

2019/20

DUNEDIN CITY COUNCIL SUMMARY ANNUAL REPORT



Introduction from the Mayor | He Kupu Whakataki nā te Kahika

Thank you for your interest in the Dunedin City Council's Annual Report for 2019/20, as we reflect on the achievements and challenges contained within it. It was very much a 'year of two halves' – with the latter dominated by the response to the COVID-19 pandemic.

In September 2019, the DCC became only the second New Zealand council to become accredited as a Living Wage employer. On top of our own direct employees, the organisation has developed a plan for requiring its regular contractors to pay staff undertaking services for us at least a Living Wage. A plan has also been developed to work with wholly-owned council companies to commit to paying their staff the same.

In October, Dunedin was confirmed as New Zealand's new Centre of Digital Excellence – a national hub which aims to build a \$1 billion video game industry over the next decade. This will see \$10 million from the Government's Provincial Growth Fund invested into initiatives designed to develop the gaming industry and create new economic growth and sustainable employment opportunities.

The resilience of Dunedin's water supply took a major step forward in 2019/20, with the re-opening of the refurbished Ross Creek Reservoir Dam in October following a three-year strengthening and repair project. This marked an important milestone in our security of supply strategy to ensure the city has an alternative option if problems arise getting water from Dunedin's main water sources at Deep Creek and Deep Stream.

The next step in the wider project is to construct a pump station and pipe to Mount Grand, so that water from the Ross Creek Reservoir can be treated there if required.

The importance of this wider project was highlighted just a month after the dam re-opening, when a major fire tore through the Lammerlaw ranges. The fire meant the DCC stopped taking water from the Deep Creek catchment for several days and from the Deep Stream catchment for several weeks until testing and risk assessments confirmed the sources were safe again to drink.

Future planning was also a key theme for South Dunedin. In February, along with the Otago Regional Council, we launched a new, larger phase of community discussions about the effects of climate change in the area.

There's no fixed agenda or options for this phase of discussions. Long term adaptive planning will take several years to complete, so we want to first build awareness of the issues and develop good relationships to enable the community to be part of future decision making.

The public health response to COVID-19 brought the country to near standstill from late March, but our collective response to the pandemic worked. I'm proud of what Dunedin people did, and are continuing to do, as part of the 'Team of Five Million'.

I'm also proud of the way DCC staff were able to adapt the way we operated during this rapidly evolving situation.

The Council supported residents and businesses through and after the COVID-19 lockdown in numerous ways. We worked hard to ensure critical services like drinking water, wastewater and rubbish collection continued.

Car parking was free for several months; we offered rent relief to our commercial tenants; paid for a contact tracing app for businesses and organisations to use; and led an initiative to profile and promote local businesses as the nation came out of lockdown.

Some of these measures have had an impact on our bottom line for 2019/20. However, the health, safety and well-being of the community was, and still is, our top priority.

Naku noa, na

Aaron Hawkins
Mayor of Dunedin

Introduction from the Chief Executive Officer | Te Reo He Kupu Whakataki nā te Kaihautū

We are pleased to present the 2019/20 Annual Report. It outlines continued focus on renewals and improvements, despite COVID-19 impacts providing new challenges to the city.

The final annual report budgets for 2019/20 resulted in an overall rates increase of 5.11%, keeping close to the average of 5% as set out in the 10 year plan 2018-2028.

In total, our capital expenditure in 2019/20 was \$92.32 million.

Significant progress was made on the Peninsula Connection project to widen the narrow and winding Portobello and Harington Point roads to make them safer and more attractive to everyone who uses them. Construction neared completion on the Vauxhall to Macandrew Bay section of the project, while the retaining wall at Turnbolls Bay was finished. Work has also begun on the section from Company Bay to Broad Bay.

Work on several other transport safety improvements continued, including more Barnes Dance crossings, intersection and mobility improvements, school cluster safety work and improved guard railing. The installation of a city-wide LED lighting system is also underway, with work starting in the outer suburbs and moving in towards the city centre. This project, expected to be completed in mid-2021, will improve safety by providing better visibility for all road users and will also result in reduced energy consumption and on-going energy and maintenance cost savings.

The 'Our Coast Our Community: St Clair-St Kilda Coastal Plan' project was launched in March 2020, which sees the DCC working with mana whenua and the community over the coming months to create a vision and long-term management plan for the area. Further up the coast, a sand trap has been successful in combating erosion on the Karitane sand spit and the project earned the New Zealand Coastal Society national sustainability award.

The start of 2020 saw the COVID-19 pandemic impacting on everyone across the community. Moving through different alert levels meant adjusting our services according to Government mandate, but we ensured essential and critical services continued regardless of the situation. Efforts were made so processes such as consent applications could continue and digitising of content from cultural facilities enabled the community to continue reading, appreciating art and other cultural activities during the lockdown.

We also offered support to the community as the city adjusted back to relative norm, including free parking, rent relief for commercial tenants, and campaigns to promote local businesses. Providing this support did come at a cost, with revenue streams impacting the final budgets for the year. However, these initiatives were deemed important to support the community during a difficult time.

Sandy Graham
Chief Executive Officer

Strategic overview | He tirohaka whānui

Often people ask how the Council makes decisions and prioritises work to develop our city. The decision-making process starts with the vision of Dunedin as one of the world's great small cities.

