



DUNEDIN CITY HOLDINGS LIMITED

STATEMENT OF INTENT

For the Year Ending 30 June 2020

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1. INTRODUCTION

Dunedin City Holdings Limited (DCHL) is a Council-Controlled Trading Organisation (CCTO) owned by Dunedin City Council (the Council). DCHL manages the Council's commercial investments.

This Statement of Intent (SoI) sets out DCHL's planned activities and financial forecasts for the next three years. It includes performance measures and targets which form the basis of DCHL's organisational accountability, and will be reported on in DCHL's 2020 Annual Report. This SoI takes shareholder comments into consideration.

DCHL's portfolio comprises 100% shareholdings in Aurora Energy Ltd, City Forests Ltd, Delta Utility Services Ltd, Dunedin City Treasury Ltd, Dunedin Stadium Property Ltd and Dunedin Venues Management Ltd. It also owns 72% of Dunedin Railways Ltd, and 50% of Dunedin International Airport Ltd.



2. PURPOSE AND OBJECTIVES

DCHL's purpose is to achieve for Dunedin the best from its investments. This purpose is supported by more specific strategic objectives and activities, as shown in the company's strategic framework:



To achieve for Dunedin the best from its investments.

STRATEGIC OBJECTIVES

To encourage and facilitate increased shareholder value of DCHL Group companies	To take a long term and strategic view of the portfolio, and make proposals to Council on strategic opportunities	To promote and support DCHL Group companies' contribution to Council's Strategic Framework	To ensure independence between Council and DCHL Group companies' operations	To ensure DCHL Group companies have best practice governance, are good employers, and operate in an environmentally and socially responsible way
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ACTIVITIES

Monitor performance of DCHL Group companies, and the portfolio as a whole, to ensure performance (financial and other) is optimised	Provide input on DCHL Group companies' medium to long term strategies	Appoint Directors to DCHL Group companies; appoint Chairs of subsidiary companies	Set expectations through annual Letters of Expectation to DCHL Group companies	Review and approve DCHL Group Statements of Intent (Sols)	Seek opportunities to create synergies, leverage experience or expertise across DCHL Group, where appropriate
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As a CCTO, DCHL also has the following objectives, as defined in the Local Government Act 2002:

- a) achieve the objective of its shareholders, both commercial and non-commercial, as specified in the Statement of Intent; and
- b) be a good employer; 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 insist these when able to do so; and
- d) conduct its affairs in accordance with sound business practice.

3. APPROACH TO GOVERNANCE

DCHL is governed by a Board of independent Directors, in accordance with the law and best practice. Directors meet regularly to direct and control DCHL's proceedings.

The role of a Director of a CCTO is defined in section 58 of the Local Government Act 2002 as "to assist the organisation to meet its objectives and any other requirements in its Statement of Intent."

In addition to the obligations of the Local Government Act, DCHL is also subject to the requirements of the Companies Act 1993, and all other applicable legislative requirements.

DCHL hold responsibility for appointing directors to the boards of Aurora Energy Ltd, City Forests Ltd, Delta Utility Services Ltd and Dunedin Venues Management Ltd. DCHL is also responsible for appointing a limited number of directors to the boards of Dunedin Railways Ltd and Dunedin International Airport Ltd, and for appointing the Chair of Dunedin Stadium Property Ltd.

DCHL makes all appointments in accordance with its procedures. This includes giving consideration to a range of factors, including demographic diversity, location, succession planning, stakeholder and community relationships, and potential actual or perceived conflicts of interest of candidates, and DCHL's objectives for the relevant board.

DCHL are supportive of equal employment opportunities at all levels within the Dunedin City Holdings Ltd Group.

4. FOCUS FOR THE 2019/2020 YEAR

In 2019/2020, DCHL intends to focus on active management of its portfolio, and further development of its long term strategy to build shareholder value.

