



DUNEDIN CITY COUNCIL

# PRE-ELECTION REPORT

2 AUGUST 2019



**DUNEDIN** | kaunihera  
CITY COUNCIL | a-rohe o  
ōtepoti

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# About Dunedin City Council

The Dunedin City Council (DCC) is a territorial authority with a land area of 3,340 square kilometres extending from north of Waikouaiti to the Taieri River in the south and inland to Middlemarch and Hyde.

The Council is comprised of the Mayor, 14 Councillors and six community boards. The Council is responsible for the governance of, and setting the strategic direction for, the city and ensuring the DCC works towards meeting the community outcomes set out in the current 10 year plan 2018-28.

As well as expenditure on core infrastructure such as water and waste services, roads and footpaths, the DCC maintains assets such as libraries, museums, sportsfields and swimming pools. The DCC is also responsible for regulatory functions such as planning, building control and environmental health, and for carrying out initiatives in areas such as economic development.

## The 2019 Pre-Election Report

This Pre-Election Report (the report) provides information with the aim of promoting discussion about issues facing the DCC, and to encourage informed debate in the lead-up to the October 2019 local body elections.

The report is required under the Local Government Act 2002, Schedule 10, Part 4, and must be prepared by the Chief Executive. The document contains information about the DCC's financial performance since 2016/17 and forecast information through to 2022/23, as well as details of major projects and other significant issues.

The report is based on information contained in the DCC's 2016/17 and 2017/18 Annual Reports, the 10 year plan and the Annual Plan 2019/20. Content for the 2019/20 year is not specifically required but has been included in some instances for completeness.

The financial information for 2018/19 is the DCC's draft financial reporting for this year. This information has not been audited as the final audit work had not formally started when this report was produced. The Council's audited 2018/19 Annual Report will be available in the week before the local body elections. There may be some variances between the information included here and the final audited financial statements as a result of audit and year-end processes.

For more detailed information, go to the DCC website at [www.dunedin.govt.nz](http://www.dunedin.govt.nz). A glossary of key terms can be found at the end of this document.

# Introduction

Since the last report in 2016, Council has worked with the community to develop a 10 year plan for Dunedin. This 10 year plan is a programme of spending to upgrade existing infrastructure as well as new projects that will make Dunedin a more attractive place to live, work, study and do business.

Council is also responding to the challenges of moving from a low to a medium growth city, with extra funding being sourced or brought forward to help plan for new projects and to keep the city safe and well maintained. Most of what was agreed in the 10 year plan is moving forward as planned, in many parts ahead of time, with major work on the Peninsula Connection underway, the early stages of the bridge to city waterfront and tertiary precinct improvements, and the next stage of the central city upgrade soon to take place.

Council's financial strategy and 50 year infrastructure strategy shows a further increase in the rate at which Council renews its network assets. An increased focus on renewals will enable the DCC to maintain existing levels of service across a number of areas, in particular, the transport network, pavement reseals, pavement rehabilitations, seawalls, retaining walls, bridges, footpaths and kerbs and channels.

Significant works have been completed and are underway targeting the renewal (and upsizing where necessary) of wastewater pipes to reduce the number and volume of wastewater overflows during significant wet weather events, as well as renewing 3 Waters assets in Kaikorai Valley/North East Valley while ensuring the northern wastewater schemes (Waikouaiti, Seacliff and Warrington) are able to meet effluent quality targets under new consent conditions. The DCC's ability to meet levels of service, allow for growth, comply with increasingly strict consent conditions and respond to natural hazards will be dependent on delivering increased renewals.

Some of the DCC's main achievements over the last three years include the completion of the Outram water plant, which signified the last piece of work in a 21 year programme of upgrades costing more than \$100 million. In response to the July 2017 flood event, over \$20 million of remediation work was undertaken, including the replacement of Mount Ross Bridge at Sutton. And in late 2018, Council completed hearings for the Second Generation District Plan or '2GP', giving effect to years of consultation and engagement with the community on planning for future growth, renewals and other upgrades. Aspects of 2GP are now in the appeal phase.

The following pages outline the financial transition of the last three years and the challenges that the DCC will face in the period ahead.

# Strategic Direction for Dunedin

Over the past nine years, the DCC has worked with the community and stakeholders to establish the direction and priorities for Dunedin's development as a city. Sitting on the foundation of the financial strategy and budgets as set out in the 10 year plan are eight core strategies relating to the work that the DCC delivers to the community. In 2017, the Parks and Recreation Strategy was completed, putting in place the final piece of the strategic framework.

The framework has continued to act as a guide to help the organisation develop work programmes, prepare budgets and plans, to help Council make decisions, and set priorities.



