

Title: 2017/18 Annual Report and Summary

Section: Performance

Prepared by: Michael Parsons (Business Analyst)

Meeting Date: 25 October 2018

Legal Financial Significance = low

Report to COUNCIL for decision

SUMMARY

The purpose of this report is to present the Gisborne District Council's 2017/18 Annual Report and Annual Report Summary for adoption in accordance with section 98 of the Local Government Act 2002.

The audited Annual Report needs to be adopted by Council within four months of the end of the financial year (30 June 2018). Auditors Ernst & Young have completed their audit and an unqualified¹ audit opinion will be issued upon adoption of the Report, and then inserted into the final document.

This Annual Report confirms that Council progressed as planned in the 2015-2025 Long Term Plan and 2017/18 Annual Plan.

The decisions or matters in this report are considered to be of **low** significance in accordance with the Council's Significance and Engagement Policy.

RECOMMENDATIONS

That the Council:

1. **Notes the contents of this report.**
2. **Adopts the Annual Report and Annual Report Summary for the year ended 30 June 2018 in accordance with s98 of the Local Government Act 2002.**
3. **Signs the Statement of Compliance and Responsibility once adopted.**

Authorised by:



Keita Kohere
Director Transformation & Relationships

Keywords: 2017/18 Annual Report, Annual Report Summary, performance measures, major projects, Resident Satisfaction Survey.

¹ In the Auditor's opinion, the report complies with generally accepted accounting principles and presents fairly its affairs in all material aspects, without limitation or exception.

BACKGROUND

1. The Local Government Act 2002 (s98) specifies the purpose of an Annual Report is:
 - a. to compare the actual activities and the 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 Long Term Plan (LTP) and the Annual Plan (AP); and
 - b. to promote the local authority's accountability to the community for the decisions made throughout the year by the local authority.
2. The Annual Report is Council's key accountability document. It sets out what we have achieved in the last year, explains how we spent rates and the value the community received in return. It compares our achievements and progress to what was planned to be achieved, in this case Year Three of the 2015-2025 Long Term Plan.
3. Councils are also required to prepare a Summary of the Information contained in its full Annual Report.

DISCUSSION

Success stories and highlights

4. The Annual Report and Annual Report Summary tell the story of our performance over the last financial year, from 1 July 2017 to 30 June 2018.
5. The emphasis in the front section of the Annual Report and the Annual Report Summary is on informing the community of progress made with Council's major projects as well as success stories and highlights of the past year. These stories and highlights have mainly been compiled from what we said we would do in the 2017/18 Annual Plan.
6. The full 2017/18 Annual Report is attached as **Appendix 1**. The Annual Report Summary is attached as **Appendix 2**.

Financial performance overview

7. Council has performed well financially over the past year. We recorded a \$5.1m net surplus after taxation. While expenditure was more than forecast in the Annual Plan, so too was operational income which meant that we were able to finish the year financially strong.
8. Total expenditure was \$3.5m more than forecast in the Annual Plan. This was due to significant repairs to damaged roads caused by two cyclones and the June 2018 recent storm events. Income received from New Zealand Transport Agency contributed to most of the costs of repair and was \$3.1m more than what was shown in the Annual Plan. Table 2 provides more information on "Operational Costs" when comparing this year to last year, and where the main variances occurred, as summarised at the activity level.
9. While we did plan for a higher net surplus after tax of \$9m, our Annual Plan included more capital revenue to coincide with major capital projects such as the Olympic Pool, Walkways and Lawson Fields Theatre. These projects have now been re-phased to occur in the 2018-2028 Long Term Plan, along with the expected grant capital revenue.

Table 1 Finances at a glance

	Budget 2017/18 \$000s	Actual 2017/18 \$000s	Variance Favourable/ (Adverse) \$000s
Revenue from Rates	57,038	57,681	643
Grants and Subsidies - Operational	9,227	12,353	3,126
Grants, Donations, Subsidies and Contributions - Capital	17,954	12,193	(5,761)
Revenue from Operating Activities	11,140	10,099	(1,041)
Other Gains/(Losses)	12	1,319	1,307
Total Operating Income	95,371	93,646	(1,725)
Employee Benefit Expenses	17,687	19,061	(1,374)
Depreciation and Amortisation	21,098	20,945	153
Operating Activities	45,353	47,827	(2,474)
Finance Costs	2,199	1,982	217
Total Operating Expenditure	86,337	89,815	(3,478)
Net surplus/(deficit) before taxation	9,034	3,831	(5,203)
Subvention Income	0	1,300	1,300
Income Tax Expense (Benefit)	0	0	0
Net Surplus/(Deficit) after Tax	9,034	5,131	(3,902)
Gains/(Losses) on Property Revaluation	392	73,160	72,768
Total Comprehensive Revenue and Expenses	9,425	78,291	68,865

