

No: 14/2018

Memorandum for Executive Council

SUBJECT

Establishment of the Airport Trading Account Special Fund

Memorandum by The Financial Secretary

ADVICE SOUGHT

1. Executive Council is asked to consider and advise on a request to the Governor to establish an Airport Trading Account Special Fund to manage the activities of St Helena Airport.

BACKGROUND & CONSIDERATIONS

2. With the recent start of commercial air services to St Helena Airport it has now become necessary to establish a Special Fund to be called the Airport Trading Account to ensure that the trading activities of St Helena Airport has the appropriate legislative standing in terms of the Public Finance Ordinance, 2011.

3. To date the activities of St Helena Airport have been accounted for under the Special Fund, DFID Projects. This was necessary as prior to the commencement of commercial operations the funding of the airport was a DFID project. This is no longer the case with Airport moving into full commercial operations.

4. The activities of St Helena Airport are conducted on a fully commercial basis and therefore the trading activities of the Airport should be accounted for on such basis. This gives decision makers a better understanding of the trading activities of St Helena Airport moving into the future and because a Special Fund does not have the same budgetary control mechanisms as the Consolidated Fund it allows greater flexibility to managers in dealing with the day to day operational matters concerning the management of the Airport. Although, the same level of public accountability and legislative scrutiny is required.

5. The trading activities of St Helena Airport will not form part of the Consolidated Fund and a Special Fund will need to be established to separately account for these activities.

6. The Public Finance Ordinance (PFO) makes provision for the establishment of Special Funds for the purpose of managing trading activities: Section 3.(3) of the PFO states:

“The Governor may by Order establish Special Funds for the purpose of managing government trading activities.”

OPEN AGENDA – PUBLIC DOCUMENT

7. The Order by the Governor will prescribe how the funds within the Airport Trading Account should be managed and accounted for and will provide the procedures for authorising payments from the Fund. The Order also states the Accounting Officer for the Fund. A draft of the Order is attached in Appendix 1. It is proposed that the Airport Contracts Manager should be the Accounting Officer and that the Special Fund should be managed in accordance with the Financial Regulations and that there will be no additional procedures attached.
8. All revenue and expenditure in relation to the operation of St Helena Airport including the Airport Operations Contract payments, DFID subsidy payments, airport fees charged and any other transactions that may arise will be accounted for within the Special Fund.
9. There are no financial implications or risks resulting from the establishment of this Special Fund. The purpose of establishing the Airport Trading Account Special Fund is to ensure that trading activities of the Airport are managed and accounted for within the correct legal framework under the Public Finance Ordinance. The establishment of the Special Fund will not affect the current operations in any way.
10. The establishment of this Special Fund will promote better financial management in ensuring that these activities which are of a commercial nature are separately accounted for and identifiable from the main stream public services budgets.
11. Financial oversight will be provided by Corporate Finance through monthly review and reconciliation as part of the performance management processes.
12. There are no economic implications resulting from the establishment of this Special Fund. The purpose of establishing the Airport Trading Account Special Fund is to ensure that trading activities of the Airport are managed and accounted for within the correct legal framework under the Public Finance Ordinance.
13. There will be no public or social impact resulting from this Order as this deals with the legal authority of the St Helena Airport finances in relation to the Public Finance Ordinance.
14. There will be no environmental impacts resulting from this Order as this deals with the legal authority of the St Helena Airport finances in relation to the Public Finance Ordinance.
15. This has been discussed with the previous Council as the appropriate step to take once the Airport becomes fully operational.

FINANCIAL IMPLICATIONS

ECONOMIC IMPLICATIONS

PUBLIC / SOCIAL IMPACT

ENVIRONMENTAL IMPACT

PREVIOUS CONSULTATION / COMMITTEE INPUT

OPEN AGENDA – PUBLIC DOCUMENT

PUBLIC REACTION

16. Public reaction is expected to be minimal as there are no financial, economic, social or environmental impacts resulting from establishing this Special Fund. The public will be made aware that SHG is ensuring that the finances of St Helena Airport are being appropriately managed under the provisions of the Public Finance Ordinance.

PUBLICITY

17. In accordance with the Public Finance Ordinance the Order will be published in the Gazette and a Legal Notice issued to give effect to the Order. However, this should also be stated in the ExCo report following the meeting and associated broadcast.

SUPPORT TO STRATEGIC OBJECTIVES

18. The establishment of this Special Fund does not directly relate to a specific national goal under the 10 Year Plan. This is an administrative process that demonstrates good financial management practice and that overall, good governance underpins the 10 Year Plan.

OPEN/CLOSED SESSION

19. It is recommended that this is held in open session.

DLR

Corporate Finance
The Castle

14 March 2018