

# Summary Annual Report

2023  
2024



TIMARU



DISTRICT COUNCIL

Te Kaunihera ā-Rohe  
o Te Tihi o Maru

[timaru.govt.nz](http://timaru.govt.nz)

Published 29/11/2024 by

Timaru District Council

2 King George Place

Timaru 7940

ISSN: 1172-8108

## What you can find inside....

<b>From the Mayor and Chief Executive</b>	<b>3</b>
<b>About the Summary Annual Report</b>	<b>5</b>
<b>Our Strategic Direction</b>	<b>5</b>
<b>The Year in Review</b>	<b>7</b>
Financial Overview	8
Capital Expenditure	9
Capital Achievements	9
Operating Achievements	10
Challenges	11
Statement of Council Activities	12
<b>Summary Financial Reporting</b>	<b>15</b>
Summary Financial Statements	16
Summary Statement of Comprehensive Revenue and Expense	16
Summary Statement of Changes in Equity	16
Summary Statement of Financial Position	17
Summary Statement of Cashflows	17
Notes to the Summary Financial Statements	17
<b>Disclosure Statement</b>	<b>23</b>
<b>Independent Auditor's Report</b>	<b>24</b>

## From the Mayor and Chief Executive

**Nau mai ki tā mātou tirohanga rāpototo o te tau 2023/24.**

**Welcome to the overview of the year 2023/24.**

### From the Mayor

2023/24 was one of the most challenging years our community had seen in recent times, as many of the long-term economic effects of COVID became apparent, and it provided a significant challenge for council to remain fiscally prudent while still delivering all the everyday services the community required.

I am pleased to present you this Summary Annual report for 2023/24, which gives a clear and unvarnished view of the challenges we faced over the year, but also shows the unprecedented amount of work that was delivered across our infrastructure networks and community facilities.



This year wasn't only marked with a turbulent economy on a national and global level, but one of significant external political pressures. It was a year where local government was required to campaign hard to ensure there continued to be a local voice in how we deliver services such as water and stormwater in the face of significant pressure from Wellington.

I'm proud that Timaru took a leading role in the campaign to keep local ownership of our water assets and through the new legislation we're enabled to ensure we lead a reform that's suited to our local needs and local conditions, and all decision-making is made with our community at its heart. We now have a lot of work over the coming year to deliver a reform that meets our community's needs, but I've got absolute confidence in the ability of our council to deliver it.

A lot of public discussion was focused on a few projects such as the Theatre Royal and museum project, the future of Aorangi Stadium and the water reforms. However, underneath the surface – and in many cases underneath the ground – council staff and contractors have just been getting on with the job of keeping our district moving.

Our roading team and its contractors resurfaced more than 85km of our sealed roads and renewed 11km of footpaths over the course of this year. They also installed new safety measures in some of our more challenging junctions, such as the new roundabout on the Grey Road – Church Street intersection that has been widely appreciated by road users.

Our community also cut the ribbon on the amazing new playground at Caroline Bay, CPlay, now one of the largest, most fun and most inclusive play spaces in the country. This was a great example of the power of community and council working together on a shared goal. The group of volunteers that drove this project, raised the money for it and led the design process made it easy to partner with council on the delivery of an amazing long-term asset for our community.

The need for us to work more efficiently with the resources we have is making us take a serious look at how we deliver our services and see if we can do it better. As part of these efforts, this year we took part of our parks service back to an in-house team. While this will hopefully be a more cost-effective and efficient approach, my aim is that the in-house team take more personal ownership of our parks estate than a contractor, and we'll get better value for our investment in the long term.

One of the biggest problems the council faced this year was inflation. While consumers faced levels of inflation and interest rates not seen for many years, councils faced it to an even greater extent. We saw the inputs we use every day such as roading and bridge materials significantly rising in price at levels far higher than the consumer measures. Thankfully looking into the coming year, with a moderation in prices and a lowering of the interest rates we're seeing there will be less pressure on our budgets resulting from this.

In the middle year of each political term we undertake a significant amount of work in putting together a plan of what we need to do over the next decade. The Long Term Plan process was a great opportunity to talk to the community, find out the directions they want us to go then work with elected members on how we get there.

By all accounts this was one of the toughest LTP processes we've seen. Along with most other councils we had to make some difficult choices to ensure we had enough income coming in to ensure we were able to provide our basic services. We then had to balance the core needs of the community alongside the things that make Timaru a great place to live.

Some of the decisions we made were difficult, the problem we faced was that councils going back some time simply weren't budgeting enough to replace our infrastructure when it came due. This proved challenging to council for two reasons, one is that we had to pay for the things that were needing replaced, as there was no depreciation to cover them, and the other was that we had to start putting away an appropriate amount to cover our future needs. This is really the only way we can ensure a sustainable future for our district.

As a council we want to see Timaru District thrive. The part we need to play is in the long-term provision of good quality infrastructure in as affordable a way as possible.

This was the year we needed the council to make some tough decisions to set us up for future success, and I'm pleased that we've taken the steps needed to put our community on a positive track.

### **Nigel Bowen.**

Mayor of Timaru District.

## **From the Chief Executive**

One of the benefits of coming into an organisation as a Chief Executive is the opportunity to take a fresh look at the place without any pre-conceived notions of how it should run.

With the organisation facing unprecedented increases in the cost of delivery of its most core and basic services, which it unfortunately had to pass onto the community with higher than average rates rises, it was important that we also had to ensure we were running as efficiently as we can.

One of the major changes was reducing our reliance on external contractors to undertake day-to-day jobs. Trusting and empowering staff to work at a higher level helps not only save cost to the ratepayers it also helps build a high performing and positive culture at the council.

While this saw a significant reduction in costs, staff have also taken up the challenge of looking at smaller ways that they can do things more efficiently. This included things such as looking at all the software and subscription services we use across the council, the use of more energy efficient IT hardware, moves to internal provision of certain parks contracts, health and safety provision and legal support.

While none of these things individually makes a significant difference, they add up into something significant, and they also mark a shift in people's thinking about how we purchase or supply our goods and services and how we can do things better and more efficiently. I've been really impressed with the creative ideas coming from staff on this project and the real willingness by people to challenge the status quo.

In the years ahead we'll be working on delivering the commitments we made to the community through the Long-Term Plan process. While hopefully some of the cost pressures are beginning to subside as the global financial outlook improves, the council will still need to work hard to ensure we can deliver this in a sustainable way.

In order to do this, there are two major areas which will be a major focus for me in the year ahead. The first is how we plan the future delivery of water and wastewater through the government's 'Local Water Done Well' reform programme. This needs to deliver on the high standards expected by consumers, but in a way that's affordable to industry and consumers.

The other is taking a detailed look at the methods we use to raise revenue through rates and the fees we charge for services. The aim of this is looking how we charge rates to ensure that the balance is spread more equitably amongst the different sectors of our community, as well as this we also need to look at how we charge for 'user pays' services to ensure they reflect the benefit they provide to the individual.

If we get these two foundational pieces of work done successfully, we'll put the council on a significantly more sustainable footing going ahead.

It's going to be a major undertaking to deliver on all this on top of the day to day business of keeping the district running, but thankfully behind me I have a talented and committed staff that are well up to the challenge.

### **Nigel Trainor,**

Chief Executive, Timaru District Council.

## About the Summary Annual Report

The full Annual Report explained how we delivered on the 2023/24 Annual Plan (Year Three of the 2021-31 Long Term Plan). This document is a summary of the full annual report, showing at a glance what we worked on in the 2023/24 financial year and outlining whether the Council did what it said it would do. The Council adopted the full Annual Report on 31 October 2024.

