



Report 05.575
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Sub Committee Planning and Monitoring
Author Barry Turfrey, Chief Financial Officer

Annual Report for the year ended 30 June 2005

1. Purpose

To report the results of the Council for the year ended 30 June 2005 and to seek comments from the Sub Committee in respect of the draft Annual Report (forwarded as separate document) prior to their consideration by Council.

The Summary Annual Report will be sent out in the Bulletin.

2. Significance of 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 the Annual Report by 31 October each year.

We normally try to obtain audit clearance before the order paper is sent out but have been unable to achieve it this year. Although Audit New Zealand have yet to provide formal clearance on the Annual Report, we are confident that clearance will be provided before the meeting on 17 October.

Rudie Tomlinson, our Audit Director from Audit New Zealand, will be in attendance at the meeting on 17 October to summarise the results of the annual audit and to answer any questions that the Committee may have.

4. Role of the Sub Committee

In respect of the Annual Report, the Sub Committee is acting as the Audit Committee of the Council.

Their role is to carry out a detailed review of the Annual Report, and recommend to Council their approval of the Report subject to any changes required.

5. Annual Report and Summary Documents

The 2005 Annual Report reports against the Council's Long Term Council Community Plan, "Towards a sustainable region 2003-2013" (LTCCP). The 2005 Annual Report is in a similar format to 2004 because of this.

A Summary of the information contained in the Annual Report is also required. The Summary attempts to represent the major matters dealt with the annual report as well as being more reader friendly.

It is intended that the Summary be sent to every household in the region.

6. Results for the year ended 30 June 2005

The Policy, Finance and Strategy Committee reviewed the results for the year at their meeting on 30 August. A copy of that report is attached (**Attachment 1**).

The operating surplus for the Council is \$10.795 million, this is consistent with the draft result previously circulated.

This compares with a budget result of \$0.95 million. The reasons for the increase over budget are:

- \$3.2 million surplus from the sale of Mabey Road
- Reversal of Transport accruals no longer required \$2.7 million.
- Additional income from investments \$2.4 million.
- Favourable variances in Water (\$1.2 million) and Finance (\$0.9 million).

The value of our forests did not need to be written down following receipt of the 2005 forestry valuation.

From a Group perspective, including the results of the WRC Holdings Group, the operating surplus was \$22.6 million. This includes an increase in the value of CentrePort's investment properties of \$14.4 million.

The results of WRC Holdings Group will be considered by the Policy, Finance and Strategy Committee at their meeting on 18 October.

7. Reserves

A detailed analysis of reserve movements during the 2004/05 year is provided as **Attachment 2** of this report, along with explanations of variances between budgeted and actual reserve movements. All variances from budgeted reserve movements will need to be approved by the Council at their meeting on 18 October as part of its adoption of the 2005 Annual Report. The budgeted reserve movements were implicitly approved as part of the 2004/05 Annual Plan.

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, e.g. Regional Water Supply, Transport, Bovine Tb, Parks Land Purchase, River Rates, and Wairarapa Schemes.

Any funding surplus or deficit relating to these separate 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. This currently includes Environment Legal, Flood and Rural Fire Contingency reserves.

The release of these funds generally can only be approved by Council, with some delegation to Divisional Managers. Again, these reserves are long-term in nature.

- *Reserves where there has been Rebudgeting of Expenditure*

If a specific project has been planned to be completed during the financial year, but has not been, then if it is appropriate it is rebudgeted for the following year.

Funds are made available in the following year to fund these projects and the main mechanism to achieve this is through the use of a reserve. By doing this the Council does not rate the community twice for the same project.

- *Special Reserves*

The only special reserve of the Council is the Election Reserve. The reserve is necessary to smooth the costs of the local body elections across the three years of the triennium.

8. Non Financial Results

The Council is required by law to report in its Annual Report its achievements against the targets published in the 2004/05 Annual Plan.

Reporting is therefore grouped into Council's groups of activities as follows:

Environment Management

Regional Transport

Regional Water Supply

Land Management

Flood Protection

Parks & Forests

In addition we have separately reported on Investment in Democracy and Investments.

Overall, it is pleasing to see that once again the majority of performance targets have been met. Where shortfalls have occurred, the reasons are clearly stated.

9. Representation Letter

The Council (through the Chairman, Chief Executive and Chief Financial Officer) must sign a representation letter to the Auditors. This letter confirms that everything is in order and all matters have been disclosed to them.

A copy of the letter is attached (**Attachment 3**) signed by myself, confirming that everything is in order.

10. Communications

No communications are necessary at this time.

11. Recommendations

That the Sub Committee recommend to Council that it:

- (1) **Receive** the report.
- (2) **Note** its contents.
- (3) **Consider** the following net amounts, in addition to those budgeted, be added to or deducted from, the respective reserves, subject to any changes requested by the Sub Committee:

(a) Regional Parks land Purchase	(\$94,648)
(b) Transport Rate Reserves	\$1,702,470
(c) Wairarapa Bovine TB Rate –Bov TB	\$156,833
(d) Wairarapa Rating Schemes - Catchment Awhea	\$876
(e) Wairarapa Rating Schemes - Catchment Whareama	(\$858)

