



dunedin city council summary annual report 2022/23

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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 2022/23 year, and how we have tracked against our budget as set out in the second year of the 10 year plan 2021-31.

The local body elections in October 2022 delivered four new and one previously experienced Councillor and an enormous amount of wisdom, talent and skill around the Council table.

In November, Council signed the Manatu Whakaaetaka Relationship Agreement – a refreshed Memorandum of Understanding between Te Rūnanga o Ōtākou, Kāti Huirapa ki Puketeraki Rūnaka and the Dunedin City Council – signalling a new era of partnership between mana whenua and the DCC.

Significant capital projects have progressed well over the past 12 months, with a capital spend of around \$207 Million. The George Street Retail Quarter Upgrade is on track to be completed by April 2024. Te Puna o Whakaehu – Mosgiel's new aquatic centre opened in June 2023 and is being very well-received by the community.

Pleasingly, the South Dunedin Library and Community Complex is now expected to be built sooner than expected thanks to an agreement between Council and a local property developer, with a new location for the facility secured.

In January, we launched Dunedin's first new fully electric book bus, Te Pahi Pukapuka, replacing one of our two older diesel buses. The new electric bookbus services a community of avid readers less able to reach Dunedin's libraries and also contributes towards our Zero Carbon goals.

Responding to and preparing for climate change continues to be a strong focus and our South Dunedin Future joint climate adaptation project with the Otago Regional Council is making positive progress. We have a proposal on the table in Wellington.

Council continued to advocate for the community's best interests in other areas as well and accessibility to and through the city will be retained with our efficient one-way system.

Following a Council resolution in January, we embarked on the 'They Save, We Pay' campaign to reverse central government cuts to the New Dunedin Hospital. The campaign produced positive results and the new hospital will continue be an area of high interest for several years.

With plenty of projects on the horizon for 2023/24 and beyond, we need to continue investing responsibly to ensure we're providing infrastructure and services that look after the health and wellbeing of the community.



Jules Radich
Mayor of Dunedin

He tirohaka whānui

Strategic overview

The DCC's strategic vision was developed through a city-wide engagement process that started in 2011. Developed over a period of approximately eight years, the first of the eight strategies was adopted in 2010 and the last completed in 2017.

The Council worked with the community and stakeholders, 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 2022/23 results (and Māori statistics if applicable) is provided in the full Annual Report.

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.

For many years the DCC, mana whenua and Māori have been on a long journey towards more meaningful partnership. Significant developments have occurred in recent years to progress the DCC's Treaty of Waitangi commitments across our governance arrangements, these include the establishment of Kā Rūnaka representative positions on two Council committees in 2021 and the signing of the Manatu Whakaetaka Relationship Agreement, a refreshed Memorandum of Understanding between Council and Kā Rūnaka in 2022. The intended outcome of this Agreement is to facilitate a relationship of mutual benefit between mana whenua and the DCC, in order to produce meaningful outcomes for current and future generations of Māori within Ōtepoti Dunedin.

Te Pae Māori, a mana to mana forum was also established in 2022. The intended outcome of Te Pae Māori is to bring all of Council, mana whenua and mātāwaka together to advance shared aspirations and respect, to acknowledge one another's roles and responsibilities and uphold each other's obligations under the Treaty of Waitangi.

With the governance level partnership arrangements developed and underway, the next important strategic steps in strengthening the DCC's Treaty of Waitangi partnership with mana whenua and Māori has been to develop two important frameworks that focus on operationalising the Treaty of Waitangi across the DCC as an organisation:

- The adoption by Council of Te Taki Haruru – the DCC's Māori wellbeing framework.
- The implementation of Tū Kotahi – the DCC's Māori Cultural Capability framework.

Preparing to adapt to climate change continued to be a key focus of the DCC's business and planning in 2022/23.

