

**Dunedin City Treasury Limited**  
**Statement of Intent**  
**For the Year Ending 30 June 2018**

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## **1 INTRODUCTION**

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 purposes of making a profit. It is required by law to produce a Statement of Intent (SOI). A SOI is an annual planning document.

Dunedin City Treasury Limited ('the Company') is a CCTO. The Company is a wholly owned subsidiary of Dunedin City Holdings Limited which is wholly owned by the Dunedin City Council.

## **2 PURPOSE OF STATEMENT OF INTENT**

The SOI 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**

The Company has been established with the primary purpose of providing funds management, cost effective funding and treasury management services to entities within the Dunedin City Council Group.

## **5 NATURE AND SCOPE OF ACTIVITIES TO BE UNDERTAKEN**

The principal activity of the Company is to provide treasury management services to the Dunedin City Council Group. Its role is to identify and manage financial risks and to manage the liquidity of the Dunedin City Council Group so as to ensure that adequate funds are available to meet on-going obligations in such a way that financing costs are minimised and the return on surplus funds is maximised within acceptable levels of risk.

The functions of Dunedin City Treasury Ltd are set out below:

- managing financial relationships with third parties
- working capital management
- cash management
- funds management
- financial risk management
- interest rate risk management
- treasury services
- investment portfolio management.

## **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 PERFORMANCE TARGETS AND OTHER MEASURES

FINANCIAL AND OPERATIONAL		
Goals	Objectives	Performance Measures
Maintain the Company's economic sustainability through the mitigation of business risk.	Work within the policies pertaining to Dunedin City Treasury Limited.	Zero breaches.
Manage the liquidity risk of the DCC Group and ensure the availability of sufficient funds to meet the financial commitments in a timely manner.	Use a variety of funding sources to achieve appropriate levels of funds as required by the DCC Group.	Compliance with the DCC Treasury Risk Management Policy's maturity profile of borrowing.
Securely invest surplus cash available from within the DCC Group.	Ensure surplus funds deposited outside the DCC Group have satisfied the DCC Treasury Risk Management Policy.	All funds invested outside the DCC Group have satisfied the DCC Treasury Risk Management Policy.
Manage interest rate risk for the DCC Group and provide appropriate customer service.	Utilise a portfolio approach to manage interest rate risk in accordance with the DCC Treasury Risk Management Policy.	Continued maintenance to an interest rate reset profile in accordance with the DCC Treasury Risk Management Policy.
Maximise the cost effective utilisation of financial products.	Maintain a benchmarking system to measure the Company's performance.	Regular reporting of the Company's achievement against defined benchmarks.
SHAREHOLDERS		
Goals	Objectives	Performance Measures
Manage special purpose funds such as the 'Waipori Fund' for the DCC.	Manage the 'Waipori Fund' fully in accordance with policy and objectives set by Council to achieve performance benchmarks.	Management of the fund as set by Council and meeting performance benchmarks.
Compliance with Dunedin City Council Treasury Risk Management Policy.	Comply with the DCC Treasury Risk Management Policy.	Number of breaches of policy that have been reported to Group CFO within 1 business day and as per requirements of the policy.
Keep the shareholder informed of all substantive matters.	On a 'no surprises' basis advise shareholder promptly of any substantive matter that has the potential to impact negatively on the shareholder and the Company with a particular focus on matters of interest to the media.	Report to the shareholder within 24 hours any substantive matter that has the potential to negatively impact on the shareholder and the company with a particular focus on matters of interest to the media.

## 8 FINANCIAL FORECASTS

### a. The ratio of Shareholders' Funds to Total Assets and the definition of those terms.

	Year ending 30/06/2018	Year ending 30/06/2019	Year ending 30/06/2020
Shareholders' Funds to Total Assets	0.4%	0.4%	0.4%

"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.

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

	Year ending 30/06/2018	Year ending 30/06/2019	Year ending 30/06/2020
Dividend/Subvention Distributions	Nil	Nil	Nil

The company forecasts a \$1,000.00 surplus, therefore no distributions are anticipated.

### c. Other Financial Forecasts

	Year ending 30/06/2018 \$'000	Year ending 30/06/2019 \$'000	Year ending 30/06/2020 \$'000
Net Profit after Tax	1	1	1
Cash Flow from operations	5	5	5
Capital Expenditure	0	0	0
Term Loans	624,900	662,100	683,550

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. Included in the forecast projections are the funding requirements of the Dunedin City Council Group. 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.

## 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 FINANCIAL REPORTS

	Monthly	Quarterly	Half Yearly	Annual
Statement of Financial Performance	X	X	X	X
Statement of Financial Position	X	X	X	X
Statement of Cash Flows	X	X	X	X
Statement of Service Performance against SOI targets		X	X	X
Statement of Movement in Equity			X	X
Notes to the Financial Statements			X	X
Directors' Report			X	X
Auditors Report				X
Statement of Intent (Draft)				Prior to 1 <sup>st</sup> December
Statement of Intent (Final)				Prior to 30 <sup>th</sup> June

## **11 DIVIDEND POLICY**

The Company wishes to maintain an optimal capital structure and will every three years review that structure to determine whether additional capital can be released and whether changes need to be made to the dividend policy.

It is not anticipated that a dividend will be paid to the Shareholder in the period to 30 June 2018.

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

Apart from the activities of the Company as Manager for the Dunedin City Council 'Waipori Fund', 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 should acquire assets, they will obtain prior approval of the Shareholder.

If the Directors intend that the Company 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) 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.

## **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 SHAREHOLDERS' 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 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 where the value of the asset to be disposed of exceeds the investment delegated authority set out in Section 12 above.
- c) The Company has entered into a Deed of Understanding between itself, the Dunedin City Council, Dunedin City Holdings Limited and members of the Group, imposing upon the Company certain restrictions, requirements and obligations as set out in the Deed.

## 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 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 the Company
	Provision of debt funding by the Company generating interest income to the Company
	Management services provided by the Company
Dunedin City Holdings Limited and subsidiary companies	Provision of debt funding generating interest income to Dunedin City Treasury Limited
City Forests Limited	Management of foreign exchange

## 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.

## 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.