

# **OPEN**

# **MINUTE ITEM**

# **ATTACHMENTS**

**Ordinary meeting of the**

**Nelson City Council**

**Tuesday 31 October 2017**

**Commencing at to adopt AR 9.00am**

**Council Chamber**

**Civic House**

**110 Trafalgar Street, Nelson**

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A. A1857230 - Annual Report 2016/17 tabled documents

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## Item 3.1.1: Adoption of the Annual Report 2016/17: Attachment 1

### **Annual Reports financial basics (2016/17)**

- An Annual Report compares actual activities and performance with the Annual Plan on which it is reporting. An Annual Report is required under section 98 of the Local Government Act 2002 and must be audited.
- The Annual Report is required to include both the parent (Nelson City Council and its share of NRSBU and Civil defence) and the Nelson City Council Group – which consists of the Parent, its 100% subsidiaries Nelmac Limited, Nelson Civic Trust, Bishop Suter Trust, Nelson Regional Development Agency and its equity accounted joint ventures (Port Nelson, Nelson Airport, and TBHT).
- As Council does not have a controlling interests in its associates (Nelson Airport Limited, Tasman Bay Heritage Trust and Port Nelson Limited) these are equity accounted. NRSBU and Civil Defence are proportionately consolidated in the parent as these are not separate legal entities. Further detail of the accounting treatment is included in Note 1 to the accounts.

#### **Income**

- Rates income of \$67 million (including \$7.7m of volumetric water rates) is approximately 60% of total revenue. Detail of the breakdown of rates is in Note 3.
- The remaining income of \$45 million as detailed in notes 4-6, includes:
  - Development/financial contributions \$3.4m;
  - NZTA capital and operating grants plus other central/local government grants \$6.5m;
  - Regulatory revenue (resource and building consent fees) \$4.2m;
  - Vested assets from developments \$6.5m;
  - Dividends from the Port, Airport and Nelmac \$4m;
  - Revaluation on swaps (if income) \$3m;
  - Other income from rentals \$5.3m, forestry harvesting \$3.2m; etc

#### **Expenses**

- Council has total expenses of \$102 million. \$17.4 million of this is personnel costs (17% of total expenses) for 220 full time equivalents (FTE). See note 8, 29 and 35 for disclosures.
  - Depreciation is approx. \$23 million (22%) which is generally rate funded (excluding NZTA share of assets).
  - Finance costs of \$4.2 million (4%) are generally the interest that Council pays on its borrowings and swaps. This is impacted by interest rates and level of borrowings.
- Other expenses of \$57 million (56%) includes everything else Council spends on providing services to Nelson. Repairs and maintenance of our infrastructure is \$21.3 million of this expense and service provision \$24.6 million (note 7)

#### **Assets**

- Total assets of Council are \$1.5 billion (Group \$1.65 billion). The bulk of Council assets are property, plant and equipment (note 18) at \$1.45 billion.

#### **Liabilities**

- Total Liabilities of Council are \$115 million (Group \$119 million). The bulk of Council liabilities is borrowings of \$92 million (note 27).

# Item 3.1.1: Adoption of the Annual Report 2016/17: Attachment 1

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## 34 Related party transactions (continued)

Council are satisfied that this contract represents value for the ratepayer because of economies gained through the stability and continuity of the relationship (retention of both local and specific knowledge that could not be matched by a new or external supplier).

### Transactions with key management personnel

Key management personnel compensation

	Council	
	Actual 2017 \$'000	Actual 2016 \$'000
<i>Councillors including the mayor</i>		
Remuneration	669	646
Full-time equivalent members	13.0	13.0
<i>Senior Management Team, including the Chief Executive</i>		
Remuneration	1,655	1,537
Full-time equivalent members	7.4	7.0
<b>Total key management personnel compensation</b>	<b>2,324</b>	<b>2,183</b>
<b>Total full-time equivalent personnel</b>	<b>20.4</b>	<b>20.0</b>

Due to the difficulty in determining the full-time equivalent for Councillors, the full-time equivalent figure is taken as the number of Councillors.

