



**Date:** Tuesday 25 June 2024  
**Time:** 10.00 am  
**Venue:** Council Chamber, Dunedin Public Art Gallery, The Octagon,  
Dunedin

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**Council**  
**OPEN ATTACHMENTS**  
**DUNEDIN CITY HOLDINGS GROUP COMPANIES**  
**STATEMENTS OF INTENT 2024/25**

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**DUNEDIN CITY HOLDINGS LIMITED**

## **Report**

**TO:** Dunedin City Council  
**FROM:** Tim Loan, Chair  
Peter Hocking, General Manager  
**DATE:** 20 June 2024  
**SUBJECT:** DCHL Group Statements of Intent for the Year Ending 30 June 2025

### **SUMMARY**

This report accompanies the Statements of Intent (SoIs) for the Year Ending 30 June 2025 of Dunedin City Holdings Ltd (DCHL) and its subsidiary and associate companies.

SoIs are now presented to Dunedin City Council (Council) for agreement, as per s65(2) of the Local Government Act 2002.

### **BACKGROUND**

1. Council Controlled Organisations (CCOs) are required to prepare SoIs in accordance with the Local Government Act 2002.
2. Draft 2024/2025 SoIs of DCHL and subsidiary and associate companies were submitted to Dunedin City Council on 1 March 2024 and received at the 27 March 2024 meeting.
3. DCHL received feedback from Councillors by way of a letter from the Mayor dated 30 April 2024 (attached). DCHL has worked with companies to address this feedback and responses are outlined in this report.
4. Since submission of draft documents, DCHL and group companies have completed their annual budgeting and forecasting processes. The final SoIs reflect updated financial forecasts and updated dividend forecasts (in line with agreed dividend policies).
5. Final SoIs have now been adopted by the boards of DCHL and its subsidiary and associate companies and are presented to Council for agreement in accordance with s65(2) of the Local Government Act.

### **DISCUSSION**

#### ***Responses to Council feedback***

##### *City Forests Limited*

Council requested:

*The City Forests Limited Statement of Intent to include providing for a consistent and sustainable commercial dividend over time, including its relationship to carbon credits.*

6. In response, the board of City Forests Limited has updated its stated purpose to "operate sustainable forests for our future including providing a consistent and commercial return over time".



7. DCHL and City Forests note Council's comments around carbon credits, and engage regularly to ensure that its policy settings, risk management and strategy around realising value from carbon credits remain appropriate.
8. The City Forests Limited Statement of Intent for 2024/25 includes the following:
  - The Company will participate in the New Zealand ETS and may realise returns from the sales of carbon stored in the Company forests in compliance with its Carbon Policy.
  - The Company may make special distributions arising from accretion of value from liquid Company assets such as Carbon Credits. It is recognised that the sharing of such gains over time between meeting Company strategic objectives, Shareholder return requirements, and funding future operations/returns, needs to be carefully considered to maintain inter-generational equity.
  - The Company intends to make special distributions, funded from value arising from carbon credits of \$10m in FY2025, \$4m in FY2026 and \$3m in FY2027.
9. Noting market price volatility and risks to the quantity of safe carbon credits available to sell, including those arising from Otago Regional Council's Land & Water Plan, we believe it is appropriate for the board of City Forests Limited to continue to apply its judgement, within policy parameters agreed with DCHL.

*Dunedin International Airport Limited*

Council requested:

*The Dunedin International Airport Ltd Statement of Intent to include work on future options for domestic route development and short haul trips, including the possible use of smaller aircraft.*

10. Dunedin International Airport Limited has incorporated Council's request in its route development performance measures to include the objective "Develop future network options for regional routes in the lower south utilising smaller aircraft", and targeting a new regional route.

*Dunedin Railways Limited*

Council requested:

*Considering the timeframe that Dunedin Railways Ltd is working to, DCHL is asked to provide clear Key Performance Indicators (KPI's) for Dunedin Railways Ltd for the 12-month period to 30 June 2025. KPI's could include marketing, health and safety, track repairs and asset maintenance, types of services provided, and pricing.*

11. The first draft Statement of Intent for Dunedin Railways Limited, submitted to Council on 1 March 2024, was prepared on the basis that funding support was in place only until 30 June 2024. Since then, DCHL has been asked to provide further funding to DRL of \$2m, through to 30 June 2025. Council also resolved to defer its proposed decision on the future of Dunedin Railways to the 9-year plan 2025-34.
12. The DRL Statement of Intent for 2024/25 has now been redrafted to incorporate Council's feedback and to signal a move out of 'hibernation', into a 'transition' phase, working towards sustainable operations. We note, however, that significant uncertainty remains following Council's resolution of 12 March, since staff will present options to Council, aligned with the long-term plan, and no funding has been committed beyond 30 June 2025. The company is therefore constrained in its ability to enter into longer term contracts, to hire staff and to execute a long term strategy.
13. Notwithstanding these constraints, the SoI has been revised, with changes to the narrative in the following sections: Introduction, Objectives and Nature and Scope of



Activities. Performance measures have been added, which are indicative of the company's focus on increasing services and the level of operational activity, including:

- Opening the track to Pukerangi;
- Health and safety;
- Infrastructure maintenance;
- Number of trips;
- Engagement with tour operators (including target %); and
- Community engagement.

