

TIMARU



DISTRICT COUNCIL

Te Kaunihera ā-Rohe
o Te Tihi o Maru

ANNUAL | 2022 REPORT | 2023

SUMMARY

www.timaru.govt.nz



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From the Mayor and Chief Executive

Nau mai ki tā mātou tirohanga rāpopoto o te tau 2022/23.

Welcome to the overview of the year 2022/23.

We are pleased to present to you this Annual Report for 2022/23, a challenging year in the dynamic environment which local government works in. With the ongoing economic pressures of high inflation and the pressures of unprecedented reform, we managed to achieve a number of milestones for delivering our core services to our community.

This year Council delivered on several Long-Term Plan commitments that addressed both the delivery of levels of service to the community and the maintenance of our assets. Throughout the pandemic and international turmoil, the ongoing cost of living and inflationary pressures and recent weather events, the Timaru District has thrived. We have had strong economic growth, increased employment opportunities and relatively affordable housing, resulting in our District being recognised as a desirable region to live in New Zealand.

We have had to balance community wellbeing and affordability alongside aspirational plans, and Council ended the financial year with a net debt balance of \$165 million versus the Long Term-Plan projection of \$176 million (net debt is defined as money we owe the lender, less cash we hold). Inflationary pressures, a large increase in the funds we need to replace our assets in future years (depreciation), and increases in supplier contracts have resulted in a deficit of \$16.689m against the forecast surplus of \$0.241m, however we are still comfortably within our debt limits.

During the year we completed \$52.25 million of capital projects against a target of \$76.3 million, with delays in the Theatre Royal and Heritage Facility and Aigantighe Art Gallery projects mainly accounting for the difference. We also celebrated many successes of projects moving forward and completed including:

- Pareora Pipeline Renewal
- Te Moana Water Supply Scheme Upgrade
- Opihi River Pipeline Renewal
- Te Ana Wai (Downlands) Water Scheme
- Road Renewal and Improvement Programme
- CPlay Project
- City Town Project
- Redruth Landfill Cells
- Caroline Bay Bleachers replacement

In November 2022 we were delighted to receive a Sustainable Business Awards commendation for our “What’s In Your Bin” campaign, also known as the “Topless Timaru” campaign which was fronted by the Mayor with comedian Josh Thompson, Councillor Barbara Gilchrist, and Professional Skater Nicole Begg. Our Three Waters team also won the national Water NZ Stormwater Paper of the Year 2023 for the work done in partnership with Aoraki Environmental Consultancy, WSP and Pattle Delamore Partners. Timaru’s Richard Pearse Airport and Downer jointly won the Small Airport Infrastructure award for the partial runway reseal project. These awards are reminders of the high standards of professionalism our teams have, and the high regard in which Timaru is held nationally.

We remain committed to delivering on the ambitious plans we agreed with the community in the Long Term Plan 2021-31, including continuing the substantial projects currently underway, and maintaining levels of service for activities such as roading maintenance, parks, and community facilities.

Central government has initiated numerous reforms with significant impacts on services to our community which we have had to navigate. Council has been very strong in leading the business case to the government for retaining local control over our water assets, with the support of many other Mayors throughout the country as part of the C4LD group. We remain committed to ensuring our community’s wellbeing is protected and our assets retained in local ownership. We will work with the government post-election to advocate for amendments to the current legislation to better serve the principles of local democracy.

Our focus remains on sustaining our enhanced delivery model of the past few years. We have doubled our investment into asset renewals and core infrastructure projects and have progressed some big projects for our facilities to enhance the civic spaces for our community. We have also invested in progressing how Council can address the impacts of climate change, both by enhancing the resilience of our assets to meet the increase in adverse weather events, and by leading the conversation on how we can collectively work to protect our vulnerable communities. We recognise Council’s role for climate change is in leading by example and through engaging the different sectors towards taking collective action to protect our environment and our community’s future.

Council commissioned the first Timaru District Climate Change Strategy to help provide a framework for the wider district to mitigate the impacts of climate change, and is now working on making that strategy become a living document to help inform actions for the whole community to consider.

As we reflect on the progress made over the past year, we recognise that the challenges we face are constantly changing and requires our Council and officers to be resilient and flexible in order for us to honour our promises to the community. To this end, we both would like to thank our teams for their tireless dedication to serving the public good, and show our appreciation for the often thankless work they do on a daily basis.

This is also the last Annual Report that Bede will be presenting as CE of Timaru District Council. On behalf of the elected members, a sincere thank you to Bede for the past seven years as our Chief Executive for the leadership through the pandemic, and supporting Council to advocate on issues of strategic importance and with the team deliver many of our projects which support the wellbeing of our community.