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

5. OBJECTIVES AND PERFORMANCE TARGETS

Strategic Objective	Activity	Target
To encourage and facilitate increased shareholder value of DCHL Group companies	Monitor performance of DCHL Group companies to ensure returns (financial and other) are optimised	- DCHL Board perform a monthly review of DCHL Group companies' operating activities, including financial performance against budget (DIAL quarterly) - DCHL Board monitor DCHL Group companies' progress against their SoI targets quarterly
	Seek opportunities to create synergies, leverage experience or expertise across DCHL Group, where appropriate	Synergies have been made across the DCHL Group
To take a long term and strategic view of the portfolio, and make proposals to Council on strategic issues	Monitor performance of DCHL portfolio as a whole to ensure returns (financial and other) are optimised	- DCHL Board perform a monthly review of the consolidated DCHL Group financial performance against budget - DCHL Board to perform a quarterly review of DCHL Group companies' rates of return - DCHL Board provide a quarterly update to Council on the DCHL Group's performance (financial and other)
	Consider strategic issues	- DCHL Board annually review the ownership and capital structures of the DCHL Group companies - Consider capital expenditure proposals and business cases in accordance with company constitutions and SoIs
	Provide input on DCHL Group companies' medium to long term strategies	- DCHL Board engage with each DCHL Group company at least once annually on strategy - DCHL Board meet with full group of Chairs twice annually
To promote and support DCHL Group companies' contribution to Council's Strategic Framework	Review and approve DCHL Group Statements of Intent for consistency with Council's strategic direction	- Review draft SoIs by 1 March 2020 - Approve SoIs by 30 June 2020
	Set expectations through annual Letters of Expectation to DCHL Group companies	Send Letters of Expectation to subsidiary and associate companies by 1 December 2019
To ensure DCHL Group companies have best practice governance, are good employers, and operate in an environmentally and socially responsible way	Appoint Directors to DCHL Group companies; appoint Chairs to subsidiary companies	Appointments and re-appointments are all completed on time, and in compliance with DCHL and Council policy
	Ensure companies are good employers, and operate in an environmentally and socially responsible way	- Ensure DCHL Group companies have appropriate policies and procedures in place - DCHL Board perform an annual review of subsidiary and associate companies' activities to reduce their carbon footprint
Communicate with the shareholder on a 'no surprises' basis.	Consult with the shareholder in a timely manner on DCHL Group strategic or operational matters which could compromise the Council's community outcomes.	All such matters 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.	All such matters reported to the shareholder within 24 hours.

6. FINANCIAL FORECASTS

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

The ratio of Shareholder's Funds to Total Assets and the definition of those terms.

	Year ending 30/06/2020	Year ending 30/06/2021	Year ending 30/06/2022
Shareholder's funds to total assets	23%	21%	21%

"Shareholder's 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 shareholder.

	Year ending 30/06/2020 \$'000	Year ending 30/06/2021 \$'000	Year ending 30/06/2022 \$'000
Interest paid to shareholder	5,902	5,902	5,902
Dividend distributions	0	0	0

Other Financial Forecasts

	Year ending 30/06/2020 \$'000	Year ending 30/06/2021 \$'000	Year ending 30/06/2022 \$'000
Net profit after tax	(14,570)	(9,619)	19,539
Cash flow from operations	17,415	19,314	62,336
Capital expenditure	110,920	105,965	100,466
Contributions of equity	2,550	2,550	2,550
Term loans – parent	20,980	18,980	16,880
- group	791,474	887,442	926,586

Contributions of equity of \$2,550,000 are injected as capital into the DCHL parent, as recommended in the 2015 Stadium Review. It is then injected into Dunedin Stadium Property Limited and Dunedin Venues Management Limited to assist with the operational, capital and debt financing requirements of these companies.

Financial forecasts are based on forecasts from subsidiary and associate companies. The projections provided have been prepared using the best information available at the time of preparation.

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 have been 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 DCHL's annual report.

