



dunedin city council summary annual report 2021/22



DUNEDIN | kaunihera
CITY COUNCIL | a-rohe o
Ōtepoti

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He Kupu Whakataki nā te Kahika

Introduction from the Mayor

This Annual Report shows the Dunedin City Council's progress during the 2021/22 year and how we have tracked against our budget as set out in the first year of the 10 year plan 2021-31.

The 10 year plan committed to looking after what we have, including significant investment in renewing the city's aging infrastructure, such as water pipes and roads. It has been a busy year delivering on this commitment, with a capital spend of around \$144 million.

Work included replacing water mains for the Waikouaiti community, and renewing 9km of watermains across the city, 4km of wastewater pipes, and 3km of stormwater pipes.

We also resealed 45.5km of roads during the year, along with 26.5km of footpaths.

The Retail Quarter Upgrade project saw work completed in London Street, Frederick Street and Hanover Street (in part), and work is progressing on George Street and Great King Street.

During the year we also completed the refurbishment of 38 housing units at the Palmyra site. The School Street housing site was completed with 10 new units designed to meet Homestar 8 standards. These are some of the most energy efficient public housing units in the country.

New equipment was installed in 23 different playgrounds across the city, including a new pump track at Marlow Park, upgrading Bathgate Park and Fairfield skatepark, and installing half basketball courts in a number of playgrounds around the city.

Work to refresh our Strategic Framework is underway, alongside the development of a Wellbeing Framework, a Māori Strategic Framework, and a City Portrait of Dunedin.

Emissions reduction and preparing to adapt to climate change have continued to be a key focus.

The DCC and the Otago Regional Council are also working together to develop a South Dunedin Future programme plan. This plan outlines a process for both councils, their partners and stakeholders to develop climate adaptation options for the area over the next few years.

Excellent results have been achieved in economic development, particularly in developing New Zealand's Centre of Digital Excellence. The Centre is a spearhead project for Dunedin using our educational advantages to produce weightless exports. Such initiatives will form an increasingly vital part of our economy in future.

Overall, it has been a busy year of solid progress on upgrades which sees us better placed to seize opportunities and meet the challenges ahead.



Jules Radich
Mayor of Dunedin

He tirohaka whānui | Strategic overview

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 2021/22 results (and Māori statistics if applicable) is provided in the full Annual Report.

Te whakatutuki i kā mahi

Getting things done

We have undertaken many activities and projects in the 2021/22 financial year that have contributed to our community outcomes.



Social wellbeing

Community organisations were supported through training and allocation of grant funds. Events were held throughout the year including Puaka Matariki events which attracted over 20,000 people.



3 Waters

An environmental monitoring programme was established for systems planning. Over a thousand smart meters have been installed to curtail water leaks. A governance role was established with mana whenua provide strategic guidance.



Spatial planning

The number of new homes consented was a record high of 641. Variation 2 to the 2GP introduced 12 new medium density zones and a range of flexible rules for development.



Economic development

The NZ Centre of Digital Excellence (CODE) was incorporated on 1 July 2022. 10 new studios and four emerging studios received CODE funding. International Education has been supported with future focused workshops with partners from the Secondary and Tertiary education sector.



Ara Toi

The gallery staged the exhibition Paemanu, Tauraka Toi, and this has expanded the gallery's ability to integrate Ngāi Tahu art histories within the institution. Dunedin UNESCO City of Literature partnered with Auckland University Press and Dunedin Public Libraries for the launch of the first-ever anthology of Asian New Zealand creative writing.



Integrated transport

Work to improve pedestrian safety, speed management and parking around schools continued. A preliminary design package was completed for the Dunedin Tunnels Trust. Eighteen new bike stands were installed around the city.



Te Ao Tūroa

DCC awarded \$83,987.13 in Biodiversity Funding across a range of projects, including native bush and wetland restoration, pest control and community planting schemes. The St Clair – St Kilda Coastal Plan was adopted to manage and adapt the effects of coastal hazards and climate change.



Parks and recreation

An updated Play Spaces Plan was adopted, aiming to guide the transition improvements in play experiences for the whole community. Construction of the new Mosgiel Pool is well underway.

