



SECTION 1:

Organisation and
Financial Management Report

Introduction from Mayor

Thank you for your interest in Dunedin City Council's Annual Report for 2017/18. This provides an opportunity to reflect on the achievements and challenges of the past 12 months.

Clearly a large part of the Council's attention, especially for the second half of the year, focussed on the 10 year plan 2018-28 and the investment priorities that entailed. Those include a lifting of emphasis in a couple of areas.

The first was ramping up the implementation of Ara Toi Otepoti: Dunedin's Arts and Culture Strategy during 2017/18, and awareness of the opportunities to better leverage the city's creative sector. That's partly due to our ever-strengthening international connections and designation as a UNESCO Creative City of Literature.

For example, Dunedin hosted the inaugural Creative Cities Southern Hui in late 2017, connecting local and overseas writers and artists, and promoting our city's cultural strengths to an international audience. In May, Dunedin signed an agreement with Shunde, a Chinese Creative City of Gastronomy, for collaboration between our respective polytechnics in the culinary arts. Exchanges of tutors, projects and students are envisaged, further strengthening both cities' cultural exchange, visitor hosting ability and creative output.

During the year several film and television production companies came to the city, attracted by screen locations, local skills and talent, our gig speed, increased film activity, and quite simply our lifestyle offering. These new companies complement a cluster of existing creative enterprise.

The economic impact of hosting big cultural events is also significant for the city. The Ed Sheeran concert weekend over Easter 2018 injected almost \$38 million into the local economy. What isn't so easy to measure is the social impact, the community pride and spirit, these types of events help to generate. It was wonderful to see the range of families and age-groups, both residents and visitors, getting involved in a variety of events over the weekend.

The latest economic and population data released during the year confirmed that Dunedin is experiencing a strong resurgence with development and growing confidence across the city. Infometrics' quarterly economic monitor released in March showed 883 jobs added to Dunedin's economy in the year ending March 2017, while GDP grew 2.2% over the same period. Statistics New Zealand estimates Dunedin's population grew by 1800 in the year to June 2017.

Of course, the year also had its challenges.

A state of emergency was declared in July 2017 as heavy rain swelled rivers to near record levels. Slips, flooding and the inundation of ponding areas caused issues across the city. In February 2018, Dunedin experienced one of its highest temperatures on record, then a major fire, followed within 24 hours by a downpour which led to another declared state of emergency.

All response agencies, including the Council, demonstrated learnings from previous emergency situations. With a greater focus on building community resilience before emergencies, a more proactive emergency response and better communication, the community coped relatively well with the events described above.

The weather events were a stark reminder that climate change is a significant issue facing communities across the world, including ours. While the Council has been conscious of this challenge for some time, three floods in three consecutive years has focused attention on the imperative of adaptation measures. And as well as progressing climate change adaptation planning, this year the Council set city-wide emissions reduction targets to help fulfil our city's own environmental goals.

Some might say that one small community can't achieve much in slowing the impacts of climate change. But all around the world, communities are stepping up to the plate and doing their part. By creatively thinking globally and acting locally, we can influence the changes necessary for the sustainability of our community.

Dave Cull
Mayor of Dunedin

Introduction from Chief Executive Officer

We are pleased to present the 2017/18 Annual Report. It shows that the Council continued to strike a balance between keeping rates at the level committed to in its Long Term Plan 2015-25 and reducing debt, while also maintaining core services and progressing new projects.

The final Annual Plan budgets for 2017/18 resulted in an overall rates increase of 2.99%, just below the 3% limit in the Long Term Plan.

As mentioned in the Mayor's introduction, a big part of the year was spent engaging with the community and planning for the years ahead. Dunedin is currently experiencing a resurgence as is evidenced by recent economic and population growth data. The Council is eager to build on that momentum, which has been created by things like our city's more outward looking focus, increased showcasing of our vibrant arts and culture scene to the globe, and capitalising on our world-class facilities to host major events and conferences.

