

# **Dunedin City Treasury Ltd**

## **STATEMENT OF INTENT**

**for the year ending 30 June 2027**

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## 1. INTRODUCTION

Dunedin City Treasury Limited (DCTL) is a Council-Controlled Organisation (CCO) established to provide treasury and funds management services to entities within the Dunedin City Council Group.

DCTL is a wholly owned subsidiary of Dunedin City Holdings Limited (DCHL), which is wholly owned by Dunedin City Council (DCC or “the Council”).

This Statement of Intent (SoI) sets out DCTL’s planned activities, objectives and financial forecasts for the next three years. It includes performance measures and targets which will be reported against in DCTL’s 2027 Annual Report. This SoI takes shareholder comments into consideration.

## 2. OBJECTIVES

DCTL’s purpose is to manage the funding of the Council and its CCOs. In performing this function, DCTL’s objective is to ensure adequate funds are available to meet ongoing obligations, minimising funding costs and maximising return on surplus funds, within acceptable levels of risk.

As a Dunedin City Council Group company, DCTL aims to contribute to the Dunedin City Council’s strategic framework and achievement of city objectives.

As a CCO, DCTL also has the following objectives, as defined in the Local Government Act 2002:

- a) achieve the objectives of its shareholders, both commercial and non-commercial, as specified in the Statement of Intent; and
- b) be a good employer as per clause 36 of Schedule 7 LGA); and
- c) exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so.”

In line with the DCHL Carbon Roadmap, DCTL will reduce emissions and work with DCC and DCHL to identify and explore potential contributions to citywide emissions reduction goals.

In 2026/27, DCTL intends to continue its focus on ensuring adequate cost-effective funding is available to entities within the DCC Group and ensure that financial risks are effectively identified and managed. We will continue to consider the products and structures that best enable us to achieve our objectives.

DCTL’s objectives and targets for the year, as set out on the following page, support this focus.

## 3. NATURE AND SCOPE OF ACTIVITIES

DCTL undertakes the following activities in support of its objectives:

- Source debt and on-lend to DCC and its CCOs, ensure funds are available to meet obligations.
- Minimise funding costs, and maximise return of surplus funds, within agreed acceptable levels of risk.
- Manage financial markets risk and ensure compliance with DCC’s Treasury Risk Management Policy.
- Manage financial relationships with third parties.
- Separately, manage the Waipori Fund on behalf of DCC.

The undertaking by DCTL of any activity of a nature or scope outside of this would be subject to the prior approval of the shareholder.

## 4. APPROACH TO GOVERNANCE

DCTL is governed by a board of independent directors appointed by the Council. Directors meet regularly to direct and control DCTL’s proceedings.

The role of a Director of a CCO is defined in the Local Government Act 2002 as “to assist the organisation to meet its objectives and any other requirements in its Statement of Intent.”

The DCTL board operates in accordance with the DCC Treasury Risk Management Policy and accepted best practice.

