PM AND RECONVENED ON 29 APRIL 2015 AT 12.30PM
IN THE COUNCIL CHAMBER, ROTORUA LAKES COUNCIL**

PRESENT: Mayor Chadwick (Chairperson)
Cr Bentley, Cr Donaldson, Cr Gould, Cr Hunt, Cr Kent, Cr McVicker, Cr Maxwell,
Cr Raukawa-Tait, Cr Searancke, Cr Sturt, Cr Tapsell and Cr Wepa.

APOLOGIES:

IN ATTENDANCE: L Meharry, Rotorua Lakes Community Board

OFFICERS PRESENT: G Williams, Chief Executive; J-P Gaston, Group Manager Strategy & Partnerships;
D Foster, Chief Operating Officer; T Collé, Chief Financial Officer; M Kingi, Director
Kaupapa Maori; C Tiriana, Manager CE Office; O Hopkins, Governance &
Partnerships Manager; S Michael, Transport Solutions Director; A Bell, Water
Solutions Director; A Lowe, Environmental Scientist/Process Engineer; R Moore,
Public Relations Advisor; I Tiriana, Public Relations Advisor; P Wilhelm, Programme
Lead (part); R Dunn, Governance Lead; C Peden, Governance Support Advisor.

1. **OPENING PRAYER**

Mayor Chadwick welcomed councillors, members of the public, media and staff to the Council meeting.

Cr Bentley opened the meeting with the Council prayer.

2. **APOLOGIES**

RESOLVED

That the apologies from Cr Hunt (for lateness) be accepted.

Cr Gould/Cr Sturt
C15/04/012
CARRIED

3. **DECLARATIONS OF INTEREST**

None.

4. **URGENT BUSINESS**

None.

5. CONFIRMATION OF COUNCIL MINUTES

5.1 Ordinary Council Meeting on 5 March 2015

RESOLVED

That the minutes of the Ordinary Council meeting held on 5 March 2015 be confirmed as a true and correct record.

Cr Searancke/Cr Donaldson
C15/04/013
CARRIED

6. RECOMMENDATION 1: MATTERS ARISING

RESOLVED

That the report "Matters Arising – Action Sheet" be received.

Cr Searancke/Cr McVicker
C15/04/014
CARRIED

Cr Gould abstained from voting on this motion.

7. RECOMMENDATION 2: RECOMMENDATIONS FROM OTHER COMMITTEES

RESOLVED

- 1. That the report 'Recommendations from other Committees' be received**
- 2. That the following recommendations of the Strategy Policy & Finance Committee meeting held 1 April 2015 be adopted, as follows:**
 - That under Clause 26 of the Traffic By-Law 2008 that new bus stops be sited at the following locations to operate from 1 July 2015:**
 - a) Arawa Street- Southern side outside Jean Batten Square**
 - b) Amohia Street - Eastern side between Haupapa Street and Pukuatua Street**
 - c) Fenton Street - Western side outside Cobb & Co**

Cr Searancke/Cr Raukawa-Tait
C15/04/015
CARRIED

8. STAFF REPORTS

8.1 RECOMMENDATION 3: LONG TERM PLAN 2015-25 APPROVE CONSULTATION DOCUMENT AND DRAFT SUPPORTING POLICIES 01-65-046\02

RESOLVED

1. That the report Long-term Plan 2015-2025 be received.

Cr Sturt/Cr Gould
CARRIED

2. That Council approve the draft Financial Strategy, Draft Infrastructure Strategy, Revenue and Financing Policy, Funding Policy table and Funding Impact Statement as supporting evidence in approving the consultation document for public consultation.

3. That Council approve the consultation document for the Long-term Plan 2015-2025 for public consultation, subject to any amendments from the audit review.

Cr Donaldson/ Cr Searancke
C15/04/016
CARRIED

Cr Gould and Cr Kent requested that their votes against Points 2 and 3 of the decision be recorded.

8.2 RECOMMENDATION 4: WASTE STRATEGY 2015 01-65-041\02

RESOLVED

1. That the report Rotorua Lakes Council Draft Waste Strategy be received.

Cr Gould/Cr Bentley
CARRIED

2. That Council approve the draft Waste Strategy including the draft Waste Management and Minimisation Plan 2015 for public consultation.

Cr Sturt/Cr Donaldson
C15/04/017
CARRIED

9. NOTICES OF MOTION

None.

10. WRITTEN QUESTIONS

None.

11. RESOLUTION TO GO INTO PUBLIC EXCLUDED (TO CONSIDER AND ADOPT CONFIDENTIAL ITEMS)

RESOLVED

That Council move into Public Excluded session.

Cr Kent/Cr Donaldson
C15/04/018
CARRIED

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987, for the passing of this resolution are as follows:

<u>General subject of each matter to be considered</u>	<u>Reason for passing this resolution in relation to each matter</u>	<u>Ground(s) under Section 48(1) for passing of this resolution</u>
COUNCIL MEETING 5 March 2015 (Minutes) RECOMMENDATION 2: Sale of strategic property	Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).	Section 48(1)(a) Section 7(2)(i)
Recommendation 5: Rotorua District Local Roading Network Management 2015-2020	Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).	Section 48(1)(a) Section 7(2)(i)
Recommendation 6: District Plan Appeals and Delegations for Appeal Resolution	To prevent the disclosure of use of official information for improper gain or improper advantage.	Section 48(1)(a) Section 7(2)(j)

This resolution is made in reliance on Section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Sections 6 or 7 of the Act or Sections 6, 7 or 9 of the Official Information Act 1982, as the case may require, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as shown above (in brackets) with respect to each item.”

Confidential minutes now released to the public

PUBLIC EXCLUDED SESSION 1

12. **REPORTS OF OFFICERS (CONT.)**

- 12.1 **RECOMMENDATION 5: ROTORUA DISTRICT LOCAL ROADING NETWORK MANAGEMENT 2015 TO 2020 CONTRACT 14/023** 27-14-023

RESOLVED

1. That the report "Rotorua District Local Roading Network Management 2015-2020" be received.

Cr Donaldson/Cr Searancke
CARRIED

2. That the Council agrees to extend the current contract with SIGMA LTD by one month to 31 May 2015 to allow for a seamless transition;

AND,

3. That the Council resolves to award "Contract No 14/023: Rotorua District Local Roading Network Management 2015/2020" to Opus International Consultants to the sum of \$2,730,000.

4. That this report be made publically available, with publication of the minutes of this meeting.

Cr Kent/Cr Bentley
C15/04/020
CARRIED

OPEN SESSION 2

The meeting reconvened on 29 April 2015 at 12.30pm

12.4 **STAFF REPORTS (CONT.)**

- RECOMMENDATION 3: LONG TERM PLAN 2015-25 APPROVE CONSULTATION DOCUMENT AND DRAFT SUPPORTING POLICIES** 01-65-046\02

Under Standing Orders Point 3.9.17 'Revocation or alteration of resolution at same meeting', (fresh facts* received concerning a matter already resolved at the meeting), and with 75% of the members then present and voting, the following replacement motion C15/04/016 (point 3) was passed:

RESOLVED

3. **That Council approve the consultation document for the Long-Term Plan 2015-2025 for public consultation.**

Cr Sturt/Cr Donaldson
C15/04/024
CARRIED

Cr Kent requested that his vote against the decision be recorded.

A document 'draft financial statements' was tabled (Attachment 3)

RESOLVED

4. **That Council approve the draft financial statements (Attachment 3) as supporting evidence in approving the consultation document for public consultation.**

Cr Searancke/Cr McVicker
C15/04/025
CARRIED

Cr Kent and Cr Gould requested that their votes against the motion be recorded.

RESOLVED

That Council move into Public Excluded session.

Cr Donaldson/Cr Hunt
C15/04/026
CARRIED

OPEN SESSION 3

The meeting closed at 1.35pm

Minutes to be confirmed at an Ordinary meeting of Council on 28 May 2015

.....Mayor

**REPORTS / RECOMMENDATIONS
FROM
OTHER COMMITTEES**

ROTORUA DISTRICT COUNCIL

The Mayor
Members
COUNCIL

RECOMMENDATIONS FROM OTHER COMMITTEES

Report prepared by: Carol Peden, Governance Support Advisor

Report reviewed by: Oonagh Hopkins, Acting Group Manager Corporate & Customer Services

Report approved by: Geoff Williams, Chief Executive

1. PURPOSE

The purpose of this report is for members to consider recommendations received from other committees.

2. RECOMMENDATION 2

- 1. That the report 'Recommendations from other Committees' be received; and**
- 2. That the recommendations of the Strategy Policy & Finance Committee meeting held 20 May 2015 be adopted, as follows:**
 - a) That the report General Bylaw Amendment for Green Corridor be received.**
 - b) That the Committee recommend that Council invoke section 203.6 of Part 2 of the Rotorua District Council General Bylaw 2011 and resolve, by resolution publicly notified, to remove the Green Corridor area from the current prohibition area.**

STAFF REPORTS

ROTORUA LAKES COUNCIL

Mayor
Members
COUNCIL

GROW ROTORUA LIMITED STATEMENT OF INTENT 2015/16

Report prepared by: Aimee McGregor, Strategy Manager

Report reviewed by: Thomas Collé, Chief Financial Officer

Report approved by: Geoff Williams, Chief Executive

1. PURPOSE

The purpose of this report is to consider the draft Statement of Intent from Grow Rotorua Limited (GRL) and for Council to provide feedback to enable the company to provide the finalised Statement of Intent before 30 June 2015.

2. RECOMMENDATION 3

- 1. That the report "Grow Rotorua Limited Statement of Intent 2015/16" be received.**
- 2. That Council resolves to provide feedback to GRL on the Draft Statement of Intent as outlined in this report.**

3. BACKGROUND

GRL was established as a Council Controlled Organisation (CCO) on 1 July 2012 as the preferred structure to implement non-council components of the Rotorua Sustainable Economic Growth Strategy (RSEGS). The rationale was that a CCO provided the strongest accountability structure for outcomes. A three year funding allocation of \$800,000 per annum was agreed.

GRL became fully operational at the start of 2013. The three year plan was broadly as follows:

- Year 1 setting the vision and direction
- Year 2 research and developing specific opportunities and initiatives
- Year 3 executing strategy to begin delivery of results.

GRL is currently in Year 3 of the plan and there is a proposal to grant an additional year of funding in 2015/16. This proposal is the subject of a separate paper also being discussed at Council on 28 May 2015.

Each CCO is required to have a statement of intent (SOI) in place by 30 June of each year. The requirements for a Statement of Intent are stated in the 8th schedule of the Local Government Act. The Board must submit a draft SOI to Council by 1 March. The Board must consider any comments on the draft SOI and deliver the completed SOI on or before 30 June.

The purpose of the SOI is to:

- Publicly state the activities and intentions of a CCO for the year and the objectives to which those activities will contribute.
- Provide an opportunity for shareholders to influence the direction of the organisation
- Provide a basis for the accountability of directors to the shareholders for the performance of the organisation.

Section 60 of the Act requires that any decision made by the Board is consistent with the Statement of intent and the company's constitution.

4. **DISCUSSION**

The SOI includes the information required but changes are suggested to better align the SOI with the Rotorua 2030 Vision and organisation:

1. Purpose – this should be updated to link to the delivery of the 2030 goals and 2016 priorities that relate to economic growth and employment. For example: the purpose of GRL is to play a pivotal role in the delivery of the 2030 goals and 2016 priorities (as outlined below) through attracting and facilitating business investment and growth in Rotorua.

2030 Goals:

Business innovation and prosperity ... Whakawhanake pākihi: We boast a diverse and sustainable economy energised by our natural resources and innovative people

Employment choices ... He huarahi hōu: We are a prosperous connected community; growing our education, training and employment opportunities.

2016 Priority:

Develop our economic base by growing existing & attracting new, businesses to our region.
Flagship Projects: Centres of excellence and innovation in clean energy, spa city, fresh water, iwi development, tourism and 'Wood First'.

2. Objectives – GRL's objectives are to successfully deliver the services requested within the funding agreement between GRL and RLC Strategy, who are the customer of GRL. These are:
 - Facilitating private sector investment in new or existing Rotorua businesses
 - Attracting business to relocate to Rotorua
 - Securing funding from regional and national sources to support business investment
 - Facilitating the provision of the required specific skills training to underpin new investment (e.g. spa therapists)
 - Participate as an active member of the Economic Growth Portfolio, supporting and contributing to the broader work of this cross-functional team. This includes contribution to strategy development lead by the strategy team
 - Contributing towards 2016 flagship project delivery: centres of excellence and innovation in clean energy, spa city, fresh water, iwi development, tourism and 'Wood First'.
3. Governance – the number of Directors does not need to be stated here as this is covered by the final bullet point "The Shareholder will appoint Directors to the Board based on its own policies.
4. Actions – this section should state that GRL will undertake the actions required to successfully deliver the services agreed within the funding agreement between GRL and RLC, and that in doing so will at all times work in accordance with the "Guiding Responsibilities" (i) to (vi) of Section 4 of the RSEGS (refer Attachment 2). With respect to the "No Surprises" approach, Council would like it noted that GRL must not provide Strategic Submissions on regional or national policy and projects without prior approval of RLC Strategy.

5. Scope – without sighting the business plan the statement “The Company will implement the business plan of GRL and carry out day to day business operations” is not sufficient. This is the more appropriate section to reference the funding agreement for services which includes service required and out of scope activities. Note that there is a need to stick to core areas of activity and to focus where there will be a measureable economic impact.
6. Ratio of Shareholders Funds to Total Assets – it is noted that the ratio is not actually provided.
7. Performance Targets – GRL will be measured against delivering on the Performance Targets identified in the funding agreement. In addition measures around compliance and effective operations should be retained.
8. Relationship and communication with the shareholder – the requirement “for Governance the Chair will meet with Mayor and CEO” should be removed. Frequency of reporting to the CFO against the SOI should be stipulated as quarterly.

5. ASSESSMENT OF SIGNIFICANCE

The decisions or matters of this report are not considered significant in accordance with the Council’s Policy on Significance.

6. COMMUNITY INPUT/ENGAGEMENT AND PUBLICITY

Consultation is not required on this matter.

7. CONSIDERATIONS

7.1 Financial/budget considerations

The financial considerations of a one year extension to GRL, to which this SOI is relevant, are outlined in a separate report.

7.2 Policy and planning implications

The recommendation is consistent with the Rotorua 2030 Vision and 2016 priorities relating to Economic Growth.

7.3 Risks

There are no major risks associated with the decisions or matters.

7.4 Authority

Council has the authority to make this decision as provided under the Local Government Act.

8. ATTACHMENTS

Attachment 1: Draft SOI for Year Commencing 1 July 2015 (pages 18 – 25)

Attachment 2: Guiding Principles as outlined in the Rotorua Sustainable Economic Growth Strategy (p. 26)

Attachment 3: GRL Constitution section of Statement of Intent (pages 27 – 28)

Attachment 1: Draft SOI for Year Commencing 1 July 2015



Grow Rotorua Ltd.

Draft Statement of Intent

For one year commencing 1 July 2015

28 February 2015

Introduction

Rotorua District Council, operating under the name 'Rotorua Lakes Council' (RLC) has established Grow Rotorua Ltd (GRL, the Company). As 100% of the shares in the Company are owned by an entity subject to the Local Government Act (2002) (LGA), the Company is subject to the LGA and therefore a Council Controlled Organisation (CCO) as defined under the Act (Section 64 of the LGA).

Accordingly the Company must present a Statement of Intent (SOI) for each year beginning 1 July 2012 to be forwarded to their shareholders. This SOI is prepared by the Company in accordance with Section 64(1) of the Local Government Act 2002.

The Company is accountable to its shareholders (being RLC) to ensure that it achieves its objectives, performance targets and other measures set out in this SOI. It covers the year of operation from 1 July 2015 to 30 June 2016.

Purpose and Objectives

The Purpose of the Company is to:

- Provide a sustainable future economic platform off which Rotorua, its people and its businesses, can grow and prosper.
- Develop and implement an operational plan to achieve the outcomes desired by the Shareholder as set out in the annual Letter of Expectations.

The objectives of the Company are to:

- Develop technically and financially robust investment value propositions.
- Communicate and promote propositions to the investment community.
- Facilitate private sector investment into the Rotorua District.
- Identify barriers to creating investment wealth in the District and propose solutions to these.
- Understand the capability and skills required to achieve the District economic growth strategy and promote these requirements to the local education sector.
- Identify appropriate roles to attract and assist Te Arawa investment locally (or in their rohe).

Grow Rotorua will achieve this by:

- Developing and implementing an operational plan that will achieve the outcomes desired by the Shareholder as set out in the annual Letter of Expectations.