The Dunedin Hospital rebuild is one major city project that we, along with others, have contributed towards. Other city projects such as upgrades of the central city and tertiary areas and the city to waterfront bridge are part of the ambitious programme of spending in our 10 year plan 2018-28. More of you than ever before had your say on the plans to make our city an even more attractive place to live, work, study and do business.

Adapting to climate change continued to be a key part of our business and planning in 2017/18. South Dunedin is one area where we have been planning major projects and upgrades to adapt stormwater and wastewater systems for more intense rainfalls that are expected. The July 2017 flood event was one such event and \$12.3 million was spent on remedial work throughout the year. A further \$8 million is expected to be spent in the new financial year, including the replacement of Mount Ross Bridge at Sutton which was destroyed in the flood. The New Zealand Transport Agency covers approximately 70% of repair costs.

As well as adaptation, the Council is also conscious of its responsibility to mitigate against the causes of climate change.

Extra funding was included in 2017/18 to speed up work on Te Ao Tūroa, Dunedin's Environment Strategy. As part of this work the Council decided on a target to reduce city-wide emissions to net zero carbon emissions by 2050 (excluding methane). For the first time, we also procured a high-level carbon assessment of proposed capital and operating projects to better understand the carbon impact as we developed the 10 year plan 2018-28.

Another highlight of the year was the official opening of the South Dunedin Community Pop Up providing space for community activities, Council service centre and library facilities. This temporary facility meets community demand for these services in South Dunedin and use of the services and spaces steadily increased during its first year of operation. This is also a place for people to have their say about plans for a permanent facility as well as wider South Dunedin community issues.

Quality infrastructure also remained a focus. Keeping our streets and roads safe for everyone has been the focus of peninsula and urban cycleway work, roundabouts, new street layout around schools, and planning for replacing street lighting with LEDs.

Overall, another solid year of progress towards our vision of Dunedin as one of the world's great small cities.

Sue Bidrose
Chief Executive Officer

Mayor and Councillors

Members of Council

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Chris Staynes (Deputy Mayor)

Home: 03 453 6855

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Community Boards

West Harbour	Mosgiel/Taieri	Otago Peninsula
Steve Walker (Chair) M: 027 850 5603	Sarah Nitis (Chair) M: 027 5433 903	Paul Pope (Chair) M: 027 466 8446
Trevor Johnson (Deputy Chair) M: 027 284 8611	Joy Davis (Deputy Chair) M: 027 476 6047	Hoani Langsbury (Deputy Chair) M: 027 430 6025
Ange McErlane M: 0274 380 601	Martin Dillon M: 027 433 7800	Lox Kellas M: 021 191 5103
Jan Tucker M: 027 140 8890	Philippa Bain M: 027 545 3193	Christine Neill M: 027 223 4824
Ryan Jones M: 022 432 1346	Maurice Prendergast M: 027 434 5545	Graham McArthur M: 021 477 7009
Francisca Griffin M: 027 483 4707	Dean McAlwee M: 027 272 6132	Edna Stevenson M: 027 478 0543
Cr Aaron Hawkins M: 022 100 6634	Cr Mike Lord M: 027 438 2097	Cr Andrew Whiley M: 027 465 3222

Saddle Hill	Strath Taieri	Waikouaiti Coast
Scott Weatherall (Chair) M: 027 440 4700	Barry Williams (Chair) M: 027 486 6433	Alasdair Morrison (Chair) M: 027 435 4384
Leanne Stenhouse (Deputy Chair) M: 021 117 5195	Joan Wilson M: 027 454 3620	Geraldine Tait M: 021 217 5492
Christina McBratney M: 021 269 6170	Mark O'Neill M: 027 699 4730	Mark Brown W: 482 2011
Keith McFadyen M: 027 444 8913	David (Jock) Frew M: 027 820 1923	Richard Russell M: 021 444 421
Paul Weir M: 021 039 4260	Jacinta Stevenson M: 027 322 1152	Rose Stringer-Wright M: 021 0274 5922
Peter Gouverneur M: 027 683 8853	Norma Emerson M: 021 064 9355	Mandy Mayhem-Bullock M: 021 919 555
Cr Conrad Stedman M: 021 311 551	Cr Mike Lord M: 027 438 2097	Cr Jim O'Malley M: 021 525 547