8. INFORMATION TO BE PROVIDED TO THE SHAREHOLDER IN THE GROUP FINANCIAL REPORTS

Information	Quarterly	Half Yearly	Annual
Group Statement of Financial Performance		✓	✓
Group Statement of Financial Position		✓	✓
Group Statement of Cash Flows		✓	✓
Statement of Service Performance against SOI targets		✓	✓
Group Statement of Movement in Equity		✓	✓
Notes to the Financial Statements		✓	✓
Directors' Report		✓	✓
Auditor's Report			✓
Parent Financial Results			✓
Group Financial Results	✓	✓	✓
Statement of Intent (Draft)			By 1 Mar
Statement of Intent (Final)			By 30 Jun

9. DIVIDEND POLICY

There is no intention to pay dividends in the next three financial years.

10. ACQUISITION/DIVESTMENT OF SHARES OR ASSETS IN ANY COMPANY OR ORGANISATION

DCHL will only invest in the shares of another company or invest in an entity if the investment is considered to be likely to produce added value to DCHL. In order to maximise benefit to the Shareholder, shares or assets may also be sold in response to, or in anticipation of, on-going changes in the marketplace.

If the Directors intend that DCHL or its subsidiaries should acquire assets, they will obtain prior approval of the Shareholder where an investment into the new assets exceeds \$5 million.

If the Directors intend that DCHL or its subsidiaries should subscribe for or otherwise acquire issued capital or an interest in any company or organisation (other than minimum holdings in listed companies in related industries) exceeding a total investment of \$5 million they will obtain prior approval of the Shareholder.

The approval of the Shareholder is required before disposal by DCHL of any segment of its business or shares in a subsidiary or associate company where the value of the asset to be disposed of exceeds the investment delegated authority of \$5 million.

11. COMPENSATION SOUGHT

At the request of the Shareholder, DCHL 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, DCHL does not have any activities in respect of which its Board wishes to seek compensation from any local authority.

12. COMMERCIAL VALUE OF SHAREHOLDER'S INVESTMENT

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

13. OTHER MATTERS AS AGREED BY THE SHAREHOLDER AND THE BOARD

The undertaking by DCHL of any activity of a nature or scope not provided for in DCHL's purpose or strategic objectives would be subject to the prior approval of the Shareholder.

14. TRANSACTIONS WITH RELATED PARTIES

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

Dunedin City Holdings Limited is the sole Shareholder of Aurora Energy Limited, City Forests Limited, Delta Utility Services Limited, Dunedin City Treasury Limited, Dunedin Venues Management Limited and Dunedin Stadium Property Limited.

Dunedin City Holdings Limited owns 72.03% of Dunedin Railways Limited and 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 administrative and financial services to DCHL
	Interest on shareholder advance and dividends to DCC
Dunedin City Treasury Limited	Provision of debt funding to DCHL generating interest payments to DCTL
Group Companies	Subvention and dividends to DCHL
	Provision of management services to Aurora Energy Ltd, Delta Utility Services Ltd, Dunedin City Treasury Ltd, City Forests Ltd

DCHL and its subsidiaries will undertake to obtain all debt funding from DCTL, with exceptions as agreed with the Board of DCHL. It is expected that DCHL and its subsidiaries will execute the necessary instruments and securities in support of borrowing from DCTL.

15. GROUP FACILITY USE

DCHL 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.

16. WORKING WITH THE SHAREHOLDER

DCHL will undertake to keep the shareholder informed of all substantive matters, as set out in the performance targets above. DCHL will work to build a culture of accountability and constructive working practices between DCHL, its subsidiaries, and the shareholder. It is expected that any conflicts that may arise will be resolved directly between the shareholder and DCHL, in accordance with appropriate governance practices. DCHL will not accept sponsorship or give naming rights to companies involved in activities deemed to be inconsistent with Dunedin City Council's ethical position.

APPENDIX 1: DUNEDIN CITY COUNCIL VISION: DUNEDIN IS ONE OF THE WORLD'S GREAT SMALL CITIES

The vision of the Dunedin City Council Long Term Plan is to make Dunedin an attractive place to work, live, study and visit.

This is achieved by the following Strategic Framework.