## Our Strategic Direction

### Vision

Where people, place and business prosper within a healthy, adaptable and regenerative environment.

### Our Values and Role

#### Inclusive Leadership

Through inclusive leadership, citizens play an active role in the District, creating shared responsibility and a connected vision for the future.

#### Cultural Caretakers

Protecting and regenerating our unique cultural and environmental heritage so that we can retain a strong sense of identity for current and future generations.

#### Transition Navigators

Being adaptable to change by embedding the principles of agility and resilience into our approach towards enhancing our community wellbeing outcomes.

### Connected citizens

#### GOALS:

Connected Citizens embrace social connection and learning through sharing stories and ideas, and civic engagement. This Community Wellbeing Outcome seeks to actively support the contribution of citizens in activities that foster inclusion, agency and democracy.

#### FOCUS AREAS:

1. Enabling Community: We will enable community ownership of projects, by supporting community groups and initiatives.
2. Open to Ideas: We will actively support the contribution of citizens in activities to foster inclusion and democracy.
3. Sharing Stories: We will support the growth of local identity, and community pride through sharing stories, learning and documenting local history.
4. Foster Iwi Relationships: We will develop collaborative relationships with papatipu runanga.
5. Advocacy and Leadership: We will advocate and encourage citizens to contribute ideas and perspectives in an easily accessible way.

### Enhanced Lifestyle

#### GOALS:

Enhanced Lifestyle focuses on providing a healthy community environment, that enables affordable access to the range of facilities, opportunities and resources we need to thrive.

This Community Wellbeing Outcome seeks to enhance lifestyle and strengthen equity within our community.

#### **FOCUS AREAS:**

1. Facilities and Services: We will provide future proofed services and facilities to enhance the community.
2. Accessible and Active: We will enable an active lifestyle for everyone across the accessibility spectrum.
3. Shared Spaces: We will develop and maintain shared spaces that support community activity, diversity and foster pride.
4. Affordability: We will strive to ensure affordability and equitability are at the heart of our planning.
5. Health & Wellness: We will create opportunities for all citizens to live within a safe, healthy community, where wellness needs are embraced.

### **Sustainable Environment**

#### **GOALS:**

At the heart of our sustainable environment is the practice of kaitiakitanga. It is our role to be guardians of our natural environment.

This Community Wellbeing Outcome seeks to encourage the regeneration of our environment and foster a culture of sustainability.

#### **FOCUS AREAS:**

1. Clean Environment: We will prioritise sustainable land and water use to help regenerate our environment.
2. Kaitiakitanga: We will foster a strong connection between our people and the environment.
3. Low Carbon and Energy: We will promote and support low-carbon, low- energy practices.
4. Minimise Waste: We will lead and promote waste minimisation.
5. Encourage Biodiversity: We will support practices, partnerships and policies to protect and regenerate our native flora and fauna.

### **Diverse Economy**

#### **GOALS:**

Enabling the conditions for a diverse and prosperous economy that creates local, national and international opportunity for a thriving community.

This Community Wellbeing Outcome seeks to build on our unique local strengths to create a prosperity now and for future generations.

#### **FOCUS AREAS:**

1. Leverage Local Strength: We will leverage local strengths to retain and grow local talent.
2. Sustainable growth: We will support sustainable growth in the right place.
3. New and Niche: We will encourage innovation and new opportunities to further diversify our economy.
4. Thriving Business: We will create opportunities for local businesses to thrive through networks & support.

### **Resilient Infrastructure**

#### **GOALS:**

Investing in the future through well-conceived and planned projects that support the growth and wellbeing of the community and the environment.

This Community Wellbeing Outcome considers the critical transitions we are facing creating a sustainable platform for future generations.

#### **FOCUS AREAS:**

1. Invest for Future: We will invest in high quality infrastructure to meet the needs of our community.
2. Apply Good Practice: We will use quality data and good practice to enable high quality infrastructure decision-making.
3. Responsive Planning: We will prioritise resilience in our planning for future infrastructure.
4. Engage with People: Council will engage with our community to develop solutions to future infrastructure challenges.

**The year  
in review**

2023  
2024





# Financial Overview

Total Expenditure

**\$139.3M**

(Compared with budget of \$122.8M)

Rates Revenue Levied

**\$72.8M**

(Compared with budget of \$72.3M)

Total Council Net Assets

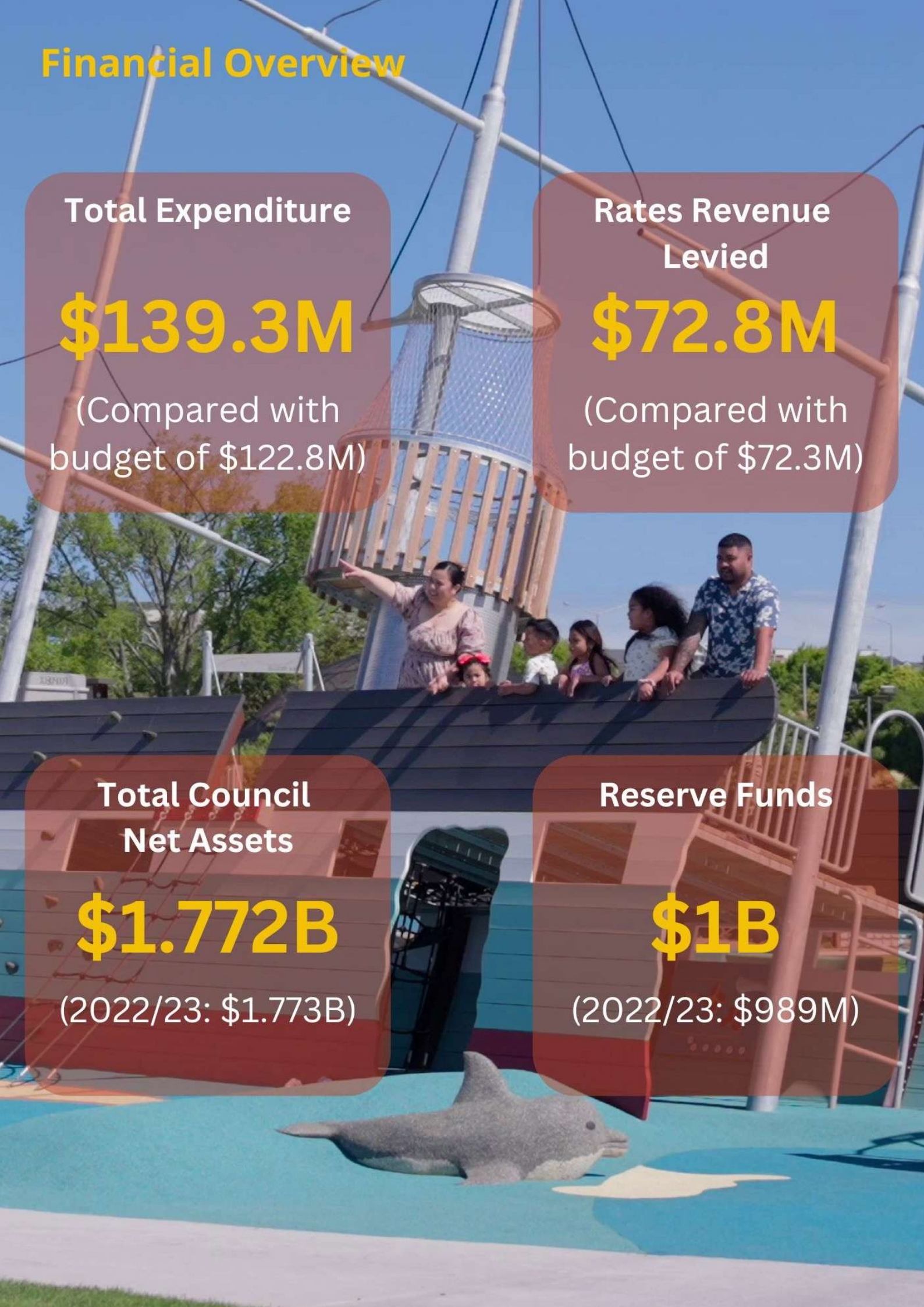
**\$1.772B**

(2022/23: \$1.773B)

Reserve Funds

**\$1B**

(2022/23: \$989M)



## Capital expenditure

During 2023/24 capital expenditure on Council’s infrastructure, facilities and services totalled \$58m. This capital work provides numerous employment opportunities for our local workforce, while keeping our facilities and infrastructure fit-for-purpose.

