



ST HELENA AIRPORT

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Medium-Term Financial Plan 2021-2025

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A	18 January 2021	All	All
1	15 June 2021	3 and 5	Updated assumptions and added financial summary
2	18 March 2022	All	Refreshed to reflect 2022/23 current budget projections and added the 2024/25 FY.
3	18 May 2022	Assumptions	Refreshed to reflect current micro and macro-economic factors

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International Gateway to Saint Helena Island

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1. INTRODUCTION

St Helena Airport Limited (SHAL) has been operational from its inception in October 2018. Building upon the achievements of 2020/2022, we are pleased to present our Medium-Term Financial Plan covering the period 2021/22 – 2024/25.

The purpose of the Medium-Term Financial Plan is to give financial expression to SHAL's business in the medium term.

- It sets out in financial terms SHAL's plan for achieving its objectives and priorities, balancing available funding and spending ambitions over the next three years
- It seeks to link Airport spending to SHAL priorities
- It highlights the underlying financial strategy, financial assumptions, and financial risks
- It summarises the financial projections for income and expenditure.

As part of the SHAL Financial Planning and Control Framework, the MTFP informs the annual Budget and sets parameters for the SHAL Financial Policies, Financial Regulations and Financial Procedures.

2. FINANCIAL STRATEGY

2.1 Context

St Helena Airport Limited like most airports of similar size is not able to become self-sustaining in the short to medium term. SHAL thus derives over 90 percent of its income from a government subsidy during the period under review. This is necessitated by the intrinsic value of air access that is derived by the community and the Island at large which exceeds the day-to-day operational and maintenance costs of the airport.

The financial strategy of SHAL is to:

- Provide stable and sustainable budgets, within the funding envelope provided by **FCDO** using a 'zero based budget' approach;
- Link spending to the Island's priorities as informed by the St Helena Island 10 Year Plan and the Sustainable Economic Development Plan (SEDP); enabling shifts in spending in response to changing priorities and striking the right balance between fixed and variable cost;
- Pursue cost effectiveness and increase efficiency savings; and
- Ensure financial sustainability.

2.2 Financial Principles

SHAL has three fundamental principles to ensure that its resources are directed towards the achievement of its strategic objectives:

1. SHAL will operate in a financially sustainable manner to ensure its long-term ability to serve future generations. This means:
 - SHAL's core income is currently not substantial, and could be quickly undermined as the result of poor decisions;
 - Whilst this does not rule out loss-making or unfunded activities, there must be a sound and agreed scientific, strategic, or related reason for undertaking such an activity and, on balance, a sufficient number of other activities in surplus; and
 - SHAL will not set deficit budgets; the costs of service provision must be met by income.
2. SHAL will use its financial resources solely for the furtherance of its proper strategic purposes. This means:
 - a. SHAL will only engage in financial activities that support achievement of its strategic goals.
3. SHAL will account for and record its financial transactions in accordance with best practice, as well as the requirements of the regulatory framework. This means:
 - SHAL finances will operate at all times within the regulatory framework and will ensure that it meets the standards of best practice for control, management, and reporting;
 - SHAL finances will be managed in accordance with applicable legislation, including criminal laws, taxation, and financial laws;
 - SHAL annual financial report and accounting statements will be presented in accordance with IRFS 102; and
 - Consideration will be given to financial control, management, and reporting, in similar organisations, with a view to adopting best practice.

3. FINANCIAL ASSUMPTIONS

The following assumptions have been used in the preparation of the MTFP 2021-2025:

1. Funding from SHG through the subsidy will be agreed annually and cover the operational budgetary requirements of SHAL.
2. The GB Pound (in which SHAL receives the majority of its income) will remain stable against the USD and at the average rates prevailing during 2021 of £1 to \$ 1.3690 and £1 to ZAR 20.2891.
3. The inflation rate will average 3.3 % annually for the period 2022-2024 according to current St Helena Government projections. **SHG need to review the inflation rate taking into account the economical downward trend world-wide.**
4. The re-introduction of the Airlink Flights from April 2022 with flight movements once every two-weeks for the 2022/23 FY with an additional flight in each month during the summer season. We also assume limited number of medevac as the scheduled flights will be used to get people on and off the island for medical treatment.
5. The reduction of the mandatory quarantine period and measures on the island that will stimulate an increase in tourist numbers and ease the passage of critical service providers to SHAL.
6. **The conclusion of an organisation-wide Job Evaluation process and the adoption of the proposed remuneration standard scales by the end of 2022/23 FY. The adoption**

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of the proposed salary scales will be coupled with no increases and/or salary adjustments to reflect the Retail Price Index (RPI) for all employees for a two-year period following the adoption.