APPENDIX 2: STRATEGIC FRAMEWORK

Strategy	Priority	Explanation
Social Wellbeing Strategy (2013)	Connected people	Making people feel connected and involved in community and city affairs.
	Vibrant and cohesive communities	Building better communities both at a local/geographic level and communities of interest.
	Healthy and safe people	Promoting good health and ensuring people feel safe, and are safe.
	Standard of living	Promoting a good work/ life balance and full employment.
	Affordable and healthy homes	People are living in warm and healthy homes and affordable housing options are available to all.
Economic Development Strategy (2012)	Business vitality	Improving the ease of doing business. Growing the value of exports.
	Alliances for innovation	Improving linkages between industry and research. Increasing scale in innovative and tradable sectors.
	A hub for skills and talent	Increasing the retention of graduates. Building the skills base. Growing migrant numbers.
	Linkages beyond our borders	Increasing international investment. Establishing strategic projects with other cities.
	A compelling destination	Marketing Dunedin and exporting education uplift.
Te Ao Tūroa - Environment Strategy (early draft themes)	Connecting people with the environment	Dunedin's community enjoys and is connected with the natural environment.
	Guardianship of the environment	Dunedin's community actively works together to understand, enhance and celebrate the values of the natural environment.
	Protecting and enhancing the environment	Dunedin protects, restores and enhances its natural heritage, biodiversity, landscapes and ecosystems.
	Responding to environmental changes	Dunedin limits its impact on, and adapts to, environmental changes, including climate change.
	Sustainable resource use	Dunedin reduces reliance on non-renewable resources, minimises waste and uses water responsibly
Ara Toi – Arts & Culture Strategy	Identity Pride	Building unity and community pride by celebrating the city's character, diversity and individuality through arts and culture.
	Access and inclusion	Enabling self-expression and sharing of ideas to connect diverse people.
	Creative economy	Capitalising on the economic growth of the arts and culture sector.
	Inspired connections	Utilising existing networks and fostering new connections to facilitate creativity.
Spatial Plan (2012)	A liveable city	A healthy and safe environment; quality air and water; a connected community; recreation, leisure & learning, opportunities; healthcare, and warm housing.
	An environmentally sustainable and resilient city	Resilient ecosystems and communities; actively responding to climate change; reducing dependence on non-renewable resources; seismic-strengthened heritage buildings.
	A memorable and distinctive city	Protecting significant landscapes; quality architecture and urban design; memorable and engaging public art; celebrating Tangata Whenua and European heritage; actively re-using built heritage.
	A city that enables a prosperous and diverse economy	Maintaining and growing our rural economy, industrial base and world class communications; attracting and retaining internationally-focused people; supporting and benefiting from the tertiary education sector.
	An accessible and connected city	An urban form that supports accessibility from a range of modes and sustainable transport choices; a safe and efficient road network; affordable and convenient public transport; it is safe and pleasant to walk and cycle.
	A vibrant and exciting city	A successful arts and culture scene, vibrant central city and local centres.
	Well-connected open spaces	Managing green and open spaces to provide for social interaction and physical health and wellbeing.
Parks & Recreation Strategy (early draft themes)	Accessible recreational facilities	Making recreational open spaces and facilities accessible to all.
	Collaborate to provide and protect	Working collaboratively to improve recreation and environmental outcomes.
Integrated Transport Strategy (2013)	Safety	Prioritising safety improvements according to risk.
	Travel choices	Prioritising investment and space to improve the provision of active modes and public transport.
	Connectivity of centres	Improving connections within and between centres and the central city for public transport and active modes.
	Freight	Efficiently and effectively moving freight.
	Resilient network	Integrating land use and transport to reduce demand for vehicle travel and increasing the resilience of the transport network.
Three Waters Strategy (2010)	Meeting water needs	Meeting the safe and quality water needs of the city for the next 50 years from existing water sources.
	Adaptable supply	Being able to adapt our water supply to a variety of future climate change and population scenarios.
	Environmental protection	Improving the quality of our discharges to minimise the impact on the environment.
	Maintaining service levels	Ensuring that, as a minimum, key service levels are maintained into the future.
	Kaitiakitaka	Adopting an integrated approach to management of the three waters and embrace the concept of kaitiakitaka.