The Council, working with the community and stakeholders, has developed a strategic framework to support decision-making with key priorities for investment, effort and development.



There are eight strategies focused on long-term outcomes and Dunedin's development.

- The **3 Waters Strategic Direction Statement** sets out how the DCC will ensure the city has safe, reliable and affordable water services.
- The **Spatial Plan** shapes the form of the city.
- The **Economic Development Strategy** sets out priorities for creating jobs, incomes and opportunities.
- The **Social Wellbeing Strategy** outlines how the DCC will foster inclusive communities and quality lifestyles.
- The **Integrated Transport Strategy** sets priorities for how the safe and efficient movement of people and goods will be supported.
- **Ara Toi Ōtepoti Arts and Culture Strategy** roadmaps strategic actions which support the creative sector in Dunedin and develop an environment which acknowledges the intrinsic value of the arts.
- **Te Ao Tūroa, Dunedin's Environment Strategy** delineates Dunedin's climate change impact plan and connects the communities with sustainable ecology and environmental actions.
- The **Parks and Recreation Strategy** develops the use of Dunedin's open spaces, recreation facilities and parks to connect and value our spaces and promote more active communities.

A summary of the community outcome priorities that set out what the city will be like if the Council achieves its goals, plus the indicators for tracking progress against these priorities with an update of 2019/20 results (and Māori statistics if applicable) is provided in the full Annual Report.

Getting things done | Te whakatutuki i kā mahi

We have undertaken many activities and projects in the 2019/20 financial year that have contributed to our community outcomes.



Social wellbeing – Dunedin hosted the 2020 Otago Community Trust New Zealand Masters Games, and held various events including Puaka Matariki, Armistice Day and more.



Transport – Construction is near completion on sections of the Peninsula project, and installation of LED lighting attracted an 85% government subsidy.



3 Waters – Ross Creek Reservoir Dam officially opened, and the St Clair to St Kilda Coastal plan was also launched.



Environment – A pop-up shipping container garden was showcased to 1,000 residents and visitors, plus a native planting guide and webmap has been launched.



City planning – 2GP appeals phase began with mediations throughout the year. The Heritage Awards were also held to celebrate heritage projects across Dunedin.



Parks and Rec – Botanic Garden Ranger initiative was introduced, and playground equipment and soft fall replacement across playgrounds in the city continued.



Economic development – Government provided support for the development of CODE through PGF funding, and the ORED framework was completed.



Arts and culture – The Celtic Noir event took place in 2019/20, as well as the Robert Burns Poetry competition, which secured sponsorship for future years. The Communities of Readers project was also underway, building reading in children in the South Dunedin community.

How we did | I pehea tā mātou mahi

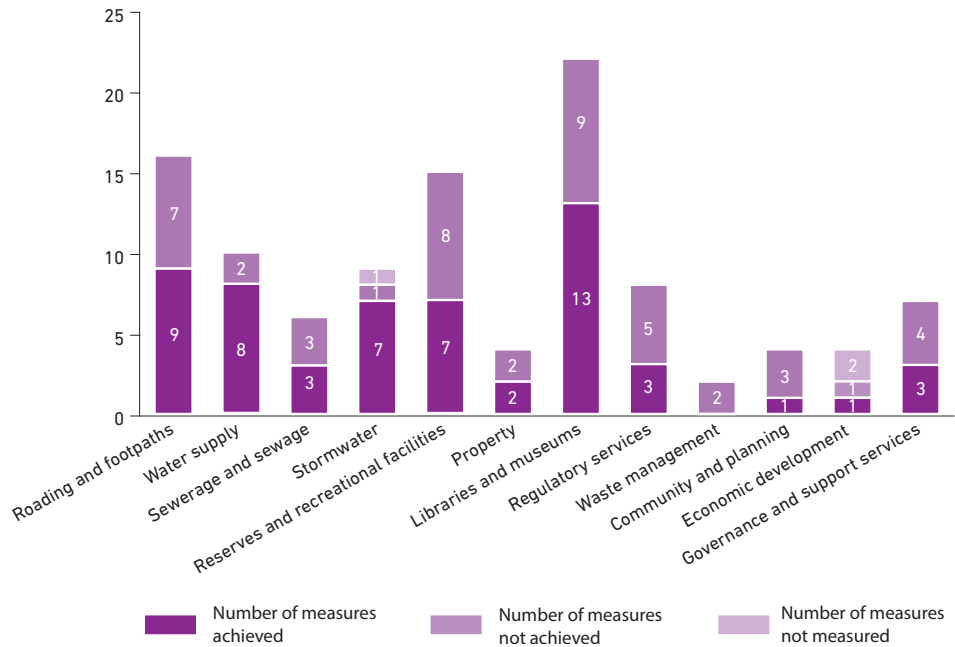
The DCC's services are grouped into 12 groups of activity based on their primary community outcome contribution.

As in previous years, the Dunedin City Council (DCC) has measured both its financial and non-financial performance.

The 10 year plan 2018-28 contained 107 service performance measures that were monitored and reported on. The following graph is a summary of the non-financial performance achievement of each activity group. It shows that we:

- Met the target for 57 (53%) of our performance measures
- Did not meet the target for 47 (44%) of our performance measures

Summary of performance



Council controlled organisations

A significant amount of services are also delivered through the Council Controlled Organisations.

