

QLDC Council  
6 October 2022

Report for Agenda Item | Rīpoata mot e Rāraki take : 1

Department: Finance, Legal & Regulatory

Title | Taitara Annual Report 2021/22

**PURPOSE OF THE REPORT | TE TAKE MŌ TE PŪRONGO**

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The purpose of this report is to adopt the Annual Report for the year ended 30 June 2022 pursuant to sections 98 and 99 of the Local Government Act 2002.

**RECOMMENDATION | NGĀ TŪTOHUNGA**

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That Council:

1. **Note** the contents of this report; and
2. **Adopt** the Annual Report for the year ended 30 June 2022 pursuant to sections 98 and 99 of the Local Government Act 2002, and as recommended by the Audit, Finance and Risk Committee [Attachment A].

Prepared by:



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Reviewed and Authorised by:



Stewart Burns  
GM Finance Legal & Regulatory

## CONTEXT | HORPOAKI

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- 1 Sections 98 and 99 of the Local Government Act 2002 require Council to prepare its Annual Report for the year ended 30 June 2022 in accordance with the information required by Part 3 of Schedule 10 of the same Act.
- 2 Council is required to adopt its Annual Report by 31 October. As this is an election year, it is the outgoing Council that adopts the Annual Report.

## ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU

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- 3 The Annual Report was considered at the meeting of the Audit, Finance and Risk Committee (“the Committee”) on 29 September 2022.
- 4 The auditors attended this meeting and briefed the Committee on the audit process for the 2021-2022 Annual Report. Council is expecting to receive the audit opinion by 6 October 2022.
- 5 This Annual Report is produced pursuant to the requirements of the Local Government Act 2002. The purposes of an annual report as per section 98 (2) are:
  - a. to compare the actual activities and actual performance of the local authority in the year with the intended activities and the intended level of performance as set out in respect of the year in the Ten Year Plan and the annual plan; and
  - b. to promote the local authority’s accountability to the community for the decisions made throughout the year by the local authority.
- 6 A copy of the 2021-2022 Annual Report has been circulated to all elected members and it is expected that Council’s auditors (Deloitte) will have issued the audit opinion on the report by the meeting date. This means that in the opinion of the auditors, the financial statements fairly reflect the financial performance and position of the Council and Group for the year ended 30 June 2022.
- 7 The audit process will have been substantially completed by the time this agenda is circulated and only minor changes are expected to the Annual Report at Attachment A.

## Financial Summary

- 8 The introductory information in Section One provides a summary of the main financial issues and also the major achievements over the financial year. The key features are:
  - a. QLDC recorded a surplus of \$65.8M for the year. This is well up from the \$17.8M surplus recorded last year although down on the budget of \$72.9M.
  - b. Revenue was below estimate by 4.6% or \$11.6M. There was an increase of vested asset income of \$8.5M. This non-cash income reflects the value of assets passed to Council as a result of continued high levels of development activity in the district and an increase in development contribution income of \$5.8M which is related to the level of development activity within the district. This income can only be used to fund

growth related capital expenditure. The increase in revenue reflects better than expected levels of activity for the financial year.

- c. Operating expenditure was \$2.1M (1.2%) over budget for the year. The operational cost variances are as follows:
  - i. employee Benefits Expense \$2.3M below budget due to staff vacancies
  - ii. depreciation and amortisation expense higher than budget by \$2.8M, largely as a result of updated valuations for infrastructure assets for both Three Waters assets and roading assets
  - iii. interest expense for the year is \$1.8m less than budget. This is a result of the timing of some capital works and lower than expected interest rates.
  - iv. Other expenses \$3.5M above budget. The main variances were \$2.9M increase for legal costs associated with weather tightness. Offsetting this, commissioner costs are down by \$1.1M due to the timing of district plan hearings, which are behind original estimates.

## Options

9 **Option 1:** Adopt the 2021-2022 Annual Report.

10 Adopting the 2021-2022 Annual Report enables Council to meet its obligations to report on its performance and accountability to the community for the decisions made throughout the year and ensure that the current Council adopts the 2021-2022 Annual Report before the end of the triennium. This option is recommended unless the Council has substantive changes.

11 **Option 2:** Do not adopt the 2021-2022 Annual Report.

12 This option would allow for substantive changes to be made to the 2021-2022 Annual Report, if requested by Council. However, the 2021-2022 Annual Report would not be adopted by the current Council prior to the end of the triennium. It would need to be adopted by the incoming Council, who may not have familiarity with the activities and performance of the previous year.

13 This report recommends **Option 1** for addressing the matter.

## CONSULTATION PROCESS | HĀTEPE MATAPAKI:

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### > SIGNIFICANCE AND ENGAGEMENT | TE WHAKAMAHI I KĀ WHAKAARO HIRAKA

14 This matter is of medium significance, as determined by reference to the Council's Significance and Engagement Policy because the adoption of the Annual Report is an important element of Council's accountability to the community for the decisions made throughout the year.

### > MĀORI CONSULTATION | IWI RŪNANGA

15 Council consulted with Te Ao Marama and Aukaha on behalf of Mana Whenua as part of its Ten Year Plan process.

### RISK AND MITIGATIONS | NGĀ RARU TŪPONO ME NGĀ WHAKAMAURUTANGA

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16 This matter relates to the Regulatory/Legal/Compliance risk category. It is associated with RISK00021 Unexpected Change in Funding within the QLDC Risk Register. This risk has been assessed as having a moderate inherent risk rating.

### FINANCIAL IMPLICATIONS | NGĀ RITENGA Ā-PŪTEA

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17 The Annual Report provides the main mechanism for reporting back to the community on the year's financial results and on organisational performance.

### COUNCIL EFFECTS AND VIEWS | NGĀ WHAKAAWEAWE ME NGĀ TIROHANGA A TE KAUNIHERA

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18 The following Council policies, strategies and bylaws were considered:

- 2021-31 Ten Year Plan.

19 The recommended option is consistent with the principles set out in the Council documents named above.

### LOCAL GOVERNMENT ACT 2002 PURPOSE PROVISIONS | TE WHAKATURETURE 2002 O TE KĀWANATAKA Ā-KĀIKA

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20 Section 10 of the Local Government Act 2002 states the purpose of local government is:

(a) to enable democratic local decision-making and action by, and on behalf of, communities; and

(b) to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future. The recommended option:

- will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses
- is consistent with Council's plans and policies
- would not significantly alter the intended level of service provision for any significant activity undertaken by or on behalf of Council, or transfer the ownership or control of a strategic asset to or from Council.

### ATTACHMENTS | NGĀ TĀPIRIHANGA

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A	2021-2022 Annual Report
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