A close-up photograph of several weathered wooden planks. The wood is dark, heavily textured with cracks and peeling bark, and shows signs of significant aging and decay. A horizontal wooden beam is visible at the top of the frame. Overlaid on the upper left portion of the image is a white rectangular box containing the text '2015/16' and a black rectangular box containing the text 'Dunedin City Council Annual Report'.

2015/16

**Dunedin City Council
Annual Report**

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SECTION 1:

**Organisation and
Financial Management Report**

Introduction from Mayor



A stylized, handwritten signature of Dave Cull in black ink.

Dave Cull, Mayor of Dunedin

Thank you for your interest in our Annual Report for 2015/16. The report is an opportunity to reflect on the past financial year and consider how our actions will shape Dunedin's path over the coming years.

Among the biggest achievements in 2015/16 was progress towards completing the strategic framework for Dunedin. The framework is like a comprehensive business plan and helps to direct the city's limited resources towards the overarching vision for Dunedin as 'one of the world's great small cities'.

Seven of eight interconnected strategies have now been finalised, with Te Ao Turoa (The Natural World): Dunedin's Environment Strategy the latest to be adopted by Council in June. Te Ao Turoa's goals are focused on Dunedin being resilient and zero carbon, having a healthy environment, and our people caring for the environment.

The Energy Plan 1.0 – an action of the Economic Development Strategy – was also consulted on and adopted in 2015/16. The Energy Plan provides for the community to save costs and take advantage of economic opportunities through energy-efficiency improvements and reducing the city's carbon footprint.

The final piece of the strategic framework, the Parks and Recreation Strategy, is nearing completion. This all cements a growing sense of city identity, achievement and aspiration.

Fostering relationships at a mayoral, civic and institutional level in China continues to have major flow-on benefits for our education, business, trade and tourism sectors. An example of this was the signing of a major education recruitment agreement in June between the city and JJJ, the largest education consulting and service company in China.

The JJJ agreement aims to bring at least an additional 70 Chinese students to Dunedin from next year. Others include supply and teaching agreements between the University of Otago and Otago Polytechnic with prestigious Chinese universities.

Dunedin's economy continues to grow steadily. Figures released by BERL show the city's GDP grew by 2.3% during 2015 and there was an increase of 780 in full-time jobs throughout the year. Visitor numbers are rising sharply.

Some of the challenges we face as a city over the coming decades are also becoming clearer.

Investigations into the capacity of the Council's stormwater infrastructure in the wake of the June 2015 floods, the release of the Parliamentary Commissioner for the Environment's report into sea level rise, and Otago Regional Council data collection on groundwater, provided the information required to start having meaningful conversations with the South Dunedin community on the changing environment there and how best to respond long-term.

Good progress was made on a multi-million dollar project to replace old and poorly performing wastewater and water pipes in Kaikorai Valley. The project, which also includes some stormwater improvements, will help ensure the ongoing performance of networks in the area, as well as helping to ease some flooding issues downstream at South Dunedin.

I am proud that the Council has continued to invest in making Dunedin an attractive and vibrant place to live, work, study and visit, while still finding savings and efficiencies to hold rates increases below 3% and reduce debt much quicker than expected.

We finish the 2015/16 year in a strong position to further capitalise on progress already made and to tackle the challenges ahead.

Introduction from the Chief Executive Officer



Sue Bidrose, Chief Executive

This Annual Report closes the accountability loop on the first year of the Council's 2015/16- 2024/25 Long Term Plan (2015 LTP).

The 2015 LTP reaffirmed the Council's commitment to annual overall rates increases of no more than 3% per annum unless there were exceptional circumstances, and reducing Council debt to \$230 million by 2021. The 2015 LTP also highlighted the need to increase annual expenditure on renewals of aging infrastructure (water and wastewater pipes) to manage a backlog of work in this area. These commitments required the Council to come up with significant savings and service efficiencies across the 10 years of the 2015 LTP. Audit NZ, in giving their opinion to the 2015 LTP, felt that there was a level of uncertainty as to whether the Council could achieve the necessary savings and efficiencies.

It is pleasing to be able to report that we have made good progress against these targets in the 2015/16 year. The 2016/17 Annual Plan was developed during the year and adopted with an overall rates increase a 2.97% after starting out with a forecast increase of 4.9%. By year end we reached a debt level of \$217 million which is \$30.6 million less than the budgeted level. It is particularly satisfying to have debt levels fall well below projected levels and achieve our target debt level earlier than planned.

Several factors contributed to these results. The opening position for the

2015/16 year was better than forecast, the Council received some unbudgeted revenue from the disposal of property and actual capital expenditure was lower than budgeted. Continuing low interest costs also help with annual expenditure.

Changes to the capital expenditure programme arose from a planned project not going ahead and necessary delays and deferrals in projects while further scoping and planning work was undertaken. Deferral of Strategic Cycle Network projects came about after the South Dunedin phase of the project attracted community criticism and required rework. Some valuable lessons were learned here and we consulted on slowing this work down and taking a new approach in the 2016/17 Annual Plan.

Reduced capital expenditure in some areas allowed increased expenditure in other areas to be offset. Record project completions were achieved across the Water and Waste capital works programme, mainly due to acceleration of work on programmed projects. This included reticulation network renewals of \$4.6 million above budgeted levels, demonstrating our ability to find efficiencies and make progress against the backlog of renewals identified in the infrastructure strategy.

