



Report 10.561
Date 20 September 2010
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Committee Council
Author Barry Turfrey, Chief Financial Officer
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Annual Report for the year ended 30 June 2010

1. Purpose

To request that the Council adopts the Annual Report 2010.

2. Consideration by Committee

The matters raised in this report were considered by the Finance, Audit and Risk Committee at its meeting on 21 September (Report 10.528 refers). The recommendations contained in this report have been endorsed by the Committee for the Council's consideration and decision.

3. Significance of the decision

The matters in this report do not trigger the significance policy of the Council or otherwise trigger section 76(3) (b) of the Local Government Act 2002.

4. Background

Under the Local Government Act 2002 the Council is formally required to adopt its Annual Report by 31 October each year. The Annual Report 2010 will be sent under separate cover (**Attachment 1**). The Summary Annual Report 2010 will also be sent under separate cover (**Attachment 2**).

The Annual Report 2010, reports against the first year of the Council's 10-Year Plan 2009-19.

Audit New Zealand has completed its audit and there are no unresolved issues at this stage. The Auditors will issue their audit opinion once the Council approves the Annual Report 2010.

Karen Young, Engagement Director, and Beverley Alloway, Audit Manager, from Audit New Zealand, will be in attendance at the meeting to summarise the results of the annual audit and to answer any questions that the Council may have.

5. Reconciliation of the preliminary and final result

The Council reviewed the preliminary Council results for the year at its meeting in August (Report 10.396). A copy of this report is attached (**Attachment 3**).

The preliminary result for the Council was a surplus of \$2,971,000. The final result is a surplus of \$4,404,000. The main changes are:

- Reduction in payroll accrual in Grow Wellington, \$90,000
- Reversal of an unrealised loss in respect of Greater Wellington's \$50 million bond issue, \$1,340,000. Following a review of our accounting policy and discussion with the auditors we decided to reverse the unrealised loss on the bonds.

6. Reserves

A detailed analysis of reserve movements during the 2009/10 year is provided, along with explanations of variances between budgeted and actual reserve movements (**Attachment 4**). All variances between budgeted and actual reserve movements will need to be approved by the Council as part of its adoption of the Annual Report 2010.

The Council has four types of reserves which are categorised as follows:

- *Reserves for each different area of benefit*

These reserves are used where there is a discrete set of rate or levy payers as distinct from the general rate, eg, Regional Water Supply, Transport, Bovine Tb, River Rates, and Wairarapa Schemes.

Any funding surplus or deficit relating to these areas of benefit is applied to the specific reserves, in proportion to their respective revenue and financing policy ratios.

- *Contingency reserves*

The Council has traditionally set aside reserves that can be made available when a specific unforeseen event occurs, for example, the flood contingency reserve.

The release of these funds generally can only be approved by a Committee and/or the Council. There is some delegation to General Managers. These reserves are long-term in nature.

- *Reserves where there has been rebudgeting of expenditure*

If a specific project has not been completed during the financial year, and if it is appropriate, it is rebudgeted for the following year.

Funds are made available in the following year for these projects. The main mechanism for this is the use of a reserve, so that the Council does not rate the community twice for the same project.

- *Special reserves*

The only special reserves of the Council are the Election Reserve and Corporate Systems Reserve. The reserves smooth the costs of elections and system upgrades.

The Finance, Audit & Risk Committee requested comment be made on the Corporate System Reserve. This Reserve is proposed to be increased by \$1,496,405. This increase comes from unbudgeted surpluses made in Investment Management and Finance and Support. By making this transfer it allows overheads charged to the operational groups to be reduced, which in turn reduces the future rates requirements.

7. Non financial results

The Council is required to compare its actual activities and actual performance in the year with the intended activities and the intended level of performance as set out in respect of the year in the 10-Year Plan 2009-19 and the Annual Plan 2009/10.

Reporting is according to the Council's groups of activities:

- Resource Management
- Transport
- Water Supply
- Land Management
- Safety and Flood Protection
- Parks and Forests
- Regional Sustainability Development
- Community.

The Council also reports on its investments.

The Draft Annual Report 2010 shows that, on the whole, we have achieved the intended level of performance.

8. Communications

A press release will be prepared for the Council meeting.

The Council is required, one month after adoption of its Annual Report, to make the report and a summary document available to the public.