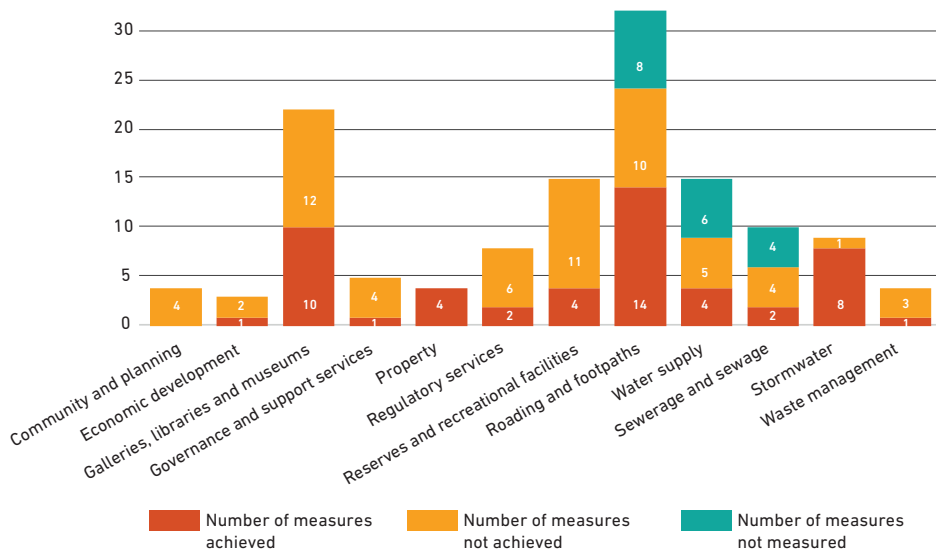
I pehea tā mātou mahi | How we did

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 following graph is a summary of the non-financial performance achievement of each activity group:

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.

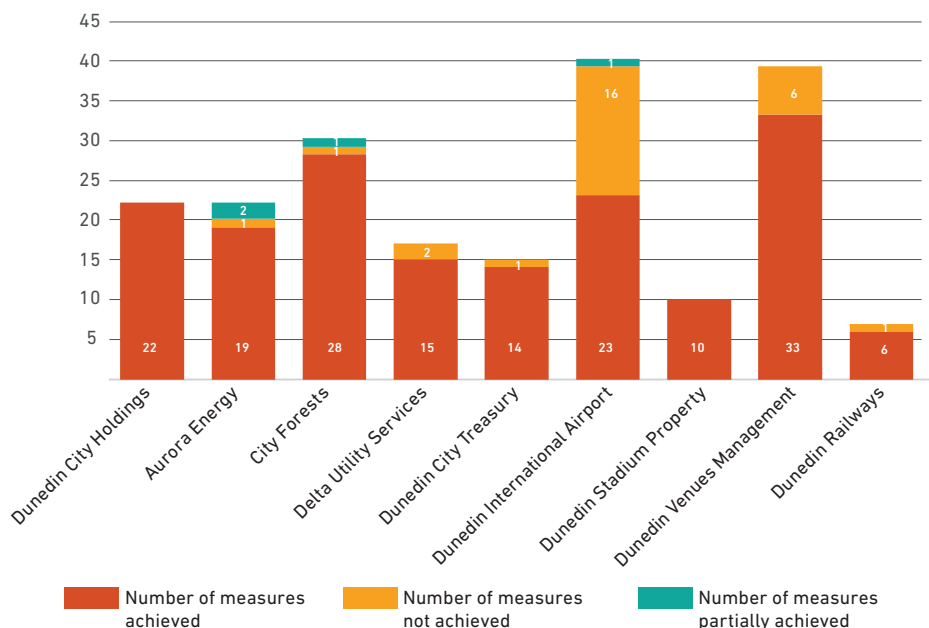
Dunedin Stadium Property Limited's principal activity is the ownership of Forsyth Barr Stadium. In particular, it oversees that the stadium is maintained to a standard that enables it to operate effectively.

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.

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. Covid-19 had a severe impact on the company and it transitioned to hibernation from 1 July 2020. The company's current focus is on maintaining key assets pending further decisions from Dunedin City Council.