Operational expenditure also came into focus with a number of major contracts falling due for renewal. Oversight and monitoring of contracts has been an area of challenge for the Council over the past two years and the renewal processes provided an opportunity to look how we could manage this better. Further impetus to look at how we deliver service and whether we could be sharing services with other councils has been provided by the requirement to conduct service reviews under section 17a of the Local Government Act 2002. A project to jointly review service provision with other councils in the region started this year.

A feature of the Dunedin City Council's financial position is the value of its investment assets and companies. While the Council does hold considerable debt, this is offset by the fact that it is also asset rich, holding a range of investments including Council-owned companies,

investment property and the Waipori Fund (a balanced portfolio of fixed-interest deposits and equities). This is not typical of councils in New Zealand and provides a source of financial resilience for the city.

The Council reduced the amount of revenue that the Council-owned companies are expected to provide by \$4.5 million from 2015/16 onwards, to allow the companies to invest in their own infrastructure and to begin to build up cash reserves. The companies are still continuing to provide their contributions to repayment of stadium debt and the holding company provided the expected interest on shareholders advance payment of \$5.9 million this year. The Waipori Fund delivered a net return \$300,000 above budget at 30 June 2016.

The overall financial result for the Council has been affected by the handover of the realigned State Highway 88 (SH88) to the NZ Transport Agency (NZTA). The realignments to SH88 are adjacent to the Forsyth Barr Stadium and form part of the Council's strategic corridor improving access from the Southern Motorway to Port Chalmers. The new road delivers safety benefits by diverting traffic away from the front of the stadium and the university plaza development and completes an important link in the cycle network, connecting the Ravensbourne path and inner city. The old state highway was vested to Council at the same time to be used as part of our local network. The difference in the value of the two roads contributed to a \$16.3 million accounting loss shown in this report. However, in previous years Council received \$15.6 million in subsidies to fund the construction of the new highway.

The financial results I've noted here, along with the significant progress towards completing the strategic framework and delivering a cohesive strategic direction for the city, as noted in the Mayor's introduction, mean that 2015/16 has been a generally positive year. This couldn't be achieved without input from the community, elected members and staff and I thank everyone involved.

Members of Council

Dave Cull (Mayor)

Office: 474 3855

Home: 476 1050

Mobile: 027 434 6917

Chris Staynes (Central) (Deputy Mayor)

Home: 453 6855

Mobile: 021 523 682

David Benson-Pope (Central)

Home: 454 4136

John Bezett (Central)

Work: 477 9046

Home: 454 3493

Mobile: 027 300 5362

Hilary Calvert (Central)

Mobile: 021 407 262

Doug Hall (Central)

Mobile: 027 432 0023

Aaron Hawkins (Central)

Mobile: 022 100 6634

Mike Lord (Mosgiel/Taieri)

Home: 486 2730

Mobile: 027 438 2097

Jinty MacTavish (Central)

Mobile: 021 231 9197

Andrew Noone**(Waikouaiti Coast/Chalmers)**

Home: 465 7157

Mobile: 027 430 1727

Neville Peat (Central)

Home: 478 0803

Richard Thomson (Central)

Work: 477 5510

Home: 454 5771

Mobile: 027 224 5739

Lee Vandervis (Central)

Home: 467 5272

Mobile: 021 612 340

Andrew Whiley (Central)

Home: 454 2262

Mobile 027 465 3222

Kate Wilson (Mosgiel/Taieri)

Home: 464 3797

Mobile: 027 443 8134

Community Board Members

Chalmers	Mosgiel/Taieri	Otago Peninsula	Saddle Hill	Strath Taieri	Waikouaiti Coast
Steve Walker (Chair) H: 472 8409	Bill Feather (Chair) H: 489 5842 M: 027 598 1011	Christine Garey (Chair) H: 478 1133 M: 027 447 8876	Scott Weatherall (Chair) H: 481 1766 M: 027 440 4700	Barry Williams (Chair) H: 464 3718	Gerard Collings (Chair) H: 465 7604 W: 470 7494 M: 027 484 8800
Vacancy	Blackie Catlow H: 486 1102 W: 489 4456 M: 027 489 4456	Lox Kellas H: 478 0209 M: 027 248 9789	Pam Jemmett H: 489 0453 W: 479 8447 M: 027 452 4199	Russell Anderson H: 489 1470 M: 027 224 8034	Mark Brown H: 482 2833 W: 482 2011
Peter Cole H: 472 7505 M: 021 025 42108	Martin Dillon H: 489 5277 M: 027 433 7800	Hoani Langsbury H: 478 0906 W: 478 0352 C: 027 430 6025	Keith McFadyen H: 481 1333 C: 027 444 8913	Bevan Dowling H: 03 444 4745	Alasdair Morrison H: 482 2505 M: 027 435 4384
Trevor Johnson H: 471 0632 C: 027 284 8611	Sarah Nitis H: 484 7632 M: 027 5433 903	Christine Neill H: 478 0878 M: 027 223 4824	John Moyle H: 488 0651 W: 488 2317 ext. 5 M: 027 230 7779	Karen Dunn H: 464 3176 M: 021 084 38832	Richard Russell H: 465 7663 M: 021 444 421
Ange McErlane H: 472 7873 M: 027 438 0601	Maurice Prendergast H: 489 8612 M: 027 434 5545	Paul Pope H: 478 0630 M: 027 466 8446	Leanne Stenhouse H: 481 1400 M: 021 117 5195	Noel Matthews H: 464 3755 M: 027 251 0049	Tracey Scurr H: 465 8204 W: 465 7953 M: 027 497 8032
Raewynne Pedofski H: 472 8551 W: 472 7789 M: 027 201 4386	Mark Willis H: 489 4531 M: 021 990 032	Edna Stevenson H: 478 0543 M: 027 478 0543	Jonathan Usher H: 489 8681 M: 021 462 442	Joan Wilson H: 464 3473 M: 027 454 3620	Geraldine Tait H: 482 2517 M: 021 217 5492
Cr Andrew Noone H: 465 7157 M: 027 430 1727	Cr Kate Wilson H: 464 3797 M: 027 443 8134	Cr Neville Peat H: 478 0803	Cr Andrew Whiley H: 454 2262 M: 027 465 3222	Cr Mike Lord H: 486 2730 M: 027 438 0297	Cr Andrew Noone H: 465 7157 M: 027 430 1727