10. Council did record a gain in the 2017/18 financial year of \$73.1m on revaluation of land, buildings, forestry and roading assets. Most of the revaluation gains came from the increase in values for land underneath our roads (which increased an average of 5.4% or \$66m). The remaining gains on property revaluation were due to increases in unit rate movements for infrastructure assets, or namely water supply, wastewater, stormwater and flood control assets. Recorded gains are transferred to revaluation reserves.
11. Council has \$2b invested in fixed assets. Council must ensure essential assets are maintained and replaced if necessary, so that the services they provide can continue now and into the future.
12. Depreciation and amortisation charges totalled \$21m (23% of our total costs) and repairs and maintenance was \$9m (10% of our total costs).
13. Council debt for 2017/18 is at \$43.9m (\$5.1m less than the Annual Plan forecast). Our debt levels are expected to increase over the next few years as we complete a number of our community major projects but will remain within policy limits.
14. There were other variances from the Annual Plan both favourable and unfavourable during the year. More detailed analysis of all Councils activities are included in the "Our Activities" section of the Annual Report.

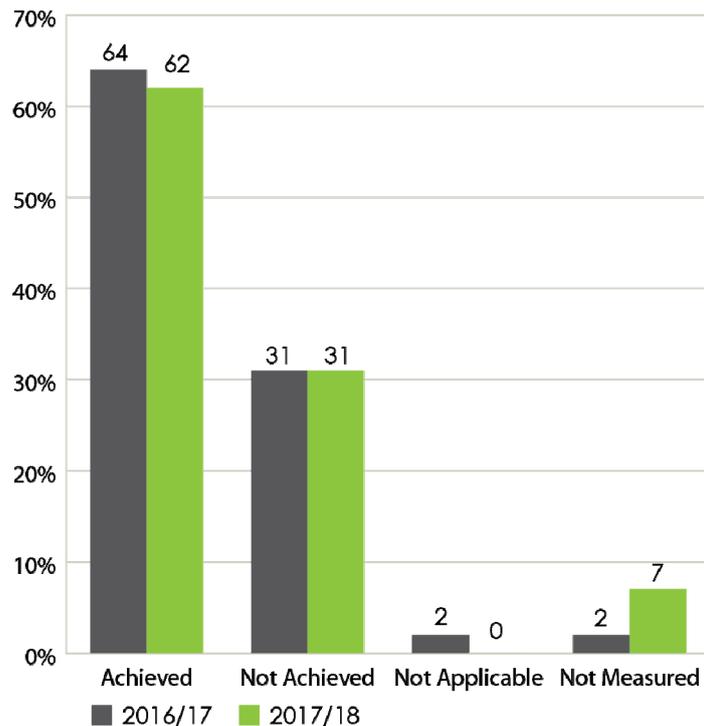
TABLE 2 Operational Expenditure

SUMMARY OPERATIONAL EXPENDITURE	Actual	Actual	Variance	Comments
	2017	2018		
Infrastructure				
Wastewater	4,463	4,001	(462)	2017 Write off from wastewater project
Stormwater	968	989	21	
Water supply	2,299	2,087	(212)	
Solid Waste	3,660	3,375	(285)	Land fill provision in 2017 was reduced compared to 2018
Roading	19,526	17,119	(2,407)	2017 Increased unplanned program of work(not including Emergency works)
Flood Control, Rivers	1,331	1,137	(194)	
Sub-total	32,247	28,708		
All other activities				
Support Services, Governance	11,076	7,493	(3,583)	2018 Reduced statutory barred rates write offs and reduced Provisions
Liveable communities	6,100	7,003	903	2018 Increased LOS for convenience, increased costs for R&M pool
Environmental Services & Protection	4,855	3,675	(1,180)	Rural Fires from 1 July 2017 under control of FENZ, parking provisions reduced
Commercial	1,027	949	(78)	
Sub-total	23,058	19,119		
Total*	55,305	47,827		

* Refer to Operational Costs, Note 10 Annual Report page 109 and page 91 Statement of Comprehensive Revenue and Expenses

Non-financial performance

15. Council measures and monitors the quality and effectiveness of the services we provide. Each activity has performance measures with targets that they aim to achieve.
16. The graph below shows how well Council met its 134 performance targets during 2017/18, in this case Year Three of the 2015-2025 Long Term Plan.



17. The performance measures that were not measured (7% in total) were reviewed as part of the 2018-2028 Long Term Plan process.