Dunedin City Holdings Limited is Dunedin City Council's wholly owned investment company. Its purpose is to monitor and provide leadership to subsidiary and associate companies, and to deliver financial returns to the Dunedin City Council.

Aurora Energy Limited owns the electricity network assets of poles, lines, cables and substations in Dunedin, Central Otago and Queenstown Lakes. Its function is to transfer electricity from the national grid to the end consumer.

City Forests Limited's principal activities are the growing, harvesting and marketing of forest products from plantations it owns. The products are sold both in the domestic and export markets.

Delta Utility Services Limited is an infrastructure specialist providing a range of contracting services to local authority and private sector customers. It constructs, manages and maintains essential energy and environmental infrastructure across the South Island.

Dunedin City Treasury Limited provides treasury and funds management services to Dunedin City Council, Dunedin City Holdings Limited, and its subsidiary and associate companies.

Dunedin International Airport Limited operates the Dunedin Airport. It also farms adjacent land in partnership with sharemilkers and owns a small residential housing estate on land adjoining the airfield to the north, as well as Momona Garage. It is owned 50% by DCHL and 50% by the Crown.

Dunedin Stadium Property Limited's principal activity is the ownership of Forsyth Barr Stadium. In particular, it oversees that the stadium is maintained to a standard that enables it to operate effectively.

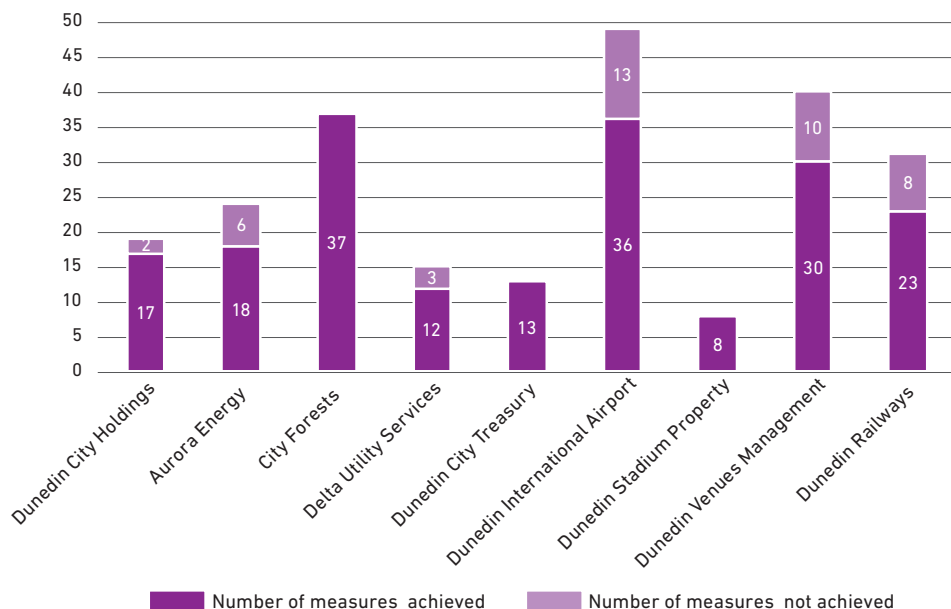
Dunedin Venues Management Limited is Dunedin's premier venue, and event services company. It manages the Forsyth Barr Stadium, Dunedin Centre and Town Hall Complex and University of Otago Oval (the latter under its management until 30 June 2020).

Dunedin Railways Limited, until March 2020, operated a tourist and excursion train on the Taieri Gorge railway line and on the Seaside line north of Dunedin.

The following graph is a summary of the non-financial performance achievement of each Council Controlled Organisation in the Group. It shows that they:

- Met the target for 194 (82%) of their performance measures
- Did not meet the target for 42 (18%) of their performance measures

Summary of performance



For full details of DCC Group performance, including explanations of results, the reader is encouraged to obtain access to the full Annual Report either at www.dunedin.govt.nz or via correspondence to Dunedin City Council, PO Box 5045, Dunedin 9054.

Our strategic principles: Māori participation and sustainability

The DCC is committed to the Treaty of Waitangi and enabling Māori to contribute to decision-making processes. The DCC is also committed to its other strategic principle of sustainability, working towards and encouraging the development of a sustainable city.

Māori participation update

In addition to partnering across a range of steering groups and projects, highlights of the work undertaken during 2019/20 include:

- Rūnaka and Council continue to work on a strategic review, with completion expected in 2020/2021.
- A Mana Whakahono ā Rohe was initiated by Te Rūnanga o Ngāi Tahu in July 2019. Mana Whakahono ā Rohe are agreements between iwi authorities and local government. It is designed to set the parameters of the relationship and engagement in relation to Resource Management Act matters. Completion is expected over 2020/2021.
- Kaiwhakamāherehere Senior Policy Manager Māori appointed February 2020.
- Partnership Protocol between DCC and Aukaha signed October 2019 to further define the operational working relationship.

