



DUNEDIN | kaunihera
CITY COUNCIL | ā-rohe o
ōtēpoti

2020/21

DUNEDIN CITY COUNCIL SUMMARY ANNUAL REPORT



Contents

Introduction from the Mayor He Kupu Whakataki nā te Kahika.....	01
Strategic overview He tirohaka whānui.....	03
Getting things done Te whakatutuki i kā mahi.....	04
How we did I pehea tā mātou mahi.....	05
Our strategic principles: Māori participation and sustainability	07
Where our money went	08
Summary statement of comprehensive revenue and expense for the year ended 30 June 2021	09
Summary statement of changes in equity for the year ended 30 June 2021	10
Summary statement of financial position as at 30 June 2021	10
Summary statement of cashflows for the year ended 30 June 2021.....	11
Notes to the summary financial statements.....	12
Independent Auditor’s report	19

Introduction from the Mayor | He Kupu Whakataki nā te Kahika

It is with pleasure that we bring to you our 2020/21 Annual Report. We had many achievements during the year, along with a number of challenges, including adjusting to a global pandemic and its ongoing impacts. The health and wellbeing of our community is our top priority in these times.

It is with great sadness that we acknowledge the passing of our former Mayor, Dave Cull, in April 2021. We remember him for the love that he had for our city, the service he gave to our community, and his work in the local government sector through his role as president of Local Government New Zealand. We are grateful for the huge contribution that he made.

In July 2020, we farewelled Sue Bidrose, our Chief Executive Officer of nearly seven years. Dr Bidrose left to take up a new role at AgResearch. We were very appreciative of her leadership and dedication to public service during her time with us.

In October 2020, we were delighted to appoint Sandy Graham as our new Chief Executive Officer. During the recruitment process, she was the outstanding candidate. She cares deeply about the city and has a proven track record of performance and delivery.

During the year, Ms Graham appointed Jeanette Wikaira as Manahautū, General Manager of Māori, Partnerships and Policy. This role was established to lead and promote the organisation's Treaty of Waitangi responsibilities. A key focus of the role is to lead systems change across the organisation by embedding Treaty of Waitangi commitment throughout DCC's strategic and operational functions.

In June, Council made the decision to establish positions on our Planning and Environment Committee, and our Infrastructure Services Committee, for representatives of our two rūnaka: Te Rūnanga o Ōtākou, and Kāti Huirapa Rūnaka ki Puketeraki. These positions will provide mana whenua with a stronger decision-making voice within the Council and build on our commitment to the principles of The Treaty of Waitangi.

Council's strategic framework consists of eight individual strategies that were developed from 2010 to 2017. A high-level review of these strategies has shown that the framework needs to be refreshed. We will update our framework in a manner that acknowledges the importance of our ecological limits and social wellbeing foundations.

To date, work on our Zero Carbon 2030 target has focused on developing policies and processes to ensure that emissions are considered in our decision making on major projects, and in how we deliver our services. While we are doing what we can to reduce our Council activity emissions, we will be working with the community to achieve this target for the whole city.

Our work on adapting to climate change continues to focus on South Dunedin as the area in our city of highest risk, given the density of the population. We are working with the Otago Regional Council, the community, mana whenua, Central Government and others to understand what is happening, so that we can identify options and create plans for long-term adaptation.

The demand for housing in our city is greater than the number of houses we have. To help address this we have notified a change to our Second-Generation District Plan that would provide around 2,000–2,500 new houses. Our Mayor's Taskforce for Housing, Housing Action Plan continues to be implemented, and we are reviewing our Housing Policy and Dunedin City Social Housing Strategy. We have also committed \$20 million over the next 10 years to expand our own community housing portfolio.

During 2020/21, we continued our focus on renewing and improving the infrastructure assets in our city. In total, our capital expenditure for the year was \$110.9 million.

The Peninsula Connection project to widen the narrow roads progressed with the completion of the section from Company Bay to Broad Bay. Work on this project continues with bulk fill and seawall construction taking place around the Portobello foreshore.

Our LED street light installation project nears completion. This project has seen around 13,000 new lights being installed around the city. Not only do they provide better visibility for road users, but they create savings through reduced energy consumption.

Design activities for the new Mosgiel Pool progressed during the year and a building consent has been lodged. Site establishment activities have commenced.

In February 2021, we issued a 'do not drink' notice for Waikouaiti, Karitane and Hawksbury Village after intermittent elevated lead levels were detected during water sampling. To eliminate DCC pipework as a possible cause, we replaced water pipes in Edinburgh Street, Waikouaiti earlier than intended, and this work was finished in June.

An extensive investigation into this matter was undertaken. Thankfully it showed that there was no widespread lead in the drinking water network. Based on all the work carried out, the likely cause was determined to be lead getting into the water from pipes and fittings in private properties.

Residents have since been advised that the water is now safe to drink. We are grateful for the patience and understanding of the people in these communities during the time taken to ensure the safety of their drinking water. We also acknowledge the DCC staff who worked tirelessly to do all they could to protect the people in these communities.