Council's strategic direction is underpinned by two overarching principles: Te Tiriti o Waitangi/the Treaty of Waitangi – the Council's work and partnership with Māori is guided by the Treaty principles; and sustainability – the Council takes a sustainable development approach that takes into account the social, economic, environmental and cultural interests of Dunedin's communities and the needs of future generations.

## The Eight Strategies

1. *The 3 Water Strategic Direction Statement* sets out how the DCC will ensure the city has safe, reliable and affordable water services.
2. *The Spatial Plan* shapes the form of the city.
3. *The Economic Development Strategy* sets out priorities for creating jobs, incomes and opportunities.
4. *The Social Wellbeing Strategy* outlines how the DCC will foster inclusive communities and quality lifestyles.

5. The *30 year Integrated Transport Strategy* sets priorities for how the safe and efficient movement of people will be supported.
6. *Ara Toi Otepoti Arts and Culture Strategy* roadmaps strategic actions that support the creative sector in Dunedin and develop an environment acknowledging the value of the arts.
7. *Te Ao Tūroa, Dunedin's Environment Strategy*, delineates Dunedin's climate change impact plan and connects communities with sustainable ecology and environmental actions.
8. The *Parks and Recreation Strategy* develops the use of Dunedin's open spaces, recreation facilities and parks to connect and value Dunedin's spaces and promote more active communities.

Strategic direction is reflected through the 10 year plan process; to ensure strategic goals are still for purpose.



# Financial Position

## Financial strategy

When the Council makes any spending decision, it must weigh affordability against maintaining, renewing and upgrading the core infrastructure it already has and meeting community aspirations for new and improved infrastructure.

DCC's debt is currently limited to \$350 million and rate increases across the 10 year plan are limited as follows:

- Year 1: limited to no more than 8%
- Years 2-10: limited to 5% on average annually over the period.

The Year 1 rate increase was 7.8% and Year 2 was 5.3%, which is within this average limit. Next year will be Year 3.

The current financial strategy aims to keep average residential rates for Dunedin residents less than the national average for New Zealand councils, and a forecast total operating surplus greater than zero for the 10 year period. This is when the following non-cash items are excluded:

- vested infrastructure assets relating to new sub-divisions
- the increase in the value of the Waipori Fund (a balanced portfolio of fixed-interest deposits and equities)
- the increase in the value of the investment property portfolio.

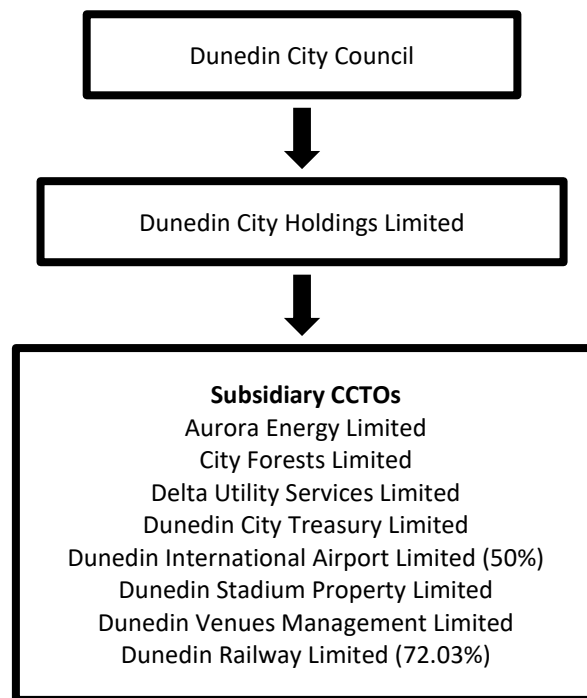
The strategy also aims to target total cashflow from operations for the 10 year period to fully fund depreciation, while retaining the Waipori Fund is seen as a natural offset to Council borrowings. The fund is to be inflation proofed before any cash distribution to Council.

## Investment Assets and Debt

While the Council currently holds \$220 million in debt, which is low by government standards, a strength of the DCC's current financial position is the value of its investment assets. The DCC is 'asset rich', possessing a range of investments including Council-owned companies such as Aurora Energy, City Forests, Dunedin International Airport (50%), and Delta Utility Services; investment property, and the Waipori Fund. This ownership of a diverse portfolio provides an asset base for the DCC that is not typical of other councils in New Zealand. The income generated by Council-owned companies can also be used to keep down the levels of funding required from ratepayers.