Governance

- Governance of the Company is in accord with the Companies Act 1993.
- The Board comprises seven Directors, all appointed by the Shareholder.
- The Directors are, in accord with the Companies Act, required to work in the best interests of the Company and towards meeting the objectives of the Company.
- The Shareholder will appoint Directors to the Board based on its own policies.

Actions

The Company will receive a Letter of Expectations from RLC each year providing guidance for the preparation of a draft SOI for the subsequent year.

At all times the Company will:

- Comply with all statutory requirements.
- Establish efficient, cost effective operating procedures and enhance its capabilities by contracting in specialist services as required.
- Use sound and good practice business processes in all its undertakings.
- Exhibit ethical and good behaviours in dealing with all parties, including acting as a good employer and operating with a responsible approach to social and environmental matters.
- Operate on a 'no surprises' basis in respect of significant shareholder related matters, to the extent possible in the context of commercial sensitivity and confidential obligations.

Directors

- John Green QSM, Chairman
- Dr Warren Parker, Deputy Chairman
- Michael Barnett ONZM
- Tony Marks
- Gina Rangī (to retire 30 June 2015)
- Jane Nees
- *Current vacancy*

Nature and Scope of Activities

The Company will implement the business plan of GRL and carry out day to day business operations.

Ratio of Shareholders Funds to Total Assets

The Company's Shareholders Funds are defined as paid up capital, plus retained earnings and reserves. Total Assets are defined as the sum of current assets and non-current assets. The ratio of Shareholders Funds to Total Assets is calculated by the formula Shareholders Funds/Total Assets.

The Company has adopted accounting policies that are consistent with New Zealand International Financial Reporting Standards and generally accepted accounting practice. The current accounting policies are attached to this Statement of Intent.

Performance Targets 2014 – 15

Target	Measure	Timing
That the Company is operating effectively	The Business Plan is aligned and approved with the budget by the Board.	By June 30 th 2015
Compliance	The Audit of the Company does not highlight any material issues.	Annually
Business operations	Effective business strategies are in place to ensure that the Company operates within its revenue and cash flow limitations.	Reviewed monthly by the Board and Management and Audited annually by Audit NZ.
Potential investment projects	4 new projects announced for the district.	By June 30 th 2016
Strategy implementation	5 strategies being implemented including project oversight and advisory groups. Role as determined in implementation of selected Regional Growth Study projects	By June 30 th 2016
Investment cases	4 cases developed and promoted to the target investment communities including offshore and in particular iwi trust opportunities.	By June 30 th 2016
Business Attraction Program	Programme developed, business community engagement, being implemented	By June 30 th 2016
Leverage events	2 Symposia facilitated 1 Conference bid submitted 1 VIP investment program implemented	By June 30 th 2016

Reporting to the Shareholder

The following reports and statements will be provided to the Shareholder to align with reporting requirements of RDC.

1. Statement of Intent

The Statement of Intent will be submitted to the Shareholder for consultation annually, as required by the Local Government Act 2002. The Directors will include any other information they consider appropriate. If required, revised forecasts will be submitted to the Shareholder.

2. Annual Report

An Annual Report will be submitted to the Shareholder. The Annual Report will include audited Financial Statements and other details which will permit an informed assessment of the Company's performance and financial position to be made for the reporting period.

Annual Reports will be produced, consistent with the Company's objective to be a sustainable and responsible business.

3. Half Year Report

Half Yearly Reports will also be provided to the Shareholder. These reports will contain unaudited information and comply with NZ IAS 34.

Relationship and Communication with the Shareholder

At a governance level, the Chair will meet with the RLC Mayor and CEO at least every two months. The GRL CEO will report on progress against the Letter of Expectations and Statement of Intent with the RLC CFO. When required, briefing workshops can be held with Councillors.

A key perspective will be that GRL has shown leadership acting as a broker, facilitator or catalyst to stimulate specific investment for economic development. As GRL is not a direct capital investor in projects, it is critical that a spirit of true partnership is maintained with the Shareholder, Investors and Tangata Whenua to achieve economic growth in the District.

Other information

The Company will provide information requested by the Shareholder in accordance with the requirements of the Local Government Act 2002.

Funding Agreement

A Funding Agreement for services as specified will be entered into between the Company and RLC.

The Company will not be seeking any other compensation.

Appendix 1: Statement of Accounting Policies

Statement of Compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand, applying the Framework for Differential Reporting for entities adopting the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and its interpretations as appropriate to not for profit oriented entities that qualify for and apply differential reporting concessions.

The Company is a reporting entity for the purposes of the Financial Reporting Act 1993. These financial statements comply with the Financial Reporting Act 1993 and Section 69 of the Local Government Act 2002.

Differential Reporting

The Company qualifies for Differential Reporting exemptions as it has no public accountability and it is not large. The Company has taken advantage of the differential reporting exemptions.

Measurement Base

The financial statements have been prepared on a historical cost basis.

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of the Company is New Zealand dollars.

Changes in Accounting Policies

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in previous years.

1. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies which materially affect the measurement of financial results and financial position have been adopted in the preparation of the financial statements.

(a) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue from sale of goods is recognised when the product is sold to the customer. Revenue from services is recognised when the service is provided. Interest income is recognised using the effective interest method. Grant income is received from the Rotorua District Council and is recognised when payment of the grant is received.

Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

(b) Trade debtors and other receivables

Trade debtors and other receivables are recognised at cost less provision for doubtful debts.

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

(c) Trade creditors and other payables

Trade creditors and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods or services received, whether or not billed.

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and call deposits.

(f) Employee Entitlements

Liabilities for accumulating short-term entitlements are measured at nominal value based on unused entitlement accumulated at current rate of pay at balance date.

(g) Goods & Services Tax

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as part of the receivables or payables in the statement of financial position.

(h) Income Tax

Tax expense is calculated using the taxes payable method. As a result, no allowance is made for deferred tax. Tax expense includes the current tax liability and adjustments to prior year tax liabilities.

Grant income is not taxable and the related expenditure is not deductible.

The Directors have followed the tax treatment recommended by their tax advisors.

(i) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, the sacrifice of economic benefits is probable and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle that present obligation at balance date, taking into account the risks and uncertainties surrounding the obligation.

(j) Property, Plant & Equipment

Property, plant & equipment are shown at cost, less accumulated depreciation and impairment losses.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probably that future economic benefits or service potential associated with the item will flow to the Company and the cost of the item can be measured reliably.

Disposal

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are recognised in the statement of comprehensive income.

Subsequent costs

Costs incurred subsequent to initial recognition are capitalised only when it is probably that future economic benefits or service potential associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write-off the cost of the assets to their estimated residual values over their useful lives. The depreciation rates of major classes of assets have been estimated as follows:

Motor Vehicles 30% DV
Office Equipment 50% DV

Attachment 2: Guiding Principles as outlined in the Rotorua Sustainable Economic Growth Strategy

To be a successful local organisation, Grow Rotorua Ltd will:

- (i) Operate an efficient and effective business and provide to the Rotorua District Council an acceptable return by contributing to the targets specified in Appendix One.
- (ii) Operate in a manner which recognises the roles of the existing business organisations in Rotorua.
- (iii) Be a good employer, exhibiting a sense of economic, social, cultural and environmental responsibility, and have regard to the interests and wellbeing of residents and communities of Rotorua District.
- (iv) Adopt a 'no surprises' approach in its relationship with Rotorua District Council. This reflects the fact that the Rotorua Council is, effectively, sharing risk with Grow Rotorua Ltd. It will mean open communications, respect for each other's roles and collaborating to achieve shared outcomes.
- (v) Operate in a manner which recognises the significant role of Te Arawa in Rotorua District. This will mean respect for the significant Iwi resource ownership and influence on investment within the district, open communications with Iwi, respect for each other's roles and responsibilities and where appropriate, collaborating to achieve shared outcomes.
- (vi) Operate in a manner that demonstrates a high degree of transparency and accountability, in particular, to the areas of the business that relate to the use of public funds.

Attachment 3: GRL Constitution section of Statement of Intent

4. STATEMENT OF INTENT

4.1 During such period that the Company is a Council-Controlled Organisation, the provisions of sections 128(1) and 128(2) of the Companies Act are qualified, so that the Board will comply with the relevant provisions of the Local Government Act.

Explanatory notes to clause 4.1:

- 1) Section 128(1) provides that the business and affairs of a company must be managed by, or under the direction or supervision of, the Board of the company.
 - 2) Section 128(2) provides that the Board of a company has all the powers necessary for managing and for directing and supervising the management of the business and affairs of the company.
- 4.2** In complying with clause 4.1, the Board will complete a Statement of Intent in accordance with Schedule 8 to the Local Government Act as follows:
- a) The Board shall deliver to the Shareholder a draft Statement of Intent on or before 1 March in each year.
 - b) The Statement of Intent shall specify for the Company, and in respect of the financial year immediately following the financial year in which it is required to be delivered (pursuant to clause 4.2(d) and for each of the immediately following two financial years), the following information:
 - i) the objectives of the Company;
 - ii) a statement of the Board's approach to governance of the Company;
 - iii) the nature and scope of the activities to be undertaken by the Company;
 - iv) the ratio of consolidated Shareholder's funds to total assets, and the definitions of those terms;
 - v) the accounting policies of the Company;
 - vi) the performance targets and other measures by which the performance of the Company may be judged in relation to its objectives;
 - vii) an estimate of the amount or proportion of accumulated profits and capital reserves that it is intended to be distributed to the Shareholder;
 - viii) the kind of information to be provided to the Shareholder by the Company during the course of those financial years, including the information to be included in each half-yearly report;
 - ix) any other matters that are agreed by the Shareholder and the Board.
 - c) The Board shall consider any comments on the draft Statement of Intent that are made to it within 2 months of 1 March by the Shareholder.
 - d) The Board shall deliver the completed Statement of Intent to the Shareholder on or before 30 June each year.

- e) A Statement of Intent may be modified at any time by written notice from the Board, so long as the Board has first:
 - i) given written notice to the Shareholder of the proposed modification, and
 - ii) considered any comments made on the proposed modification by the Shareholder within:
 - (1) 1 month after the date on which the notice was given; or
 - (2) such shorter period as the Shareholder may agree.

- f) The Shareholder may from time to time by Special Resolution require the Board to modify the Statement of Intent by including or omitting any provision or provisions of the kind referred to in subclauses 4.2(b)(i) to 4.2(b)(ix), and the Board shall comply with any such requirement notified to the Company.

ROTORUA LAKES COUNCIL

Mayor
Members
COUNCIL

STATEMENTS OF INTENT - ROTORUA REGIONAL AIRPORT LTD, TERAX 2013 LTD AND TERAX LIMITED PARTNERSHIP

Report prepared by: Thomas Collé, Chief Financial Officer

Report approved by: Geoff Williams, Chief Executive

1. PURPOSE

The purpose of this report is to consider the draft Statements of Intent from Rotorua Regional Airport Limited, Terax 2013 Ltd and Terax Limited Partnership, and for the Council to provide feedback to each company before the companies provides their finalised Statements of Intent to the committee before 30 June 2015.

2. RECOMMENDATION 4

- 1. That the report 'Statements of Intent – Rotorua Regional Airport Ltd, Terax 2013 Ltd and Terax Limited Partnership' be received.**
- 2. That the Committee resolves to make comment on the Draft Statements of Intent to each Council controlled organisation as outlined in the report.**

3. BACKGROUND

Each Council controlled organisation is required to have a statement of intent in place by 30 June of each year.

The requirements for a Statement of Intent are stated in the 8th schedule of the Local Government Act.

The Board must submit a draft SOI to Council by 1 March. Council may make comments on the draft SOI.

The Board must consider any comments on the draft SOI and deliver the completed SOI on or before 30 June.

The purpose of the SOI is to:

- Publicly state the activities and intentions of a CCO for the year and the objectives to which those activities will contribute.
- Provide an opportunity for shareholders to influence the direction of the organisation.
- Provide a basis for the accountability of directors to the shareholders for the performance of the organisation.

Section 60 of the Act requires that any decision made by the Board is consistent with the Statement of intent and the company's constitution.

3.2 Rotorua Regional Airport Limited

The Statement of Intent is a comprehensive document covering all items required in a SOI. It also contains more information than required, making it a longer document than necessary.

Summary of SOI:

1. Includes well defined key objectives, including positioning the airport for future growth, developing long term relationships with local Hapu, and unlocking land development and commercial opportunities.
2. Based on the asset being transferred into the company along with debt. All operating and capital expenditure required to operate into the long term.
3. Funding from Council of \$2.5 million as per the draft long term plan.

It is suggested that the following comments are made to the Board:

1. Remove section 1.3 – this information is not required in a SOI.
2. Section 3.1 includes two specific projects the company is currently working on. Could be included in the KPI's.
3. Section 4 – Governance – this section contains a lot of information that is also covered in the Companies policies and procedures manual. The SOI does not require this level of information to be included. Recommend the removal of sections 4.1, 4.2 and 4.3 as these are covered by either the letter of expectation or internal policies and procedures.
4. Impacts of strategy on the 2012 Master Plan does not seem to add much to the document. It is suggested that this table be removed for the SOI.
5. Section 5.2 information flows – reference to meetings should be removed.
6. Section 9 Company valuation – This section needs to be updated to reflect the transfer in of the infrastructure asset as per the financials on page 13 of the SOI.
7. Section 11 Statement of accounting policies – This whole section could be removed and replaced with a paragraph explaining the compliance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and have the detailed policies available on request or referred to the Annual Report.

3.3 Terax 2013 Ltd and Terax Limited Partnership

This SOI is relatively short but includes all the information required to be included in a SOI and is succinct compared to RRAL.

Summary of the SOI:

1. Purpose is to commercialise the TERAX organic waste treatment process and generate returns to investors.
2. Investors are Rotorua Lakes Council and Scion.
3. Clear set of performance targets are included on page 5 of the SOI.

The SOI is succinct and no changes are being sought.

4. ATTACHMENTS

Attachment 1: Rotorua Regional Airport Ltd (pages 33 – 52).

Attachment 2: Terax 2013 Ltd and Terax Limited Partnership (pages 53 – 59).



Rotorua Regional Airport Ltd

Statement of Intent

For the period 1 July 2015 to 30 June 2018

State Highway 30, PO Box 7221, Te Ngae, Rotorua 3074, New Zealand

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1. INTRODUCTION

This Statement of Intent (SOI) is presented by Rotorua Regional Airport Ltd (RRAL) in accordance with the requirements of Section 64(1) of the Local Government Act 2002. It represents the objectives, nature and scope of activities to be undertaken and performance targets by which RRAL will be measured. It covers the three years of operations from 1 July 2015 to 30 June 2018 and supersedes the previous SOI. This SOI will also have primacy over any conflicts between RRAL's constitution and the SOI unless a clause of the SOI breaches the Companies Act.

Analysis of the community benefits of the Airport support the fact that Rotorua Lakes Council (RLC) should contribute to the Airport operations due to its importance of supporting the Tourism sector and also Rotorua air travellers. A separate 10 year Service Funding Agreement with RLC will be established to assist with the ongoing Airport capital development, infrastructure maintenance and operations. This will be prepared as part of the Airport's annual plan and will form part of the Council's annual planning process, sitting alongside and in support of this SOI.

1.1 The Local Government Act

The Local Government Act 2002 requires Council Controlled Organisations to:

- a) Review their SOI prior to the commencement of each financial year
- b) Have a financial year ending 30 June each year

Schedule 8 of the Local Government Act 2002 states that the purpose of an SOI is to:

- a) State publicly the activities and intentions of the Council Controlled Organisation for the year and objectives to which those activities will contribute
- b) Provide an opportunity for the Shareholder to influence the direction of the organisation
- c) Provide a basis for accountability of the Directors to the Shareholder for the performance of the organisation

1.2 Responsibilities

RRAL is responsible for the ongoing capital development and maintenance of the Airport assets and ownership of the core infrastructure. RRAL's primary goal is to optimise the use of its assets and generate a reasonable return on investment to ensure the ongoing safe and successful operation of the Airport.

1.3 Contact details

Acting Chief Executive	Wayne Wootton
Chairman	Peter Stubbs
Address:	Rotorua Regional Airport Ltd State Highway 30 Te Ngae, Rotorua 3046

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2. ROTORUA REGIONAL AIRPORT LTD

2.1 Transfer of assets

Previously RLC was responsible for the ongoing capital development and maintenance of the Airport assets and ownership of the core infrastructure, however, for greater efficiency, certainty and transparency, the Council have undertaken a public consultation process with the outcome being that all of the Airport's assets have been transferred from RLC to RRAL.

RLC still retains ownership of the Airport company and is the sole Shareholder.