There were many highlights over the year, some include:

- In conjunction with key stakeholders and drawing on input from a wide range of community groups, the DCC developed a draft Zero Carbon Plan for the Council to consider, outlining the key shifts Dunedin needs to achieve its Zero Carbon targets by 2030, and potential action areas for the DCC.
- The joint DCC-ORC programme South Dunedin Future continues to progress strongly towards the development of a climate adaptation strategy for the area by 2026, through a wide range of community engagement, technical and policy activities.
- The DCC has improved and expanded the measurement of its organisational emissions. This includes adopting a more accurate measurement of waste and wastewater emissions, and measuring emissions associated with: staff travel; major contractors undertaking work on the DCC's behalf; closed landfills managed by the DCC; and chemicals used to treat drinking water.
- The latest Dunedin City Community Carbon Footprint was completed, which shows that Dunedin's total gross emissions dropped by 9% between 2018/19 and 2021/22. When carbon absorbed by the city's forests is included, net emissions were down 21% over the same time period.
- The Zero Carbon Alliance was formally established between the DCC, Otago Regional Council, The University of Otago, Te Pūkenga Otago Polytechnic (Dunedin campus) and Te Whatu Ora (Southern) – Health New Zealand. The Alliance seeks to collaboratively deliver emissions reduction in pursuit of both organisational and Dunedin's Zero Carbon 2030 targets.

Te whakatutuki i kā mahi

Getting things done

We have undertaken many activities and projects in the 2022/23 financial year that have contributed to our community outcomes.



A supportive city with caring communities and a great quality of life: Puketeraki Maara Kai, Corstorphine Community Hub and the Tomahawk-Smailles Beach Care Trust's nursery are three projects to benefit from the re-use of old pavers from Ōtepoti Dunedin's main street.



A healthy city with reliable and quality water, wastewater and stormwater systems: The George Street Upgrade project has seen significant work undertaken in George Street to renew ageing pipes and infrastructure, some of which date back to the late 1800s. The upgrades to the network ensure we are delivering services that look after the health and well being of the community.



A compact city with a vibrant CBD and thriving suburban and rural centres: Above ground, work on George St aims to create a more people friendly space, with new paving, street furniture, lighting, plantings and public art. The end result will be a more vibrant city centre where people will want to spend more time and money, with new opportunities for businesses such as outdoor dining.



A successful city with a diverse, innovative and productive economy: Centre of Digital Excellence (CODE) is an economic development initiative established to expand video game development across Aotearoa from Dunedin. It works to assist creators and studios to develop digital game prototypes, found new studios or expand existing companies' ambitions. To date CODE has created 25 gaming studios in Dunedin and more than 90 long term jobs. Dunedin gaming studios have received \$3.24m from CODE, which in turn has attracted \$8.46m investment. Council novated the CODE to a new limited company structure in late 2021/22 retaining a 49% shareholding. During 2022/23 Government decided to invest and roll out CODE nationally.





Te Puna o Whakaehu – Graham Warman



A creative city with a rich and diverse arts and culture scene: The Dunedin Public Art Gallery exhibited a retrospective of work by contemporary Aotearoa New Zealand artist Dame Robin White (Ngāti Awa, Pākehā), *Te Whanaketanga | Something is Happening Here*. Developed by the Museum of New Zealand Te Papa Tongarewa and Auckland Art Gallery Toi o Tāmaki, this exhibition spanned White's 50-year career and included her celebrated portraits, her iconic landscapes, and her collaborative works with artists from across the Pacific. The gallery had over 49,000 visitors during over the duration of the exhibition.



A connected city with a safe, accessible and low-carbon transport system:

We launched Dunedin's first new fully electric bookbus – Te Pahi Pukapuka. The new bus replaces one of our two older diesel buses. The new bookbus carries more than 2000 books to readers less able to reach our libraries, and will also help the DCC reach its Zero Carbon 2030 goal.



A sustainable city with healthy and treasured natural environments: 21 years of Enviroschools in Otago was celebrated in June 2023. There are now over 1,400 Enviroschools nationwide, 36 of those in Dunedin. Through Enviroschools, children and young people are empowered to connect with and explore the environment, then plan, design and take action in their local places in collaboration with their communities.



An active city with quality and accessible recreational spaces and opportunities:

Te Puna o Whakaehu complex opened in June 2023. The new facility replaces a pool originally built in the 1930s, called the Taieri Baths. The complex has a leisure pool for recreational play for children, a dedicated learners' pool, mainly used for swimming lessons, and a 25m pool with eight lanes for swimming. There are spaces for rehabilitation, relaxation and physiotherapy.

