

Report 12.432  
Date 12 September 2012  
File

Committee Audit, Risk and Assurance Committee  
Author Chris Gray, Manager, Finance & Support

## Draft Annual Report for the year ended 30 June 2012

### 1. Purpose

To provide the Committee for review Greater Wellington's (GWRC) draft annual report and summary annual report for the year ended 30 June 2012.

### 2. The decision-making process and significance

No decision is being sought in this report.

### 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 and Draft Summary Annual Report will be sent under separate cover (**Attachment 1 and 2**).

The Annual Report 2012 reports against the Annual Plan 2011/12 and the 10 Year Plan 2009-2012.

Committee members received full year end reviews for all groups. These financial statements are consistent with those reports.

Audit New Zealand has substantially completed its audit. There are no substantive 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 major changes required. The Auditors should be in a position to give the Committee verbal clearance on the Annual Report at this meeting. They will issue their audit opinion once the Council approves the Annual Report on 26 September 2012.

Karen Young, Director, and Zirus Zuber, Audit Manager from Audit New Zealand will be in attendance at the meeting on the 19 September 2012 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 2012, 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. **Reserves**

A detailed analysis of reserve movements during the 2011/12 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 26 September 2012 as part of its adoption of the Annual Report 2012.

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, 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.

## 6. 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 2011/12.

Reporting is according to the Council's groups of activities, as set out in the 10 Year Plan 2009-2012:

- Resource Management
- Transport
- Water supply
- Parks and forests
- Safety and flood protection
- Land management
- Regional sustainable development
- Community.

The Council also reports on its investments.

The Draft Annual Report 2012 shows that Greater Wellington has achieved the intended levels of performance. There have been some minor changes to the programming of key activities over the last year, including to the following projects:

- construction of the Boulcott Hutt Stopbank & Tobin Stopbank (bought forward)
- some minor changes to timeframes for the Public Transport Spine Study and the Wellington Bus Review
- delay of the Naenae Station upgrade until 2012/13 due to poor weather and material shortages
- State of Environment targeted modelling work deferred until 2012/13.

Some water supply projects and upgrades deferred in the 2011/12 Annual Plan also flow through to this Annual Report. These projects were deferred to allow for further investigations into options for the future development of the regional bulk water supply system.

Unplanned activity includes the establishment of the Independent Wellington Local Government Review Panel.

## 7. Communications

A press release will be prepared for the Council meeting on 26 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.

## 8. Recommendations

*That the Committee recommends that Council:*

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.:*

### Reserve Balance

|  |         |
|--|---------|
| (a) Wai Bovine TB Rate - Bov TB                | 1,896   |
| (b) Wai Rating Schemes-Catchment Awhea         | 4,865   |
| (c) Wai Rating Schemes-Catchment Whareama      | (2,538) |
| (d) Wai Rating Schemes-Catchment Homewood      | (6,946) |
| (e) Wai Rating Schemes-Catchment Mataikona     | (587)   |
| (f) Wai Rating Schemes-Catchment Maungaraki    | 810     |
| (g) Wai Rating Schemes-Catchment Kaiwhata      | (2,273) |
| (h) Wai Rating Schemes-Drainage                | 78,884  |
| (i) Wai Shingle Royalty                        | 1,709   |
| (j) Wai Rating Schemes-River LWVD-Opex         | (8,619) |
| (k) Wai Rating Schemes-River Waiohine-Opex     | 19,828  |
| (l) Wai Rating Schemes - Gladstone             | 2,398   |
| (m) Wai Rating Schemes-River Waipoua           | (9,818) |
| (n) Wai Rating Schemes-River Waingawa          | 5,279   |
| (o) Wai Rating Schemes- Lower Taueru           | 335     |
| (p) Wai Rating Schemes-River Lower Whangaehu   | 860     |
| (q) Wai Rating Schemes-River Upper Mangatarere | (60)    |

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|---|-----------|
| (r) Wai Rating Schemes- Te Ore Ore                    | 10,185    |
| (s) Wai Rating Schemes - Mt Bruce                     | (2,940)   |
| (t) Wai Rating Schemes - Kopuaranga                   | (1,815)   |
| (u) Akura Nursery Reserve                             | 35,739    |
| (v) Bioworks  | 30,759    |
| (w) River Rate Reserve-Hutt City                      | (101,144) |
| (x) River Rate Reserve-Kapiti Coast                   | 44,481    |
| (y) River Rate Reserve-Porirua City                   | (394)     |
| (z) River Rate Reserve-Upper Hutt City                | 6,209     |
| (aa) River Rate Reserve-Wellington City               | 10,728    |
| (bb) Plantation Forestry                              | 2,558     |
| (cc) IT Operations Capex Reserve                      | 755,191   |
| (dd) Wellington Regional Strategy                     | (191,708) |
| (ee) Rebudget 12/13 Parks Animal Pests Wainui         | 70,000    |
| (ff) Rebudget 12/13 Parks Animal Pests Akatarawa      | 131,000   |
| (gg) Rebudget 12/13 Legal Protection (QEII)           | 75,000    |
| (hh) Rebudget 12/13 Regional Possum Control Programme | 75,000    |
| (ii) Rebudget 12/13 Wgtn-Airport PT Feasibility Study | 27,000    |
| (jj) Rebudget 12/13 Monitoring General                | 40,000    |
| (kk) Rebudget 12/13 Belmont - Asset Mngt.             | 40,000    |
| (ll) Rebudgets 12/13 Local Govt.Review                | 200,000   |
| (mm) Rebudget 12/13 Pt Howard Pump Station            | 2,418     |
| (nn) Rebudget 12/13 Cathodic Protection               | 2,821     |
| (oo) Rebudget 12/13 GI Software Upgrade 2011          | 5,843     |
| (pp) Rebudget 12/13 Trunk Network Development         | 5,238     |
| (qq) Rebudget 12/13 Wainui Rack 1                     | 2,418     |
| (rr) Rebudget 12/13 Seismic work at SM Lakes          | 36,265    |

|   |         |
|---|---------|
| (ss) Rebudget 12/13 Land Purchase Lake 3                  | 161,175 |
| (tt) Rebudget 12/13 Lower Waitohu Improvements            | 7,108   |
| (uu) Rebudget 12/13 Waiohine stopbank design              | 7,984   |
| (vv) Rebudget 12/13 Wairarapa Accommodation Project Capex | 88,141  |

4. *Adopts the Annual Report for the year ended 30 June 2012, subject to any changes requested by the Committee.*

Report prepared by:

Report approved by:

**Chris Gray**

Manager, Finance & Support

**Bruce Simpson**

Chief Financial Officer

**Attachment 1:** 2012 Draft Annual Report for the year ended 30 June 2012

**Attachment 2:** 2012 Summary Draft Annual Report for the year ended 30 June 2012

**Attachment 3:** Explanations of Unbudgeted Reserve Movements for the year ended 30 June 2012