## 5. PERFORMANCE TARGETS

| Goal                                                                                                     | Objective                                                                                                                                                                    | Performance Targets                                                                                                                                                                                          |
|----------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Ensure funds are available to meet obligations.</b>                                                   | Manage the liquidity risk of the DCC Group and use a variety of funding sources to achieve appropriate levels of funds as required by the DCC Group.                         | Zero breaches of DCC Treasury Risk Management Policy’s borrowing maturity profile.                                                                                                                           |
| <b>Minimise funding costs, while having regards to interest rate risk.</b>                               | Utilise a portfolio approach to minimise funding costs and manage interest rate risk in accordance with the DCC Treasury Risk Management Policy.                             | Zero breaches of DCC Treasury Risk Management Policy’s interest rate risk policy.                                                                                                                            |
| <b>Maximise returns on surplus funds, within acceptable levels of risk.</b>                              | Securely invest surplus cash available from within the DCC Group, ensuring funds deposited outside the DCC Group are compliant with the DCC Treasury Risk Management Policy. | Zero breaches of DCC Treasury Risk Management Policy’s investment management policy.                                                                                                                         |
| <b>Issue securities.</b>                                                                                 | Manage the issuance of securities as and when required.                                                                                                                      | Successfully fill any issues brought to the market during the year.                                                                                                                                          |
| <b>Manage financial relationships with third parties.</b>                                                | Maintain financial relationships with preferred financial providers.                                                                                                         | Meet at least annually with preferred financial providers.                                                                                                                                                   |
| <b>Maximise the cost effectiveness of financial products.</b>                                            | Maintain a benchmarking system to measure DCTL’s performance.                                                                                                                | Regular reporting to the Board, of DCTL’s achievement against defined benchmarks.                                                                                                                            |
| <b>Manage the Waipori Fund on behalf of the Council.</b>                                                 | Manage the 'Waipori Fund' fully in accordance with policy and objectives set by Council to achieve the investment objectives.                                                | Management of the fund and meeting the investment objectives set by Council in the Statement of Investment Policy and Objectives.                                                                            |
| <b>Manage business risk.</b>                                                                             | Maintain a risk management framework to regularly identify, mitigate, and report risks.                                                                                      | Quarterly review by the Board, of the DCTL Risk Register and Dashboard.<br>Regular reporting to the shareholder of DCTL’s top 5 current risks.                                                               |
| <b>Compliance with Dunedin City Council Treasury Risk Management Policy.</b>                             | Comply with the DCC Treasury Risk Management Policy.                                                                                                                         | No breaches of policy.<br>Where breaches have occurred, there are no breaches that have not been reported to the Chief Financial Officer of DCC within 1 business day and as per requirements of the policy. |
| <b>Communicate with the shareholder on a ‘no surprises’ basis.</b>                                       | Consult with the shareholder in a timely manner on DCTL strategic or operational matters which could compromise the Council’s community outcomes.                            | No such matters that were not escalated to the shareholder in a timely manner.                                                                                                                               |
|                                                                                                          | Report to the shareholder within 24 hours of the Board becoming aware of any substantive matter, including any matter likely to generate media coverage.                     | No such matters that were not reported to the shareholder within 24 hours.                                                                                                                                   |
| <b>Contribute to Council’s Strategic Framework and Climate Change and Carbon Neutrality initiatives.</b> | Reduce emissions and contribute to Dunedin’s citywide emissions reduction goals.                                                                                             | Measure and publicly report our Greenhouse Gas (GHG) emissions in our Annual Report.                                                                                                                         |
| <b>Maximise benefits of the strong credit profile of the DCC to assist the Group.</b>                    | Maintain a credit rating equal to that of the Dunedin City Council where the rating agency used applies the same credit rating to both entities.                             | Credit rating equal to that of Dunedin City Council.                                                                                                                                                         |

## 6. FINANCIAL FORECASTS

This section sets out DCTL's financial forecasts for the next three financial years.

### Ratio of shareholder's funds to total assets, and the definition of those terms

|                                     | Year ending<br>30 June 2027 | Year ending<br>30 June 2028 | Year ending<br>30 June 2029 |
|-------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Shareholders' funds to total assets | 1.2%                        | 1%                          | 1%                          |

"Shareholders' Funds" are represented by the paid-up capital, reserves created by the revaluation of specific assets, and retained earnings. "Total Assets" means the aggregate amount of all current and non-current assets.

### Estimate of the amount or proportion of accumulated profits and capital reserves that is intended to be distributed to the shareholders.

|               | Year ending<br>30 June 2027 | Year ending<br>30 June 2028 | Year ending<br>30 June 2029 |
|---------------|-----------------------------|-----------------------------|-----------------------------|
| Distributions | Nil                         | Nil                         | Nil                         |

### Other financial forecasts

|                           | Year ending<br>30 June 2027<br>\$'000 | Year ending<br>30 June 2028<br>\$'000 | Year ending<br>30 June 2029<br>\$'000 |
|---------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| EBITDA                    | 93                                    | 183                                   | 174                                   |
| Net profit after tax      | 93                                    | 183                                   | 174                                   |
| Cash flow from operations | 1,057                                 | (836)                                 | (848)                                 |
| Capital expenditure       | Nil                                   | Nil                                   | Nil                                   |
| Debt                      | 1,650,482                             | 1,920,482                             | 2,060,482                             |
| Shareholder's funds *     | 20,360                                | 20,543                                | \$20,717                              |

\* Shareholder's funds largely consist of the hedge reserve which moves in line with the mark to market of the company's cash flow hedging arrangements. Movements are extremely difficult to forecast; therefore, no hedge reserve movements have been budgeted for above.

## 7. ACCOUNTING POLICIES

### *General accounting policies*

The accounting policies recognised by the External Reporting Board (XRB) for the measurement and reporting of financial performance and financial position will be applied on a basis consistent with those used in previous years.

