

Dunedin City Holdings Limited
Statement of Intent
For the Year Ending 30 June 2019

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1 INTRODUCTION

Dunedin City Holdings Ltd ('the Company') is a Council Controlled Trading Organisation (CCTO), wholly owned by the Dunedin City Council. The principal activity of the Company is to provide leadership and oversight of its eight subsidiary and associated companies on behalf of the ultimate shareholder, the Dunedin City Council.

A Council-Controlled Trading Organisation (CCTO) is an organisation in which the council controls 50 per cent or more of the voting rights or has the right to appoint 50 per cent (or more) of the directors or trustees. A CCTO operates a trading undertaking for the purpose of making a profit.

2 PURPOSE OF STATEMENT OF INTENT

Dunedin City Holdings Limited is required by law to produce a Statement of Intent (SOI). The SOI is an annual planning document. It demonstrates the accountability to the shareholder and the public by outlining the activities and intentions for the next three financial years. It provides an opportunity for the shareholder to influence the CCTO's direction by commenting on the draft version of the SOI. The SOI provides the basis for the accountability of the directors to their shareholder for the performance of the organisation.

The CCTO is required by law to report in its annual report on its performance targets set in the SOI.

3 OBJECTIVES

As defined in Section 59 of the Local Government Act (LGA), the principal objectives of a council-controlled organisation are to:

- 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 (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 insist these when able to do so; and
- d) If the council-controlled organisation is a council-controlled trading organisation, conduct its affairs in accordance with sound business practice."

4 PURPOSE FOR WHICH THE COMPANY ESTABLISHED

Dunedin City Holdings Limited has been established as an investment company with the purpose of providing a steady flow of payments to its shareholder, the Dunedin City Council.

5 NATURE AND SCOPE OF ACTIVITIES TO BE UNDERTAKEN

The principal activity of the Company is to provide leadership and oversight of its subsidiary and associated companies on behalf of the ultimate shareholder, the Dunedin City Council.

This involves undertaking on-going oversight of subsidiaries' financial and non-financial performance. In carrying out this function the Board will assess the risks of the activities undertaken by its subsidiaries in the light of the financial sustainability needs of the Dunedin City Council. Building opportunities for collaborative enterprise and capturing Group synergies is an objective of the Company.

Where there is a conflict between maximising the return on investment in each subsidiary and the level of free cash flow required to meet the shareholder's objectives the latter shall prevail while ensuring that the company/group remains financially secure.

For the avoidance of doubt, the Board will consider "financially secure" in the context of the Dunedin City Council's expectation that its Council Controlled Organisations (CCOs) operate as successful long-term businesses who manage company assets on an economic, environmental and socially sustainable basis.

As a holding company it is the manager of a portfolio of corporate investments. If it is to maximise benefit to its shareholder, the Dunedin City Council, it may wish from time to time to rebalance the composition of its portfolio by purchases or sales in response to, or in anticipation of, on-going changes in the marketplace.

It is noted that the Board may also from time to time be asked to consider changes to its portfolio in response to changes in the city's strategic direction.

6 CORPORATE GOVERNANCE

- a) Local Government Act 2002, Role of Directors

As defined in Section 58 of the LGA:

"The role of a director of a council-controlled organisation is to assist the organisation to meet its objectives and any other requirements in its statement of intent.

This section does not limit or affect the other duties that a director of a council-controlled organisation has.

- b) In addition to the obligations of the LGA, the company is also subject to the requirements of The Companies Act 1993.
- c) And all other applicable legislative requirements that apply."

7 A) PARENT PERFORMANCE TARGETS AND OTHER MEASURES

BUSINESS OBJECTIVES		
Goals	Objectives	Performance Measures
Review and approve the Statements of Intent and plans of each of the group companies for consistency with the strategic direction of the Dunedin City Council.	Ensure that the Statement of Intent and operating policies for each of the group companies are consistent with the strategic direction of the Dunedin City Council and Dunedin City Holdings Limited.	A review of the draft Statements of Intent to be completed by 31 December 2018. Approve the Statement of Intent of each of the group companies by 30 June 2019.
Review the operating activities of each of the group companies along with Dunedin City Holdings Limited for compliance with the goals and objectives stated in the Statement of Intent.	Monitor the group companies to ensure that their respective Statements of Intent are adhered to along with that of Dunedin City Holdings Limited.	Reviews of the operating activities are to be performed annually or as required by the Board of Dunedin City Holdings Limited.
Monitor and review the performance of each group company against their Statement of Intent goals and objectives.	Monitor the performance of group companies against their goals and objectives.	Reviews of performance measures against goals and objectives are undertaken on a quarterly basis.
FINANCIAL		
Goals	Objectives	Performance Measures
Monitor financial performance of each of the group companies.	Maximise in the long term the financial returns of the Dunedin City Holdings group to Council, as cash returns generated by the group allow.	Continual reviews to be performed on a monthly basis in relation to operating initiatives and financial performance of each of the group of companies, excluding Dunedin International Airport Limited which reports on a quarterly basis.
Monitor the capital structure of each group company.	Maintain the group's financial strength through sound financial management.	The capital structure of the group of companies will be reviewed at the half year and full year balance dates.
Review the capital expenditure of each of the group of companies for compliance and approval as required by Dunedin City Holding Limited.	Ensure that capital expenditure within the Dunedin City Holdings group, and particularly of each subsidiary, is in accordance with the capital expenditure budget of the group and is approved by Dunedin City Holdings Limited.	Continual reviews on a monthly basis of capital expenditure, excluding Dunedin International Airport Limited which reports on a quarterly basis.
SHAREHOLDERS		
Goals	Objectives	Performance Measures
Engage with the shareholder annually on opportunities for the company and/or its subsidiaries to contribute, or assist where possible, with Council's community outcomes (as listed in the annual plan).	Consult with shareholder on matters to be included in the company's Statement of Intent.	In the annual company's Statement of Intent having given consideration to the shareholder's expectations.

