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Report To: Audit and Risk Committee

Meeting Date: 13 October 2026

Subject: **Draft Annual Report 2025/26 – 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 2025/26 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 might be adopted by resolution.

1 The business paper on the Draft Annual Report 2025/26 – Recommendation to Council be received.

2 The Audit and Risk Committee recommend to the Council the adoption of the Annual Report 2025/26, subject to any amendments agreed at this meeting and any further changes required as a result of completing the audit.

3 Any matters of significance which may arise relating to the Draft Annual Report 2025/26 between this meeting and the Council meeting on 27 October 2026 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).

3.2 The Draft Annual Report 2025/26 (Draft AR) provides details of the financial and non-financial performance of Waitomo District Council for the year ended 30 June 2026.

3.3 A copy of the Draft Annual Report 2025/26 is enclosed separately and forms part of this business paper.

3.4 The final Annual Report is currently scheduled for adoption by Council on 27 October 2026.

4. Commentary

AUDIT PROGRESS

4.1 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 rounding's or minor edits to disclosures and are not expected to impact on the performance results or key financial elements of the Draft AR.

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

DRAFT 2025-26 ANNUAL REPORT HIGHLIGHTS

NON-FINANCIAL PERFORMANCE

4.3 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.

4.4 Of the 74 Key Performance Indicators (KPIs) measured, 54 (73%) were achieved, this is similar to 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 9 (12%) of these. There were 10 (13.5%) measures not achieved, and one recorded as no data.

4.5 It should be noted that residents satisfaction targets that were set during Long Term Plan 2024-34 are from data collected from previous survey results (2021-2024). The current annual resident survey results for 2025/26 use an updated 1-10 ranking system which provides a more accurate capture of satisfaction.

4.6 The measures nearly achieved were:

- The percentage or residents satisfied their initial interaction with council customer services was friendly and helpful was nearly achieved at 88% - target being 89%.
- Building consents are processed in a timely fashion was nearly achieved; one consent out of 154 was delayed.
- LIMs are processed within statutory timeframe was nearly achieved; eight applications out of 164 were delayed.
- Percentage of users that are satisfied with the Waitomo District Landfill was nearly achieved with 88%, target being 90%.
- Drinking water quality complying with the drinking water standards for Te Kuiti was nearly met due to chlorine contact time not met and ultraviolet light disinfection flow rate exceedances.
- Drinking water quality complies with the drinking water standards for Te Kuiti and Piopio Protozoa compliance assessed as nearly met, due to high turbidity, issued with checks for ultraviolet light equipment and membrane integrity.

4.7 The measures not achieved were:

- Percentage of residents satisfied (61%) with the cleanliness of public toilets did not met the target of 85%.
- Percentage of residents satisfied (67%) with the provision of the Animal Control Service did not met the target of 75%.
- Percentage of users that are satisfied (80%) with the rural transfer service stations did not met the target of 90%.
- The number of complaints received (10) about the performance of the Council's urban stormwater system per 1,000 properties connected exceeded the target.
- Compliance with wastewater resource consent conditions was not achieved due to three notices being issued for incidences during the year.
- The number of complaints about wastewater odour, system faults, or blockages and complaints about our response to issues with the wastewater system was 102 which exceeded the target.
- Number of dry weather overflow complaints was 31 for the financial year exceeded which the target.

- Drinking water quality complying with the drinking water standards for Mōkau was not achieved due to missing a bacterial sample being missed in June.
- Water loss for Maniaiti/Benneydale was not achieved at 35%.
- There were 15 complaints on continuity of water supply.
- The change from the previous financial year in the number of fatalities and serious injury crashes on Waitomo District's local road network. There were no fatal crashes but there were five serious injury crashes this financial year compared to no fatal or serious injury crashes on local roads last financial year.

4.8 The measure reported as no data:

- The evaluation of the annual exercise as a measure of effectiveness of training is reported as no data. When an actual civil defence emergency event occurs within six months of the scheduled training, the real event evaluation is used rather than putting more resources into an exercise. Real events are not given a score as required by the performance measure, therefore this measure is recorded as no data. Recommendations from the evaluation will be used to help make improvements to the CDEM training.

FINANCIAL REPORTING AND PRUDENCE BENCHMARKS

4.9 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.

4.10 These measures are made up of mandatory measures set by regulation and Council specific measures set in the Finance Strategy.

4.11 All measures were successfully achieved and well within the limits set.

FINANCIAL PERFORMANCE

4.12 Overall, the financial statements reflect a positive result for the 2025/26 year, including a significant capital spend completed for the year.

4.13 The reported net surplus before tax for the period was $9.2 million against a budgeted surplus of $1.1 million.

4.14 Income tax revenue of $0.5 million has been recognised for deferred tax for all of Council's losses brought forward, less council losses that will be utilised by Inframax Construction Ltd to satisfy it's income tax liability, through the subvention/loss offset arrangement being worked through between the company and Council.