Most of the expenditure was spent on our roading network and footpaths (41%); water supply, wastewater and stormwater infrastructure (30%); as well as some of our recreation and leisure facilities (23%); with the balance across our community support (1%); waste minimisation (1%); and corporate support (4%).

## Capital achievements

2023/24 was another challenging year with supply chain issues, however the infrastructure projects in roading, waste and water progressed well reaching 100%, 95%, and 60% of their planned programme respectively. The planned capital expenditure target was \$82.2m, however this included \$11.4m on the Theatre Royal and Heritage Facility, \$5m on the south Stafford Street carpark, \$9m on the Claremont Water Treatment Plant and \$2.4m on the Aorangi Stadium projects, all of which were not progressed as projected.

### Major projects in the infrastructure services include:

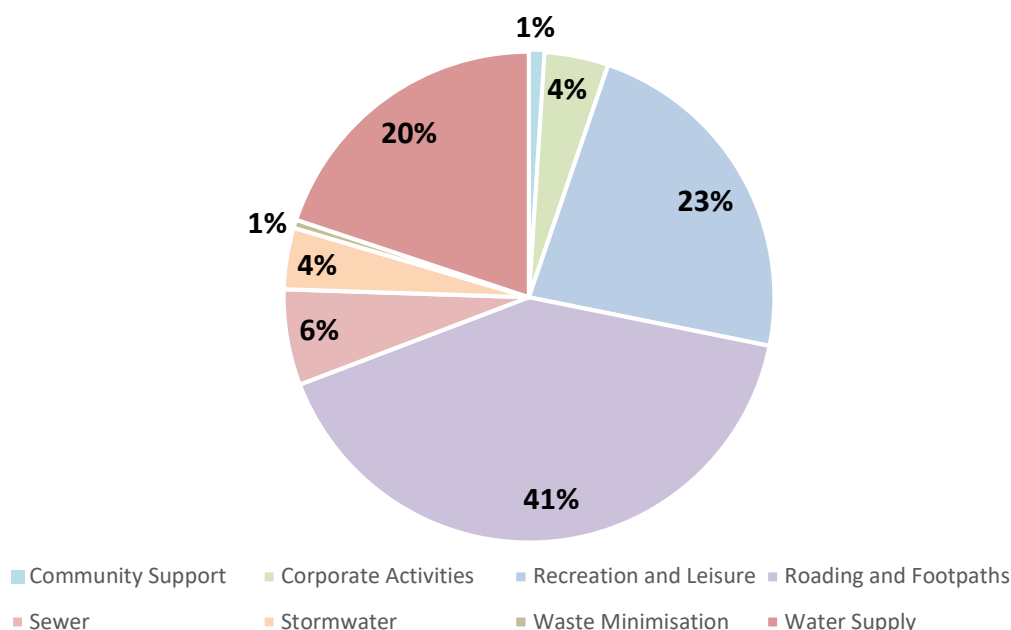
- Geraldine siphon
- Transport Choices
- Timaru Airport
- House Gallery Earthquake Strengthening
- Temuka Domain Development
- CityHub
- Public Transportation Infrastructure
- Road Improvement works
- Reseals
- Bridges & Culverts
- New car park South end of Timaru
- Te Ana Wai Water treatment plant
- Roading Rehabilitations WC214
- Claremont Water Treatment

### Ongoing planning for major community projects includes:

- Aorangi Stadium renewal/ refurbishment
- Theatre Royal and Heritage Facility

## Capital spend by activity

Capital Expenditure by Group of Activities



## Operational achievements

2023/24 also posed some challenges to our operational work, however, despite this we achieved some positive outcomes for our community across a number of Council activities.

### Major operational achievements include:

- The Council's Building Control team were successful in retaining their accreditation following assessment by International Accreditation New Zealand (IANZ) in February 2024, with favourable feedback from the lead assessor mentioning the team are demonstrating 'best practice' in 3 of the functions performed – which is rarely achieved.
- The Botanic Gardens and Trevor Griffiths Rose Garden successfully retained their 'Garden of National Significance' 5-star rating from the New Zealand Gardens Trust.
- There were 15,548 aircraft movements at Timaru Airport, with scheduled Air New Zealand flights making up 1,162 of that total, a 4.43% increase on 2022/23.
- In Emergency Management this year, we refreshed our 'Are You Ready?' guide, providing updated and practical information to help residents prepare for various emergencies. The guide includes essential tips on creating emergency plans, assembling emergency kits, and understanding local hazards. We encouraged everyone to make a plan and be prepared for any emergencies that could happen in our district.
- Council currently has 236 Social Housing properties throughout the district in Pareora, Pleasant Point, Timaru, Temuka and Geraldine. Occupancy is 96% with 8 units currently being renovated to Healthy Homes Standards. These 8 properties are expected to be occupied as soon as the renovations are complete, as we have more than 25 people currently on the waitlist.
- Our welcoming communities team held various events during Welcoming Week and Winterfest which had excellent community engagement, while also securing a \$30k funding grant through MBIE's 'Meaningful Refugee Participation Fund'.



## Challenges

### Government Reforms

The change in Government in October 2023 resulted in amendments to many reforms that were already in progress, such as Water Services Delivery (formerly Three Waters) and Resource Management reforms. A degree of uncertainty surrounding the new Government's delivery plans in these key areas is ongoing.

### Economic

While inflation is beginning to subside, continuing rising costs and resource and supply chain limitations all contribute to higher uncertainty for Council's programmes, projects and service delivery.

### Vertical Infrastructure

A number of our key community assets are reaching the end of their useful life and are in need of refurbishment or replacement. With increased costs to undertake this work, there is a need to balance community expectation and affordability for our ratepayers.

### Levels of Service

Ongoing inflationary pressures are creating challenges in maintaining current levels of service across many of the services provided by Council. This has resulted in a number of tough conversations on what is achievable within current budget constraints heading into the 2024-34 Long Term Plan cycle; This is particularly felt in the roading and footpath activity due to priority changes with the new Government and therefore the funding allocations received from NZ Transport Agency Waka Kotahi.

## Statement of Council Activities

### Key Performance Indicators (KPIs) for the year 1 July 2023 – 30 June 2024 were set in the Long Term Plan 2021-31.

They provide an overview of Council's performance on key projects and initiatives, and progress towards our outcomes.

We have 113 performance measures with targets that we report on across 9 groups of activities, as although we have 10 groups of activities, we do not have any performance targets for Corporate Activities set out in LTP 2021-31. We achieved 66.4% of the targets (75 measures), nearly achieved 4.4% (5 measures), and 27.4% (31 measures) were not achieved. Two water supply measures (1.8%) were not measured in 2023/24 due to Drinking Water Standards measures for protozoal and bacterial compliance being replaced.

