

SECTION 1:

Organisation and Financial Management Report



Introduction from Mayor



Dave Cull, Mayor of Dunedin

Thank you for your interest in the Dunedin City Council's Annual Report for 2016/17, which provides an opportunity to reflect on the achievements and challenges of the past 12 months.

The local body elections in October 2016 brought six new Councillors onto Council, creating a great mix of talent, experience and diversity. The new Council has settled in very quickly to continue Dunedin on its path of becoming one of the world's great small cities.

And there are many signs of confidence and economic development across the city indicating we are on the right track.

The 2016 Quality of Life survey results confirmed Dunedin residents believe their city is a great place to live. The survey found 88% of Dunedin residents rated their overall quality of life as 'extremely good' or 'good', compared to 81% across six other New Zealand cities, including Christchurch, Wellington, Hamilton and Auckland. This is the first time Dunedin has topped this measure since the survey began in 2003.

Local building consent data suggests Dunedin is experiencing a building boom with many major construction projects underway. In 2016, the Council processed a total of 2717 building consents – 18% more than in 2015 and the highest number in the past six years. The value of these consents totalled \$402.5 million – more than twice the average value of the past five years. Construction on this scale generates jobs and work for contractors and suppliers. The fact that some of this growth is new housing shows people are moving to the city.

Indeed, latest statistics show our population grew by about 1027 people in the year to June 2017, employment grew 1% in the year to March 2016, and GDP grew 2.4% in the year to June 2017.

Our city's increased outward-looking focus and ever-strengthening international relationships are also bringing substantial economic, as well as cultural, benefits.

In May, I signed a Friendship City agreement with the southern Chinese city of Qingyuan. This agreement builds on existing cooperation between Dunedin and Qingyuan in the areas of education, tourism and business.

In China, I also opened the Anything Could Happen exhibition at the prestigious Yu Gallery in Shanghai. The exhibition featured art and fashion inspired by Dunedin. Yu Gallery is part of the Yu Gardens which are more than 400 years old and attract six million people each year.

The good news continued in May, with the Tourism Industry Association's announcement that it had selected Dunedin to host TRENZ 2018 – New Zealand's biggest annual international tourism showcase. Being selected as the host city highlights Dunedin's ability to successfully deliver large business events and solidifies our position as one of the country's top business events destinations.

Our status as a UNESCO City of Literature also continues to emphasise our creative strengths to the world, including at the iconic Bologna Children's Book Fair in April. Dunedin won a complimentary stand at the Fair, which generated significant interest in both our city's designation and our wealth of wonderful children's authors and illustrators.

As is noted in the Chief Executive's introduction, good progress was also made during the year on improvements to DCC infrastructure.

Of course, 2016/17 was not without its challenges.

In March, Mondelēz International confirmed it will be ending its Dunedin Cadbury factory operations in early 2018, resulting in over 300 job losses. This was devastating news for the workers affected and will be detrimental for the city's economy and the Dunedin community. I am proud, however, of the city's response in pulling together to support those in their time of need.

Along with the Otago Regional Council, we also continued to monitor and prepare for another major challenge now and into the future – climate change and sea level rise. We are gathering enough information to understand what changes are underway, so that we are well prepared to take action if sea level rise causes the groundwater in South Dunedin to rise in the coming decades.

Overall, another solid year of progress as the Council continues to successfully balance reducing debt and keeping rates increases to a modest level, while still making strategic investments that enhance and improve the city.

Introduction from the Chief Executive Officer



Sue Bidrose, Chief Executive

We are pleased to present the 2016/17 Annual Report. It shows that the Council continues to reduce debt while maintaining core services and investing in initiatives to support a vibrant, attractive city. This all contributes to our vision, that Dunedin is one of the world's great small cities.

The Council continued its commitment to keep rates affordable for our ratepayers, ensuring the rates increase for the year would be no more than 3%. The final Annual Plan budgets for 2016/17 resulted in an overall rates increase of 2.97%.