Sustainability update

Some of the highlights of the work undertaken by the DCC in the 2019/20 year include:

- Work towards a Dunedin action plan to reduce emissions continued. A Climate 2030 Rapid Review commenced, involving a stocktake of DCC's actions and activities, in order to determine DCC's contribution to reducing emissions and increasing climate resilience. Work on the Rapid Review continues into the first half of 2020/21.
- The DCC commissioned an update to the emissions inventory of the city, which is a key commitment of the Global Covenant of Mayors for Climate and Energy. The inventory is expected to be completed in 2020/21.
- The DCC commenced a review of its internal Emissions Reduction Plan and corporate emissions reductions targets during 2019/20. The DCC anticipates having a new Emissions Reduction Plan, including a new set of actions and targets, and new measurement and reporting processes, in place during 2020/21.
- As part of South Dunedin Future, the DCC and ORC planned a larger phase of community discussions about the effects of climate change in South Dunedin. Throughout 2020, staff are aiming to meet with more than 150 community, sports, religious and social groups active in the South Dunedin area. Seven community meetings were held prior to COVID-19 restrictions and initial feedback was positive. This is the first step in a multi-year process to involve as much of the community as possible in future decisions about how best to respond and adapt to climate change.
- As well as meeting face to face with individual groups, the DCC, ORC and partner agencies initiated a series of monthly public drop in information sessions on a range of climate change-related topics at the South Dunedin Community Pop Up throughout 2020. The first in the series was held in February prior to COVID-19 restrictions, and sessions will restart in 2020/21.

Overview of financial results

The full year operating result was impacted by a number of factors, including the Covid-19 pandemic. Total operating revenue was down due to: lower commercial volumes through the Green Island landfill and reduced Council activity over the nationwide lockdown period. This included support provided to the community through the provision of free parking across the city and rent relief for commercial tenants.

Total operating expenses were higher than budget reflecting increased depreciation costs driven by infrastructure asset revaluations, and personnel expenses being impacted in part by an increase in the annual leave liability.

The Waipori Fund experienced some volatility during the year as the impact of the pandemic become evident and the markets reacted accordingly. The fund was however able to retain its inflation adjusted value as at 30 June while making a cash distribution to Council as budgeted.

Capital expenditure for the year was lower than budget due to delays in the delivery of some projects pending completion of scoping, design and procurement activities. Capital expenditure was also impacted during the lockdown period with project delivery suspended.

Total debt as at 30 June was lower than budget at \$244 million reflecting the lower level of capital expenditure.











Outlook

The Council approved its annual plan for 2020/21 in June. The budget included a short term reduction in external revenue reflecting the continuing impact of Covid-19 pandemic. The Council anticipates that this reduction will be temporary and therefore elected to fund the shortfall through debt. This resulted in a budgeted operating deficit for the financial year and the requirement for Council to formally approve an unbalanced budget in line with legislation.

The long term impact of the Covid-19 pandemic is yet to be determined. The Council is currently in the process of developing its 10 year plan 2021-2031. The challenge will be continuing to deliver the current levels of service, ensuring existing infrastructure is maintained and renewed as required, while being conscious of overall ratepayer affordability.

The 10 year plan will also need to consider whether the Council should take a lead role in the economic recovery, through increased investment across the city.

Where our money went

Activities and services	Capital costs		Operating costs		Where your rates went (every \$100)
	Actual \$92m	Budget \$125m	Actual \$279m	Budget \$277	
 Roothing and footpaths	\$48m	\$56m	\$46m	\$45m	\$9
 3 Waters	\$25m	\$29m	\$68m	\$66m	\$37
 Reserves and recreational facilities	\$4m	\$11m	\$33m	\$34m	\$20
 Property	\$9m	\$17m	\$32m	\$31m	\$3
 Libraries and museums	\$1m	\$2m	\$21m	\$21m	\$16
 Regulatory services	\$0m	\$0m	\$11m	\$11m	\$0
 Waste management	\$2m	\$2m	\$15m	\$15m	\$2
 Community and planning	\$0m	\$2m	\$13m	\$12m	\$8
 Economic development	\$0m	\$0m	\$6m	\$6m	\$4
 Governance and support services	\$3m	\$6m	\$34m	\$36m	\$1

Dunedin City Council

Summary statement of comprehensive revenue and expense for the year ended 30 June 2020

	CORE COUNCIL			CONSOLIDATED	
	Actual 2020 \$000	Budget 2020 \$000	Actual 2019 \$000	Actual 2020 \$000	Actual 2019 \$000
Total operating revenue	278,917	286,406	286,409	537,232	557,465
Operating expenditure	267,797	264,290	254,208	516,032	499,556
Financial expenses	10,712	12,833	11,064	29,241	28,233
Total operating expenditure	278,509	277,123	265,272	545,273	527,789
Operating surplus (deficit) from continuing operations	408	9,283	21,137	(8,041)	29,676
Share of associate surplus (deficit)	-	-	-	1,818	1,794
Surplus (deficit) before taxation	408	9,283	21,137	(6,223)	31,470
Less taxation	(1,154)	(564)	(1,296)	(2,353)	4,897
Surplus (deficit) after taxation	1,562	9,847	22,433	(3,870)	26,573