4.15 The surplus after tax was $9.6 million.

4.16 Total revenue was $10.0 million more than budget mostly for NZTA subsidy revenue that was above forecast for road renewals and emergency first response for storm damage. Additional revenue was received for waste minimisation which funds eligible waste minimisation programmes. Revenue on vested assets was recognised for water, wastewater, stormwater and assets installed at Te Ara O Ngapaki, Atiria Lane and Fabia Factory Lane in Te Kuiti.

4.17 Fees and charges revenue were above forecast for trade waste revenue, resource consent consultants' fees recovered from applicants, building accreditation and additional building inspections revenue. In addition, recovery of transition costs relating to the transfer of water services and assets to Waikato Waters Ltd (WWL) was also recognised.

4.18 Total expenditure was $2 million more than budget for the year.

4.19 Operating expenditure was above forecast for road costs for emergency reinstatement first response, drainage maintenance and environmental maintenance, and increased expenditure for additional engineering support, reactive maintenance for Te Kuiti and Piopio water schemes and transition costs relating to the transfer of water services and assets. Losses on disposal of assets were also recognised for water, wastewater, stormwater and recreation and property assets.

4.20 Partly offsetting these additional expenditures were lower than forecast staff costs, reflecting changes to the organisation structure associated with the transfer of water services and assets on 1 July 2026.

4.21 Total other comprehensive revenue and expense of $4.8 million was recognised for the year. This includes the gain on the revaluation of the investment in Inframax Construction Ltd (ICL) of $7.4 million, losses on impairment of revalued assets of $2.3 million and the decrease in revaluation of property, plant and equipment assets of $0.5 million.

4.22 Total equity was $14.4 million less than forecast. The budget assumed a gain on revaluation of property, plant and equipment of $31.5 million, however the revaluation of roads and solid waste resulted in a net loss of $0.5 million. The increase of $7.4 million investment in ICL and a net surplus higher than budgeted partially offsets the variance.

4.23 Council created reserves increased by $0.6 million, reflecting higher-than-expected revenue in wastewater and regulatory services and under-expenditure of salary budgets, reduced expenditure for district promotion along with reserve funding not utilised as planned for the sludge disposal or housing strategy implementation. Reserve funding was utilised to fund the consultants' fees for the joint procurement of the waste services contract and shortfall in fees and charges for the landfill, and additional expenditure in water supply for chemicals, sampling costs and reactive maintenance costs.

4.24 Borrowings at 30 June 2026 were $38.3 million, which was significantly lower than the forecast for 2025/26 contained in the Annual Plan 2025/26. Borrowings were lower due mainly to the Te Kuiti Transfer Station improvement project not proceeding as originally planned due to lower waste volumes expected and the lack of government funding for the project. Te Kuiti stormwater improvements were also delayed and will continue into the next financial year.

4.25 Further explanations of variations to LTP forecast can be found alongside the Funding Impact Statements provided for each activity.

GROUP PERFORMANCE

4.26 At 30 June 2026, total equity for the Group was $701.3 million, an increase of $10.5 million from the prior year.

4.27 The Group's after-tax surplus is $10.7 million.

4.28 ICL reported a net profit after tax of $2.7 million for the year ended 30 June 2026 (2025: $0.5 million). Both revenue and expenditure were higher than the prior year. Increased revenue resulted from increased sales and an increase from contracts with customers of $5.4 million reflecting a positive result from challenging economic conditions for the road maintenance and construction sector, particularly with the downturn in construction work and increased level of competition. Expenses increased by $2.8 million reflecting the current operating environment of increased costs relating to fuel and oil shortages.

4.29 The equity of the company increased to $15.9 million, with an equity ratio of 55%.

CAPITAL EXPENDITURE

4.30 Total capital expenditure for the year ended 30 June 2026 was $24.8 million, which was 112% of the budget.

4.31 Some of the major projects completed were:

- Te Kuiti water resilience design and build project progressed with significant work undertaken on the rising main pipeline and new reservoir at the Hospital Road site.
- Weather-related reinstatement work was a significant portion of this year's roading programme.
- Installation of variable speed signage around schools and traffic calming measures.
- Continuation of the Crown resilience road projects including stabilisation work for Kent Street, Te Kuiti.

- Completion of the Cultural Walkway Storyboards project with Ngati Rora and the upgrade of the walking track through Te Kuiti.
- The surface sealing programme has been completed for the year and was undertaken as part of the maintenance contract.

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 31 October 2026, and it is therefore recommended that the Annual Report be recommended for adoption in time for the 27 October 2026 Council meeting.

6. Considerations

RISK

6.1 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 2026.

6.2 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.

6.3 In the financial statements, a value of $21 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.

6.4 There is a risk that 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.

CONSISTENCY WITH EXISTING PLANS AND POLICIES

6.5 This Draft AR measures our performance against budget plans and policies set in the Annual Plan 2025/26, and nothing in this Draft AR is inconsistent with those existing plans and policies.

SIGNIFICANCE AND COMMUNITY VIEWS

6.6 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 at Customer Services hub and library.

7. Recommendation

7.1 The Audit and Risk Committee recommend to the Council the adoption of the Annual Report 2025/26.

8. Attachments/Separate Enclosures

Separate Enclosure: Draft Annual Report 2025/26 (Doc # ...)