During the year, there were delays to several major projects including the Peninsula road widening, LED street lighting and the Ross Creek reservoir refurbishment while scoping and design work was completed. These delays have contributed to Council debt being around \$17 million less than budget. However, at \$202m, debt is still significantly lower than the \$248m forecast in the 2015 Long Term Plan and well under the target of \$230m by 2021. The projects mentioned above are now either underway or scheduled to start in 2017/18.

Lower than expected debt servicing costs and savings from the previous year allowed us to fund some additional work in the 2016/17 Annual Plan without needing extra rates funding. This included work on initiatives like GigCity, City of Literature and implementing parts of the environment strategy. We accelerated work on planning how we will respond to challenges of more extreme rainfall events and high ground water in some areas, as sea levels rise. We also investigated coastal erosion protection options, particularly for Ocean Beach, including the St Clair seawall.

Maintaining quality infrastructure continues to be important core work as our city is of an age that requires renewals and upgrades. One milestone event was completing the upgrade of the Outram water plant in October 2016. This was the last piece of work in a 21 year programme of upgrades costing more than \$100 million.

The stormwater network is now better placed to deal with high stormwater flows after the cleaning of the entire mud tank network was completed and a new pumping station screen was installed at the Portobello Road pumping station.

You may notice more creativity in infrastructure soon, as the Council has adopted a policy to consider embedding art and creativity when planning infrastructure projects.

We have been planning improvements to the safety and accessibility of our transport network, both with the Portobello/Harington Point Road improvements and, alongside the New Zealand Transport Agency, with a separated cycleway along the State Highway 1 one-way systems through the city.

Looking ahead, we will continue to look for the balance between renewing and maintaining our infrastructure for current and future needs while also ensuring Dunedin has what it takes to be one of the world's great small cities.

There have been good gains last year towards achieving our vision and strategic priorities and whether you live, work or study in Dunedin you have played your part. Thank you.

Members of Council

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Mobile: 027 434 6917

Chris Staynes (Deputy Mayor)

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David Benson-Pope

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Rachel Elder

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Christine Garey

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Doug Hall

Mobile: 027 432 0023

Aaron Hawkins

Mobile: 022 100 6634

Marie Laufiso

Mobile: 021 532 396

Mike Lord

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Damian Newell

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Conrad Stedman

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Home: 03 467 5272

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Andrew Whiley

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Community Board Members

West Harbour	Mosgiel/Taieri	Otago Peninsula	Saddle Hill	Strath Taieri	Waikouaiti Coast
Steve Walker (Chair) M: 027 850 5603	Sarah Nitis (Chair) H: 484 7632 M: 027 5433 903	Paul Pope (Chair) H: 03 478 0630 M: 027 466 8446	Scott Weatherall (Chair) H: 481 1766 M: 027 440 4700	Barry Williams (Chair) H: 464 3718 M: 027 486 6433	Alasdair Morrison (Chair) H: 482 2505 M: 027 435 4384
Trevor Johnson (Deputy Chair) H: 03 471 0632 M: 027 284 8611	Joy Davis (Deputy Chair) H: 03 489 0611 M: 027 476 6047	Hoani Langsbury (Deputy Chair) H: 478 0906 W: 478 0352 M: 027 430 6025	Leanne Stenhouse (Deputy Chair) H: 481 1400 M: 021 117 5195	Joan Wilson H: 464 3473 M: 027 454 3620	Geraldine Tait H: 482 2517 M: 021 217 5492
Ange McErlane H: 472 7873 M: 0274 380 601	Martin Dillon H: 489 5277 M: 027 433 7800	Lox Kellas H: 478 0209 M: 021 191 5103	Christina McBratney M: 021 269 6170	Bevan Dowling H: 03 444 4745	Mark Brown H: 482 2833 W: 482 2011
Jan Tucker H: 03 472 7463 M: 027 140 8890	Philippa Bain H: 03 489 7636 M: 027 545 3193	Christine Neill H: 478 0878 M: 027 223 4824	Keith McFadyen H: 481 1333 M: 027 444 8913	David (Jock) Frew H: 03 464 3876 M: 027 820 1923	Richard Russell H: 465 7663 M: 021 444 421
Ryan Jones M: 022 432 1346	Maurice Prendergast H: 489 8612 M: 027 434 5545	Graham McArthur H: 03 478 1214	Paul Weir M: 021 039 4260	Jacinta Stevenson M: 027 322 1152	Rose Stringer-Wright H: 03 465 8447 M: 021 0274 5922
Francisca Griffin H: 03 482 8483 M: 027 483 4707	Dean McAlwee H: 03 486 2001 M: 027 272 6132	Edna Stevenson M: 027 478 0543	Peter Gouverneur H: 03 488 2398 M: 027 683 8853	Norma Emerson M: 021 064 9355	Mandy Mayhem-Bullock H: 03 425 0445 M: 021 919 555
Cr Aaron Hawkins M: 022 100 6634	Cr Mike Lord M: 027 438 2097	Cr Andrew Whiley M: 027 465 3222	Cr Conrad Stedman M: 021 311 551	Cr Christine Garey M: 027 447 8876	Cr Jim O'Malley M: 021 525 547