Historical and financial analysis indicates that the Airport will continue to need operating support from RLC for the foreseeable future. Also analysis of the community benefits of the Airport support the fact that Council should contribute to the Airport operation due to its importance of supporting the tourism sector and also Rotorua air travellers.

It is considered appropriate that Council should buy services from the Airport and this will be by means of a Service Funding Agreement.

This mechanism means that RLC is clear on its requirements through the SOI and the Service Funding Agreement and within those goals the Airport company has greater freedom to make decisions on service choices and charges, providing greater certainty for the organisation.

2.2 The Organisation

RRAL is 100% owned by RLC and operates as a Council Controlled Organisation (CCO). RRAL has an independent skills-based Board of four Directors including a Chairperson and employs its own Chief Executive and staff. RRAL operates under an SOI agreed to by its Directors and RLC.

As RLC is currently a major funder of RRAL, this relationship is formalised by way of a 10 year Service Funding Agreement with the funding agreement being part of the Councils annual planning process. Specific service deliverables associated with this funding agreement are contained within the agreement and are complementary with what is contained within this SOI.

RRAL's prime purpose is to maintain a safe and efficient Airport operation whilst facilitating tourism and trade by substantially increasing passenger numbers, other commercial activity and Airport profitability. The Airport's vision is to become the central North Island air transport tourism hub connecting Rotorua and the central North Island Region to the rest of NZ (and in particular with the South Island for International visitors) and the World.

All Airport operations and assets are managed by a Chief Executive who has overall responsibility for implementing the company's strategic direction and reports to the company's Board of Directors.

The Airport is viewed as an essential infrastructure asset for Rotorua and has a key role to play in the economic performance, growth and development of Region. As part of this, RRAL will work collaboratively with RLC, Destination Rotorua, Grow Rotorua, the Rotorua Chamber of Commerce and their relevant counterparts throughout the rest of the Bay of Plenty and South Waikato Regions to develop a sustainable and aligned air transport strategy.

In particular the Airport will investigate, along with Hamilton Regional Airport in the Waikato and Tauranga Airport, opportunities for regional collaboration. Where opportunities are identified, feasibility studies are

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promising and Shareholder approval is required, appropriate business cases will be prepared for consideration.

2.3 Vision, Mission and Strategy

RRAL's brand promise of "*Great journeys start here*" underpins the Airport's vision, mission and strategy and all aspects of the Airport's operations are managed with the overlying culture of "*Safety Always*".

Vision

- The central North Island transport hub connecting Rotorua and the central North Island to the rest of New Zealand (in particular the South Island for International Tourists) and the World

Mission

- Maintain a safe and efficient Airport operation
- Facilitate the growth of tourism and trade by working collaboratively with key stakeholders to sustainably increase passenger numbers and develop a direct jet aircraft link to the South Island
- Explore non-aviation related revenue opportunities
- Investigate efficiencies and enhanced customer experience by collaborating with other Airports

Strategy

- Manage health and safety risks and provide a safe environment for everyone affected by the activities of the Airport including employees, customers, tenants, contractors and visitors
- Maintain and enhance business-critical infrastructure, services and facilities for all users of the Airport
- Develop a commercial network that best meets the needs of the residents and businesses in the Region
- Unlock the Airport's land potential
- Develop Airport partnerships

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3. KEY OBJECTIVES

RRAL's mission will be supported by delivery of the following key objectives over the following three year period:

- Establish a detailed asset management plan of all Airport assets that have been transferred to RRAL from RLC and develop a rolling programme of maintenance and capital improvements
- Drive a high performing team with a safety embedded culture
- Work with RLC to align with other Council entities
- Position the Airport for future aviation growth
- Establish long-term sustainable relationships with local Hapu
- Work with RLC and the Kahikatea Trust to develop a durable Kahikatea solution
- Unlock the Airport's land development potential and commercial opportunities
- Develop sustainable Airport partnerships

3.1 Activities and intentions

Over the next three years, RRAL will focus on implementing the above objectives with the key focus on working with local stakeholders to drive Regional economic growth and generating sufficient revenue which, when coupled with the Council's annual Service Funding Agreement, will:

- Ensure the Airport provides safe and secure operations
- Cover the depreciation on assets employed together with realistic interest and debt repayments

RRAL will also work closely with RLC on the following key initiatives over the next twelve months with the aim of developing a mutually agreed strategy to:

- Collaborate with Christchurch and Queenstown Airports and the airlines to develop an appropriate business case for a direct jet aircraft service to link Rotorua with the South Island. This direct link is required to capitalise on the existing and predicted growth in the numbers of International tourists
- Influence the New Zealand Transport Agency to commit to a roundabout on State Highway 30 between RRAL and the Eastgate Business complex with the objective to confirm the location and timeline for construction and the aim being to pursue the Eastern Corridor upgrades as opposed to the Rotorua Eastern Arterial. The roundabout is a potential game changer for RRAL's profitability and will be essential to unlock the Airport's land potential

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3.2 Impacts of strategy on the 2012 Master Plan

A Master Plan (largely looking at infrastructure requirements) for RRAL was developed in 2012 and has been reviewed by RRAL in light of the Airport’s updated strategy and forecasted aircraft movements and passenger numbers. In summary, apart from the capital expenditure proposals as outlined in Section 6, renewals and replacements and potentially unlocking some of RRAL’s commercial land development opportunities, no significant new capital expenditure is required to support the current strategy over the next three years. A summary of the primary features of the 2012 Master Plan is outlined below:

Primary Features – 2012 Master Plan	Master Plan trigger points	Update
Allowance for a 45m wide runway	Only required if CAA or airlines make a 45m runway compulsory for jet operations. No indications that this will occur in the future	Land is currently protected for a potential widening of the runway. Cost of widening is likely to be significant (\$10m+) and would only be contemplated based on confirmed commitments that would allow the Airport to drive a return on this capital expenditure
Allow long term protection for a parallel taxiway (beyond the 2012 Master Plan horizon)	Jet aircraft congestion	Not required to support current network strategy
Expand the apron to the south	Two jet aircraft are required to be parked at the same time	Not required to support current network strategy as RRAL can work with airlines to schedule jets at different times
Expand the terminal to the south and reconfigure to accommodate forecast passenger demand	Domestic jets and international jets arrive at the same time	Primarily required to provide secure domestic jet screening. However, as long as domestic jets and international jets depart and arrive at least 1 hour apart then the current facility is acceptable. No expansion required to support current network strategy
New general aviation (GA) precinct and hangar development to the south	Demand from GA and other commercial operators	Land is free and vacant – analysis currently under way looking at opportunities as well as impacts on State Highway proposals
New multi-level car park and expansion of existing ground level parking to the north	Passenger demand	Not required to support current strategy with car park currently 50% full. Off - Airport parking can be implemented if required

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4. GOVERNANCE

The Board has adopted the following governance objectives:

- Approve corporate strategy and direction, laying down solid foundations for management and oversight
- Employ a Chief Executive who monitors the organisations performance against pre-established Board criteria and has overall responsibility for implementing the company's strategic direction
- Ensure the organisation complies with all internal and externally imposed compliance requirements and policies
- Identifies and monitors the management of organisation and operational risks
- Structure itself to utilise the expertise of Directors to add value
- Regularly review the Directors skill base to ensure it can support RRAL's strategy. The conduct and general findings of the review will be discussed on a confidential basis between RRAL's Chair and RLC's Mayor
- Promote ethical and responsible decision-making
- Safeguard the integrity of its financial reporting and make timely and balanced disclosure
- Respect the rights, and recognise the legitimate interests of its Shareholder and stakeholders and ensure that RRAL and RLC work together on a 'no surprise' basis
- Actively engage with other key stakeholders in the Region in particular, Destination Rotorua, Grow Rotorua and the Bay of Plenty Regional Council

4.1 Responsibilities of Directors

Meeting legal requirements

The Board's first duty is to the legal entity. In meeting this duty the Board must ensure that all legal requirements under the relevant Acts are met and that the entity is protected from harmful situations and circumstances in the interests of current and future stakeholders. The Board also has a responsibility to its stakeholders to ensure that the available resources are used to deliver the right outcomes to the right people in the right way.

In particular Directors have the following obligations:

- To act in good faith in the interests of all stakeholders of RRAL
- To exercise their powers for a proper purpose
- To avoid actual or perceived conflicts of interest
- To act honestly
- To act with reasonable care and diligence
- To not make improper use of their position or of information gained while in that role
- To ensure that RRAL does not trade while insolvent

Board members, either individually or collectively, are potentially liable if they act illegally or negligently.

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Governance philosophy and approach

The Board will govern RRAL with an emphasis on:

- A clear distinction between Board and Chief Executive roles
- Remaining up-to-date in terms of key stakeholders' concerns, needs and aspirations
- Developing a future focus rather than being preoccupied with the present or past (outward vision rather than inward concern)
- Providing leadership in the exploration of strategic issues rather than becoming distracted by administrative detail
- Behaving proactively rather than reacting to events and others' initiatives
- Bringing a diversity of opinions and views to bear on its decisions
- Developing and expressing collective responsibility for all aspects of the Board's performance
- Continuing improvement in Board and individual Board member effectiveness and the interest of RRAL as a whole

The Board will:

- Cultivate a sense of group responsibility with a close attention to achieving a high level of governance excellence
- Govern RRAL through careful design and review of written policies that reflect the Board's values, focusing on the long-term effects of these
- Maintain a commitment of excellence in all matters coming before it. It will establish a code of ethics and proper practice that is binding on all Board members
- Not allow any officer, individual or committee of the Board to hinder or be an excuse for not fulfilling Board commitments

Direction of executive performance

The Board will:

- Select, monitor and if necessary replace the Chief Executive
- Maintain an up-to-date framework for defining the Board's expectations of the Chief Executive's performance including setting a clear, annual performance agreement
- Provide regular, honest and rigorous performance feedback to the Chief Executive on the achievement of such expectations

Public statements

In all contact with the media the Chief Executive shall be the sole spokesperson on all operating matters relating to RRAL. The Chairperson shall represent RRAL on all governance matters. The Chairperson may delegate aspects of this responsibility.

Other

The Board will perform such other functions as are prescribed by law or assigned to the Board under RRAL governing documents as they relate to being a Council Controlled Organisation (CCO).

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4.2 Expectations of Board members

To execute these governance responsibilities Directors must, as far as practicable, possess certain characteristics, abilities and understandings.

Fiduciary duty

Directors must fulfil their fiduciary duty to act in RRAL's best interest at all times regardless of personal position, circumstances or affiliation. They should be familiar with the constitutional arrangements and be aware of and fulfil the statutory and fiduciary responsibilities of a Director.

Strategic orientation

Directors should be future oriented, demonstrating vision and foresight. Their focus should be on strategic goals and policy implications rather than operational detail.

Integrity and accountability

Board members must demonstrate high ethical standards and integrity in their personal and professional dealings and be willing to act on all Board decisions and remain collectively accountable for them even if these are unpopular or if individual Directors disagree with them. Directors must be committed to speaking with one voice on all policy and directional matters.

Informed and independent judgement

Each Director must have the ability to provide wise, thoughtful counsel on a broad range of issues. He or she must have or develop a sufficient depth of knowledge about RRAL to understand and question the assumptions, underlying strategic and business plans and important proposals and be able to form an independent judgement on the probability that such plans can be achieved or proposals successfully implemented. Each Director must be willing to risk rapport with fellow Directors in taking a reasoned, independent position.

Financial literacy

Directors must be financially literate. They should be able to read financial statements and understand the use of financial ratios and other indices used for evaluating RRAL's performance.

Industry and sector knowledge

Each Director is expected to bring a level of industry and sector knowledge sufficient to contribute to the Board's deliberations and considerations on behalf of the organisation.

Participation

Each Director is expected to enhance the Board's deliberations by actively offering questions and comments that add value to the discussion. Each should strive to be at ease with fellow Directors, participating in a constructive manner that acknowledges and respects the contribution of others at the table, including the executive team. In order to foster teamwork and engender trust, Directors should be willing to reconsider or change their positions after hearing statements of others' reasoned viewpoints.

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4.3 Governance process policies

- Policies are designed to provide clean, unambiguous guidelines for the implementation of the various operational elements of RRAL. Policies provide continuity and a consistent point of accountability
- The Board will at all times recognise the trust placed in it by the stakeholders and their requirements and expectations of the Board of RRAL
- RRAL acknowledges Maori as tangata whenua, accepts Te Tiriti/The Treaty as a founding document of the nation and acknowledges its responsibility to ensure Maori needs are met in culturally appropriate ways
- An essential element in the Board's leadership role is its responsibility to set the strategic direction for RRAL. Accompanying this is a continuing responsibility to identify organisation priorities, monitor progress against the strategic goals and objectives and view and approve annual business plans and the annual budget
- The Board has a core duty to ensure the financial integrity and viability of RRAL and to ensure the organisation's funds are used for the purposes for which they have allocated. This requires oversight of all financial processes and systems, regular review of financial results and annually approving the financial plan, budget and financial announcements
- The Board will identify and evaluate the principal risks faced by RRAL and ensure that systems are in place to avoid or mitigate the risks including the protection of intellectual capital
- The Board may establish standing committees and working parties to support it in its governance work. The work of standing committees and working parties should not conflict with the Chief Executive's delegated responsibilities
- The majority of Board business will be conducted in Board meetings
- The Chairperson provides leadership to the Board, ensuring that the Board's processes and actions are consistent with its policies. As appropriate, the Chairperson represents the Board and the organisation to outside parties. It is expected that the Chairperson will promote a culture of stewardship, collaboration and co-operation, modelling and promulgating behaviours that define sound Board membership
- The Board delegates to the Chief Executive responsibility for implementation of its strategic direction/strategic plan while complying with the Chief Executive delegation policies

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5. RESPONSIBILITY TO SHAREHOLDER

5.1 Statement of Intent

In accordance with the Local Government Act 2002, the company submits its SOI for the coming financial year to the Shareholder – Rotorua Lakes Council. The SOI sets out the company's overall objectives, intentions and financial and performance targets for the following three years.

5.2 Information flows and reporting

The Board aims to ensure that the Shareholder is informed of all major developments affecting the company's state of affairs, while at the same time recognising that commercial sensitivity may preclude certain information from being made public. Within this constraint, information is communicated to the Shareholder through the following:

- Quarterly reporting against SOI's performance measures and financial forecasts. Reporting to be provided within five weeks of the end of the quarter
- Delivery of a half year report (draft by mid-February) and an annual report (draft by mid-September to the RLC's Chief Financial Officer
- RRAL Chief Executive and senior Council executives to meet on a monthly basis
- RRAL Chair and Chief Executive to meet with the Mayor and Council Chief Executive quarterly
- Chairs and Chief Executives of RLC CCO's to meet quarterly
- Other ad-hoc reports and occasional briefings

In addition, RRAL will proactively develop positive relationships with other local key stakeholders (namely Destination Rotorua and Grow Rotorua) to ensure effective communication of the initiatives being pursued through the implementation of the respective strategic plans.

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6. CAPITAL EXPENDITURE PROPOSALS

RLC are due to transfer all of the Airport assets to RRAL effective 30 June 2015 and as such a detailed asset management plan is to be established and the development of a rolling programme of maintenance and capital improvements will be determined over the ensuing months.

In this three year SOI period, several projects will be investigated and, if found to be feasible, business cases will be prepared for earthquake strengthening, international terminal alterations to create a business hub and the construction of a new fire station.

A total CAPEX budget for the three year period of \$2.1million has been allowed in financial forecasts.

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7. FINANCIAL FORECASTS

The following table outlines RRAL's anticipated 'business as usual' financial performance for the three year period ending 30 June 2018. It is based on the following key assumptions:

- Current and known future commercial network changes based on discussions with Air New Zealand
- No material external economic shocks
- New Zealand GDP tracks to the current consensus of economic forecasts
- Finalisation of the 20 year forecast in conjunction with the Airport assets transfer proposal
- Council equity injection

Table 2: Financial Forecast

Year ending 30 June	2016	2017	2018
Revenue from Airport operations	\$ 2,213,352	\$ 2,255,135	\$ 2,298,318
Service Funding Agreement	\$ 2,500,000	\$ 2,550,000	\$ 2,601,000
Council equity injection	\$ 500,000	\$ 500,000	\$ 500,000
Total income	\$ 5,213,352	\$ 5,305,135	\$ 5,399,318
Expenses	\$ 1,536,700	\$ 1,567,434	\$ 1,598,782
Depreciation, maintenance & debt interest	\$ 3,607,115	\$ 3,657,915	\$ 3,734,104
Total expenses	\$ 5,143,815	\$ 5,225,349	\$ 5,332,886
Surplus / deficit before tax	\$ 69,537	\$ 79,786	\$ 66,432
Provision for tax	\$ -	\$ -	\$ -
Surplus / deficit after tax	\$ 69,537	\$ 79,786	\$ 66,432
Term debt	\$ 18,600,000	\$ 17,100,000	\$ 15,600,000
Term assets *	\$ 48,200,073	\$ 47,255,250	\$ 46,386,989
Total Shareholders' funds **	\$ 29,600,073	\$ 30,155,250	\$ 30,786,989

Term assets*: Represent the total assets both intangible and tangible of RRAL, disclosed in accordance with applicable financial reporting standards. For completeness it is noted that any tax liabilities in respect of GST and deferred tax are classified as liabilities irrespective of them being a debit or credit.