We received good news during the year that Dunedin was confirmed as a host city for the FIFA Women's World Cup in 2023. New Zealand and Australia are co-hosting this event, with Dunedin the only South Island city to host matches. We hope that when the time comes, we will be able to welcome overseas visitors to our city.

In June, we adopted our 10 year plan 2021–31, "tō tātou eke whakamuri – the future of us", following nearly two years of work on its development. We asked our community to 'join the conversation' on this plan for our future and were delighted with the level of feedback and engagement that we got. While we have a clear plan over the next 10 years, we will continue the conversation with you on what we need to do to ensure our city continues to grow and thrive.

I would like to take this opportunity to thank everyone who has contributed to the work that we have undertaken this year, and for the ongoing support that we have had from so many in our community, all for our great small city.

Nāku noa, nā

Aaron Hawkins
Mayor of Dunedin

Strategic overview | He tirohaka whānui

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

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



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

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

A summary of the community outcome priorities that set out what the city will be like if the Council achieves its goals, plus the indicators for tracking progress against these priorities with an update of 2020/21 results (and Māori statistics if applicable) are provided in the full Annual Report at www.dunedin.govt.nz.

Getting things done | Te whakatutuki i kā mahi

We have undertaken many activities and projects in the 2020/21 financial year that have contributed to our community outcomes.



Social wellbeing – Community support networks instigated over COVID lockdown have continued, and various events were held including Puaka Matariki, Armistice day and more.



3 Waters – The Water System Plan and Wastewater System Plan have been progressed. A 3 Waters Services Reform Memorandum of Understanding with the Crown was entered into.



City planning – Variation 2 to the 2GP was notified for public submissions, and project planning has started for the development of a Future Development Strategy.



Economic development – Seven new local studios received funding through NZ CODE grants, and Film Dunedin supported the Netflix production “The Royal Treatment”.



Arts and culture – Dunedin participated in numerous collaborations with 38 other Cities of Literature, and two Dunedin writers were selected for virtual residencies by Norwich UNESCO City of Literature.



Transport – Safety improvements around 15 schools were completed, and the construction of the peninsula widening on section 2 and 4 was completed and officially opened.



Environment – A total of \$30,000 was awarded to two community projects through Te Ao Tūroa Grants, and ‘The Lime Burners’ project engaged and attracted around 450 people from the community.



Parks and Recreation – Contract for the building of the new Mosgiel Pool was awarded to Cook Brothers Construction, and the first of the Moana Pool Master Plan projects was completed.

How we did | I pehea tā mātou mahi

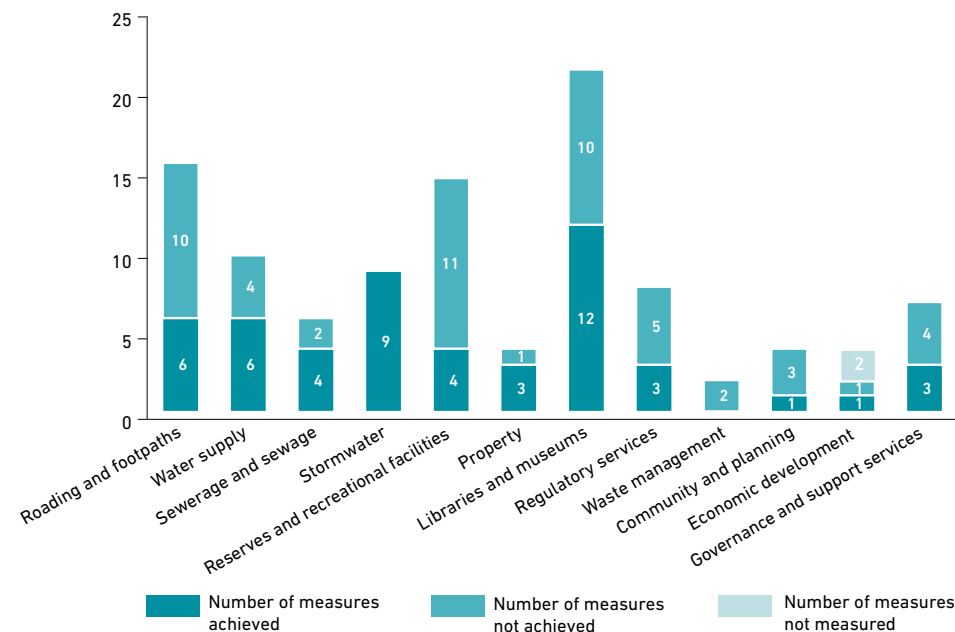
The DCC's services are grouped into 12 groups of activity based on their primary community outcome contribution.

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

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

- Met the target for 52 (49%) of our performance measures
- Did not meet the target for 53 (50%) of our performance measures

Summary of performance



Full details of DCC performance, including explanations of results, can be found in the full Annual Report at www.dunedin.govt.nz.