Under the Local Government Act 2002 for the 2023/24 financial year, we are required to provide standard performance measures so that the community may compare the level of service provided in relation to the following groups of activities:

- Water Supply
- Sewer
- Stormwater
- Roothing and Footpaths

Department of Internal Affairs Te Tari Taiwhenua guidance has been followed in measuring performance against all mandatory measures.

### Material judgements of service performance have been applied using resident surveys.

To measure the quality of our outputs we use a number of residents surveys gain insight on community perceptions of our services. For activities other than Roothing and Footpaths, results are based on survey data undertaken on a biennial basis by Key Research Limited.

The statistical validity of the survey is determined by using the following methodology:

- A robust survey conducted online using a combination of email (by way of the ratepayers database held at TDC) invitations and a publicly accessible link (93% email invites and 7% public link). The analytical sample totals 474 residents across the Timaru District Council and the data was collected between 28 September and 17 October 2023.
- The study in 2023 was conducted via an online only methodology to create greater cost efficiencies in the survey process. Previous surveys had been conducted using a telephone interview methodology.
- Data collection was managed to quota targets by age, ward and ethnicity, and post data collection, the sample has been weighted so it is aligned with known population distributions as contained in the Census 2018.
- At an aggregate level the sample has an expected 95% confidence interval (margin of error) of +/- 4.47%. All statistical significance testing has used a 95% confidence interval unless otherwise stated.
- Results exclude 'don't know' responses unless otherwise specified.
- All results are reported in whole numbers, and this may result in a rounding difference of one percentage point in some instances.

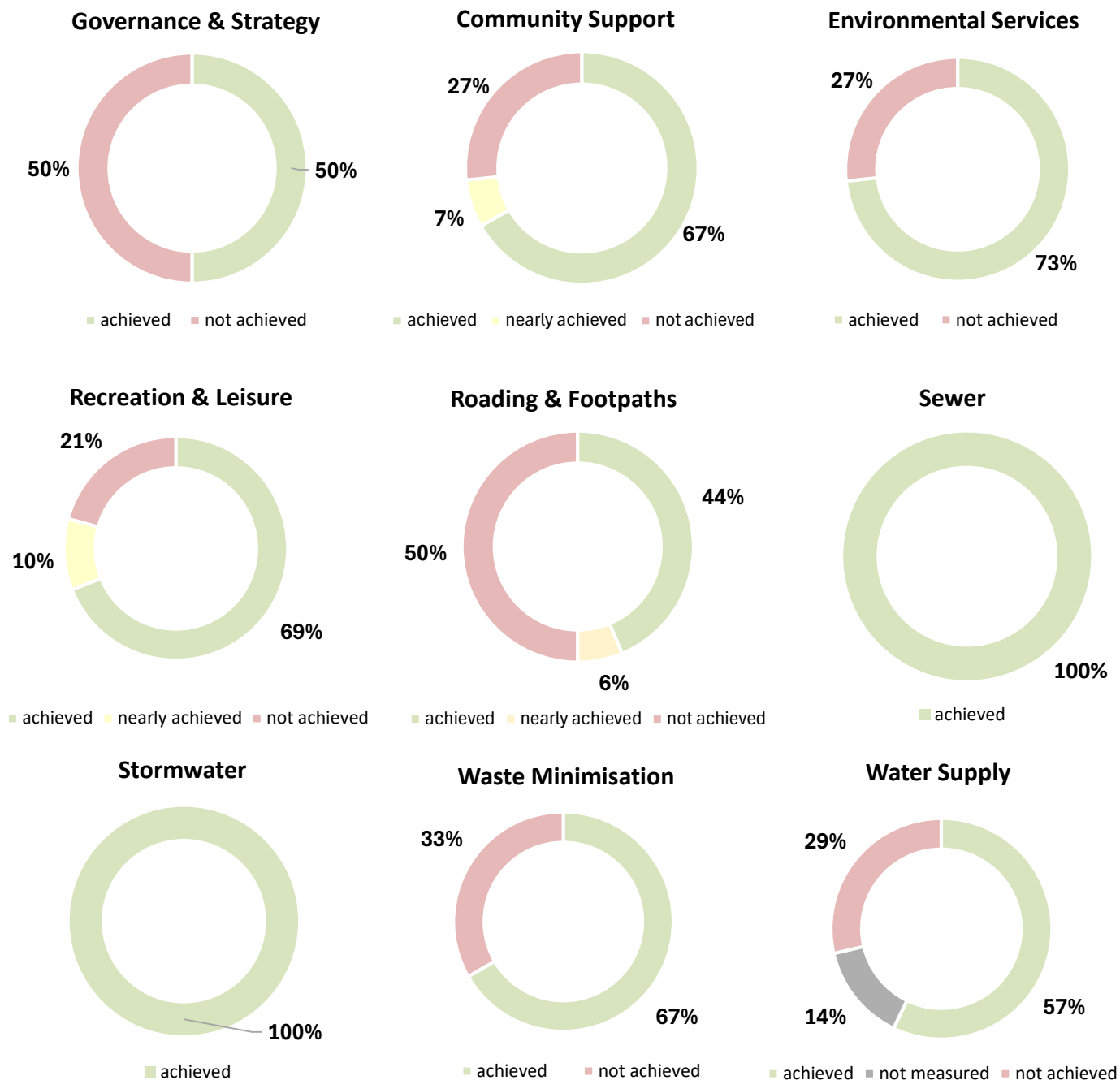
Land Transport results are based on a Key Research survey of 400 residents over FY2023-24 undertaken on a monthly basis via phone. The survey is managed to demographic quota targets to align with the population mix of the community.

- A total of 400 telephone interviews were conducted throughout the year with residents of Timaru District (approximately 33 interviews per month).
- Quotas and weighting were applied to the data to ensure the sample was representative of Timaru District's population.
- When satisfaction is mentioned, it refers to the percentage of residents who provided a rating of 6 to 10 out of 10 on the satisfaction rating scale.
- Due to rounding, percentages may add to plus or minus 1% over or under totals.
- Significant differences across demographic groups were tested by comparing the percentage 'satisfied' (i.e., provided a rating of 6 to 10; excluding 'don't know' responses) across the groups.
- Significant differences were tested across the following groups: age, ward, gender and rural/urban.

## External implications for statements about performance

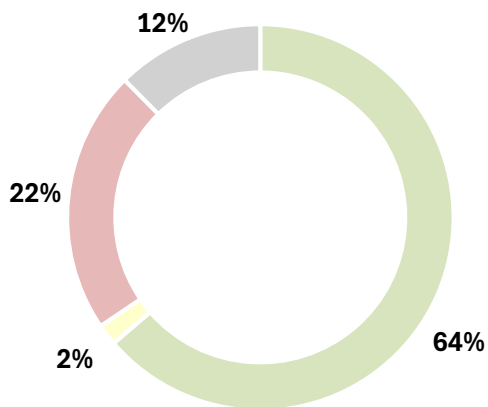
There are conditions that affect the service performance results and may result in a variation from the anticipated or forecasted results. These are ones which are outside our control. Examples of this are, but are not limited to, changes in government policy in New Zealand, global and domestic economic conditions and international policy that may impact areas such as recruitment, availability of materials and supplies (for example materials required for critical infrastructure), volatility in international financial markets and other unforeseen circumstances.

