



Report 10.528
Date 10 September 2010
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Committee Finance, Audit and Risk
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 Committee review the draft Annual Report prior to it being presented to Council for formal approval.

2. 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.

3. Background

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

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

Audit New Zealand has substantially completed its audit and there are no unresolved issues at this stage. The remaining matters to be completed by the auditors are minor in nature and it is not expected that there will be any changes required. The Auditors will be in a position to give the Committee verbal clearance on the Annual Report at the meeting. They will issue their audit opinion once the Council approves the Annual Report on 28 September.

Karen Young, Engagement Director, and Beverley Alloway, Audit Manager, from Audit New Zealand, will be in attendance at the meeting on 21 September to summarise the results of the annual audit and to answer any questions that the Committee may have.

4. Role of the Committee

In respect of the Annual Report 2010, the Committee is acting as the Audit Committee of the Council. Its role is to carry out a detailed review of the Annual Report, and recommend that Council approves the Annual Report, subject to any changes required.

5. Reconciliation of the preliminary and final result

The Council and the Committee reviewed the preliminary Council results for the year at their meetings in August (Report 10.396). A copy of this report is attached (**Attachment 2**).

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. Under our accounting policy the auditors have decided that we should not account for this unrealised loss.

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 3**). All variances between budgeted and actual reserve movements will need to be approved by the Council at its meeting on 28 September 2010 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.

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 on the 28 September. The Council is required, one month after adoption of its Annual Report, to make the report and a summary document available to the public. A summary document is being prepared and will be presented to the Council meeting on 28 September 2010. It will focus on the achievements of the year, along with the required financial information.

9. Recommendations

That the Committee recommends to Council that it:

- (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 Committee:

	\$
(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 - Kopuranga	(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 Committee.

Report prepared by:



Barry Turfrey
Chief Financial Officer

Report prepared by:



Jane Davis
General Manager,
Strategy and Community
Engagement

Report approved by:



David Benham
Chief Executive

Attachment 1: 2010 Draft Annual Report (to come)

Attachment 2: 2010 Financial report for the year ended 30 June 2010

Attachment 3: Explanations of Unbudgeted Reserve Movements (2009/10)