Council controlled organisations

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

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

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

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

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

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

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

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

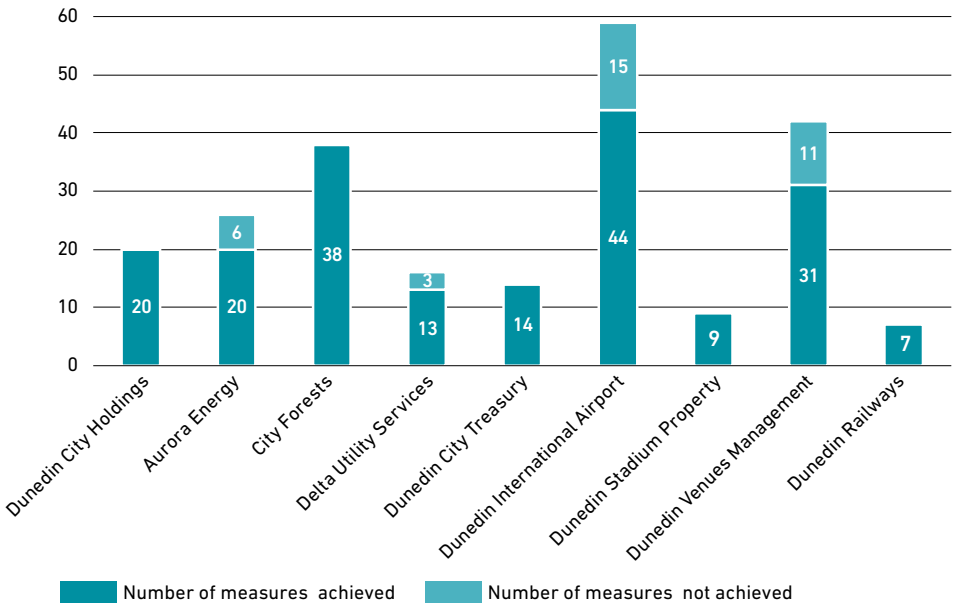
Dunedin Venues Management Limited is Dunedin's premier venue and event services company. It manages the Forsyth Barr Stadium, Dunedin Centre and Town Hall Complex, and University of Otago Oval (the latter under its management until 30 June 2020).

Dunedin Railways Limited, until March 2020, operated a tourist and excursion train on the Taieri Gorge railway line and on the Seaside line north of Dunedin. Due to the impact of COVID-19, the company was put into hibernation from 1 July 2020 to allow time for alternative operating models to be considered.

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

- Met the target for 196 (85%) of our performance measures
- Did not meet the target for 35 (15%) of our performance measures

Summary of performance



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

Our strategic principles: Māori participation and sustainability

The DCC acknowledges its Treaty of Waitangi responsibilities and is committed to working in partnership with Māori. The DCC is also committed to its strategic principle of sustainability and encouraging the development of a sustainable city.

Māori participation update

In addition to partnering across a range of steering groups and projects, highlights of the work undertaken during 2020/21 include:











- Development of the Manahautū (General Manager) Māori, Partnerships and Policy role as part of the executive leadership team. This role provides strategic advice and direction across the DCC business and works to develop partnership opportunities with mana whenua and mataawaka in Ōtepōti.
- The appointment of two Rūnaka representatives, one from each Rūnaka, to the Planning and Environment Committee, and the Infrastructure Services Committee.
- Two priority areas that form part of the overarching Māori Strategic Framework commenced; the development of a Māori Engagement Plan and a Māori Cultural Capability Plan. The Māori Engagement Plan aims to guide the DCC's Treaty of Waitangi approach to partnership with mana whenua and mataawaka; and the Māori Capability Plan aims to raise the cultural capability and confidence of DCC staff to engage with mana whenua and mataawaka communities. Both plans will be completed and implemented across the organisation in 2021/22.

Sustainability update

Highlights of the work undertaken by the DCC in the 2020/21 year include:

- The DCC commissioned an update to the emissions inventory of the city, which is a key commitment of the Global Covenant of Mayors for Climate and Energy. The inventory was completed in March 2021 and shows how the city's greenhouse gas emissions are tracking overall and by sector, with transportation and agriculture the largest emitting sectors, followed by stationary energy.
- A review of the DCC's internal Emissions Reduction Plan is underway. The DCC anticipates having a new Emissions Reduction Plan, including a new set of actions and targets, and new measurement and reporting processes, in place during 2021/22.
- As part of the South Dunedin Future programme, collaborative discussions progressed in relation to programme management, technical data, academic linkages and central government legislative reform. A Technical Advisory Group and a dedicated Programme Manager position for South Dunedin Future were established.
- As well as meeting face to face with individual groups, the DCC, ORC and partner agencies held frequent public drop-in information sessions on a range of climate change-related topics in the South Dunedin community. Five sessions were held in 2020/21 on topics including the St Clair-St Kilda Coastal Plan, 3 waters systems, community resilience and civil defence. Staff attended a number of community hui, written updates for the South Dunedin newsletter, The Lowdown, and gave a range of interviews related to the programme.

