

Dunedin City Treasury Ltd

STATEMENT OF INTENT

For the Year Ending 30 June 2020

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1. INTRODUCTION

Dunedin City Treasury Limited (DCTL) is a Council-Controlled Organisation (CCTO) 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, which is wholly owned by Dunedin City Council (the Council).

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

2. PURPOSE AND OBJECTIVES

DCTL's purpose is to manage the financial holdings of the Council and its CCTOs. This includes:

		
CASH AND LIQUIDITY MANAGEMENT	DEBT PORTFOLIO MANAGEMENT	INVESTMENT PORTFOLIO MANAGEMENT
<ul style="list-style-type: none">• Ensure funds are available to meet obligations• Minimise funding costs• Maximise return on surplus funds within agreed acceptable levels of risk	<ul style="list-style-type: none">• Issue securities• Manage financial relationships with third parties• Manage financial risk	<ul style="list-style-type: none">• Provide all funding to DCC and CCTOs• Manage DCTL's investments• Manage Waipori Fund for DCC

In performing these functions, 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 CCTO, DCTL also has the following objectives, as defined in the Local Government Act 2002:

- achieve the objective of its shareholders, both commercial and non-commercial, as specified in the Statement of Intent; and
- be a good employer as per clause 36 of Schedule 7 LGA); and
- 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
- conduct its affairs in accordance with sound business practice."

3. FOCUS FOR THE 2019/2020 YEAR

In 2019/2020, DCTL intends to continue its focus on ensuring adequate cost-effective funding is available to entities within the DCC Group, and ensuring 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.

4. OBJECTIVES AND PERFORMANCE TARGETS

Goal	Objective	Performance Targets
Ensure funds are available to meet obligations.	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.
Minimise funding costs, while having regards to interest rate risk.	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.
Maximise returns on surplus funds, within acceptable levels of risk.	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.
Issue securities.	Manage the issuance of securities as and when required.	Successfully fill any issues brought to the market during the year.
Manage financial relationships with third parties.	Maintain financial relationships with preferred financial providers.	Maintained funding lines with ANZ, BNZ and Westpac.
Maximise the cost effective utilisation of financial products.	Maintain a benchmarking system to measure DCTL's performance.	Regular reporting to the Board, of DCTL's achievement against defined benchmarks.
Manage the Waipori Fund on behalf of the Council.	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.
Manage business risk.	Maintain a risk management framework to regularly identify, mitigate, and report risks.	Quarterly review by the Board, of the DCHL Risk Register Dashboard. Regular reporting to the shareholder of DCTL's top 5 current risks.
Compliance with Dunedin City Council Treasury Risk Management Policy.	Comply with the DCC Treasury Risk Management Policy.	No breaches of policy. Where breaches have occurred, there are no breaches that have not been reported to the GM Finance and Commercial within 1 business day and as per requirements of the policy.
Communicate with the shareholder on a 'no surprises' basis.	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.

5. 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 30/06/2020	Year ending 30/06/2021	Year ending 30/06/2022
Shareholders' Funds to Total Assets	-3.2%	-2.8%	-2.7%

"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 30/06/2020	Year ending 30/06/2021	Year ending 30/06/2022
Dividend/Subvention Distributions	Nil	Nil	Nil

DCTL forecasts a small surplus, therefore no distributions are anticipated.

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	31	25	42
Cash Flow from operations	(2,946)	(3,736)	(3,768)
Capital Expenditure	0	0	0
Debt	791,800	887,768	926,912

The projections provided have been prepared using the best information available at the time of preparation.

6. 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 DSPL's annual report.

7. APPROACH TO GOVERNANCE

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

The role of a director of a CCTO is defined in Section 58 of the Local Government Act 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, DCTL is also subject to the requirements of the Companies Act 1993, and all other applicable legislative requirements that apply.

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

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

9. DIVIDEND POLICY

DCTL's policy is not to pay dividends.

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

Except for the activities of DCTL as Manager for the Dunedin City Council 'Waipori Fund', DCTL 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 DCTL. 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.

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

11. 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, DSPL does not have any activities in respect of which its Board wishes to seek compensation from any local authority.

12. 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.

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

The undertaking by DCTL of any activity of a nature or scope not provided for in DCTL's mission or goals 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 in 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 Taieri Gorge Railway 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 services to DCTL
	Provision of debt funding by DCTL generating interest income to DCTL
	Treasury and fund management services provided by DCTL
Dunedin City Holdings Limited and subsidiary companies	Provision of debt funding by DCTL generating interest income to DCTL
	Provision of management services by DCHL
City Forests Limited	Management of foreign exchange

15. 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.

16. 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. DCTL 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.
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.