Overview of Financial Results for the Year Ending 30 June 2017

Council Financial Statistics

	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000
Rates	134,186	130,315	125,394	121,828	116,899	111,938
Dunedin City Holdings Limited	5,902	5,902	10,450	10,450	10,450	17,950
Crown subsidies and grants	17,572	15,536	20,971	15,744	15,071	20,026
Vested assets	10,006	8,968	543	2,225	912	3,285
Other revenue including unrealised gains and capital receipts	70,567	67,213	69,290	65,906	65,831	89,809
Total revenue	238,233	227,934	226,648	216,153	209,163	243,008
Staff expense	53,536	49,728	48,300	46,347	45,623	45,907
Operational expense	109,123	97,327	102,956	94,399	94,231	91,321
Fair value losses	88	1,092	7,951	591	694	2,042
Interest expense	13,705	16,074	15,283	16,205	10,605	18,950
Depreciation expense	61,327	56,447	53,248	52,157	49,717	51,733
Total expenditure	237,779	220,668	227,738	209,699	200,870	209,953
Operating surplus/(deficit) before taxation	454	7,266	(1,090)	6,454	8,293	33,055
Cash flow position						
Cash flows from operating activities	47,635	50,890	63,912	53,515	57,961	72,233
Cash flows from investing activities including capital	(31,820)	(31,126)	(78,462)	(44,986)	(79,303)	40,544
Cash flows from financing activities including debt raising	(14,023)	(22,515)	18,906	(8,486)	9,233	(106,975)
Interest						
Interest expense	13,705	16,074	15,283	16,205	10,605	18,950
Capitalised interest	-	-	-	5,310	4,162	10,569
Total interest	13,705	16,074	15,283	21,515	14,767	29,519
Financial position						
Total assets	3,185,464	3,007,089	3,006,131	3,081,279	3,096,759	3,048,941
Term loans	202,419	216,073	238,589	219,683	224,870	215,558
Council funds	2,933,438	2,737,212	2,709,755	2,811,509	2,809,293	2,763,575
Rates as a percentage of total revenue	56.33%	57.17%	55.33%	56.36%	55.89%	46.06%
Interest as % of operating revenue	5.75%	7.05%	6.74%	9.95%	7.06%	12.15%
Interest as % of rates	10.21%	12.33%	12.19%	17.66%	12.63%	26.37%
Number of time that operating cash flow pays the interest expense	3.5	3.2	4.2	2.5	3.9	2.4
Number of time rates pays the interest expense	9.8	8.1	8.2	5.7	7.9	3.8
Net debt as % of total revenue	85%	95%	105%	102%	108%	89%
Net debt as % of rates	151%	166%	190%	180%	192%	193%

Notes

1. The 2017 results reflect the increasing costs of delivering core services, and increasing depreciation costs associated with the revaluation of infrastructure assets.
2. The 2016 results reflect the non-cash vesting of roading and water and waste assets from developments completed in the current financial year.
3. The 2015 results reflect the non-cash writedown of investments including commercial rental properties and shares held in Dunedin Venues Management Limited.
4. The 2014 results reflect an increase in interest expense where that interest had been previously capitalised to a development project.
5. 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.
6. 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.