7. The Company Tax rate remains as the current 25% of annual profit.
8. All local permanent staff will receive a pension contribution from the employer at a rate of 12.5%. This will not include temporary, apprentice and expatriate staff members.
9. The development of a detailed asset replacement programme that will take into consideration the impact of COVID-19 on the local and global economy and aviation sector. SHAL anticipates there may be significant changes to the air access agreement/arrangement, tourist numbers and general Island development as espoused in the St Helena Tourism COVID-19 Recovery Strategy document. SHAL recognises the outlook remains unclear, thus it is critical to ensure that replacement of key assets is appropriately geared to the future needs of the airport.
10. The Annual Calibration Flight exemption from the regulator Air Safety Services International (ASSI) remains in place until 2024, saving £90,000 annually.

4. RISKS AND CONTINGENCY PLANNING

4.1 Risk Assessment

There are a number of risks associated with the medium-term financial forecast as clearly future events cannot be accurately predicted, the economic outlook can change quickly and there is uncertainty around future legislative changes that will impact on the airport company funding. In addition, numerous changes to key underlying assumptions can produce a significant change in the forecast. The key sensitivities are outlined below:

1. Inflation differing from assumptions.
2. Changes in the air service provider schedules.
3. Changes in legislation affecting the costs of conducting business
4. Reduction in fees and charges income.
5. Service demands exceeding resources available.
- 6. *Delays in the completion of the Ascension Runway repairs which is our alternate landing strip for flights to the island.***
7. Loss of key staff due to illness and / or to other organisations
8. Key Service providers businesses facing decline or withdrawing services.
9. Key equipment coming to the end of useful life (obsolescence).

4.2 Contingency Planning

SHAL has various measures in place to respond to an event that may have positive or negative financial implications for the organisation. Documents that have been developed by SHAL include a Corporate Risk Register, Business Continuity Plan, and in conjunction with various insurance policies, aim to provide resilience.

Due to the nature and size of SHAL, the Business Continuity Plan will form the basis of the organisation's contingency planning and next step processes.

5. INCOME & EXPENDITURE SUMMARY

This is an extract from the current St Helena Airport Limited Multi Year Budget April 2021 to 31 May 2026, updated for the 2022/23 FY and now includes the 2024/25 FY. The full budget **assumptions** are derived from the financial assumptions listed above.

	Budget 2021/22 £	Budget 2022/23 £	Budget 2023/24 £	Budget 2024/25 £
Revenue				
Aeronautical Revenue	96,398	79,800	139,007	152,907
Non-Aeronautical Revenue	6,700	9,650	9,750	9,850
SHG Subsidy	2,811,094	2,971,626	2,985,715	3,039,970
Total	2,914,192	3,061,076	3,134,472	3,202,728
Employment Costs				
Staff Salaries	917,267	997,995	993,020	1,012,880
Pension	66,633	72,690	72,690	74,144
Recruitment Expenses	1,050	2,050	2,050	2,050
Directors Remuneration	19,200	25,248	25,248	25,248
	1,004,150	1,097,983	1,093,008	1,114,322
Contracted Services Costs				
Subcontracted Services	408,500	550,500	557,106	563,791
Subcontractor Travel Cost	54,000	26,500	26,818	27,140
	462,500	577,000	583,924	590,931
Operational and Maintenance Costs				
Utilities	360,000	338,000	342,056	346,161
Vehicle Maintenance	104,400	43,097	43,614	44,131
Insurance	320,000	285,000	285,000	299,250
Professional Fees	42,700	60,850	61,580	62,310
Training	60,020	36,450	36,887	37,325
Equipment and Building Maintenance	31,220	42,572	43,083	43,594
Navigational Aids Maintenance	148,000	133,400	135,001	136,602
Runway Maintenance	-	42,000	42,504	42,504
Administrative Costs	35,900	62,020	62,764	63,508
Freight	48,000	28,800	29,146	29,491
Staff Travel Costs	-	41,000	41,492	41,984
Office Stationery	6,300	6,340	6,416	6,492
Computers & Software	40,000	70,100	70,941	71,782
RFFS, Security & Environmental Cost	147,904	83,414	84,415	85,416
Miscellaneous	-	23,600	23,883	24,166
	1,344,444	1,296,643	1,308,783	1,334,718
Gross Profit	103,098	89,450	148,757	162,757
Taxation	25,774	22,363	37,189	40,689
Net Profit	77,323	67,088	111,568	122,068