

Report To: Audit and Risk Committee



Meeting Date: 7 October 2025

Subject: **Draft Annual Report 2024/25 – Recommendation to Council**

Type: Decision Required

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1. Purpose of Report

- 1.1 The purpose of this business paper is to present the Draft Annual Report 2024/25 for consideration and, subject to amendment, recommendation to Council for adoption.

2. Suggested Resolutions

- 2.1 The following are suggested resolutions only and do not represent Council policy until such time as they are adopted by formal resolution.
- 1 The business paper on Draft Annual Report 2024/25 – Recommendation to Council be received.
 - 2 The Audit and Risk Committee recommend to the Council the adoption of the Annual Report 2024/25, subject to any amendments agreed at this meeting and any further changes required as a result of completing the audit.
 - 4 Any matters of significance which may arise relating to the Draft Annual Report 2024/25 between this meeting and the Council meeting on 9 October 2025 be referred to the Independent Chairperson.

3. Background

- 3.1 Council is required to adopt an audited Annual Report by 31 October each year under the Local Government Act (2002). Due to the local government elections on 11 October 2025, staff have worked closely with the audit team to prepare and complete the Annual Report prior to the elections to allow the current Council to adopt its Annual Report.
- 3.2 The Draft Annual Report 2024/25 (Draft AR) provides details of the financial and non-financial performance of Waitomo District Council for the year ended 30 June 2025.
- 3.3 A copy of the Draft Annual Report 2024/25 is enclosed separately and forms part of this business paper.
- 3.4 The final Annual Report is currently scheduled for adoption by Council on 9 October 2025.

4. Commentary

4.1 AUDIT PROGRESS

4.2 At the time of writing this business paper, the audit of the Annual Report is progressing through its final stages and because of this, the Draft AR may be subject to change. Any further changes are expected to be minor in nature including roundings or minor edits to disclosures and are not expected to impact on the performance results or key financial elements of the Draft AR.

4.3 Representatives from Deloitte will provide an update on the audit as part of a separate paper in this agenda.

4.4 DRAFT 2024-25 ANNUAL REPORT HIGHLIGHTS

4.5 Non-Financial Performance

4.6 The Service Performance section provides detailed information on the performance measures and targets for each of the significant activities. The performance summary provides the overall results while more detailed information is provided within each activities section.

4.7 Of the 72 Key Performance Indicators (KPIs) measured, 54 (75%) were achieved, this is a slight decrease from 78% in the previous financial year. To recognise KPI's that were very close to meeting their target, those within 5% of the target are recorded as nearly achieved, there were 5 (7%) of these. The remainder 12 (17%), were not achieved, and 1 (1%) with no data.

4.8 Resource consents processing times has been achieved with a correction to the number of processing days from for an application 22 to 19.

4.9 Due to a faulty flow meter and Programmable Logic Controller at Maniaiti/Benneydale reservoir no flow data was captured during the winter months therefore the minimum night flow could not be calculated.

4.10 Piopio drinking water scheme bacterial compliance has been independently assessed as achieved under the current Drinking Water Quality Assurance Rules 2022 (Amended 2024). Quarter 2 had been reported previously as not achieved due to loss of Chlorine data under T3 module which is not required to be assessed under the current Rules.

4.11 The average smooth travel exposure calculation was corrected by New Zealand Transport Agency changing the result from 90% to 89%, target is 80% result is still achieved.

4.12 The measures nearly achieved were:

- The number of active library members, the target was 956. There were 909 active members as at 30 June 2025.
- All building consents are processed in a timely fashion, two consents out of 145 were delayed and not processed within the 20 day target.
- All LIMs are processed within statutory timeframe, one application out of 136 was delayed and not processed within the 10 working days target.
- The evaluation of the annual civil defence exercise as a measure of effectiveness of training was 58%, the target was 61%.
- Percentage of users that are satisfied with the Waitomo District Landfill was 87%, the target was 90%.

4.13 The measures not achieved were:

- The result for satisfaction with the cleanliness of public toilets measured by the Resident Survey 2025 was 63%, the target was 85%.