I pehea tā mātou mahi

How we did

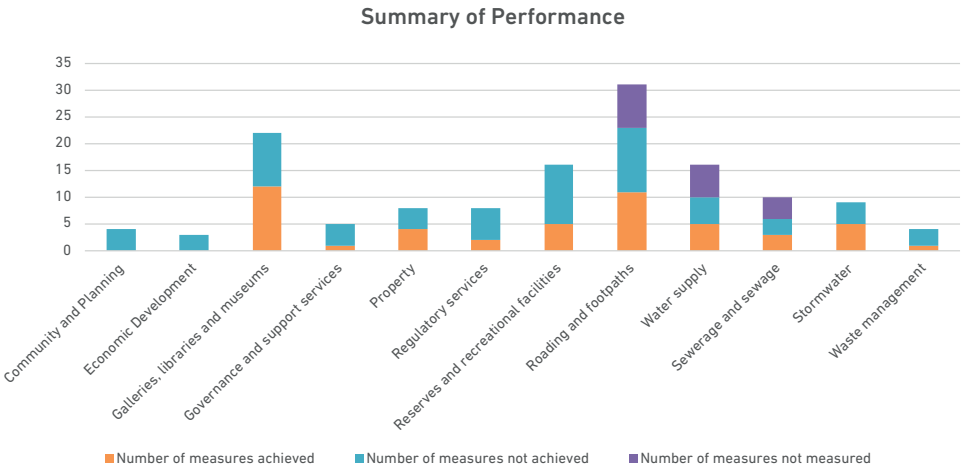
The DCC's services are grouped into 12 groups of activities.

The 10 year plan 2021-31 contained 136 service performance measures that were monitored and reported on.

The graph below is a summary of the non-financial performance of each activity group. It shows that we:

- Met the target for 50 (37%) of our performance measures
- Did not meet the target for 70 (51%) of our performance measures (16 targets are included for noting only, and are not measured)

Full details of DCC performance, including explanations of results, can be found in the full Annual Report at Annual Reports www.dunedin.govt.nz/council/annual-reports.



Some achievements from these activities include:

- A hui for the former refugee community was held in conjunction with the Dunedin Former Refugee Steering Group (DFRSG) and was attended by over 140 participants. (*Community and planning*)
- Heritage and Biodiversity funds supported significant investment in heritage building and biodiversity protection and restoration. (*Community and planning*)
- The cruise season saw the return of 101 ships, with 1,297 bookings made for tours or activities by the isite. The cruise ship visits are worth an estimated \$60 million in revenue into Dunedin's economy. (*Economic development*)
- Lan Yuan successfully rolled out annual events programme including Chinese New Year which attracted 10,000 attendees. (*Galleries, libraries and museums*)

- International Mother Language Day was celebrated through participation in a Cities of Literature chain poem created by our friends at Manchester UNESCO City of Literature. Two versions of 'Words from the Childhood Home' were exhibited in Manchester's Central Library during March, a stanza was written in te reo Māori by Waiāriki Parata-Taiapa. *(Galleries, libraries and museums)*
- The first and second stages of the Dunedin Railway Station restoration concentrated on the removal of the roof, replacement of damaged tiles, leadwork and stonework repairs, timber replacement and repainting and these are now complete. *(Property)*
- Council's Healthy Homes Upgrade programme is underway and as of 30 June 2023, 55% of the Community Housing portfolio met Healthy Homes Standards. The Healthy Homes Upgrade programme is scheduled for completion by 30 June 2024. *(Property)*
- Life-time dog registration tags have been introduced to replace annual plastic tags, saving around 1900 plastic tags from the landfill each year. *(Regulatory services)*
- Reestablishment of the Botanic Garden Sunday Sounds programme of musicians and entertainers during March and April after a two-year hiatus due to Covid 19. *(Reserves and recreational facilities)*
- Recreation Tracks Plan 2022 was adopted by Council. This plan replaces the Track Policy and Strategy (1998), and centres on the management, maintenance, and information needs of existing tracks. The 2022 Plan looks beyond solely maintenance and management activities, to the broader wellbeing, social and economic outcomes that tracks provide for the city. *(Reserves and recreational facilities)*
- Interim Speed Management Plan was implemented with speed limits around all Dunedin Schools, the Tertiary Precinct and some commercial centres were changed to 30km/h. Installation of new speed limit signs started in mid-2023. *(Roading and footpaths)*
- Basis of Planning and set of guiding principles have been developed to set the direction of 3 Waters' adaptive long term investment plans. *(3 Waters)*
- Rapid Flood Hazard Assessments have been completed for the majority of Dunedin's urban areas that do not currently have full stormwater hydraulic models. These assessments assist in identifying high risk flood hazard areas for further investigation and potential future flood alleviation works. *(3 Waters)*
- Dunedin City Council entered into a contract for kerbside collections with Enviro NZ Ltd. The new contract includes the addition of kerbside collections for both food scraps and garden waste, as well as replacing the majority of plastic rubbish bags with general waste bins. Enhancements to kerbside services include expanded collection areas, plus weekly collections in the university student precinct in support of Council's commitment to the Sophia Charter. *(Waste management)*