Overview of Financial Results

The Council operating result for 2017 was characterised by increased expenditure to deliver core services, higher depreciation charges resulting from the revaluation of infrastructure assets, and lower grants revenue reflecting delayed capital expenditure projects.

These variances were partially offset by the non-cash vesting of roading and water and waste assets, and lower interest costs due to a lower level of borrowing.

Capital expenditure for the year was lower than expected reflecting delays in a number of key projects including the Peninsula widening work.

The term loan balance as at 30 June 2017 was \$202.419 million or \$16.956 million less than budget. This difference was driven by higher than expected repayments during the year resulting from lower than expected cash outlay for capital expenditure.

Outlook

The Council's current financial strategy provides guidance as we seek to balance the competing tensions of affordability, maintaining 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.

There will be a number of challenges as Council embarks on development on its next long term plan 2018/19 – 2028/29.

These include ensuring affordable rate increases, while delivering existing levels of service in an environment of increasing costs; delivery on the aspirations set out in the Council's key strategies; and investment for the future in new and/or enhanced facilities and infrastructure.

Consolidated Financial Statistics

	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000
Financial Position						
Consolidated total assets	3,913,515	3,683,375	3,640,829	3,747,437	3,750,195	3,697,182
Consolidated term loans	573,029	580,515	593,574	610,445	622,843	616,382
Consolidated Council funds	3,135,143	2,906,991	2,861,651	2,957,449	2,946,276	2,885,684
Consolidated term loans as % of consolidated total assets	15%	16%	16%	16%	17%	17%

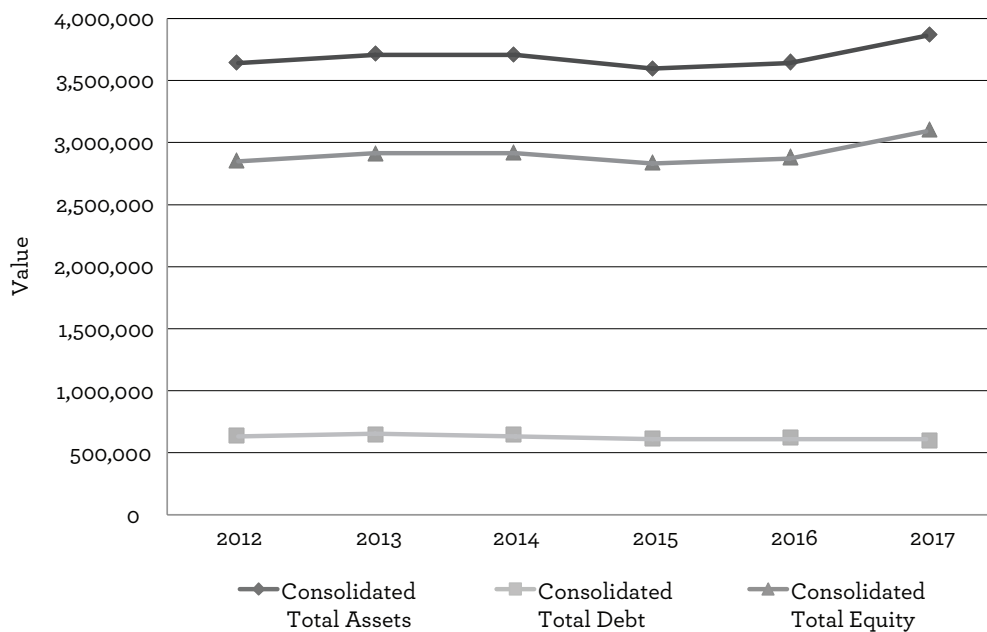
Issuer Credit Rating

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:	15/12/16	16/12/15	8/12/14	10/12/13	28/11/12	15/12/10
Rating:	AA/Stable/A-1+	AA/Stable/A-1+	AA/Stable/A-1+	AA/Stable/A-1+	AA/Neg/A-1+	AA/Stable/A-1+

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



Overview of Community Outcomes

The community outcomes outline the sort of city residents want to live, study and work in, now and in the future. The outcomes drive the Dunedin City Council's planning and priorities.