Engage with the shareholder regularly on the group's alignment with the Dunedin City Council Strategic Framework	Monitor and review the group's alignment with the Dunedin City Council Strategic Framework	Reviews of performance objectives are undertaken on a quarterly basis and reported on in quarterly reports to the shareholder.
Bring to the attention of the shareholder any strategic or operational matters where there may be conflict between the Council's community outcomes and those of the company and seek the shareholder's view on these.	Consult with the shareholder at the earliest possible time on matters where conflict may or could result.	Number of matters that have been escalated to the shareholder.
Encourage each company within the group to act as a socially and environmentally responsible corporate citizen.	Review the activities undertaken by the group companies for purposes of being a socially and environmentally responsible corporate citizen.	A review of the activities undertaken by the group companies for purposes of being a socially and environmentally responsible corporate citizen will be undertaken annually.
Keep the shareholder informed of all substantive matters.	On a 'no surprises' basis advise the shareholder promptly of any substantive matter. This includes matters that have the potential to impact negatively on shareholder, or may be of interest to the media.	Report to the shareholder within 24 hours of the board becoming aware of any substantive matter, including those which have the potential to impact negatively on shareholder, or may be of interest to the media. Present quarterly reports to the shareholder.

B) GROUP PERFORMANCE TARGETS AND OTHER MEASURES

BUSINESS OBJECTIVES		
Goals	Objectives	Performance Measures
Subsidiaries have the required policies in place to be compliant with the Dunedin City Council Treasury Risk Management Policy.	Dunedin City Treasury Limited ensures all subsidiaries have policies in place as referred to in the Dunedin City Council Treasury Risk Management Policy.	Subsidiaries are compliant with the Dunedin City Council Treasury Risk Management Policy.
Corporate Governance policies and procedures reflect best practice.	Corporate governance policies and procedures are appropriate, documented and reflect best practice. Group wide policies are in place where appropriate, and these align with those of DCC and related guidelines of the Office of the Auditor-General where appropriate.	The companies review their policies on a regular basis.
Business Continuity Plans are in place.	Business Continuity plans are completed with collective input from DCC and other group companies.	Business Continuity plans are reviewed on an annual basis.

Health and Safety is best practice.	Ensure all subsidiaries have appropriate health and safety policies and procedures in place, and are compliant with relevant legislation and regulations. Major Health and Safety issues are reported immediately.	Health and Safety policies and procedures are reviewed on an annual basis.
Risk management structures are sound	Best practice risk management structures are in place across the group	Risk management structures are reviewed on an annual basis.
Statutory and Regulatory is best practice with no urgent outstanding issues on Audit Reports	To clear all urgent outstanding issues within the year.	All urgent outstanding issues have been resolved.

8 A) PARENT FINANCIAL FORECASTS

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

	Year ending 30/06/2019	Year ending 30/06/2020	Year ending 30/06/2021
Shareholder's funds to total assets	53%	54%	54%

"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.

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

	Year ending 30/06/2019 \$'000	Year ending 30/06/2020 \$'000	Year ending 30/06/2021 \$'000
Interest paid to shareholder	5,902	5,902	5,902
Dividend distributions	0	0	0

c. Other Financial Forecasts

	Year ending 30/06/2019 \$'000	Year ending 30/06/2020 \$'000	Year ending 30/06/2021 \$'000
Net profit after tax	0	494	488
Cash flow from operations	128	529	527
Term loans	25,800	25,250	24,750
Contributions of Equity	2,550	2,550	2,550

The projections provided have been prepared using the most recent Company budget information and incorporate a number of assumptions about the future metric's of key business profitability drivers. In deriving these projections advice and judgement has been applied to predict the future state of the commercial market environment in which the Company operates.

Contributions of Equity of \$2,550,000 are injected as capital as recommended in the 2015 Stadium Review. \$2,250,000 is injected into Dunedin Stadium Property Limited to assist with the operational, capital and debt financing requirements of the company, and \$300,000 is injected into Dunedin Venues Management Limited to assist with the capital requirements of the company.