## Performance Summary by Group of Activities 2023-2024



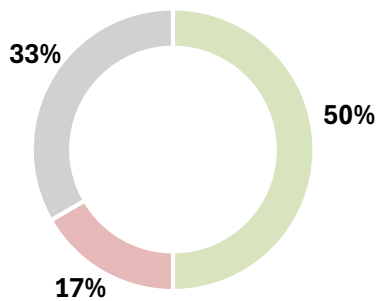
# Performance Summary by Group of Activities 2022-2023

## Overall Performance Summary



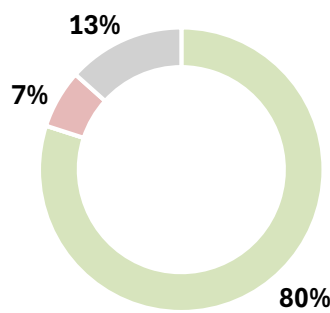
■ achieved ■ nearly achieved ■ not achieved ■ not measured

### Governance & Strategy



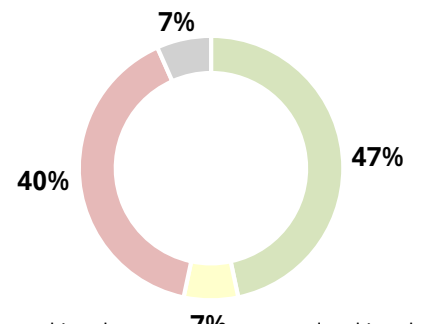
■ achieved ■ not achieved ■ not measured

### Community Support



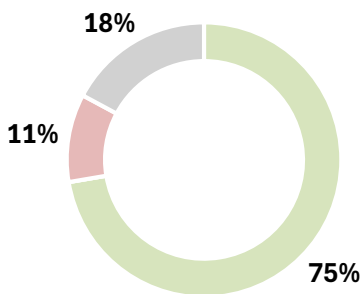
■ achieved ■ not achieved ■ not measured

### Environmental Services



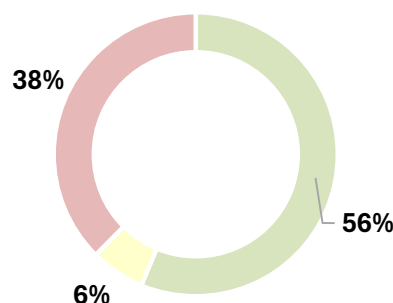
■ achieved ■ nearly achieved ■ not achieved ■ not measured

### Recreation & Leisure



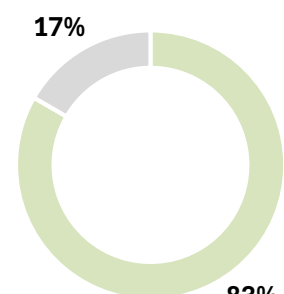
■ achieved ■ not achieved ■ not measured

### Roading & Footpaths



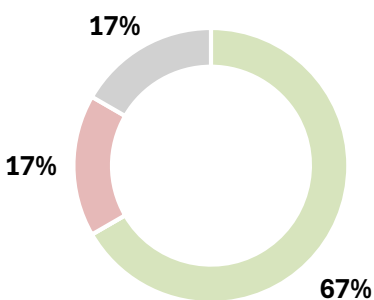
■ achieved ■ nearly achieved ■ not achieved

### Sewer



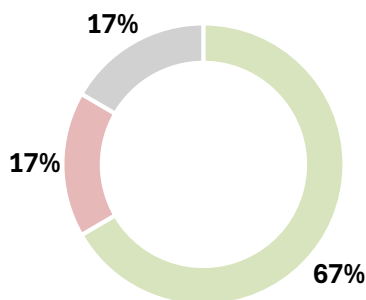
■ achieved ■ not measured

### Stormwater



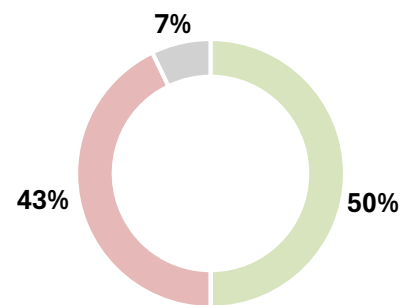
■ achieved ■ not achieved ■ not measured

### Waste Minimisation



■ achieved ■ not achieved ■ not measured

### Water Supply

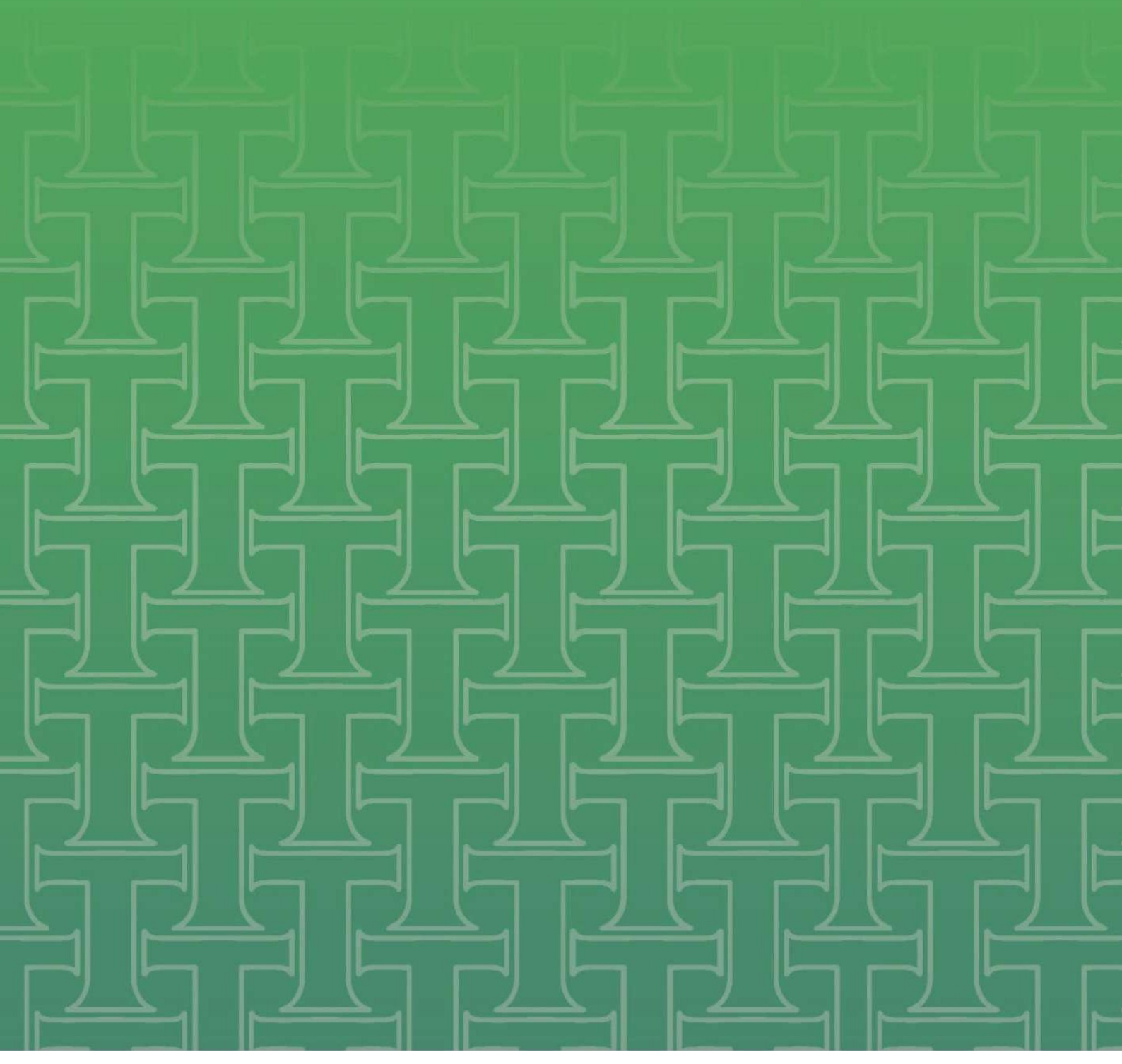


■ achieved ■ not achieved ■ not measured

# Summary Financial reporting

2023

2024





## Summary Financial Statements

This financial overview is for the year 1 July 2023 to 30 June 2024. It covers the consolidated financial statements of the group comprising Timaru District Council and its subsidiaries and associates.