Shareholders' funds:** Represent the net equity of the Shareholder. This amount includes issued share capital, revaluation reserves, and retained earnings, excluding the term debt. There is currently no intention to distribute any of these funds to the Shareholder.

Procedures to be followed before RRAL acquires shares in other groups etc.

Subscription for shares in any other company or interest in any other organisation will only take place with express prior approval from RLC, RRAL's 100% Shareholder, and passed by a special resolution of the Shareholder.

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8. PERFORMANCE MEASURES

	2016	2017	2018
a. Aircraft			
Aircraft movements	7,400	7,474	7,549
b. Passengers			
Domestic	215,000	217,100	219,400
c. Financial			
Total Revenue	\$5,213,352	\$5,305,135	\$5,399,318
Total Expenses	\$5,143,815	\$5,225,349	\$5,332,886
NPAT	\$69,537	\$79,786	\$66,432
Capital expenditure	\$700,000	\$700,000	\$700,000
c. Customer			
Customer service and facility rating	7.2 out of 10	7.5 out of 10	8.0 out of 10
d. Operational			
Number of controllable safety incidents	1.5	1	0
e. Team			
Number of employee injuries (days off work)	7.5	5	2

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9. COMPANY VALUATION

The book value of Shareholders' funds as at **30 June 2014** was:

Shares:

Rotorua District Council (100%)	\$1,000
Total Book Value of Shares	\$1,000

Capital Reserve and Retained Earnings: \$ 1,689,057

The value of the company's non-current assets at 30th of June 2014 was:

Asset Type	\$	Basis
Plant & equipment	\$931,928	Book Value
Intangibles	\$21,528	Book Value

The asset book value is expected to increase to \$47,348,339 by the end of FY15 as a result of the transfer of infrastructural assets from Rotorua Lakes Council.

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10. COMPENSATION AND ACCOUNTING POLICIES

10.1 Compensation

Except for potential Shareholder advances and the Service Funding Agreement with RLC, the Board is not proposing any activities for which it would seek compensation from any local authority in the current planning period.

10.2 Accounting policies

Accounting policies will be consistent with legal requirements in the Companies Act and generally accepted accounting standards as promulgated by the Institute of Chartered Accountants of New Zealand modified as necessary for the circumstances of the company.

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11. STATEMENT OF ACCOUNTING POLICIES

11.1 Reporting entity

Rotorua Regional Airport Limited ('the Company') is a limited liability company incorporated in New Zealand under the Companies Act 1993 and is domiciled in New Zealand. The Company is fully owned by the Rotorua Lakes Council and is a Council Controlled Trading Organisation as defined under section 6 of the Local Government Act 2002. The Company is an Airport operator based in Rotorua. The financial statements of the Company are for the year ended 30 June 2013. The financial statements were authorised for issue by the Directors on the 30 August 2013.

RRAL will change its accounting procedures as from 1 July 2015 and will report based on a Public Benefit Entity to correspond with Rotorua Lakes Council accounting policies.

11.2 Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand, applying the Framework for Differential Reporting for entities adopting the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and its interpretations as appropriate to profit oriented entities that qualify for and apply differential reporting concessions. The Company is a reporting entity for the purposes of the Financial Reporting Act 1993. These financial statements comply with the Financial Reporting Act 1993, section 3B(1) of the Airport Authority Act 1966, and section 69 of the Local Government Act 2002.

Measurement base

The financial statements have been prepared on a historical cost basis.

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of the Company is New Zealand dollars.

Changes in accounting policies

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in previous years.

11.3 Significant accounting policies

The following accounting policies which materially affect the measurement of financial results and financial position have been adopted in the preparation of the financial statements.

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue from sale of goods is recognised when the product is sold to the customer. Revenue from services is

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recognised when the service is provided. Rental income is recognised on an accrual basis with reference to the leases and rental agreements in force at balance date, with adjustment for rent paid in advance. Interest income is recognised using the effective interest method.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Trade debtors and other receivables

Trade debtors and other receivables are recognised at cost less provision for doubtful debts. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

Trade creditors and other payables

Trade creditors and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods or services received, whether or not billed.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and call deposits. Bank overdrafts that are repayable on demand and form part of the Company's cash management are included for the purposes of the statement of cash flows.

Goods & Services Tax

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense. The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as part of receivables or payables in the statement of financial position. The net GST paid to, or received from the Inland Revenue Department, including GST relating to the investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Income Tax

No provision for Income Tax has been made as there is no current tax payable.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

Property, plant & equipment

Property, plant and equipment is shown at cost, less accumulated depreciation and impairment losses.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Company and the cost of the item can be measured reliably.

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Disposal

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are recognised in the statement of financial performance.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write-off the cost of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Leasehold Improvements & Chattels	20 years	(5%)
Motor Vehicles	5-10 years	(10 - 20%)
Furniture & Office Equipment	10 years	(10%)
Computer Equipment	4 years	(25%)
Plant & Equipment	10 years	(10%)

Impairment

At each reporting date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognised in the statement of financial performance.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses. The carrying amount of an intangible assets with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the statement of financial performance. The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer Software	4 years	25%SL
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RRAL SOI 2015 - 2018

11.4 Contingent liabilities

At balance date (30 June 2013) there are no known contingent liabilities. Rotorua Regional Airport Limited has not granted any securities in respect of liabilities payable by any other party whatsoever.


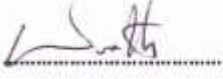
11.5 Auditors

Section 70 of the Local Government Act 2002 requires that Council Controlled Organisations be audited by the Auditor General.

11.6 Public notification

The Act requires that any completed Statement of Intent and each modification adopted must be made available to the public within one month after the date on which it is delivered to the Shareholder or adopted, as the case may be.

11.7 Signatories

Chair – Rotorua Regional Airport Ltd	Acting Chief Executive – Rotorua Regional Airport Ltd
Peter Stubbs 	Wayne Wootton 
Date 28/2/15	Date 28/2/15

Terax 2013 Ltd
and
Terax Limited Partnership

Statement of Intent

For three years commencing 1 July 2015

Introduction

Rotorua District Council (RDC) and the New Zealand Forest Research Institute Ltd (Scion) have created Terax Limited Partnership (the Partnership) and Terax 2013 Ltd (the Company).

The Partnership has been formed under the Limited Partnership Act with RDC and Scion as Limited Partners and providing investment funding (the Investors).

As 50% of the shares in the Company are owned by an entity subject to the Local Government Act (2002) (LGA), the company is therefore also subject to the LGA and therefore a Council Controlled Organisation (CCO) as defined under the Act (Section 64 of the LGA) and accordingly must present a Statement of Intent (SOI) for the three year period beginning 1 July 2015 to be forwarded to their shareholders.

This SOI is prepared by the Company (as the General Partner) in accordance with Section 64 of the Local Government Act 2002.

The Company is accountable to its shareholders and the Limited Partners (being RDC and Scion) to ensure that it achieves the objectives, performance targets and other measures set out in this SOI.

Purpose and Objectives

The Partnership

The purpose of the Partnership is to commercialise the TERAX™ organic waste treatment process ("the Process") and thereby generate returns to its Investors.

The Process destroys sewage treatment plant sludge and other organic wastes that are typically landfilled. It combines hydrothermal and biological processing to break down complex organic materials into simpler molecules. The consequence of this process is elimination of the organic solids content of the feed material. RDC and Scion have both invested in maturing this process targeting specific application to urban waste water treatment and have formed an Unincorporated Joint Venture for this purpose. The Joint Venture was successful in attracting grants from the Ministry for the Environment Waste Management Fund to evaluate the process at pilot plant level. This work has been successful and the potential for commercial application identified for application to the RDC Waste Water Treatment Plant and the much wider application of treating municipal waste streams both in New Zealand and internationally.

The Partnership enables:

- The intellectual property so developed to be owned by one entity;
- The intellectual property to be best managed to enhance its value;
- Development of the best model for commercialisation of the Process, which currently is most likely to be through third party licensing; and
- Implementation of that commercialisation model.

It also permits each investor to:

- Manage its investments into the Partnership as it is able;
- Address financial returns having regard to their particular commercial and taxation structures; and
- Limit their risk to the level of their investment into the Partnership provided they meet the 'safe harbour' provisions of the Limited Partnership Act.

Further, the Partnership's aims are to establish efficient, cost effective operating procedures with minimal capital requirements by the Investors.

The Company

The Purpose and Objectives of the Company are to:

- Act as the General Partner for the Partnership
- Develop and implement an operational plan to effect the outcomes desired by the Partnership

The Company will be a lean vehicle with a single purpose, the intention being to secure its capabilities through contracting in services as much as it can.

Further the Company's aims are:

1. To establish efficient, cost effective operating procedures with minimal capital requirements from the Investors.
2. To ensure compliance with statutory requirements.
3. To implement a commercialisation model to effect wide commercial uptake of the Process and that the Process becomes the Process of choice in its field.
4. To ensure that the Process and its value is continually enhanced to the benefit of the Partnership.
5. To operate in a manner of using good business practice.
6. To create value for the Investors.

Governance

The Company

- Governance of the Company is in accord with the Companies Act 1993.
- There are four Directors with each shareholder nominating two Directors based on one Director for each whole multiple of 25% shareholding held.
- The Directors are, in accord with the Companies Act, required to work in the best interest of the Company and toward meeting the objectives of the Partnership.
- The shareholders will appoint Directors to the board based upon their own policies.

The Partnership

Apart from complying with the provisions of the Limited Partnership Act 2008 the Partnership does not require Governance. Its affairs are managed by the Company acting as General Partner. The Investors may meet with the General Partner on at least an annual basis:

1. To review any potential conflict of interest between the Company and the Investors.
2. To be updated on the affairs of the business.
3. For consultation as long as such discussions do not constitute taking part in managing the Company or Partnership or transacting any business.

Actions

The Company will receive a letter of expectation from RDC and Scion each year providing guidance for the preparation of a draft SOI for the subsequent three years.

At all times the Company will:

- Use sound and good practice business processes in all its undertakings.
- Exhibit ethical and good behaviours in dealing with all parties, including acting as a good employer and operating with a responsible approach to social and environmental matters.
- The Company will adopt a 'no surprises' approach with its shareholders.

Directors

The Directors are:

- Dr Russell Burton, Chairman
- Don Atkinson, Deputy Chairman
- Judith Stanway
- Dr Ian Boddy

Nature and Scope of Activities

The Partnership

The Partnership will generate revenue from the TERAX™ waste treatment process that it owns, most likely through licensing.

The Company

The Company will implement the business plan of Terax Limited Partnership and carry out day-to-day business operations of the Limited Partnership.

Accounting

Ratio of Shareholders Funds to Total Assets

The Company's Shareholders' funds are defined as paid up capital, plus retained earnings and reserves. Total assets are defined as the sum of current assets and non-current assets. The ratio of shareholders' funds to total assets is 100% and is calculated by the formula Shareholder Funds/Total Assets.

Accounting Policies

The financial statements are prepared in accordance with New Zealand Generally Accepted Account Practice (NZ GAAP). They comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable financial reporting standards as appropriate. The financial statements also comply with the Companies Act 1993, the Local Government Act 2002 and the Financial Reporting Act 1993. A full set of accounting policies are available on request, or via the Terax Ltd Partnership and Terax 2013 Ltd Annual Report.

Performance Targets

Target	Measure	Timing
1. The company is operating efficiently	The budget is adopted by the Board and the investors advised via the SOI of expected investment requirements over three year timeframe.	By 30 th June 2015
2. Intellectual Property strengthened.	International patents granted in key countries/regions (Australia, Canada, China, European Community, Japan, Malaysia, Singapore, South Korea, USA)	By 30 th June 2016
3. Strategic partner or territorial licensee for NZ/Australia Municipal Biosolids market.	MoU or Letter of Intent in place with at least 1 territorial licensee.	By 31 st December 2015
4. Strategic partner or territorial licensee for NZ/Australia Municipal Biosolids market	At least 1 territorial licensee fully contracted.	By 30 th June 2016
5. Licences taken up	<ul style="list-style-type: none"> No less than 2 end user licences within the Local Government sector or wider industry end users. No less than 2 additional end-user licences in place 	By 31 st December 2015 By 31 st July 2016
6. Investors identified	Due diligence under way by at least 1 prospective new investor in Terax LP	By 31 st December 2015
7. Technology extended to municipal solid waste.	MfE funded development programme completed; basic engineering and cost estimate completed for a TERAX system to treat municipal solid waste	By 31 st December 2015
8. Compliance	The Audit of the Company does not highlight any material issues.	Annually
9. Business operations	Effective business strategies are put in place to ensure that the investors receive an appropriate return on their investment.	Reviewed annually

Distribution to Shareholders and Investors

The Company acting for itself and acting as the General Partner of the Partnership will comply with procedures and requirements as they relate to the Shareholders and Partners Agreement and the relevant Acts. Noting that:

The total amount of distributions made is recommended to be the maximum available after taking into account:

- The Company's working capital requirements
- The Partnership's capital working requirements
- Maintenance of the desired ratio of the Partnership's funds to total assets
- The retention of an appropriate level of earnings before reinvestment in the business and capital needs

Reporting to Shareholders and Investors

The following reports and statements will be provided to the shareholders in the Company and the investors in the Partnership to align to reporting requirements of those entities.

Statement of Intent

The Statement of Intent will be submitted to the shareholders and investors for consultation annually, as required by the Local Government Act 2002. The directors will include any other information they consider appropriate. Where appropriate, revised forecasts will be submitted to the shareholders and investors.

Annual report

An annual report will be submitted to the shareholders and investors. The annual report will include audited financial statements and other details which permit an informed assessment of the company's performance and financial position during the reporting period provided to the shareholders. Annual reports will be produced, consistent with the Partnership's and the Company's objective to be a long term sustainable and responsible business.

Half year report

Half yearly reports will also be provided to the shareholders and investors. These reports will contain unaudited information and comply with NZ IAS 34.

Other information

The Company will operate a "no surprises" basis in respect of significant shareholder/investor related matters, to the extent possible in the context of commercial sensitivity and confidentiality obligations.

The Company will provide information requested by the shareholders and investors in accordance with the requirements of the Local Government Act 2002.

Procedure for acquisition of sale of shares and property

Before the Company subscribes for or seeks to dispose of shares it must consult with and seek approval from its shareholders (Scion and RDC).

It is noted that should the Company seek a 50% or greater shareholding in another company then a special consultative procedure will be undertaken in accordance with the provisions of the LGA.

The Company shall not proceed further without (a) a special shareholders resolution first being completed by RDC and (b) a resolution being made by the Board of Scion.

The Company cannot sell shares in any company in which it has a shareholding or divest itself of any major asset without approval of RDC and Scion in accordance with the Shareholders and Partners Agreements.

The Company will meet all statutory requirements over acquisition of property including meeting the requirements of Major Transactions as described under the Companies Act (1993)

Compensation

Contracts for services as required will be entered into between the Company and RDC and Scion.

The Company will also seek reimbursement for directors' fees from the shareholding entity who appointed them.

Other than the above the Company and the Partnership will not be seeking any other compensation.

File No: 01-15-332
RDC-545059

ROTORUA LAKES COUNCIL

Mayor
Members
COUNCIL

AIRPORT ASSETS TRANSFER

Report prepared by: Dave Foster, Chief Financial Officer

Report approved by: Geoff Williams, Chief Executive

1. PURPOSE

The purpose of this report is to decide whether to adopt the Statement of Proposal for the Airport Assets following on from the consultation period. The consultation period closed on 12 March 2015, after the required consultation period. One public meeting was held and 2 members of the public attended. No submissions were received.

2. RECOMMENDATION 5

- 1. That the report Airport Assets Transfer be received.**
- 2. That Council adopt the proposal and adopt the changes to the 2012 -2021 Long Term plan in attachment one of this report.**
- 3. That the Chief Executive and Chief Financial Officer be authorised to negotiate sale and capitalisation of Rotorua Regional Airport Limited, and complete the transaction. Provided that the transaction is completed within a 5% tolerance of the proposal.**

3. BACKGROUND

For clarity this report contains the original content for the consultation document to recap the matters under consideration. The full consultation process has been followed, including an Audit opinion for the statement of proposal. No submissions were received to the proposal.