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.

Dunedin City Council 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.

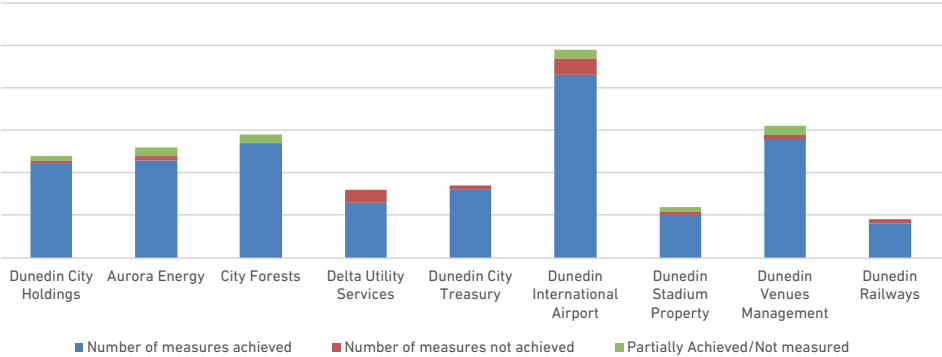
Dunedin Stadium Property Limited's principal activity is the ownership of Forsyth Barr Stadium. In particular, it oversees that the stadium is maintained to a standard that enables it to operate effectively.

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 operated a tourist and excursion train on the Taieri Gorge railway line and on the Seaside line north of Dunedin until March 2020. Covid 19 had a severe impact on the company and it transitioned to hibernation from 1 July 2020.

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

Summary of Performance



Where our money went

Activities and services	Capital costs		Operating costs		Where your rates went (every \$100)
	Actual \$207m	Budget \$189m	Actual \$371m	Budget \$317m	
 Community and planning	\$0m	\$0m	\$13m	\$13m	\$7
 Economic development	\$0m	\$0m	\$7m	\$5m	\$3
 Ara Toi: Galleries, libraries and museums	\$2m	\$2m	\$21m	\$21m	\$14
 Governance and support services	\$3m	\$6m	\$41m	\$38m	\$1
 Property	\$19m	\$28m	\$50m	\$38m	\$7
 Regulatory services	\$0m	\$0m	\$12m	\$13m	\$0
 Reserves and recreational facilities	\$26m	\$32m	\$36m	\$37m	\$18
 Roothing and footpaths	\$60m	\$52m	\$63m	\$53m	\$11
 3 Waters	\$93m	\$53m	\$105m	\$80m	\$36
 Waste management	\$4m	\$16m	\$23m	\$19m	\$3

Operating costs include depreciation

Dunedin City Council

Summary statement of comprehensive revenue and expense for the year ended 30 June 2023