Overview of Financial Results for the Year Ending 30 June 2016

Council Financial Statistics

	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000	2011 \$'000
Rates	130,315	125,394	121,828	116,899	111,938	103,960
Dunedin City Holdings Limited	5,902	10,450	10,450	10,450	17,950	23,200
Crown subsidies and grants	15,536	20,971	15,744	15,071	20,026	24,409
Vested assets	8,968	543	2,225	912	3,285	5,419
Other revenue including unrealised gains and capital receipts	67,213	69,290	65,906	65,831	89,809	89,083
Total revenue	227,934	226,648	216,153	209,163	243,008	246,071
Personnel expense	49,728	48,300	46,347	45,623	45,907	45,377
Operational expense	97,327	102,956	94,399	94,231	91,321	92,605
Fair value losses	1,092	7,951	591	694	2,042	644
Interest expense	16,074	15,283	16,205	10,605	18,950	10,527
Depreciation expense	56,447	53,248	52,157	49,717	51,733	52,234
Total expenditure	220,668	227,738	209,699	200,870	209,953	201,387
Operating surplus/(deficit) before taxation	7,266	(1,090)	6,454	8,293	33,055	44,684
Cash flow position						
Cash flows from operating activities	50,890	63,912	53,515	57,961	72,233	85,763
Cash flows from investing activities including capital	(31,126)	(78,462)	(44,986)	(79,303)	40,544	(166,048)
Cash flows from financing activities including debt raising	(22,515)	18,906	(8,486)	9,233	(106,975)	86,300
Interest expense	16,074	15,283	16,205	10,605	18,950	10,527
Capitalised interest	-	-	-	5,310	4,162	10,569
Total interest	16,074	15,283	16,205	15,915	23,112	21,096
Financial position						
Total assets	3,007,089	3,006,131	3,081,279	3,096,759	3,048,941	3,059,251
Term loans	216,073	238,589	219,683	224,870	215,558	325,873
Council funds	2,737,212	2,709,755	2,811,509	2,809,293	2,763,575	2,658,877
Rates as a percentage of total revenue	57.17%	55.33%	56.36%	55.89%	46.06%	42.25%
Interest as % of total revenue	7.05%	6.74%	7.50%	7.61%	9.51%	8.57%
Interest as % of rates	12.33%	12.19%	13.30%	13.61%	20.65%	20.45%
Number of times that operating cash flow pays the interest expense	3.2	4.2	3.3	3.6	3.2	4.0
Number of times rates pays the interest expense	8.1	8.2	7.5	7.3	4.8	4.9
Net debt as % of total revenue	95%	105%	102%	107%	89%	135%
Net debt as % of rates	166%	190%	180%	192%	192%	320%

Notes

- 1 The 2016 results reflect the non-cash vesting of roading and water and waste assets from developments completed in the current financial year.
- 2 The 2015 results reflect the non-cash write-down of investments including commercial rental properties and shares held in Dunedin Venues Management Limited.
- 3 The 2013 results reflect the completion of major projects such as the Tahuna wastewater treatment plant upgrade and the slowdown of the level of external capital funding.
- 4 The 2012 results were affected by the sale of the Forsyth Barr Stadium to a Council Controlled Organisation. The sale facilitated the repayment of associated debt by the Council.
- 5 The 2011 results were affected by capital receipts for the new stadium including \$17.5 million from the Otago Regional Council and \$2.5 million from the Community Trust.

Overview of Financial Results

The Council operating result for 2016 was characterised by higher than expected revenue attributed to: increased activity in a number of operating units; gains on the disposal of some property assets; and the non-cash vesting of roading and water and waste assets.

Expenditure for the year was greater than budget due to higher depreciation charges and non-cash write-down of commercial rental properties partially offset by lower interest expenditure reflecting the active repayment of debt over recent years.

The term loan balance at 30 June 2016 included the transfer of \$30.0 million from Dunedin Venues Limited (effective 30 June 2015) being one of the recommendations from the Stadium Review project. That being said total term loans as at 30 June 2016 were \$216.073 million or \$31.772 million less than budget.