One point worth highlighting is that a review of issues over airport land has highlighted that a portion of land outside the Airport fence at the Lake edge was subject to a Treaty settlement which provides for the land to be transferred back to Iwi when the lease agreement terminates. Council will need to provide access to the Lake front. This settlement will be bought forward but the sale transaction, which will not impact on Airport operations and is not an impediment to the transaction.

The Airport activity was unusual for Council in that it was split between two agencies, those being Council and Rotorua Regional Airport Limited (RRAL and the Airport Company). The unusual element was not the two separate entities but rather that the roles of each entity were not clear and the actions of each party did not necessarily integrate into the best interests of the combined group. Examples include:

- There was a public perception that the Airport was operating at a significant loss and had about \$65m in debt. This created a public perception that the Airport Company was not operating well. In fact, the debt was partly the result of the Airport buy back and partly from the runway extension. A significant part was not debt but was the matter of a self-funding reserve of Council. This was a partition of Council equity that showed that Council "general funds" was owed money by the "Airport Special Fund". The funds for

this account were not in fact borrowed, because Council had a policy in the Revenue and Financing Policy that Council does not borrow for operating costs. As such, borrowing for Airport interest costs would have been outside Council policy. The actual debt attributable to the Airport for capital works mentioned above was \$35m.

- The Airport assets were owned by Council and some maintenance costs for assets were required to be met by Council, while some of the maintenance costs were met by the Airport Company. This split created tension between the two organisations, and lack of clarity had an impact on the operations for both parties. There was a risk that each party believed that key maintenance was the responsibility of the other party, and that neither party planned for it.

For greater efficiency, certainty and transparency, it was decided that it would be better for each party to have clear understanding of the purpose and goals of the Airport, and clarity as to where decisions lie. The purpose and goals of the Airport were defined in the Airport Company Statement of Intent; however there was room for some improvement, which it was suggested would be enhanced by having a single Airport Operation decision maker. History and financial analysis indicated that the Airport would continue to need operating support from Council for the foreseeable future. Also, analysis of the Community benefits of the Airport supported the fact that Council should contribute to the Airport operation due to its importance to support the Tourism sector and also Rotorua air travellers. Council was incurring a cost within the Economic development activity, from funding some costs that had been incurred to support past Airport development, facility maintenance and also contribution to the Rotorua/Sydney service operating costs.

The past split of the Airport costs between the two entities blurred public accountability, the Airport Company accountability and also added significant overhead into the organisations due to the higher transaction cost in making decisions. That transaction cost was created by the need for the two parties to constantly determine which party should be making the decision. That lack of clarity also meant that funding for major asset replacement was unclear. That could have lead to potentially large amounts of funding being required at infrequent intervals and as such created major public concern about further funding for the airport. It was desirable for all services to be operated efficiently with a sustainable and predictable funding stream. The proposed options identified a mechanism for clarity of accountability to be achieved and also for greater predictability of funding for Airport services for the wider community.

It was proposed that the operation and asset ownership for the Airport should be consolidated into a single entity, that being Rotorua Regional Airport Limited (RRAL).

DISCUSSION AND OPTIONS

There are four interventions available to a government, local or central. An intervention is a mechanism for achieving a desired community outcome. Those interventions are:

1. Ownership of assets
2. Delivery of service
3. Taxation
4. Regulation

Successful strategy occurs where the correct interventions are used and where there is clear alignment of the interventions selected. That appeared to not be the case for Rotorua District Council in relation to the Airport. Council used to utilise three of the interventions. Ownership of the asset rested with Council. Delivery of the service was split between the Council and the Airport with the Airport Company being the Airport operator while Council was the asset maintainer. Asset maintenance had a clear impact on operations, so two parties being involved in that function did not indicate alignment. Also, the Departure Charge was a form of taxation which was levied on the users of the Airport.

Three options were considered which would provide for greater synergy:

Option 1

Council establishes greater clarity of roles between the entities.

This option has some initial attraction as it could be regarded as a simple solution. However Councillors change, Board Members change and staff at each organisation also change. The roles of the different parties in relation to the assets were defined in a lease agreement in the mid 2000s. With changes to the service delivery and staff these documents are now being administered by people who were not involved in the original transaction and are now being interpreted in a way which may not have been the original intention. Also, additional elements have been introduced into the mix such as the Rotorua/Sydney route support, and consideration of property development.

While this is a valid option, recent evidence would suggest that the option does not provide the public transparency nor the full focus which come from having a single entity responsible for the service delivery. Also it does not fit well with Council's improved planning and monitoring regimes, which occur through the Annual Plan, LTP and SOI plus regular quarterly reporting, as this would see results split between the two entities. As an option, while it could clarify the roles within the organisations, it would still create blurred public accountability as costs would sit in different entities and it would be difficult for the public to clearly see the full picture for the Airport.

Option 2

Council provides the integration through internal delivery of the Airport service and the Airport Company is dissolved.

This achieves the integration elements desired and the services would then integrate with planning and monitoring regimes, however Airport Operations is a specialist area which would require greater monitoring time and greater ongoing focus with specialisation that Councils typically do not have. Also, there would be issues around liability and risk which are better managed by a separate Board. With a Board, Council is able to seek specific skills and introduce greater commercial disciplines due to the Companies Act requirements on the Company and also on the Board. Also, integration into Council would further blur the funder/provider issues which are part of the current difficulties.

Option 3 (preferred option)

RRAL becomes the asset owner and takes on all elements of the Airport, and Council becomes a funder under agreed levels of service and SOI provisions which are a normal part of Council Accountability and planning frameworks.

This is the preferred option as it fits in with more normal accountability requirements. Questions of efficiency and liability are also much clearer and the role of Council becomes simpler but still two-fold. Council is the Owner, the Shareholder of the company and also the acquirer of services. This however is a role which fits quite well into Council normal business practice as it is the case for Grow Rotorua, the business units and also, potentially the CCOs under consideration.

This mechanism means Council is clear on its requirements through the SOI and the Service Funding Agreement, and within those goals the Airport Company has greater autonomy to make decisions on service choices and charges which will provide greater certainty for the company.

Implications of Preferred Option

If Council agrees that it is worthwhile pursuing an asset sale to RRAL, a process of negotiation would need to be undertaken. That process would need to determine the sale price of the asset, the mechanism of funding, the sale, and the implications of the funding imposition on the Airport Board.

The assets of the Airport have been valued and the preliminary values are:

Asset Category	\$m
Land	6.6
Buildings	10.3
Runway	28.2
Fencing and other infrastructure	1.4
Total	\$46.5

It is proposed that the assets would be sold at Valuation to eliminate any elements of Loss of Sale of assets but also to ensure that the value is able to be supported for both the Airport Company and Council. While it is possible to argue that the sale price is not what the assets would sell for on an open market, it must be recognised that this is not an open market transaction and the goal of the sale is not related to tax positioning nor is the Council seeking to exit ownership. The purpose of the sale relates to the strategic alignment and transparency in regards to airport operations, including decision-making, accountability and understanding of the costs and revenues.

The Nature of the Transactions

To ensure transparency and also to ensure a clear audit trail is established, the following transactions would occur for the sale of the assets:

Step 1

Council would borrow \$46.5m. This loan draw down would occur on the same day or close to the same as the subsequent steps.

Step 2

Council would acquire new shares issued by the Airport Company for \$27.9m representing 60% of the value of the assets being purchased by the Airport company. These shares would be acquired at par value and be fully paid.

Step 3

Council would lend \$18.6m to the Airport. This money would be funded by the borrowing by Council in step 1. The interest rate charged to the Airport would be no less than the cost of funds to Council and would have a 0.25% margin added to reflect treasury funding costs.

Step 4

The Airport would buy the assets from the Council at the agreed valuation of \$46.5m. This would mean that Council's balance sheet would reflect an Investment in the Airport company \$46.5m more than the current investment, while Fixed assets of land and building would be lower by the same figure. That is, there would be no change to Council's total assets.

Step 5

Council would now have an increased borrowing of \$46.5m, but would also have Cash of \$46.5m, leaving the net borrowing at the same level as prior to the transactions. As it would not be an effective use of funds to hold higher debt and also such high cash balances, Council would then repay cash facilities to reduce both the total borrowing and also cash holdings. This would allow Council to ensure that the debt portfolio is in a more robust structure and that the debt sits within the appropriate activities.

The above sequence of events would occur on a single day to ensure efficient use of funding. The above would ensure that a clear trail of funding is available, that the Council indebtedness remains the same at the start and at the end of the transactions, and that debt sits more clearly within the activity for which funds have been borrowed.

An advantage of the above is that debt for the airport would be clearly apparent in the Airport books and it would be serviced by RRAL.

The sale of the assets will have the following implication on the Profit and loss statement:

	RLC	
	2015*	2016
Revenue		
Interest income	503,806	1,007,612
Expenses		
Service Fee to RRAL	1,245,616	2,392,901
Depreciation Reduction	-\$741,810	-\$1,385,289
Total Expenses	503,806	1,007,612
Net Differences	0	0

**These figures represent a 4 month portion of the 2015 year.*

Revenue

- Interest paid to Council will be based on debt outstanding but will approximately be \$1m in the first full year.¹

Expenses

- A new Operating cost will be added to cover a funding agreement with the Airport Company. This funding agreement will be approximately \$2.4m per annum.
- Depreciation of \$1.4m will not appear in Council Financial Statements but will appear in the Airport Financial Statements.
- Airport Capital costs are variable between \$0.7m and \$1.67m per annum these will be the responsibility of the Airport Company

In addition to the above changes, the funding support for the Air New Zealand flights to Sydney will be removed from May 2015. This support currently costs \$1m per annum. Route development will be the responsibility of the Airport Company which while operating at close to breakeven will have the capacity to reduce debt as the Council grant will include a portion of the depreciation on assets, which will put the organisation in a cash positive position. Route development will be an Airport decision.

As the purpose of the transaction is to achieve strategic alignment and transparency of Airport costs, Council would enter into a Service Agreement with the Airport which would involve a Long Term Funding Agreement for ten years, to be renewed every three years as part of the LTP process. The Board would submit a Long Term Funding Plan incorporating all revenue, operating costs and an Asset Management Plan. This plan would be incorporated into the Council LTP to ensure there is transparency over Airport operational support.

It is considered appropriate that Council should buy services from the Airport as the provision of Air Services is an important service for a provincial city, especially a provincial city which has such a high level of tourism investment and tourist visitors.

¹ The interest rate used here is 5.5%, which is based on current costs of borrowing and actual rate may vary, this is for illustration purposes and the figures for 2015 depends on the timing of the proposed sale of the Airport assets.

Consequences of Proposed Changes to the LTP

(a) Page 15 Theme 1

Funding support for the Airport will change from '\$4 million to per annum over the 10 years' to '\$2.4 million per annum over the 10 Years'.

(b) Page 15-18 Direction setting

We propose that this section would be deleted and be replaced by:

'The Airport Activity is unusual for Council in that it is split between two agencies being Council and RRAL. The unusual element is not the two separate entities, but rather is the fact that the roles of each entity are not clear and the actions of each party do not necessarily integrate into the best interests of the combined group. Examples include:

- There is a public perception that the Airport is operating at a significant loss and has about \$65m in debt, creating the perception that the Airport Company is not operating well. In fact, the debt is partly the result of the Airport buy back and partly from the runway extension. A significant part is not debt, but is the matter of a self-funding reserve of Council. This was a partition of Council equity that showed that Council's 'general funds' was owed money by the Airport's 'special fund'. The funds for this account were not in fact borrowed, because Council has a policy in the Revenue and Financing Policy that it does not borrow for operating costs. As such, borrowing for Airport interest costs would have been outside Council policy. The actual debt attributable to the Airport for capital works mentioned above is \$36m.
- Most of the Airport assets are owned by Council and some maintenance costs for assets are required to be met by Council, while some of the maintenance costs must be met by the Airport Company. This split has created tension between the two organisations, and lack of clarity has had an impact on the operations for both parties. There is a risk that each party believes that key maintenance is the responsibility of the other party, and that neither party plans for it.

For greater efficiency, certainty and transparency it would be better if each party had a clear understanding of the purpose and goals of the Airport, and clarity as to where decisions lie. The purpose and goals of the Airport are defined in the Airport Company's Statement of Intent (SOI), the suggestion of having a single Airport operating decision maker would be an improvement to this. History and financial analysis indicates that the Airport will continue to need operating support from Council for the foreseeable future. Also, analysis of the community benefits of the Airport support the fact that Council should contribute to the Airport operation due to its importance of supporting the Tourism sector and also Rotorua air travellers. Currently Council incurs a cost within the Economic Development Activity, from funding some costs that had been incurred to support past Airport development, current facility maintenance and also contributions to the Rotorua/Sydney service operating costs.

The previous split of the Airport costs between the two entities blurs public accountability, the Airport Company accountability and also adds significant overheads into the organisations due to the higher transaction cost in making decisions. This transaction cost is created by need for the two parties to constantly determine which party should be making the decision. This lack of clarity also can mean that funding for major asset replacement is unclear. This can lead to potentially large amounts of funding being required at infrequent intervals and as such, creates major public concern about further funding for the Airport. It is desirable for all services to be operated efficiently with a sustainable and predictable funding stream. This amendment identifies a mechanism for clarity of accountability to be achieved and also for greater predictability of funding for Airport services for the wider community.

It is proposed that the Operation and Asset ownership for the Airport should be consolidated into a single entity being RRAL.'

(c) Pages 165-168 Activity Pages Rotorua Airport Infrastructure

Page 167 would be amended by deleting the Year 4-10 column from the Major changes planned for assets table. Page 168 would be amended to delete the financial numbers for the periods 2015/2016 through to 2021/2022, and replacing them with the following:

	2015/16 (000)	2016/17 (000)	2017/18 (000)	2018/19 (000)	2019/20 (000)	2020/21 (000)	2021/22 (0000)
General Rates, Uniform annual general charges, Rates penalties	2,400	2,400	2,400	2,400	2,400	2,400	2,400
Payments to Staff and suppliers	2,400	2,400	2,400	2,400	2,400	2,400	2,400
Surplus (deficit of operating funding (a-b))	0	0	0	0	0	0	0

(d) Page 342 Rotorua Regional Airport Limited

Changes to the financial forecasts

Year ending 30 June:	Previous LTP	Adjusted following Amendment
Total Revenue	3,323,713	4,569,329
Total Expenses	3,253,713	4,499,329
Surplus/Deficit before Tax	70,000	70,000
Provision for Tax	0	0
Surplus/Deficit after Tax	70,000	70,000
Term Debt	0	18,600,000
Term Assets	2,112,352	48,612,352
Total Shareholders Funds	2,112,352	30,012,352

Financial Changes to the 2012-2022 LTP

It is not proposed to make any changes to the financial projections in the 2012-2022 LTP (pages: 165-168). The reason for this is that the changes would simply be changes in categorisation of items. Net operating costs outlined above change from Depreciation, Interest and Operating costs to become simply operating costs. The net change as outlined is approximately \$10,000. Fixed assets also remain the same but move category from Property Plant and Equipment to becoming Equity Investments. Therefore, there is no material change to the LTP financials on page 165 to 168 in the LTP.

Accountability and monitoring arrangements for assessing RRAL's performance in relation to the Airport Assets

As an existing Council Controlled Organisation (CCO), RRAL is already subject to the accountability and monitoring regime applicable to CCO's under the Local Government Act 2002. This includes requirements for RRAL to prepare a SOI which it agrees annually with the Council, and to prepare an Annual Report on its operations during the previous financial year. RRAL also reports quarterly to the Council on its performance. The proposal does not involve any change to these accountability arrangements.

The Council does not consider there to be any conflicts of interest arising from the proposed transfer of the Airport Assets to RRAL. The directors of RRAL are all independent directors.

Community input

As required under the Local Government Act 2002, because the Airport assets are strategic assets and their sale is not included in the current LTP, the community must be consulted prior to any final decision being made.

Council Airport debt

There is a common belief in the public and also in Council that the Airport debt is \$65m. However, analysis of the Council's financial position has identified that the \$65m is an apportionment of equity in what is described as a self-funding reserve. This reserve means that the Council has been of a view that the airport activity will at some point make a surplus. The fund has had a notional interest charge which circulates within the equity portion of the balance sheet between General Equity and the Self-funding reserves. The balance of the reserve does not, and should not, be taken to indicate that Airport debt is at \$65m.