	CORE COUNCIL			CONSOLIDATED	
	Actual 2023 \$000	Budget 2023 \$000	Actual 2022 \$000	Actual 2023 \$000	Actual 2022 \$000
Total operating revenue	334,035	324,767	317,544	616,756	571,219
Operating expenditure	355,159	302,848	289,239	609,185	531,610
Financial expenses	16,038	13,697	15,975	40,068	30,443
Total operating expenditure	371,197	316,545	305,214	649,253	562,053
Operating surplus (deficit) from operations	(37,162)	8,222	12,330	(32,497)	9,166
Share of associate surplus (deficit)	–	–	–	2,158	232
Surplus (deficit) before taxation	(37,162)	8,222	12,330	(30,339)	9,398
Less taxation	(781)	(450)	(1,169)	3,144	(481)
Surplus (deficit) after taxation	(36,381)	8,672	13,499	(33,483)	9,879
Other comprehensive revenue and expense					
Gain (loss) on property, plant and equipment revaluations	81,709	80,000	782,956	81,709	782,956
Gain (loss) on forestry land revaluations	–	–	–	(1,949)	10,156
Gain (loss) of comprehensive revenue in associates	–	–	–	21	5,401
Gain (loss) of cash flow hedges at fair value through other comprehensive revenue and expense	20	21	636	11,632	54,376
Gain (loss) on carbon credit revaluation	–	–	–	(43,458)	40,166
Income tax on other comprehensive income	–	–	–	7,523	(26,280)
Total other comprehensive revenue and expense	81,729	80,021	783,592	55,478	866,775
Total comprehensive revenue and expense	45,348	88,693	797,091	21,995	876,654
Surplus (deficit) attributable to:					
Dunedin City Council and Group	(36,381)	8,672	13,499	(33,483)	9,879
Total comprehensive revenue and expense attributable to:					
Dunedin City Council and Group	45,348	88,693	797,091	21,995	876,654

Dunedin City Council

Summary statement of changes in equity for the year ended 30 June 2023

	CORE COUNCIL			CONSOLIDATED	
	Actual	Budget	Actual	Actual	Actual
	2023	2023	2022	2023	2022
	\$000	\$000	\$000	\$000	\$000
Movements in equity					
Opening equity	4,309,630	3,588,491	3,512,539	4,614,332	3,737,678
Total comprehensive revenue and expense attributable to Dunedin City Council and Group	45,348	88,693	797,091	21,995	876,654
Closing equity	4,354,978	3,677,184	4,309,630	4,636,327	4,614,332
Components of equity					
Accumulated funds	1,686,179	1,723,702	1,723,214	1,865,590	1,899,727
Reserves	2,668,799	1,953,482	2,586,416	2,770,737	2,714,605
Total equity	4,354,978	3,677,184	4,309,630	4,636,327	4,614,332

Dunedin City Council

Summary statement of financial position as at 30 June 2023

	CORE COUNCIL			CONSOLIDATED	
	Actual	Budget	Actual	Actual	Actual
	2023	2023	2022	2023	2022
	\$000	\$000	\$000	\$000	\$000
Current assets	42,548	44,571	45,526	97,432	98,878
Non-current assets	4,853,944	4,133,126	4,675,118	5,905,978	5,686,604
Total assets	4,896,492	4,177,697	4,720,644	6,003,410	5,785,482
Current liabilities	62,716	45,008	61,217	109,790	106,486
Non-current liabilities	478,798	455,505	349,797	1,257,293	1,064,664
Total liabilities	541,514	500,513	411,014	1,367,083	1,171,150
Equity attributable to Dunedin City Council and Group	4,354,978	3,677,184	4,309,630	4,636,327	4,614,332
Total equity	4,354,978	3,677,184	4,309,630	4,636,327	4,614,332
Total liabilities and equity	4,896,492	4,177,697	4,720,644	6,003,410	5,785,482

Dunedin City Council

Summary statement of cashflows for the year ended 30 June 2023

	CORE COUNCIL			CONSOLIDATED	
	Actual 2023 \$000	Budget 2023 \$000	Actual 2022 \$000	Actual 2023 \$000	Actual 2022 \$000
Net cash inflow (outflow) from operating activities	79,504	84,937	81,134	114,630	122,304
Net cash inflow (outflow) from investing activities	(208,405)	(192,452)	(139,387)	(314,004)	(230,138)
Net cash inflow (outflow) from financing activities	126,000	106,000	62,300	193,550	104,170
Net increase (decrease) in cash held	(2,901)	(1,515)	4,047	(5,824)	(3,664)
Opening cash and cash equivalents balance	11,986	9,845	7,939	26,354	30,018
Closing cash and cash equivalents balance	9,085	8,330	11,986	20,530	26,354

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 2023.