Kia ora me te waimarie!



Nigel Bowen
Mayor
Koromatua

Bede Carran
Chief Executive
Kaiwhakahaere

About the Annual Report

The purpose of the Annual Report is to explain how we delivered on the 2022/23 Annual Plan (Year Two of the 2021-31 Long Term Plan).

The diagram below shows our planning and reporting cycle:



The report details our achievements and progress for our ten Groups of Activities as follows:

GOVERNANCE AND STRATEGY	ENVIRONMENTAL SERVICES	ROADING AND FOOTPATHS
COMMUNITY SUPPORT	Building Control	Cycleways and Walkways
Airport	District Planning	Roading and Footpaths (includes parking facilities)
Climate change and sustainability	Environmental Compliance (environmental health, animal control, parking enforcement)	SEWER
Community Funding	RECREATION AND LEISURE	STORMWATER
Community Facilities (includes public toilets, cemeteries)	Cultural and Learning Facilities (includes art gallery, halls, Theatre Royal, libraries, museum)	WASTE MINIMISATION
Economic Development and District promotions	Parks (includes parks, fishing huts, motor camps, forestry)	WATER SUPPLY
Emergency Management	Recreational Facilities (includes Caroline Bay Trust Aoraki Centre, swimming pools, Aorangi Park Stadium)	CORPORATE ACTIVITIES
Safer Communities		
Social Housing		

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.

Community Wellbeing Outcome

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. Open to Ideas

We will actively support the contribution of citizens in activities to foster inclusion and democracy.

2. Sharing Stories

We will support the growth of local identity and community pride through sharing stories and learning and documenting local history.

3. Enabling Community

We will enable community ownership of projects by supporting community groups and initiatives.

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.

Community Wellbeing Outcome

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. Accessible and Active

We will enable an active lifestyle for everyone across the accessibility spectrum.

2. Shared Spaces

We will develop and maintain shared spaces that support community activity, diversity and foster pride.

3. Facilities and Services

We will provide future proofed services and facilities to enhance the community.

4. Affordability

We will strive to ensure affordability and equability 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.

Community Wellbeing Outcome

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 fostering a culture of sustainability.

FOCUS AREAS

1. Kaitiakitanga

We will foster a strong connection between our people and the environment.

2. Low Carbon and Energy

We will promote and support low-carbon, low-energy practices.

3. Minimise Waste

We will lead and promote waste minimisation.

4. Clean Environment

We will prioritise sustainable land and water use to help regenerate our environment.

5. Encourage Biodiversity

We will support practices, partnerships and policies to protect and regenerate our native flora and fauna.

Community Wellbeing Outcome

Diverse Economy

GOALS

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

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

FOCUS AREAS

1. Sustainable growth

We will support sustainable growth in the right place.

2. New and Niche

We will encourage innovation and new opportunities to further diversify our economy.

3. Leverage Local Strength

We will leverage local strengths to retain and grow local talent.

4. Thriving Business

We will create opportunities for local businesses to thrive through networks & support.

Community Wellbeing Outcome

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 face to create 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



Financial Overview

\$130M

TOTAL EXPENDITURE

(Compared with budget of \$102M)

\$66M

RATES REVENUE LEVIED

(Compared with budget of \$65M)

\$1773M

**TOTAL COUNCIL
NET ASSETS**

(2021/22: \$1734M)

\$989M

RESERVE FUNDS

(2021/22: \$933M)

Expenditure and Revenue

Overall operating expenditure was \$28.71m higher than budget. The major items in this unfavourable variance were:

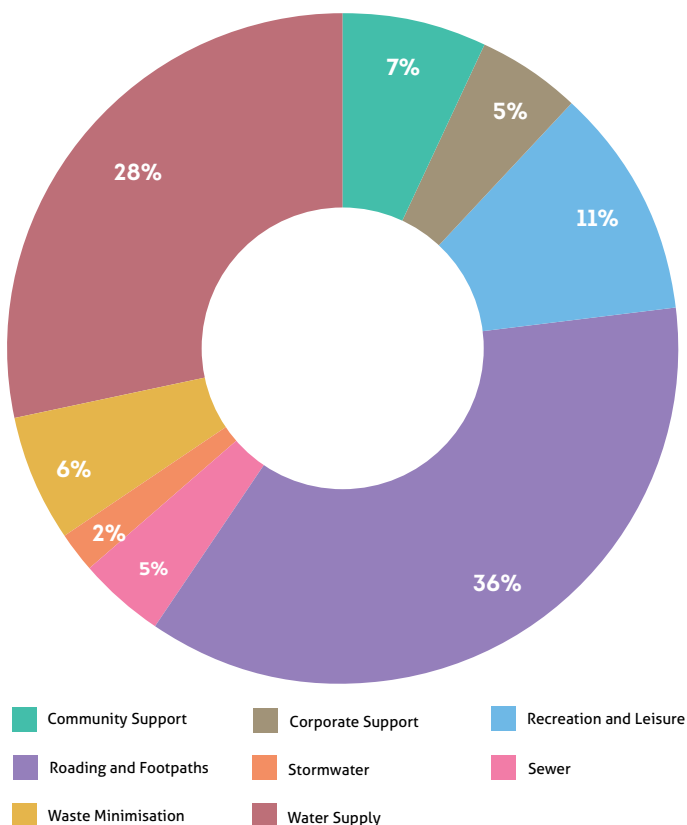
- Depreciation was \$8.98m higher than budget mainly due to the prior year roading and water asset revaluations which increased total fixed assets by \$370.5m which increases the depreciation to reflect the increased cost of replacement.
- Finance costs \$2.99m higher than budget due to interest rates increasing over the year.
- Professional and consulting fees were \$1.97m above budget largely attributable to providing support for vacant positions within Council in addition to providing specialist advice.
- Personnel costs of \$1.22m have been recognised in 'Other Expenses' as labour on capital projects and this has the effect of reducing personnel costs by the same amount.
- Road maintenance costs \$3.72m over budget largely due to completing emergency works arising from flood events and higher contract maintenance costs.
- Water and stormwater costs \$1.74m over budget largely due to increased reticulation costs.
- Waste management expenses \$3.37m over budget largely due to higher collection costs, increased carbon credit prices and landfill and aftercare remediation costs associated with the closed Peel Forest landfill.
- Payments made by Council to support economic and sporting initiatives were higher by \$0.5m due to grant support the Fraser Park project.

- Payments made by Council to the CPlay project of \$1.4M (offset by donations received) have been treated as contributions and expensed this year as Council does not yet have ownership of this asset.
- Other losses of \$3.037m were made up of losses on disposal of plant and equipment of \$2.485m which is the difference between the book value and the recoverable value at time of disposal, and mainly arising from the replacement of water and stormwater assets, a loss of \$2.661m in the fair value of Council's carbon credits and partially offset by gains of \$1.35m in Council's financial instruments, \$0.398m in the fair value of forestry assets and \$0.350m in the fair value gain in investment properties.

Overall actual revenue was \$11.78m above budget. The major items in this favourable variance are:

- Rates revenue higher than budget by \$0.749m due to growth in the district being greater than forecast.
- Subsidies and grants were \$0.341m above budget largely attributable to Waka Kotahi funding assistance towards unbudgeted emergency roading works and funding for Streets for People and offset by below budgeted Theatre Royal funding received during the year due to a change in project timing.
- Finance revenue above budget by \$2.4m due to increases in interest rates received on Council's cash reserves and deposits.
- Financial contributions of \$0.953m received for water, sewer and stormwater and which are not budgeted due to their uncertainty.
- Other revenue above budget by \$8.2m and included is \$6.0m from vested roading and 3 waters assets from land developments and which are not budgeted due to their uncertainty, \$1.0m received for the CPlay project and unbudgeted Crown funding of \$0.982m received for 3 waters transition funding and stimulus funding.

Capital Expenditure by Group of Activity



Capital Expenditure programme

During 2022/23 capital expenditure on Council's infrastructure, facilities and services totalled \$52.9m. This capital work provides numerous employment opportunities for our local workforce while keeping our facilities and infrastructure well maintained and fit-for-purpose.

Most of the expenditure happened on our roading network and footpaths (36% of total capital expenditure) 3 waters infrastructure (35% of total capital expenditure), and some significant spend also occurred on our recreation and leisure facilities (11% of capital expenditure) with the balance across our community support (7%), waste minimisation (6%) and on corporate support (5%).

Contributing to the wellbeing of our community

Council's role in the community is much broader than simply providing services. Our role also encompasses promoting the wellbeing of residents through shaping places and services to meet the needs of our community.

We are able to do this more effectively when we work in partnership with the community and draw on the wealth of talent, understanding and enthusiasm we have in the Timaru District.

The decisions Council makes about the services and facilities are made to enhance the quality of life of all Timaru district residents.

Some samples of how Council services and work contributes to community wellbeing include:

Social wellbeing



96%

social housing unit occupancy

49

DOG CONTROL
EDUCATION
SESSIONS
DELIVERED



Community funding

for creative communities, youth initiatives, grants and loans distributed to a wide range of community groups.

