

# Report to Council



**DATE:** 2 November 2020

**TO:** Mayor and Councillors

**FROM:** Finance Manager, and Strategy and Communications Advisor

---

## Draft Annual Report 2019/2020

### 1. Summary

- 1.1. The purpose of this report is to present the Annual Report for 2019/2020 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 the Council in May 2018, which are set out in the Long Term Plan 2018-28. Refer page 2 of the agenda.
- 1.4. This report concludes by recommending that Council adopt the Annual Report 2019/2020 as tabled.

### 2. Background

- 2.1. The reason the report has come before the Council is due to the requirements of section 98 of the Local Government Act 2002 (LGA), which requires Council to formally adopt the Annual Report within 4 months of the year to which it relates. As 30 October was not a working-day, the final date to adopt is 2 November 2020.
- 2.2. Council met the statutory deadline in 2019 but did not meet it in 2018.
- 2.3. The purpose of the Annual Report is to inform the community of 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 current situation is that the draft Annual Report is attached as **Appendix 1**. This was circulated separately to the agenda.
- 3.2. This Annual Report measures performance against the second year of the Long Term Plan 2018-28 and the Annual Plan 2019/2020.
- 3.3. Council and the Group meet the criteria as a Tier 1 entity under the Public Benefit Entity International Public Sector Accounting Standards (IPSAS), and the Annual Report 2019/2020 has been prepared in accordance with Tier 1 reporting requirements.
- 3.4. Summary
  - 3.4.1. Council reports a surplus of \$3.428 million before other comprehensive revenue and expense, which is \$2.36 million favourable to budget. The variance includes the following items:
    - 3.4.1.1. Subsidies were \$3.1 million above budget. Council received unbudgeted grants during the year for infrastructure projects throughout the region.
    - 3.4.1.2. Other revenue was \$2.3 million higher than budgeted largely due to vested assets income which was \$1.5 million above budget due to assets transferred from Westland Racing Club. Council also received unbudgeted funds of \$0.050 million from the National Emergency Management Agency following the December 2019 flood event.

- 3.4.1.3. Other expenses were also higher than planned by \$1.6m mainly due to roading repair and maintenance work and contractor's cost due to flood and storm events.
- 3.4.1.4. Depreciation and amortization cost was also higher than planned by \$0.8m due to 2019/2020 actual depreciation was calculated using 2018/2019 revalued asset values, which were not available when depreciation budgets were set up for the 2019/2020 Annual Plan.
- 3.4.1.5. These higher than planned expenses (\$2.4m) partially offset the favourable budget variance in revenue (\$4.7m) which resulted in a favourable budget variance of \$2.3 in surplus.
- 3.4.1.6. Cash and cash equivalents were higher than budget by \$2.6 million due to lower capital spending because of rescoping of projects and better asset knowledge.
- 3.4.1.7. Non-current liabilities are \$6.9 million lower than budget mainly due to lower than planned debt. Total debt for current and non-current liabilities is collectively \$4.7 million lower than budget. This is due to loan-funded capital expenditure being deferred or rescoped through the Annual Plan process to the following year.
- 3.4.1.8. The audit opinion is unqualified however there is a matter of emphasis to note COVID-19. This matter of emphasis is included for all New Zealand Councils this year.

#### **4. Options**

- 4.1. Option 1: Do not adopt the Annual Report 2019/2020.
- 4.2. Option 2: Adopt the final Annual Report 2019/2020 as provided in Appendix 2.
- 4.3. Option 3: Defer adoption until Council has taken time to consider the Audit Opinion and further review the report.
- 4.4. Option 4: Adopt the Annual Report 2019/2020 subject to editorial changes recommended by Council.

#### **5. Risk Analysis**

- 5.1. Risk has been considered and the following risks have been identified:
  - 5.1.1. Financial mismanagement through a lack of awareness of the Council's financial position.
  - 5.1.2. Poor activity performance through lack of oversight of how activity groups are tracking to their KPIs.
  - 5.1.3. Non-compliance with statutory requirements if the Annual Report 2019/2020 is not adopted on time.
  - 5.1.4. Poor public perception if Council is not seen to be transparent about financial performance and service delivery.

#### **6. Health and Safety**

- 6.1. Health and Safety has been considered and no items have been identified.

#### **7. Significance and Engagement**

- 7.1. The level of significance has been assessed as being low against the Significance and Engagement Policy. The Annual Report is an administrative document.
- 7.2. No public consultation is considered necessary. The Annual Report is intended to inform the community.

#### **8. Assessment of Options (including Financial Considerations)**

- 8.1. Option 1: This is not an option. Adoption of an Annual Report is a statutory requirement.
- 8.2. There are no financial implications to this option.
- 8.3. Option 2: Adopt the final Annual Report 2019/2020. Council will meet the statutory deadline for adoption.
- 8.4. There are no financial implications to this option.
- 8.5. Option 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 through the year, and departures and variances have been explained.

By deferring adoption Council would miss the statutory deadline.

8.6. Option 4: Adopt the Annual Report 2019/2020 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.

## **9. Preferred Option(s) and Reasons**

9.1. The preferred option is Option 2. Adopt the final Annual Report 2019/2020 as provided in **Appendix 2**.

9.2. The reason that Option 2 has been identified as the preferred option is that Council would meet the statutory deadline for adoption and the community would be informed about Council's performance and the financial position in a timely manner.

## **10. Recommendation(s)**

10.1. That this report be received.

10.2. That Council adopts the Annual Report 2019/2020 as tabled with some rounding's to be amended.

**Prabath Jayawardana**  
**Finance Manager**

**Emma Rae**  
**Strategy and Communications Advisor**

**Appendix 1:** Draft Annual Report 2019/2020.