The Council's Revenue and Financing Policy states that Council will not borrow for operating costs. Council borrows to fund capital costs. Interest costs are an operating cost which is funded, under the policy, from operating revenue, not from debt. The \$65m negative balance in the self-funding reserve included interest cost. While this may be appropriate for internal recording it does not reflect actual debt. The debt which is attributed to the Airport is \$36m.

There is obviously a difference between the total Council debt for the Airport and the debt which will be taken on by the Airport. The level of debt that Council has taken for the Airport would not be sustainable or reasonable to transfer to the Airport Company due to the appropriateness of financial ratios for similar operations. Currently, it is expected that the difference in debt will transfer into an Investment activity which will hold Airport shares, other investments and also land which is not required for other purposes. The focus of the investment activity will be to realise assets to reduce the overall debt of Council. The shares included in that portfolio of investments will not be for sale but the activity will be seeking to reduce Council costs through maximising the value of the portfolio. The financial framework released in December 2013 highlighted that disposal of unnecessary land would be a priority.

Undertaking the above transactions would require public consultation as the Airport Assets are strategic assets. Section 99 of The Local Government Act 2002 requires that sale of Strategic Assets must be undertaken following the Special Consultative procedure if the sale is not included in the Long-Term Plan. Council agreed that the Airport Assets should be sold to the Airport Company and a Special Consultative procedure was initiated during February-March 2015.

Public Consultation

The special consultative procedure for an amendment to the Long Term Plan was completed and no submissions have been received.

5. ASSESSMENT OF SIGNIFICANCE

The decision to sell the assets to the Airport is a significant decision and required consultation. The sale needed a public consultation process as the Assets are Strategic assets.

6. COMMUNITY INPUT/ENGAGEMENT AND PUBLICITY

Community engagement was completed through the Special Consultative Procedure and no submissions have been received.

7. FINANCIAL/BUDGET CONSIDERATIONS

Financial impacts were included in the Statement of proposal. The transaction will change the composition of costs with the Long Term plans but do not change the Council Group position. The purpose of the transaction is to provide for more efficient decision making in relation to the Airport and also to improve public accountability.

7.1 Risks

There are no major risks in the sale of the asset. Files have been reviewed and the sale of the Land to the Airport puts the assets back where they were prior to the transfer of the assets to Council in 2003. A tax review of the transaction will be completed prior to finalisation but as the transaction is not involve any tax aggressive positioning no issues are anticipated.

8. ATTACHMENTS

Attachment 1: Addendum to LTP (pages 69 – 70)

Addendum to the LTP Consequences of Changes to the 2012-2022 LTP

(e) Page 15 Theme 1

Funding support for the Airport changed from '\$4 million to per annum over the 10 years' to '\$2.4 million per annum over the 10 Years'.

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This section was deleted and replaced by:

'The Airport Activity is unusual for Council in that it is split between two agencies being Council and RRAL. The unusual element is not the two separate entities, but rather is the fact that the roles of each entity are not clear and the actions of each party do not necessarily integrate into the best interests of the combined group. Examples include:

- There is a public perception that the Airport is operating at a significant loss and has about \$65m in debt, creating the perception that the Airport Company is not operating well. In fact, the debt is partly the result of the Airport buy back and partly from the runway extension. A significant part is not debt, but is the matter of a self-funding reserve of Council. This was a partition of Council equity that showed that Council's 'general funds' was owed money by the Airport's 'special fund'. The funds for this account were not in fact borrowed, because Council has a policy in the Revenue and Financing Policy that it does not borrow for operating costs. As such, borrowing for Airport interest costs would have been outside Council policy. The actual debt attributable to the Airport for capital works mentioned above is \$36m.
- Most of the Airport assets are owned by Council and some maintenance costs for assets are required to be met by Council, while some of the maintenance costs must be met by the Airport Company. This split has created tension between the two organisations, and lack of clarity has had an impact on the operations for both parties. There is a risk that each party believes that key maintenance is the responsibility of the other party, and that neither party plans for it.

For greater efficiency, certainty and transparency it would be better if each party had a clear understanding of the purpose and goals of the Airport, and clarity as to where decisions lie. The purpose and goals of the Airport are defined in the Airport Company's Statement of Intent (SOI), the suggestion of having a single Airport operating decision maker would be an improvement to this. History and financial analysis indicates that the Airport will continue to need operating support from Council for the foreseeable future. Also, analysis of the community benefits of the Airport support the fact that Council should contribute to the Airport operation due to its importance of supporting the Tourism sector and also Rotorua air travellers. Currently Council incurs a cost within the Economic Development Activity, from funding some costs that had been incurred to support past Airport development, current facility maintenance and also contributions to the Rotorua/Sydney service operating costs. The previous split of the Airport costs between the two entities blurs public accountability, the Airport Company accountability and also adds significant overheads into the organisations due to the higher transaction cost in making decisions. This transaction cost is created by need for the two parties to constantly determine which party should be making the decision. This lack of clarity also can mean that funding for major asset replacement is unclear. This can lead to potentially large amounts of funding being required at infrequent intervals and as such, creates major public concern about further funding for the Airport. It is desirable for all services to be operated efficiently with a sustainable and predictable funding stream. This amendment identifies a mechanism for clarity of accountability to be achieved and also for greater predictability of funding for Airport services for the wider community.

It is proposed that the Operation and Asset ownership for the Airport should be consolidated into a single entity being RRAL.'

(g) Pages 165-168 Activity Pages Rotorua Airport Infrastructure

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Surplus (deficit of operating funding (a-b))	0	0	0	0	0	0	0

(h) Page 342 Rotorua Regional Airport Limited

Changes to the financial forecasts

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As an existing Council Controlled Organisation (CCO), RRAL was already subject to the accountability and monitoring regime applicable to CCO's under the Local Government Act 2002. That included requirements for RRAL to prepare a SOI which it agrees annually with the Council, and to prepare an Annual Report on its operations during the previous financial year. RRAL also reported quarterly to the Council on its performance. The proposal did not involve any change to these accountability arrangements.

The Council did not consider there to be any conflicts of interest arising from the proposed transfer of the Airport Assets to RRAL. The directors of RRAL are all independent directors.

Community input

As required under the Local Government Act 2002, because the Airport assets are strategic assets and their sale was not included in the current LTP, the community was consulted prior to any final decision being made.

File No: 01-15-332
RDC-545069

ROTORUA DISTRICT COUNCIL

Mayor
Chairperson and Members
COUNCIL

AMENDMENT OF THE ROTORUA REGIONAL AIRPORT LIMITED CONSTITUTION

Report prepared by: Dave Foster, Chief Operating Officer

Report approved by: Geoff Williams, Chief Executive

1. PURPOSE

The purpose of this report is seek approval for an amended Constitution for Rotorua Regional Airport Limited

2. RECOMMENDATION 6

1. **That the report Amendment of the Rotorua Regional Airport Limited be received.**
2. **That Council approve the amended Constitution of Rotorua Regional Airport Limited.**

3. BACKGROUND

A constitution is a document which sets out the rights, powers and duties of the company, the board, each directors and each shareholder. RRAL has asked the Council to approve an amended constitution and so Simpson Grierson were engaged to complete a review of the constitution with a view to establishing a constitution which could be applied to other companies in the Council group. This means that overview of the Companies is eased as there are not different constitutional requirements. A key issue for RRAL in seeking a change to the constitution related to the minimum number of directors as the company has had some pressure on a quorum over the past 2 years.

The constitution is reasonably straight forward and is attached at attachment 1. This attachment shows a marked up version of the document to highlight the changes for Councillors. Key issues in the change relate to:

The number of directors

Removal of a number of references to the Local Government Act, as changes to the Local Government Act may require regular changes to the Constitution.

4. ASSESSMENT OF SIGNIFICANCE

The decision is not significant it provides for smooth operation of the Airport but does not make significant changes to the company or the nature of its undertaking.

5. COMMUNITY INPUT/ENGAGEMENT AND PUBLICITY

Community engagement is not considered necessary due to the nature of the decision. The paper is being considered in open meeting.

6. FINANCIAL/BUDGET CONSIDERATIONS

There are no financial impacts from the decision.

6.1 Risks

There are no major risks in amending the constitution.

7. ATTACHMENTS

Attachment 1: Constitution for Rotorua Regional Airport Limited (pages 73 – 89).

CONSTITUTION

ROTORUA REGIONAL AIRPORT LIMITED

1. DEFINITIONS AND INTERPRETATION

In this Constitution, unless the context otherwise requires:

1.1 Definitions:

Board means Directors who number not less than the required quorum, acting together as a Board of Directors;

Company means Rotorua Regional Airport Limited;

Companies Act means the Companies Act 1993;

Constitution means this Constitution, as altered from time to time;

Council means the Rotorua ~~District-Lakes~~ Council, a territorial authority under the Local Government Act;

~~Council Board Representative means a person authorised to act as the representative of the Council at a meeting of the Board;~~

Council-Controlled Organisation has the meaning set out in Section 6 of the Local Government Act;

~~Council Shareholder Representative means a person authorised to act as the representative of the Shareholder at a meeting of the shareholders;~~

Director means a person appointed as a Director of the Company in accordance with this Constitution;

Local Authority means a regional ~~c~~Council or territorial authority under the Local Government Act;

Local Government Act means the Local Government Act 2002;

Month means a calendar month;

Ordinary Resolution means:

~~(a) a resolution passed by a majority of the valid votes cast on the resolution by the Shareholders entitled to vote and voting on the question; or~~

~~(b) where there is a sole Shareholder holding 100% of the Shares, a resolution approved by that sole Shareholder; and~~

~~any resolution of the shareholders which is not a Special Resolution and approved by the vote of the shareholders;~~

Person includes an individual, partnership, firm, company, body corporate, corporation, association, organisation, trust, a state or government or any agency thereof, a municipal, local or regional authority, and any other entity or organisation, whether incorporated or not (in each case, whether or not having a separate legal personality);

Records means the documents required to be kept by the Company under Section 189(1) of the Companies Act;

Share means a share issued, or to be issued, by the Company, as the case may require;

Shareholders means the Council ~~or other persons whose names are entered in the Share Register as the holder for the time being of any Shares, as the sole Shareholder in the Company;~~

Comment [SG1]: This term does not need to be defined as it is only used in clause 20.15 which we have deleted.

Share Register means the share register for the Company kept in accordance with the Companies Act;

Special Resolution means:

(a) a resolution approved by at least 75% of the valid votes cast on the resolution by the Shareholders entitled to vote and voting on the question; or

(b) where there is a sole Shareholder holding 100% of the Shares, a resolution approved by that sole Shareholder;

~~means a resolution described as such and approved by the vote of the shareholders;~~

Statement of Intent means the Statement of Intent to be completed by the Board in accordance with Section 64 of the Local Government Act and, where the context so requires, means the most recent statement of intent (including any modifications thereof) so completed by the Board; and

Working Day has the meaning set out in Section 2 of the Companies Act;

1.2 Interpretation: In this Constitution, unless the context otherwise requires:

- (a) words or expressions have the same meaning as in the Companies Act;
- (b) the table of contents, headings, and descriptions relating to sections of the Companies Act, are inserted for convenience only and will be ignored in construing this Constitution;
- (c) the singular includes the plural and vice versa;
- (d) reference to any legislation or to any provision of any legislation (including regulations and orders) includes:
 - (i) that legislation or provision as from time to time amended, re-enacted or substituted;
 - (ii) any statutory instruments, regulations, rules and orders issued under that legislation or provision;
- (e) "written" and "in writing" include any means of reproducing words, figures and symbols in a tangible and visible form;
- (f) words and expressions defined or explained in the Companies Act or the Local Government Act have the same meaning in this Constitution and, in the event of any inconsistency between the two Acts such words are expressed and shall have the meaning in the Local Government Act;
- (g) where any word or expression is defined in this Constitution, any other grammatical form of that word or expression has a corresponding meaning, ~~and~~
- (h) references to clauses and sections (other than sections of the Companies Act or the Local Government Act) are references to clauses and sections in this Constitution, unless stated otherwise; and
- (i) references to clauses and sections (other than sections of the Companies Act) are references to clauses and sections in this Constitution, unless stated otherwise; and
- (j) unless the context otherwise requires, "approval" of any action by the Shareholders means unanimous approval by all of the Shareholders.

Comment [SG2]: We assume that, if another Shareholder was introduced in addition to the Council, any action that requires Shareholder approval would require consent from that Shareholder also. If this assumption is incorrect and you would like the Council to always have approval power, please let us know and we will amend the Constitution accordingly.

- 1.3 **Explanatory notes:** Any explanatory notes in this Constitution are for the sake of guidance only, and do not affect the meaning or interpretation of the relevant clause.

2. CONSTITUTION

- 2.1 **Council-Controlled Organisation:** The Company is established as a Council-Controlled Organisation, of which the Council is the sole Shareholder as at the date of the adoption of this Constitution-

- 2.2 **Relationship to Companies Act and Local Government Act:** If there is any conflict:

- (a) between a provision in this Constitution and a mandatory provision in the Companies Act or the Local Government Act, then the mandatory provision in the Companies Act or the Local Government Act prevails; and
- (b) between:
- (i) a provision in this Constitution and a provision in the Companies Act or the Local Government Act which is expressly permitted to be altered by this Constitution; or
 - (ii) a word or expression defined or explained in the Companies Act or the Local Government Act and a word or expression defined or explained in this Constitution,

then the provision, word or expression in this Constitution prevails.

3. OBJECTIVES AND CAPACITY

- 3.1 **Objectives:** As a Council-Controlled Organisation, the Company has the principal objective set out in Section 59 of the Local Government Act.

~~Statement of Intent: The Company also has the objectives contained in its Statement of Intent.~~

- 3.2 **Capacity:** Subject to the Companies Act, the Local Government Act, any other applicable law, this Constitution and the Statement of Intent, the Company has, both within and outside New Zealand, the capacity, rights, powers and privileges to carry on or undertake any business or activity, do any act or enter into any transaction.

Comment [5G3]: We consider that this clause is unnecessary as it is a restatement of the law.

4. STATEMENT OF INTENT

- 4.1 During such period that the Company is a Council-Controlled Organisation, the provisions of Sections 128(1) and 128(2) of the Companies Act are qualified, so that the Board will comply with the relevant provisions of the Local Government Act.

Explanatory notes to Clause 4.1:

- ~~Section 128(1) provides that the business and affairs of a company must be managed by, or under the direction or supervision of, the Board of the company.~~
- Section 128(2) provides that the Board of a company has all the powers necessary for managing and for directing and supervising the management of the business and affairs of the company.

~~In complying with Clause 4.1, the Board will complete a Statement of Intent in accordance with Schedule 6 to the Local Government Act as follows:~~

~~(a) The Board shall deliver to the shareholders a draft Statement of Intent on or before 1 March in each year.~~

~~(b) The Statement of Intent shall specify for the Company, and in respect of the financial year immediately following the financial year in which it is required to be delivered (pursuant to Clause 4.2(d) and for each of the immediately following two financial years), the following information:~~

- ~~(i) the objectives of the Company;~~
- ~~(ii) a statement of the Board's approach to governance of the Company;~~
- ~~(iii) the nature and scope of the activities to be undertaken by the Company;~~
- ~~(iv) the ratio of consolidated shareholders' funds to total assets, and the definitions of those terms;~~
- ~~(v) the accounting policies of the Company;~~
- ~~(vi) the performance targets and other measures by which the performance of the Company may be judged in relation to its objectives;~~
- ~~(vii) an estimate of the amount or proportion of accumulated profits and capital reserves that it is intended to be distributed to the shareholders;~~
- ~~(ix) the kind of information to be provided to the shareholders by the Company during the course of those financial years, including the information to be included in each half-yearly report;~~
- ~~(x) any other matters that are agreed by the shareholders and the Board.~~

~~The Board shall consider any comments on the draft Statement of Intent that are made to it within 3 months of 1 March by the shareholders.~~

~~The Board shall deliver the completed Statement of Intent to the shareholders on or before 30 June each year.~~

~~(c) A Statement of Intent may be modified at any time by written notice from the Board, so long as the Board has first:~~

- ~~(i) given written notice to the shareholders~~
- ~~(ii) of the proposed modification, and considered any comments made on the proposed modification by the shareholders within:~~
 - ~~(A) 1 month after the date on which the notice was given, or~~
 - ~~such shorter period as the shareholders may agree.~~

~~(d) The shareholders may from time to time by Special Resolution require the Board to modify the Statement of Intent by including or omitting any provision or provisions of the kind referred to in sub-Clauses 4.2(b)(i) to 4.2(b)(ix), and the Board shall comply with any such requirement notified to the Company.~~

Comment [SG4]: We consider that this is unnecessary as it is a restatement of the law.