Outlook

The current year was the first to be reported against the approved Long Term Plan 2015/16 - 2024/25. The associated financial strategy was developed to guide Council as it seeks to balance the competing tensions of affordability, maintaining its assets and investing for the future.

This balance process involves evaluating the impact on affordability of a range of expenditure needs and obligations including: the need to maintain, replace and renew core infrastructure; the obligation under law to build new infrastructure of a higher standard; and the desire to respond to community aspirations for new and improved community infrastructure.

Key points from the strategy include: an operating surplus greater than zero over a moving three year period; operating cashflow at 100% of depreciation; working capital ratio of greater than 1; core Council debt below \$230 million by 2021; and annual rate increases to be limited to 3% unless there are exceptional circumstances.

The key challenge for Council will be maintaining the existing range and levels of service to the community while achieving the required cost savings to keep rate increases within this 3% limit.

Consolidated Financial Statistics

	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000	2011 \$'000
Financial Position						
Consolidated total assets	3,683,374	3,640,829	3,747,437	3,750,195	3,697,182	3,561,459
Consolidated term loans	580,515	593,574	610,445	622,843	616,382	567,170
Consolidated Council funds	2,906,990	2,861,651	2,957,449	2,946,276	2,885,684	2,808,803
Consolidated term loans as % of consolidated total assets	16%	16%	16%	17%	17%	16%

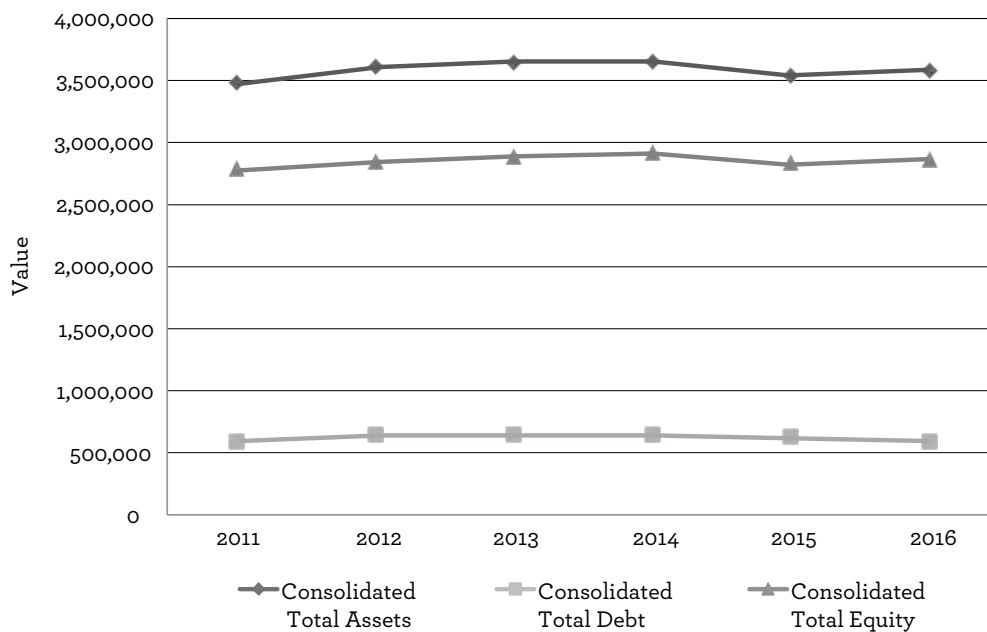
Issuer Credit Rating

The achievement of a good credit rating is an important factor in obtaining finance at a competitive interest rate and in times of financial turmoil it is an advantage in obtaining funding. The Council as a Group is assessed by the Rating Agency Standard and Poor's. Below is the rating history for the Council Group which covers the period of financial turmoil. The Council website has available the latest full rating report from Standard and Poor's.

Standard & Poor's credit rating

Issuer Credit Rating as of:	16/12/2015	08/12/2014	10/12/2013	28/11/2012	15/12/2010	20/09/2010
Rating:	AA/Stable/A- 1+	AA/Stable/A- 1+	AA/Stable/A- 1+	AA/Neg/A-1+	AA/Stable/A- 1+	AA-/Watch Pos/A-1+

The most recent and full Standard & Poor's rating report is available on the Dunedin City Website.



Overview of Community Outcomes

Setting community outcomes means outlining the sort of city residents want to live, study and work in, now and in the future. They are the community goals and principles which underpin the Dunedin City Council's planning and priorities.

The community outcomes outlined in this report were developed in consultation with residents in a process which started about a decade ago. In 2010/11-2011/12, work was undertaken to refresh the city's vision and review the community outcomes, under a programme called "Your City Our Future". The key changes involved splitting the seven existing outcomes into 10 revised outcomes and updating the outcome visions.

The revised community outcomes were subject to public consultation in the Draft Long Term Plan 2012/13-2021/22 and were reported against for the first time in the 2012/13 Annual Report.

The "Your City Our Future" programme also informed the development of an overarching strategic framework consisting of eight key strategies with the community outcomes forming the hub of the framework. The strategic links to specific areas of Council activity are identified in Section 2. The Council makes decisions in alignment with the strategic framework, seeking to deliver on the community outcomes while maintaining core service levels expected by the community and meeting legislative requirements. The Council is one of the many organisations within the city who work towards achieving these citywide outcomes.