Where our money went

Activities and services	Capital costs		Operating costs		Where your rates went (every \$100)
	Actual \$112m	Budget \$126m	Actual \$290m	Budget \$283	
 Roothing and footpaths	\$52m	\$56m	\$52m	\$49m	\$11
 3 Waters	\$36m	\$31m	\$71m	\$68m	\$37
 Reserves and recreational facilities	\$5m	\$10m	\$33m	\$34m	\$19
 Property	\$13m	\$19m	\$32m	\$32m	\$5
 Libraries and museums	\$2m	\$2m	\$20m	\$20m	\$15
 Regulatory services	\$0m	\$0m	\$12m	\$12m	\$0
 Waste management	\$2m	\$2m	\$18m	\$13m	\$2
 Community and planning	\$0m	\$1m	\$12m	\$12m	\$7
 Economic development	\$0m	\$0m	\$6m	\$5m	\$3
 Governance and support services	\$2m	\$5m	\$34m	\$38m	\$1

Dunedin City Council

Summary statement of comprehensive revenue and expense for the year ended 30 June 2021

	CORE COUNCIL			CONSOLIDATED	
	Actual 2021 \$000	Budget 2021 \$000	Actual 2020 \$000	Actual 2021 \$000	Actual 2020 \$000
Total operating revenue	306,572	278,642	278,917	580,361	510,984
Operating expenditure	280,924	270,425	267,797	502,142	493,619
Financial expenses	9,212	12,051	10,712	23,929	29,241
Total operating expenditure	290,136	282,476	278,509	526,071	522,860
Operating surplus (deficit) from operations	16,436	(3,834)	408	54,290	(11,876)
Share of associate surplus (deficit)	-	-	-	1,042	1,818
Surplus (deficit) before taxation	16,436	(3,834)	408	55,332	(10,058)
Less taxation	(734)	(864)	(1,154)	11,558	(3,427)
Surplus (deficit) after taxation	17,170	(2,970)	1,562	43,774	(6,631)
Other comprehensive revenue and expense					
Gain (loss) on property, plant and equipment revaluations	372,394	37,500	(1,882)	372,394	(1,882)
Gain (loss) on property, plant and equipment disposals	-	-	(500)	-	(500)
Gain (loss) on forestry land revaluations	-	-	-	6,524	2,874
Gain (loss) of comprehensive revenue in associates	-	-	-	91	2,101
Gain (loss) of cash flow hedges at fair value through other comprehensive revenue and expense	1,396	1,196	2,213	29,523	(17,417)
Gain (loss) on foreign exchange hedges	-	-	-	1,212	(33)
Gain (loss) on carbon credit revaluation	-	-	-	12,279	8,454
Income tax on other comprehensive income	-	-	-	(11,573)	3,124
Total other comprehensive revenue and expense	373,790	38,696	(169)	410,450	(3,279)
Total comprehensive revenue and expense	390,960	35,726	1,393	454,224	(9,910)

Surplus (deficit) attributable to:

Dunedin City Council and Group	17,170	(2,970)	1,562	43,774	(6,631)
--------------------------------	--------	---------	-------	--------	---------

Total comprehensive revenue and expense attributable to:

Dunedin City Council and Group	390,960	35,726	1,393	454,224	(9,910)
--------------------------------	---------	--------	-------	---------	---------

Dunedin City Council

Summary statement of changes in equity for the year ended 30 June 2021

	CORE COUNCIL			CONSOLIDATED	
	Actual	Budget	Actual	Actual	Actual
	2021	2021	2020	2021	2020
	\$000	\$000	\$000	\$000	\$000
Movements in equity					
Opening equity	3,121,579	3,161,587	3,120,186	3,283,538	3,293,700
Total comprehensive revenue and expense attributable to Dunedin City Council and Group	390,960	35,726	1,393	454,224	(9,910)
Closing equity	3,512,539	3,197,313	3,121,579	3,737,762	3,283,790
Components of equity					
Accumulated funds	1,709,845	1,688,539	1,692,509	1,882,047	1,838,387
Reserves	1,802,694	1,508,774	1,429,070	1,855,715	1,445,403
Total equity	3,512,539	3,197,313	3,121,579	3,737,762	3,283,790

Dunedin City Council

Summary statement of financial position as at 30 June 2021

	CORE COUNCIL			CONSOLIDATED	
	Actual	Budget	Actual	Actual	Actual
	2021	2021	2020	2021	2020
	\$000	\$000	\$000	\$000	\$000
Current assets	42,547	38,958	47,234	107,071	136,536
Non-current assets	3,817,115	3,516,362	3,382,195	4,709,572	4,181,707
Total assets	3,859,662	3,555,320	3,429,429	4,816,643	4,318,243
Current liabilities	60,211	37,407	50,287	104,514	89,687
Non-current liabilities	286,912	320,600	257,563	974,367	944,766
Total liabilities	347,123	358,007	307,850	1,078,881	1,034,453
Equity attributable to Dunedin City Council and Group	3,512,539	3,197,313	3,121,579	3,737,762	3,283,790
Total equity	3,512,539	3,197,313	3,121,579	3,737,762	3,283,790
Total liabilities and equity	3,859,662	3,555,320	3,429,429	4,816,643	4,318,243

