

Whangarei District Airport Statement of Intent

For the year 1 July 2020 to 30 June 2021

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1 Introduction

The Whangarei District Airport has experienced a resurgence over recent years with record passenger numbers and increased interest in aviation and aviation related activities. Unfortunately, the impact of the global pandemic (COVID-19) has seen an unprecedented decline in the ability of the aviation industry to operate. With international borders closed and domestic travel restrictions in place, passenger numbers and aviation traffic has seen reductions by more than 90% pre Covid-19.

The focus over the next three years is to continue to meet the required legislative compliance while managing a sustainable operation on existing cash reserves. With cash reserves expected to be depleted in year two, capital works have been reprioritised to coincide with the forecast recovery and allow for Joint Venture parties to consider the allocation of additional funds through Long Term Plans.

Key areas of focus include;

- Continued Civil Aviation Certification
- Full integration of the newly introduced Safety Management System and continued development and compliance
- Explore additional revenue streams and further operational savings to offset forecast losses in landing fees and car parking.
- Explore social and environmental responsibility initiatives
- Coordinated approach to support domestic tourism and the district development

As a consequence of decreased passenger activity and aviation traffic and services, the requirement for 'Crash Fire services are highly unlikely to be triggered in the immediate future.

Alternate future airport sites continue to be investigated as a consequence of physical limitations at Onerahi. Although a decision and timeframes are still pending, WDA continues to operate as the Districts aviation gateway to the region and the rest of the Country.

2 Purpose of the Statement of Intent

This statement of intent is prepared in accordance with section 64 of the Local Government Act 2002. It outlines the activities and intentions of the Whangarei District Airport (Airport) for the next three financial years, and the objectives to which those activities will contribute.

3 Purpose of the Organisation

The overarching purpose of the Airport is to operate a fully serviceable Domestic Airport for the use of residents and visitors to the area. The Airport is situated at Onerahi in Whangarei. The day-to-day operational activities of the Airport are managed under the aegis of Whangarei District Council (Council) by way of a management contract with a contractor (currently Northland Aviation Limited).

4 Nature and Scope of Activities

4.1 Activities Provided

The nature of the activities that the Airport provides includes the following:

- To provide Airport services to and from the Whangarei area.
- To operate the Airport in a cost effective and efficient manner.

- To seek opportunities to widen the Airport's revenue base.
- To adhere to the terms of the Aerodrome Operating Certificate issued by the Civil Aviation Authority.
- To meet Civil Aviation Authority certification requirements.
- To achieve the objectives outlined in this statement of intent.

4.2 Whangarei District Council Vision

The Airport will operate in support of Council's vision and community outcomes. Council's vision is to be a 'vibrant, attractive, and thriving District'. This is achieved through the following community outcomes.

- Efficient and resilient core services
- Positive about the future
- Caring for the environment
- Proud to be local.

The Airport supports these outcomes by providing an Airport facility that acts as a gateway to the Whangarei District and to Northland.

4.3 Additional Legislation

The Airport has obligations under the Civil Aviation Act 1990 and will ensure that it complies with all requirements under this Act when operating the Airport.

The Airport was established under the Airport Authorities Act 1966 which governs how Council will operate and maintain the Airport.

5 Approach to Governance

5.1 Joint Venture Agreement

The Airport is owned and operated under a joint venture partnership between Council and the Crown (represented by the Ministry of Transport). The land that the Airport is situated on is 100% owned by the Crown, runways, plant and equity are 50% owned by the Crown and 50% owned by Council.

5.2 Airport Authority

Council operates the Airport as the Airport Authority under the Whangarei Airport Establishment Order 1963 pursuant to the Airport Authorities Act 1966. Council, as the Airport Authority, provides the role of the board of directors under the Local Government Act 2002. The Airport Authority meets on an as needed basis. Council contracts the day-to-day management of the Airport to Northland Aviation Limited under a management contract.

6 Objectives

- 1. To achieve the objectives of Whangarei District Council and the Ministry of Transport.**

This includes achieving both the commercial and non-commercial objectives that are outlined in this statement of intent.

2. To be a good employer.

The Airport will be a fair employer to its workers and maintain a good working environment.

3. To exhibit a sense of social and environmental responsibility.

The Airport operates with regard to appropriate environmental practices, legislation, and in recognition of the designation requirements of the District Plan.

4. Health and safety standards are promoted and maintained.

This includes recognising the New Zealand Civil Aviation Authority health safety requirements and other requirements.

5. To operate a fully serviceable District Airport.

The Airport will operate as a fully serviceable District Airport for the use of visitors, residents and ratepayers.