B) GROUP FINANCIAL FORECASTS

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

	Year ending 30/06/2019	Year ending 30/06/2020	Year ending 30/06/2021
Shareholder's funds to total assets	27%	26%	25%

"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.

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

	Year ending 30/06/2019 \$'000	Year ending 30/06/2020 \$'000	Year ending 30/06/2021 \$'000
Interest paid to shareholder	5,902	5,902	5,902
Dividend distributions	0	0	0

f. Other Financial Forecasts

	Year ending 30/06/2019 \$'000	Year ending 30/06/2020 \$'000	Year ending 30/06/2021 \$'000
Net profit after tax	5,071	5,744	8,219
Cash flow from operations	43,077	41,953	50,445
Capital Expenditure	87,434	71,048	71,216
Term loans	658,000	725,000	794,000

The projections provided have been prepared using the most recent Company budget information and incorporate a number of assumptions about the future metric's of key business profitability drivers. In deriving these projections advice and judgement has been applied to predict the future state of the commercial market environment in which the Company operates.

Group financial forecasts are based on forecasts from subsidiary and associate companies. This includes interim figures submitted by Aurora Energy Ltd. Aurora's final financial forecasts will be available when their Statement of Intent is completed by 30 September 2018.

9 ACCOUNTING POLICIES

a) 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.

b) 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 the Company's annual report.

10 INFORMATION TO BE PROVIDED TO THE SHAREHOLDER IN THE GROUP FINANCIAL REPORTS

All reports relate to the Group, unless stated otherwise, in accordance with recommendations of Audit New Zealand.

	Quarterly	Half Yearly	Annual
Statement of Financial Performance		X	X
Statement of Financial Position		X	X
Statement of Cash Flows		X	X
Statement of Service Performance against SOI targets		X	X
Statement of Movement in Equity		X	X
Notes to the Financial Statements		X	X
Directors' Report		X	X
Auditors Report			X
Group Financial Results	X	X	X
Parent Financial Results			X
Statement of Intent (Draft)			Prior to 1 st March
Statement of Intent (Final)			Prior to 30 th June

11 DIVIDEND POLICY

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

12 ACQUISITION/DIVESTMENT OF SHARES OR ASSETS IN ANY COMPANY OR ORGANISATION

The Company 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 the Company. 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 the Company 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 the Company 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 the Company 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.

13 COMPENSATION SOUGHT

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

14 COMMERCIAL VALUE OF SHAREHOLDER'S INVESTMENT

The commercial value of the Shareholder's investment in the Company 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.

15 OTHER MATTERS AS AGREED BY THE SHAREHOLDER AND THE BOARD

- a) The undertaking by the Company of any activity of a nature or scope not provided for in the Company's mission or goals would be subject to the prior approval of the Shareholder.
- b) The approval of the Shareholder is also required before the Company could dispose of any segment of its business or shares in a subsidiary or associated company where the value of the asset to be disposed of exceeds the investment delegated authority set out in Section 12 above.

16 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 office services to the Company
	Interest on shareholder advance and dividend transactions
	Provision of financial services
Dunedin City Treasury Limited	Provision of debt funding to the Company generating interest payments to DCTL
Group Companies	Subvention and dividend transactions

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

17 GROUP FACILITY USE

The Company will undertake to operate "group" purchasing of goods and services unless it is demonstrated conclusively to the Shareholder that the total combined cost to the Group and Dunedin City Council of such Group purchasing is greater than the total combined cost to the Group and Dunedin City Council of ceasing to purchase such goods and services as a Group including the cost to the Group and Dunedin City Council of ceasing any such group purchasing. This will include using the insurance broker and tax advisor appointed by Dunedin City Council from time to time.

18 WORKING WITH THE SHAREHOLDER

The Company will undertake to keep the shareholder informed of all substantive matters, as set out in the performance targets above. The Company will work to build a culture of accountability and constructive working practices between the shareholder, the Company and its subsidiaries. It is expected that any conflicts that may arise between the shareholder, the Company and/or its subsidiaries will be resolved directly between the shareholder and the Company, acknowledging appropriate governance practices.

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.
Economic Development Strategy (2012)	Affordable and healthy homes	People are living in warm and healthy homes and affordable housing options are available to all.
	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.
Te Ao Tūroa - Environment Strategy (early draft themes)	A compelling destination	Marketing Dunedin and exporting education uplift.
	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.
Ara Toi – Arts & Culture Strategy	Sustainable resource use	Dunedin reduces reliance on non-renewable resources, minimises waste and uses water responsibly
	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.
Spatial Plan (2012)	Inspired connections	Utilising existing networks and fostering new connections to facilitate creativity.
	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.
Parks & Recreation Strategy (early draft themes)	Well-connected open spaces	Managing green and open spaces to provide for social interaction and physical health and wellbeing.
	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.