*Dunedin Venues Management Limited*

Council requested:

*The Statement of Intent for DVML to include:*

- *DVML and the venues it controls or manages are Single Use Cup free by the end of 2025.*
- *KPI's on the number of events to be held at the Forsyth Barr Stadium.*

14. DVML has added the following performance measures:

*"We will work with the DCC to eliminate the serving of drinks in single use cups at DVML venues by the end of 2025." and*

*"Hold a minimum of 50 commercial and community events at Forsyth Barr Stadium."*

**Financial forecasts**

15. All SoIs have updated financial forecasts as companies have now completed budget setting and approval processes.

16. We draw your attention to the 'Financial forecasts' section of the SoI of Dunedin Stadium Property Limited (DSPL), which notes the importance of the upcoming review of DVML and the stadium operating/funding model:

*The budget and forecasts assume adjustments to rent and other outgoings charged to DSPL's tenant, Dunedin Venues Management Limited (DVML) in order to make this tenancy more commercially viable for DVML. These adjustments, together with continued higher interest rates, are expected to require an increase in term borrowings across the forecast period. The board of DSPL notes and supports the upcoming review of DVML and the stadium operating/funding model. The adjustments that have been made to the budget and forecasts are an interim step to support DSPL's tenant, but have been made on the basis that the upcoming review will give rise to future changes to the company's financial forecasts to provide a more sustainable long term model for both DVML and DSPL.*

17. Each draft SoI includes a statement of dividend policy, as well as forecast dividends for the next three financial years.

18. DCHL's Draft SoI forecasts dividend payments to Council of \$11.0 million in FY2025, and the same in FY2026 and FY2027. It also includes \$5.9m of interest payable to DCC on its shareholder advance.

19. In its report to Council of 18 March 2024, presenting the draft SoIs for the year ending 30 June 2025, DCHL indicated that forecast dividends from group companies were sufficient to fully fund the requested dividend of \$11m to DCC, in addition to interest on



the shareholder's advance of \$5.9m. Updated forecasts, however, now indicate a net cash shortfall of \$5.2m, which will be funded, in the short term, by borrowings. The cash shortfall arises from Council's directive to fund Dunedin Railways Limited in the amount of \$2m for the year ending 30 June 2025 and a lower ordinary dividend from City Forests Limited, due to a softer outlook for log prices, driven by the China market, and rising costs. However, City Forests' SoI also includes a special dividend of \$10m, funded by value accumulated on balance sheet from carbon units.

20. The table below summarises the forecast inward and outward cash flows of DCHL. This indicates that DCHL, in order to meet DCC's required dividends, will need to increase borrowings in both FY2025 and FY2026, until dividends from Aurora Energy resume, which is forecast from FY2027. Aurora Energy is the largest investment in the DCHL group, and critical to achieving the level of dividends that DCC seeks.

	Company	Source	2025 Forecast \$000	2026 Forecast \$000	2027 Forecast \$000
Ordinary dividends	CFL	Final FY25 SOI	2,700	4,400	5,700
	Delta	Final FY25 SOI	2,000	2,250	2,750
	Aurora	Final FY25 SOI	-	-	15,000
	DIAL	Final FY25 SOI	920	906	890
Special dividends	CFL	Final FY25 SOI	10,000	4,000	3,000
Total dividend income			15,620	11,556	27,340
Cost recovery from DCTL			360	360	360
Income			15,980	11,916	27,700
Expenditure			1,795	1,702	931
DCTL interest			1,048	1,492	1,894
DCC interest			5,902	5,902	5,902
DRL equity injection			2,000	-	-
<b>NPBT</b>			<b>5,235</b>	<b>2,820</b>	<b>18,973</b>
Tax refund received			(578)	(695)	(793)
<b>Net inflow/(outflow)</b>			<b>5,813</b>	<b>3,515</b>	<b>19,766</b>
DCC req dividend	DCC	DCC LoE	11,000	11,000	11,000
<b>Over/(under)</b>			<b>(5,187)</b>	<b>(7,485)</b>	<b>8,766</b>

21. DCHL continues to work with group companies to maximise cash returns to DCC, within the scope of agreed dividend policies, legal requirements and good governance.

**NEXT STEPS**

22. The Statements of Intent for the Year Ending 30 June 2025 are now presented to Council for agreement. Once agreed to, Statements of Intent will be made available on the DCC website, in accordance with s64(9) of the Local Government Act.

**Tim Loan**  
**CHAIR**

**Peter Hocking**  
**GENERAL MANAGER**



Attached:

**Appendix A:** Letter from Mayor Radich dated 30 April 2024 communicating DCC feedback on draft Statements of Intent

**Statements of Intent for the Year Ending 30 June 2025** of:

- Dunedin City Holdings Ltd
- Aurora Energy Ltd
- City Forests Ltd
- Delta Utility Services Ltd
- Dunedin City Treasury Ltd
- Dunedin International Airport Ltd
- Dunedin Railways Ltd
- Dunedin Stadium Property Ltd
- Dunedin Venues Management Ltd













































































































































































































































