### Summary Statement of Comprehensive Revenue and Expense for the year ended 30 June 2024

	Parent		Group <sup>1</sup>		
	Actual	Budget	Actual	Actual	Actual
	2024	2024	2023	2024	2023
	\$000	\$000	\$000	\$000	\$000
Revenue	137,578	128,432	113,688	142,008	125,112
Operating Expenditure	(129,269)	(116,124)	(122,975)	(130,918)	(125,870)
Finance Costs	(9,995)	(6,672)	(7,402)	(10,476)	(7,739)
Share of surplus of associates	-	-	-	3,295	10,542
Net surplus / (deficit) before taxation	(1,686)	5,636	(16,689)	3,909	2,045
Taxation	2	-	(2)	553	(101)
Net surplus / (deficit) after taxation	(1,684)	5,636	(16,691)	4,462	1,944
Gains on revaluation of assets	-	-	55,987	-	55,987
Total Other Comprehensive Revenue	-	-	55,987	-	55,987
Total Comprehensive Revenue	<b>(1,684)</b>	<b>5,636</b>	<b>39,296</b>	<b>4,462</b>	<b>57,931</b>

The accompanying accounting policies, notes and audit report should be read in conjunction with the financial statements.

### Summary Statement of Changes in Equity for the year ended 30 June 2024

	Parent		Group <sup>1</sup>		
	Actual	Budget	Actual	Actual	Actual
	2024	2024	2023	2024	2023
	\$000	\$000	\$000	\$000	\$000
Equity at beginning of year	1,773,492	1,676,497	1,734,196	1,896,376	1,838,445
Total Comprehensive Revenue	(1,684)	5,636	39,296	4,462	57,931
Equity at end of year	<b>1,771,808</b>	<b>1,682,133</b>	<b>1,773,492</b>	<b>1,900,838</b>	<b>1,896,376</b>

The accompanying accounting policies, notes and audit report should be read in conjunction with the financial statements.

<sup>1</sup> Timaru District Council group consists of Timaru District Holdings Limited and group, Venture Timaru Limited and Aorangi Stadium Trust (all 100% owned) and Downlands Water Supply Joint Arrangement (82% owned).

## Summary Statement of Financial Position as at 30 June 2024

	Parent			Group <sup>1</sup>	
	Actual	Budget	Actual	Actual	Actual
	2024	2024	2023	2024	2023
	\$000	\$000	\$000	\$000	\$000
Retained earnings	771,466	743,756	784,119	897,446	903,951
Reserves	1,000,342	938,977	989,373	1,003,392	992,425
<b>Total Equity</b>	<b>1,771,808</b>	<b>1,682,133</b>	<b>1,773,492</b>	<b>1,900,838</b>	<b>1,896,376</b>
Current assets	42,688	64,272	57,849	46,249	63,686
Non-current assets	1,987,437	1,914,500	1,953,223	2,122,168	2,080,648
Current liabilities	(88,773)	(27,997)	(69,377)	(91,453)	(72,300)
Non-current liabilities	(169,547)	(268,642)	(168,205)	(176,130)	(175,659)

The accompanying accounting policies, notes and audit report should be read in conjunction with the financial statements.

## Summary Statement of cashflows for the year ended 30 June 2024

	Parent			Group <sup>1</sup>	
	Actual	Budget	Actual	Actual	Actual
	2024	2024	2023	2024	2023
	\$000	\$000	\$000	\$000	\$000
Net cash inflow from operating activities	26,696	38,637	16,617	26,681	16,779
Net cash outflow from investing activities	(58,832)	(81,701)	(33,682)	(60,989)	(37,660)
Net cash inflow from financing activities	15,000	43,064	40,713	15,800	44,608
Net increase/(decrease) in cash held	(17,136)	-	23,648	(18,508)	23,726
Opening Cash Balance - 1 July	39,296	5,648	15,648	42,050	18,324
<b>Closing Cash Balance - 30 June</b>	<b>22,159</b>	<b>5,648</b>	<b>39,296</b>	<b>23,542</b>	<b>42,050</b>

The accompanying accounting policies, notes and audit report should be read in conjunction with the financial statements.

<sup>1</sup> Timaru District Council group consists of Timaru District Holdings Limited and group, Venture Timaru Limited and Aorangi Stadium Trust (all 100% owned) and Downlands Water Supply Joint Arrangement (82% owned).

## Notes to the summary financial statements for the year ended 30 June 2024

### 1. Accounting Policies Basis of Preparation

The summary financial statements of the Timaru District Council (the Council) and group have been prepared in accordance with the requirements of the Local Government Act 2002; which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP). These summary financial statements have been extracted from the full financial statements, which were authorised for issue on 31 October 2024.

The full financial statements have been prepared in accordance with the requirements of the Local Government Act 2002 and the Local Government (Council Reporting and Prudence) Regulations 2014, which includes the requirement to comply with Generally Accepted Accounting Practice in New Zealand. The financial statements have been prepared in accordance with Tier 1 Public Benefit Entity Accounting (PBE) Standards. This summary has been prepared in accordance with PBE FRS43: Summary Financial Statements.

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period. The financial statements are presented in New Zealand dollars and all rounded to the nearest thousand dollars (\$000). The functional currency of the Council is New Zealand dollars. The full financial report and this summary were audited and received an unmodified audit opinion.

The audit opinion includes an Emphasis of Matter paragraph in relation to the uncertainty over the value of the investment in associates - Alpine Energy Limited which is referred to below in Section 5 (Investment in associate – Alpine Energy Limited).

The summary financial statements do not include all the disclosures provided in the full financial statements and cannot be expected to provide a complete understanding as provided by the full financial report. The full financial report is available from Council's service centres and website - [www.timaru.govt.nz](http://www.timaru.govt.nz)

#### Budget figures

The Budget figures presented in this report are those approved by the Council in its 2023/24 annual plan unless stated otherwise. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Council in preparing these financial statements.

### 2. Critical accounting estimates and assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- Assumptions regarding investments in other financial assets, subsidiaries and other entities
- Estimating the fair value, useful lives and residual values of property, plant and equipment
- Estimating the landfill aftercare provision
- Estimating the fair values of debt
- Estimating the fair values of financial instruments
- Estimating the fair value of forestry assets
- Estimating the retirement and long service leave obligations
- Estimating the fair value of Investment Property

#### Critical judgments in applying accounting policies

Management has exercised the following critical judgments in applying accounting policies:

- Classification of property
- Donated or vested land and buildings with use or return conditions

## **Statement of council activities - service performance reporting (PBE FRS 48)**

The Council's service performance information is set out in pages 30 to 93 of the full annual report.

The relevant legislation governing the requirement of reporting of the Council's service performance is Part 3 of Schedule 10 of the Local Government Act 2002.

The Council's service performance has been prepared in accordance with PBE standards and is for the year ended 30 June 2024. The statement was authorised for issue by the Council on 31 October 2024.

The Council's service performance reporting comply with NZ GAAP.

In preparing the Council's service performance information, the Council has made judgements on the application of reporting standards and has made estimates and assumptions concerning the measurement of certain service performance targets. The main judgements are discussed below.