Other comprehensive revenue and expense

Gain (loss) on property, plant and equipment revaluations	(1,882)	37,500	42,280	(1,882)	42,280
Gain (loss) on property, plant and equipment disposals	(500)	(667)	-	(500)	-
Gain (loss) on forestry land revaluations	-	-	-	2,874	4,734
Gain (loss) of comprehensive revenue in associates	-	-	-	2,101	(116)
Gain (loss) of cash flow hedges at fair value through other comprehensive revenue and expense	2,213	2,370	2,533	(17,645)	(23,158)
Gain (loss) on foreign exchange hedges	-	-	-	(32)	497
Gain (loss) on carbon credit revaluation	-	-	-	8,454	2,846
Income tax on other comprehensive income	-	-	-	(2,444)	(992)
Total other comprehensive revenue and expense	(169)	39,203	44,813	(9,074)	26,091
Total comprehensive revenue and expense	1,393	49,050	67,246	(12,944)	52,664

Surplus (deficit) attributable to:

Dunedin City Council and Group	1,562	9,847	22,433	(3,870)	26,607
Non-controlling interest	-	-	-	-	(34)

Total comprehensive revenue and expense attributable to:

Dunedin City Council and Group	1,393	49,050	67,246	(12,944)	52,698
Non-controlling interest	-	-	-	-	(34)

Dunedin City Council

Summary statement of changes in equity for the year ended 30 June 2020

	CORE COUNCIL			CONSOLIDATED	
	Actual 2020 \$000	Budget 2020 \$000	Actual 2019 \$000	Actual 2020 \$000	Actual 2019 \$000
Movements in equity					
Opening equity	3,120,186	3,111,216	3,052,940	3,329,799	3,277,135
Total comprehensive revenue and expense attributable to Dunedin City Council and Group	1,393	49,050	67,246	(12,944)	52,698
Total comprehensive revenue and expense attributable to non-controlling interest	-	-	-	-	(34)
Closing equity	3,121,579	3,160,266	3,120,186	3,316,855	3,329,799
Components of equity					
Accumulated funds	1,692,509	1,696,398	1,690,660	1,831,741	1,833,776
Reserves	1,429,070	1,463,868	1,429,526	1,485,114	1,496,023
Total equity	3,121,579	3,160,266	3,120,186	3,316,855	3,329,799

Dunedin City Council

Summary statement of financial position as at 30 June 2020

	CORE COUNCIL			CONSOLIDATED	
	Actual 2020 \$000	Budget 2020 \$000	Actual 2019 \$000	Actual 2020 \$000	Actual 2019 \$000
Current assets	47,234	29,455	41,094	141,703	105,787
Non-current assets	3,382,195	3,450,145	3,357,918	4,249,970	4,179,338
Total assets	3,429,429	3,479,600	3,399,012	4,391,673	4,285,125
Current liabilities	50,287	39,862	45,124	94,855	93,114
Non-current liabilities	257,563	279,472	233,702	979,963	862,212
Total liabilities	307,850	319,334	278,826	1,074,818	955,326
Equity attributable to Dunedin City Council and Group	3,121,579	3,160,266	3,120,186	3,316,855	3,329,287
Equity attributable to minority interest	-	-	-	-	512
Total equity	3,121,579	3,160,266	3,120,186	3,316,855	3,329,799
Total liabilities and equity	3,429,429	3,479,600	3,399,012	4,391,673	4,285,125

Dunedin City Council

Summary statement of cashflows for the year ended 30 June 2020

	CORE COUNCIL			CONSOLIDATED	
	Actual 2020 \$000	Budget 2020 \$000	Actual 2019 \$000	Actual 2020 \$000	Actual 2019 \$000
Net cash inflow (outflow) from operating activities	66,379	81,084	83,845	82,895	115,452
Net cash inflow (outflow) from investing activities	(87,922)	(124,331)	(95,930)	(142,616)	(165,542)
Net cash inflow (outflow) from financing activities	25,000	43,000	18,500	96,089	71,905
Net increase (decrease) in cash held	3,457	(247)	6,415	36,368	21,815
Opening cash and cash equivalents balance	11,905	6,664	5,490	29,348	7,533
Closing cash and cash equivalents balance	15,362	6,417	11,905	65,716	29,348

Notes to the summary financial statements

Statement of accounting policies

The summary financial statements presented are for the reporting entity Dunedin City Council (the Council) and the consolidated financial statements of the Group comprising Dunedin City Council and its subsidiary and associate companies; Dunedin City Holdings Limited and its subsidiary and associate companies.

The summary financial statements of the Council and group are for the year ended 30 June 2020.

The specific disclosures included in the summary financial statements have been extracted from the full financial statements. The full financial statements were authorised for issue by the Council on 14 December 2020 and have been audited, receiving an unmodified audit opinion, excluding the services and activities section.

The Council has designated itself and the Group as public benefit entities (PBEs). The full financial statements have been prepared in accordance with Tier 1 PBE accounting standards and generally accepted accounting practice in New Zealand (NZ GAAP), and make an explicit and unreserved statement of compliance with PBE accounting standards for the period presented in this summary annual report.

The information in this summary report has been prepared in accordance with PBE FRS 43: Summary Financial Statements.

Users of the summary financial report should note that the summary financial statements do not include all of the disclosures provided in the full financial statements and cannot be expected to provide as complete an understanding as provided by the full financial statements.