The companies, particularly the largest asset which is Aurora Energy, has historically suffered similar deferred maintenance to many of Council's own assets, and is on a similar renewals path. Investment at Aurora, and at DCC, means debt will grow in the DCHL group of companies. Under current forecasts, group debt (which includes DCC debt) is expected to peak at \$984 million in 2022 before starting to decline. The increased debt is by and large being used to invest in infrastructure assets, which are intergenerational and will grow and improve the city's asset base.

While the value of these companies is still well in excess of their debt, dividends are expected to remain flat throughout the 10 year plan while the Council seeks to do more in response to growth and community demand whilst remaining a relatively low-rating Council for residents.



## Council Financial Challenges Ahead

Like many Councils the DCC is balancing competing tensions of affordability, maintaining assets and investing for the future, while addressing the financial challenges of increasing costs; delivering large capital projects; network renewals across a large asset base; budgeting realistic income from the DCHL Group to the Council; and reducing the Council's reliance on revenue sources that are not guaranteed.

There are also a number of challenges to the Council's financial performance that arise from moving a low to medium growth city.

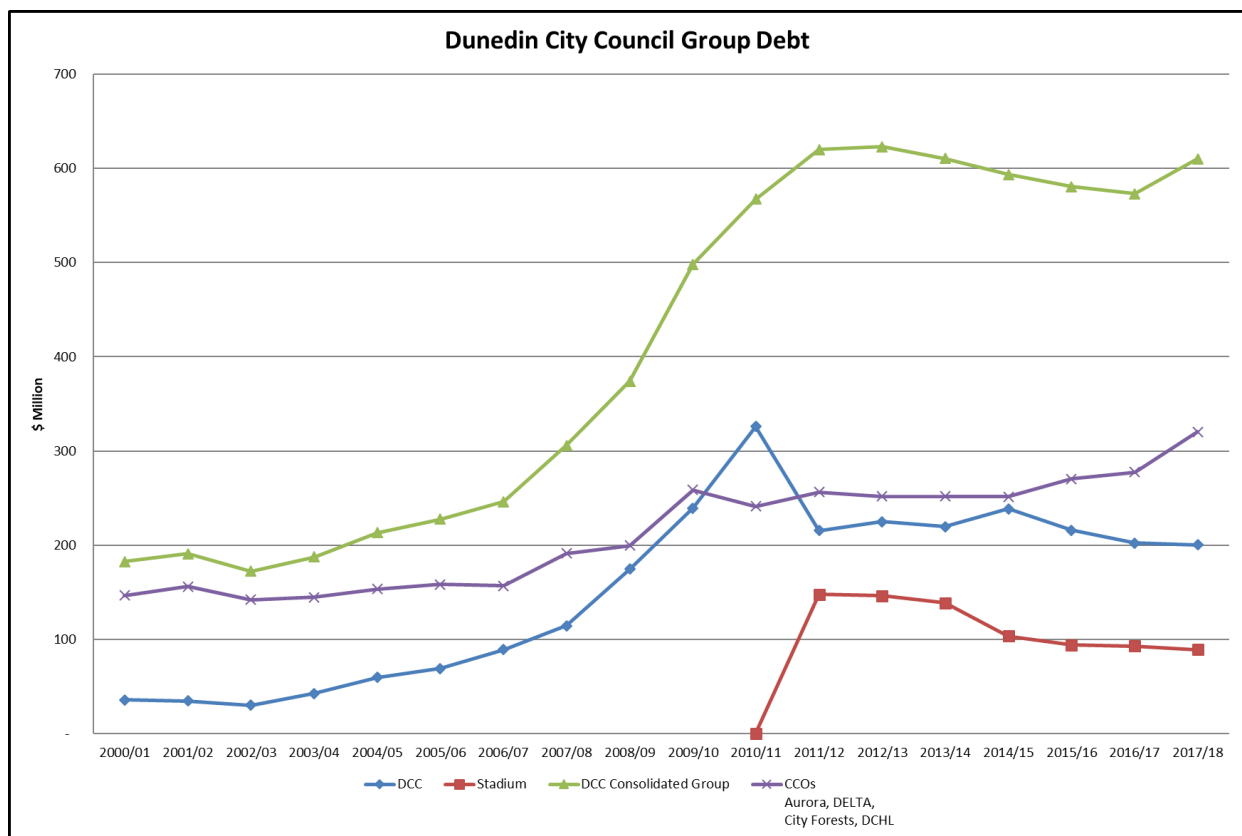
- Increasing costs: arising from the need to maintain, replace and renew core, ageing infrastructure with increased infrastructure standards, compliance costs and increasing expectations from ratepayers.
- Changing population, land use and rating base: with current projections indicating there will be fewer people of working age and more people on fixed incomes in 2028, potentially making rates less affordable for some households.
- Climate change projections: and the potential impact of higher than anticipated sea level rise or storm surge events, which could mean an acceleration of plans and actions to adapt to the impacts of climate change.
- Ensuring debt funding allows the financial burden of new capital expenditure to be spread across a number of financial years.
- Ensuring the money coming in meets operating costs, and having a positive operating surplus, while also ensuring there are cash resources available to meet DCC's obligations, including sufficient cash on hand and/or available lines of credit.