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

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 to provide opportunities for Māori to contribute to decision making processes and to have an active role in the city's development. 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 2021/22 include:











- Two key roles were established within the DCC, a Manager of Māori Partnerships and a Strategic Engagement Advisor.
- Engagement and co-design with mana whenua of major projects included the Mosgiel Pool, George Street upgrade, city urupā, and South Dunedin Library.
- The development and progression of foundational cultural initiatives including a Māori Strategic Framework, Tū Hono (Māori Engagement Framework), Tū Kotahi (Staff Cultural Capability Programme) that will better support and build on our partnership and responsiveness as a Treaty Partner.
- Development of the cultural resource, Ākonga, an internal website that provides DCC staff with resources to empower cultural capability.

Sustainability update

Highlights of the work undertaken by the DCC in the 2021/22 year include:

- The DCC's Emissions Reduction and Management Plan (EMRP) and associated organisational emissions reduction targets have been updated and are now being implemented. Software has also been implemented to improve DCC emissions management.
- A set of guiding principles was developed for the Zero Carbon work programme and work towards a Dunedin action plan to reduce emissions continued. Work has included defining the technical parameters of 'Zero Carbon' and beginning modelling to determine how emissions can be reduced.
- The DCC developed and adopted a new Zero Carbon Policy. The Policy aims to ensure that the DCC's activities minimise emissions and contribute to achieving both city-wide and DCC emissions reduction targets.
- Significant progress is being made on major work programmes that will positively impact on city-wide emissions, including Waste Futures and Shaping Future Dunedin Transport.
- DCC and ORC have collaboratively developed a South Dunedin Future programme plan, which outlines a 4-5 year process by which the councils, its partners and stakeholders will develop climate adaptation options for the area. This plan outlines the strategic intent of the programme and the actions to be undertaken, including detailed scientific and technical work, extensive community engagement, as well as coordination with technical agencies, academic institutions, and central government.
- As part of the South Dunedin Future programme, collaborative discussions have continued between DCC and ORC, with mana whenua partners, affected communities, and other stakeholders. Topics included the natural hazards affecting South Dunedin, the likely impacts of a changing climate, and the community's views, values and aspirations for the future.

Where our money went

Activities and services	Capital costs		Operating costs		Where your rates went (every \$100)
	Actual \$144m	Budget \$145m	Actual \$305m	Budget \$286m	
 Community and planning	\$0m	\$0m	\$13m	\$13m	\$7
 Economic development	\$0m	\$0m	\$7m	\$5m	\$3
 Ara Toi: Galleries, libraries and museums	\$2m	\$2m	\$20m	\$20m	\$14
 Governance and support services	\$3m	\$5m	\$40m	\$36m	\$4
 Property	\$15m	\$22m	\$34m	\$31m	\$5
 Regulatory services	\$0m	\$0m	\$11m	\$11m	\$0
 Reserves and recreational facilities	\$13m	\$26m	\$34m	\$34m	\$18
 Roding and footpaths	\$41m	\$40m	\$54m	\$51m	\$10
 3 Waters	\$65m	\$42m	\$73m	\$69m	\$36
 Waste management	\$5m	\$8m	\$19m	\$16m	\$3

Operating costs include depreciation

Dunedin City Council

Summary statement of comprehensive revenue and expense for the year ended 30 June 2022