All amounts are shown in New Zealand dollars and are rounded to the nearest thousand dollars (\$000) unless otherwise stated.

The full Annual Report can be found on the Council website at www.dunedin.govt.nz. Users who do not have access to the website can request a printed version from the following address: Financial Controller, Dunedin City Council, PO Box 5045, Dunedin 9054.

The Council early adopted PBE IFRS 9 Financial Instruments last year to ensure consistency of

treatment with its non-PBE subsidiaries when they adopted IFRS 9 Financial Instruments. Under PBE IFRS 9, all financial assets and liabilities are measured at amortised cost, fair value through profit or loss, or fair value through OCI on the basis of the Group's business model for managing the financial instrument and contractual cash flow characteristics of the financial instrument. This new standard had minimal impact on Group reporting.

Capital commitments

The capital commitments of the Council were \$132.177 million (2019: \$67.459 million) and of the Group \$144.582 million (2019: \$111.242 million).

Contingencies

The Council has a contingent liability related to the equity investment in Golden Block Investments Limited of \$1.325 million. The Council has uncalled capital of \$975 million for Dunedin City Holdings Limited. The Group has contingent liabilities relating to performance bonds of \$898 thousand (2019: \$724 thousand).

Transactions with related parties

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the Council and group would have adopted in dealing with the party at arm's length in the same circumstances.

Related party disclosures have also not been made for transactions with entities within the Council group (such as funding and financing flows), where the transactions are consistent with the normal operating relationships between entities and are on/within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the Council and group would have adopted in dealing with the party at arm's length in the same circumstances.

Explanations of major variances against budget

Explanations for major variances from the Council's budget figures in its 2019/20 annual plan are as follows:

Statement of Comprehensive Revenue and Expense

Total operating revenue for the year was \$278.917 million or \$7.489 million lower than budgeted.

This shortfall was due to:

- reduced activity during lockdown, particularly impacting our public facing operations - Aquatics, Libraries, Art Gallery, Toitu, Olveston, and Visitors Centre;
- a decision to waive parking fees during the lockdown period through to 30 June. Parking revenue was also impacted by delays in implementing a new pricing structure at the start of the financial year;
- rent relief provided to some of the Council's commercial tenants over the lockdown period;
- lower grants revenue reflecting a lower level of subsidised roading capital expenditure; and
- lower commercial volumes through the Green Island Landfill for the year.

These unfavourable variances were partially offset by improved returns from the Waipori Fund, higher than expected non-cash vested assets, and an overall net gain in the fair value related to the investment property portfolio.

Total operating expenses for the year was \$278.509 million or \$1.386 million greater than budgeted. This variance was due to:

Personnel expenses were greater than budget due to additional staffing and staffing cost required to support the delivery of the 2GP and process a higher than expected volume of building consents. The variance also reflected ongoing recruitment of staff into the higher salary grades and a reduction in annual leave taken across the organisation due to the nationwide lockdown resulting in a higher than expected accrued leave as at 30 June 2020.

Depreciation and amortisation expenditure was \$4.113 million greater than budget due to the impact of asset revaluations, in particular that relating to the 3 Waters assets.

These unfavourable variances were partially offset by:

Other expenses were \$3.132 million lower than budget including reduced maintenance activity across the organisation during the period of lockdown. Savings were also achieved in some areas due to improved management of unscheduled work, and more work being capital in nature resulting in a saving in operational maintenance expenditure.

Financial expenses were lower than budget due to a lower level of debt and favourable floating interest rate.

Statement of Financial Position

The term loan balance as at 30 June 2020 was \$243.973 million or \$24.500 million less than budget. This difference was driven by lower than expected capital expenditure for the year as evidenced in the statement of cashflows - see comment below regarding investing activities.

Statement of Cashflows

Net cash inflow from operations was less than budget driven by the revenue and expense variances discussed above.

Net cash outflow from investing activities was less than budget driven by the impact of the lockdown along with delays while some projects are scoped and design work completed.

COVID-19

On 11 March 2020 the World Health Organisation declared the outbreak of COVID-19, a pandemic. Travel restrictions were introduced on 14 March. On 26 March, New Zealand increased its COVID-19 alert to level 4 and a nationwide lockdown commenced. The country moved to level 3 on 27 April, level 2 on 13 May, and eventually returned to level 1 on 8 June 2020.

Disclosures relating to the currently known impacts of COVID-19 have been made in the relevant areas of the full Annual Report. The impact on services provided by the Council and how service performance has been affected have been disclosed throughout Section 2 where relevant. In Section 1, the Mayor and Chief Executive introductions refer to the impacts of COVID-19, with the Overview of Financial Results and Outlook sections talking more specifically about the financial impacts for the Council. Further explanations about the financial impacts are provided in Note 28 Investment property and Note 38 Explanations of major variances against budget.

The pandemic had a varying effect on other individual members of the Group but overall the Group was not significantly effected by the pandemic. As discussed in Note 6 of the full Annual Report, some entities within the Group met the criteria to receive the COVID-19 wage subsidy.