Finances

Council Financial Results

Overview of Financial Results for the Year Ending 30 June 2018

	2018	2017	2016	2015	2014	2013
	\$000	\$000	\$000	\$000	\$000	\$000
Rates	138,306	134,186	130,315	125,394	121,828	116,899
Dunedin City Holdings Limited	5,902	5,902	5,902	10,450	10,450	10,450
Crown subsidies and grants	31,907	17,572	15,536	20,971	15,744	15,071
Vested assets	8,128	10,006	8,968	543	2,225	912
Other revenue including unrealised gains and capital receipts	74,218	70,567	67,213	69,290	65,906	65,831
Total revenue	258,461	238,233	227,934	226,648	216,153	209,163
Personnel expenses	57,429	53,536	49,728	48,300	46,347	45,623
Operational expense	123,793	109,123	97,327	102,956	94,399	94,231
Fair value losses	90	88	1,092	7,951	591	694
Interest expense	11,900	13,705	16,074	15,283	16,205	10,605
Depreciation expense	65,035	61,327	56,447	53,248	52,157	49,717
Total expenditure	258,247	237,779	220,668	227,738	209,699	200,870
Operating surplus/(deficit) before taxation	214	454	7,266	(1,090)	6,454	8,293
Cash flow position						
Cash flows from operating activities	54,622	47,635	50,890	63,912	53,515	57,961
Cash flows from investing activities including capital	(51,250)	(31,820)	(31,126)	(78,462)	(44,986)	(79,303)
Cash flows from financing activities including debt raising	(2,342)	(14,023)	(22,515)	18,906	(8,486)	9,233
Interest						
Interest expense	11,900	13,705	16,074	15,283	16,205	10,605
Capitalised interest	-	-	-	-	5,310	4,162
Total interest	11,900	13,705	16,074	15,283	21,515	14,767
Financial position						
Total assets	3,308,233	3,185,464	3,007,089	3,006,131	3,081,279	3,096,759
Term loans	200,473	202,419	216,073	238,589	219,683	224,870
Total equity	3,052,940	2,933,438	2,737,212	2,709,755	2,811,509	2,809,293
Rates as a percentage of total revenue	53.51%	56.33%	57.17%	55.33%	56.36%	55.89%
Interest as % of operating revenue	4.60%	5.75%	7.05%	6.74%	9.95%	7.06%
Interest as % of rates	8.60%	10.21%	12.33%	12.19%	17.66%	12.63%
Number of time that operating cash flow pays the interest expense	4.6	3.5	3.2	4.2	2.5	3.9
Number of time rates pays the interest expense	11.6	9.8	8.1	8.2	5.7	7.9
Net debt as % of total revenue	78%	85%	95%	105%	102%	108%
Net debt as % of rates	145%	151%	166%	190%	180%	192%

Overview of Financial Results

The Council operating result for 2018 was characterised by increased infrastructure repairs following the July 2017 weather event, along with higher than expected costs as Council completed asset assessments and condition remediation across a number of our operating portfolios.

These variances were partially offset by the non-cash vesting of roading and water and waste assets, lower interest costs due to a lower level of borrowing and a favourable floating interest rate, and unbudgeted fair value gains in investments held in the Waipori Fund.

Capital expenditure for the year was lower than expected reflecting delays in a number of key projects including the Peninsula widening work, LED lighting and urban cycleways.

The term loan balance as at 30 June 2018 was \$10.9 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 completed its 10 year plan 2018-2028 during the current year. It included an ambitious programme of spending to upgrade existing infrastructure as well as some new projects to enhance the built environment.

The Council took the opportunity to revise its financial strategy that provides the necessary guidance as we seek to balance the competing tensions of affordability, maintaining assets and investing for the future.