This graph illustrates actual debt for the 2000/01-2017/18 years for the Council, the Forsyth Barr Stadium, other Council-owned companies and the combined group.



Council debt increased in 2010/11 due to the construction of the Stadium and declined in 2011/12 due to the sale of the Stadium to a Council-owned company, Dunedin Stadium Property Limited.

In 2014/15, \$30 million of Stadium debt was transferred back to the Council.



# Risk

## Risk Management

Effective risk management is a key focus for the DCC, in accordance with ISO31000 standards. To facilitate this, the DCC constituted an Audit and Risk Subcommittee in 2013, which continues to play a pivotal role in monitoring the integrity of the DCC's governance and business control frameworks and ensuring the effective delivery of the risk management framework and audit (internal and external) workplans.

This includes the consideration of reports on financial practices, health and safety matters, legislative compliance, fraud prevention and investigations, internal audit activities, corporate risk management, sensitive expenditure and any other matters referred to it by Council.

A Risk and Internal Audit Manager was appointed in 2016 to support these functions, and the continued management of strategic and operational risk and business improvement initiatives. This centralised risk and audit function operates alongside a number of other dedicated departments including Procurement and Contract Management (see below), Legal, and Health and Safety, to ensure appropriate centralised capability, capacity and specialist business support.

## Asset Management

As part of the 10 year plan process, the DCC recognised that a significant programme of work is required to ensure the continued quality management of its asset and infrastructure base that not only meets sector standards and legislative obligations under the Local Government Act 2002, but also the changing needs of communities and the city. This approach also recognises the findings of Council's internal audit programme and recommendations from the Office of the Auditor-General and Audit NZ.

Specific work includes benchmarking current asset management practices against ISO55000 industry standards, strengthening strategic planning and decision-making, financial planning, data management and systems integration, and establishing clear measures of service levels and performance, hazards and criticality. The DCC's asset management planning will inform the capital programme and renewals in the next long term plan.

## Contract Management and Procurement

Over the past three years steps have been taken to strengthen DCC procurement and contract management capability. A suite of policies, business guidelines, standard operating procedures and other resources have been developed to support prudent business practices. These emphasise robust contract documentation, clearly articulated service levels and deliverables, ongoing performance monitoring, and relationship management.

A dedicated procurement manager and team is now in place, which continues to support effective business practices and lead strategic procurement for the DCC. Work will continue on the proposed roll-out of an updated contract management system, alongside improved centralised oversight and assurance of financial and performance measures.

## Climate Change Projections

As highlighted in the 10 year plan, the potential impact of sea level rise and storm surge events means the city must plan and take action to adapt to and mitigate the impacts of climate change.

The DCC has already responded in a number of ways including operational and emergency response changes, improved maintenance practices, and the renewal and improvement of infrastructure. The past three years

have seen significant works targeting the renewal (and upsizing where necessary) of wastewater pipes to reduce the number and volume of wastewater overflows during significant wet weather events.

As part of the 2019/20 Annual Plan, Council further committed to developing a focused climate resilience work programme to produce a more coordinated response through climate resilient-decision-making, improving climate change disclosure and reporting, establishing a clear list of climate resilient projects, and building climate leadership through capacity building and funding. This will enable the DCC to establish a strategic and resourced long-term work programme to build the city's climate resilience.

A recent decision to become carbon neutral as a city by 2030 presents challenges, and it is expected the next 10 year plan will need to outline practical and substantial steps toward achieving this goal.

## Looking Ahead

One of the challenges facing Council is continuing to balance expenditure on core services with the desire to implement new infrastructure and activities outlined in Council's key strategic documents.

It is costing Council more to respond to the challenges of growth and attract more working age people to the city. In the 2019/20 Annual Plan, capital expenditure is at \$125 million compared to \$89 million anticipated in the 10 year plan. This is because Council is bringing forward work including renewal work in areas, particularly related to infrastructure.