9. Recommendations

That the Council:

- (1) **Receives** the report.
- (2) **Notes** its contents.
- (3) **Approves** the following net amounts, in addition to those budgeted, being added to or deducted from the respective reserves, subject to any changes requested by the Council:

	\$
(a) Wai Bovine TB Rate - Bov TB	18,572
(b) Wai Rating Schemes-Catchment Awhea	3,399
(c) Wai Rating Schemes-Catchment Whareama	2,987
(d) Wai Rating Schemes-Catchment Homewood	(4,350)
(e) Wai Rating Schemes-Catchment Mataikona	(1,204)
(f) Wai Rating Schemes-Catchment Maungaraki	(2,965)
(g) Wai Rating Schemes-Catchment Kaiwhata	(2,325)
(h) Wai Rating Schemes-Drainage	(54,539)
(i) Wai Shingle Royalty	(44,314)
(j) Wai Rating Schemes-River LWVD	(9,426)
(k) Wai Rating Schemes-River Waiohine	(50,406)
(l) Wai Rating Schemes - Gladstone	(3,068)
(m) Wai Rating Schemes-River Waipoua	(12,692)
(n) Wai Rating Schemes-River Waingawa	(18,871)
(o) Wai Rating Schemes-River Lower Tauera	546
(p) Wai Rating Schemes-River Lower Whangaehu	(1,407)
(q) Wai Rating Schemes- Te Ore Ore	(579)
(r) Wai Rating Schemes - Mt Bruce	(7,361)
(s) Wai Rating Schemes - Kopuraranga	(101)
(t) Wairarapa Workshop	38,368
(u) Akura Nursery Reserve	115,708
(v) Akura Reserve Stage 2 (interest free)	100,000
(w) Bioworks	126,242
(x) River Rate Reserve-Hutt City	(126,347)
(y) River Rate Reserve-Kapiti Coast	8,030
(z) River Rate Reserve-Porirua City	4,783
(aa) River Rate Reserve-Upper Hutt City	38,669
(bb) River Rate Reserve-Wellington City	(13,525)
(cc) Wairarapa flood contingency	(68,069)
(dd) IT Operations Capex Reserve	1,496,405
(ee) Wgtn Regional Strategy - Grow Wellington	242,794
(ff) Rebudget to 2010/11 -Ebdentown rocklining	37,980
(gg) Rebudget to 2010/11 - Electronic/Integrated Ticketing review	28,000
(hh) Rebudget to 2010/11 - Hutt Corridor Study	140,000
(ii) Rebudget to 2010/11 - PT Plan Revision	22,500
(jj) Rebudget to 2010/11 Capex - Petone Carpark	98,000
(kk) Rebudget to 2010/11 - Crystals Extended Stopbank	18,766
(ll) Rebudget to 2010/11 Waiohine stopbank design	776
(mm) Rebudget to 2010/11 - Wairarapa Accommodation Capex	18,955
(nn) Rebudget to 2010/11 - Replace AVS Kaitoke-Karori main	4,835
(oo) Rebudget to 2010/11 Hydro Generation Wainuomata	44,323
(pp) Rebudget to 2010/11 Accomodation fit out	32,862
(qq) Rebudget to 2010/11 QEP Farm Access Bridge	4,436

(rr)	Rebudget to 2010/11 Capex - Pomare Carpark	48,000
(ss)	Rebudget to 2010/11 Western Region vehicles	46,000
(tt)	Rebudget to 2010/11 Marketing Admin (Water)	80,000
(uu)	Rebudget to 2010/11 - Whitireia park	45,000
(vv)	Rebudget to 2010/11 Animal Control Wai	65,000
(ww)	Rebudget to 2010/11 Management Agency	18,000
(xx)	Rebudget to 2010/11 - Private Land Protection - QE2	100,000
(yy)	Rebudget to 2010/11 Telemetry of water takes	50,000
(zz)	Rebudget to 2010/11 Surface water hydrology	100,000
(aaa)	Rebudget to 2010/11 Air quality monitoring (EMI)	34,000
(bbb)	Rebudget to 2010/11 Iwi Projects	50,000
(ccc)	Rebudget to 2010/11 People and Capability vehicle	19,000
(ddd)	Rebudget to 2010/11 People and Capability Projects	70,000
(eee)	Rebudget to 2010/11 - GPI Review	80,000

(4) Adopts the Annual Report for the year ended 30 June 2010, subject to any changes requested by the Council.

Report prepared by:

Report prepared by:

Report approved by:

Barry Turfrey
Chief Financial Officer

Jane Davis
General Manager,
Strategy and Community
Engagement

David Benham
Chief Executive

Attachment 1: 2010 Annual Report

Attachment 2: 2010 Summary Annual Report

Attachment 3: 2010 Financial Report for the year ended 30 June 2010

Attachment 4: Explanations of Unbudgeted Reserve Movements (2009/10)