Cultural wellbeing

South Canterbury Museum has successfully delivered an increasing number of Ministry of Education programmes for our schools and Early Childhood Education services. These provide "hands-on/minds-on" learning experiences for the district's tamariki.



Museum – over 21,500 collection items are now available online for public viewing

Art Gallery

16 exhibitions hosted

Safer Communities

Council was able to support the great work community groups and agencies are doing to make the district a safe, connected and welcoming community, through:

- Completion of an Age Friendly Strategy, for endorsement by the Safer Communities Subcommittee
- Supporting the Welcoming Communities programme across the district, building on the Timaru community's willingness to embrace newcomers and the cultural diversity they bring to the region
- Planning for hui to promote rangatahi/youth engagement around a Youth Advisory



Economic Wellbeing

12.6
days

Average building consent processing time (statutory requirement 20 days)



11%

of residents regularly use public transport – up from 6% in 2021/22

7.35%

of the local roading network resurfaced – exceeding 6% target



Venture Timaru Initiatives

- ★ **Scott Base Antarctica Redevelopment** – promotion of and support for the Scott Base Redevelopment project.
- ★ **Collaboration on Decarbonisation Plan for Mid-South Canterbury** – facilitated a partnership with Energy Efficiency and Conservation Authority (EECA) to complete the Mid-South Canterbury Regional Energy Transition Accelerator plan (RETA) - being only the second region nationally to do so. A collaborative approach with key stakeholders to decarbonising 90% of process heat emissions in the region by 2036 (a reduction of 504kt out of a total 542kt).

Environmental Wellbeing

Together with Downer New Zealand, we jointly won the Small Airport Infrastructure Award for our Partial Runway Reseal project.

As part of this project we reused materials from the runway reseal to extend a cycle trail, instead of sending the waste to landfill.

18,121 tonnes of green waste diverted from the landfill

100%

Compliance with stormwater and wastewater resource consents



Service performance measures 2022 - 2023

Key Performance Indicators (KPIs) for the year 1 July 2022 – 30 June 2023 were set in the Long Term Plan 2021-31.

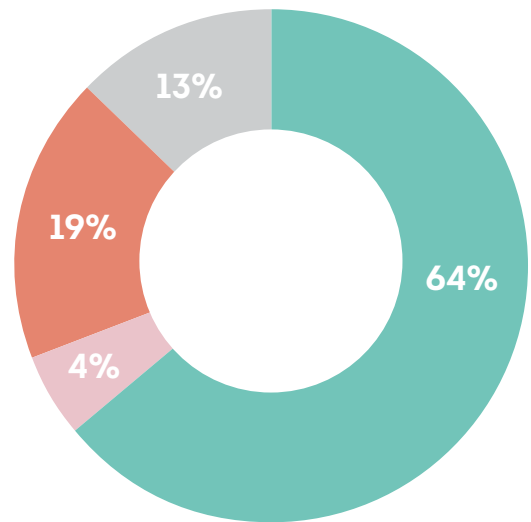
They provide an overview of Council's performance on key projects and initiatives, and progress towards our outcomes.

We have 111 performance measures with targets that we report on across 9 groups of activities. We achieved 64% of the targets (71 measures), nearly achieved 4% (5 measures) and 19% (21 measures) were not achieved. Of the 14 measures that were not measured this year, 13 of these are biennial measures relating to the community survey which will be conducted in 2023/24. Even though the survey is 2-yearly, the same levels of service were maintained for the 2022/23 year.