If the DCC is to stay under its proposed debt and rates increase limits, it will need to ensure that its projects are carried out in an efficient and timely manner. The 2019/20 Annual Plan highlighted the need for Council to spend more on maintenance, which included more staff and specialist advice, as well as continuing to align with the major projects in Dunedin including the hospital rebuild, tertiary sector upgrades and the possible development of the Dunedin waterfront.

As the DCC moves forward with the 10 year plan, the public will need to continue to be involved and consulted on the issues that impact it.

## Investing in Delivery

The financial strategy and 50 year infrastructure strategy increases the rate DCC renews Council's network assets and provides new investments. Improving asset information also ensures that Council assets are renewed within appropriate timeframes and based on accurate information.

Investment in maintenance, staff and specialist advice also ensures Council has the right information, at the right time, to mitigate project delays or significant changes to plans and to get the required work done more quickly.

As noted in the 2019/20 Annual Plan, extra funding has been committed in a number of areas including:

- renewing and building new water, wastewater and stormwater infrastructure, including the Mosgiel stormwater pump stations
- improving water quality testing and inspecting more stormwater and wastewater pipes
- planning for the future closure of Green Island Landfill
- increasing the number of building services staff within the DCC to support increased building work across Dunedin
- additional funding to help plan for major transport projects and road safety.

## Connections and Accessibility

The current Council has committed to a number of projects to improve transport, connections and accessibility across the city.

Funding for the Peninsula Connection has an increase of \$20 million, of which \$11.2 million will be funded by the New Zealand Transport Authority (NZTA). The overall costs for delivering the total project have increased and a value engineering exercise was undertaken to identify potential savings. The project will widen and raise the low road around the Peninsula to make it safe and more attractive, while also including a cycle and pedestrian path, seating, and planting and rest areas.

City cycleways will also form a part of the Peninsula Connection, and Council has continued to invest in cycleways that link into the wider city such as the SH1 separated cycle lanes and the proposed tunnels trail. Improved cycleways will benefit active transport, better connect parts of Dunedin and improve safety.

## Waste Futures

The DCC's most recent Waste Management and Minimisation Plan (WMMP) was developed in 2013 in accordance with the Waste Minimisation Act 2008. The WMMP covers collection, recovery, recycling, treatment and disposal, services and facilities in Dunedin, including waste minimisation promotion and education.

The DCC is required to review the WMMP at least every six years. A review of the current WMMP will soon take place, likely as part of the next Annual Plan, and work is currently going on to develop options for a new city landfill after the consents for the existing landfill expire.

## Capital Expenditure

In 2018/19, total actual capital expenditure was \$101.28 million.

The total capital expenditure programme for the 10 year plan had a budget of \$878.27 million. In late 2018, Council approved an increase in this budget to \$889.67 million.

Following the Annual Plan 2019/20, this has further increased to \$910.17 million. The increase is primarily made up of \$20 million for the Peninsula Connection project, of which \$11.2 million is funded by the NZTA, and an increase of \$500k for the South Dunedin Library and Community Complex.

New capital projects include a component of both renewals and growth. Renewals expenditure represents around 60% of the capital budget, which is aimed at maintaining service levels, repairs and maintenance, allowing for growth, complying with standards and responding to natural hazards.

There may be timing differences in the future as capital expenditure is brought forward due to increased capacity for delivery. The challenge going forward will be the competing pressure to maintain delivery of the capital renewal and development programme, alongside the resultant pressure on the level of debt, and other pressures on the financial strategy listed in this report.

## Major Projects 2019/20–2022/23

The following projects have been identified in the 10 year plan as major capital projects over the next ten years. Many of these projects include a component of both renewals and growth.

- **Stormwater improvements in South Dunedin:** This project aims to improve how stormwater is collected in a part of the city that is prone to flooding in heavy rain. The project will help reduce the flooding that can damage homes and businesses. It is likely the focus in the first three years of the 10 year plan will be on planning, design and research. \$35 million will be spent.
- **Green Island Wastewater Treatment Plant upgrade:** This improvement will mean the plant can handle and treat much more wastewater. Wastewater from Kaikorai Valley, which historically was sent to the Tahuna plant, is to be piped to Green Island. This will help reduce wastewater flooding and alleviate the climate risk in South Dunedin. The updated capital expenditure programme notes expenditure will commence in 2020.
- **LED streetlights:** This project involves upgrading street lights to LED lighting. Switching to LEDs will save on both consumption and maintenance costs. The project is still scheduled for completion in 2020/21.
- **Mosgiel Pool:** For this project the DCC is working with the Taieri Community Facilities Trust to provide a new swimming complex in Mosgiel. The DCC contribution will be approximately \$10.8 million, with the overall DCC contribution will depend on community funding and final approval of the project.
- **South Dunedin Library and Community Complex:** This facility will provide space for community activities, meeting areas, and DCC service centre and library activities, as well as other community services. The remaining budget of \$500k has been increased to \$1 million for the 2019/20 year to enable remedial work

to be undertaken on the site as well as co-design/consulting work. A more accurate costing of funding is being considered as part of the 2020/21 Annual Plan process.

