

Report



DATE: 23 November 2017

TO: Mayor and Councillors

FROM: Group Manager: Corporate Services

CCO AMALGAMATION – STATEMENT OF PROPOSAL

1 SUMMARY

- 1.1 The purpose of this report is to present the Statement of Proposal to amalgamate Hokitika Airport Limited (HAL) and Westland District Property Limited (WDPL) for adoption and public consultation.
- 1.2 This issue arises following direction from Council that an alternative structure be investigated.
- 1.3 Council seeks to meet its obligations under the Local Government Act 2002 [LGA] and the achievement of the District Vision adopted by Council as part of the Long Term Plan 2015-25 [LTP] . These are stated on Page 2 of this agenda.
- 1.4 This report concludes by recommending that Council adopt the statement of proposal for the amalgamation of HAL and WDPL.

2 BACKGROUND

- 2.1 At its Ordinary Meeting on 24 November 2016 Council resolved to:
 - 2.1.1 Disestablish Westland Holdings Ltd [WHL] and
 - 2.1.2 Merge Hokitika Airport Limited [HAL] and Westland District Property Limited (WDPL).
- 2.2 The intention of this decision was to eliminate perceived unnecessary overhead and install direct reporting lines between Council and its operating subsidiaries.
- 2.3 This follows a review of the group structure that Council completed in 2014.

3 CURRENT SITUATION

- 3.1 Further analysis has been undertaken and alternative structures have been considered. These are illustrated in the Statement of Proposal, attached as **Appendix 1**, which recommends amalgamation of HAL and WDPL.
- 3.2 The proposal differs from that presented in 2014, as tax advice has been received on the disestablishment of Westland Holdings Limited (WHL), which could potentially result in a tax liability of \$1.2m.
- 3.3 The possibility of the disestablishment of WHL being perceived as a deemed distribution is between 15% and 35%.
- 3.4 Council perceive this risk too high.
- 3.5 The companies are both currently operating under the same board of directors to reduce governance costs.

4 OPTIONS

- 4.1 Do nothing
- 4.2 Adopt the statement of proposal attached as **Appendix 1**.
- 4.3 Adopt a modified statement of proposal

5 SIGNIFICANCE AND ENGAGEMENT

- 5.1 The decision to adopt a statement of proposal is in itself administrative and of low significance. By reference to Council's policy on Significance and Engagement the matter considered in the Statement of Proposal attached as **Appendix 1** is deemed to be of moderate significance.
- 5.2 Hokitika Airport Limited is identified in the policy as a strategic asset in the Significance and Engagement Policy.
- 5.3 Council remains the ultimate parent entity and no intention is expressed to change the deployment of the physical assets that the companies manage on Council's behalf nor is any transfer of undertakings proposed.
- 5.4 Nevertheless, experience from the review conducted in 2014 indicates there is considerable public interest in the Council Controlled Organisations and the activities they deliver.

- 5.5 Furthermore, the options considered in the proposal have implications for the shareholding in Westroads Ltd, which was not initially identified in the Council resolution.
- 5.6 Should Council, after consultation, ultimately decide to proceed with the amalgamation the decision would be difficult and potentially expensive to reverse.
- 5.7 For these reasons Council is advised to undertake a Special Consultative Procedure in accordance with s82 LGA.

6 ASSESSMENT OF OPTIONS (INCLUDING FINANCIAL IMPLICATIONS)

- 6.1 Do nothing
Since the matter is considered sufficiently significant to require consultation the matter cannot proceed without a statement of proposal.
- 6.2 Adopt the Statement of Proposal attached as **Appendix 1**.
A formal consultation on this matter allows Council to fully examine the potential consequences of the matter and for the community to provide input to the process. In doing so Council may identify downstream consequences or affected parties not currently recognised. Council can consult via its existing media, as expressed in the Statement of Proposal, at relatively low cost.
- 6.3 Adopt a modified statement of proposal
Council may wish to amend the proposal so long as any amendments remain consistent with the intention and relevant legislation.

7 PREFERRED OPTION AND REASONS

- 7.1 The preferred option is 2: Adopt the Statement of Proposal attached as **Appendix 1**. This represents the intentions expressed by Council and reflects the most viable and efficient options based on the analysis completed to date. It would allow consultation to proceed.

8 RECOMMENDATIONS

- A) **THAT** Council adopts the Statement of Proposal attached as **Appendix 1**.

Lesley Crichton

Group Manager: Corporate Services

Appendix 1: Statement of Proposal to Amalgamate Hokitika Airport Limited and Westland District Property Limited including consultation plan