As an “essential service” provider, the Group’s most largest entity, Aurora Energy Limited, continued to operate during lockdown restrictions and COVID-19 did not have a material impact on the entity. The Group’s banker, Dunedin City Treasury Limited, also continued to operate as normal, maintained compliance with all Treasury Risk Management Policy requirements, and ensured funding was made available to the Group.

Lockdown restrictions impacted the results of most other Group entities. Key Group entities, City Forests Limited and Delta Utility Services Limited’s financial results were reduced due to not being able to operate at full potential during the last quarter of the year.

International travel restrictions significantly affected the performance of the Group’s aviation and tourism related businesses. Unfortunately, the effect on Dunedin Railways was so significant that the company has been put into hibernation from 1 July 2020 and its assets impaired (refer to Note 7 and 27 of the full Annual Report), to allow time for alternative operating models to be considered. A final report on the future options is planned to be provided to Dunedin City Council in early 2021.

During November 2020 it was announced that limited rail services will operate using the assets of Dunedin Railways: the Trains Not Planes promotion, from 20 December 2020 to 31 March 2021.

Events after balance date

Aurora Energy has recently made a Customised Price-Quality Path (CPP) application to the Commerce Commission. On 12 November 2020 the Commerce Commission released their draft determination for consultation. The draft determination proposes Aurora Energy be allowed to recover a maximum capital and operational spend of \$523 million over five years; a reduction of \$86 million (14%) of the spend Aurora Energy applied for. The draft determination is subject to further consultation, submissions and cross submissions. The Commerce Commission will issue its final decision on the CPP application by 31 March 2021.

Independent Auditor's report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of the Dunedin City Council's summary of the annual report for the year ended 30 June 2020

The summary of the annual report was derived from the annual report of Dunedin City Council (the city council) for the year ended 30 June 2020.

The summary of the annual report comprises the following summary statements of the city council and group on pages 6 to 7 and pages 11 to 16:

- The summary statement of financial position as at 30 June 2020.
- The summaries of the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended 30 June 2020.
- The notes to the summary financial statements that include accounting policies and other explanatory information.
- The summary of the activities and services section (referred to as "How we did" in the summary annual report).

Opinion

In our opinion:

- the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with PBE FRS-43: Summary Financial Statements.

However, the summary of the activities and services section includes a limitation in scope to the equivalent extent as the full audited services and activities section. This limitation is explained below in The full annual report and our audit report thereon section.

Summary of the annual report

The summary of the annual report does not contain all the disclosures required by generally accepted accounting practice in New Zealand. Reading the summary of the annual report and the auditor's report thereon, therefore, is not a substitute for reading the full annual report and the auditor's report thereon.

The summary of the annual report does not reflect the effects of events that occurred subsequent to the date of our auditor's report on the full annual report.

The full annual report and our audit report thereon

We expressed a qualified opinion on the services and activities section and an unmodified opinion on the other audited information in the full annual report for the year ended 30 June 2020 in our auditor's report dated 14 December 2020. The basis for our qualified opinion on services and activities section is explained below.

The city council is required to report against the performance measures set out in the Non-Financial Performance Measure Rules 2013 (the rules) made by the Secretary for Local Government. These mandatory performance measures include the total number of complaints received about the following:

- Drinking water clarity, taste, odour, pressure or flow, continuity of supply, and the city council's response to any of these issues.
- Sewage odour, sewerage system faults and blockages, and the city council's response to issues with the sewerage system.
- The performance of the stormwater system.

These measures are important because the number of complaints is indicative of the quality of services received by ratepayers.

The Department of Internal Affairs has issued guidance to assist local authorities in applying the rules, including on how to count complaints. Our audit testing found that the city council has not been counting complaints in accordance with this guidance and that the city council's method of counting was likely to have understated the actual number of complaints received both in the current year and in the comparative year to 30 June 2019. Complete records for all complaints made to the city council were not available and we were unable to determine whether the city council's reported results for these performance measures were materially correct.

We also found that the city council's system for classifying complaints between the above performance measures is deficient and we are unable to determine whether this deficiency results in a material misstatement of the number of complaints reported per performance measure.

As a result, our work was limited and there were no practicable audit procedures we could apply to obtain assurance over the number of complaints reported against these performance measures.

Our auditor's report on the full annual report also includes an emphasis of matter paragraph drawing attention to the disclosures about the impact of Covid-19 on the city council as set out in the full annual report in notes 38 and 39 to the financial statements and pages 27, 37, 40 to 41, 45 to 47, 50, 52, 56, 58 to 59, 62 of the services and activities section. We drew specific attention to the following matters due to the significant level of uncertainty caused by Covid-19:

- **Key assumptions used in the impairment assessment for the electricity network**

Note 27 on page 111 of the financial statements describes the key assumptions applied by Aurora Energy Limited (Aurora Energy) in performing the impairment test of the electricity network assets at 30 June 2020. This includes the very high sensitivity of Aurora Energy's impairment model to changes in the discount rate and that the value of the network assets is fundamentally linked to Aurora Energy's ability to operate within the future expenditure allowances, with final approval yet to be made by the Commerce Commission.

- **Investment property**

Note 28 on page 115 of the financial statements describes the significant uncertainties highlighted by the valuer, related to estimating the fair values of the city council and group's investment property.

