

Chairperson and Committee Members
CORPORATE BUSINESS COMMITTEE

8 OCTOBER 2015

Meeting Status: **Public**

Purpose of Report: For Decision

DRAFT ANNUAL REPORT TO 30 JUNE 2015

PURPOSE OF REPORT

- 1 This report seeks the Committee's consideration of the audited draft Annual Report 2014/15 with a view to recommending it be adopted by Council on 15 October 2015.

DELEGATION

- 2 The Corporate Business Committee has delegated authority to consider this report under the following delegation in the Governance Structure, Section B.3.
 - 7 Without limiting the generality of this delegation, the committee has the following functions, duties and powers:

“Financial and Asset Management

7.7 Authority to consider and to recommend to the Council the adoption of the Annual Report to the public, together with the Auditor's report thereon (Section 98, Local Government Act 2002)”.

BACKGROUND

- 3 The Council is required (under the Local Government Act 2002) to produce an audited Annual Report each year (the draft Annual Report 2014/15 is attached as Appendix 1). This report shows Council's performance for the year in both a service and financial context, against measures set out in year three of the 2012 -32 Long Term Plan (LTP) and in the 2014/15 Annual Plan.
- 4 At the meeting of 13 August 2015 the Corporate Business Committee reviewed the fourth quarter Activity Report and the unaudited Financial Report for the year ended 30 June 2015.
- 5 Since then, Council's auditors, Ernst & Young, have completed their audit of the financial statements, service performance information and the debenture Trust Deed of the Council for the year ended 30 June 2015. Subject to adoption by Council, Ernst & Young are prepared to issue an unqualified audit opinion on the financial statements. This will be issued following the formal adoption of the Annual report 2014/15 which is scheduled to occur at the Council meeting on 15 October 2015.
- 6 The draft Annual Report contains the following sections:
 - i). Introduction and context section (pages 2–15): -
 - includes messages from the Mayor, Tāngata whenua and the chief executive as well as key achievements, a financial overview and an outline of the context for the Annual Report.

- ii). Our activities and services (pages 17-114):
 - presents key results, significant developments over the year, key performance indicator outcomes and a financial summary for each of the 16 activities.
- iii). Finance and revenue (pages 115-192):
 - presents all the key financial information, the accompanying explanatory notes, the disclosure statement and the audit report.
- iv). Other information (pages 193-202);
 - includes information about the governance structure, meeting attendance, contact details for elected members and the organisation structure.

Changes from last year's report

- 7 There are several changes to the structure of this year's Annual Report, particularly to the *Introduction and context* section. The main changes are outlined below.
- 8 A brief snapshot of key achievements for the year ended 30 June 2015 (pages 10-11 of the draft Annual Report refers) has been included to give a view of the breadth and depth of council activities and services over the year.
- 9 A concise financial overview (pages 12-13 of the draft Annual Report refers) has been included which provides a summary of the major aspects of the Council's financial management and results for the year.
- 10 The *Context* sub-section (pages 14-15 of the draft Annual Report refers) reflects the impact of the legislative changes introduced by the 2012 Local Government Act (LGA) amendment which changed both the purpose of local government and the definition of community outcomes.
- 11 The 2014/15 reporting year is a year of transition from the old definition of community outcomes to the new outcomes required by the 2012 LGA amendment. A table showing the Council's contribution to the community outcomes are provided on page 114 of this year's Annual Report.

Overview

Achievements

- 12 The draft Annual Report highlights the most significant achievements for the year in the mayor's foreword and the chief executive's introduction and gives a broader snapshot of achievements in the sub-section on pages 10-11 of the draft Annual Report.
- 13 The Annual Report includes a *Key Results* page at the start of each of the activity sub-sections. This gives a comprehensive view of all the significant achievements for the 2014/15 year. The body of each of the activity sub-sections elaborates on these and gives more background to the projects and outcomes achieved over the year.
- 14 Significant projects progressed or achieved during the year included the River Recharge with Groundwater and the Waikanae Water Treatment Plant upgrade projects which were both completed. In addition the first year of operation of water meters and volumetric charging contributed to a substantial reduction in

water use due both to improved identification and repair of leaks and increased conservation. In combination these projects have furthered our aim of ensuring a sustainable water supply for the next 50 years.