	CORE COUNCIL			CONSOLIDATED	
	Actual 2022 \$000	Budget 2022 \$000	Actual 2021 \$000	Actual 2022 \$000	Actual 2021 \$000
Total operating revenue	317,544	293,936	306,572	571,219	580,361
Operating expenditure	289,239	276,326	280,924	531,610	502,259
Financial expenses	15,975	9,943	9,212	30,443	23,929
Total operating expenditure	305,214	286,269	290,136	562,053	526,188
Operating surplus (deficit) from operations	12,330	7,667	16,436	9,166	54,173
Share of associate surplus (deficit)	-	-	-	232	1,042
Surplus (deficit) before taxation	12,330	7,667	16,436	9,398	55,215
Less taxation	(1,169)	(450)	(734)	(481)	11,525
Surplus (deficit) after taxation	13,499	8,117	17,170	9,879	43,690
Other comprehensive revenue and expense					
Gain (loss) on property, plant and equipment revaluations	782,956	63,000	372,394	782,956	372,394
Gain (loss) on forestry land revaluations	-	-	-	10,156	6,524
Gain (loss) of comprehensive revenue in associates	-	-	-	5,401	91
Gain (loss) of cash flow hedges at fair value through other comprehensive revenue and expense	636	480	1,396	54,376	30,735
Gain (loss) on carbon credit revaluation	-	-	-	40,166	12,279
Income tax on other comprehensive income	-	-	-	(26,280)	(11,573)
Total other comprehensive revenue and expense	783,592	63,480	373,790	866,775	410,450
Total comprehensive revenue and expense	797,091	71,597	390,960	876,654	454,140
Surplus (deficit) attributable to:					
Dunedin City Council and Group	13,499	8,117	17,170	9,879	43,690
Total comprehensive revenue and expense attributable to:					
Dunedin City Council and Group	797,091	71,597	390,960	876,654	454,140

Dunedin City Council

Summary statement of changes in equity for the year ended 30 June 2022

	CORE COUNCIL			CONSOLIDATED	
	Actual	Budget	Actual	Actual	Actual
	2022	2022	2021	2022	2021
	\$000	\$000	\$000	\$000	\$000
Movements in equity					
Opening equity	3,512,539	3,211,117	3,121,579	3,737,678	3,283,538
Total comprehensive revenue and expense attributable to Dunedin City Council and Group	797,091	71,597	390,960	876,654	454,140
Closing equity	4,309,630	3,282,714	3,512,539	4,614,332	3,737,678
Components of equity					
Accumulated funds	1,723,214	1,703,242	1,709,845	1,899,727	1,881,963
Reserves	2,586,416	1,579,472	1,802,694	2,714,605	1,855,715
Total equity	4,309,630	3,282,714	3,512,539	4,614,332	3,737,678

Dunedin City Council

Summary statement of financial position as at 30 June 2022

	CORE COUNCIL			CONSOLIDATED	
	Actual	Budget	Actual	Actual	Actual
	2022	2022	2021	2022	2021
	\$000	\$000	\$000	\$000	\$000
Current assets	45,526	25,630	42,547	98,878	107,693
Non-current assets	4,675,118	3,649,457	3,817,115	5,686,604	4,708,833
Total assets	4,720,644	3,675,087	3,859,662	5,785,482	4,816,526
Current liabilities	61,217	43,642	60,211	106,486	104,514
Non-current liabilities	349,797	348,731	286,912	1,064,664	974,334
Total liabilities	411,014	392,373	347,123	1,171,150	1,078,848
Equity attributable to Dunedin City Council and Group	4,309,630	3,282,714	3,512,539	4,614,332	3,737,678
Total equity	4,309,630	3,282,714	3,512,539	4,614,332	3,737,678
Total liabilities and equity	4,720,644	3,675,087	3,859,662	5,785,482	4,816,526

Dunedin City Council

Summary statement of cashflows
for the year ended 30 June 2022

	CORE COUNCIL			CONSOLIDATED	
	Actual	Budget	Actual	Actual	Actual
	2022	2022	2021	2022	2021
	\$000	\$000	\$000	\$000	\$000
Net cash inflow (outflow) from operating activities	81,134	79,573	75,567	122,304	111,525
Net cash inflow (outflow) from investing activities	(139,387)	(144,958)	(110,990)	(230,138)	(187,493)
Net cash inflow (outflow) from financing activities	62,300	63,975	28,000	104,170	40,270
Net increase (decrease) in cash held	4,047	(1,410)	(7,423)	(3,664)	(35,698)
Opening cash and cash equivalents balance	7,939	7,481	15,362	30,018	65,716
Closing cash and cash equivalents balance	11,986	6,071	7,939	26,354	30,018

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 2022.

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 6th April 2023 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 audit evidence to support the carrying value of three waters infrastructure assets in the statement of financial position as at 30 June 2021; and the asset revaluation movement for the year ended 30 June 2022, that has been recognised in the other comprehensive

revenue and expense section of the statement of comprehensive revenue and expense, and the statement of changes in equity.