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 31st October 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 comparative year revaluation movement of the three waters infrastructure assets 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;
- the reported result for the percentage of building consent applications processed in accordance with statutory timeframes as required by Regulation 7 of the Building (Accreditation of Building Consent Authorities) Regulations Act 2006 for the comparative year ended 30 June 2022;
- the accuracy of smooth travel exposure reported against the performance measure for the year ended 30 June 2023.

Statement of accounting policies

The Council has designated itself and the Group as public benefit entities (PBEs). The full financial statements and service performance information 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:

Chief Financial Officer, Dunedin City Council, PO Box 5045, Dunedin 9054.

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

PBE IPSAS 41 replaced PBE IFRS 9 Financial Instruments and is effective for the year ending 30 June 2023. There was little change as a result of adopting the new standard as the requirements are similar to those contained in PBE IFRS 9.

PBE FRS 48 replaced the service performance reporting requirements of PBE IPSAS 1 Presentation of Financial Statements and is effective for the year ending 30 June 2023. The main impact has been to provide increased narrative and contextual information to provide users with sufficient information to understand why the entity exists, what it intends to achieve in broad terms over the medium to long term, and how it goes about this. Expenditure by activity has also been provided.

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 \$101.089 million (2022: \$137.392 million) and of the Group \$133.990 million (2022: \$169.172 million).

Contingencies

The Council has uncalled capital of \$1.2 billion (2022: \$975 million) for Dunedin City Holdings Limited. The Group has contingent liabilities relating to performance bonds of \$402 thousand (2022: \$377 thousand).

DCC is investigating an historic landfill under Kettle Park which operated next to Ocean beach until the early 1950s. Storm events over the last 15 years have caused erosion to the dune seaward protection of the landfill. Council is waiting for further assessment of the undertaking before costs can be confirmed and budget inclusions or provisions made.

DCC is investigating options to diligently convey wet weather flows from the Musselburgh Pump station to the Tahuna Wastewater Treatment Plant. Analysis and design work is underway and the cost of physical work will be considered as part of the 2024-34 10 year plan.

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 \$2,000,000.

Local Government Funding Agency

The Council is a guarantor of the New Zealand Local Government Funding Agency Limited (LGFA). The LGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand. LGFA has a current credit rating from Standard and Poor's of AAA (Stable).

The council is one of 71 local authority guarantors of the LGFA. The LGFA's loans to local authorities total \$17.7 billion (2022: \$15.8 billion), of which the Group and Council have borrowed \$125 million (2022: nil). As a result, the group and the council's cross-guarantee on LGFA's loans to other local authorities is \$17.6 billion (2022: nil).

PBE Accounting Standards require the Council to initially recognise the guarantee liability by applying the 12-month expected credit loss (ECL) model (as fair value could not be reliably measured at initial recognition), and subsequently at the higher of the provision for impairment at balance date determined by the ECL model and the amount initially recognised. The Council has assessed the 12-month ECL of the guarantee liability, based on market information

of the underlying assets held by the LGFA. The estimated 12-month expected credit losses are immaterial due to the very low probability of default by the LGFA in the next 12 months. Therefore, the Council has not recognised a liability.

The Council considers the risk of the LGFA defaulting on repayment of interest or capital to be very low on the basis that:

- it is not aware of any local authority debt default events in New Zealand; and
- Local government legislation would enable local authorities to levy a rate to raise sufficient funds to meet any debt obligations if further funds were required.

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 2022/23 Annual Plan budget figures are as follows:

Statement of Comprehensive Revenue and Expense

Total operating revenue for the year was \$334 million or \$9.3 million greater than budgeted. This additional income was due to:

- additional roading funding from Waka Kotahi reflecting higher maintenance and capital delivery,
- unbudgeted government project funding for Economic Development and the FIFA World Cup event,
- an increase in fair value of international and New Zealand equities held by the Waipori Fund, reflecting the recovery in global equity markets over 2023.

These favourable variances were partially offset by reduced funding for Waste Futures projects and delayed reform funding in Three Waters.