Dunedin City Council

Summary statement of cashflows for the year ended 30 June 2021

	CORE COUNCIL			CONSOLIDATED	
	Actual 2021 \$000	Budget 2021 \$000	Actual 2020 \$000	Actual 2021 \$000	Actual 2020 \$000
Net cash inflow (outflow) from operating activities	75,567	63,968	66,379	110,786	77,352
Net cash inflow (outflow) from investing activities	(110,990)	(127,271)	(87,922)	(186,754)	(133,095)
Net cash inflow (outflow) from financing activities	28,000	64,900	25,000	40,270	92,111
Net increase (decrease) in cash held	(7,423)	1,597	3,457	(35,698)	36,368
Opening cash and cash equivalents balance	15,362	7,961	11,905	65,716	29,348
Closing cash and cash equivalents balance	7,939	9,558	15,362	30,018	65,716

Notes to the summary financial statements

Overview

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

The summary financial statements of the Council and Group are for the year ended 30 June 2021.

The specific disclosures included in the summary financial statements have been extracted from the full financial statements. The full financial statements were authorised for issue by the Council on 14th December 2021 and have been audited, receiving a qualified opinion on the financial statements, and the services and activities section. An unmodified opinion was received on all other audited information.

Financial statements basis for opinion: the scope of the audit was limited as Audit NZ was unable to obtain sufficient appropriate audit evidence to determine if the carrying values of the 3 waters infrastructure assets as at 30 June 2021 are materially correctly stated.

Services and activities section basis for opinion: Audit NZ's work was limited as there were no practicable audit procedures they could apply to obtain assurance over the number of complaints reported against some performance measures relating to water supply, sewage and sewerage, and stormwater.

Under the Local Government Act 2002, Dunedin City Council is required to make the summary of information contained in its annual report publicly available within 1 month after the adoption of its annual report. The summary of the annual report was made publicly available on 19th January 2022. The delay was due to the Christmas holiday period.

Statement of accounting policies

The Council has designated itself and the Group as public benefit entities (PBEs). The full financial statements have been prepared in accordance

with Tier 1 PBE accounting standards and generally accepted accounting practice in New Zealand (NZ GAAP), and make an explicit and unreserved statement of compliance with PBE accounting standards for the period presented in this summary annual report.

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

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

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

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

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

The Group has changed its accounting policy regarding how the forestry revaluation reserves are presented within equity. Previously the revaluation of forestry reserves was reported (including the portion relating to the underlying land) as a separate balance within equity. The forestry revaluation reserve balance is now being reported within the accumulated funds balance for the current and prior periods in accordance

with the applicable accounting standards, the portion relating to land revaluations is still reported separately within equity.

There have been no other changes in accounting policy. All other policies for the current year and comparative year have been applied on a consistent basis.

Capital commitments

The capital commitments of the Council were \$154.813 million (2020: \$132.177 million) and of the Group \$166.813 million (2020: \$144.582 million).

Contingencies

There were no contingent liabilities arising from the Group's involvement in the associate companies as at 30 June 2021 (2020: \$1.325 million related to the equity investment in Golden Block Investments Limited). The Council has uncalled capital of \$975 million for Dunedin City Holdings Limited. The Group has contingent liabilities relating to performance bonds of \$717 thousand (2020: \$898 thousand).

Transactions with related parties

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

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

Explanations of major variances against budget

Explanations for major variances from the Council's budget figures in its 2020/21 annual plan are as follows:

The Council resolved that it was financially prudent to have an unbalanced budget for 2020/2021 due to the impact of COVID-19 including anticipated shortfalls in operating revenue and the cost of putting Dunedin Railways into hibernation. These items were to be funded by debt to avoid a significant one-off impact on current ratepayers.

Statement of Comprehensive Revenue and Expense

Total operating revenue for the year was \$306.572 million or \$27.930 million greater than budgeted. This additional income was due to:

- unbudgeted government project funding for economic development, 3 waters, property and parks activities,
- better than expected revenue from the Green Island Landfill, aquatic facilities, galleries and museums, and building services. In a number of instances, the anticipated impact of COVID-19 was not as great as expected,
- improved returns from the Waipori Fund due to a higher than expected increase in the market values of equities held by the fund,
- overall net increase in the fair value related to the investment property portfolio,
- higher than expected non-cash vesting of infrastructure assets associated with development across the city.

Noting that the last three items are non-cash adjustments to the value of assets owned by the DCC – \$24.2 million actual vs \$4.7 million budget.

