

8. ANNUAL REPORT

General Manager responsible:	General Manager Corporate Services, DDI: 941-8528
Officer responsible:	Corporate Finance Manager
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PURPOSE OF REPORT

1. The purpose of this report is:
 - (a) To present the 2009 Annual Report containing the audited financial statements of Christchurch City Council for the year ended 30 June 2009, for adoption by the Council.
 - (b) To obtain the Council's approval to transfer the additional operating cash surplus for the year ended 30 June 2009 to the debt repayment reserve to be used immediately to fund capital expenditure in lieu of borrowing.
2. Under section 98 of the Local Government Act 2002 a local authority must prepare and adopt in respect of each financial year, an annual report. Each annual report must be completed and adopted by resolution, and within one month after the adoption of its annual report, the local authority must make publicly available:
 - (a) Its annual report.
 - (b) A summary of the information contained in its annual report.

EXECUTIVE SUMMARY

3. Separately circulated as Appendix 1, is a copy of the annual report for the year ended 30 June 2009.
4. Audit NZ have examined the financial statements and accompanying reports of the group and, subject to there being no further changes, have issued an unqualified audit opinion.
5. A representative of Audit NZ will be in attendance at the Council meeting to answer any questions regarding the accounts.
6. The Council's accounting surplus for the year, inclusive of vested asset contributions, was \$63.4 million, \$21.4 million (50.9 per cent) above plan. We plan for a surplus because under accounting standards we are required to show all revenue, including capital revenues, as income received for the year.
7. After adjusting for capital revenues, vested assets and non-cash components, the cash surplus was \$1.5 million, against a plan to break even.
8. This result differs slightly from the result reported in the Performance Report received by Council on 27 August 2009. This is due to the late receipt of operating and capital subsidies from New Zealand Transport Authority (NZTA), which, following discussions with Audit NZ, must be recognised in the 2008-09 financial year. This had the effect of increasing the cash surplus from \$37,029 to \$1,571,160. Staff are recommending that this surplus be transferred to the debt repayment reserve.
9. The Council invested \$226.4 million during the year, across a wide range of capital projects.
10. The Council's balance sheet reflects its strong financial position with total assets of \$6.8 billion and net assets of \$6.5 billion. Equity increased by \$189.6 million, the main drivers being \$120.9 million of gains on revalued assets and investments, and the \$63.4 million surplus.
11. The Council has four financial ratios which form a key part of its financial risk management strategy. All four actual results fell well within policy limits.

12. The Council achieved 70 per cent of its level of service targets in 2009 against 71 per cent in 2008. These targets were extensively reviewed as part of the 2009-19 LTCCP process and, in a number of cases, revised measures and/or targets were approved by the Council.
13. This report was reviewed by the Audit and Risk Committee on 29 September 2009 with the recommendation that it be forwarded to Council for adoption.

FINANCIAL IMPLICATIONS

14. The recommendations of this report align with the 2006-16 LTCCP budget.

LEGAL CONSIDERATIONS

15. There are no legal implications to be considered.

ALIGNMENT WITH LTCCP AND ACTIVITY MANAGEMENT PLANS

16. Not applicable.

ALIGNMENT WITH STRATEGIES

17. Not applicable.

CONSULTATION FULFILMENT

18. Not applicable.

STAFF RECOMMENDATION

It is recommended that the Council:

- (a) Resolve to adopt the 2009 Annual Report as presented.
- (b) Authorise the General Manager Corporate Services to make changes as required for publishing the Annual Report.
- (c) Authorise the General Manager Corporate Services to produce and publish the Annual Report and Summary Annual Report within the statutory timeframes.
- (d) Authorise the transfer of the balance of the 2009 cash operating surplus of \$1,571,160 million to the debt repayment reserve to be used immediately to fund capital expenditure in lieu of borrowing.

BACKGROUND

19. The Council's accounting surplus for the year, inclusive of vested asset contributions, was \$63.4 million, \$21.4 million (50.9 per cent) above plan. Capital revenues include development contributions, some of which are used to fund future development; New Zealand Transport Agency (NZTA) subsidies; and vested assets, (footpaths, water and drainage infrastructure and reserves land), which are vested to Council by developers. The surplus also includes interest received on funds that are held in the balance sheet for special purposes.
20. The additional accounting surplus of \$21.4 million is made up of additional revenue as follows:
 - Vested assets of \$8.9 million. This is made up of \$11.1 million of assets vested on dissolution of the old Victory Park Board, offset by a shortfall in infrastructure assets.
 - Higher subvention receipts, \$5.9 million.
 - Court recovery of parking fines, \$3.2 million.
 - Sale of Blenheim Rd assets, \$2.7 million.
 - Higher than planned subsidy from NZTA, \$2.4 million.
 - Gain on investment in Endeavour iCap, \$2 million.
21. Offsetting this were expenses which were \$3.6 million above plan. The main variances were:
 - Employee costs higher than plan, \$3.4 million.
 - Provisions for weathertight homes and landfill aftercare higher than plan, \$4.9 million.
 - Consultants' fees higher than plan; \$3.0 million.
 - Interest expenses lower than plan, \$4.7 million due to lower than planned capital expenditure.
 - Depreciation and amortisation lower than plan, \$2.7 million.
22. The Council invested \$226.4 million during the year, across a wide range of capital projects. Those completed include:
 - The Jellie Park upgrade, \$1.0 million.
 - New composting facility, \$22.4 million.
 - Central City crime prevention cameras, \$0.9 million.
 - Cashmere reservoir replacement, \$1.6 million.
 - The landing pontoon access at Akaroa wharf, \$1.4 million.
 - The \$17.0 million Council spent on those properties south of Lichfield that are integral to the Council's vision for the enhancement of the Central City South.
23. Projects progressed include:
 - The ocean outfall pipeline, \$9.8 million.
 - Property purchases for the Transport Interchange, \$4.2 million.
 - The City Mall upgrade, \$6.2 million.
 - Ongoing work at the Wastewater Treatment Plant, \$10.2 million including construction of the fifth and sixth digesters and the Biosolids Drying Facility.
 - The Western Interceptor sewer upgrade, \$6.6 million.
 - Road corridor and bus priority lanes, \$44.8 million.
 - Land purchased for parks, reserves and land drainage features, \$5.5 million.
 - Upgrades and restorations of storm water drains and natural waterways, \$8.3 million.
 - Landscaping, revegetation and renewal of Council assets in parks and reserves, \$4.0 million.