The community outcomes outlined in this report were developed in consultation with residents in a process started about a decade ago. In 2010, work began to refresh the city's vision and review the community outcomes, under a programme called 'Your City Our Future'. Revised community outcomes were reported against for the first time in the 2012/13 Annual Report.

This work also informed the development of an overarching strategic framework for Dunedin (see diagram below) which guides the Council's decision-making. The Council's goal is 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 delivering on the strategic objectives set out in the framework.

Dunedin's Strategic Framework:



While work is currently underway for the community outcomes in the next Long Term Plan (LTP) 2018/19-2027/28 to be the strategic objectives, this Annual Report is based on the outcomes adopted in 2015/16. The Local Government Act 2002 requires councils to report in their annual reports on the progress made towards achieving community outcomes. Detailed results for outcome indicators measured in the 2016/17 year can be found in the appendix to this document.

Highlights of the projects and activities undertaken in the 2016/17 financial year in each of the outcome areas are set out below.

A thriving and diverse economy

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

- Work continues with key stakeholders to market the city as a centre of academic and research excellence and to secure international conferences.
- For the first time in TRENZ's (New Zealand's premier international travel trade and media event) 60-year history, the Council has successfully negotiated the hosting of TRENZ 2018. TRENZ will contribute an estimated \$10 million in direct and indirect value for the city. Also, in partnership with the University of Otago, the Council was successful in seven international conferences bids for the city at an estimated value of \$6.2 million.
- New friendship city agreements with Chinese cities, Qingdao and Qingyuan, have helped facilitate growth for Dunedin in study tourism during 2016/2017. Project China's contribution to the Shanghai Science and Technology Centre (SSTC) agreement resulted in a financial contribution gifted to the New Zealand Non-Communicable Disease (NCD) Research Centre at the University of Otago.
- In November 2016, the ICT graduate school (Signal) was launched in Dunedin. This school was developed in conjunction with wider South Island university consortia and intends to deliver graduates who are ready for work and supporting industries to develop more easily.

A connected community

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

- Nationally and internationally, marketing campaigns during spring 2016 and autumn and winter 2017 targeted the Auckland, Wellington and Brisbane visitor markets aiming to increase awareness of and engagement in Dunedin.
- Air New Zealand increased jet services from Auckland and Wellington by more than 100,000 seats. Joint venture marketing campaigns contributed to maintaining passenger numbers on these new and existing services. The estimated value of the tourism sector has increased 6% for the year ended June 2017. This is equal to the national average growth and is worth an estimated \$707 million to Dunedin.
- Work is well underway for road safety improvements along Portobello and Harington Point Roads on the peninsula, as well as for connecting central city cycleways between the city and the harbour.
- Dunedin continues to lead the country with broadband speeds more than three times that of the next fastest centre. The free GigCity Wi-Fi hotspot rollout continued to be developed in 11 city locations. The GigCity Living Hub opened in December 2016 showcasing gigabit technologies and allowing the community and visitors to the city to experience the technology first hand. Gig City and Chorus provided \$165,000 to community organisations and \$100,000 was given to 11 local Dunedin start-ups.