These favourable variances were partially offset by lower grants funding in Transport due to a lower level of subsidised capital expenditure and a shortfall in renewals funding from Waka Kotahi NZ Transport Agency. Parking revenue was also impacted due to the temporary closure of the

St Andrew Street and Dowling Street carparks while on-site works were completed.

Total operating expenses for the year were \$290.136 million or \$7.660 million greater than budgeted. This variance was due to:

- higher ETS and variable contract costs at the Green Island Landfill as a result of increased activity,
- development/scoping costs in Transport related to the major projects programme. Roothing maintenance was also ahead of budget due in part to increased expenditure for road marking and street cleaning activities,
- unbudgeted non-cash increase in the provision for landfill after-care costs,
- unbudgeted expenditure related to the government project funding discussed above, and
- unbudgeted costs associated with the second-generation district plan.

These unfavourable variances were partially offset by:

- financial expenses were lower than budget, due to a lower level of debt and favourable floating interest rate,
- personnel expenses were less than budget reflecting vacancies during the year across the organisation.

Statement of Financial Position

The term loan balance as at 30 June 2021 was \$272.0 million or \$36.9 million less than budget. This difference was driven by lower than expected capital expenditure for the year, along with the receipt of unbudgeted government project funding discussed above under revenue.

Statement of Cashflows

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

Net cash outflow from investing activities was less than budget, due to lower than expected capital expenditure for the year. It should however be noted that spending in the final quarter exceeded initial forecasts with the predominant activity in renewals for 3 Waters and Transport.

COVID-19

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

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

As an "essential service" provider, the Group's largest entity, Aurora Energy Limited, continues to operate during any lockdown restrictions and COVID-19 did not have a material impact on the entity. The Group's banker, Dunedin City Treasury Limited, also continues to operate as normal during any lockdown restrictions. It has continued to maintain compliance with all Treasury Risk Management Policy requirements, and ensured funding is made available to the Group.

Lockdown restrictions during the prior year, impacted the results of most other Group entities. Key Group entities, City Forests Limited and Delta Utility Services Limited's financial results were reduced due to not being able to operate at full potential during the last quarter of the 2020 financial year. There was no significant impact during the 2021 financial year, however, most Group entities are experiencing increased costs and lower stock supply. Each Group member has put in place budgets and strategies to manage the ongoing risks of COVID-19.

International travel restrictions significantly affected the performance of the Group's aviation and tourism related businesses in both the current and prior financial years. Unfortunately, the effect on Dunedin Railways was so significant that the company was put into hibernation from 1 July 2020 to allow time for alternative operating models to be considered. Dunedin City Council plans to publicly consult on future options of the company in early 2022.

Prior period errors

The following prior period errors have been identified during the year. The financial statements have been restated to reflect the correct opening positions.

Summary of errors in 2020 financial statements

Statement of comprehensive revenue and expense

	Previously reported 2020	Error 1 – Profit elimination	Error 2 – Classification 1	Error 3 – Classification 2	Error 4 – Deferred tax	Error 5 – Hedge reserves	2020 Restated
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Other revenue	330,885	(26,248)	-	-	-	-	304,637
Other expenses	272,679	(13,283)	-	-	-	-	259,396
Personnel expenses	138,110	(7,422)	-	-	-	-	130,688
Depreciation and amortisation	104,298	(1,706)	-	-	-	-	102,592
Surplus (deficit) before taxation	(6,221)	(3,837)	-	-	-	-	(10,058)
Less taxation	(2,353)	(1,074)	-	-	-	-	(3,427)
Surplus (deficit) after taxation	(3,869)	(2,762)	-	-	-	-	(6,631)

Statement of other comprehensive revenue and expense

	Previously reported 2020	Error 1 – Profit elimination	Error 2 – Classification 1	Error 3 – Classification 2	Error 4 – Deferred tax	Error 5 – Hedge reserves	2020 Restated
Gain (loss) of cash flow hedges at fair value through other comprehensive revenue and expense	(17,645)	-	-	-	-	228	(17,417)
Income tax benefit (expense) on other comprehensive income	(2,444)	-	-	-	5,796	(228)	3,124
Total comprehensive revenue and expense	(12,944)	(2,762)	-	-	5,796	-	(9,910)

Statement of financial position

	Previously reported 2020	Error 1 – Profit elimination	Error 2 – Classification 1	Error 3 – Classification 2	Error 4 – Deferred tax	Error 5 – Hedge reserves	2020 Restated
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Current assets							
Taxation refund receivable	6,565	-	(5,168)	-	-	-	1,397
Non-current assets							
Property, plant and equipment	3,806,691	(68,263)	-	-	-	-	3,738,428
Current liabilities							
Provision for tax	5,168	-	(5,168)	-	-	-	-
Non-current liabilities							
Deferred taxation	115,661	(19,114)	-	-	(16,084)	-	80,463
Equity							
Accumulated funds	1,884,089	(49,149)	-	-	-	3,447	1,838,387
Cash flow hedge reserves	(58,269)	-	-	-	16,084	(3,447)	(45,632)