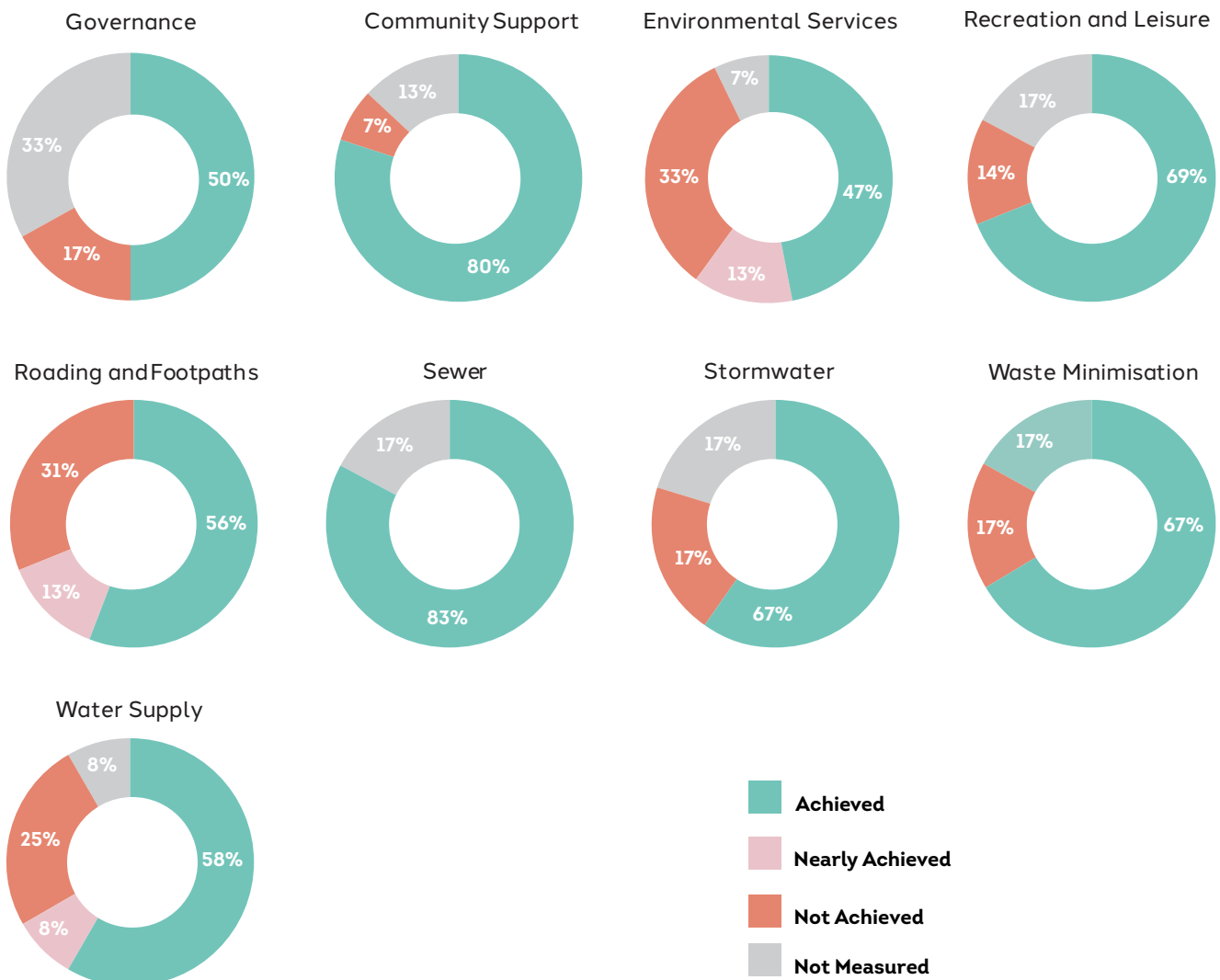
Note: Nearly Achieved applies where the result achieved was within 5% of target

The Council has made a number of judgements in preparing its service performance information. The judgements exercised do not have a significant effect on the selection, measurement, aggregation and presentation of the Council's service performance information.

