

**Chairperson and Committee Members**  
CORPORATE BUSINESS COMMITTEE

22 SEPTEMBER 2016

Meeting Status: **Public**

Purpose of Report: For Decision

## **DRAFT ANNUAL REPORT TO 30 JUNE 2016**

### **PURPOSE OF REPORT**

- 1 This report seeks the Committee's consideration of the audited draft Annual Report 2015/16 with a view to recommending it be adopted by Council on 29 September 2016.

### **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 2015/16 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 one of the *FutureKāpiti* Long Term Plan 2015-35 (LTP).
- 4 At the meeting of 11 August 2016 the Corporate Business Committee reviewed the fourth quarter Activity Report and the unaudited Financial Report for the year ended 30 June 2016.
- 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 2016. 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 2015/16 which is scheduled to occur at the Council meeting on 29 September 2016.
- 6 The draft Annual Report contains the following sections:
  - i). Introduction section (pages 2-17):
    - includes messages from the Mayor, Tāngata Whenua and the Chief Executive as well as progress on the key initiatives and major projects determined in the long term plan, and a snapshot of activities for the year.

- it also includes a concise financial overview which provides a summary of the major aspects of the Council's financial management and results for the year.
- ii). Our activities and services (pages 19-87):
  - presents commentary on significant developments over the year, key performance indicator outcomes and a financial summary for each of the 13 activities.
- iii). Finance and revenue (pages 89-144):
  - presents all the key financial information, the accompanying explanatory notes, the disclosure statement and the auditor's report.
- iv). Other information (pages 145-154):
  - 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 only two changes to the structure of this year's Annual Report. These are outlined below.
- 8 The *Plan on a page* has been included as presented in the Long term plan (see page 11 of the draft Annual report), to remind readers of the key initiatives and major projects we committed to as part of the Long term plan and to present the key parameters on the financial strategy.
- 9 A short section providing progress on the key initiatives and major projects adopted in the Long term plan has been included (see pages 12-13 of the draft Annual Report). This is a brief outline only, further details on progress achieved for these initiatives and projects is included in the activity sections of the Annual Report where relevant.

## Overview

### Achievements

- 10 The draft Annual Report highlights the most significant achievements for the year in the mayor's foreword and the chief executive's introduction. As noted above, it also gives an update on the specific key initiatives and major projects as well as a broader snapshot of achievements in the sub-sections on pages 12-13 and 14-15 of the draft Annual Report.
- 11 Significant projects progressed or achieved during the year included work on the Paraparaumu and Waikanae town centres, the upgrade to the courts at Te Ātiawa Park and design work on the Ōtaki Pool rebuild. Progress has also been made with design agreement and consent for the Paekākāriki Seawall replacement, assessments of earthquake-prone buildings and progress toward the establishment of the Youth Development Centre.
- 12 Further progress was made in overseeing the construction of the MacKays to Peka Peka expressway to ensure that development remains within its consent conditions.
- 13 Amongst a number of other key developments a highlight was that the new river recharge with groundwater scheme became operational this year.

- 14 All this was achieved against a background of also having to respond to some major weather-related events.
- 15 The following table summarises achievement against the 86 key performance indicators. Overall the Council achieved 86% of its 2015/16 KPI's. The result was 82% and 80% in the previous two years.

Key Performance Indicators	Year End Result to 30 June 2016	Percentage
Achieved	74	86%
No data <sup>1</sup>	1	1%
Not achieved	11	13%
<b>Total KPIs</b>	<b>86</b>	<b>100%</b>

## Financial results

### *Changes to audited financial statements*

- 16 Council's financial statements, annual report disclosure statement (prudence benchmarks) and cost of activity statements are presented in the *Our finances* section of the draft Annual Report 2015/16.
- 17 The audited financial statements include minor changes made to the *Financial Report to 30 June 2016* (Corp 16-1951) presented to the Corporate Business Committee on 11 August 2016. These changes are summarised below.

	2015/16 Audited	2015/16 Financial Report	Movement Fav /(Unfav)
	\$000	\$000	\$000
Operating deficit for the year	3,042	2,976	(66)
Net Assets	1,302,376	1,302,442	(66)

- 18 The difference is mainly due to the revaluation of land vested to Council as required by accounting standards.

### *Disclosure statement*

- 19 The Annual Report Disclosure Statement for the year ending 30 June 2016 presents Council's financial performance in relation to seven prudence benchmarks to enable assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities and general financial dealings.

<sup>1</sup> The KPI for which we have no data is an Access and transport measure which relies on NZTA data to provide comparisons of roading maintenance costs with other local authorities. The NZTA data was not available in time to be included in the Annual Report.

- 20 Council met four of these benchmarks for the year ended 30 June 2016. The following benchmarks were not met:
- Balanced Budget benchmark - due to Council's non-funded depreciation policy;
  - Debt Servicing Benchmark – The Council's net finance expense exceeded 10% of total revenue<sup>2</sup> mainly due to significant capital investment in the Kāpiti District over the past four years; and
  - Operational Control Benchmark - actual cash flows from operating activities were below budget due to less water rates collected than planned following lower water demand and temporary timing differences of fourth quarter payment due dates.

## CONSIDERATIONS

### Policy considerations

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

### Legal considerations

- 22 The draft Annual Report has been prepared to meet the requirements of the Local Government Act 2002 (the Act). The final Annual Report must contain an auditor's opinion on whether it meets the requirements of the Act.
- 23 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.
- 24 The Annual Report and the Summary Annual Report will be made available to the public on the Council's website and through service centres and libraries after the Council meeting on 29 September 2016.

### Financial considerations

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

### Tāngata whenua considerations

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

## SIGNIFICANCE AND ENGAGEMENT

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

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<sup>2</sup> The benchmark is set at 10% because the projected population growth in Kāpiti is less than the projected national average growth rate. If it were equal to or above the national average the upper limit benchmark would be 15% and this benchmark would be met.

## Publicity

- 28 A high level communications plan is being developed to support the public release of the Annual Report 2015/16.

## RECOMMENDATION

- 29 That the Corporate Business Committee considers the draft Annual Report 2015/16 (see Appendix 1) and recommends, subject to any final changes from audit, the Annual Report be adopted by Council on 29 September 2016.
- 30 That the Corporate Business Committee delegates to the Mayor, Chair of Corporate Business Committee and Chief Executive the authority to approve minor editorial changes to the material contained in Appendix 1 to this report SP-16-1997 prior to its being submitted to the Council for adoption on 29 September 2016.

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## ATTACHMENT

Appendix 1: Draft Annual Report 2015/16