

Notice of Meeting:

I hereby give notice that an ordinary meeting of the Dunedin City Council will be held on:

Date: Tuesday 31 January 2023
Time: 10.00 am
Venue: Council Chamber, Dunedin Public Art Gallery, The Octagon,
Dunedin

Sandy Graham
Chief Executive Officer

Council
SUPPLEMENTARY AGENDA

MEMBERSHIP

Mayor
Deputy Mayor

Mayor Jules Radich
Cr Sophie Barker

Members

Cr Bill Acklin
Cr Christine Garey
Cr Carmen Houlahan
Cr Cherry Lucas
Cr Jim O'Malley
Cr Steve Walker
Cr Andrew Whiley

Cr David Benson-Pope
Cr Kevin Gilbert
Cr Marie Laufiso
Cr Mandy Mayhem
Cr Lee Vandervis
Cr Brent Weatherall

Senior Officer

Sandy Graham, Chief Executive Officer

Governance Support Officer

Lynne Adamson

Lynne Adamson
Governance Support Officer

Telephone: 03 477 4000
Lynne.Adamson@dcc.govt.nz
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Note: Reports and recommendations contained in this agenda are not to be considered as Council policy until adopted.

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REPORTS

LETTER OF EXPECTATIONS FOR DUNEDIN CITY HOLDINGS LIMITED AND GROUP

Department: Civic

EXECUTIVE SUMMARY

- 1 The purpose of this report is to consider a draft Letter of Expectations (“the Letter”) for the Dunedin City Holdings Limited (DCHL) Board. The draft Letter is at Attachment A.
- 2 The Letter provides Council's direction to DCHL, outlining the parties' respective accountabilities, roles and responsibilities, and the future plans of the Shareholder. The Letter will assist DCHL and the wider group in developing their Statements of Intent (SOI) documents for 2023/24.

RECOMMENDATIONS

That the Council:

- a) **Considers** the draft Letter of Expectations to the Board of Dunedin City Holdings Limited on behalf of the Council as Shareholder.
- b) **Authorises** the CEO to make any changes to the Letter of Expectations following Council's feedback.
- c) **Authorises** the Mayor to sign the Letter of Expectations on behalf of the Council as Shareholder.

BACKGROUND

- 3 Council and the Boards of the Council-Controlled Organisations (CCOs) continually work to enhance the relationship between all organisations.
- 4 The Council and DCHL are both aware of the importance of the Letter of Expectations. The Letter is a governance and accountability tool that communicates what outcomes the Council, as Shareholder, wants from its CCOs.
- 5 Council sends an annual Letter of Expectations to DCHL with the intention that this information will be discussed and implemented within the wider Council Group.

- 6 The expectations are, where appropriate, included in the group's draft SOIs which are due to Shareholders by 1 March 2023.
- 7 The most recent Letter of Expectations was issued to DCHL on 16 December 2021 and a copy is attached to this report at Attachment B.

DISCUSSION

- 8 The attached draft Letter for the 2023/24 financial year details the expectations of Council under the following headings:
 - DCHL purpose
 - Focus for the 2023 financial year
 - Climate change
 - General expectations of DCHL
 - Dividends and debt
 - Group Investment Plan
 - Reports
 - Working with DCC
 - Next steps.
- 9 The draft Letter is seeking to have strategic alignment between DCC and DCHL, through enhanced communications and engagement.
- 10 It identifies some specific items for the 2023/24 financial year including working with the DCC in relation to the future outlook for DCHL to help inform a DCHL dividend policy, continuing to align with DCC living wage policies, and continuing to set targets and strategies that will contribute to Council's goal of reducing Dunedin's carbon emissions to net zero by 2030.
- 11 The draft Letter acknowledges the commitment of DCHL to address climate change. It asks DCHL group to continue reviewing its activities and advise Council how the DCHL group will contribute to the Council's zero carbon work programme.
- 12 The draft Letter identifies that a greater level of certainty and transparency is needed on DCHL's dividend policy. It requests a Group wide view of where debt and debt servicing are best placed.
- 13 The letter requests a dividend from the DCHL Trading companies of \$11.00 million for the 2023/24 financial year. This dividend along with the \$5.90 million interest payment will make a total annual distribution of \$16.90 million. The letter clearly states a higher dividend will be required in the future.
- 14 The draft Letter identifies that Council is in the process of developing a group wide investment plan for all its investment assets that will take a consolidated review of all group assets. DCHL's input into this process is expected in time for inclusion in the Council's next 10 year plan.