Statement of cash flows

	Previously reported 2020	Error 1 – Profit elimination	Error 2 – Classification 1	Error 3 – Classification 2	Error 4 – Deferred tax	Error 5 – Hedge reserves	2020 Restated
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cash flow from operating activities							
Other revenue	351,994	(26,248)	-	-	-	-	325,746
Suppliers and employees	(402,415)	20,705	-	-	-	-	(381,710)
Cash flow from investing activities							
Decrease in investments	7,405	-	-	3,978	-	-	11,383
Capital expenditure	(159,714)	5,543	-	-	-	-	(154,171)
Cash flow from financing activities							
Loans raised (inflow)	96,089	-	-	46,022	-	-	142,111
Loans repaid (outflow)	-	-	-	(50,000)	-	-	(50,000)

Statement of financial position at 30 June 2019/1 July 2019

	Previously reported 2019	Error 1 – Profit elimination	Error 2 – Classification 1	Error 3 – Classification 2	Error 4 – Deferred tax	Error 5 – Hedge reserves	2019 Restated
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Current assets							
Taxation refund receivable	6,632	-	(5,678)	-	-	-	954
Non-current assets							
Property, plant and equipment	3,756,679	(64,426)	-	-	-	-	3,692,253
Current liabilities							
Provision for tax	6,934	-	(5,678)	-	-	-	1,256
Non-current liabilities							
Deferred taxation	114,693	(18,039)	-	-	(10,288)	-	86,366
Equity							
Accumulated funds	1,833,776	(46,387)	-	-	-	3,447	1,790,836
Cash flow hedge reserves	(40,342)	-	-	-	10,288	(3,447)	(33,501)

1. Profit elimination error

During the year an error has been identified regarding the elimination of profit between subsidiary entities of DCC. Delta Utility Services Limited (“Delta”) provides contracting services to Aurora Energy Limited (“Aurora”), some of these services are performed on network assets that are then capitalised by Aurora. The capitalisation of the costs includes a profit component that is earned by Delta. The subsidiary financial statements of Aurora reflect their correct financial position by including the full cost (which includes the profit component) and Delta correctly recognises the profit in its Statement of financial performance.

The error occurs in the DCC Group when consolidating these results. From a DCC Group perspective, the network asset recognised in previous financial statements includes an inter-company profit component. This inclusion has overstated the value of the network asset as the profit should have been eliminated from

the network asset value when reported in the DCC Group financial statements. The revenue and expenses were previously overstated and needed to be eliminated.

This error has occurred since 2006. There has been an adjustment made to opening accumulated funds to reflect the profit component capitalised on the network asset value since 2006.

2. Classification error for tax balances

The taxation refund receivable and provision for tax liability were both overstated by \$5.168 million because the balances should have been netted off in the Statement of Financial Position.

3. Classification error for Statement of Cash Flows

Net decrease of investments was understated by \$3.978 million because the fair value movement of the fair value hedges should have been adjusted for in the net proceeds from borrowings, instead of net decrease of investments.

The proceeds from borrowings and repayment of borrowings were understated by \$50 million because the borrowings (for medium term notes and floating rate notes) that matured during the year had been incorrectly netted off against the borrowings taken out.

4. Recognition of previously unrecognised tax balances

Dunedin City Treasury Limited and Dunedin Stadium Property Limited have tax benefits not recognised in their financial statements, and this treatment has previously been consolidated into the DCC Group. These tax benefits are required to be recognised in the DCC Group financial statements.

5. Error with other comprehensive income and the hedge reserve balance

The gain/(loss) on interest rate swap hedges have been understated due to an error with intercompany eliminations and the tax effect.

Events after balance date

On 27 October 2021, the Local Government Minister announced that central government will proceed with the three waters service delivery reforms using a legislated “all in” approach. The three waters reform involves the creation of four statutory water services entities to be responsible for the service delivery and infrastructure from local authorities from 1 July 2024. There is still a number of uncertainties associated with the new three waters delivery model including the mechanism for how assets will be transferred to the newly established entities and the control and governance of these entities. Notwithstanding the current uncertainty the announcement once legislated will mean Council is no longer responsible for the delivery and infrastructure of three water services from 1 July 2024.

Subsequent to balance date City Forests Limited has contracts in place to purchase additional properties as part of its estate expansion program in total for \$10.75m (2020: \$nil). These properties will settle during the coming financial year.

Delta Utility Services Limited's term receivable with Infinity Yaldhurst Limited was fully repaid subsequent to balance date. This was well ahead of contractual timeframes.

On Tuesday 17 August 2021, the NZ Government announced that level 4 COVID-19 restrictions would take effect throughout the country immediately, following the identification of COVID-19 cases in the community. On Tuesday 31 August 2021, the area in which the DCC Group operates moved to level 3 COVID-19 restrictions. On Tuesday 7 September 2021, the area in which the DCC Group operates moved to level 2 COVID-19 restrictions.