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; and the reported result for the percentage of building consent applications processed in accordance with statutory timeframes for the year ended 30 June 2022.

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.

There were no standards issued and not yet effective that have been early adopted.

In April 2021, the International Financial Reporting Interpretations Committee (IFRIC), a committee supporting profit-oriented reporting, published an agenda decision clarifying how configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS) arrangements should be accounted for. They

concluded that SaaS arrangements are service contracts providing the customer with the right to access the SaaS provider's application software over the contract period. Costs incurred to configure or customise software in a cloud computing arrangement, can be recognised as intangible assets only if the activities create an intangible asset that the entity controls, and the intangible asset meets the recognition criteria.

The New Zealand Accounting Standards Board has not issued similar guidance, management however considers the IFRIC decision relevant to the accounting for similar types of arrangements of the Group. The Group changed its accounting policy from 1 July 2021 to be consistent with the IFRIC agenda decision and applied this change retrospectively and has restated comparative balances accordingly.

The impact of the change in accounting policy is that some intangible assets that were previously capitalised no longer meet the criteria for capitalisation and have therefore been expensed or taken to prepayments.

The changes to the consolidated comparative year's financial statements, as a result of the adjustments, are summarised as follows:

Statement of financial performance

	Previously reported 2021 \$000	SaaS Adjustment \$000	Restated 2021 \$000
Other expenses	270,154	117	270,271
Surplus (deficit) before taxation	55,332	(117)	55,215
Taxation expense	11,558	(33)	11,525
Surplus (deficit) after taxation	43,774	(84)	43,690

Statement of Other Comprehensive Income

Surplus (deficit) after taxation	43,774	(84)	43,690
Total comprehensive revenue and expense	454,224	(84)	454,140

Previously reported 2021 \$000	Saas Adjustment \$000	Restated 2021 \$000
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Statement of Financial Position

Prepayments	2,333	622	2,955
Intangible assets	10,100	(739)	9,361
Deferred tax liability	103,215	(33)	103,182
Accumulated funds	1,882,047	(84)	1,881,963
Total equity	3,737,762	(84)	3,737,678

Statement of Cash Flows

Payments to suppliers and employees	(383,226)	739	(382,487)
Capital expenditure	(190,357)	(739)	(191,096)

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 \$137.392 million (2021: \$154.813 million) and of the Group \$169.172 million (2021: \$166.813 million).

Contingencies

The Council has uncalled capital of \$975 million for Dunedin City Holdings Limited. The Group has contingent liabilities relating to performance bonds of \$377 thousand (2021: \$717 thousand).

The Council is exposed to various legal claims on an ongoing basis. The maximum financial exposure under those claims is likely to be less than \$1,000,000.

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 year one of the 2021/31 10 year plan are as follows:

Statement of Comprehensive Revenue and Expense

Total operating revenue for the year was \$317.5 million or \$23.6 million greater than budgeted.

This additional income was due to:

- unbudgeted government project funding for Economic Development, and Three Waters activities,
- a net increase in the fair value related to the investment property portfolio (non-cash \$11.4 million),
- higher than expected non-cash vesting of infrastructure assets associated with development across the city (\$3.8 million),
- better than expected revenue from Building Services and Resource Consents with increased activity.

These favourable variances were partially offset by activities impacted by the unplanned lockdowns during the year and less activity in the city with residents impacted by COVID 19 and/or continuing to work from home. This affected parking operations and Aquatic Services in particular.

Activity from commercial customers through the Green Island landfill was also lower than anticipated.

Total operating expenses for the year was \$305.2 million or \$18.9 million greater than budgeted. This variance was due to:

- an increase in the unit cost of purchasing ETS credits to support the activity through the Green Island Landfill,
- unbudgeted non-cash increase in the provision for landfill after-care costs,
- greater than expected subsidised roading maintenance,
- unbudgeted expenditure on Three Waters stimulus projects funded for the government grants discussed above,
- unbudgeted expenditure in Enterprise Dunedin to deliver the MBIE funded projects including the Centre of Digital Excellence and the Strategic Tourism Asset Protection Programme,
- unbudgeted non-cash write-down (\$7.4 million) of investments held by the Waipori Fund. Equity markets during the year were impacted by world events with most portfolios showing a negative movement in value for the year. There was also a negative revaluation of fixed term investments as wholesale interest rates increased.