The service performance measures in this summary annual report are intended to compare the actual results of activities delivered by Timaru District Council against the forecast levels of service. The service performance measures were originally adopted in the 2021-2031 Long-Term Plan and continued in the 2023-2024 Annual Plan.

The service performance measures are reported on to Council each quarter during the relevant annual period. The annual results are then reported in the relevant Annual Report for the year to 30 June.

The performance measures were selected to cover quantitative measurement of progress towards the Council's Long-Term Plan and Annual Plan. The final measures included in this Annual Report are linked to 9 groups of activities, providing a holistic set that give a rounded picture of the non-financial performance of the Council. Each group has a set of metrics that were identified through the 2021-2031 LTP involving Council and management. This process ensured the selected measures best reflect the Council's performance and are available in a timely and accurate manner.

There are a number of performance measures identified in the Service Performance tables that are mandatory performance measures set under section 261 B of the Local Government Act 2002. The Secretary for Local Government made the Non-Financial Performance Measures Rules 2013. This was to enable the public to assess a reasonable comparison across all the councils.

Council is legally required to meet specific timeframes under certain legislation. These timeframes are reported on to provide transparency to the public. For activities where there are legislative requirements through various Acts or through the mandatory performance measures, there are few significant judgements to make. Council is required to report on these measures and to meet specific standards. The measures are integral to the function of the activity.

Council has chosen to report on user and resident satisfaction in 21 performance measures. While these activities are important, the user/resident satisfaction measures themselves are not critical to the functioning of the activity. Results of the surveys do not require interpretation by the reader. This judgement is not considered to be significant.

### **3. Changes in Accounting Policy**

There have been no changes in accounting policy.

## 4. Explanations of major variances to budget

### Statement of comprehensive revenue and expenditure

- Rates revenue is above budget due to growth in the District and additional water by meter income received.
- Fees and charges are \$1.999m below budget and are largely attributed to Waste Minimisation fees as a result of lower tonnes received than budgeted. Building consent fees were under budget as a result of changing market conditions within the construction industry. Theatre Royal user fees were below budget as result of project construction delay.
- Subsidies and grants are \$11.328m below budget largely a result of delay in Theatre Royal project completion – grants are budgeted on completion basis. Better Off funding for Parks, Aorangi Stadium and Aigantighe Art Gallery were deferred to 2024/25 for drawing down due to delays on projects.
- Finance revenue has a favourable variance of \$2.210m due to the increase in interest rates.
- Financial contributions of \$739k received relating to sewer, stormwater and water supplies were unbudgeted.
- Vested assets of \$16.656m from residential developments and Aorangi Stadium were vested in Council during the year which were unbudgeted.
- Other revenue included donations of \$653k received towards construction of the CPlay project previously held in Trust, Petrol tax income was \$170k below budget, corridor access requests, corridor management fees, CAR approval fees and inspection fees contributed towards the above budget of \$390k. Downlands rejet fees and contributions were \$433k less than budget as the numbers were not as many as anticipated. Not all funding for 3 Water transition support was drawn down (\$651k below budget).
- Other gains/(losses) are overall \$3.698m above budget, arising from unbudgeted losses from plant and equipment disposals and changes in fair value of derivative financial instruments. These losses were offset by fair value gains on forestry and investments.
- Depreciation is \$5.470m above budget largely as a result of the prior year water asset revaluation which increased total fixed assets by \$55.987m, which therefore increased depreciation required in proceeding years.
- Finance costs were \$3.323m above budget due to the increase in interest rates over the financial year.
- Other expenses were \$2.929m above budget due to the following:
- Internal charges consisting of personnel costs -charged to capital on projects were budgeted within Other expenditure, however the actual charge has been recognised against Personnel costs. The effect of this re-categorisation is a reduction of \$715k.
- Waste minimisation expenses \$436k below budget due to lower than budgeted carbon credits and waste site maintenance and landfill contractor's costs.
- Corporate Activities Other Expenses were \$888k above budget, mainly due to professional and consultancy overspent, largely attributable to providing support for vacant positions within the council, in addition to providing specialist advice.
- Planning Professional fees were \$338k above budget, largely as result of providing on-going specialist advice and support. These unfavourable variances were partly offset by under budgeted professional fees in District Plan Review due to a change in timing for this project.
- These unfavourable variances were partly offset by under budgeted professional fees in District Plan Review due to a change in timing for this project.
- Community Housing other expenses were \$520k above budget mainly due to unbudgeted rates costs.
- Drainage & Water other expenses were \$544k above budget, as a result of an increase in Urban Water and Te Moana reticulation costs, due to cost escalations.

### Statement of financial position

- Cash and cash equivalents and other financial assets have deviated from budget due to the Council holding shorter term investments while interest rates were rising.
- Trade receivables and payables have decreased from budget as result of regular trading and timing of income and expenditure.
- Property, plant and equipment and the asset revaluation reserve are above budget due to revaluation of roading and water assets in the 2022 and 2023 financial years.
- Borrowings and other financial liabilities are lower than budget, largely as result of lower capital expenditure and used cash reserves, as interest rates were high.

### Statement of changes in equity

- Equity has deviated from budget due to variations in the Opening Balance. Comprehensive Revenue was budgeted at a surplus, but Council incurred a loss.

### Statement of cashflow

Overall cash and cash equivalents are \$16.511m below budgeted mainly due to:

- Cash Flow from operating activities \$11.941m below budgeted due to lower than budgeted Receipts from Other Revenue sources – part of Grants and Subsidies were not received in 2023/24.
- Interest received was \$3.447m above budgeted as result of higher than budgeted interest rates.

## 5. Investment in associate - Alpine Energy Limited

The investment in associate – Alpine Energy Limited is included in the carrying value of Timaru District Holding Company in the Council's (parent entity) statement of financial position. The financial statements of Alpine Energy are prepared for the year to 31 March 2024. During the year Alpine Energy discovered an administrative error in its previous nine years' Information Disclosure Schedules that were submitted to the Commerce Commission. Details of the error and the amended Information Disclosure Schedules are available on Alpine Energy's website. The amended information is under review by the Commerce Commission to determine the appropriate course of action. There is a range of possible actions that the Commerce Commission may take against Alpine Energy, depending on the outcome of its review, which is expected to be finalised during the next financial year. Until such time, the outcome of the review remains uncertain. The impairment assessment therefore does not take account of this matter because the possible effects cannot be determined with any certainty.

## 6. Contingencies

The Council and group have contingent liabilities including:

- Following the significant flooding event in 2019 which endangered the integrity of the closed Peel Forest landfill a wider close landfill risk assessment of the 40 closed landfills identified in Timaru District is being conducted to evaluate the risk related to these and future costs associated with the management of identified risks.
- Timaru District Council has 18,550,000 uncalled shares (2023:18,550,000) in Timaru District Holdings Limited. This uncalled capital is security for the Letter of Credit facility of \$19m (2023: \$19m) with ANZ Bank for the credit facilities with Timaru District Holdings Limited.
- Council is reviewing buildings owned or controlled by it to assess their seismic rating under the new building standards (NBS). Council's buildings are categorised as either 'priority' or 'non-priority' buildings under the NBS. Council has identified all priority and non-priority buildings as required by the NBS. Seismic assessments on all priority buildings have been commences although not completed in all cases. Council is also developing a strategy and prioritisation methodology to inform its future decisions on earthquake prone buildings.
- On June 8, 2023, Council was advised it had been named as one of four Respondents in an adjudication claim to the Weathertight Homes Resolution Tribunal. A preliminary conference was set down for 6 July 2023 and at the date of the Annual Report being adopted no final adjudication has been determined in regard to Council's final liability. Council's maximum liability is capped at \$254,000 (rounded).
- Sophia Street Carpark building has been deemed earthquake prone. The engineer who assessed the carpark also assessed the adjoining building as earthquake prone. The owners of the adjoining building obtained their own report which determined their building was 100% NBS. The owner is seeking costs for having to obtain their own report. There may be a potential dispute about the responsibility of each building owner to contribute to strengthening.
- Council is currently in negotiations over a failed drain in a 2015 built home in Pleasant Point. A meeting between the homeowner and builder has been held, and Timaru District Council (TDC) has been requested to try to resolve the matter, with the intention that the \$35,000 to \$75,000 cost of remediation will be proportionally shared between the three parties. This claim is likely to be insured therefore TDC exposure will be limited to the insurance excess of \$10,000.
- Timaru District Holdings Limited, Aorangi Stadium Trust, and Venture Timaru Ltd do not have any contingent liabilities.