Key points from the strategy include: core Council debt limited to \$350 million; an operating surplus (excluding specified non-cash income items) greater than zero for the 10 year period; operating cashflow at 100% of depreciation for the 10 year period; and annual rate increases to be limited to 8% in year 1 and 5% on average over years 2-10.

The plan identified significant pressure on the cost of delivering core services. The Council's previous limit on rates increases of 3% and debt reduction target had not provided the Council with financial headroom or capacity for greater investment or addressing unexpected challenges. The 10 year plan has been developed to deal with these pressures while being conscious of overall ratepayer affordability. With this in mind the financial strategy includes a requirement that average residential rates for Dunedin residents will be less than the national average for all Councils.

Consolidated Financial Statistics

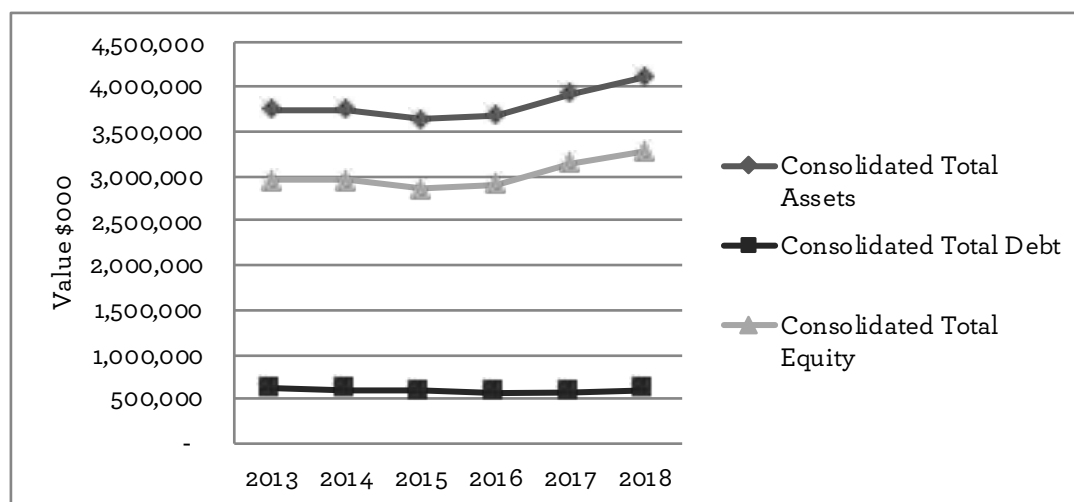
	2018	2017	2016	2015	2014	2013
	\$000	\$000	\$000	\$000	\$000	\$000
Financial Position						
Consolidated total assets	4,108,552	3,921,700	3,688,217	3,640,829	3,747,437	3,750,195
Consolidated term loans	610,043	573,029	580,515	593,574	610,445	622,843
Consolidated total equity	3,277,135	3,143,328	2,911,833	2,861,651	2,957,449	2,946,276
Consolidated term loans as % of consolidated assets	15%	15%	16%	16%	16%	17%

Issuer Credit Rating

The achievement of a good credit rating is an important factor in obtaining finance at a competitive interest rate. The Council as a Group is assessed by the rating agency Standard & Poor's. Below is the rating history for the Council Group. The most recent and full Standard & Poor's rating report is available on the DCC website.

Standard & Poor's Credit Rating

Issuer Credit Rating as of;	8/12/17	15/12/16	16/12/15	8/12/14	10/12/13	28/11/12
Rating;	AA/Stable/A-1+	AA/Stable/A-1+	AA/Stable/A-1+	AA/Stable/A-1+	AA/Stable/A-1+	AA/Neg/A-1+



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 the 10 year plan 2018-2028 identifies eight community outcomes, aligned with 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 2017/18 year can be found in the appendix to this document.