- Central city upgrade: The upgrade project will renew and replace below and above ground infrastructure, as well improve safety features and amenities within the central city area. These renewals are the first major street improvements in more than 20 years, and will include new lighting, paving and street furniture.
- Tertiary precinct: This project reflects community support for \$20 million for renewals and streetscape upgrades within the tertiary precinct area. The upgrade work will be aligned with renewals on underground services such as water and wastewater pipes that need to be replaced.
- Peninsula Connection: As mentioned earlier in this report, this project will widen and raise the low road around Portobello. Widening the road by 5-6 metres will make the road safer, and more attractive to road users, with the addition of a shared cycle/pedestrian path.
- Bridge/city to waterfront connection: The aim of this project is to improve the links between the city centre and waterfront by providing an accessible pedestrian and cycling bridge across the railway line. The bridge is seen as a catalyst to kick start the revitalisation of this area.
- City cycleways/transport improvements: As highlighted earlier in this report, the focus of city cycleways will be on connecting existing routes, such as the SH 1 separated cycle lanes, the Peninsula Connection, SH 88 and the proposed tunnels trail. New cycleways will better connect areas across the city, improve safety and provide opportunities for tourism, while other transport improvements will focus on intersection upgrades, lowering kerbs at corners to make them safer for people with mobility or sight problems, and upgrading footpaths and installing signs and road markings.

## Financial Information

The next pages contain retrospective and prospective financial information for the DCC for the 2016/17 – 2022/23 period. A statement of compliance with the financial strategy is also included.

The financial information for 2016/17 and 2017/18 is sourced from the DCC's annual reports and has been audited by Audit NZ.

As mentioned in the introduction of the report, the financial information for 2018/19 is the DCC's draft reporting for this year. This information has not been audited as the final audit work had not formally started when this report was produced. The Council's audited 2018/19 Annual Report will be available in the week before the local body elections. There may be some variances between the information included here and the final audited financial statements as a result of audit and year-end processes.

Financial information has been included for the 2019/20 year from the 2019/20 Annual Plan adopted on 25 June 2019. This is not legislatively required but is included for completeness.

Financial information for 2020/21–2022/23 is taken from the audited current 10 year plan. The information presented for these years represents planning at the time that the 10 year plan was prepared, and actual results for these years may differ.

Due to the time difference between the preparation of the two plans, the information cannot be directly compared. The Annual Plan 2019/20 contains re-forecasts for the 2020/21–2022/23 years, which are not provided here (in accordance with the legislative requirements for this report).

The basis of accounting for the documents concerned can be found in the statement of accounting policies in each document and these are available on the DCC website.

**Web links to source documents:**

Annual Report 2016/17: [www.dunedin.govt.nz/annual-report-2016-2017](http://www.dunedin.govt.nz/annual-report-2016-2017)

Annual Report 2017/18: [www.dunedin.govt.nz/annual-report-2017-2018](http://www.dunedin.govt.nz/annual-report-2017-2018)

10 Year Plan 2018/19 – 2027/28: [www.dunedin.govt.nz/10-year-plan](http://www.dunedin.govt.nz/10-year-plan)

Annual Plan 2019/20: [www.dunedin.govt.nz/2019AP](http://www.dunedin.govt.nz/2019AP)



