



Report 06.553
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Sub Committee Planning and Monitoring
Author Chris Gray, Finance Manager

Annual Report for the year ended 30 June 2006

1. Purpose

To report the results of the Council for the year ended 30 June 2006 and to seek comments from the Sub Committee in respect of the draft Annual Report and the Summary Annual Report (forwarded as separate documents) prior to their consideration by Council.

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.

The Auditor (the Audit Office) has substantially completed their audit and there are no unresolved issues at this stage. The remaining matters to be completed by the auditors are fairly minor in nature and it is not expected that there will be any changes required. The Auditors will be in a position to give the Sub Committee verbal clearance on the Annual Report including the Summary Annual Report at the meeting. They will issue their audit opinion once the Council approves the Annual Report at their meeting on 17 October.

Phil Sharman, our Audit Director from Audit New Zealand, will be in attendance at the meeting on 11 October to summarise the results of the annual audit and to answer any questions that the Sub 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 2006 Annual Report reports against the Council's Long-term Council Community Plan, "Towards a sustainable region 2003-13" (LTCCP). The 2006 Annual Report is in a similar format to 2005 because of this.

A summary of the information contained in the Annual Report is also required to be prepared and audited. The Summary Annual Report represents the major matters dealt with in the Annual Report as well as being more reader friendly.

It is intended that the Summary be sent to every household in the region. The Summary document will be sent out under separate cover.

6. Results for the year ended 30 June 2006

The Policy, Finance and Strategy Committee reviewed the Council results for the year at their meeting on 12 September. A copy of that report is attached (**Attachment 1**).

The operating surplus for the Council is \$ 5.880 million which is consistent with the draft result previously circulated.

This compares with a budget result of \$10.795 million, the reasons for the unfavourable variance are detailed in **Attachment 1**.

From a Group perspective, including the results of the WRC Holdings Group, the operating surplus was \$14.904 million. This includes an increase in the value of CentrePort's investment properties of \$10.825 million.

The results of WRC Holdings Group were considered by the Directors at their meeting on 26 September. The financial statements were approved and an unqualified audit opinion was issued.

7. Reserves

A detailed analysis of reserve movements during the 2005/06 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 17 October as part of its adoption of the 2006 Annual Report. The budgeted reserve movements were implicitly approved as part of the 2005/06 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. 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 reserves of the Council are the Election Reserve and Corporate Systems Reserve. The Election Reserve is necessary to smooth the costs of the local body elections across the three years of the triennium, and the Corporate Systems Reserve smooths the cost of information technology over the planning horizon.

8. Non Financial Results

The Council is required by law to report in its Annual Report its achievements against the targets published in the 2005/06 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. Communications

No communications are necessary at this time. A press release will be prepared for the Council meeting on the 17 October.

10. 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	(\$869,604)
(b)	Transport Rate Reserves	(\$1,114,170)
(c)	Wairarapa Bovine TB Rate - Bov TB	\$207,887
(d)	Wairarapa Rating Schemes-Catchment Awhea	(\$13,616)
(e)	Wairarapa Rating Schemes-Catchment Whareama	\$1,453
(f)	Wairarapa Rating Schemes-Catchment Homewood	\$1,921
(g)	Wairarapa Rating Schemes-Catchment Mataikona	(\$1,547)
(h)	Wairarapa Rating Schemes-Catchment Maungaraki	(\$2,955)
(i)	Wairarapa Rating Schemes-Catchment Kaiwhata	(\$7,738)
(j)	Wairarapa Rating Schemes-Drainage	(\$73,715)
(k)	Wairarapa Shingle Royalty	\$86,914
(l)	Wairarapa Rating Schemes-River LWVD	(\$32,745)
(m)	Wairarapa Rating Schemes-River Waiohine	(\$14,941)
(n)	Wairarapa Rating Schemes-River Gladstone	\$1,530
(o)	Wairarapa Rating Schemes-River Waipoua	\$8,274
(p)	Wairarapa Rating Schemes-River Waingawa	(\$13,101)
(q)	Wairarapa Rating Schemes-River Lower Tauera	\$1,285
(r)	Wairarapa Rating Schemes-River Lower Whangaehu	\$1,231
(s)	Wairarapa Rating Schemes-River Te Ore Ore	\$5,173
(t)	Wairarapa Rating Schemes-River Mt Bruce	(\$5,652)
(u)	Wairarapa Workshop	(\$8,202)
(v)	Akura Nursery Reserve	(\$29,967)

(w)	<i>River Rate Reserve-Hutt City</i>	\$135,396
(x)	<i>River Rate Reserve-Kapiti Coast</i>	\$15,144
(y)	<i>River Rate Reserve-Porirua City</i>	\$37,535
(z)	<i>River Rate Reserve-Upper Hutt City</i>	\$55,917
(aa)	<i>River Rate Reserve-Wellington City</i>	\$29,525
(bb)	<i>Flood Contingency Reserve</i>	\$222,786
(cc)	<i>Corporate Systems Reserves</i>	\$40,000
(dd)	<i>Rebudget to 05/06 - EHRP animal control</i>	\$20,000
(ee)	<i>Rebudget to 05/06 - Road Pricing study</i>	\$97,500
(ff)	<i>Rebudget to 05/06 - Rail carriage refurbishment</i>	(\$27,778)
(gg)	<i>Rebudget to 05/06 - Travel Demand</i>	\$4,009
(hh)	<i>Rebudget to 05/06 - Wgtn Regional Strategy</i>	\$87,000
(ii)	<i>Rebudget to 06/07-New Signage Opex</i>	\$17,868
(jj)	<i>Rebudget to 06/07-Level 6 fitout</i>	\$323,000
(kk)	<i>Rebudget to 06/07-RLTS</i>	\$223,125
(ll)	<i>Rebudget to 06/07-Isolated Works Farms</i>	\$20,000
(mm)	<i>Rebudget to 06/07-Super KNE</i>	\$60,000
(nn)	<i>Rebudget to 06/07-Akatarawa Animal Control</i>	\$50,000
(oo)	<i>Rebudget to 06/07-DOC Grant</i>	\$10,000
(pp)	<i>Rebudget to 06/07-QE11 Trust</i>	\$120,000
(qq)	<i>Rebudget to 06/07-Marine Protection</i>	\$14,000
(rr)	<i>Rebudget to 06/07-Planning Manager's Car</i>	\$18,000
(ss)	<i>Rebudget to 06/07-Water Quality Instruments</i>	\$20,000
(tt)	<i>Rebudget to 06/07-IT Manager's Vehicle</i>	\$19,000
(uu)	<i>Rebudget to 06/07-Emergency Equipment</i>	\$195,000

(4) **Adopt** the Financial Statements and accompanying notes for the year ended 30 June 2006 subject to any changes requested by the Sub Committee.

Report prepared by:

Report approved by:

Chris Gray
Finance Manager

Barry Turfrey
Chief Financial Officer

Attachment 1: Report 06.413

Attachment 2: Explanations of Unbudgeted Reserve Movements (2005/2006)

Attachment 3: 2006 Draft Annual Report is enclosed as a separate attachment to this report

Attachment 4: Summary Annual Report (to come)