Highlights of the projects and activities undertaken in the 2017/18 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 with key stakeholders continued to market the city as a centre of academic and research excellence. Enterprise Dunedin was successful in securing seven conference bids for Dunedin, with an estimated value to the city of \$1.2 million. This included two international conferences, in partnership with the University of Otago.
- In May, Dunedin hosted TRENZ for the first time. TRENZ is New Zealand's premier annual tourism industry trade show. The event attracted over 1,500 travel, trade and media delegates to the city and contributed an estimated \$5.5 million in economic value.
- The agreement between Dunedin and the Shanghai Science and Technology Centre (SSTC) led to the opening of a joint laboratory between the New Zealand Non-Communicable Disease (NCD) Research Centre and Shanghai Huashan Hospital. Dunedin hosted the Vice Mayor of Shanghai in November 2017. This visit provided an opportunity to strengthen and develop new relationships with our key sister city.
- Enterprise Dunedin continued to support the start-up business ecosystem during the year. It signed a memorandum of understanding with CreativeHQ and Callaghan Innovation to commit Council funding for the Challenger Series. This competition for new start-ups attracted more than 70 entries during 2017/18.
- A domestic marketing campaign during spring and summer 2017 targeted the Christchurch and lower South Island visitor markets. The campaign increased awareness of Dunedin events and attractions and encouraged longer visitor stays. Year three of the Where the Wild Things Are campaign focused on visitor markets in Brisbane and New Zealand. It raised awareness of Dunedin as a desirable and easy to reach destination during autumn and winter 2018.

A connected community

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

- Construction began on the first stage of the Peninsula Connection Safety Improvement Project, between Broad Bay and Portobello. Work on the Urban Cycleway programme continued and includes a new bridge over the Leith and improved connections across the city.
- The total cost for the July 2017 flood remediation work is estimated to reach \$20 million, including the replacement of Mount Ross Bridge. To date \$12.3 million has been spent and the remaining cost is expected to be spent in the new financial year with the New Zealand Transport Agency covering approximately 70% of the repair costs.
- The rollout of ultra-fast broadband (UFB) phase 1 was completed in 2017/18. More than half (26,500) of Dunedin homes and businesses have connected to fibre, with 12,000 of these gigabit connections. Subsidised Chorus gigabit pricing remains available until 30 June 2019. This pricing benefit has delivered about \$9 million in savings to Dunedin residents. An extra five free Wi-Fi hotspots were completed during 2017/18, bringing the number of locations to 16. Gig City and Chorus have given more than \$500,000 to 21 community groups for 23 projects since 2015.

A safe and healthy city

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

- Several safety improvements were undertaken across the transport network. These included the implementation of the city's Barnes Dance intersections, Town Belt and Brighton Road pedestrian ways, and traffic calming measures in the central city schools area. Safety works also included roundabouts in the Green Island/Fairfield motorway interchange and this was completed along with the New Zealand Transport Agency.
- Most of the work to strengthen the Ross Creek Reservoir has been done. The Ross Creek Reservoir dam project is part of the city's Security of Supply Strategy to ensure the city has water supply options if problems arise getting water from Dunedin's main water sources at Deep Creek and Deep Stream. Remaining work in 2018/19 will focus on landscaping and consolidation of the earthworks before the dam can be refilled. An artist will be engaged to incorporate art and creativity into this project.
- The central city recycling service established in 2016/17 has been expanded with additional back of house collection points and safe kerbside collection points added. A residential recycling drop-off facility has been established in Vogel Street to complement the Moray Place facility established in 2016/17. These facilities are very well supported and have shown very low levels of contamination. Four more facilities are planned for 2018/19.

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 between May 2016 and December 2017 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 over 25 hearings, almost 120 hearing days, and about 1,500 submissions and more than 900 people having spoken to their submissions. It is expected that decisions will be released towards the end of 2018 with the 2GP coming into effect in a staged way.
- Nearly \$650,000 worth of work to the city's heritage buildings was funded in 2017/18 through the Dunedin Heritage Fund, the Central City Heritage Reuse Grant Scheme and the contestable fund for rates relief. The largest grant of \$100,000 from the Dunedin Heritage Fund assisted with the restoration of the First Presbyterian Church of Otago's spire, a Category 1 Historic Place. Failing stonework has now been replaced and the scaffolding is currently being removed. Other buildings to benefit from these funds were the Mayfair Theatre, Quarantine Island building and St Dominics Priory. The Heritage Fund has also supported archaeological recovery work at Papanui Inlet.
- The Jetty Street pedestrianisation was completed and provides a new focus to the Warehouse Precinct. Improvements under the bridge have provided a useful covered public space including a recycling station and cycle parking. Planning work has also begun on improvements to the old bridge abutment area as well as improvements to Bond Street.