(f)	<i>Wairarapa Rating Schemes - Catchment Homewood</i>	(\$2,564)
(g)	<i>Wairarapa Rating Schemes - Catchment Mataikona</i>	\$133
(h)	<i>Wairarapa Rating Schemes - Catchment Maungaraki</i>	\$2,153
(i)	<i>Wairarapa Rating Schemes – Catchment Kaiwhata</i>	(\$4,217)
(j)	<i>Wairarapa Rating Schemes - Drainage</i>	(\$112,127)
(k)	<i>Wairarapa Shingle Royalty</i>	\$12,971
(l)	<i>Wairarapa Rating Schemes - River LWVD</i>	(\$252,779)
(m)	<i>Wairarapa Rating Schemes - River Waiohine</i>	(\$39,929)
(n)	<i>Wairarapa Rating Schemes - River Gladstone</i>	(\$21,941)
(o)	<i>Wairarapa Rating Schemes - River Waipoua</i>	\$17,751
(p)	<i>Wairarapa Rating Schemes - River Waingawa</i>	\$6,641
(q)	<i>Wairarapa Rating Schemes - River Lower Tauera</i>	(\$558)
(r)	<i>Wairarapa Rating Schemes - River Lower Whangaehu</i>	(\$338)
(s)	<i>Wairarapa Rating Schemes - River Upper Mangatarere</i>	(\$86)
(t)	<i>Wairarapa Rating Schemes – River Te Ore Ore</i>	\$8,725
(u)	<i>Wairarapa Rating Schemes – River Mt Bruce</i>	\$18,118
(v)	<i>Wairarapa Workshop</i>	\$4,066
(w)	<i>Akura Nursery Reserve</i>	(\$280)
(x)	<i>Bioworks Reserve</i>	\$110,534
(y)	<i>River Rate Reserve - Hutt City</i>	\$147,442
(z)	<i>River Rate Reserve – Kapiti Coast</i>	(\$163,928)
(aa)	<i>River Rate Reserve – Porirua City</i>	(\$21,995)
(bb)	<i>River Rate Reserve – Upper Hutt City</i>	(\$34,083)
(cc)	<i>River Rate Reserve – Wellington City</i>	\$19,965
(dd)	<i>Flood Contingency Reserve</i>	\$897,474
(ee)	<i>Expense Rebudget – Pauatahanui Inlet Sediment Coring</i>	\$7,000
(ff)	<i>Expense Rebudget – Council Website</i>	\$13,833
(gg)	<i>Expense Rebudget – IT Operations Capex</i>	\$22,834
(hh)	<i>Expense Rebudget - Belmont Signage</i>	\$9,000
(ii)	<i>Expense Rebudget - Management Plans</i>	\$50,000
(jj)	<i>Expense Rebudget - Heritage Asset Mgr</i>	\$15,000
(kk)	<i>Expense Rebudget - South Coast Trail</i>	\$20,000
(ll)	<i>Expense Rebudget - EHRP Plant Control</i>	\$15,000
(mm)	<i>Expense Rebudget - Belmont Plant Control</i>	\$20,000
(nn)	<i>Expense Rebudget - Tree Removal Belmont</i>	\$110,000

<i>(oo) Expense Rebudget - Intranet Development</i>	<i>\$40,000</i>
<i>(pp) Expense Rebudget - Council Website</i>	<i>\$40,000</i>
<i>(qq) Expense Rebudget - IFRS Project</i>	<i>\$30,000</i>
<i>(rr) Expense Rebudget - Nat Biodiversity</i>	<i>\$36,000</i>
<i>(ss) Expense Rebudget - Private Land Protection</i>	<i>\$122,000</i>
<i>(tt) Expense Rebudget - Owhiro Stream Reserve</i>	<i>\$7,000</i>
<i>(uu) Expense Rebudget - Travel Demand</i>	<i>\$28,200</i>
<i>(vv) Expense Rebudget - Brand Promotion</i>	<i>\$50,612</i>
<i>(ww) Expense Rebudget - Rail Carriage Refurbishment</i>	<i>\$297,248</i>
<i>(xx) Expense Rebudget - Metlink signage</i>	<i>\$117,070</i>
<i>(yy) Expense Rebudget - Manor Park</i>	<i>\$16,000</i>
<i>(zz) Expense Rebudget - Manor Park Rock</i>	<i>\$30,000</i>
<i>(aaa) Expense Rebudget - Whakatikei Carpark</i>	<i>\$18,860</i>
<i>(bbb) Expense Rebudget - Plant Database</i>	<i>\$26,000</i>
<i>(ccc) Expense Rebudget - Bovine TB control</i>	<i>\$70,272</i>
<i>(ddd) Expense Rebudget - RT set purchase</i>	<i>\$28,100</i>
<i>(eee) Expense Rebudget - RT set purchase</i>	<i>\$30,000</i>
<i>(fff) Expense Rebudget - Asset Management System</i>	<i>\$26,650</i>
<i>(ggg) Expense Rebudget - Contract Management System</i>	<i>\$26,650</i>
<i>(hhh) Expense Rebudget - Integrated Ticketing</i>	<i>\$46,645</i>
<i>(iii) Expense Rebudget - Travel Demand</i>	<i>\$15,261</i>
<i>(jjj) Expense Rebudget - Road Safety Project</i>	<i>\$23,625</i>
<i>(kkk) Expense Rebudget – Emergency Management</i>	<i>\$95,000</i>

(4) Adopt the Financial Statements and accompanying notes for the year ended 30 June 2005 subject to any changes requested by the Sub Committee.

Report prepared by:

Barry Turfrey
Chief Financial Officer

Attachment 1: Report 05.430

Attachment 2: Explanations of Unbudgeted Reserve Movements (2004/2005)

Attachment 3: Letter of Representation

2005 Draft Annual Report is enclosed as a separate attachment to this report