

Full Council

12 December 2024

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

Department: Assurance, Finance & Risk

Title | Taitara: Annual Report 2023-2024

Purpose of the Report | Te Take mō te Pūroko

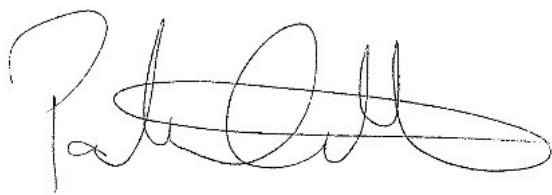
The purpose of this report is to recommend that Queenstown Lakes District Council (QLDC) adopts the draft Annual Report for the year ended 30 June 2024 pursuant to sections 98 and 99 of the Local Government Act 2002.

Recommendation | Kā Tūtohuka

That the Council:

1. **Note** the contents of this report; and
2. **Adopt** the draft Annual Report for the year ended 30 June 2024 pursuant to sections 98 and 99 of the Local Government Act 2002, as recommended by the Audit, Finance and Risk Committee [Attachment A].

Prepared by:



Name: Paddy Cribb
Title: Finance Manager

3 December 2024

Reviewed and Authorised by:



Name: Katherine Harbrow
Title: Assurance, Finance and Risk General
Manager

4 December 2024

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 2024 in accordance with the information required by Part 3 of Schedule 10 of the same Act.
2. Under the Local Government Act 2002 (LGA 2002) Section 98 (3), local authorities must adopt their Annual Report within four months of the end of the financial year.
3. On 14 December 2023 a Ministerial letter provided councils with the option to defer the adoption of their Long Term Plans by up to three months. This was to enable completion of additional detailed work to ensure that planned water investment met required quality standards and were well-integrated into the overall plan. It also enabled Councils to defer the adoption of their Annual Reports for 2023-2024 by up to two months, to account for the knock-on impact of working on Long Term Plans later into the calendar year.
4. In February 2024, Council agreed to these deferrals.
5. Consequently Council is required to adopt the draft Annual Report 2023-2024 no later than 31 December 2024.
6. The draft Annual Report will have been considered at the meeting of the Audit, Finance and Risk Committee (“the Committee”) on 5 December 2024.
7. The auditors will have attended this meeting and briefed the Committee on the audit process for the draft Annual Report 2023-2024. Council will be expecting to receive the audit opinion by 5 December.
8. This draft 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.
9. A copy of the draft Annual Report 2023-2024 has been circulated to all elected members and it is expected that the 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 2024.
10. The audit process will have been substantially completed by the time this agenda is circulated and only minor changes are expected to the draft Annual Report 2023-2024 at Attachment A.

Financial Summary

11. 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:
12. QLDC recorded an operating surplus of \$82.2M for the year, compared to a budgeted surplus of \$53.4M and an actual deficit of \$53.8M for the previous financial year
13. This surplus is largely due to the increase in vested assets revenue (these are mainly assets contributed to the Council by property developers as part of their development work). For the current year vested assets amounted to \$99.9M, compared to the budget of \$20.8M and an actual figure of \$40.0M the previous year. This non-cash income reflects the continued high levels of development activity in the district.
14. This resulted in total revenue of \$359.6M being above budget by 29.3%, or \$81.5M (refer to comments above). Actual operating expenditure was \$263.2M (above budget by 14.7% or \$33.8M). Further losses of \$9.7M relating to the disposal of three waters assets were recognised for the year.
15. The following major items contributed to the favourable operating revenue variance of \$81.5M:
 - a. Vested assets (refer to paragraph. 13 above).
 - b. Development contributions were \$6.8M above budget at \$27.5M for the year. This revenue stream depends on the timing of the completion and size of developments in the district. Development activity in the district continues to be at a high level.
 - c. Dividend income was \$3.7M above budget.
 - d. Consent income was \$1.4M under budget due to a reduction in the number of resource consents received and processed.
16. The significant operational cost variances are analysed below:
 - a. Interest expense for the year was \$8.2M above budget. This is a result of higher interest rates with the rise in the official cash rate, increased borrowings and the timing of some capital works.
17. Depreciation expense (non-cash) was above budget by \$8.0M, largely due to the flow on effect of the prior year's increase in valuations for infrastructure assets for both Three Waters and roading assets.
 - a. Infrastructure maintenance expenditure was \$9.9M above budget. This amount is due to a number of factors including additional costs relating to weather events, the crypto outbreak and the Shotover Waste Water Treatment Plant equipment.
 - b. Electricity costs were \$1.8M above budget due to significant rises in prices and network costs.

- c. Salaries and wages were \$1.7M under budget due to unfilled staff vacancies.
- d. Insurance costs were \$400k above budget due to premium increases.

Analysis and Advice | Tatāritaka me kā Tohutohu

18. 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.

19. **Option 1** Adopt the draft Annual Report 2023-2024

Advantages:

- Adopting the draft Annual Report 2023-2024 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.

20. **Option 2:** Do not adopt the draft Annual Report 2023-2024.

Advantages:

- This option would allow for substantive changes to be made to the draft Annual Report 2023-2024, if requested by Council.

Disadvantages:

- This option would inhibit the draft Annual Report 2023-2024 from being adopted within the revised timeframes and this would then breach our statutory requirement.

21. 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

22. This matter is of medium significance, as determined by reference to the Council’s Significance and Engagement Policy because the adoption of the draft Annual Report is an important element of Council’s accountability to the community for the decisions made throughout the year.
23. The persons who are affected by or interested in this matter are residents/ratepayers of the Queenstown Lakes district community.
24. 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

25. 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

26. 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. RISK10029 has been assessed as having a high residual risk rating. The matters outlined in this report are considered to be low risk, whilst RISK10029 remains high.
27. 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

28. 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

29. The following Council policies, strategies and bylaws were considered:
- 2021-2031 Long Term Plan
 - 2022-2023 Annual Plan
30. The recommended option is consistent with the principles set out in the named policy.

31. 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 2023-2024 as set out in the 2021-2031 Long Term Plan and the 2023-2024 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	Draft Annual Report 2023-2024
---	-------------------------------