6. Airport operation will meet the needs of aviation operators and their customers.

The short and long-term objectives of Airport operation will meet the needs of scheduled and non-scheduled aviation operators and their customers.

7 Performance Targets and Measures

Related Objective	Performance Measure		
	2020/21	2021/22	2022/23
1. To achieve the objectives of WDC and the MoT.	To operate within agreed financial budgets.	Actual spend ≤ budget.	Actual spend ≤ budget.
5. To operate a fully serviceable District Airport.	Actual spend ≤ budget.		
	To encourage new business development and existing business expansion by engaging alternative aviation and airport service providers and enabling business to grow through lease management and land use consent process.	Enable business to grow through lease management and land use consent process.	Enable business to grow through lease management and land use consent process.
2. To be a good employer.	Maintain user satisfaction through achieving satisfactory and very satisfactory ratings on the annual user survey. >75% Maintain employee development initiatives	>75%	>75%
3. To exhibit a sense of social and environmental responsibility.	Maintain best Practise noise management process Explore suitability opportunities	Record All noise complaints Comply with required noise contours	Record All noise complaints Comply with required noise contours
4. Health and safety standards are promoted and maintained.	Maintain Airport Certification by continuing to meet certification standards required by the Civil Aviation Authority.	Fulfil expectations of the Civil Aviation Authority as determined by annual Audit.	Fulfil expectations of Civil Aviation Authority as determined by annual Audit.
6. Airport operation will meet the needs of aviation operators and their customers.	Meet required legislative timeframes under the LGA and CAA.	Meet required legislative timeframes.	Meet required legislative timeframes.

	Implement an effective Safety Management System (SMS).	Continue to implement the SMS.	Continue to implement the SMS.
	Achieve overall decline in incidents.	Overall incidents decline or do not increase.	Overall incidents decline or do not increase.

7.1 Further Explanation

Any abbreviations and technical terms used in the table are defined below:

- CAA refers to the Civil Aviation Act 1990.
- LGA refers to the Local Government Act 2002.
- MoT refers to the Ministry of Transport.
- SMS refers to the Airport's Safety Management System.
- WDC refers to Whangarei District Council.

8 Information to be Provided Throughout the Financial Year

8.1 Monthly Reports

The Airport will provide a monthly report on the organisation's financial position. This will include:

- A statement of the monthly financial position.
- Variance reporting on revenue and expenditure; comparing actual figures to estimated figures.

The monthly report will be provided to the Airport Authority Board via Council's Property Manager/Finance Team.

8.2 Half-yearly Report

The Airport will provide Council and the Ministry of Transport with a half-yearly report on its operations. The half-yearly report will be provided within 2 months of the first half of the financial year ending (28 February 2021). The report will include:

- Commentary on operations for the relevant six-month period, including commentary on both the financial and non-financial results.
- A comparison of performance against the objectives and performance targets set out in the statement of intent.
- Un-audited financial statements including a statement of financial performance, statement of financial position, cashflow statement, and notes to the financial statements.
- Financial forecast for the balance of the year.

The format of the half-yearly report will be similar to this statement of intent.

8.3 Annual Report

The Airport will provide Council and the Ministry of Transport with an annual report on that Airport's operations for that year. The annual report will be provided within 3 months of the financial year

ending (by 30 September 2021). The annual report will include all the information necessary to enable an informed assessment of operations, including:

- A comparison of the performance targets and measures outlined in this statement of intent, and the actual performance of the Airport for the financial year.
- Any material variances from the expected performance of the Airport, and explanations for those variances.
- The amount of any compensation sought or obtained from Council or the Ministry of Transport.
- Audited financial statements for the financial year including a statement of balance sheet, statement of income, statement of movements in equity, statement of cash flows, and notes on the financial statements to be presented in a standard format.
- An independent auditor's report on the financial statements and the performance targets and other measures by which the Airport's performance against its objectives may be judged.

The format of the annual report will be similar to this statement of intent.

8.4 No Surprises Approach

To ensure there is timely notification of any major issues, the Airport commits to a no surprises approach beyond the formal reporting requirements.

This means that Airport management (Northland Aviation Limited) will proactively inform Council and the Ministry of Transport, when the Airport's operations could; create a major issue for the Airport or Council, trigger public interest, have political implications, or gain significant media attention. Management will report to Council staff via email.

Management will seek Council and the Ministry of Transport's approval prior to any extraordinary expenditure.

9 Distribution of Accumulated Profits and Capital Reserves

There is no distribution of accumulated profits or capital reserves to the joint venture partners during the year.

10 Estimate of Commercial Value of the Shareholders' Investment

The commercial value of the partners' investment is set out in the statement of accounting policies included in this statement. It is noted that the land is a restricted asset and revaluation on a commercial basis would be misleading. The financial statements for the year ended 30 June 2019 record the total equity in the partnership of \$4,789,696 (2018 \$4,934,425).