# Funding Impact Statement

	Actual 2017	Actual 2018	Forecast 2019	Annual Plan 2020	10 Year Plan 2021	10 Year Plan 2022	10 Year Plan 2023
<b>Sources of operating funding</b>							
General rates, uniform annual general charges, rates penalties	69,584	71,631	79,581	83,605	86,312	90,186	94,635
Targeted rates	65,324	67,533	70,669	73,967	77,558	81,073	84,821
Subsidies and grants for operating purposes	9,440	14,950	11,564	11,346	10,146	10,283	10,421
Fees and charges	57,130	61,800	64,897	68,106	64,119	65,602	66,772
Interest and dividends from investments	9,557	9,239	9,390	9,764	11,531	11,608	11,686
Local authorities fuel tax, fines, infringement fees, and other receipts	3,057	3,147	3,368	3,441	3,247	3,272	3,297
<b>Total operating funding</b>	<b>214,092</b>	<b>228,300</b>	<b>239,469</b>	<b>250,229</b>	<b>252,913</b>	<b>262,024</b>	<b>271,632</b>
<b>Applications of operating funding</b>							
Payments to staff and suppliers	162,108	180,948	184,676	195,307	188,553	192,885	198,065
Finance costs	13,705	11,900	10,324	12,833	13,703	14,645	15,264
Other operating funding applications	-	-	-	-	-	-	-
<b>Total applications of operating funding</b>	<b>175,813</b>	<b>192,848</b>	<b>195,000</b>	<b>208,140</b>	<b>202,256</b>	<b>207,530</b>	<b>213,329</b>
<b>Surplus/(deficit) operating funding</b>	<b>38,279</b>	<b>35,452</b>	<b>44,469</b>	<b>42,089</b>	<b>50,657</b>	<b>54,494</b>	<b>58,303</b>
<b>Sources of capital funding</b>							
Subsidies and grants for capital expenditure	7,537	16,245	32,941	31,121	22,684	20,237	12,164
Development and financial contributions	1,331	1,426	1,358	832	672	672	672
Increase/(decrease) in debt	(12,891)	(1,946)	18,500	43,000	33,903	13,549	8,176
Gross proceeds from sale of assets	145	179	450	120	60	60	60
Lump sum contributions	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-
<b>Total sources of capital funding</b>	<b>(3,878)</b>	<b>15,904</b>	<b>53,249</b>	<b>75,073</b>	<b>57,319</b>	<b>34,518</b>	<b>21,072</b>
<b>Application of capital funding</b>							
Capital expenditure							
- to meet additional demand	809	1,456	2,686	4,675	4,817	3,414	3,785
- to improve the level of service	9,518	20,731	41,584	22,336	32,685	30,812	26,670
- to replace existing assets	25,493	28,406	57,012	97,947	66,722	51,808	47,133
Increase/(decrease) in reserves	-	-	-	-	-	-	-
Increase/(decrease) of investments	(1,419)	763	(3,564)	(7,796)	3,752	2,978	1,787
<b>Total applications of capital funding</b>	<b>34,401</b>	<b>51,356</b>	<b>97,718</b>	<b>117,162</b>	<b>107,976</b>	<b>89,012</b>	<b>79,375</b>
<b>Surplus/(deficit) of capital funding</b>	<b>(38,279)</b>	<b>(35,452)</b>	<b>(44,469)</b>	<b>(42,089)</b>	<b>(50,657)</b>	<b>(54,494)</b>	<b>(58,303)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Summary Balance Sheet

	Actual 2017	Actual 2018	Forecast 2019	Annual Plan 2020	10 Year Plan 2021	10 Year Plan 2022	10 Year Plan 2023
<b>Current assets</b>							
Cash and cash equivalents	4,460	5,490	11,905	6,417	1,220	920	962
Other current financial assets	6,864	8,424	7,723	6,114	5,427	5,530	5,635
Trade and other receivables, inventories and prepayments	14,896	20,430	20,388	16,924	16,757	16,575	15,162
Non-current assets held for sale	3,062	900	1,287	-	-	-	-
<b>Total current assets</b>	29,282	35,244	41,303	29,455	23,404	23,025	21,759
<b>Non-current assets</b>							
Other non-current financial assets	187,444	190,672	192,477	195,835	196,657	198,329	200,026
Shares in subsidiary companies	118,489	121,039	123,589	126,139	128,689	131,239	133,789
Investment property	90,438	91,660	91,689	91,660	91,448	91,448	91,448
Property, plant, equipment and intangibles	2,759,811	2,869,618	2,909,958	3,036,511	2,991,501	3,049,069	3,096,446
<b>Total non-current assets</b>	3,156,182	3,272,989	3,317,713	3,450,145	3,408,295	3,470,085	3,521,709
<b>Total assets</b>	3,185,464	3,308,233	3,359,016	3,479,600	3,431,699	3,493,110	3,543,468
<b>Current liabilities</b>							
Trade and other payables	21,551	28,237	29,694	30,228	25,768	26,010	26,593
Revenue received in advance	3,256	3,676	7,881	3,676	3,340	3,384	3,432
Employee entitlements	6,052	6,337	6,812	5,958	5,578	5,715	5,834
Derivative financial instruments	-	552	-	-	-	-	-
<b>Total current liabilities</b>	30,859	38,802	44,387	39,862	34,686	35,109	35,859
<b>Non-current liabilities</b>							
Term loans	202,419	200,473	218,973	268,473	263,950	277,499	285,675
Provisions	8,560	9,729	10,580	9,683	8,526	8,519	8,511
Derivative financial instruments	10,188	6,289	4,735	1,316	263	-	-
<b>Total non-current liabilities</b>	221,167	216,491	234,288	279,472	272,739	286,018	294,186
<b>Equity</b>							
<b>Total equity</b>	2,933,438	3,052,940	3,080,341	3,160,266	3,124,274	3,171,983	3,213,423
<b>Total liabilities and equity</b>	3,185,464	3,308,233	3,359,016	3,479,600	3,431,699	3,493,110	3,543,468