Overall Performance Summary

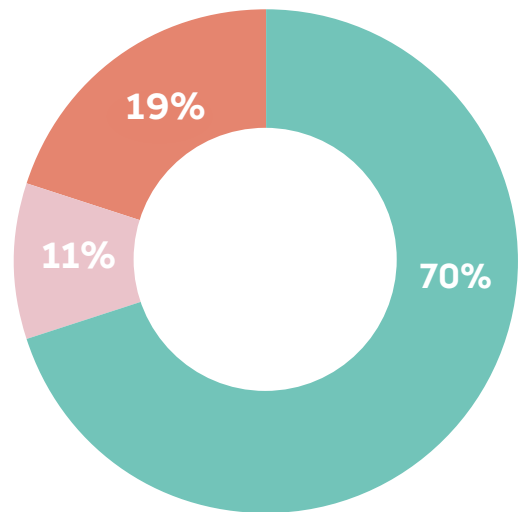


Performance Summary by Group of Activities

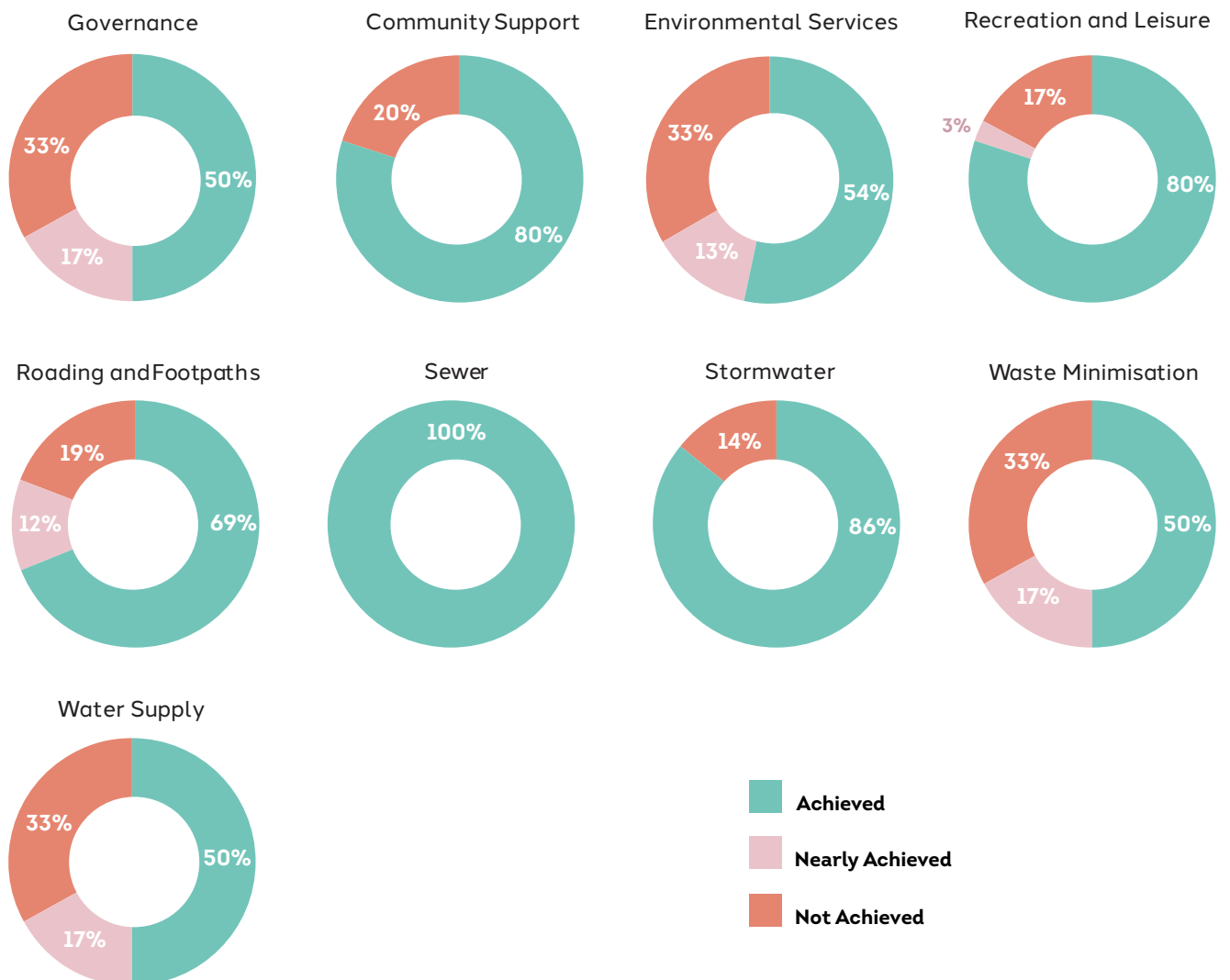


Service performance measures 2021 - 2022

Overall Performance Summary



Performance Summary by Group of Activities



Highlights

Capital Work Programme – \$52.25m spend

A challenging year with supply chain issues, yet the core infrastructure works in roading, waste and water were achieved. The original target of \$76m included the Theatre Royal and Heritage Facility redevelopment, which had unforeseen delays and was not progressed as projected beyond the planning phase.

Major projects in the core infrastructure services include:

Completion of the **Te Moana microfiltration plant**, lifting the precautionary boil water notice in December 2022

Completion of **Pleasant Valley watermain renewals, Evans Street 3 Waters pipelines, Washdyke network improvements, Bank Street water pipeline renewals, and Cain Street sewermain renewal.**

Water Safety Plans all upgraded and submitted

Downlands Trunk Watermain connected and commissioned, increasing capacity on the scheme

Waitohi Pipeline across the Opihi River commenced

Land Transport Unit successfully awarded \$7.5m funding for CityTown Port Loop Road Trial, and for Transport Choices projects such as road reconstructions, road widening, bridge construction, road resurfacing, and MyWay projects.

Completion of the installation of the new **landfill gas flare at Redruth Landfill** which will reduce Council Emission Trading Scheme credits needed going forward.