A safe and healthy city

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

- Maintaining quality infrastructure continues to be important core work as the city is of an age that requires renewals and upgrades. One milestone event was completing the upgrade of the Outram water plant in October 2016. This was the last piece of work in a 21-year programme of upgrades costing more than \$100 million.
- The stormwater network is also better placed to deal with high stormwater flows after the cleaning of the entire mud tank network was completed and a new pumping station screen was installed at the Portobello Road pumping station. The water Dunedin is now drinking is among the best in the country.
- A new central city recycling programme provides a better service for cardboard collection. It establishes back of house collection services and safe kerbside collection points. A recycling drop-off facility was also established in Moray Place. This is the first of two facilities with another planned in Vogel Street in the 2017/18 year.
- To adapt to climate change, and following the June 2015 flood, the Council has introduced new minimum floor levels mainly for residential buildings, including new homes, house extensions and rest homes, across low lying parts of the city including South Dunedin, the Taieri Plain, Brighton, Tomahawk and parts of Kaikorai Valley.

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.

- Hundreds of people had their say during hearings for Dunedin's new District Plan. The District Plan controls what people can do on their land and how it can be developed. Its main goal is to sustainably manage the city's natural and physical resources to meet the needs of current and future generations. The review, which began in 2012, produced a Proposed Second Generation Dunedin City District Plan - the 2GP. Hearings began at the start of the 2016/17 year. There have been 25 hearings, around 1500 submissions and more than 900 people have spoken to their submission. It is expected that decisions will be released by the end of 2017, with the 2GP coming into effect in a staged way.
- Nearly \$500,000 worth of work to the city's heritage buildings was funded in 2016-17 through the Dunedin Heritage Fund, the Central City Heritage Re-use Grant Scheme and the contestable fund for rates relief. The largest grant of \$100,000 from the Dunedin Heritage Fund assisted with financing a replacement roof on the Category I Listed former St Dominic's Priory. Work has now begun to make the building watertight and weatherproof after it spent over a decade vacant.
- In the Warehouse Precinct, work on the Jetty Street pedestrianisation started with construction due to be complete by October 2017. With more people moving into the area to live and work, the design will provide an attractive spot for people to relax in the heart of the Warehouse Precinct. Design themes are in keeping with the area's history as a jetty and many of the materials for the site are recycled.

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.

Delivery on the strategic objectives of Te Ao Turoa, Dunedin's Environment Strategy, began in 2016/17. Key initiatives included:

- Working together to manage pests: The Council signed a Memorandum of Understanding with Predator Free Dunedin along with 18 other city partners. This initiative aims to develop and take action against predators at a landscape scale. The Council committed \$25,000 as a partner to support this work. Other pest management work includes: new guidelines for pest and ecological contracts on the Council's parks and reserves in place from 1 July 2017; approval of an OSPRI's 1080 pest control operation on Council land in the Silverstream catchment area (while this operation targets possums, it is also expected to reduce the number of rats and other predators and will benefit native bird species and biodiversity in the area); the continued Sycamore Removal Trial along a section of the West Harbour Cycleway; and non-toxic herbicides for weed control being trialled at Marlow Park playground in St Kilda, with another trial planned at the proposed 'pocket park' in the old Carisbrook Stadium site later this year.
- Following a central government initiative to reduce risks to people, livestock and wildlife, free de-sexing for menacing dog breeds and dogs classified as high-risk was offered to dog owners until 30 June 2017. Funding for this initiative was provided by the Department of Internal Affairs and has been extended for the next financial year.

A supportive community

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

- To support the South Dunedin community work is underway to set up a temporary hub in Hillside Road. This will include space for community activities, meeting areas as well as library activities. It will provide access to Gig wifi and be used as a Council service centre. The community will be invited to have their say on what they would like to see in a permanent hub.
- Task Force Green and the Community Volunteer Scheme once again supported a number of individuals to find employment. These schemes also do invaluable work in the community. Projects that have benefited from their work during the year include: predator trapping at Okia Reserve for penguin protection with the Yellow Eyed Penguin Trust; installing adult exercise equipment along the West Harbour recreation trail for Dunedin Rotary; graffiti removal with Keep Dunedin Beautiful; and working with peninsula protection group, STOP, on gorse and noxious weed removal on the peninsula.
- Support continues for the network which co-ordinates work on resettling refugees in the city. The Dunedin Refugee Steering Group was formed during the year to oversee this work.