Key management personnel include the Mayor, Councillors, Chief Executive, and senior leadership team, and key advisors to that group.

Key advisors include three committee members who are external to the organisation. These advisors bring technical expertise to the Commercial subcommittee, the Audit, Risk, and Finance subcommittee and the Planning and Regulatory committee. The remuneration for each external committee member varies between \$1,000 and \$1,458 per month depending on which committees are serviced.

External committee members are John Murray, John Peters, and Glenice Paine.

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

## 35 Remuneration

### Chief Executive

The Chief Executive of Nelson City Council is appointed under section 42 of the Local Government Act 2002.

The total remuneration (including any non-financial benefits) paid or payable for the year to the Chief Executive was \$371,669 (2016: \$309,426). This amount includes all contractual entitlements on the termination of her employment. The holiday pay entitlement includes \$2,939 accrued after 30 June.

### Elected representatives

Elected representatives received the following remuneration:

	Council	
	Actual 2017 \$	Actual 2016 \$
Mayor Reese	133,035	130,368
Councillor Barker	48,462	47,841
Councillor Rainey	15,728	47,189

Date - 30 October 2017

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## 35 Remuneration (continued)

Councillor Copeland	13,164	38,839
Councillor Courtney	27,764	-
Councillor Dahlberg	27,764	-
Councillor Davy	15,728	47,189
Councillor Fulton	40,708	38,915
Councillor Matheson	58,963	54,706
Councillor Ward	13,164	38,839
Councillor Lawrey	40,198	38,839
Councillor Skinner	45,026	38,839
Councillor Acland	40,198	38,839
Councillor McGurk	47,591	47,189
Councillor Noonan	45,577	38,839
Councillor Rutledge	27,764	-
Councillor Walker	27,764	-
	<u>27,764</u>	<u>-</u>
Total elected representatives' remuneration	<u>668,598</u>	<u>646,431</u>

Council	
Actual 2017	Actual 2016
\$	\$

Payments for commissioner hearings and District Licensing Committee included in total remuneration:

Councillor Barker	871	652
Councillor Fulton	510	77
Councillor Matheson	535	332
Total Local Boards	<u>1,916</u>	<u>1,061</u>

### Council employees

At balance date, Council employed 261 staff (2016: 251), made up of 175 (2016: 163) full-time employees, with the balance of staff representing 44.91 (2016: 53.8) full-time equivalent employees.

Total annual remuneration by band for the 261 employees as at 30 June:

	Number of employees	
	2017	2016
< \$60,000	124	119
\$60,000 – \$79,999	83	83
\$80,000 – \$99,999	31	29
\$100,000 – \$119,999	15	13
\$120,000 - \$219,999	7	6
\$220,000 - \$379,999	1	1
Total employees	<u>261</u>	<u>251</u>

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## **FINANCIAL OVERVIEW: YEAR ENDED 30 JUNE 2017**

Council is required under the provisions of the Local Government Act 2002 (section 101) to manage its revenues, expenses, assets, liabilities, investments and general dealings prudently and in a manner that promotes the current and future interests of its community.

Council must ensure that each year's projected operating revenues are set at a level sufficient to meet that year's projected operating expenses (break-even).

The Annual Report shows that Council recorded a net surplus before revaluations for the year ended 30 June 2017 of \$13.2 million, which was \$8.9 million more than budget. An explanation of this variance can be found in note 39 in the Notes to Accounts section. The surplus was \$12.7 million for the 2015/16 financial year.

It should be noted that the word 'surplus' is an accounting term, and is different from the rating surplus. The accounting surplus includes capital items such as road subsidies and grants relating to capital projects, revaluations and vested assets which are required to be treated as income for accounting purposes.

Council's borrowings as at 30 June 2017 were \$92.4 million.

The full Annual Report was prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and complied with International Public Sector Accounting Standards (IPSAS), and other applicable financial reporting standards, as appropriate for public benefit entities.

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land, certain infrastructural assets, investment property and biological assets.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of Nelson City Council is New Zealand dollars.

The financial statements of Nelson City Council are for the year ended 30 June 2017. The financial statements were authorised for issue by Council 31 October 2017.