Council's responsibility for the summary of the annual report

The council is responsible for preparing the summary of the annual report which includes preparing summary statements, in accordance with PBE FRS-43: Summary Financial Statements.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the full annual report and whether the summary statements comply with PBE FRS 43: Summary Financial Statements.

Our opinion on the summary of the annual report is based on our procedures, which were carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

For the year ended 30 June 2020 and subsequently, the independent chair of the city council's audit and risk committee is a member of the Auditor-General's audit and risk committee. The Auditor-General's audit and risk committee is regulated by a charter that specifies that it provides independent advice to the Auditor-General and does not assume any management functions. There are appropriate safeguards in place to reduce any threat to auditor independence, as the member of the Auditor-General's audit and risk committee has no involvement in, or influence over, the audit of the city council and group.

In addition to our audit and our report on the disclosure requirements, we have performed other regulatory and legally required engagements for the city council and group that are compatible with those independence requirements.

Other than in our capacity as auditor, and the relationship with the Auditor-General's audit and risk committee, we have no relationship with, or interests in, the city council or any of its subsidiaries and controlled entities.

A handwritten signature in black ink, reading "Julian Tan". The signature is written in a cursive, flowing style. The first name "Julian" is written in a larger, more prominent script, and the last name "Tan" is written in a slightly smaller, more compact script. The signature is positioned on a light-colored, textured background.

Julian Tan

Audit New Zealand

On behalf of the Auditor-General

Dunedin, New Zealand

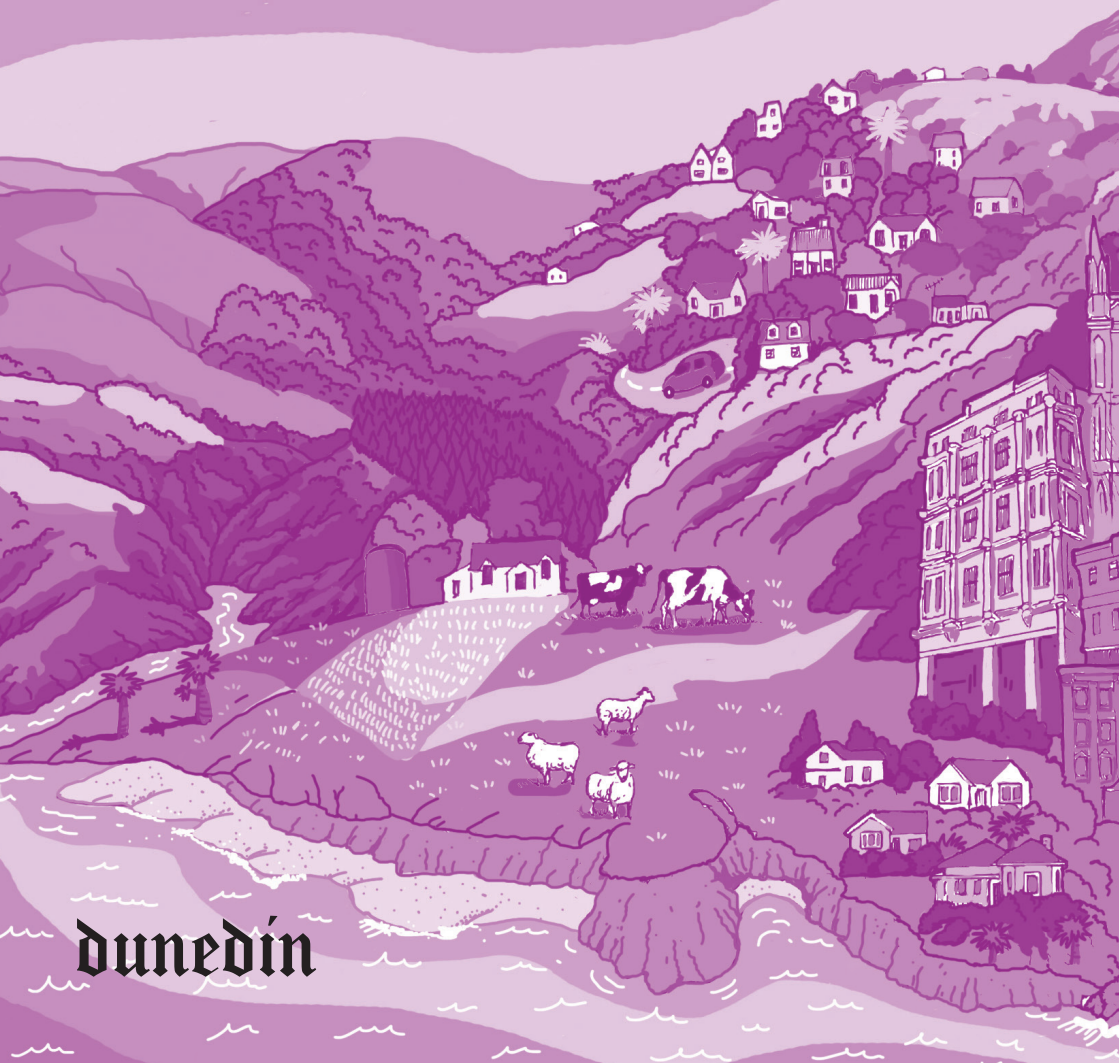
18 December 2020

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