A vibrant and creative city

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

The highlights involved continued delivery on Ara Toi Otepoti – Our Creative Future (Dunedin’s Arts and Culture Strategy) which included:

- The development of a new public art framework for community engagement.
- The adoption of an art and creativity in infrastructure policy aimed at embedding a creative perspective into city infrastructure projects.
- The Urban Dream Brokerage franchise supported 11 projects to reduce vacant space in Dunedin’s CBD and shifted the use of these spaces towards innovative public interaction.
- A China Film Festival was held in March that provided significant exposure to film-related businesses in the city including Natural History New Zealand (NHNZ), Animation Research Limited (ARL) and Chinese film companies.
- The Council facilitated “Anything Could Happen”, an exhibition at the Yu Gardens (Huangpu District), Shanghai with 74 pieces by 33 Dunedin artists and designers. It attracted over 40,000 visitors.

A city of learning

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

- The Study Dunedin programme continued to support the international student market. Work included promoting the city in Bangkok, Hong Kong and Southern China with representatives from the University of Otago and the Polytechnic. Pre-arrival guides and web information were created to promote the city to prospective students and families. These are expected to be launched in the first quarter of the 2017/18 year. The work ready programme continued to be developed and highlighted as an exemplar by Education New Zealand. Over 124 company representatives engage with the programme which also includes 22 nationalities. Study Dunedin also hosted international education agents from South America, Japan and China in addition to international education journalists.
- Opportunities continue with the Dunedin UNESCO City of Literature status. The Dunedin UNESCO City of Literature competed against 116 other Creative Cities and won a stand at the iconic Bologna Children’s Book Fair in April. The launch of a City of Literature doctoral scholarship was also announced by the University of Otago and the Council in January.

An active city

Dunedin’s people lead active healthy and enjoyable lifestyles.

- There are more opportunities now for volunteers who want to be active as well as help conserve the trails in and around Dunedin. The Trail Crew programme, aimed at enhancing and maintaining trails whilst also providing volunteer experiences for people looking to explore new places, learn new skills, meet people and give something back, was launched in May 2017 by the Council and the Department of Conservation.
- The draft Parks and Recreation Strategy was consulted on during the year, feedback analysed and revised draft prepared for adoption. More than 100 submissions from members of the public and stakeholder organisations were received.
- There was also public consultation on the management of our reserves and beaches which has resulted in the Beaches and Reserves bylaw. This regulates activities on beaches and reserves.

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.

- The Council is working to deliver on its commitment to the international Compact of Mayors. The Compact of Mayors was launched in 2014 to support local government in setting ambitious climate reduction goals, taking ambitious action to meet those objectives and measuring their progress publicly and transparently. As a Compact of Mayors signatory, the Council has now measured and reported on a citywide greenhouse gas inventory for Dunedin, and identified risks and vulnerabilities arising from climate change. The Council has also begun consulting on potential city-wide carbon reduction targets for Dunedin.
- As part of the Energy Plan 1.0, the Dark Skies Advisory Panel provided recommendations towards making Dunedin a 'night sky city' including the transition of the city's streetlights to LED.
- Another early action of the Energy Plan has been progressed and is exploiting the potential for use of electric vehicles (EV) in the city in partnership with other institutions. The Council has resolved to include 20 EVs in the Council fleet within five years, and supported the installation of a new public EV charging station.
- The Council also provided financial support to the Cosy Homes Trust for their work to improve home insulation and heating outcomes for the city, and has also supported a Waitati-based smart grid marketplace trial.
- Work to explore the feasibility of using thermal energy from the city's wastewater pipes to heat larger commercial or government buildings has been completed, and opportunities to realise these will be discussed with key city stakeholders as part of the Energy Leaders Accord early in the 2017/18 year.

Update on Māori Participation Working Party

Background

A Memorandum of Understanding between the 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 (Te Roopu). This includes representatives from councils in the Otago region, and all Papatipu Rūnanga. 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.

2016/17 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 2016/17.