These unfavourable variances were partially offset by: lower personnel costs due to position vacancies throughout the year; lower interest costs reflecting a favourable floating interest rate to budget; delayed project costs while scoping work is completed; and lower expenditure reflecting the impact of cancelled city-wide events during the year.

Statement of Financial Position

The term loan balance as at 30 June 2022 was \$334.3 million or \$1.7 million less than budget. This low variance reflected the level of capital expenditure for the year which was 98.9% of budget.

The value of property, plant and equipment was greater than budget reflecting the revaluation of Three Waters reticulation assets as at 30 June 2022 per note 29 of the Annual Report.

The value of investment property was also greater than expected reflecting a net positive revaluation across the portfolio.

Statement of Cashflows

Net cash inflow from operating activities 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 a lower cash outlay for capital expenditure than expected.

Reclassification of comparative year figures

The Group has made some minor reclassification adjustments to prior year comparative figures. This is to better reflect the financial position at year end.

COVID-19

On 11 March 2020 the World Health Organisation declared the outbreak of COVID-19, a pandemic. New Zealand has been subject to varied COVID-19 restrictions since this time.

The pandemic had a varying effect on individual members of the DCC Group but overall the Group was not significantly affected by the pandemic. As discussed in note 6 of the Annual Report, some entities within the Group met the criteria to receive the Covid-19 leave support scheme and wage subsidy.

As an "essential service" provider, the Group's largest entity, Aurora Energy Limited, continued to operate during lockdown restrictions and COVID-19 did not have a material impact on the entity. The Group's banker, Dunedin City Treasury Limited, also continued to operate as normal during 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 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 lockdowns. International travel restrictions have significantly affected the performance of the Group's aviation and tourism related businesses. Unfortunately, the effect on Dunedin Railways was so significant that the company was put into hibernation from 1 July 2020 to allow time for alternative operating models to be considered. Dunedin City Council plans to make a decision on the future of the company next year.

Most Group entities are experiencing lower stock supply, labour shortages, and inflationary pressures all of which have been partially brought about by the pandemic. Each Group member has put in place budgets and strategies to manage the ongoing risks of COVID-19.

Events after balance date

In June 2022, the Government introduced legislation to establish four publicly owned water services entities to take over responsibilities for service delivery and infrastructure from local authorities with effect from 1 July 2024. The legislation received royal assent from the Governor-General on 14 December 2022. The impact of these reforms will mean that the City Council will no longer deliver three waters services or own the assets required to deliver these services. In December 2022, the Government introduced the Water Services Legislation Bill, which will transfer assets and liabilities to the water services entities.

The value of interest rate swaps designated as cashflow hedges has increased in value by 65.6% since reporting date, based on valuations as at 28 February 2023.

Dunedin City Treasury Limited continued to work towards adding the New Zealand Local Government Funding Agency as a source of funding, which was completed on 3 November 2022.

DCC has committed in principle to retaining the iconic Taieri Gorge train service as a key part of the city's visitor economy. Future options will be considered in more detail, and staff will provide further updates to Council in time for its 10 year plan 2024-34.

There were no other significant post balance date events.

Completion and adoption of annual report

The 2021/22 annual report of Dunedin City Council and Group was not completed by 31 December 2022, as required by section 98(7) (b) of the Local Government Act 2002, due to the additional audit verification required for the Three Waters revaluation and DCC compliance with the drinking water standards.

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 2022

The summary of the annual report was derived from the annual report of the Dunedin City Council (the City Council) for the year ended 30 June 2022.