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 Tūroa, Dunedin's Environment Strategy, continued and key initiatives included:

- The DCC, in consultation with seven other councils, put forward a remit calling for Local Government New Zealand (LGNZ) to lobby the Government to develop national legislation for cat control, including cat microchipping, cat de-sexing and responsible cat ownership. The proposal passed by vote, and it is now the official policy of LGNZ.
- A contestable grant of \$25,000 from Te Ao Tūroa assisted community projects and activities making a significant contribution to achieving Goal 3 of the Strategy: "Dunedin people care for the natural world | Tiakitaka".
- Work began on the future of the Dunedin Town Belt. This included building the vision and partnerships that guide and support activities for its future. The DCC provided financial support to a Town Belt Education Initiative aimed at helping young people to value and understand the significance of the Town Belt and its mauri (life force) and to learn to sustain and care for the environment. Two environmental art projects were commissioned to encourage Dunedin's community to see their local environment from new perspectives through the innovative and participatory use of vacant space whether indoor or outdoor.
- The Dunedin Destination Plan was approved by the Council. Its aims include managing the impacts of increasing visitor numbers and protecting and enhancing Dunedin's special places and wildlife.

A supportive community

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

- Addressing long term housing needs in the city is the focus of the newly established Mayor's Taskforce for Housing. The Taskforce comprises representatives from central and local government, community, iwi, and the property management sector. Its priorities are social and emergency housing as well as affordable and healthy housing.
- An Otepoti Youth Vision has been developed with information and input from youth, community, education, health and central and local government groups. The vision will be launched in the next year and is championed by the DCC, Dunedin Youth Council and Youth Action Committee.

- The South Dunedin Community Pop Up was officially opened on 8 September 2017 in the Cargill Enterprises building at 199 Hillside Road, South Dunedin. This facility will be in place until the opening of the permanent facility, currently planned for completion in 2020/21. The Pop Up is open 25 hours per week across five days and includes a branch of the Dunedin Public Libraries complete with a range of books, magazines, DVDs, music on compact disc and spoken word recordings for adults and children, as well as free public access internet. Also provided is a DCC Service Centre, photocopying facilities, a free Gig wifi hotspot and a small meeting room available free for community use. Use of the services and spaces in the Community Pop Up has increased steadily during its first year of operation. It will also be used as a conduit for community input to the development of the permanent facility and wider South Dunedin community issues. Art was incorporated into the design of the Pop Up, kicking off the newly adopted art and creativity in infrastructure policy.
- The Festivals and Events Plan 2018-2023 which supports the growth, development and management of festival and events in our city, was approved by the Council following consultation with more than 300 stakeholders.

A vibrant and creative city

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

Highlights of our continued delivery on Ara Toi Otepoti – Our Creative Future (Dunedin’s Arts and Culture Strategy) included:

- The Urban Dream Brokerage (UDB) franchise supported 24 projects in 11 vacant retail spaces in the CBD and engaged audiences totalling 20,000. UDB works to shift the use of empty spaces towards innovative public interaction.
- Bring It Home, a DCC initiative to promote music and film in Dunedin working in partnership with New Zealand On Air’s New Music funding programme, gave out five awards, including Nadia Reid’s project Preservation which has received national and international acclaim.
- The DCC and Otago Community Trust partnered to establish a new Arts and Culture Capability Building Fund to support a variety of initiatives ranging from strategic planning and succession management to audience engagement and development programmes. Thirteen creative organisations were supported through the \$60,000 fund. Feedback from first round recipients made it clear that this kind of support was both needed and well received.
- Film and screen-related enquiries and permits more than trebled (from 12 in 2016/17 to 46 in 2017/18), reflecting Dunedin’s growing film-friendly reputation. Established screen businesses and experienced crew have moved to the city. Film Dunedin has completed a new permit process, locations library and crew database.
- Dunedin hosted a weekend of events and activities to showcase the city during the Ed Sheeran Divide tour. More than 70,000 people visited Dunedin during the Easter weekend event, resulting in a \$34 million injection to the city’s economy.