18. Below is a summary of some performance highlights and areas for improvement.

Performance Highlights
<p>Parks and Community Property - The percentage of residents satisfied with Council parks, reserves and open spaces has increased to 86% from 80% last year. Adjusting operational model to deliver better outcomes more efficiently had a positive outcome achieving our targets.</p>
<p>Environmental Services – 76% of monitored Freshwater sites show water quality is being maintained or is showing a trend of improvement for E.coli. We did not meet our target of 78%, but showed a big improvement, up from 69% last year. Water quality results for macroinvertebrate testing and groundwater wells improved from last year too, with more sites either being maintained or improving.</p>
<p>Cultural facilities – Residents are very satisfied with our cultural facilities. The highest satisfaction results were for the Tairāwhiti Museum (96%), the War Memorial Theatre (95%) and the library (88%).</p>

Areas for Improvement
<p>Public toilets – The percentage of residents satisfied with public conveniences increased from 32% to 38%. Although we did not meet target (50%), Council is expecting the new maintenance contract and construction of more toilets at coastal locations will improve the performance results.</p>
<p>Total waste from illegal dumping increased by 9 tonnes to 37 tonnes. The number of requests for service regarding illegal dumping has increased 4 years in a row, increasing by 33% to 522 this year. We adopted a new Waste Management and Minimisation Plan this year and have increased resources in this area to focus on turning around this trend</p>
<p>Environmental Services - We prepared 4 Farm Environment Plans this year, but did not meet our target of 20. Prioritisation of statutory requirements reduced staff's ability to prepare the targeted number of plans.</p>

Performance Highlights
<p>War Memorial Theatre – booking days increased to 147 from 141 last year. Audiences are growing as more locals are enjoying a range of events, which in turn, is increasing the confidence of promoters to consider Gisborne as a tour destination.</p>
<p>Water Supply – The total number of complaints received reduced by 22% from last year. We have been working closely with contractors to ensure timely responses to problems, reducing the overall number of complaints.</p>
<p>Road Safety - The number of fatalities decreased from 5 last year to 1 this year. Improvements to road safety and educational awareness have been a focus.</p> <p>Footpaths - 99% of footpaths are within the condition service standards set out in the Pathways Asset Management Plan, meeting target (60%).</p> <p>Road maintenance - The average quality of ride on a sealed road has improved. 92% of sealed roads have a NAASRA count of below 150 or better, up from 84% (target 80%).</p> <p>Transport Services - Bus passenger services is up from last year by 9.6%.</p>
<p>Governance support – 100% of advice to Council met good practice standards when independently assessed (target 80%).</p>

Areas for Improvement
<p>Decision-making – 46% of residents were satisfied with the way Council involves public in the decisions it makes. Although we significantly increased the number of people we engaged with to develop the Long Term Plan (early engagement was up 700% compared to the last LTP), we can do better.</p>
<p>Value for money – Resident satisfaction with value for money has decreased to 43% this year, from 49%. Over the past three years we kept rates rises at 2% or less. This combined with maintenance of roads and delays in major projects meant we ended up with a deficit last year. We have worked hard as a team to get Council back on track this year.</p>
<p>Roading service requests – Our response to service requests relating to roads and footpaths in target timeframes decreased. Additional staff have been engaged to improve the monitoring and management of responding to service requests.</p> <p>Road Maintenance - Only 2% of the sealed local road network was resurfaced this year (target 5%). Increased budgets for maintenance in the 2018 - 2028 LTP and funding from central government will contribute to improved performance.</p>
<p>Customer Service – More customers were satisfied with the helpfulness of staff this year (80% up from 75%), although we still did not meet our target of 90%.</p>

ASSESSMENT of SIGNIFICANCE

Criteria	This Report	The Process Overall
The effects on all or a large part of the Gisborne district	Low	Low
The effects on individuals or specific communities	Low	Low
The level or history of public interest in the matter or issue	Low	Low
Inconsistency with Council's current strategy and policy	Low	Low
Impacts on Council's delivery of its Financial Strategy and Long Term Plan.	Low	Low

19. The decisions or matters in this report are considered to be of low significance in accordance with Council's Significance and Engagement Policy.
20. This Annual Report confirms that Council progressed as planned in the 2015-2025 Long Term Plan and 2017/18 Annual Plan.

COMMUNITY ENGAGEMENT

21. Council is not required to consult on its Annual Report, however we are required to make the Annual Report and the Annual Report Summary document available to the public within one month after its adoption (in this case, before 25 November 2018).
22. The Annual Report Summary will be primarily published online this year with links distributed through our eNews.
23. The Annual Report and the Annual Report Summary will also be made available at Council offices, the HB Williams Memorial Library and on our website.

CONSIDERATIONS

Financial/Budget

24. Refer to Financial Performance above.

Legal

25. Staff are of the opinion that the content and recommendations in this report are consistent with the requirements of the Local Government Act 2002.

POLICY and PLANNING IMPLICATIONS

26. This Annual Report confirms that Council progressed as planned in the 2015-2025 Long Term Plan and 2017/18 Annual Plan.

RISKS

27. There are no major risks associated with the decisions or matters.

NEXT STEPS

Date	Action/Milestone	Comments
25 October	Annual Report and Summary adopted at Council meeting	Auditors will issue an unqualified audit opinion upon adoption of the Annual Report
29 October	Media release on Council's financial and non-financial performance	none
5 November	Annual Report and Summary made available on Council's website	Hard copies will be made available at Council offices and at the Library
12 November	Copies of the Annual Report and Summary to the Secretary; Auditor-General and the Parliamentary Library.	none

APPENDICES

Appendix 1: 2017/18 Annual Report

Appendix 2: 2017/18 Annual Report Summary