# Compliance with Financial Strategy

The updated financial strategy included in the 10 year plan limits the 2018/19 year to a rate increase 7.8% and all subsequent years to an average limit of 5% unless there are exceptional circumstances. Rates for 2019/20 have increased by 5.3%. This means that the DCC 2019/20 rates rise is within/is above this limit.

These increases from the previously imposed rate limit of 3% are to accommodate major projects such as the substantial work to be done in bringing forward key projects, as well as maintaining and repairing current infrastructure such as water pipes, roads, and storm pipes.

The tables below show how the Council has complied with the financial strategy in the three years from 2016/17 to 2018/19.

	2016/17		2017/18		2018/19		2019/20	
	Limit	Actual	Limit	Actual	Limit	Actual	Limit	Annual Plan
Rates Income	133,996	134,186	138,026	138,306	149,070	149,312	156,553	156,711
Rate Increase	3.0%	3.0%	3.0%	3.1%	8.0%	7.9%	5.0%	5.3%
Gross Debt	230,000	202,419	230,000	200,473	350,000	218,973	350,000	268,473

Although the budgeted income set is within the limit for rates income, sometimes the actual rates income is greater for the following reasons:

1. Budgets, including rates, are approved and set at the end of May each year. However, between May and June, the budgets don't include any revenue that arises from these rates (this includes growth like subdivisions or extensions). Actual rates income includes this growth and is calculated on that basis.
2. Voluntary rates (e.g. Warm Dunedin) are excluded from the rates limit in the 10 year plan but are included in actual rates revenue. This is because the DCC has no control over the uptake of the scheme and it only affects rates of those in the scheme.

## Return on Investments

Setting a target, the financial strategy aims to achieve a return on investment higher than the cost of debt. The goal of this target is to produce a net financial gain to the city, in turn providing a subsidy to rates. In the case of equities such as those held through the Waipori Fund, it allows for inflation in order to protect its real value.

In addition to the medium to long term targets, the annual budget includes an annual interest and/or dividend payment to be received from each of the following three investments. The table below shows the budget and actual amounts for the 2016/17 – 2019/20 years, and the 2019/20 Annual Plan numbers.

	2016/17		2017/18		2018/19		2019/20	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Annual Plan
DCHL	5,902	5,902	6,185	5,902	5,902	5,902	5,902	5,902
Waipori Fund	3,660	3,760	3,660	3,480	3,270	3,200	3,270	3,270
City Property	4,900	4,100	4,400	3,800	N/A	N/A	N/A	N/A

# Glossary

**Annual Plan** – budget, project and performance information prepared annually by local authorities as required by the Local Government Act 2002.

**Annual Report** – report on the DCC’s performance against the annual plan. Content is specified by the Local Government Act 2002 and the document is audited.

**Council-Controlled Organisation (CCO)** – a council organisation that is a company. There are three kinds of CCO: not for-profit CCOs; non-trading CCOs and Council Controlled Trading Organisations.

**Council-Controlled Trading Organisation (CCTO)** – a council-controlled organisation that operates as a trading company for the purpose of making a profit.

**Dunedin City Holdings Limited (DCHL)** – the parent company of many of the CCTOs.

**Dunedin Venues Limited (DVL)** – the CCTO that owns the Forsyth Barr Stadium.

**Dunedin Venues Management Limited (DVML)** – the CCTO that manages and operates the Forsyth Barr Stadium and other venues, including the Dunedin Centre.

**Financial year** – a period of 12 months ending on 30 June.

**Investment Property Portfolio** – the DCC’s investment property portfolio provides property investment income that is used to reduce the overall rates requirement.

**Long Term Plan (LTP)** – audited 10-year plan prepared by local authorities under the Local Government Act 2002. Contains strategic planning, including the financial strategy, and provides 10-year budgets, expenditure programmes and performance targets.

**Renewals** – Works to replace existing assets or facilities with assets or facilities of equivalent capacity or performance capability. Renewals do not include works that have the effect of improving the level of service.

**Waipori Fund** – a fund based on invested revenue from the sale of the Waipori electricity generation scheme, which provides a source of non-rates-funded revenue for the Council that can be offset against rates.

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