

11. ADOPTION OF THE DRAFT ANNUAL REPORT 2019/2020

(Memo from Chief Financial Officer 05.11.20)

Purpose

This report is to inform the Council of the final financial and non-financial results for the year ended 30 June 2020 and for the Council to adopt the Annual Report.

Background

- ✦ The Annual Report for the year ended 30 June 2020 is attached for the Council's consideration.

The financial statements record a modest surplus of \$20,000, against a budget of \$2.694m. This is a positive result, and a testament to the careful financial management to minimise the effects of the flooding event in February 2020 and the COVID-19 pandemic that resulted in a country-wide lockdown late March. The reasons for the difference are explored below.

Audit

The Deloitte team spent approximately five weeks auditing the Council's accounts, including a total of four weeks on-site (one week in June and three in September).

Deloitte has issued a qualified audit opinion on advice from the Officer of the Auditor General, and met with the Audit and Risk Committee on 4 November via Zoom to discuss the audit process and its findings. The qualification is around five non-financial performance measures relating to response times in the 3 Waters activity. Deloitte could not gain confidence in the data extracted from the Council's Customer Relationship Management (CRM) system for these five measures.

There were a number of contributing factors relating to the data quality, bearing in mind that it has been an extraordinary year for the Council, with the flooding event in February, closely followed by COVID-19. Added to this were two General Manager vacancies with the senior customer services officer also departing on the eve of lockdown.

A change in our processes and additional training have been put in place to mitigate the risk of this result occurring again.

Financial performance

Revenue

Overall total revenue was less than budget by \$123,000. The revenue lost from the multisports complex, parking and transfer station during the COVID-19 lockdown period was offset by trade waste revenue received from Mataura Valley Milk being higher than budgeted, along with Project Ark reimbursements received from the Southland Regional Heritage Committee.

Expenses

Expenditure exceeded budget by \$2.551m. The flow on effect of the triennial asset revaluation in 2019, is that depreciation was greater than budget by \$632,000. Interest rate swaps were revalued and with interest rates being lower, the Council has realised a loss of \$550,000 on the swaps held. There was also unbudgeted expenditure of \$150,000 on the District Plan. The remainder can be attributed to the flooding event with bridge repairs, remediation work on historical landfill sites and the costs of pumping floodwater.

Assets

Overall assets are \$7.347m higher than budget. Accounts receivable have a higher carrying value compared to last year due to provisions for the end of year NZTA invoice and the flooding claim with NEMA. Property, plant and equipment are higher than budget due to the timing of the three-yearly asset revaluation and the capitalisation of 3 Waters projects.

Liabilities

Total liabilities are lower than budgeted by \$4.998m. The main contributor is total borrowings being lower as delays to projects were experienced as a result of the country-wide lockdown due to COVID-19.

Cash flow

The Cash Flow Statement shows how the Council performed on a cash basis. It removes the effect of any non-cash items like the write-down of interest rate swaps and gains or losses on the revaluation of assets. It also shows what the Council spent on its assets and changes in debt. The net movement in cash from the prior year was a decrease of \$580,000. This shows the effect of the Council using some of its reserves and the spending of funds previously borrowed in advance on capital projects.

Financial prudence benchmarks

The Council met all but one of the eight financial prudence benchmarks for the year. The Council did not meet the operations control benchmark for the year due to the lower than expected income from the aquatic centre, MLT events centre, parking and solid waste, as well as the additional expenditure incurred as a result of the flooding.

Statement of service performance (non-financial measures)

The annual report also records the Council's non-financial performance for the year. The Council achieved 34 out of 53 performance measures; being 64%.

The performance of the individual departments is summarised below:

Department	# Achieved	# Measures	% Achieved	Notes
Water	8	10	80%	
Wastewater	6	10	60%	
Stormwater	6	8	75%	
Roading	3	7	43%	
Parks, reserves, aquatic facilities, civic buildings and recreation	9	10	90%	1

Other district assets including solid waste and civil defence	0	1	0%	
Community services – arts and heritage, libraries, promotions and grants	2	3	67%	1
Regulatory and planning	0	3	0%	2, 3
Democracy and administration	0	1	0%	
Total	34	53	64%	

Notes:

1. The measures missed relate to availability/days open throughout the year. The opening days for the aquatic centre and the library were affected by the nation-wide lockdown as they were deemed to be non-essential services.
2. At the time of audit, IANZ accreditation was in progress, however it had not yet been attained due to an extension of time granted.
3. Three resource consent applications had not been completed in the timeframe, however in all three instances the applicants had agreed to a time extension in advance.

Measures resulting in the audit opinion being qualified

Council Outcome	Customer Levels of Service	Performance Measures	Target 2020	Results
Water We have a quality infrastructure with potential for growth.	A reliable service and effective response to queries	Response to a non-urgent customer request (NFPM 3c)	5 days	6.2 days (median value used) – Target not achieved.
		Resolution of a non-urgent customer request (NFPM 3d)	14 days	11.1 days (median value used) – Target achieved.
Wastewater We have a quality infrastructure with potential for growth.	A reliable service: effective response to queries	Response to a customer request (Blockage or fault) (NFPM 3a) (Median Value Used)	Urgent <120 mins General <8 hours	Urgent minutes – 882 mins (median value used), target not achieved. General – 895 hours (average value used), target not achieved.
		Resolution of a customer request (Blockage or fault) (NFPM 3b)(Median Value Used)	Urgent <8 hrs General <5 days	Urgent hours – 15.4 hours (median value used), target not achieved. General – 7 days (median value used), target not achieved.
Stormwater We have quality infrastructure with potential for growth.	A reliable service and effective response to queries	Response to a customer request (Flooding event) (NFPM 3) as measured by the CRM database	<60 min	82% (9 out of 11 requests responded to in 60 minutes) – target not achieved.

Conclusion

The 2019/20 financial year has been more turbulent than anyone could have imagined. The Council had to respond to several matters that they could not have anticipated in its Annual Plan. The impacts of the flooding event and COVID-19 are still being felt.

There were other highlights, such as the relocation of the civic building staff into temporary accommodation whilst the redevelopment started to take shape. The resilience and flexibility of staff during the two civil defence emergencies of the flooding and COVID-19. The achievement of delivering Council services remotely, to ensure that suppliers and staff continued to be paid and rates instalment notices were still sent to ratepayers is also notable.

RECOMMENDATION

THAT the report be received,

THAT the annual report for the year ended 30 June 2020 be adopted,

AND THAT the Chief Executive be empowered to make typographical and layout changes necessary for publishing the document.