11 Compensation Sought or Obtained

As a consequence of the COVID -19 Pandemic, the Airport will be required to use existing cash reserves to offset depleted revenue streams. Cash contributions are expected in years 2 and 3 to fund future capital works and will be sought from Council or the Ministry of Transport through the Long Term Plan Process.

Appendix 1: Accounting Policies

Statement of Accounting Policies

1.1 Reporting entity

The Whangarei District Airport is a Council controlled organisation as defined under section 6 of the Local Government Act 2002. The Airport is administered by the Whangarei District Council in a joint venture operation with the Ministry of Transport and is domiciled in New Zealand.

2 Significant accounting policies

2.1 Basis of preparation

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that the Airport will continue to operate in the foreseeable future.

The Board has elected to apply PBE SFR-A (PS) Public Benefit Entity Simple Format Reporting Accrual (Public Sector) on the basis that the Airport does not have public accountability (as defined) and has total annual expenses of less than \$2 million.

Goods and services tax

The Airport is registered for GST. All amounts in the financial statements are recorded exclusive of GST, except for debtors and creditors, which are stated inclusive of GST.

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 Entity is New Zealand dollars.

The financial statements are presented in New Zealand dollars.

2.2 Revenue and expenses

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, excluding Goods and Services Tax, rebates and discounts. Revenue is recognised as follows:

(i) Grants

Council, government, and non-government grants are recognised as revenue when the funding is received unless there is an obligation to return the funds if conditions of the grant are not met ("use or return condition"). If there is such an obligation, the grant is initially recorded as a liability and recognised as revenue when conditions of the grant are satisfied.

(ii) Interest income

Interest revenue is recorded as it is earned during the year.

(iii) Sale of services

Revenue from the sale of services is recognised when the services are provided to the customer.

(iv) Administration, overheads and other costs.

These are expensed when the related service has been received.

2.3 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.

2.4 Bank accounts and cash

Bank accounts and cash include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown as current liabilities in the statement of financial position.

2.5 Debtors

Debtors are initially recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment is recognised and the loss is recorded as a bad debt expense.

2.6 Property, plant and equipment

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

(i) Asset sales

For an asset to be sold, the asset is impaired if the market price for an equivalent asset falls below its carrying amount.

(ii) Use of assets

For an asset to be used by the Airport, the asset is impaired if the value to the Airport in using the asset falls below the carrying amount of the asset.

Depreciation

Depreciation is provided on a straight-line basis at rates that will write off the cost of the assets over their useful lives. The useful lives of major classes of assets have been estimated as follows:

Class of PP&E	Estimated useful life
Land	Indefinite
Airside	0-140 years
Buildings	4-40 years
Landside	0-140 years
Sundries	5-67 years
Services	0-40 years

2.7 Investments

Investments comprise investments in terms deposits with banks.

Deposits with banks are initially recorded at the amount paid. If it appears that the carrying amount of the investment will not be recovered, it is written down to the expected recoverable amount.

2.8 Creditors and accrued expenses

Creditors and accrued expenses are measured at the amount owed.

2.9 Lease expense

Lease payments are recognised as an expense on a straight-line basis over the lease term.

2.10 Tier 2 PBE Accounting Standards applied

The Airport has not applied any Tier 2 Accounting Standards in preparing its financial statements.

2.11 Changes in Accounting Policies

There are no changes in accounting policies.

Appendix 2: Forecast Financial Information

PROSPECTIVE STATEMENT OF COMPREHENSIVE INCOME

	BUDGET 30 June 2021	BUDGET 30 June 2022	BUDGET 30 June 2023
Income			
Landing fees	227,838	350,000	400,000
Sundry income advertising	2,000	11,000	14,000
Other Recoveries	-	6,000	6,367
Operational Recoveries	20,000	40,000	41,616
Rent received	128,000	145,000	160,000
Interest received	500	800	1,000
Carpark Income	40,000	120,000	145,000
Total Income	418,338	672,800	767,983
Less Expenses			
Airfield Expenses			
Drainage	1,000	5,306	5,000
Fencing	1,000	2,040	2,000
Grounds R&M	30,000	46,693	39,245
Runway R&M	10,000	10,612	10,000
Lighting R&M	20,000	26,530	26,530
Other R&M	12,000	26,530	26,530
	74,000	117,711	109,305
Terminal Expenses			
Insurance	19,164	20,122	21,128
Cleaning	22,500	33,959	33,959
Advertising	2,300	6,684	6,684
Rates	22,224	23,001	23,806
Electricity	35,000	42,448	43,297
Weather station	4,000	5,000	3,600
Security	10,200	10,404	10,404
Water	1,769	1,840	1,900
R&M	30,000	30,000	5,000
Administration	-	200	200
Other Expenses - Terminal	5,000	-	10,616
	152,156	173,658	160,594
Administration Expenses			
Management Fee	328,982	335,233	341,938
Telephone	1,500	1,698	1,732