5. REPORTING

5.1 Half yearly report: Within 2 months after the end of the first half of the financial year of the Company, the Board must deliver to the Shareholders a report on the Company's operations during that half year. That report must include the information required to be included by the Statement of Intent.

5.2 Annual report: Within 3 months after the end of each financial year of the Company, the Board must deliver to the Shareholders, and make available to the public, a report of the Company's operations during that year. That report must include the information required to be included by:

- (a) Sections 68 and 69 of the Local Government Act;
- (b) the Statement of Intent; and
- (c) the Companies Act.

5.3 Protection from disclosure of sensitive information: Nothing in this Clause requires the inclusion in any Statement of Intent, annual report, financial statement, half-yearly report or quarterly report required to be produced under this Constitution by the Company of any information

Comment [SG5]: You may wish to include a clause that gives RLC the option of requiring a Quarterly Report to be produced if requested to do so in writing. This gives RLC the option of keeping a closer eye on activities of the Company/Board.

that may be properly withheld if a request for that information were made under the Local Government Official Information and Meetings Act 1987.

6. APPOINTMENT AND REMOVAL OF DIRECTORS

6.1 Number of Directors: The number of Directors may not at any time be less than 3 or more than 6.

6.2 Appointment: Subject to Clauses 6.3 to 6.6, a person may be appointed as a Director at any time by Ordinary Resolution or by written notice to the Company signed by the Sshareholders. Two or more persons may be appointed as Directors by a single Resolution or notice.

6.3 Term of Appointment: No person may be appointed as a Director for a term greater than 3 years. Any Director may be reappointed at the expiry of his or her term of appointment, provided that no Director may be appointed for more than 3 consecutive terms.

6.4 Statutory Requirements: Any appointment or removal of Directors must at all times comply with the Local Government Act.

~~6.4.5~~ **Reappointment of initial Directors:** Subject to Clauses 6.3 and 6.4, a Director may be reappointed upon the expiry of his term, in accordance with the applicable provisions of this Constitution. ~~The power of reappointment shall also apply on the expiry of any second term.~~

~~6.5.6~~ **Appointment of Chairperson and Deputy Chairperson:** The Sshareholders must appoint a chairperson of the Board, and the Board must appoint a deputy chairperson.

~~6.6.7~~ **Removal:** A Director may at any time be removed from office by Ordinary Resolution or by written notice to the Company signed as provided in Clause 6.8.

~~6.7.8~~ **Notice of Appointment and Removal:** Any notice to the Company pursuant to this section 6 appointing or removing a Director must:

- (a) be signed, or purport to be signed, by all of the Sshareholders; and
- (b) be given to the Company by delivering the notice, or by sending the notice through the post or by facsimile or other electronic means of communication, to its registered office,
- (c) (and may be comprised in one or more separate notices, each signed or purporting to be signed by one or more persons. A notice will be effective from the time of receipt of the notice by the Company at its registered office.

~~6.8.9~~ **Tenure of office:** A Director ceases to be a Director when his or her term expires pursuant to Clause 6.3, or if he or she:

- (a) dies, or becomes mentally disordered or subject to a property order or personal order made under the Protection of Personal and Property Rights Act 1988;
- (b) resigns by written notice delivered to the Company at its address for service or at its registered office (such notice to be effective at the time when it is so received unless a later time is specified in the notice);
- (c) becomes disqualified from being a Director pursuant to Section 151 of the Companies Act;
- (d) is removed from office in accordance with Clause 6.7; or
- (e) becomes bankrupt or makes an arrangement or composition with his or her creditors generally.

Comment [S66]: We assume that a Director could be appointed for an indefinite number of consecutive terms. If so, this provision is unnecessary and confusing.

6-95.10 Eligibility for Appointment: No person who at that time is either a member of the Council's governing body, a community board or a local Board of the Council, or an employee of the Council shall be eligible for appointment as a Director/Directors.

6-108.11 Resignation of Director/Directors: A Director who is elected to the Council's governing body or a local Board or becomes an employee of the Council, will be required to resign as a Director before taking up such position. If a Director does not so resign, that Director is deemed to have ceased to be a Director from the date of such election or employment.

7. REMUNERATION AND OTHER BENEFITS OF DIRECTORS

The Board may not exercise the power conferred by Section 161 of the Companies Act to authorise any payment or other benefit of the kind referred to in that section to or in respect of a Director in his or her capacity as such, without the prior approval of the Shareholders.

Explanatory note to Clause 7: Section 161 enables the Board of a company, subject to the constitution, to authorise payments, loans and guarantees to directors, and to enter contracts for those purposes, if it is satisfied that doing so is fair to the company.

8. INDEMNITY AND INSURANCE

8.1 The Company is expressly authorised to, and will, indemnify and/or insure any Director or employee against liability for acts or omissions, and/or costs incurred in connection with claims relating to liability, of the type specifically contemplated by subsections (3), (4) and (5) of Section 162 of the Companies Act to the maximum extent permitted by those subsections.

8.1 ~~Indemnity. The Company may (and shall to the extent required by the Shareholders) enter into deeds of indemnity with its Directors and employees against liability and costs of the type referred to in clause 8.1, provided all such deeds are in a form approved by the Shareholders.~~

8.2

9. POWERS OF DIRECTORS

9.1 Management of Company: The business and affairs of the Company must be managed by, or under the direction or supervision of, the Board.

9.2 Role of Directors: The role of a Director is to assist the Company to meet its objectives and any other requirements in the Statement of Intent. This Clause does not limit or affect the other duties that a Director has.

9.3 Exercise of powers by Board: The Board may exercise all the powers of the Company which are not required, either by the Companies Act or this Constitution, to be exercised by the Shareholders.

9.4 Limitations on powers of Board: Notwithstanding Clauses 9.1 and 9.3, the business and affairs of the Company must be managed in accordance with the applicable provisions of this Constitution, the Statement of Intent and the Local Government Act.

9.5 Delegation of powers: The Board may delegate to a committee of Directors, a Director, an employee of the Company, or to any other person, any one or more of its powers, other than a power set out in the Second Schedule to the Companies Act. The Board remains responsible at all times for any delegated powers.

Explanatory note to Clause 9.5: The Second Schedule to the Companies Act specifies a wide range of powers conferred on Directors by the Companies Act which cannot be delegated.

9.6 Ratification by Shareholders: Subject to the provisions of Section 177 of the Companies Act (relating to ratification of director/Directors' actions) the Shareholders may ratify the purported exercise of any power by a Director or the Board in the same manner as the power may be

Comment [SG7]: We note that this previously stated that "an employee of the Council" is barred from being a Director. We note that Dave Foster is an employee of the Council and also a director of RRAL.

We assume that Dave will wish to continue to be a director and that it is not your intention to bar employees of the Council from being Directors. Let us know if this assumption is incorrect.

We also note that RLC has community boards but no local boards currently. We have kept the reference to local boards in just in case local boards are introduced in the future.

exercised. The purported exercise of a power that is ratified under this Clause is deemed to be, and always to have been, a proper and valid exercise of that power.

10. PROCEEDINGS OF BOARD

10.1 Third Schedule to Companies Act not to apply: The provisions of the Third Schedule to the Companies Act (relating to proceedings of a Board) do not apply to the Company, except to the extent expressly incorporated in this Constitution.

10.2 Alternative forms of meeting: A meeting of the Board may be held either:

- (a) by a number of the Directors who constitute a quorum, being assembled together at the place, date and time appointed for the meeting; or
- (b) by means of audio, or audio and visual, communication by which all Directors participating and constituting a quorum can simultaneously hear each other throughout the meeting.

~~10.3 Chairperson may regulate proceedings: Except as provided in this Constitution, the chairperson of a meeting of the Board may regulate procedure.~~

~~10.3 Procedure: Except as provided in this Constitution, the Board may regulate its own procedure.~~

~~10.4 Director may convene meeting: Without limiting the provisions of Clauses 10.4 or 10.5, a Director has the right at any time to convene a meeting of the Board, or to require an employee of the Company to convene a meeting of the Board, at the registered office of the Company or at the place where the meetings of the Board for the time being are customarily held, by giving not less than 5 Working Days' written notice signed by or on behalf of the Director to each of the other Directors stating the date, time and place of the meeting and the matters to be discussed.~~

~~10.5 Convening of meeting: A Director, or an employee of the Company at the request of a Director, may convene a meeting of the Board by giving notice in accordance with Clause 10.5.~~

Comment [SG8]: We have removed clause 10.4 and replaced it with the previous clause 10.6 as those provisions had the same effect.

~~10.6~~ **10.5 Notice of meeting:** The following provisions apply in relation to meetings of the Board except where otherwise agreed by all Directors in relation to any particular meeting or meetings:

- (a) Not less than 5 Working Days' notice of a meeting will be given to each Director (other than a Director who has waived that right).
- (b) Notice to a Director of a meeting may be:
 - (i) given to the Director in person by telephone or other oral communication;
 - (ii) delivered to the Director;
 - (iii) posted to the address given by the Director to the Company for such purpose;
 - (iv) sent by facsimile transmission to the facsimile telephone number given by the Director to the Company for such purpose; or
 - (v) sent by electronic means in accordance with any request made by the Director from time to time for such purpose.
- (c) A notice of meeting must:
 - (i) specify the date, time and place of the meeting;
 - (ii) in the case of a meeting by means of audio, or audio and visual, communication, specify the manner in which each Director may participate in the proceedings of the meeting; and

- (iii) give an indication of the matters to be discussed, in sufficient detail to enable a reasonable Director to appreciate the general import of the matters, unless this is already known to all the Directors or is impracticable in any particular circumstances.
- (d) A notice of meeting given to a Director pursuant to this Clause is deemed to be given:
 - (i) in the case of oral communication, at the time of notification;
 - (ii) in the case of delivery, by handing the notice to the Director or by delivery of the notice to the address of the Director;
 - (iii) in the case of posting, 3 Working Days after it is posted;
 - (iv) in the case of facsimile transmission, when the Company received a transmission report by the sending machine which indicates that the facsimile was sent in its entirety to the facsimile telephone number given by the Director;
 - (v) in the case of electronic means, at the time of transmission.
- (e) If all reasonable efforts have been made to give notice of a meeting to a Director in accordance with Clause 10.5(d) but the Director cannot be contacted, notice of the meeting will be deemed to have been duly given to that Director.

~~40.7.10.6 Director may convene meeting: Without limiting the provisions of Clauses 10.4 or 10.5, a Director has the right at any time to convene a meeting of the Board, or to require an employee of the Company to convene a meeting of the Board, at the registered office of the Company or at the place where the meetings of the Board for the time being are customarily held, by giving not less than 5 Working Days' written notice signed by or on behalf of the Director to each of the other Directors stating the date, time and place of the meeting and the matters to be discussed.~~

~~40.8.10.7 Waiver of notice irregularity: An irregularity in the giving of notice of a meeting is waived if each of the Directors either attends the meeting without protest as to the irregularity or agrees (whether before, during or after the meeting) to the waiver.~~

~~40.9.10.8 Quorum: A quorum of a meeting of the Board is a majority of the Directors. No matter may be considered at a meeting of the Board if a quorum is not present.~~

~~40.10.10.9 Chairperson: At any meetings of Directors:~~

- (a) If the chairperson of the Board is present, he or she shall be the chairperson of the meeting.
- (b) If the chairperson of the Board is not present, but the deputy chairperson is, the deputy chairperson shall be the chairperson of the meeting;
- (c) If neither the chairperson nor the deputy chairperson of the Board is present within 15 minutes after the time determined for the commencement of the meeting, the Directors present may appoint one of their number to be chairperson of the meeting.

~~40.11.10.10 Voting: Every Director has 1 vote. -The chairperson does not have a casting vote. A resolution of the Board is passed if it is agreed to by all Directors present without dissent, or if a majority of the votes cast on it are in favour of the resolution. A Director present at a meeting of the Board is presumed to have agreed to, and to have voted in favour of, a resolution of the Board unless he or she expressly dissents from or votes against, or expressly abstains from voting on, the resolution at the meeting.~~

~~40.12.10.11 Written resolution: A resolution in writing signed or assented to by a majority of the Directors entitled to vote on that resolution is as valid and effective as if passed at a meeting of the Board duly convened and held provided those Directors would constitute a quorum for~~

Comment [SG9]: What if there is a deadlock on voting? Are you happy for a motion to be rejected if there is a deadlock? If not you may wish to consider giving the chairperson a casting vote.

consideration of the resolution at a meeting of the Board. Any such resolution may consist of several documents (including facsimile or other similar means of communication) in similar form, each signed or assented to by one or more Directors. A copy of any such resolution must be entered in the Company's Records pursuant to Section 189(1) of the Companies Act. The Company must, within 5 ~~Working~~ Days after any resolution is passed in accordance with this Clause, send a copy of the resolution to each Director who has not signed or assented to the resolution.

~~40.13~~10.12 **Committees:** A committee of Directors must, in the exercise of the powers delegated to it, comply with any procedural or other requirements imposed on it by the Board. Subject to any such requirements, the provisions of this Constitution relating to proceedings of Directors apply, with appropriate modification, to meetings of a committee of Directors.

~~40.14~~10.13 **Validity of actions:** The acts of a person as a Director are valid even though the person's appointment was defective or the person is not qualified for appointment.

~~40.15~~10.14 **Minutes:** The Board must ensure that minutes are kept of all proceedings at meetings of the ~~S~~shareholders and of the Board. Minutes which have been signed correct by the chairperson of the meeting are prima facie evidence of the proceedings.

~~40.16~~10.15 **Open Meetings:** Meetings of the Board shall not be open to members of the public as most meetings include discussions on commercially sensitive information unless the Board resolves that they ought not to be excluded.

~~40.17~~10.16 **Rights of Shareholders:** In regard to any meeting of the Board:

(a) notice must be given to the Council in the same manner as notice must be given to the Directors under Clause 10.5.

~~(b) the Council Board Representative may attend or participate in the meeting, but shall have no right to vote.~~

~~(c)~~(b) any failure to give notice to the Council of the Board meeting shall not invalidate any decision of the Board made at the meeting.

Explanatory note to Clause 10.16: This clause enables a close working relationship to be maintained as between the Company and the Council, and will facilitate the Board and the Council being kept well informed on matters of interest.

11. INTERESTED DIRECTORS

11.1 Directors must disclose their interests: As soon as a ~~director~~Director becomes aware of the fact that he or she is interested in a transaction or proposed transaction with the Company, then unless the Act provides otherwise or all entitled persons have agreed to or concur in the Company entering into the transaction, that ~~director~~Director must cause to be entered in the interests register, and disclose to the Board:

(a) the nature and monetary value of his or her interest (if the monetary value of the interest is able to be quantified), or

(b) the nature and extent of his or her interest (if the monetary value of the interest cannot be quantified).

11.2 General disclosure in certain cases will suffice: For the purposes of Clause 11.1 a general notice entered in the interests register and ~~—disclosed~~ to the Board to the effect that a ~~director~~Director:

(a) is a ~~S~~shareholder, ~~director~~Director, officer, or trustee of another named company or other person; ~~and~~

- (b) is to be regarded as interested in any transaction which may, after the date of the entry or disclosure, be entered into with that other company or person ~~and~~;
- (c) shall be a sufficient disclosure of that interest in relation to such transactions.

11.3 Failure to disclose does not affect validity of transaction: Any failure by a ~~director~~Director to comply with Clause 11.1 does not affect the validity of a transaction entered into by the Company or the ~~director~~Director. However, the transaction may be avoided under Clause 11.4.

11.4 Company may avoid transaction if ~~director~~Director interested: Where the Company enters into a transaction in which a ~~director~~Director is interested, the Company, if it is permitted to do so by the Act, may avoid that transaction in accordance with the Act. However, if all entitled persons have agreed to or concur in the Company entering into such a transaction then this Clause will not apply.

11.5 Interested ~~director~~Director may not vote: A Director of the Company who is interested in a transaction entered into, or to be entered into, by the Company may not (subject to Clauses 11.6(a) and 11.7) vote on a matter relating to the transaction, but may:

- (a) ~~11.5.4(i)~~ vote on any matter to which Clause 8 applies;
- (b) ~~11.5.4(ii)~~ attend a meeting of ~~director~~Directors at which a matter relating to the transaction arises, and be included among the ~~director~~Directors present at the meeting for the purpose of a quorum;
- (c) ~~11.5.4(iii)~~ sign a document relating to the transaction on behalf of the ~~Company~~ Company, and
- (d) ~~11.5.4(iv)~~ do anything else as a ~~director~~Director in relation to the transaction, as if he or she were not interested in the transaction.

