

Report No.	20-138
Information Only - No Decision Required	

DRAFT ANNUAL REPORT FOR 2019-20 FINANCIAL YEAR

1. PURPOSE

- 1.1. The purpose of this report is to present the draft Annual Report for the 2019-20 financial year to Members ahead of the annual Audit.

2. RECOMMENDATION

That the Committee recommends that Council:

- a. receives the information contained in Report No. 20-138.

3. FINANCIAL IMPACT

- 3.1. There is no financial impact.

4. COMMUNITY ENGAGEMENT

- 4.1. The finalised 2019-20 Annual Report will be made available to the public via an electronic copy on our website or a paper copy provided on request, once it has been audited and adopted by Council.

5. CLIMATE CHANGE IMPACTS

- 5.1. As the report deals entirely with administrative matters, there is no climate change impact.

6. SIGNIFICANT BUSINESS RISK IMPACT

- 6.1. There is no significant business risk associated with this item.

7. BACKGROUND

- 7.1. The Annual Report is a statutory requirement that must be completed each year. It is a key corporate accountability document that provides both financial and non-financial performance information against the budgets and targets set in the Annual Plan. The statutory deadline for adopting this year's Annual Report has been extended to 31 December 2020 due to the impacts of COVID-19, however at this stage we are still planning on adopting the 2019-20 Annual Report in October.

8. DISCUSSION

- 8.1. This is an opportunity for Council to review the draft Annual Report and provide feedback. It should be noted that this document is draft, has not been to the external proofers as yet and is subject to change from Audit NZ. Audit NZ is on site from 28 September 2020 completing the annual audit.
- 8.2. The draft 2019-20 Annual Report will be placed on the hub ahead of the meeting for Councillors information only.
- 8.3. Several year-end adjustments have been completed since the completion of the June Interim Financial Performance report. These are largely made up of asset write offs and

revaluations, particularly in River Management. The adjustments result in a (\$447k) reduction in operating surplus, from \$3.89M to \$3.44M.

- 8.4. The published 2019-20 Annual Plan included an error within the internal revenue write off that resulted in Other Revenue and therefore Operating Surplus being overstated by \$795k. While this had no impact on our rates strike and take for the year it adds to the negative variance now, as we report actual results against the book. This overstatement sits within the Investment Activity so all other activities are as previously reported. The monthly management reports to Council for the year have reported against the correct version of our budget.

The key variances to Annual Plan are as follows:

Operating surplus per Annual Plan at 30 June 2020	5,371
Overstated Other Revenue (Investment Activity)	(795)
Operating Surplus per Management Reports	4,576
Variances to Budget;	
Land and Water Management	34
<i>Land Management</i> programme was unfavourable by (\$117k) mainly due to increased costs in SLUI grant works, offset by savings in other staff activity.	
<i>Water Quantity and Quality Management</i> was favourable by \$365k due to a combination of additional revenue and savings in external expenditure and staff costs.	
<i>Resource Consent and Pollution Management</i> was unfavourable by (\$214k) with less revenue than predicted due to staff availability driving less recoverable revenue.	
Flood Protection and Control Works	607
<i>River and Drainage General</i> was favourable by \$149k due to the timing of environmental works usually occurring at the same time as the lockdown, resulting in savings.	
<i>River and Drainage Schemes</i> was favourable by \$458k due to delays in the maintenance program as a result of COVID-19 lockdown, combined with lower interest costs on debt.	
Biosecurity and Biodiversity Management	380
<i>Biosecurity Animals</i> was favourable by 168k and <i>Biosecurity Plants</i> was favourable by \$69k. Both were due to savings in expenditure due to COVID-19 restricting staff and contractors from achieving the full programme of work.	
<i>Living Heritage</i> was favourable by \$144k again due to cost savings as a result of reduced activity, offset by unexpected maintenance costs.	
Regional Leadership and Governance	(597)
<i>Strategic Management</i> was (\$270k) unfavourable due to the timing of recoveries, and the additional spend on climate change that wasn't included in the Annual Plan.	
<i>Governance</i> was \$165k favourable with savings Councillors costs and other expenses.	

<i>Community Relationships</i> was (\$28k) unfavourable due to additional staff costs.	
<i>Emergency Management</i> was (\$668k) unfavourable due to the additional costs associated with the COVID-19 response.	
<i>Hapu & Iwi Relationships</i> was \$127k favourable due to slower than anticipated work on Te Awa Tupua, resulting in reduced expenditure.	
<i>Information</i> was \$43k favourable due to a combination of reduced staff costs during lockdown and additional revenue from contracting.	
<i>Environmental Reporting</i> was \$33k favourable due to savings in staff activity.	
Transport	(25)
<i>Transport Planning</i> was in line with budget.	
<i>Road Safety Education</i> was \$19k favourable as a result of COVID-19 limiting the ability to deliver some programmes.	
<i>Passenger Services</i> was (\$43k) unfavourable due to increased inflation costs, offset by additional funding received from NZTA due to COVID-19.	
Investment	(1,533)
Investment revenue is down as a combination of less than planned dividend from MWRC Holdings, combined with lower interest revenues generated	
Total variance to approved Annual Plan	(1,134)
End of year Annual Report surplus:	3,441

- 8.5. The non-financial performance measures to 30 June 2020 have been updated. The only change was to the River & Drainage Schemes section, where two measures previously recorded as not applicable have been changed to one achieved and one not achieved. These related to asset inspections and result in the overall percentage achieved of 73% (previously reported as 74%).
- 8.6. An overview of the performance measures can be found on page 13 of the draft Annual Report with details of performance within each activity section.

9. TIMELINE / NEXT STEPS

- 9.1. As previously advised the statutory reporting deadline has been moved out to 31 December 2020 but Audit NZ have indicated they are planning to complete the audit and provide clearance by 31 October 2020.

10. SIGNIFICANCE

- 10.1. This is not a significant decision according to the Council’s Policy on Significance and Engagement.

Adrian Smith
CHIEF FINANCIAL OFFICER

Craig Grant
GROUP MANAGER
CORPORATE & GOVERNANCE

ANNEXES

There are no attachments to this report.