Audit fees	24,000	26,000	26,530
Accounting Fees	10,000	11,500	11,500
Bank Fees	5,500	6,000	6,120
Certification	2,500	3,000	7,040
Conferences	-	4,775	4,871
Other Expenses	4,000	3,500	3,570
Other Professional fees	3,000	18,000	23,000
	379,482	409,706	426,300
Total Expenses before depreciation	605,638	701,075	696,200
Net Surplus (Loss) before depreciation	(187,300)	(28,275)	71,783
Depreciation	221,624	241,874	308,074
Net Surplus (Loss) before tax	(408,925)	(270,150)	(236,291)
Tax Expense	-	-	-
Net Surplus / (Deficit)	(408,925)	(270,150)	(236,291)

	30 June 2021	30 June 2022	30 June 2023
Capital Expenditure			
Avis compound expansion	26,000		
Security and Flood Lighting		50,000	
Drainage and Pathways		120,000	
Car park Extension		90,000	
Power & Capacity Upgrade		19,000	
Lighting and Navigational Aids upgrade		100,000	
Runway reseal			500,000
Taxiway Sealing			95,000
Apron			350,000
Total capital expenditure	26,000	379,000	945,000

PROSPECTIVE STATEMENT OF MOVEMENTS IN EQUITY

	30 June 2021	30 June 2022	30 June 2023
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Opening Equity as at 1 July	4,548,577	4,139,653	4,279,503
Capital Contribution	-	410,000	875,000
Plus Profit (Loss) for the year	<u>(408,925)</u>	<u>(270,150)</u>	<u>(236,291)</u>
Total increase/(decrease) in equity	<u>(408,925)</u>	<u>139,850</u>	<u>638,709</u>
Closing Equity as at 30 June	<u>4,139,653</u>	<u>4,279,503</u>	<u>4,918,212</u>

PROSPECTIVE STATEMENT OF FINANCIAL POSITION

	30 June 2021	30 June 2022	30 June 2023
Equity	4,139,653	4,279,503	4,918,212
Total Equity	<u>4,139,653</u>	<u>4,279,503</u>	<u>4,918,212</u>
Current Assets			
Cash and Cash equivalents	656	3,381	5,165
Trade and other receivables	<u>66,509</u>	<u>66,509</u>	<u>66,509</u>
	67,165	69,890	71,674
Current Liabilities			
Trade and other payables and accruals	77,220	77,220	77,220
Working Capital	<u>(10,055)</u>	<u>(7,330)</u>	<u>(5,546)</u>
Non Current Assets			
Property plant and equipment	4,149,707	4,286,833	4,923,758
Total Net Assets	<u>4,139,653</u>	<u>4,279,503</u>	<u>4,918,212</u>

Appendix 3: Capital Investment Plan

Whangarei District Airport: Capital Investment Plan 20/21

Schedule	Task	Comments	Cost Est	Priority
2020-21				
Vehicle Compound (Avis)	Lease expansion and storage	Return on investment	\$26,000	HP
Total			\$26,000	
2021 - 2022 Pending long term future of Airport at Onerahi				
Car park extension	Development - manage increased parking requirements	return on investment	\$90,000	HP
Security Flood Lighting	Improving Security, gates, lighting and flood lighting of main parking areas and roads outside Terminal		\$50,000	HP
Power & Capacity Upgrade	Required for any further development.		\$19,000	HP
Lighting and Navigational Aids upgrade		compliance	\$100,000	HP
Drainage and pathways	Drainage and pathways upgrade		\$120,000	HP
Purchase of Airways Navigational Asset		opportunity	\$80,000	DEV
Solar Power Generation	Reduce Carbon footprint - Sustainable power source for operational needs	return on investment	\$250,000	DEV
Total			\$709,000	
2022 -2023 onwards Pending long term future of Airport at Onerahi				
Apron	Extension		\$350,000	HP
Sealed Area. - Runway	Reseal - Scheduled for 2023, could be deferred.	assumed life to 2023/24	\$500,000	HP
Taxiway Sealing	recoat existing taxiway seal		\$95,000	HP
Total			\$945,000	

HP-High priority LP- Low priority Dev- Development Opportunity

Only High Priority Capital Projects have been included in the 2020-21 Statement of Intent and are subject to MoT and WDC approval.