The summary of the annual report comprises the following summary statements of the City Council and Group on pages 4 to 5 and 8 to 14:

- The summary statement of financial position as at 30 June 2022.
- 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 2022.
- The notes to the summary financial statements that include accounting policies and other explanatory information.
- The summary of the services and activities 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 service section information includes a limitation in scope to the equivalent extent as the full audited financial statements and non-financial performance information (referred to as the "service and activities" section in the full annual report). 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 audit 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 2022 in our auditor's report dated 6 April 2023. 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 in relation to the comparative year carrying value of the City Council and Group's revalued three waters infrastructure assets and the asset revaluation movement in the current year

In the prior year, we concluded that there was evidence that the methodology applied by the City Council and Group in the revaluation of its water supply, wastewater and stormwater infrastructure assets (three waters infrastructure assets) at 30 June 2021, may have resulted in the valuation being based on

replacement costs that were significantly lower than recent contract rates incurred by the City Council and Group for renewal of its three waters infrastructure.

As a result, our audit report on the 30 June 2021 financial statements was qualified because we were unable to obtain sufficient appropriate audit evidence to determine if the carrying values of the three waters infrastructure assets as at 30 June 2021 were materially correctly stated.

As disclosed in note 29 to the financial statements in the full annual report, the City Council and Group revalued its three waters infrastructure assets as at 30 June 2022, resulting in a revaluation movement of \$604 million recognised in the statement of comprehensive revenue and expense for the year ended 30 June 2022. We have obtained sufficient appropriate evidence over this valuation, however any misstatement of the three waters infrastructure assets' carrying value as at 30 June 2021 would consequently affect the revaluation movement recognised in the statement of comprehensive revenue and expense for the year ended 30 June 2022.

As a result of the matter described above, we are unable to obtain sufficient audit evidence to support:

- the carrying value of three waters infrastructure assets in the statement of financial position as at 30 June 2021; and
- the asset revaluation movement for the year ended 30 June 2022, that has been recognised in the other comprehensive revenue and expense section of the statement of comprehensive revenue and expense, and the statement of changes in equity.

Information about this matter is also disclosed on page 10 of the City Council's summary annual report.

Services and activities section: Our work was limited with respect to the performance measures on 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 in relation to its wastewater system, drinking water supply, and 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 2021. Furthermore, complete records for all complaints made to the City Council were not available.

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 10 of the City Council's summary annual report.

Services and activities section: Our work was limited with respect to the performance measure on compliance with the statutory timeframes for processing building consent applications

An important part of the City Council's service performance is the percentage of building consent applications processed in accordance with statutory timeframes. The Ministry of Business, Innovation and Employment (MBIE) has issued guidance to assist local authorities in applying Regulation 7 of the Building (Accreditation of Building Consent Authorities) Regulations 2006, including on how to count the number of days for processing.

As disclosed on page 37 of the full annual report, International Accreditation New Zealand (IANZ) conducted an audit of the City Council's Building Services during the year and identified that the City Council has not been counting the number of days taken to process building consents in accordance with the MBIE guidance. Our audit testing also identified issues with the dates recorded for processing building consents. As the City Council has not recalculated the timeliness of consent processing in

compliance with the MBIE guidance, we were unable to determine whether the City Council's reported result for this performance measure is materially correct.

As a result, our work was limited and there were no practical audit procedures we could apply to obtain assurance over the reported result for the percentage of building consent applications processed in accordance with statutory timeframes for the year ended 30 June 2022.

Information about this matter is also disclosed on page 10 of the City Council's summary annual report.

Emphasis of matter – The Government's three waters reform programme

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. This outlines that the Water Services Entities Act 2022 received royal assent on 14 December 2022. The Act establishes four publicly owned water services entities to take over responsibilities for three waters service delivery and infrastructure from local authorities from 1 July 2024, or earlier by Order in Council. In December 2022, the Government introduced two additional water services Bills, one of which will enable the transfer of three waters related assets and liabilities to the water services entities. Until the Bills receive royal assent, the financial impact of the transfer on the City Council and Group remains uncertain. This matter is disclosed on page 14 of the summary annual report.

Council's responsibility for the summary of the annual report

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

Auditor's responsibility

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

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

For the year ended 30 June 2022 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 the audit and our report on the disclosure requirements, 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
04 May 2023



DUNEDIN
CITY COUNCIL

kaunihera
a-rohe o
Ōtepoti

50 The Octagon | Dunedin 9016

PO Box 5045 | Dunedin 9054

New Zealand

www.dunedin.govt.nz

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