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. It produced several Dunedin directories for international markets and hosted agents and media from Vietnam. The programme continued to focus on destination marketing, student experience, capability and capacity, and education and workforce pathways.
- Dunedin UNESCO City of Literature continued to leverage opportunities for the city across the network of 28 Cities of Literature and 180 Creative Cities. With a generous grant from the NZ National Commission for UNESCO, the City of Literature curated and hosted the international Creative Cities Southern Hui (28 November – 2 December 2017). Held in partnership with the University of Otago’s Centre for the Book, the Hui offered free events, talks and workshops around themes of creativity, connection and collaboration. The Creative Dunedin Partnership hosted a community hui, a part of this wider hui, to present, celebrate and discuss progress on Ara Toi.
- Other Dunedin UNESCO City of Literature highlights were: Little Landers Literature, the partnership with the Pulse Energy Highlanders designed to encourage primary school pupils to read more; the partnership with Heidelberg UNESCO City of Literature on an international social media showcase of the two cities; international collaborative projects with other Creative Cities and poet Liz Breslin’s work being projected onto a wall in Krakow as part of a Cities of Literature media arts exhibition; and a free Cities of Literature digital cookbook, showcasing recipes and images with a literary flavour from across the Cities of Literature network.

An active city

Dunedin's people lead active healthy and enjoyable lifestyles.

- Volunteers continued their contribution to Dunedin's outdoor areas by working on five War on Weeds field trips around the Otago Peninsula and at Quarantine Island. The Trail Crew programme, which was launched in May 2017 and aims to enhance and maintain trails in and around Dunedin, held seven field trips at the Grahams Bush track, Sandymount, and Highcliff. Volunteers also helped the Otago Peninsula Biodiversity Group with trapping maintenance.
- Significant track upgrades were also completed on the ridgetop walking tracks including Mt Cargill, Flagstaff and Pineapple tracks.
- The Botanic Garden continues to operate at a high level, retaining its 6 Star status following a biennial assessment in 2017. The 6 Star rating means it is a garden of international significance, a status the garden has held since 2010. It remains very popular with residents. Ninety-five percent of those surveyed in the Residents' Opinion Survey were satisfied with the garden.

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.

- In February 2018 the Council set a target to reduce city-wide emissions to net zero carbon emissions by 2050, excluding methane. To better understand the carbon impact of its proposed 10 year plan, the Council, for the first time, procured a high-level carbon assessment of proposed capital and operating projects. The assessment provided recommendations that can be addressed in the next phase of compliance with the Global Covenant of Mayors for Climate and Energy (formerly Compact of Mayors), which is to develop an action plan to reduce carbon emissions.
- As part of the Energy Plan 1.0, the DCC explored the feasibility of a new district heating scheme powered by low-carbon, renewable fuel, as well as energy options for the proposed waterfront development. As part of the Energy Plan's night sky city action, the DCC continued to progress its LED street light upgrade project. The new lights will be fully shielded to prevent light pollution. They will be remotely controlled via a citywide central management system.
- Uptake of electric vehicles (EV) and development of charging infrastructure in the city continues to grow. A second fast charging station will be installed in Dunedin in 2018. The DCC fleet now includes five EVs, a plug-in hybrid EV, and an electric bike.
- Planning for the procurement of a citywide LED lighting system is well underway attracting an 85% central government subsidy. Procurement covers lighting luminaires and a central management system that will control and vary lighting levels as and when required. An LED lighting system will also result in reduced energy consumption and ongoing energy and maintenance costs.
- Efforts continued to improve South Dunedin's resilience to heavy rain. In 2017/18 work included fitting new backflow valves to prevent wastewater getting into at-risk homes and improving maintenance of mud tanks. The DCC also begun to plan major long-term projects, such as piping wastewater from the Kaikorai Valley area to Green Island for treatment and upgrading the Green Island wastewater treatment plant.

