

Full Council

19 October 2023

Report for Agenda Item | Rīpoata moto e Rāraki take : [1]

Department: Assurance, Finance & Risk

Title | Taitara: 2022-2023 Annual Report

Purpose of the Report | Te Take mō te Pūroko

The purpose of this report is to recommend that Council adopts the Annual Report for the year ended 30 June 2023 pursuant to sections 98 and 99 of the Local Government Act 2002.

Recommendation | Kā Tūtohuka

That the Council:

1. **Note** the contents of this report; and
2. **Adopt** the Annual Report for the year ended 30 June 2023 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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Title: Business Planning Project Manager
9 October 2023

Reviewed and Authorised by:



Name: Stewart Burns
Title: GM Finance, Assurance & Risk
9 October 2023

Context | Horopaki

1. Sections 98 and 99 of the Local Government Act 2002 require Council to prepare its Annual Report for the year ended 30 June 2023 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.
3. The Annual Report will have been considered at the meeting of the Audit, Finance and Risk Committee (“the Committee”) on 05 October 2023.
4. The auditors will have attended this meeting and briefed the Committee on the audit process for the 2022-2023 Annual Report. Council will be expecting to receive the audit opinion by 06 October 2023.
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 2022-2023 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 2023.
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 deficit of \$53.8M for the financial year, mainly due to a large defective building claim settlement. This is significantly down from the \$65.8M surplus recorded last year, and the \$96.1M surplus budgeted.
 - b. The settlement was funded by debt which resulted in increased annual borrowing costs for the year.
 - c. Excluding the impact of this settlement results in a normal operating surplus of \$46.2M, which is not profit, and is \$49.9M below the budgeted surplus of \$96.1M.

- d. Revenue was over budget by 2.0% or \$5.3M, and expenditure excluding the settlement was over by 17.9% or \$34.0M mainly due to variances in depreciation of \$11.8M, interest costs of \$7.5M, and other expenses of \$14.7M.
- e. The following major items contributed to the favourable revenue variance of \$5.3M:
 - i. Operational income was \$6.6M over budget, with \$2.7M of unbudgeted forestry income (which was offset by \$2.7M of unbudgeted felling costs), \$1.5M over budget for turnover based rents and sports and recreation revenue as a result of a better than expected pandemic recovery. Consent income \$1.2M over budget due to the continued growth in the construction industry, and operational grants revenue \$0.8M over budget due to a government grant.
 - ii. Development contributions were \$3.7M lower than expected at \$17.5M for the year. This revenue stream depends on the timing of the completion and size of developments in the district.
 - iii. Capital grants revenue was \$18.7M below budget due to the timing of the Arterial and Queenstown Street upgrade capex projects. The grants revenue for these two projects is received from the government on a monthly basis as the construction is completed.
 - iv. There was an increase in vested asset income which created a favourable variance of \$19.8M. 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.
- f. The major remaining operational cost variances are as follows:
 - i. Interest expense for the year was \$7.5M greater than budget. This is a result of higher interest rates with the rise in the official cash rate, increased borrowings for the leaky building claim settlement, and the timing of some capital works.
 - ii. Depreciation expense was higher than budget by \$11.8M, largely as a result of a flow on effect of the prior year's increase in valuations for infrastructure assets for both Three Waters and roading assets.

Analysis and Advice | Tatāritaka me kā Tohutohu

9. This report identifies and assesses the following reasonably practicable options for assessing the matter as required by section 77 of the Local Government Act 2002.

Option 1 Adopt the 2022-2023 Annual Report

Advantages:

Adopting the 2022-2023 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 in line with the requirements set out in the Local Government Act 2002.

Disadvantages:

This option does not allow for any substantive changes to be made to the final report if required.

Option 2: Do not adopt the 2022-2023 Annual Report.

This option would allow for substantive changes to be made to the 2022-2023 Annual Report, if requested by Council.

10. This report recommends **Option 1** for addressing the matter because it enables Council to meet its obligations to report on its performance and accountability to the community for the decisions made throughout the year in line with the requirements set out in the Local Government Act 2002

Consultation Process | Hātepe Matapaki

Significance and Engagement | Te Whakamahi I kā Whakaaro Hiraka

11. 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.
12. The persons who are affected by or interested in this matter are residents/ratepayers of the Queenstown Lakes district community.
13. The Council has consulted with the residents/ratepayers of the Queenstown Lakes district community as part of its 2021-2031 Long Term Plan process.

Māori Consultation | Iwi Rūnaka

14. The Council consulted with Te Ao Marama and Aukaha on behalf of Mana Whenua as part of its 2021-2031 Long Term Plan process.

Risk and Mitigations | Kā Raru Tūpono me kā Whakamaurutaka

15. There is an obligation to adopt the Annual Report under the Local Government Act 2002, therefore this matter relates to the Regulatory/Legal/Compliance risk category. It is associated with RISK10029 Ineffective compliance management practices within the QLDC Risk Register. This risk has been assessed as having a low residual risk rating.
16. The approval of the recommended option will support the Council by allowing the risk to be avoided. This shall be achieved by adopting the report within the timeframes as set out in the Local Government Act 2002.

Financial Implications | Kā Riteka ā-Pūtea

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 | Kā Whakaaweawe me kā Tirohaka a te Kaunihera

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

- 2021-2031 Long Term Plan
- 2022-2023 Annual Plan

19. The recommended option is consistent with the principles set out in the named policy.

20. This matter is not specifically included in the Long Term Plan/Annual Plan but reports on how the Council has performed against its intentions in financial year 2022-2023 as set out in the 2021-2031 Long Term Plan and the 2022-2023 Annual Plan

Local Government Act 2002 Purpose Provisions | Te Whakatureture 2002 o te Kāwanataka ā-Kiaka

21. 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 | Kā Tāpirihaka

A	2022-2023 Annual Report
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