Total operating expenses for the year was \$371.2 million or \$54.7 million greater than budgeted. This variance was due to:

- increased depreciation expenditure following asset revaluations as at 30 June 2022 in Three Waters and Transport. The level of uplift for Three Waters reflected a change in valuation methodology away from historical indexed costs to a fairer estimate of current replacement cost,
- unbudgeted non-cash fair value losses on the Investment Property portfolio,
- increased costs associated with applying to extend the Green Island landfill consents,
- unbudgeted non-cash increase in the provision for landfill after-care costs,
- greater than expected roading and Three Waters maintenance,
- traffic services on Gordon Road Mosgiel related to the new aquatic facility,
- the expensing of design and design related costs associated with the South Dunedin Community Centre project at the Macandrew Road site. This project will now be delivered on an alternative site at 138-156 King Edward Street,
- unbudgeted expenditure in Enterprise Dunedin to deliver the MBIE funded projects including the Centre of Digital Excellence, Destination Marketing and the Regional Events fund,
- interest costs were higher than budget due to a higher debt level required to fund increased capital expenditure along with a higher than budgeted interest rate for the second half of the financial year.

These unfavourable variances were partially offset by lower personnel costs due to position vacancies throughout the year and lower ETS costs.

Statement of Financial Position

The term loan balance as at 30 June 2023 was \$460.3 million or \$20.0 million greater than budget. This increase reflects the level of capital expenditure for the year which was ahead of budget.

Statement of Cashflows

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

Net cash outflow from investing activities was higher than budget due to a higher 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

In early March 2020, the World Health Organisation declared the outbreak of Covid 19 pandemic. Since then, New Zealand has been heavily impacted by the pandemic with a number of regional and nationwide lockdowns occurring during the period from March 2020 until September 2021. With New Zealand transitioning from the pandemic to the endemic stage of Covid 19, large scale lockdowns have ceased, however an isolation period is still required for anyone who tests positive.

The pandemic had a varying effect on individual members of the DCHL Group but overall the Group was not significantly effected by the pandemic. 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 pandemic has not had a significant direct effect on the Dunedin City Treasury Limited. As lender to the Dunedin City Council Group, Dunedin City Treasury Limited remains in constant communication with the Group entities regarding their borrowing needs and ensuring appropriate levels of cash reserves are maintained. Throughout the period the Dunedin City Treasury maintained compliance with all Treasury Risk Management Policy requirements and there was no change in the Company's credit rating.

The ongoing impact of Covid 19 has remained a significant factor for City Forests Limited, contributing to increased volatility in the key Asian export markets. Delta Utility Services Limited's financial operations were impacted by Covid 19 leave and illness, which lead to the cancellation or deferral of work as well as a higher than normal level of subcontractor use to ensure customer demand and maintenance of market share. Prior to Covid 19 affecting New Zealand, Dunedin Railway Limited had been forecasting ongoing deficits and required additional equity to maintain its financial viability. When Covid 19 closed borders in NZ it significantly impacted the operations of Dunedin Railway Limited, increasing the operating deficits. Subsequent to this period the Dunedin City Council resolved that Dunedin City Holdings Limited will meet the ongoing costs of hibernation until 30 June 2024. A decision on the future of Dunedin Railways Limited, after 30 June 2024, is still unknown.

Water services reform programme

The New Zealand Government is implementing a water services reform programme that is intended to ensure all New Zealanders have safe, clean and affordable water services. The Government believes this will be achieved by establishing new public entities to take on the delivery of drinking water, wastewater and stormwater services across New Zealand. The reform will be enacted by three pieces of legislation:

- The Water Services Entities Act 2022, which (as amended by the Water Services Entities Amendment Act 2023 on 23 August 2023) establishes ten publicly owned water services entities and sets out their ownership, governance and accountability arrangements. A water services entity is established (for

transitional purposes) on the date on which the appointment of the entity's establishment board takes effect, and its establishment date (operational date) will be a date between 1 July 2024 and 1 July 2026.