Update on Māori Participation Working Party

Background

The Dunedin City Council is committed to the Treaty of Waitangi and enabling Māori to contribute to decision-making processes. To give effect to this, a formal Memorandum of Understanding (MoU) is in place between the Council and Manawhenua – Te Rūnanga o Ōtākou and Kāti Huirapa Rūnaka ki Puketeraki (signed 11 December 2006). The Araiteuru Marae Council are also recognised as representing Taurahere (non-Kāi Tahu Māori) in the city. The key mechanism to enact the ambitions of the MoU is the Māori Participation Working Party, which aims to:

- Provide a direct line of communication between the Council with Kāi Tahu Rūnanga and Taurahere in the Dunedin area.
- Facilitate communication and understanding at the executive/governance level of all parties.
- Provide a forum for discussion of strategic level issues.
- Provide advice to the Council on issues relating to Māori.
- Identify, set out and evaluate options for the participation of Māori in areas arising from the Local Government Act 2002.

The Council convenes the Māori Participation Working Party approximately four times a year. The Council also works with, and seeks advice from Te Roopu Taiao, the Otago-wide consultation model between Otago local authorities and the Papatipu Rūnanga of the Kāi Tahu Otago Takiwa.

All Council staff reports to the Council and its Committees include a Māori impact statement. This outlines any opportunities Māori may have had to contribute to decision-making and includes if relevant, reference to the Treaty of Waitangi, Manawhenua, cultural implications, and social and environmental implications.

2017/18 Update

Some of the highlights of the work undertaken by the Council and Rūnaka from the 2017/18 year include:

- Early input into the 10 year plan 2018-28 through a planning hui held in September 2017.
- Development of a digital app to support DCC elected members and staff with their knowledge and understanding of Te Reo, including local dialect, and Tikanga Māori.
- The inclusion of two key performance measures to track progress on the Council's commitment to the Treaty of Waitangi (one of two key principles that underpin the Council's strategic framework) in the 10 year plan:
 - Rūnaka satisfaction with the Māori Participation Working Party and other forms of engagement to be measured through an annual survey.
 - Percentage of key Council printed publications (such as the 10 year plan consultation document) that include Māori content and Te Reo translations (as a precursor to measuring mainstreaming of Tikanga Māori more generally over time).
- A review of the MoU has been initiated.

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 2018 fairly reflects 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's annual report for the year ended 30 June 2018

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 has 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's disclosures about its 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 30 October 2018. This is the date on which we give our report.

Opinion on the audited information

In our opinion:

- the financial statements on pages 106 to 171:
 - » present fairly, in all material respects:
 - the City Council and Group's financial position as at 30 June 2018;
 - 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 113, 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 104:
 - » presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2018, 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 104, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the City Council's annual plan; and
- the funding impact statement for each group of activities on pages 22 to 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 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 performance against benchmarks as required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 177 to 181, which represent a complete list of required disclosures and accurately reflects the information drawn from the City Council's audited information and, where applicable, the City Council's long term plan and annual plans.

Independent Auditor's Report (continued)

Basis for our 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 its 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.

Independent Auditor's Report (continued)

- 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 20, 173 to 176 and 182 to 207, 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.

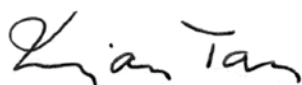
Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the audited information and the disclosure requirements, or our knowledge obtained during our work, or otherwise appears to be materially misstated. If, based on 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 our audit and our report on the disclosure requirements, we have completed other statutory and regulatory engagements for the City Council and its subsidiaries and controlled entities. These engagements are compatible with those independence requirements.

Other than the audit and our report on 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