Dunedin's Strategic Framework



The Local Government Act 2002 requires councils to report in their annual reports on the progress made towards achieving community outcomes. Results for outcome indicators measured in the 2015/16 year can be found in the appendix to this document.

A glimpse of some of the projects and activities undertaken in the 2015/16 financial year in each of the outcome areas is shown below.

A thriving and diverse economy

Dunedin has an ambitious, prosperous, diverse and resilient economy that builds on its strengths.

Enterprise Dunedin has continued to work with key stakeholders to market the city as a centre of academic and research excellence and to secure international conferences.

Our relationships with partners such as the University of Otago, Air New Zealand, Tourism New Zealand and media groups have ensured the city is consistently present in international and domestic media and results in high return on investment.

Initiatives such as Project China have contributed to Economic Development Strategy. 2015/16 was a busy year as initiatives to further strengthen our business, tourism, educational and cultural relationships were all progressed. For example, an agreement signed with JJJ International (the largest international student education agent in China) will result in greater numbers of international secondary and tertiary students accessing international education in the city. This project benefits the participating High Schools, the University and Polytechnic through international fees but also the wider city and social and cultural links are further developed.

A delegation to China in June, including representatives from the Council, the Otago Chamber of Commerce, University of Otago and others, aimed to promote Dunedin as an investment and destination city. This delegation laid the foundations for future work within the Shanghai sister city agreement and further business and educational opportunities.

A connected community

Dunedin's communities are connected by safe, effective transportation and communications, linked locally, nationally and internationally.

Enterprise Dunedin's "Connecting Dunedin Campaign", in partnership with the Dunedin Airport and Air New Zealand to increase demand for flights, resulted in the following outcomes:

- Three extra A320 direct jet services per week between Dunedin and Auckland, adding more than 1,000 seats weekly between the two cities from July 2016 on Mondays, Wednesdays and Fridays, representing a 22% increase in seat capacity on the route.
- Air New Zealand also amended its overall schedule for flights between Dunedin and Auckland from May 2016, offering travellers in both directions an extended business day Monday to Friday.
- Air New Zealand have also added an extra jet service per day between Wellington and Dunedin, an increase of 12%; effective from October 2016.

In October 2015 the new cycleway and walkway linking the wharf area with the West Harbour near Forsyth Barr Stadium opened. This walkway/cycleway is the final stage of completing the State Highway 88 realignment project. It completes the connection between the eastern and western parts of the harbour cycle network and provides safer and easier access for people going to the stadium. It includes well-lit shared paths across and under the State Highway 88 bridge over the Leith and connects with Wickliffe Street near the corner of Fryatt Street.

A safe and healthy city

Dunedin is a clean, green, crime-free city where people feel safe and enjoy a healthy lifestyle.

Both the 3 Waters Strategic Direction Statement and Infrastructure Strategy include the objective to ensure that there is no increase in the number of residential or commercial properties at risk of sewer flooding (wastewater or stormwater), despite increasing pressure on the network. Following the June 2015 storm and flooding both Mosgiel and South Dunedin have come under particular focus, and staff have reprioritised work to progress investigations of flooding in these areas. Further work will be completed for the next Long Term Plan to assist the Council to decide about projects to improve the capacity of the stormwater system. One of the first priorities is to link the existing stormwater models and improve their accuracy for modelling larger scale events.

The Outram Water Treatment Plant has been upgraded to ensure that drinking water complies with Ministry of Health standards. The upgrade works have recently been completed, and the plant is currently in its trial operations period, after which practical completion will be issued. Once this work is completed, all of the Council's water treatment plants will meet bacterial and protozoal compliance standards.

Environmental Health is currently involved in the implementation of the Food Act, which came into effect on 1 March 2016 and has a transition phase over the next three years. Environmental Health recently achieved accreditation from the Ministry for Primary Industries for its quality management system following an on-site assessment, meaning Environmental Health can now verify National Programme food operators. Significantly, Dunedin is the first council to gain this accreditation and the team will assist customers with the transition to the new requirements.

A distinctive built environment

Dunedin is a compact city with a vibrant centre for people to work, live and play; complemented by thriving suburban and rural centres.

In September 2015, the Council released its Proposed Second Generation Dunedin City District Plan (2GP) for consultation. The Plan controls what people can do on their land and how it can be developed. About 1,500 individuals and organisations submitted on the 2GP and 866 will speak at the hearings, which started on 11 May 2016 and are expected to run until late May 2017. There are 25 separate hearings scheduled, on different topics such as industrial, residential, natural hazards, public amenities and heritage.

A valued and protected natural environment

Dunedin is recognised as a place with outstanding natural environments and significant biodiversity. Our distinctive rural and coastal landscapes are sustainably managed and protected.

Te Ao Tūroa – The Natural World, (Dunedin's Environment Strategy) was consulted on and adopted during 2015/16.

