

QLDC Council
6 October 2016

Report for Agenda Item: 1

Department: Finance & Regulatory

Annual Report 2015/16

Purpose

The purpose of this report is to adopt the Annual Report for the year ended 30 June 2016.

Recommendation

That Council:

1. **Adopt** the Annual Report for the year ended 30 June 2016 pursuant to sections 98 and 99 of the Local Government Act 2002.

Prepared by:



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Financial Controller, Finance
& Regulatory

21/09/2016

Reviewed and Authorised by:



Stewart Burns
Chief Financial Officer,
Finance & Regulatory

21/09/2016

Background

- 1 Sections 98 and 99 of the Local Government Act 2002 requires Council to prepare its Annual Report for the year ended 30 June 2016 in accordance with the information required by Part 3 of Schedule 10 of the same Act.
- 2 Council is required to adopt its Annual Report by 31 October 2016. The Annual Report was considered at the meeting of the Audit and Risk Committee on 4 October 2016.
- 3 The auditors attended this meeting and briefed the committee on the audit process for the Annual Report 2016. There were no significant matters raised and Council is expecting to receive an unqualified audit report.
- 4 This Annual Report is produced under the requirements of the Local Government Act 2002 (the Act). The purposes of an annual report as per section 98 (2) are:

- a. to compare the actual activities and actual performance of the local authority 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 and the annual plan; and
- b. to promote the local authority's accountability to the community for the decisions made throughout the year by the local authority.

Comment

- 5 A copy of the Annual Report 2016 has been circulated to all elected members and it is expected that Council's auditors (Deloitte) will have issued an unqualified opinion on the report by the meeting date. This means that in the opinion of the auditors, the financial statements fairly reflect the financial performance and position of the Council for the year ended 30 June 2016.
- 6 It is expected that any changes required to be made to the draft Annual Report as a result of the auditor's final review will be minor in nature. Any significant changes will be reported and explained at the meeting.
- 7 New information included in the Annual Report 2016 includes the following:
 - a. A change was made to the demographic model used for the Resident and Ratepayers Satisfaction Survey which means that the results for this year are not directly comparable with previous years. A greater number of 18-25s were included in the survey than in previous years. There is a detectable shift to a more neutral response which translates to a slight but reasonably consistent downturn in satisfaction. Section Two reports the results by Council activity;
 - b. Section Two (Statement of Service Performance) now includes new benchmarking measures as outlined by the Department of Internal Affairs. These measures focus on the performance of QLDC's infrastructure and add further detail to reporting related to water supply, wastewater, stormwater, waste management and transport and roading; and
 - c. Section Four is a new section which incorporates the Otago Regional Performance Framework Report. Seven key performance indicators were agreed with District Councils in Otago, as well as the Regional Council in 2015. The report provides an annual benchmark of performance in order to provide a basis for comparison, as well as enable Councils to work together to identify best practice and efficiencies. The Otago Performance Improvement Framework covers five key areas of interest: Infrastructure Asset Management, Resident and Ratepayer satisfaction, Planning services, Affordability and Corporate services.
- 8 The introductory information in Section One provides a summary of the main financial issues and also the major achievements over the period. The key features are:
 - Strong Financial Result – operating surplus of \$40.1m (up on budget and last year)
 - Revenue up \$3.0m (2.6%)

- Gain on sale of Council owned Development Property in Wanaka \$15.0m
- Gain on Investment Property valuation \$9.3m
- Operating expenditure up \$12.7m (14.0%) – over 50% of this negative variance is due to costs to defend and resolve a number of building related legal claims against the Council. Much of the remaining variance relates to the costs of managing increased activity volumes for the year.
- Borrowings \$44.5m below forecast
- On track with Financial Strategy – compliance with all but two of the internal and external financial limits and benchmarks. Instances of non-compliance were as a result of the cost of building related legal claims.

Options

- 9 This report identifies and assesses the following reasonably practicable options for assessing the matter as required by section 77 of the Local Government Act 2002.
- 10 Option 1 The report is for adoption as required by legislation, therefore no other options are discussed.

Significance and Engagement

- 11 This matter is of low significance, as determined by reference to the Council's Significance and Engagement Policy because the Annual Report process is largely a reporting back mechanism. The Annual Report neither contains nor requires any new decisions from Council.

Financial Implications

- 12 The Annual Report provides the main mechanism for reporting back to the community on the year's financial results and on organisational performance.

Council Policies, Strategies and Bylaws

- 13 The following Council policies, strategies and bylaws were considered:

- 10 Year Plan 2015-25

- 14 The recommended option is consistent with the principles set out in the named policy/policies.

Local Government Act 2002 Purpose Provisions

- 15 The recommended option:

- Is consistent with the Council's plans and policies; and
- Would not alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or transfer the ownership or control of a strategic asset to or from the Council.

Consultation: Community Views and Preferences

- 16 The persons who are affected by or interested in this matter are residents/ ratepayers of the Queenstown Lakes district community.
- 17 The report provides a basis for communication between the Committee and its professional advisors, and as such no wider consultation is required.
- 18 The final Annual Report 2016 will be made publicly available via the QLDC website.

Legal Considerations and Statutory Responsibilities

- 19 Section 98 of the Local Government Act 2002 requires that a local authority complete and adopt the annual report by resolution within 4 months after the end of the financial year to which it relates.

Attachments

- A Annual Report for 2015/16 (circulated separately)