- Percentage of residents satisfied with the provision of the Animal Control service was 63%, the target was 75%.
- Percentage of users that are satisfied with the rural transfer service stations was 77%, the target was 90%.
- One abatement notice issued in July 2025 following a high rainfall event related to three incidents for wastewater overflow in May and June 2025.
- The number of complaints about wastewater in Piopio total 47 complaints, which is 232 complaints per 1000 connections, the target was 200 or less, largely related to system faults with septic tanks.
- Number of dry weather overflows in a financial year was 23 total complaints, which equates to 10 complaints per 1000 connections, the target was 5 or less.
- Drinking water quality complying with the drinking water standards for Te Kūiti and Mōkau was not achieved due to the number of days between two samples being collected exceeding the limit resulting in a technical non-compliance for these schemes.
- Drinking water quality complies with the drinking water standards for Piopio was not achieved due to Protozoa compliance assessed as nearly met.
- The KPI for percentage of Waitomo District's unsealed local road network that is metalled each year was not achieved due to budget constraints, additional funding would have been required to achieve the 15% target.

4.14 Financial Reporting and Prudence Benchmarks

- 4.15 Financial reporting and prudence benchmarks are measured annually to enable an assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.
- 4.16 These measures are made up of mandatory measures set by regulation and Council specific measures set in the Finance Strategy.
- 4.17 All measures were successfully achieved and well within the limits set.

4.18 Financial Performance

- 4.19 Overall the financial statements reflect a positive result for the 2024/25 year, including a significant capital spend completed for the year.
- 4.20 The reported net surplus for the period was \$5.7 million against a budgeted surplus of \$2.5 million.
- 4.21 Total revenue was \$2.7 million more than budget mostly due to NZTA subsidy revenue above forecast due to the timing of road renewals, particularly for storm-related damage. Grant revenue was also recognised for Better Off funding projects, Mayors' Taskforce for Jobs and Grassroots Trust.
- 4.22 Fees and charges revenue were slightly below budget as solid waste as waste volumes received at the landfill were less than forecast, quarry royalties revenue and building service revenue were also lower than anticipated. These items were mostly offset by additional revenue for shared services for animal control and higher trade waste revenue.
- 4.23 Dividend revenue was also received during the year along with higher interest revenue than forecast.
- 4.24 A loss on the change in fair value of assets held for sale was included in Other Revenue and this was partly offset by additional waste minimisation levy revenue.
- 4.25 Total expenditure was \$0.5 million less than budget for the year.

- 4.26 Operating expenditure was below forecast with staff costs lower than forecast due to some vacant positions across the organisations. Other expenditure was lower than forecast for waste minimisation levies and emissions trading scheme costs (surrender of carbon credits) due to reduced waste volumes at the landfill, the timing of the district plan development costs against budget, unspent regulatory budgets for legal expenses and earthquake prone buildings. The budgets for the development of surplus land for residential sections, district promotion and district development and the sports initiative and Les Munro Centre revitalisation were also not fully spent.
- 4.27 Partly offsetting these under-expenditures were additional costs incurred in Roads and Footpaths for emergency reinstatement first response, drainage maintenance and network and asset management costs. Water Supply also incurred operational costs for the preliminary work associated with the Te Kuiti water resilience project, sampling and monitoring and reactive reticulation maintenance.
- 4.28 Total other comprehensive revenue and expense of \$16.6 million was recognised for the year. This includes the gain on the revaluation of the investment in Inframax Construction Ltd (ICL) of \$0.6 million and the increase in revaluation of property, plant and equipment assets of \$16.8 million. These increases were partly offset by losses on cashflow hedges of \$838,000.
- 4.29 Total equity was \$12.0 million less than forecast. The revaluation of water assets and land and building assets were completed at 30 June 2025, the increase in value was less than forecast in the LTP and the LTP also assumed that water assets were revalued in the 2023/24 year. The increase in the investment in ICL was also recognised in Other Reserves.
- 4.30 Council created reserves decreased by \$0.6 million, with the utilisation of the Te Kuiti wastewater reserve to fund the improvements for sludge disposal along with the sludge disposal operating costs.
- 4.31 Borrowings at 30 June 2025 were \$33.2 million, which was significantly lower than the forecast for 2024/25 contained in the LTP 2024-34. Borrowings were lower due mainly to the delay of three capital projects; the landfill cell development which is not proceeding, the Te Kuiti water resilience project and Te Kuiti stormwater attenuation pond has been re-sequenced with construction now expected to commence in the 2025/26 year.
- 4.32 Further explanations of variations to budget can be found alongside the Funding Impact Statements provided for each activity.