The name of the strategy was gifted by two Dunedin rūnaka and the strategy was developed in close consultation with Kai Tahu ki Otago. Other key stakeholders included the Otago Chamber of Commerce, the Otago Regional Council, Sustainable Dunedin City, the Royal Forest and Bird Protection Society of New Zealand, Department of Conservation and Federated Farmers of New Zealand. The vision for the strategy is “Dunedin is one of the world’s great small cities with a thriving environment we look after, respect and enjoy”. There are three high level goals:

- 1 Dunedin is a resilient and zero carbon
- 2 Dunedin has a healthy environment
- 3 Dunedin people care for the environment.

The Council has a role to play in achieving positive environmental outcomes through management of parks, gardens and reserves including the Town Belt, through smart land use planning and investment in low carbon city infrastructure, and by working with the wider community to protect city ecosystems.

Funding to start delivery on Te Ao Tūroa is provided in the 2016/17 year and a governance structure for the strategy has been established.

The draft Parks and Recreation Strategy which goes out for public consultation in early 2016/17 contains a draft Open Spaces Action Plan. The Council will work in partnership with other organisations to ensure the successful delivery of the plan. Areas of focus will include protecting and conserving parks and open spaces; improving the community’s understanding and appreciation of their value and significance, as well as ensuring that these spaces meet the needs of users and enhancing the green network across Dunedin.

A supportive community

Dunedin's citizens feel included and connected with their wider community and enjoy a good quality of life.

A forum was held by Events and Community Development team to update the community about the work contributing to the Social Wellbeing Strategy. A stocktake of progress towards achieving the strategic goals was undertaken at the same time.

Ongoing support was provided to the network co-ordinating resettlement of refugees in the city, with one additional intake of migrants being welcomed during the last quarter of the year. A community planning and information meeting was hosted by Mayor in February prior to the first group of refugees arriving in April. Representatives from Immigration NZ and NZ Red Cross delivered a presentation and there were opportunities to discuss host community engagement, youth integration and maintaining the voluntary support for resettlement.

Task Force Green and the Community Volunteer Scheme were once again involved in a number of community projects. Projects benefiting from their work included West Harbour Recreation Trail beautification; graffiti removal; predator trapping at Okia Reserve for penguin protection; working with STOP on gorse and noxious weed removal on the Peninsula; and constructing a 70m fence for the Forbury Croquet Club.

A vibrant and creative city

Dunedin is a city known for its diverse and engaging arts and culture.

Implementation of Ara Toi Ōtepoti, Our Creative Future, (Dunedin's Arts and Culture Strategy) got underway in 2015/16 with the formation of a governance structure and provision of funding for initial actions. These included:

- establishment of a Dunedin franchise of the Urban Dream Brokerage to facilitate use of vacant commercial space for short term installations to promote urban regeneration.
- establishment of the Creative Dunedin Partnership as the governance group for Ara Toi Ōtepoti.
- development of a Draft Public Art Framework for consultation with the community in 2016/17.
- the Council has provided \$5000 to support a Dunedin Boosted Ambassador. Boosted (www.boosted.org.nz) is a not-for-profit crowdfunding site for the arts. The partnership will enable a Dunedin Boosted Ambassador to be working directly with artists and arts organisations to use crowdfunding to build their networks, increase financial support for their projects and promote themselves to new and unexplored audiences.
- the appointment of an additional Community Arts Advisor in the Events and Community Development team and a Business Arts Advisor in Enterprise Dunedin.

Dunedin's heritage, culture and status as a UNESCO City of Literature was showcased during a brief visit by the civic head of the City of Edinburgh Council in February 2016. The Lord Provost of Edinburgh visited Dunedin as part of an Australasian visit for Royal Edinburgh Military Tattoo shows in Melbourne and Wellington. Edinburgh was the first designated UNESCO City of Literature in the world. The Lord Provost was one of the first visitors to see the new Poetick poetry machine which has been installed in Toitū in time for his visit. Created by Dunedin Design students Benjamin Alder and Liam Bigelow from recycled parking machines, Poetick is a poem-sharing project aiming to enhance the pay and display parking experience and promote literature around the world. Poems by published and unpublished poets from the various UNESCO Cities of Literature are printed to the Poetick machine. It is planned to roll Poetick out to pay and display parking meters during early 2016/17, with the poems printing on the back of the display tickets.

A city of learning

Dunedin is a leading city of education and its community engages in lifelong learning.

The inaugural Director City of Literature was appointed this year. The position has responsibility to coordinate City of Literature activities within the city, with other cities and organisations throughout New Zealand and with other members of the UNESCO Creative Cities Network.

There has been on-going work with the University of Otago and Otago Polytechnic via the Tertiary Sector Steering Group seeking to achieve “the creation of a quality, sustainable campus environment and a vibrant tertiary precinct, ensuring Dunedin’s place as the Education Capital of New Zealand.” Achieving a more pedestrian friendly environment in the campus and surrounding streets continues to be a key focus, including a project to create improved environment and linkages between two areas of the Polytechnic campus in Harbour Terrace.

An active city

Dunedin’s people lead active healthy and enjoyable lifestyles.

A draft Parks and Recreation Strategy 2016-2026 was developed during 2015/16. This is the last of the eight strategies in the Council’s strategic framework to be developed and will go out for public consultation early in the 2016/17 year.

