

13 May 2022

Greg Driver

[fyi-request-19130-b0375a8b@requests.fyi.org.nz](mailto:fyi-request-19130-b0375a8b@requests.fyi.org.nz)

Tēnā koe Greg

**Request for Information – Local Government Official Information and Meetings Act (LGOIMA) 1987**

We refer to your official information request dated 13 April 202, as follows:

*On page 10 of the Hutt City Council 2020-2021 Annual Report, the Chief Executive advises that Council's "underlying net operating result" was a \$10.9m deficit. On page 132 the Audited Financial Statements report "Total Comprehensive Revenue & Expenses" of \$16.55m (surplus).*

1 Can you please advise all the individual components of the adjusting amounts that reconcile the \$27.45m difference between the two numbers. For reference:  
<https://www.huttcity.govt.nz/council/annual-plans-and-publications/annual-reports>

2 What is the average annual rates cost per household that will generate \$27.45m?

The net operating deficit referenced in the Chief Executive's foreword was noted at \$10.9M. The correct figure is \$11.3M, to be consistent with the financial overview on page 30. A late adjustment to the annual report was picked up by the auditor relating to the change in valuation methodology of the Landfill Aftercare Provision. This increased the deficit by \$0.4M in the financial statements part of the report. While this was changed in the CFO reports, it was inadvertently not updated in the CE's foreword. The part of the annual report is not audited so the error was not picked up through this process. The Annual Report and Summary have now been updated on our website.

In response to your first question, please see below a reconciliation of the underlying net operating result:

<b>Council net operating result</b>	<b>2021 Actual</b>
Surplus/deficit before tax	16,578
Less Gains on disposal	(3)
Less gains/losses on financial instruments	(13,698)
Less capital subsidies and grants	(10,603)
Less development contributions	(1,378)
Less vested assets	(2,170)
<b>Net operating result</b>	<b>(11,274)</b>

The net operating result is calculated by removing capital-related receipts and non-cash fluctuations in fair value (gains/losses on financial instruments). The net operating result has been used by the council as an indicator of underlying results for day-to-day operations by removing items that do not impact on day-to-day operating costs, such as revenue received to pay for capital projects. Capital projects provide benefit over a long term rather than in an individual year.

With regards to your second question, the rates requirement is based on the council's operating cost requirements. The matters deducted in the calculation are either non-cash fluctuations in fair value (gains/losses on financial instruments) or are in relation to capital receipts so would not impact the rates requirement in the year they are received or incurred.

You have the right to seek an investigation and review by the Ombudsman of this response. Information about how to make a complaint is available at [www.ombudsman.parliament.nz](http://www.ombudsman.parliament.nz) or freephone 0800 802 602.

Please note that this letter of response may be published on the Council's website.

Nāku noa, nā



Susan Sales

**Senior Advisor, Official Information and Privacy**