

Report 16.462
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Committee Council
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Annual Report for the year ended 30 June 2016

1. Purpose

To request that Council adopt Greater Wellington Regional Council's (GWRC) Annual Report and Summary Annual Report for the year ended 30 June 2016.

2. Consideration by Committee

The matters contained within this report will be considered by the Finance, Risk and Assurance Committee at its meeting on 22 September. Officers will advise the Council of any issues arising from the Committee's consideration of these matters.

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 (**Attachment 1** – provided separately) and draft Summary Annual Report (**Attachment 2**) are attached.

The Annual Report 2016 reports against the Long Term Plan 2015-25 on the achievement of performance measures and budgets.

Andy Burns, Director, and Zirus Zuber from Audit New Zealand will be in attendance at the Council meeting on the 28 September 2016 to summarise the results of the annual audit and to answer any questions that the Council may have. We anticipate that Audit New Zealand will issue their audit opinion at the meeting to enable the Council to adopt the annual report.

4. Financial performance

The Annual Report includes financial results for 2015/16.

These financial statements are consistent with the full year summary issued to Council in report 16.372.

Greater Wellington achieved an operating surplus of \$4.8 million compared to a budgeted \$7.5 million. The variance reflects a number of movements, most significantly being the timing of transport improvement grants as well as a number of accounting adjustments between operating and capital expenditure. Excluding these items, the operating result is favourable to budget.

Greater Wellington's net deficit is \$29.9 million compared to a budgeted surplus of \$8.3 million, giving rise to an unfavourable variance of \$38.2 million. This is mainly due to the revaluation of interest rate swaps, which does not impact the rates requirement.

We spent \$133 million during the year on asset renewals and new assets from a budgeted capital expenditure programme of \$171 million. The difference to budget is mainly due to timing of delivery of the Matangi trains.

Our balance sheet remains strong with net debt below planned levels at \$312 million.

5. **Non-financial results**

The Annual Report compares Greater Wellington's performance against the level of service performance measures and key projects and programmes as set out in the Long Term Plan 2015-25.

Greater Wellington has made significant progress in 2015/16 as detailed in the "Key Achievements" section of the Annual Report. Overall, Greater Wellington has achieved its intended level of performance, with nearly all performance targets met.

The key achievements have been presented in a more compelling and customer focused way this year, with the inclusion of summarised key facts and figures. The intent of the format is to provide the community with an appealing and readable document which informs in a very succinct way all the work that Greater Wellington does in the region over the last year.

6. **Reserves**

A detailed analysis of reserve movements during the 2015/16 year is provided, along with explanations of variances between budgeted and actual reserve movements (**Attachment 3**). All variances between budgeted and actual reserve movements are required to be approved by the Council as part of its adoption of the Annual Report 2016.

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, for example, Regional Water Supply, Public Transport, River Rates and the 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*

GWRC 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 the Chief Executive and General Managers. These reserves are long-term in nature.

- *Special reserves*

The special reserves of GWRC are the Election Reserve and Corporate Systems Reserve. The reserves smooth the costs of elections and system upgrades.

- *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 GWRC does not rate the community twice for the same project.

7. Communications

A press release will be prepared for release following the Council meeting on 28 September 2016.

The Council is required, one month after adoption of its Annual Report, to make the report and a summary document available to the public.

Key highlights from the report will be promoted on social media channels and a link to the full document will be provided.

The Report will also be made available to the public via the GW Website.

8. The decision-making process and significance

Officers recognise that the matters referenced in this report may have a high degree of importance to affected or interested parties.

The matters requiring decision in this report have been considered by officers against the requirements of Part 6 of the Local Government Act 2002 (the Act). Part 6 sets out the obligations of local authorities in relation to the making of decisions.

8.1 Significance of the decision

Part 6 requires GWRC to consider the significance of the decision. The term 'significance' has a statutory definition set out in the Act.

Officers have considered the significance of the matter, taking the Council's significance policy and decision-making guidelines into account. Officers recommend that the matter be considered to have low significance.

The Council is required to formally adopt the Annual Report.

Officers do not consider that a formal record outlining consideration of the decision-making process is required in this instance.

9. Engagement

No engagement is required.