### **Mutual Liability Riskpool insurance scheme**

- Timaru District Council was a member of the New Zealand Mutual Liability Riskpool insurance scheme (“Riskpool”) until 30 June 2017. The scheme is being wound down however if there is a shortfall, whereby claims exceed the contribution of members and reinsurance recoveries, in any Fund year, then a call may be made on members at that time to cover the shortfall. Council has fully paid all calls for funds to 30 June 2024. Following a Supreme Court decision in August 2023 Riskpool have advised that additional calls may be required to cover shortfalls relating to claims previously declined. Riskpool are seeking reinsurance cover relating to these however that is still unresolved and the subsequent final cost of the next call for funds to Council is still unknown.

### **Local Government Funding Agency**

- Timaru District Council is a guarantor of the New Zealand Local Government Funding Agency Limited (LGFA). The LGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand and it has a current credit rating from Standard and Poor's of AAA.

Together with the shareholders of LGFA and other guarantors, Timaru District Council is a guarantor of all of LGFA's borrowings. At 30 June 2024, LGFA had borrowings totalling \$23.8 billion (2023: \$18.6 billion).

PBE accounting standards require TDC to initially recognise the guarantee liability by applying the 12 month expected credit loss model (as fair value could not be reliably measured) and subsequently at the higher of provision for impairment at balance date determined by the expected credit loss model and the amount initially recognised. The council have assessed the 12-month ECL of the guarantee liability, based on market information of the underlying assets held by the LGFA. The estimated 12-month credit losses are immaterial due to the very low probability of default by the LGFA in the next 12 months. Therefore, the council has not recognised a liability.

### **Joint operation contingent liabilities**

- There are no contingent liabilities associated with Downlands Water Supply joint operation (2023: Nil).

### **Share of associates' contingent liabilities**

- Timaru District Council's share of contingent liabilities of PrimePort Timaru Limited and Alpine Energy Limited, incurred jointly with other investors, is nil (2023: Nil).
- Alpine Energy Limited group has contingent liabilities as at 31 March 2024 of \$0.73m in the form of performance and import guarantees to cover ongoing project work (2023: \$0.73m).

## **7. Local Water Done Well**

The new legislation requires Council to deliver a Water Services Delivery Plan (WSDP) to the Secretary for Local Government by 3 September 2025. The plan must include the anticipated or proposed model or arrangements and implementation plan for delivering water services. Council will not know what the model or arrangements are until the WSDP is approved by the Secretary.

## **8. Events after balance sheet date**

Alpine Energy Limited have made relevant disclosures to the Commerce Commission in regard to errors identified in their Information Disclosure Schedules. No further information has been made available post balance date with the Commerce Commission review expected to be completed within the next financial year.

Timaru District Council was successful in its application for \$6 million from the Ministry for the Environment's Contaminated Sites and Vulnerable Landfills Fund against the \$12 million cost of the remediation of the closed Peel Forest Landfill.

## Disclosure Statement

The purpose of this statement is to disclose the Council's financial performance in relation to various benchmarks to enable the assessment of whether the Council is prudently managing revenue, expenses, assets, liabilities and general financial dealings.

The Council is required under the Local Government (Financial and Reporting and Prudence) Regulations 2014 to report on the affordability and benchmark ratios. In addition, we are required to comply with ratios contained in our funding agreement with the Local Government Funding Agency.

Council has met 3 of these benchmarks in 2023/24. The ratios are as follows:

<b>Rates increase affordability</b>	<b>NOT MET</b>
<b>Debt affordability benchmark</b>	<b>MET</b>
<b>Balanced budget benchmark</b>	<b>NOT MET</b>
<b>Essential services benchmark</b>	<b>MET</b>
<b>Debt servicing benchmark</b>	<b>MET</b>
<b>Debt control benchmark</b>	<b>NOT MET</b>
<b>Operations control benchmark</b>	<b>NOT MET</b>

These ratios and benchmarks enable the reader to determine whether or not the Council is prudently managing its revenues, expenses, assets, liabilities and general financial dealings.



## Independent Auditor's Report

### To the readers of Timaru District Council and group's summary of the annual report for the year ended 30 June 2024

The summary of the annual report was derived from the annual report of the Timaru District Council (the District Council) and group for the year ended 30 June 2024.

The summary of the annual report comprises the following information on pages 12 to 14 and 16 to 22:

- The summary statement of financial position as at 30 June 2024.
- The summaries of the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended 30 June 2024.
- The notes to the summary financial statements that include accounting policies and other explanatory information.
- The summary statement of service provision, included in the "statement of council activities" section.

### Opinion

In our opinion:

- the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with PBE FRS-43: *Summary Financial Statements*.

### Summary of the annual report

The summary of the annual report does not contain all the disclosures required by generally accepted accounting practice in New Zealand. Reading the summary of the annual report and the auditor's report thereon, therefore, is not a substitute for reading the full annual report and the auditor's report thereon.

The summary of the annual report does not reflect the effects of events that occurred subsequent to the date of our auditor's report on the full annual report.

### The full annual report and our audit report thereon

We expressed an unmodified audit opinion on the information we audited in the full annual report for the year ended 30 June 2024 in our auditor's report dated 31 October 2024. Our auditor's report on the

full annual report included an emphasis of matter paragraph drawing attention to the following matter in the full annual report:

*Emphasis of matter – uncertainty over the value of investments in associates*

Note 15 to the financial statements in the full annual report outlines an uncertainty over the value of the group's investments in associates. Alpine Energy Limited (one of the group's associates) identified an error in the information it provided to the Commerce Commission for regulating prices. The Commerce Commission is considering the appropriate course of action, the outcome of which is currently unknown. As a result, this matter has not been taken into account in the impairment assessment of the group's investments in associates.

Information about this matter is disclosed in note 5 on page 21 of the summary financial statements.

### **Council's responsibility for the summary of the annual report**

The Council is responsible for preparing the summary of the annual report which includes preparing summary statements, in accordance with PBE FRS-43: *Summary Financial Statements*.

### **Auditor's responsibility**

Our responsibility is to express an opinion on whether the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the full annual report and whether the summary statements comply with PBE FRS 43: *Summary Financial Statements*.

Our opinion on the summary of the annual report is based on our procedures, which were carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

In addition to reporting on the summary and full annual reports, we have carried out engagements in the areas of auditing the District Council's 2024-2034 long-term plan and performed a limited assurance engagement related to the District Council's Debenture Trust Deed, which are compatible with those independence requirements.

Other than these engagements we have no relationship with, or interests in, the District Council or its subsidiaries and controlled entities.



Rudie Tomlinson,  
Audit New Zealand  
On behalf of the Auditor-General  
Dunedin, New Zealand  
29 November 2024