

Report



DATE: 31 October 2019

TO: Mayor and Councillors

FROM: Group Manager: Corporate Services

ADOPTION OF ANNUAL REPORT 2018-19

1 SUMMARY

- 1.1 The purpose of this report is to present the Annual Report 2018-19 for adoption.
- 1.2 This issue arises from the requirements of the Local Government Act 2002.
- 1.3 Council seeks to meet its obligations under the Local Government Act 2002 and the achievement of the District Vision adopted by Council as part of the Long Term Plan 2018-28. These are stated on Page 2 of this agenda.
- 1.4 This report concludes by recommending that Council adopt the Annual Report 2018-19 as provided in **Appendix 2**.

2 BACKGROUND

- 2.1 Section 98 of the Local Government Act 2002 requires the Annual Report to be formally adopted by Council, within 4 months after the end of the financial year to which it relates.
- 2.2 Council met the statutory deadline for adoption of an Annual Report for the first time in 4 years in 2015, then in 2016 and 2017. Council did not meet the statutory deadline for the year 2018.
- 2.3 The purpose of the Annual Report is to inform the community on Council's financial performance and service delivery, compared to objectives contained in the Annual Plan and Long Term Plan.

3 CURRENT SITUATION

- 3.1 The Draft Annual Report 2018-19 is attached as **Appendix 1** which was circulated separately to the agenda. Although no material changes are anticipated, at the time of publishing the agenda the tax note has not yet been received and the report is subject to final audit review. The Final Annual Report 2018-19, complete with Tax note and Audit Opinion will be provided to Council for the meeting as **Appendix 2**.
- 3.2 This Annual Report measures performance against the First year of the Long Term Plan 2018-28.
- 3.3 Council and the Group meet the criteria as a Tier 1 entity under the Public Benefit Entity International Public Sector Accounting Standards, and the Annual Report 2018-19 has been prepared in accordance with Tier 1 reporting requirements.
- 3.4 Summary:
 - 3.4.1 Council reports a surplus of \$1.084 million before other comprehensive revenue and expense, which is \$1.7 million unfavourable to budget. The variance includes the following items:
 - 3.4.2 Subsidies were \$2.1 million above budget. The NZTA subsidy was \$0.8 million higher than budgeted due to the March rainfall event. Other subsidies received were for the West Coast Wilderness Trail \$0.96 million and civil defence \$0.3 million.
 - 3.4.3 Unbudgeted operating costs were due to a number of reasons. Storm damage repairs on roading was \$1.08 million after the March rainfall event, contractors for both day to day operations, and the March rainfall event \$1.2 million. Fox landfill and other expenses amounted to \$0.5 million.
 - 3.4.4 Land and Buildings were revalued at the end of the 2017/18 financial year, however budgets had already been prepared. With the revised valuations of assets, depreciation is higher than had been budgeted. In 2017/18 this had no impact on ratepayers as this was unbudgeted and unfunded.
 - 3.4.5 The landfill provision is an Accounting entry for Councils estimate of aftercare required on the landfills. With the updated Asset

management plans, Council staff have better information and have updated the assumptions that form the basis of the provision. The landfill provision is offset by budgeted work each year on the landfills. The landfill provision is unbudgeted and unfunded.

Under advice from Audit NZ, Council approved the change in accounting policy for Landfills during the financial year, this means the landfills are no longer revalued and are now carried at cost. This change was made due to the complexity of accounting for landfills. The impact of this for this financial year, was to reverse the revaluations that had been undertaken previously and a prior year adjustment has been made.

- 3.4.6 Public debt has increased by a net \$0.6 million, however this is \$1.8 million lower than budgeted. This is made up of debt repayments of \$1.58 million and further drawdown of debt funding of \$1.17million.
- 3.4.7 Debtors and other receivables are \$2.3 million higher than budgeted and are due to timing differences, and this is reflected in the lower than anticipated cash balance at the end of the year. Creditors and other payables are not significantly different from budgeted, and are expected to be timing differences. The balance of rates debtors is \$150,000 lower than in 2018 due to improved and timely collection processes, and the ageing profile has improved markedly.
- 3.4.8 Cash and Cash receivables are \$2.98 million lower than budget, this is due to unbudgeted/unfunded expenditure depleting cash reserves. This is also reflected in debtors and other receivables above.
- 3.4.9 The Annual Report also contains Statements of Service Performance (SSP) for each activity, with KPIs assessed against the measures that were included in the Long Term Plan 2018-28
- 3.4.10 Council relies mainly on the residents survey carried out every two years to measure the none mandatory measures. Council did not complete a resident's survey this financial year.
- 3.4.11 Council must also report on mandatory measures as determined by Department of Internal Affairs.
- 3.4.12 Council has made improvements in the area of recording these measures, however there are still areas which staff are unable to record these measures reliably. These mandatory measures relate mainly to Transportation and 3 waters.

4 OPTIONS

4.1 The following options are available to Council:

- 4.1.1 Do nothing.
- 4.1.2 Adopt the final Annual Report 2018-19 as provided, **Appendix 2**.
- 4.1.3 Defer adoption until Council has taken time to consider the Audit Opinion and further review the report.
- 4.1.4 Adopt the Annual Report 2018-19 subject to editorial changes recommended by Council.

5 SIGNIFICANCE AND ENGAGEMENT

- 5.1 The adoption of an Annual Report is administrative and of low significance.
- 5.2 No public consultation is required. The Annual Report is intended to inform the community.

6 ASSESSMENT OF OPTIONS (INCLUDING FINANCIAL IMPLICATIONS)

- 6.1 There are no direct financial implications for any of the options
 - 6.1.1 Do nothing:
Adoption of an Annual Report is a statutory requirement.
 - 6.1.2 Adopt the final Annual Report 2018-19 as provided in **Appendix 2**
Council will meet the statutory deadline for adoption.
 - 6.1.3 Defer adoption until Council has taken time to consider the Audit Opinion and further review the report.

The Annual Report as presented has been subject to rigorous review and material misstatements are unlikely. The report is the aggregation of activities and decisions undertaken by Council throughout the year and departures and variances have been explained.

By deferring adoption Council would miss the statutory deadline.

- 6.1.4 Adopt the Annual Report 2018-19 subject to changes recommended by Council

Council may wish to amend or edit the report in light of new information, observations or recommendations. Material amendments would require further audit work and a deferred adoption.

7 **PREFERRED OPTION AND REASONS**

- 7.1 The preferred is **option 2**: Adopt the final Annual Report 2018-19 as provided, **Appendix 2**. Council would meet the statutory deadline for adoption and the community would be informed about Council's performance and financial position in a timely manner.

8 **RECOMMENDATION**

A) **THAT** Council adopts the Annual Report 2018-19 as provided in **Appendix 2**.

Lesley Crichton

Group Manager: Corporate Services

Appendix 1: Attached to agenda: Draft Annual Report 2018-19

Appendix 2: Final Annual Report 2018/19 will be provided at meeting.