10. Recommendations

That the 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:*

Reserve	Balance	Ref.
Public Transport Rate Reserve	14,590,337	B1
Sustainable Transport Department Reserve	(3,579)	B2
Transport Planning Reserve	(66,217)	B3
Transport Data & Analysis Reserve	86,102	A1
Possum Predator Rate Reserve	164,852	B4
Wai Rating Schemes-Catchment Awhea	(14,313)	A2
Wai Rating Schemes-Catchment Whareama	(11,999)	A3
Wai Rating Schemes-Catchment Homewood	401	A4
Wai Rating Schemes-Catchment Mataikona	1,057	A5
Wai Rating Schemes-Catchment Maungaraki	(3,281)	A6
Wai Rating Schemes-Catchment Kaiwhata	(271)	A7
Wai Rating Schemes-Drainage	114,590	A8
Wai Shingle Royalty	66,376	A9
Wai Rating Schemes-River LWVD-Opex	(278,726)	A10
Wai Rating Schemes-River Waiohine-Opex	(20,945)	A11
Wai Rating Schemes - Gladstone	8,124	B5
Wai Rating Schemes-River Waipoua	12,591	A12
Wai Rating Schemes-River Waingawa	5,681	A13
Wai Rating Schemes-River Lower Taueru	(219)	B6
Wai Rating Schemes-River Lower Whangaeu	(1,495)	B7
Wai Rating Schemes- Te Ore Ore	(5,732)	A14
Wai Rating Schemes - Mt Bruce	(6,626)	B8
Wai Rating Schemes - Kopuaranga	20,927	A15
Wai Rating Schemes-River LWVD - Capex	292,865	B9
Wai Rating Schemes-River Waiohine - Capex	78,429	B10
Wairarapa Workshop	15,670	A16
WREMO Reserve (TA contributions)	30,000	B11
Biodiversity Key Native Eco System Reserve	63,262	A17
Wairarapa Moana Ministry for the Environment Reserve	(13,309)	B12
Forestry Infrastructure Reserve	45,105	A18
Regional Parks Reserve	550,000	B13
Harbours Vehicle Replacement	21,000	A19
Akura Nursery Reserve	(168,480)	A20
Bioworks	1,657	A21
River Rate Reserve-Hutt City	(47,901)	A22
River Rate Reserve-Kapiti Coast	(61,441)	B14
River Rate Reserve-Porirua City	(27,106)	B15
River Rate Reserve-Upper Hutt City	(2,302)	A23
River Rate Reserve-Wellington City	(6,062)	B16
Flood Contingency Reserve Wellington	200,000	A24
IT Operations Capex Reserve	271,764	B17
Wgtn Regional Strategy - Office Wakefield street Grow Wellington	163,527	A25
Rebudget 15/16:Belmont Capex NZTA funding	163,576	B18
Rebudget 16/17:Battle Hill - Ranger maintenance	30,000	A26
Rebudget 16/17:LM - Riparian Management WBS	150,000	A27
Rebudget 16/17:KNE Other Activities	30,000	A28
Rebudget 16/17:Strategy and Advice wbs	100,000	A29
Rebudget16/17:Flood Hazard Web project	30,000	A30
Rebudget 16/17:Parks Policy wbs	40,000	A31
Rebudget 16/17:Annual Plan & LTCCP Costs	100,000	A32
Rebudget 16/17:Programme Business Cases	70,000	A33
Rebudget 16/17:Lake Monitoring & Investigations	40,000	A34
Rebudget 16/17:Bio Plants Admin	50,000	A35
Rebudget 16/17:Bikes on Buses - Investigation and Trial	9,600	A36
Rebudget 16/17:CAPEX - Office20xx	6,452	A37
Rebudget 16/17:CAPEX - SAP Software (new)	107,005	A38
Rebudget 16/17:Belmont - Asset Mngt. - Capex	5,570	A39
Rebudget 16/17:RP - Dept Assets	21,000	A40
Rebudget 16/17:Environmental Support CC	25,500	A41
Rebudget 16/17:EH Baring Head Bridges	19,647	A42
Rebudget 16/17:W.443/9101/1:UH Depot Capex	3,152	A43
Rebudget 16/17:East Harbour - Asset Mngt. - Capex	2,896	A44
Rebudget 16/17:Pakuratahi - Asset Mngt. - Capex	5,570	A45
Rebudget 16/17:Battle Hill - Asset Mngt. - Capex	2,930	A46
Rebudget 16/17:QEP - Asset Mngt. - Capex	13,058	A47
Rebudget 16/17:Increase Standby Power Capability	1,114	A48
Rebudget 16/17:Resource consent project	14,249	A49
Rebudget 16/17:Jim Cook Park Stopbank	22,271	A50
Rebudget 16/17:Waikanae FMP remaining Works	22,271	A51
Rebudget 16/17:Hinds point light	1,804	A52
Rebudget 16/17:Public Transport Support CC	29,500	A53

4. *Adopts the Annual Report and Summary Annual Report for the year ended 30 June 2016, subject to receiving final audit clearance.*

5. *Authorises the Council Chair and Chief Executive to make minor changes that may arise as part of finalising the audited Annual and Summary Annual Reports for the year ended 30 June 2016.*

Report prepared by:

Mark Ford

Strategic Finance Manager

Report approved by:

Dave Humm

General Manager, Corporate
Services / CFO

Report approved by:

Luke Troy

General Manager, Strategy

Attachment 1: Annual Report for the year ended 30 June 2016 (Provided separately)

Attachment 2: Summary Annual Report for the year ended 30 June 2016

Attachment 3: Explanations of Unbudgeted Reserve Movements for the year ended 30 June 2016