OPTIONS

- 15 This report is seeking feedback on the content of the Letter of Expectations prior to finalisation and issuing to DCHL.

NEXT STEPS

- 16 Once agreed, the Letter of Expectations will be signed by the Mayor on behalf of the Shareholder and sent to the Board of DCHL for action.

Signatories

Author:	Sharon Bodeker - Manager Governance
Authoriser:	Sandy Graham - Chief Executive Officer

Attachments

	Title	Page
↓A	Draft DCHL Letter of Expectation to 30 June 2024	8
↓B	Letter of Expectation to 30 June 2023	13

SUMMARY OF CONSIDERATIONS

Fit with purpose of Local Government

This report relates to providing local infrastructure, public services and regulatory functions for the community.

Fit with strategic framework

	Contributes	Detracts	Not applicable
Social Wellbeing Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Economic Development Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Environment Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Arts and Culture Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3 Waters Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Spatial Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Integrated Transport Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Parks and Recreation Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other strategic projects/policies/plans	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

The performance of the companies helps Council deliver across the strategic framework, but this report has no direct contribution.

Māori Impact Statement

There are no known impacts for Māori.

Sustainability

There are no known implications for sustainability.

LTP/Annual Plan / Financial Strategy / Infrastructure Strategy

The report fulfils the financial reporting requirements for Council and the Local Government Act 2002.

Financial considerations

Not applicable.

Significance

This report has been assessed as being of low significance in terms of the Council's Significance and Engagement Policy.

Engagement – external

There has been no external engagement.

Engagement - internal

The final letter will incorporate feedback from Elected Members.

Risks: Legal / Health and Safety etc.

No risks have been identified.

Conflict of Interest

There are no known conflicts of interest.

Community Boards

There are no implications for Community Boards.



Date:

The Board of Directors
Dunedin City Holdings Ltd
PO Box 5045
Dunedin 9054

Dear Directors

LETTER OF EXPECTATIONS FOR THE YEAR ENDING 30 JUNE 2024

1. This Letter of Expectations (the Letter) outlines the matters the Dunedin City Council (DCC) expects the board of Dunedin City Holdings Ltd (DCHL) to address in the business planning process for the 2023/2024 financial year.
2. The Letter is intended to create an opportunity for DCHL and DCC to have strategic alignment through enhanced communication and engagement.

DCHL purpose

3. DCHL oversees eight subsidiary and associate companies. DCHL's portfolio comprises 100% shareholdings in Aurora Energy Ltd, City Forests Ltd, Delta Utility Services Ltd, Dunedin City Treasury Ltd, Dunedin Railways Ltd, Dunedin Stadium Property Ltd and Dunedin Venues Management Ltd. It also owns 50% of Dunedin International Airport Ltd.
4. DCHL's purpose is to achieve for Dunedin the best from its investments and provide leadership and oversight of its subsidiary and associated companies on behalf of the ultimate Shareholder, the Dunedin City Council. It is imperative that DCHL provides a commercial return relative to the value of the investments owned.
5. DCHL is responsible for setting the strategic direction of Dunedin City Council's CCOs as a group, monitoring their operational performance, appointing directors to their boards, providing input to annual planning documents, and providing or withholding approval for transactions where approval is required.
6. DCHL's Statement of Intent lists its current objectives as:
 - Enhance the value of the DCC's assets and investments for future generations
 - Sustainably grow the value of the DCC's investments
 - Provide a sustainable dividend for the DCC
 - Contribute to the DCC's goals for the city

Focus for the 2023/24 financial year

7. In the 2023 financial year, we expect DCHL to continue with its purpose of achieving for Dunedin the best from its investments. We specifically expect DCHL to:
 - Work with the DCC on the possible transition of some Council Controlled Organisations from DCHL to direct DCC investments.