Refurbishment of **Timaru Botanic Gardens Education & Interpretation Centre** completed.

Land purchased for new Timaru cemetery.

Ongoing Planning for Major Projects:

Theatre Royal and Heritage Centre redevelopment

Aorangi Park and Stadium redevelopment

Temuka Social Housing renovations



CPlay playground at Caroline Bay commenced construction and is well on track for completion on time and on budget.

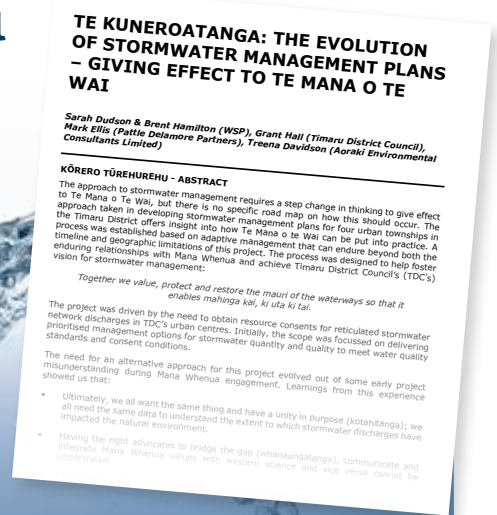


National Recognition for Timaru District Council

Awards won for Timaru projects or work programmes:



Water NZ Stormwater Conference award for best research paper “Te Kūneroatanga: The Evolution of Stormwater Management Plans – Giving Effect to Te Mana o te Wai” which was co-authored by Grant Hall (Timaru District Council), Treena Davidson (Aoraki Environmental Consultancy), Sarah Dudson and Brent Hamilton (WSP), and Mark Ellis (Pattle Delamore Partners).



Building Officers Institute NZ conference award to Jayson Ellis, Building Control Manager for his ongoing commitment to training Building Consent Officers around the country.



Sustainable Business Network

Sustainable Business Awards commendation for “What’s in Your Bin” campaign for addressing recycling contamination. Fronted by Mayor Nigel Bowen and Timaru old boy Josh Thompson, with former Councillor Barbara Gilchrist and NZ Professional Skater Nicole Begg.

Training Commitment Award - sponsored by MīTek NZ

The Individual or Organisation that has committed to significantly improving the position of training in their field.

Jayson Ellis

Special Events



Teen outreach programme **Paint ‘n’ Fizz** launched

Temuka Aviary opened



Ignite Timaru – bringing arts and culture into the CBD

Aoraki Heritage Collection ReCollect database launched at Timaru Library



Expand Your Horizons inaugural summer reading challenge for adults launched

Sunsational Summer collaborative holiday programme across all Recreation & Cultural Services units

Jointly with Downer New Zealand, we won the Small Airport Infrastructure Awards for the Partial Runway Reseal project.

We were recognised for innovations which enabled us to reuse the runway millings from the project to add additional taxiways and apron areas, and extend a cycle trail.

Operational Achievements

We continued to provide community funding through our community funding programme.

Animal Control Dog Education initiatives have had a surge in demand of 227%, rising from the previous achievement of 15 presentations to schools to 49 this year, reflecting the high quality of this community safety initiative.

Visitors to our community facilities also rose this financial year. Museum visitor numbers showed an increase of 46.6% rising to 25,760 visitors. The Libraries had a 19.4% increase, with over 280,000 visitors to their sites.

Council's website has also shown an increase of 23% over the past year, with over 1,000,000 website and catalogue searches reported in the analytics.

Challenges

Government Reforms – uncertainty about timing and continuity of recent reform legislation passed for Resource Management and 3 Waters presents issues for timely long-term planning for the local government sector.