4.33 Group Performance

- 4.34 At 30 June 2025, total equity for the Group was \$690.7 million, an increase of \$21.5 million from the prior year.
- 4.35 The Group's after-tax surplus is \$5.6 million.
- 4.36 ICL reported a net profit after tax of \$548,000 for the year ended 30 June 2025 (2024: \$683,000). Both revenue and expenditure were lower than the prior year, reflecting the challenging economic conditions for the road maintenance and construction sector, particularly with the downturn in construction work and increased level of competition.
- 4.37 The equity of the company increased to \$13.5 million, with an equity ratio of 55%.

4.38 Capital Expenditure

- 4.39 Total capital expenditure for the year ended 30 June 2025 was \$17.9 million, which was 83% of the budget.
- 4.40 Some of the major projects completed were:
- Improvement works completed on Te Kūiti Stormwater, Wastewater and Water Supply networks as part of the Carroll Street SH3 upgrades
 - Capital works at the Te Kuiti wastewater treatment plant for sludge removal.

- The Centennial Park grandstand ablutions and changing rooms upgrades were undertaken during the year along with improvements to the cricket pitch and equipment.
- Air conditioning renewal work was undertaken at the Les Munro Centre.
- The Te Kuiti water resilience project has been approved and is underway.
- Pavement rehabilitation projects were tendered and completed within the financial year. This included Mangaotaki Road and Walker Road sites.
- The surface sealing programme has been completed for the year and was undertaken as part of the Maintenance Contract.
- Weather event reinstatements have been a major part of this year's projects with work ongoing in some areas.

5. Analysis of Options

- 5.1 The Committee has the option of recommending the adoption of the Annual Report to Council or requesting further information/changes from its staff and auditors.
- 5.2 Under the Local Government Act 2002, Council must adopt the Annual Report by the end of October 2025, and it is therefore recommended that the Annual Report be adopted at 9 October 2025 Council meeting.

6. Considerations

6.1 RISK

- 6.2 There is a risk that some revenue included in the financial statements is subsequently not converted to cash. The raising of invoices and recognition of income is carried out with management review and approval to minimise this risk. Debtors and other receivables are actively monitored and reviewed. The risk is also mitigated by the recognition of an expected credit loss allowance at 30 June 2025.
- 6.3 There is a risk that the accounting estimates and judgments used when performing valuations over assets may not reflect the asset's actual condition or, the useful lives do not reflect the actual consumption of benefits of the asset. To minimise this risk, infrastructural asset valuations have been determined in reference to industry guidelines and adjusted for local conditions. Asset inspections, deterioration and condition modeling are also carried out as part of asset management planning.
- 6.4 In the financial statements, a value of \$13.526 million is recognised for the investment in ICL. There is a risk that the accounting estimates and judgements used in the valuation of the investment in ICL may result in the actual value of the investment being different than the fair value reflected in the Annual Report.
- 6.5 There is a risk that some financial assets may become impaired, but that the impairment amount is unknown. This will cause an overstatement of carrying value of the asset in this report, which would subsequently need to be corrected in a later report.
- 6.6 Due to the local government elections, staff have worked with the Deloitte audit team to develop an early adoption timeline. This is a risk that the adoption date could be delayed until after the election due to the tight timeframe for early adoption. This would mean the incoming Council would adopt the Annual Report of the previous Council. Staff will work through these arrangements with Deloitte if this is required.

6.7 CONSISTENCY WITH EXISTING PLANS AND POLICIES

6.8 This Draft AR measures our performance against year one of the 2024-2034 Long Term Plan, and nothing in this Draft AR is inconsistent with existing plans and policies.

6.9 SIGNIFICANCE AND COMMUNITY VIEWS

6.10 The financial performance of Council in the past year is a significant matter to be shared with the District Community. The Annual Report and Summary Annual Report will be available on Council's website and in Council offices and library.

7. Recommendation

7.1 The Audit and Risk Committee recommend to the Council the adoption of the Annual Report 2024/25.

8. Attachments/Separate Enclosures

Separate Enclosure:

1 Draft Annual Report 2024/25