The draft strategy contains a draft Sports and Recreation action plan and a draft Parks and Open Space action plan, detailing what will be done in the next 3 - 5 years to achieve the vision, objectives and goals of the overarching strategy. These action plans have been developed with input and support from key stakeholders including the Otago Regional Council, Sport Otago, Department of Conservation, Volunteering Otago, Kāi Tahu, Forest and Bird, Sport New Zealand, NZTA, Halberg Foundation, social services agencies, regional sport and recreation organisations. The shared strategic vision is ‘Dunedin’s communities are more active, more often in facilities, parks and open spaces that are connected and valued’ which will result in a number of community and environmental benefits such as social connection and community wellbeing, improved health and wellbeing, and provide opportunities for economic development and greater environmental sustainability and protection of parks, recreation facilities and landscapes.

The Sport and Recreation Action Plan will guide the planning, funding and delivery of programmes and facilities supporting informal and active recreation, and sport throughout the city. It will prioritise delivering affordable and accessible opportunities and environments that encourage people to participate in sport and recreation and be physically active. Another area of focus is strengthening partnerships through collaboration with sport and recreation agencies.

A sustainable and resilient city

Dunedin is a resilient city with communities prepared for the impacts of climate change and extreme natural events, and reduced reliance on non-renewable resources.

During the 2015/16 year the Council passed a series of resolutions aimed at addressing climate change, including a commitment to the Compact of Mayors.

The Compact of Mayors was launched in September 2014 by UN Secretary-General Ban Ki-Moon and UN Secretary-General's Special Envoy for Cities and Climate Change Michael R Bloomberg and supports participating local governments in setting ambitious climate reduction goals, taking ambitious action to meet those objectives and measuring their progress publicly and transparently. In June 2016 the international Compact of Mayors joined forces with the European Union Covenant of Mayors. The new Global Covenant of Mayors for Climate and Energy will be the world's largest coalition of mayors supporting voluntary action to combat climate change and move to a low carbon economy. As a Compact of Mayors signatory, the Council has already committed to measuring greenhouse gas emissions, setting and reporting against reduction targets and adopting an action plan.

The Energy Plan 1.0 was adopted by the Council in December 2015. A Dark Skies Advisory Panel has been established to continue work on one of the plan's key actions - making Dunedin a 'night sky city'. The panel will review city projects with a significant outside lighting component and has discussed the transition of the city streetlights to LED and plans to change the lighting at the University of Otago Oval. Another of the early actions of the plan is to explore the potential for use of electric vehicles in the city.

The Council has resolved to add 20 electric vehicles (EV) to the Dunedin City Council fleet within five years. As part of the move the Council will also share information on EV usage and other data with the University of Otago and Otago Polytechnic to assist in their research on EV use, and be able to assist others considering converting to EV fleets. Currently the DCC's 113 vehicle fleet includes 48 cars, 20 of which are considered suitable for replacement with an EV. The DCC already owns two hybrid vehicles and an electric bike.

At 9.15am on Thursday, 15 October 2015 Council staff and over 20,000 other Dunedin residents were seen to 'Drop, Cover and Hold' in the New Zealand ShakeOut national earthquake drill. Recent events - such as the fire at Saddle Hill, a national tsunami warning in September, and the June flooding event in Dunedin - had shown emergencies could happen at any time and often without much warning. Emergency Management staff put particular emphasis on business continuity planning in the lead-up to the drill. "Time spent now planning for disaster and developing practices to become more resilient will not only get businesses well on the way to coping with a crisis, it could also potentially see them thrive in the aftermath".

Update on Māori Participation Working Party

Background

A Memorandum of Understanding between the Dunedin City Council, Kāti Huirapa Rūnaka ki Puketeraki and Te Rūnanga o Ōtākou was signed on 11 December 2006. The Memorandum provides the framework within which the Dunedin City Council and Manawhenua propose to give effect to the legislative requirements to consult with iwi and provide opportunities for Māori to contribute to local government decision-making processes.

Since the signing of the agreement, a number of hui have been convened on particular issues from economic, social/cultural and environmental. Initiatives which have been implemented as a result of the hui include: compiling a database of Māori land within Dunedin City; employing a coordinator to coordinate and develop Matariki/Puaka as an indigenous celebration unique to Dunedin; and tree planting initiatives to encourage native birds.

The Memorandum of Understanding was reviewed in December 2009, with all parties agreeing to continue focussing on the implementation of the agreement.

In addition, Otago local authorities and Manawhenua have developed an enhanced Otago consultation model called Te Roopu Taiao. This includes representatives from councils in the Otago region, and all Papatipu Rūnanga. The local authorities, including Dunedin City Council, provide a subscription to Kāi Tahu ki Otago which is the consultancy arm of Te Roopu and which assists the Papatipu Rūnanga to resource their contributions to Te Roopu.

The objectives of Te Roopu are to:

- create an Otago Takiwa-wide collective forum between Kāi Tahu ki Otago and the local authorities of Otago to facilitate better mutual understanding; improve the efficiency of Iwi engagement and resourcing for council-oriented business; and foster and grow Iwi capacity in local government activities, processes and governance.
- develop a combined work programme that will help establish stable resourcing levels and avoid duplication of effort for Iwi participation with local authorities; establish priorities of work demand; and move work demands into a medium term perspective in which future needs can be planned.
- assist fulfilling local authority obligations to Iwi under all relevant statutes.