- Work with the DCC in relation to what the future outlook is for DCHL (including subsidiaries) and provide a high level forecast of the financial returns and dividends to the DCC for the next 1-5 years to assist with informing a DCHL dividend policy.
- Provide the DCC with strategic options for consideration (including consideration as to the future composition and direction of the portfolio) that allows the DCC to consider the implications for the DCC as shareholder with a particular focus on dividends/return on investment from DCHL. This should also include an assessment of historic performance to relevant benchmarks and what this context means for expected future performance.
- Continue to ensure each company measures and reports its carbon footprint, maintains emission reduction targets, and implements emissions reduction plans so as to contribute to Council's goal of reducing Dunedin's carbon emissions to net zero (excluding biogenic methane) by 2030, with a focus on gross emissions reduction consistent with 1.5°-aligned pathways.
- Continue to align with DCC living wage policies.

Climate Change

8. The Council is committed to addressing climate change including the impact of DCHL's activities on the environment, the need to build resilience and understand and manage risk.
9. The Council has set a target to be net zero carbon by 2030 for its activities, with a focus on gross emissions reduction consistent with 1.5°-aligned pathways. The Council is taking a leadership role on this matter and is asking all members of its wider group to also adopt this target, with the focus being on reducing greenhouse gas emissions and then offsetting any residual amount.
10. The Council notes that DCHL is committed to this but asks the DCHL group to continue to review its activities from an emissions reduction perspective and advise Council how the DCHL group will contribute to the Council's Zero Carbon work programme.
11. The DCC acknowledges the work to date baselining emissions for each company, and to set targets and goals focused on gross emissions reduction. The Council acknowledges some of DCHL's subsidiaries face challenges that are not easily addressed, at least in the short term. The Council supports the approach that DCHL is taking to become net carbon zero as a group initially. However, DCHL must not lose sight of the goal of each company achieving the 2030 target; this is what the Council will report progress against publicly.
12. We would like DCHL to continue to provide ongoing reporting including the extent to which the DCHL group itself may be able to reduce emissions, the challenges to which solutions are not readily apparent or available and the potential cost of offsetting residual emissions.

General expectations of DCHL

13. We also require DCHL and subsidiary and associate companies to:
 - Manage operations in accordance with company constitutions, Statements of Intent and relevant legislation
 - Be cognisant of the political context in which they operate, and recognise that Council is accountable to the community for DCHL group companies' performance
 - Observe the practice of "no surprises"

2

- Ensure best practice governance for all companies
- Be transparent and accountable, including compliance with Local Government Official Information and Meetings Act 1987 (LGOIMA) and information disclosure policies
- Ensure health and safety is a top priority across the group, and that appropriate policies and structures are in place to support this
- Ensure appropriate risk management structures are in place
- Act within investment and divestment approval thresholds defined in Statements of Intent
- Obtain all debt funding from Dunedin City Treasury Ltd (DCTL)
- Use the group insurance broker and tax advisor appointed by Council
- Comply with group-wide considerations in DCC's Procedure for the Appointment and Remuneration of Directors of DCHL
- Seek opportunities for companies to contribute to Council's Strategic Framework.