- The Water Services Legislation Act 2023, which amended the Water Services Entities Act 2022 on 31 August 2023 to provide for the transfer of water services assets and liabilities to the water services entities.
- The Water Services Economic Efficiency and Consumer Protection Act 2023, which provides the economic regulation and consumer protection framework for water services. The consumer protection framework will come into force on 1 July 2024 and the rest of the Act came into force on 31 August 2023.

Events after balance date

On 8 September 2023, Dunedin City Treasury Ltd increased the amount which it can borrow under its Multi-Option Instrument Issuance Agreement from \$1.2 billion to \$1.6 billion.

On 8 September 2023, Dunedin City Holdings Ltd increased its Uncalled Capital with Dunedin City Council from \$1.2 billion to \$1.6 billion.

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.

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 2023

The summary of the annual report was derived from the annual report of the Dunedin City Council (the City Council) and group for the year ended 30 June 2023.

The summary of the annual report comprises the following information on pages 6 to 8 and 10 to 16:

- the summary statement of financial position as at 30 June 2023;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in equity and statement of cashflows for the year ended 30 June 2023;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- 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 services and activities section information includes a limitation in scope to the equivalent extent as the full audited financial statements and statement of service provision (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 other audited information in the full annual report for the year ended 30 June 2023 in our auditor's report dated 31 October 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 revaluation movement of the City Council's three waters infrastructure assets

Our audit report on the 30 June 2021 financial statements was qualified because we considered 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 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 30 to the financial statements in the full annual report, the City Council and group has since 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 obtained sufficient appropriate evidence over this valuation during our prior year audit, 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, presented as comparative information.

As a result of the matter described above, we were unable to obtain sufficient audit evidence to support the asset revaluation movement for the comparative 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 in the statement of changes in equity.

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 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.

In the comparative year, 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. In the current year the City Council was unable to provide sufficient evidence for us to conclude the matter has been resolved for the 2023 performance year. 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 for both the current and comparative years.

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 comparative year 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.

In the prior year, we concluded that the City Council had not been counting the number of days taken to process building consents in accordance with the MBIE guidance. As the City Council had 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, presented as comparative information, was materially correct.

As a result, our work in the comparative year was limited. 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 comparative year to 30 June 2022.

We have been able to determine that the City Council's reported result for the 30 June 2023 year is materially correct. However, as the limitation on our work cannot be resolved for the 30 June 2022 year, the City Council's reported performance for these performance measures for the 30 June 2023 year may not be directly comparable to the 30 June 2022 performance information.

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 performance measure on smooth travel exposure

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 average quality of ride on the local sealed road network measured by smooth travel exposure. This measure is important because road smoothness is indicative of the quality of services received by ratepayers.

We have been unable to confirm the accuracy of the traffic count data used in the calculation to determine smooth travel exposure. During our audit we identified differences between the data used by the City Council to calculate this measure and the source data supplied by the City Council's independent contractor. The City Council was unable to explain the reason for these differences or to quantify the effect of the differences.

As a result, our work was limited and there were no practicable audit procedures we could apply to obtain assurance over the accuracy of smooth travel exposure reported against the performance measure.

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

Emphasis of matter – uncertainty over the water services reform programme

Our auditor's report on the full annual report also includes an emphasis of matter paragraph drawing attention to the uncertainty over the Government's water services reform programme.

The Water Services Entities Act 2022, as amended by the Water Services Entities Amendment Act 2023 on 23 August 2023 and the Water Services Legislation Act 2023 on 31 August 2023, establishes ten publicly owned water services entities to carry out responsibilities for the delivery of three waters services and related assets and liabilities currently controlled by local authorities. Water services entities' establishment dates are staggered, with all the water services entities becoming operational between 1 July 2024 and 1 July 2026. The financial impact of the water services reform on the City Council, as outlined in note 43 of the full annual report remains uncertain until the relevant water services entity's establishment date is known, and the allocation schedule of assets, liabilities, and other matters to be transferred is approved.

Information about this matter is also disclosed on page 15 of the City Council's 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 2023 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.

In addition to our audit and our report on the disclosure requirements, we have carried out statutory and regulatory engagements for the City Council's subsidiaries and associate, which are compatible with those independence requirements. We are also carrying out an assurance engagement related to the City Council's Debenture Trust Deed. Other than these engagements, 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
28 November 2023



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