### *Particular accounting policies*

The particular accounting policies, which materially affect the measurement and reporting of financial performance and financial position, are consistent across the DCHL group and are fully listed in DCTL's annual report.

## 8. DIVIDEND POLICY

DCTL's policy is not to pay dividends.

## 9. COMMERCIAL VALUE OF SHAREHOLDERS' INVESTMENT

The commercial value of the Shareholder's investment in DCTL is considered by the Directors to be not less than the Shareholder's funds as disclosed in the Statement of Financial Position published in the last Annual Report.

This will be considered annually when the Statement of Intent is completed.

## 10. TRANSACTIONS WITH RELATED PARTIES

Dunedin City Council is the sole shareholder of Dunedin City Holdings Limited.

Dunedin City Holdings Limited is the sole shareholder in Aurora Energy Limited, City Forests Limited, Delta Utility Services Limited, Dunedin City Treasury Limited, Dunedin Railways Ltd, Dunedin Venues Management Limited and Dunedin Stadium Property Limited.

Dunedin City Holdings Limited owns 50% of Dunedin International Airport Limited.

Transactions between the companies, Dunedin City Council and other Dunedin City Council controlled enterprises will be on a wholly commercial basis.

Charges from Dunedin City Council and its other entities and charges to Dunedin City Council and its other entities will be made for goods and services provided as part of the normal trading activities of each company.

### *Related Party Transactions*

|                                                            |                                                                        |
|------------------------------------------------------------|------------------------------------------------------------------------|
| Dunedin City Council                                       | Provision of debt funding from DCTL generating interest income to DCTL |
|                                                            | Treasury and fund management services provided by DCTL                 |
|                                                            | Management of New Zealand emission units (NZUs)                        |
| Dunedin City Holdings Limited and subsidiary companies     | Provision of debt funding from DCTL generating interest income to DCTL |
|                                                            | Provision of management services by DCHL                               |
| City Forests Limited and other group companies as required | Management of foreign exchange                                         |

## 11. OTHER MATTERS AS AGREED BY THE SHAREHOLDER AND THE BOARD

### *Information to be provided to the shareholder*

| Information                                          | Quarterly | Half Yearly | Annual          |
|------------------------------------------------------|-----------|-------------|-----------------|
| Key financial and service performance indicators     | ✓         | ✓           | ✓               |
| Statement of Financial Performance                   |           | ✓           | ✓               |
| Statement of Financial Position                      |           | ✓           | ✓               |
| Statement of Cash Flows                              |           | ✓           | ✓               |
| Statement of Movement in Equity                      |           | ✓           | ✓               |
| Notes to the Financial Statements                    |           | ✓           | ✓               |
| Statement of Service Performance against SoI targets |           | ✓           | ✓               |
| Directors' Report                                    |           | ✓           | ✓               |
| Auditors' Report                                     |           |             | ✓               |
| Draft Statement of Intent                            |           |             | Prior to 1 Mar  |
| Final Statement of Intent                            |           |             | Prior to 30 Jun |

### *Working with the shareholder*

DCTL will undertake to keep the shareholder informed of all substantive matters, as set out in the performance targets above. DCTL will work to build a culture of accountability and constructive working practices between DCTL, the shareholder, and ultimate shareholder as required. It is expected that any conflicts that may arise will be resolved directly between the shareholder and DCTL, in accordance with appropriate governance practices.

### *Acquisition / divestment of assets or shares in any company or organisation*

Except for the activities of DCTL as Manager for the Dunedin City Council 'Waipori Fund', DCTL will not invest in the shares of another company or invest in an entity other than placing surplus funds with counterparty banks or acquiring LGFA Borrower Notes.

The approval of the shareholder is required before disposal by DCTL of any segment of its business.

### *Compensation sought*

At the request of the shareholder, DCTL may undertake activities that are not consistent with its normal commercial objectives. Specific financial arrangements will be entered into to meet the full commercial cost of undertaking such activities. At present, DCTL does not have any activities in respect of which its board wishes to seek compensation from any local authority.

### *Group facility use*

DCTL will undertake "Group" purchasing of goods and services, unless it is demonstrated conclusively to the shareholder that the total combined cost of such group purchasing to the group and Dunedin City Council (including the costs of ceasing any such group purchasing), is greater than any alternative identified.

### *Other agreements*

DCTL's policy is to not enter into any sponsorship arrangements.

DCTL will work with DCC and DCHL and the group's auditors to incrementally shorten the DCC group annual reporting timeline.