Dividends and debt

14. DCHL's current dividend policy is to pay a minimum 60% of the DCHL parent company's after-tax profit, subject to the Directors' obligations to act in accordance with their statutory duties and in the best interest of DCHL.
15. The dividend policy between Council and DCHL needs to achieve a greater level of certainty and transparency when it comes to dividend payments and retentions.
16. Council acknowledges that the group needs to retain cash for reinvestment in their various businesses as well as for debt servicing and repayment. Consistent with 7 above, the Council however wishes to have a Group wide view of where debt and debt servicing is best placed and wants to work proactively with DCHL to ensure the capital needs of the group, debt financing and repayment obligations and distributions available to the Council are mutually acceptable and effective for all. This work will be informed by the forecast short-medium terms results and will take into account the results of the subsidiary companies.
17. The outcome from this would then be a clear statement of dividend policy of DCHL as parent and the subsidiary companies in each Statement of Intent.
18. The DCC requests a dividend from the DCHL Trading companies of \$11.0 million for the 2023/24 financial year. This dividend along with the \$5.90 million interest payment will make a total annual distribution of \$16.9 million.

Group Investment Plan

19. Council is developing an investment plan to govern purpose and how we manage our investment, including the DCHL trading companies, the Waipori Fund and the Council's investment property portfolio. This plan will establish a framework for future cash dividends from each of the investments held. The expectation for the DCHL Trading companies will result in a higher distribution than that requested above.
20. DCHL's input into this process is expected in time for inclusion in the Council's next 10 year plan.

Reports

3

LOCAL GOVERNMENT OFFICIAL INFORMATION AND MEETINGS BILL - SUBMISSION ON THE AMENDMENT BILL

Department: City Development

EXECUTIVE SUMMARY

- 1 This report seeks consideration and approval of a draft submission (Attachment A) to the Governance and Administration Committee on the Local Government Official Information and Meetings Amendment Bill (the Bill).

RECOMMENDATIONS

That the Council:

- a) **Approves** the draft Dunedin City Council submission, with any amendments, on the Local Government Official Information and Meetings Amendment Bill.
- b) **Authorises** the Chief Executive to make any minor editorial amendments to the submission

BACKGROUND

- 2 The intent of the Local Government Official Information and Meetings Amendment Bill is to amend the Local Government and Official Information and Meetings Act 1987 (LGOIMA) to:
 - a) more clearly require natural hazards information in Land Information Memoranda (including the impacts of climate change);
 - b) include a statutory responsibility for regional councils to provide natural hazard information (including about the impacts of climate change) and support to territorial authorities;
 - c) include a specific purpose for providing natural hazard information;
 - d) include provisions to develop regulations for providing natural hazard information in Land Information Memoranda (LIM);
 - e) include the impacts of climate change that exacerbate natural hazards; and
 - f) limit the legal liability for local authorities when disclosing natural hazard information.
- 3 The Governance and Administration Select Committee is calling for submissions on the Bill. The closing date for submissions is 3 February 2023

DISCUSSION

- 4 The draft DCC submission notes:
- a) Support for amendments requiring climate change information in disclosures of natural hazards
 - b) The reliance DCC will have on Otago Regional Council (ORC) when the proposed amendments come into force
 - c) Support for regulation making provisions noting the need for flexibility on the presentation of natural hazard information
 - d) Strong support for protection from prosecution when information is provided in good faith
 - e) Support for the aligning of the Official Information Act 1982 and the LGOIMA

OPTIONS

Option One – Recommended Option – Approve the Draft Submission to the Governance and Administration Committee on the Local Government Official Information and Meetings Amendment Bill

- 5 Approve the draft Dunedin City Council submission to the Governance and Administration Committee on the Local Government Official Information and Meetings Amendment Bill, subject to any amendment.

Advantages

- Opportunity to provide feedback to improve the provision of natural hazard information in a Land Information Memoranda

Disadvantages

- No identified disadvantage.

Option Two – Do not Approve the Submission to the Governance and Administration Committee on the Local Government Official Information and Meetings Amendment Bill

- 6 Do not approve the submission to the Governance and Administration Committee on the Local Government Official Information and Meetings Amendment Bill.