2015/16 update

The Council continues to convene the Māori Participation Working Party in order to consult with Iwi and provide opportunities for Māori to contribute to local government decision-making processes. The memorandum of understanding which underlies the Māori Participation Working Party was in the process of review during 2015/16.

The Council continues to work with and seek advice from Te Roopu, the Otago-wide consultation model between Otago local authorities and the Papatipu Rūnanga of the Kāi Tahu Otago Takiwa. As part of this process a review of the Resource Consent Protocol was completed by the Council and Kai Tahu ki Otago in July 2014. The aim of the protocol is to facilitate effective consultation and liaison in relation to resource consent matters.

As part of the review of report templates, all reports to Council and Committee meetings from April 2015 have provided a Māori impact statement. All reports outline any opportunities Māori have had to contribute to decision making and include if relevant, reference to the Treaty of Waitangi, manawhenua, cultural implications (tikaka), and social and environmental implications.

Consultation

As a result of the Council's Significance and Engagement Policy adopted in 2014, the Council believes it has complied with the consultation requirements identified in the Local Government Act 2002, Resource Management Act 1991, Reserves Act 1977, Land Transport Management Act 2003, and Ngai Tahu Claims Settlement Act 1998.

Statement of Compliance and Responsibility

Compliance

The Council and Management of the Dunedin City Council confirm that all statutory requirements of Schedule 10 Part 3 of the Local Government Act 2002 regarding financial management and borrowing have been complied with.

Responsibility

The Council and Management of the Dunedin City Council accept responsibility for the preparation of the annual Financial Statements and the judgements used in them.

The Council and Management of the Dunedin City Council accept responsibility for establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Council and Management of the Dunedin City Council, the annual Financial Statements 30 June 2016 fairly reflects the financial position and operations of the Dunedin City Council.



Dave Cull, Mayor of Dunedin



Sue Bidrose, Chief Executive

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Dunedin City Council and group's annual report for the year ended 30 June 2016

The AuditorGeneral is the auditor of Dunedin City Council (the City Council) and group. The AuditorGeneral has appointed me, Scott Tobin, using the staff and resources of Audit New Zealand, on her behalf, to:

- audit the information included in the City Council and group's annual report that we are required to audit under the Local Government Act 2002 (the audited information); and
- report on whether the City Council and group has complied with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report and the Local Government (Financial Reporting and Prudence) Regulations 2014.

Opinion on the audited information

In our opinion:

- the financial statements on pages 96 to 101 and 104 to 153:
 - » present fairly, in all material respects:
 - the City Council and group's financial position as at 30 June 2016;
 - the results of its operations and cash flows for the year ended on that date; and
 - » comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with PBE Standards;
- the funding impact statement on page 102, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council and group's Longterm plan;
- the significant activities report on pages 22 to 94:
 - » presents fairly, in all material respects, the City Council's levels of service for each group of activities for the year ended 30 June 2016, including:
 - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
 - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
 - complies with generally accepted accounting practice in New Zealand;
- the statement about capital expenditure for each group of activities on pages 29 to 94, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the City Council and group's Longterm plan; and
- the funding impact statement for each group of activities on pages 29 to 94, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council and group's Longterm plan.

Compliance with requirements

The City Council and group has:

- complied with the requirements of schedule 10 of the Local Government Act 2002 that apply to the annual report; and
- made the disclosures on pages 29 to 163 which are required by the Local Government (Financial Reporting and Prudence) Regulations 2014 which represent a complete list of required disclosures and accurately reflects the information drawn from the City Council and group's audited information.

Our audit was completed on 3 October 2016. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the AuditorGeneral's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the information we audited is free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the audited information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the information we audited. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the information we audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the City Council and group's preparation of the information we audited in order to design procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City Council and group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Council;
- the adequacy of the disclosures in the information we audited;
- determining the appropriateness of the reported significant activities report within the City Council's framework for reporting performance; and
- the overall presentation of the information we audited.

We did not examine every transaction, nor do we guarantee complete accuracy of the information we audited.

When reporting on whether the City Council and group complied with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report, we limited our procedures to making sure the annual report included the required information and identifying material inconsistencies, if any, with the information we audited. We carried out this work in accordance with International Standard on Auditing (New Zealand) 720; The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements.

We did not evaluate the security and controls over the electronic publication of the information we are required to audit and report on. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Council

The Council is responsible for meeting all legal requirements that apply to its annual report.

The Council's responsibilities arise under the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014.

The Council is responsible for such internal control as it determines is necessary to ensure that the annual report is free from material misstatement, whether due to fraud or error. The Council is also responsible for the publication of the annual report, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the annual report in accordance with the reporting requirements of the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014. Our responsibility arises from the Public Audit Act 2001.

Independence

When carrying out our audit, we followed the independence requirements of the AuditorGeneral, which incorporate the independence requirements of the External Reporting Board.

Other than this audit, and regulatory disclosure audits for a subsidiary which are compatible with those independence requirements, we have no relationship with or interests in the City Council or any of its subsidiaries.

A handwritten signature in black ink, appearing to read 'S Tobin', with a long horizontal stroke extending from the top of the 'n'.

Scott Tobin

Audit New Zealand

On behalf of the AuditorGeneral

Dunedin, New Zealand