11.6 Suspension of voting: The ~~Shareholders~~ Shareholders may, by ~~Ordinary~~ Ordinary Resolution, suspend or relax the prohibition on interested ~~director~~Directors voting to any extent in respect of any particular transaction.

11.6 ~~Director may act in Shareholder's best interests:~~ A Director may, when exercising powers or performing duties as a Director, act in a manner which he or she believes is in the best interests of his or her appointing Shareholder even though it may not be in the best interests of the Company.

11.7

12. ALTERNATE DIRECTORS

12.1 ~~Director~~Directors may appoint and remove alternate directors:

Every ~~director~~Director may:

- (a) ~~12.1.1~~ appoint any person:
 - (i) who is not disqualified by the Act from being a director; and
 - (ii) in the case of a person appointed by a ~~director~~Director who was appointed by an appointing ~~Shareholder~~ Shareholder, whose appointment under this clause has been approved in writing by the appointing ~~Shareholder~~ Shareholder,

to act as an alternative director in his or her place either for a specified period, or generally during the absence or inability to act from time to time of the ~~director~~Director; and

- (b) ~~12.1.2~~ remove any person appointed by him or her as an alternative director from that office.

Comment [SG10]: This is a common clause seen in constitutions of wholly-owned subsidiaries.

Comment [SG11]: It is common in normal constitutions for companies for directors to appoint their own alternates.

However, you may wish to consider a couple of options for controlling the appointment of alternate directors:

1. Require approval of an alternate director by the Council; or
2. Require approval of an alternate director by a majority of the Board— This option may prevent a director being appointed who may conflict with the rest of the Directors on the Board.

by giving written notice to that effect to the address for service of the Company.

12.2 Alternative ~~director~~Director to be remunerated by appointor: An alternate director shall look to the ~~director~~Director appointing him or her and not the Company for remuneration, but shall have the same rights as a ~~director~~Director to be recompensed by the Company for reasonable travelling, hotel and other expenses incurred by him or her in attending meetings of the Board or of the ~~Share~~shareholders or in relation to any other affairs of the Company.

12.3 Alternative ~~director~~Director has powers of appointor

(a) ~~12.3.1~~—While acting in the place of the ~~director~~Director who appointed him or her, an alternative director has, and may exercise and discharge all the powers, ~~rights,~~ duties and privileges of that ~~director~~Director (including the right to sign any document, including a written resolution, and to act as a chairperson, but excluding the right to appoint an alternate). He or she is also subject to the same terms and conditions of appointment as that ~~director~~Director except in respect of remuneration.

(b) ~~12.3.2~~—A ~~director~~Director who is also an alternate director is entitled to exercise his or her voting and other powers as an alternate director in addition to and independently of the exercise of his or her powers as a ~~director~~Director, except that, in determining whether a quorum is present at a meeting of the Board, any such ~~director~~Director shall be counted once only.

(a) ~~12.3.3~~—No alternative director may be appointed managing director.

~~12.3~~**12.4 Termination of appointment of alternate ~~director~~Director:** The appointment of an alternate director terminates automatically if the ~~director~~Director who appointed him or her ceases to be a ~~director~~Director.

13. METHOD OF CONTRACTING

13.1 Deeds: A deed which is to be entered into by the Company may be signed on behalf of the Company, by:

(a) two or more ~~Director~~Directors, or

(b) a ~~Director~~Director, and any person authorised by the Board, whose signatures must be witnessed.

13.2 Other written contracts: An obligation or contract which is required by law to be in writing, and any other written obligation or contract which is to be entered into by the Company, may be signed on behalf of the Company by a person acting under the express or implied authority of the Company.

13.3 Other obligations: Any other obligation or contract may be entered into on behalf of the Company in writing or orally by a person acting under the express or implied authority of the Company.

14. SHARES

14.1 Shares: At the time of the adoption of this Constitution the Company has 1000 shares, all of which are held by the Council. No money is payable for calls or otherwise on those shares.

~~14.1~~**14.2 Classes of Shares:** The Company may only issue ordinary Shares.

~~14.2~~**14.3 Power to issue Shares:** The Board may only issue Shares with the prior written approval of the ~~Share~~shareholders.

~~14.3~~ **Restriction on issue:** No Shares may be issued to any person other than a ~~Territorial-Local~~ Authority or a Council-Controlled Organisation.

~~14.4~~
~~14.5~~
~~14.4~~

15. ALTERATION OF SHAREHOLDER RIGHTS

Special Resolution required: Any action affecting the rights, privileges, limitation or conditions attached to any Shares by this Constitution or the Companies Act must be approved by Special Resolution of the Shareholders.

16. TRANSFER OF SHARES

16.1 Right to transfer: Subject to any restrictions contained in this Constitution or the Local Government Act, a Shareholder may transfer any Share by an instrument of transfer which complies with this Constitution.

16.2 Restriction on transfer: A holder of Shares who wishes to sell, transfer or otherwise dispose of the legal or beneficial interest in any Shares may only do so if:

- (a) that sale, transfer or disposal is first approved by Special Resolution; and
- (b) the transferee or recipient of the Shares is a Local Authority or a Council-Controlled Organisation.

16.3 Other forms of transfer: An instrument of transfer must:

- (a) be in any common form or any other form which the Board may approve;
- (b) be signed or executed by or on behalf of the transferor; and
- (c) if registration as holder of the Share imposes a liability on the transferee, be signed or executed by or on behalf of the transferee.

16.4 Delivery to Company: An instrument transferring Shares must be delivered to the Company or to the agent of the Company who maintains the Share Register, together with the Share Certificate (if any) relating to the Shares to be transferred, and the transferee will provide such evidence as the Board or the agent reasonably requires to prove the title of the transferor to, or right of the transferor to transfer, the Shares.

16.5 Board may refuse to register: Subject to Section 84 of the Companies Act (which imposes certain procedural requirements on a Board), the Board may refuse to register a transfer of any Share if:

- (a) so required by law;
- (b) the Company has a lien on the Share;
- (c) the Share is not fully paid up to the extent that it is required to be paid up;
- (d) the instrument of transfer is not accompanied by the relevant Share Certificate (if any) and such other evidence as the Board reasonably requires to prove the title of the transferor to, or right of the transferor to transfer, the Share;
- (e) the Board has notice of any agreement by the Shareholders to transfer only to some specified person or subject to some specified condition;

- (f) the Board, in its absolute discretion, believes that registration of the transfer would not be in the best interests of the Company, but this provision will not apply in respect of a transfer to an existing Shareholders.

Provided that the Board resolves to exercise its power under this Clause 16.6 within 30 Working Days after receipt of the relevant transfer and notice of the resolution is sent to the transferor and to the transferee within 5 Working Days of the resolution being passed by the Board.

16.6 Board must refuse to register: Pursuant to Clause 16.2, the Board must refuse the registration of a transfer of any Share:

- (a) if the transfer has not been approved by a Special Resolution of the holder of the Shares; or
(b) if the transferee is not a Local Authority or Council-Controlled Organisation.

16.7 When transfer effective: Unless a transfer of Shares occurs pursuant to an Act of Parliament, a transferor of a Share is deemed to remain the holder of the Share until the name of the transferee of a Share is entered in the Share Register in respect of the Share.

16.8 Company to retain transfer: If the Company registers a transfer, it will retain the instrument of transfer.

16.9 Multiple registers: The Share Register may, by resolution of the Board, be divided into two or more registers, which may be kept in different places.

17. EXERCISE OF POWERS OF SHAREHOLDERS

17.1 Unless otherwise specified in the Companies Act or this Constitution, a power or right of approval reserved to the Shareholders may be exercised by Ordinary Resolution.

17.2 Where the Council is required to exercise a power or right of approval as Shareholder through an Ordinary or Special Resolution, such Resolution may be approved by the Council's governing body, or a duly authorised committee of the governing body.

17.3 Where the Council is required to exercise a power or right of approval as Shareholder by written notice, such notice may be approved by a duly authorised member or officer of the Council.

18. MEETINGS OF SHAREHOLDERS

18.1 Annual meetings: The Company must hold annual meetings of Shareholders in accordance with Section 120 of the Companies Act unless in the case of any annual meeting, everything required to be done at that meeting (by resolution or otherwise) is done by resolution in writing signed in accordance with Section 122 of the Companies Act.

18.2 Special meetings: A special meeting of the Shareholders:

- (a) may be called by the Board at any time; and
(b) must be called by the Board on the written request of the Shareholders.

18.3 Time and place of meetings: Each meeting of the Shareholders will be held at such time and place as the Board appoints.

19. NOTICE OF MEETINGS OF SHAREHOLDERS

19.1 Written notice: Written notice of the time and place of a meeting of the ~~S~~shareholders must be sent to the ~~S~~shareholders and to every Director, and to the auditor of the Company, not less than 10 Working Days before the meeting, but with the consent of the ~~S~~shareholders it may be convened by such shorter notice and in such manner as the ~~S~~shareholders agree.

19.2 Contents of notice: A notice of meeting must state:

- (a) the nature of the business to be transacted at the meeting in sufficient detail to enable the ~~S~~shareholders to form a reasoned judgment in relation to it; and
- (b) the text of any Special Resolution to be submitted to the meeting.

19.3 Waiver of notice irregularity: An irregularity in a notice of a meeting is waived if the ~~S~~shareholders attend the meeting without protest as to the irregularity, or if the ~~S~~shareholders agree to the waiver.

19.4 Accidental omission of notice: The accidental omission to give notice of a meeting to, or the failure to receive notice of a meeting by, any person, does not invalidate the proceedings at that meeting.

20. PROCEEDINGS AT MEETINGS OF SHAREHOLDERS

20.1 Methods of holding meetings: A meeting of ~~S~~shareholders may be held either:

- (a) by a number of ~~S~~shareholders, who constitute a quorum, being assembled together at the place, date and time appointed for the meeting; or
- (b) by means of an audio, or audio and visual, communication by which all ~~S~~shareholders participating and constituting a quorum can simultaneously hear each other throughout the meeting.

Meetings will be held under Clause 20.1(a) only if the notice of meeting so specifies or the Board otherwise decides that the Company should do so.

20.2 Business to be transacted only if a quorum is present: Subject to Clause 20.4 and Clause 20.5, no business may be transacted at a meeting of ~~S~~shareholders if a quorum is not present.

20.3 Quorum for ~~S~~shareholder meeting: A quorum for a meeting of ~~S~~shareholders is present if:

- (a) the ~~S~~shareholders who are present between them are able to exercise more than 50 percent of the total voting rights entitled to be exercised at the meeting; and
- (b) there is present at least one representative of each appointing ~~S~~shareholder, if any (or, in the case of an appointing ~~S~~shareholder that consists of more than one person, of one of those persons).

20.4 Meeting convened at ~~S~~shareholder request dissolved if no Quorum: If a quorum is not present within 30 minutes after the time appointed for a meeting convened on the written request of ~~S~~shareholders holding ~~ehares-Shares~~ together carrying at least 5 percent of the voting rights entitled to be exercised, the meeting will be dissolved automatically.

20.5 Other meetings to be adjourned if no quorum: If a quorum is not present within 30 minutes after the time appointed for a meeting (other than a meeting convened under Clause 18.2(b) of this Constitution), the meeting will be adjourned to the same day in the following week at the same time and place, or to such other day, time, and place as the ~~ereeterDirectors~~ may appoint. If at the adjourned meeting a quorum is not present within 30 minutes after the time appointed for the meeting, the ~~S~~shareholders present will constitute a quorum.

20.520.6 Chairperson of Board to be chairperson of meeting: If the chairperson of the Board (if any) is present at a meeting of ~~S~~shareholders, the chairperson will chair the meeting.

~~20.7~~ **Directors may elect chairperson if chairperson of Board not available:** If there is no chairperson of the Board or if at any meeting of ~~shareholders~~-Shareholders the chairperson of the Board is not present within 15 minutes of the time appointed for the commencement of the meeting or is unwilling to act, the ~~director~~Directors present may elect one of their number to be chairperson of the meeting.

~~20.8~~ **As a last resort Shareholders may elect chairperson:** If at any meeting of Shareholders, no ~~director~~Director is willing to act as chairperson or if no ~~director~~Director is present within 15 minutes of the time appointed for the commencement of the meeting, the Shareholders present may elect one of their number to be chairperson of the meeting.

~~20.6~~~~20.9~~ **Chairperson's power to adjourn meeting:** The chairperson of a meeting at which a quorum is present:

- (a) may adjourn the meeting with the consent of the Shareholders entitled to attend and vote at that meeting; and
- (b) must adjourn the meeting if directed by the meeting to do so.

The only business that may be transacted at any adjourned meeting is the business left unfinished at the meeting from which the adjournment took place.

~~20.7~~~~20.10~~ **Voting by show of hands or voice vote at meeting:** In the case of a meeting of Shareholders held under Clause 20.1(i), unless a poll is demanded, voting at the meeting will be by a show of hands or by voice vote, as the chairperson may determine.

~~20.8~~~~20.11~~ **Voting by voice if audio-conference meeting:** In the case of a meeting of Shareholders held under Clause 20.1(ii), unless a poll is demanded, voting at the meeting will be by the Shareholders signifying individually their assent or dissent by voice.

~~20.9~~~~20.12~~ **Votes of joint holders:** Where two or more persons are registered as the holders of a share, the vote of the person named first in the share register, and voting on a matter, must be accepted to the exclusion of the votes of the other joint holders.

~~20.4~~~~20.13~~ **Chairperson not allowed casting vote:** In the case of an equality of votes, whether on a show of hands, voice vote or on a poll, the chairperson of the meeting is not entitled to a casting vote.

~~20.4~~~~20.14~~ **Chairperson's declaration of result:**

- (a) Unless a poll is demanded, a declaration by the chairperson of the meeting that a resolution on a show of hands or voice vote is carried by the requisite majority or lost, shall be conclusive evidence of that fact.
- (b) The result of a poll declared by the chairperson of the meeting shall be the resolution of the meeting at which the poll was demanded on the issue for which the poll was taken.

~~20.4~~~~20.15~~ **Board must keep minutes of proceedings:** The Board must ensure that minutes are kept of all proceedings at meeting of Shareholders and that a record is kept of all written resolutions of Shareholders. Minutes which have been signed correct by the chairperson of the meeting are prima facie evidence of the proceedings.

~~20.13~~ **Council Shareholder Representative:** ~~The Council Shareholder Representative may attend a meeting of the Shareholder on behalf of the Council.~~

~~20.4~~~~20.16~~ **Shareholder proposals:** A Shareholder may give written notice to the Board of a matter which the Shareholder proposes to raise for discussion or resolution at the next meeting of Shareholders.

20.17 Management review by Shareholders: The chairperson of a meeting of the Shareholders will allow a reasonable opportunity for the Shareholders to question, discuss, or comment on the management of the Company. The Shareholders may pass a resolution relating to the management of the Company at that meeting and any such resolution is binding on the Board.

20.18 Chairperson may regulate proceedings: Except as provided in this Constitution, the chairperson of a meeting of the Shareholders may regulate procedure.

21. INSPECTION OF RECORDS

21.1 Inspection by Directors: Subject to Section 191(2) of the Companies Act (which relates to the power of a court to limit inspection), all accounting and other records of the Company will be open to the inspection of any Director.

21.2 Inspection by Shareholders: The Shareholders are entitled to inspect any accounting or other Records of the Company.

22. NOTICES

22.1 Reports, etc to Shareholders: Annual reports, notices and other documents required to be sent to the Shareholders will be sent in the manner provided in Section 391 of the Companies Act and in accordance with any applicable requirements under the Local Government Act.

22.2 Accidental omissions: The failure to send an annual report, notice, or other document to the Shareholders in accordance with the Companies Act or this Constitution does not invalidate the proceedings at a meeting of the Shareholders if the failure to do so was accidental.

22.3 Waiver by Shareholders: Subject to Section 212(2) of the Companies Act, a Shareholder may from time to time, by written notice to the Company, waive the right to receive all or any documents from the Company and may at any time thereafter revoke the waiver in the same manner. While any waiver is in effect, the Company need not send to the Shareholders the documents to which the waiver relates.

Explanatory note to Clause 22.3: Section 212(2) of the Companies Act renders any purported waiver of a shareholder to receive an annual report and a statement relating to such report invalid.

23. REMOVAL FROM THE REGISTER

23.1 Directors may remove the Company from the Register:

If the Company

- (a) has ceased to carry on business, has discharged in full its liabilities to all its known creditors and has distributed its surplus assets in accordance with the Companies Act; or
- (b) has no surplus assets after paying its debts in full or in part and no creditor has applied to the Court under Section 241 of the Companies Act for an order putting the Company into liquidation,

the Board may, with the sanction of a Special Resolution of the Shareholders request the Registrar of Companies to remove the Company from the New Zealand Register.