Advantages

- No identified advantage

Disadvantages

- Missed opportunity to provide feedback to improve the provision of natural hazard information in a Land Information Memoranda.

NEXT STEPS

- 7 If the submission is approved staff will submit it, with any amendments, to the Clerk of the Governance and Administration Committee.

Signatories

Author:	Paul Freeland - Principal Policy Advisor Anna Johnson - City Development Manager
Authoriser:	Simon Drew - General Manager Infrastructure and Development

Attachments

	Title	Page
↓A	Submission on Local Government Official Information and Meetings Amendment Bill	22

SUMMARY OF CONSIDERATIONS

Fit with purpose of Local Government

This decision enables democratic local decision making and action by, and on behalf of communities. This decision promotes the environmental well-being of communities in the present and for the future.

Fit with strategic framework

	Contributes	Detracts	Not applicable
Social Wellbeing Strategy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Economic Development Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Environment Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Arts and Culture Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3 Waters Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Spatial Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Integrated Transport Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Parks and Recreation Strategy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other strategic projects/policies/plans	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

This submission is in alignment with Dunedin’s Social Wellbeing Strategy and its strategic direction Connected People. Furthermore, this submission is in alignment with the DCC’s Park and Recreation Strategy and its strategic priority Managing parks, landscapes, flora and fauna to adapt to and mitigate projected climate change impacts.

Māori Impact Statement

Māori have significant interest in their whenua and data that pertains to it. Data can be seen as a taonga and therefore is guaranteed to Māori in the second article of the Treaty of Waitangi. Further work is needed to understand the implications of the land hazard information and data DCC keeps as it pertains to mana whenua.

Sustainability

There are no direct implications for sustainability

LTP/Annual Plan / Financial Strategy /Infrastructure Strategy

There are no implications for these documents

Financial considerations

There are no known financial implications

Significance

This decision has been assessed as low under the Council’s Significance and Engagement Policy

Engagement – external

The DCC has engaged with the ORC to discuss the implications of the proposed amendments.

Engagement - internal

This submission was drafted by City Development in consultation with Corporate Policy. Staff from Building Services, Zero Carbon, South Dunedin Future and BIS have also provided feedback.

Risks: Legal / Health and Safety etc.

There are no identified risks.

the Committee on matters that they wish to raise with Council. Each board will have the opportunity to present to the Committee on two occasions during the calendar year.

- b) Community Services Committee – this committee primarily covers the work of the previous Community and Culture Committee, including Council’s art and culture activity, parks and recreation, and community housing.
 - c) Customer and Regulatory Committee – this new committee is responsible for the development of regulatory policy and bylaws, and it will make regulatory decisions for activities including building control, environmental health, animal services and health and safety.
 - d) Infrastructure Services Committee – the areas of responsibility are primarily those from the previous triennium, with the inclusion of Coastal matters, Public Toilets, Easements and Major Projects. Freedom camping and the Mosgiel Aquatic Facility have been moved to the Community Services Committee.
 - e) Strategy, Planning and Engagement Committee – this new committee replaces the Planning and Environment Committee, and provides for the delivery of Council’s Strategic Framework, and other strategies and plans. It may make recommendations to Council on Annual Plans, 10 year plans and the 2GP.
 - f) Chief Executive Appraisal Committee – this committee was not included in the Manual in the last triennium. It has been re-established for this new triennium.
- 8 The Manual also provides delegations to the Chief Executive Officer (CEO) and these remain unchanged from the 2019 Manual.

OPTIONS

- 9 There are no options.


NEXT STEPS

- 10 The Manual will be reviewed by legal counsel as a quality review, before being published.
- 11 Councillors will be provided with a copy of the Manual.

Signatories

Author:	Sharon Bodeker - Manager Governance
Authoriser:	Sandy Graham - Chief Executive Officer

Attachments

	Title	Page
	Committee Structure & Delegations Manual 2023	27