A number of Group entities received the Ministry of Social Development COVID-19 Wage Subsidy which mitigated some of the impact that the lockdown had. On Monday 29 November 2021, the government confirmed that the country would move to a new COVID-19 Protection Framework (“traffic lights”), this would come into effect on Friday 3 December 2021. The area which the Group operates moved into the orange traffic light which reduces restrictions for vaccinated people compared with the previous alert level system.

At the date of signing this Annual Report, the area in which the Group operates remains subject to the Orange level of the COVID-19 Protection Framework. At this stage our assessment is that the impact of COVID-19 restrictions will not materially effect the achievement of the Group's targets for the 2022 financial year. Each entity within the Group has put in place budgets and strategies to mitigate against the risk of COVID-19 and associated supply chain and market price fluctuations.

There were no other significant post balance date events.

Independent Auditor's report

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

To the readers of Dunedin City Council's summary of the annual report for the year ended 30 June 2021

The summary of the annual report was derived from the annual report of Dunedin City Council (the City Council) for the year ended 30 June 2021.

The summary of the annual report comprises the following summary statements on pages 5 to 6 and 9 to 18:

- The summary statement of financial position as at 30 June 2021.
- The summaries of the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended 30 June 2021.
- The notes to the summary financial statements that include accounting policies and other explanatory information.
- The summary of the activities and services section (referred to as "How we did" in the summary annual report).

Opinion

In our opinion:

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

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

Summary of the annual report

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

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

The full annual report and our audit report thereon

We expressed a qualified opinion on the financial statements and the services and activities section and an unmodified opinion on the audited information, excluding the financial statements and the services and activities section in the full annual report for the year ended 30 June 2021 in our auditor's report dated 14 December 2021. The basis for our qualified opinion on the financial statements and the services and activities section is explained below.

Financial statements: Our work was limited with respect to the valuation of the three waters infrastructure assets

As disclosed in Note 28 to the financial statements in the full annual report, the City Council revalued its water supply, wastewater and stormwater infrastructure assets (three waters infrastructure assets) at 30 June 2021 to fair value using optimised depreciated replacement cost.

There is some evidence that the methodology applied by the City Council may have resulted in the valuation being based on replacement costs that are significantly lower than the recent contract rates incurred by the City Council for renewal of three waters infrastructure assets.

The City Council has disclosed on page 111 of the full annual report that it intends to engage experts to review its current valuation methodology to determine whether it is still appropriate and that this may lead to a different approach which may materially alter the carrying values of the City Council's three waters infrastructure assets.

Because this review is yet to be undertaken, the scope of our audit was limited, and we have been unable to obtain sufficient appropriate audit evidence to determine if the carrying values of the three waters infrastructure assets as at 30 June 2021 are materially correctly stated.

Information about this matter is also disclosed on page 12 of the City Council's summary annual report.

Services and activities section: Our work was limited with respect to the verification of the number of complaints for some services

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

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

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

The Department of Internal Affairs has issued guidance to assist local authorities in applying the Rules, including on how to count complaints. Our audit testing found that the City Council has not been counting complaints in accordance with this guidance and that the City Council's method of counting was likely to have understated the actual number of complaints received both in the current year and in the comparative year to 30 June 2020. Complete records for all complaints made to the City Council were not available and we were unable to determine whether the City Council's reported results for these performance measures were materially correct.

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

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

Information about this matter is also disclosed on page 12 of the City Council's summary annual report.

Our auditor's report on the full annual report also includes an emphasis of matter paragraph drawing attention to the disclosures about the Government's three waters reform programme announcement as set out in the full annual report in note 42 to the financial statements. The Government announced it will introduce legislation to establish four publicly owned water services entities to take over responsibilities for service delivery and infrastructure from local authorities from 1 July 2024. The impact of these reforms, once legislated, will mean that the City Council will no longer deliver three waters services. This matter is addressed on page 18 of the summary financial statements.

Council's responsibility for the summary of the annual report

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

Auditor's responsibility

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

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

In addition to our reporting on the summary and full annual reports, we have audited the City Council's 2021–2031 long-term plan which is compatible with those independence requirements.

For the year ended 30 June 2021 and subsequently, the independent Chair of the City Council's Audit and Risk Committee, is the Chair of the Auditor-General's Audit and Risk Committee. The Auditor-General's Audit and Risk Committee is regulated by a Charter that specifies that it provides independent advice to the Auditor-General and does not assume any management functions. There are appropriate safeguards in place to reduce any threat to auditor independence, as the Chair of the Auditor-General's Audit and Risk Committee has no involvement in, or influence over, the audit of the City Council.

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



Rudie Tomlinson

Audit New Zealand

On behalf of the Auditor-General Dunedin, New Zealand

17 January 2022

50 The Octagon | Dunedin 9016

PO Box 5045 | Dunedin 9054

New Zealand

www.dunedin.govt.nz