- 15 Progress was also made in overseeing the construction of the MacKays to Peka Peka expressway to ensure that development remains within its consent conditions.
- 16 The following table summarises achievement against the 101 key performance indicators. Overall the Council achieved 84% of its 2014/15 KPI's. The result was 80% in the previous two years.

Key Performance Indicators	Year End Result to 30 June 2015	Percentage of relevant measures
Achieved	70	77%
Ongoing / On target	5	5%
Not achieved	16	18%
Total Relevant KPIs	91	100%
Not relevant	10	
Total KPIs	101	

Financial results

Changes to audited financial statements

- 17 Council's financial statements, annual report disclosure statement (prudence benchmarks) and cost of activity statements are presented in the Finance and revenue section of the draft Annual Report 2014/15.
- 18 The audited financial statements required minor changes. These are summarised below.

	2014/15 Audited \$000's	2014/15 Unaudited \$000's	Variance Fav /(Unfav) \$000	Variance Fav /(Unfav) %
Operating deficit for the year	1,450	1,402	(48)	0.6%
Net Assets	1,285,217	1,285,265	(48)	0%

- 19 The differences are mainly due to including Māori Freehold Land rate remissions for 2014/15 (unaudited financial statements included 2012/13 and 2013/14).

Disclosure statement

- 20 The Annual Report Disclosure Statement for the year ending 30 June 2015 presents Council's financial performance in relation to seven benchmarks to enable assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities and general financial dealings.

- 21 Council met three of these benchmarks for the year ended 30 June 2015. The following benchmarks were not met:
- Balanced Budget benchmark - due to Council's non-funded depreciation policy; and,
 - Debt Servicing Benchmark – The Council's net finance expense exceeded 10% of total revenue mainly due to significant capital investment in the Kāpiti District over the past four years; and
 - Operational Control Benchmark - actual Operating activity cash flows were below budget due to less water rates collected than planned following higher water conservation and temporary timing differences of fourth quarter payment due dates.
 - Debt Control Benchmark - Council had higher net debt at year end than planned due to less cash on hand at balance date

CONSIDERATIONS

Policy considerations

- 22 There are no policies for the committee to consider in regard to this matter.

Legal considerations

- 23 The draft Annual Report has been prepared to meet the requirements of the Local Government Act 2002. The final Annual Report must contain an auditor's opinion on whether it meets the requirements of the Local Government Act 2002 (the Act). That audit by Ernst and Young was undertaken in August/September 2015.
- 24 The Act requires that the Council, within one month after the adoption of its Annual Report, must make publicly available both its Annual Report and a summary of the information contained in its Annual Report. The Annual Report Summary must also be audited to ensure that it represents, fairly and consistently, the information regarding the major matters dealt with in the full Annual Report. Ernst and Young have also provided an opinion on the Annual Report Summary.
- 25 The Annual Report and the Annual Report Summary will be made available to the public on the Council's website and through service centres and libraries after the Council meeting on 15 October 2015.

Financial considerations

- 26 There are no financial or funding implications for the committee to consider.

Tāngata whenua considerations

- 27 A message from Tāngata Whenua has been included in this draft Annual Report.

SIGNIFICANCE AND ENGAGEMENT

28 This matter has a low level of significance under Council policy.

Publicity

29 A high level communications plan has been developed to support the public release of the Annual Report 2014/15.

RECOMMENDATIONS

30 That the Corporate Business Committee considers the draft Annual Report 2014/15 (see Appendix 1) and recommends, subject to any final changes from audit, the Annual Report be adopted by Council on 15 October 2015.

31 That the Council delegates to the Mayor, Chair of Corporate Business Committee and Chief Executive the authority to approve minor editorial changes to the material contained in of the appendix to SP-15-1714 prior to publication.

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ATTACHMENT

Appendix 1: D raft Annual Report 2014/15