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 DCC staff 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 2017 fairly reflect the financial position and operations of the Dunedin City Council.



Dave Cull, Mayor of Dunedin



Sue Bidrose, Chief Executive

Independent Auditor's Report

To the readers of Dunedin City Council and group's annual report for the year ended 30 June 2017

The Auditor-General is the auditor of Dunedin City Council (the City Council) and its subsidiaries and controlled entities (the group). The Auditor-General has appointed me, Julian Tan, using the staff and resources of Audit New Zealand, to report on the information in the City Council's annual report that we are required to audit under the Local Government Act 2002 (the Act). We refer to this information as "the audited information" in our report.

We are also required to report on:

- whether the City Council and group have complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- the completeness and accuracy of the City Council and group's disclosures about their performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

We refer to this information as "the disclosure requirements" in our report.

We completed our work on 31 October 2017. This is the date on which we give our report.

Opinion on the audited information

In our opinion:

- the financial statements on pages 98 to 155:
 - » present fairly, in all material respects:
 - the City Council and group's financial position as at 30 June 2017;
 - the results of the operations and cash flows for the year ended on that date; and
 - » comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Reporting Standards;
- the funding impact statement on page 104, 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's annual plan;
- the statement of service performance on pages 22 to 96:
 - » presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2017, 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; and
- the statement about capital expenditure for each group of activities on pages 22 to 96, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the City Council's Long-term plan; and
- the funding impact statement for each group of activities on pages 22 to 96, 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's long term plan.

Report on the disclosure requirements

We report that the City Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 174 to 177, which represent a complete list of required disclosures and accurately reflects the information drawn from the City Council and group's audited information and, where applicable, the City Council's long term plan and annual plans.

Basis for opinion on the audited information

We carried out our audit 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. We describe our responsibilities under those standards further in the "Responsibilities of the auditor for the audited information" section of this report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the audited information.

Responsibilities of the Council for the audited information

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 enable it to prepare the information we audit that is free from material misstatement, whether due to fraud or error.

In preparing the information we audit the Council is responsible for assessing the City Council and group's ability to continue as a going concern. The Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to amalgamate or cease all of the functions of the City Council and the group or there is no realistic alternative but to do so.

Responsibilities of the auditor for the audited information

Our objectives are to obtain reasonable assurance about whether the audited information, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of this audited information.

For the budget information reported in the audited information, our procedures were limited to checking that the budget information agreed to the City Council's annual plan.

We did not evaluate the security and controls over the electronic publication of the audited information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit 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.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- We determine the appropriateness of the reported intended levels of service in the statement of service performance, as a reasonable basis for assessing the levels of service achieved and reported by the City Council.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the City Council and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the audited information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the City Council and the group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the audited information, including the disclosures, and whether the audited information represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the entities or business activities within the group to express an opinion on the consolidated audited information.

We communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other information

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 1 to 21, 156 to 161 and 166 to 190, but does not include the audited information and the disclosure requirements.

Our opinion on the audited information and our report on the disclosure requirements do not cover the other information.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the audited information and the disclosure requirements, or our knowledge obtained during our work, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the City Council and group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit of the annual report, we have completed the following engagements:

- an assurance engagement in respect of Aurora Energy Limited's compliance statement prepared under the Electricity Distribution Services Default Price-Quality Path Determination 2015 NZCC 35 for the assessment year ended 31 March 2017;
- an assurance engagement in respect of Aurora Energy Limited's compliance statement prepared under the Electricity Distribution Information Disclosure Determination 2012 for the assessment year ended 31 March 2017; and
- a regulatory audit of Dunedin International Airport Limited's disclosure financial statements for the year ended 30 June 2016 pursuant to the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999.

These engagements are compatible with those independence requirements.

Other than the audit and our audit of the disclosure requirements, and these engagements, we have no relationship with or interests in the City Council or its subsidiaries and controlled entities.



Julian Tan
Audit New Zealand
On behalf of the Auditor-General
Dunedin, New Zealand