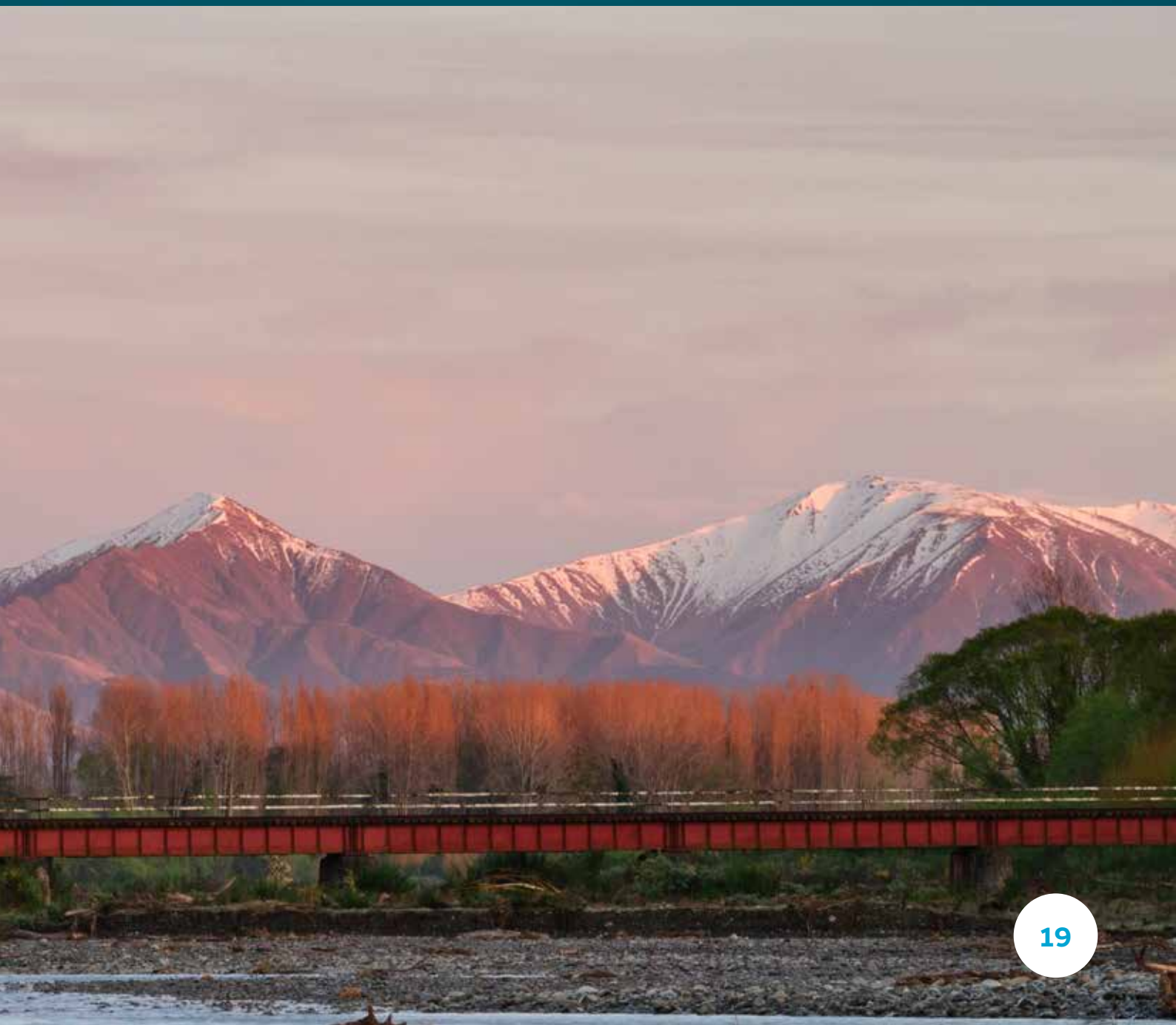
Economic uncertainty – rising costs, resource limitations, staff shortages, and high inflation all contribute to higher uncertainty for Councils programmes, projects and service delivery. Council monitors the global and national economic indicators regularly and adopts an agile approach to its planning to be able to adjust to dynamic conditions.

Climate Change – establishing a baseline for all sources of greenhouse gas emissions for Council's many activities is a priority for Council to be able to take action to reduce its emissions; also incorporating resiliency into its long-term planning for key infrastructure assets susceptible to climate change effects is an ongoing work in progress. Enhancing community resilience for vulnerable communities adjacent to our braided rivers or coastline is also a priority for our Emergency Management Unit.

Vertical Infrastructure – key community assets are reaching near end-of-life and are in need of refurbishment or replacement; with increased costs there is a need to strike a balance between what is affordable for Timaru's ratepayers and residents and the community's expectations to have high quality facilities.

Levels of Service – with the high expectations of the community for core services and the financial constraints in this high inflationary environment, there are tough decisions to be made for the upcoming Long-Term Plan. An example includes roading and the lack of additional Waka Kotahi funding; Council is unable to sustain its current levels of service within existing budgets. This will have implications for ratepayers and there are some difficult choices to be made based on open conversations with the community about how it expects Council to manage this.

Summary Financial Reporting



Summary Financial Statements

This financial overview is for the year 1 July 2022 to 30 June 2023. It covers the consolidated financial statements of the group comprising Timaru District Council and its subsidiaries.

Overall Result

The Timaru District Council (parent) overall actual revenue was \$11.78m above budget due to increases in vested assets and gains on interest rate movements.

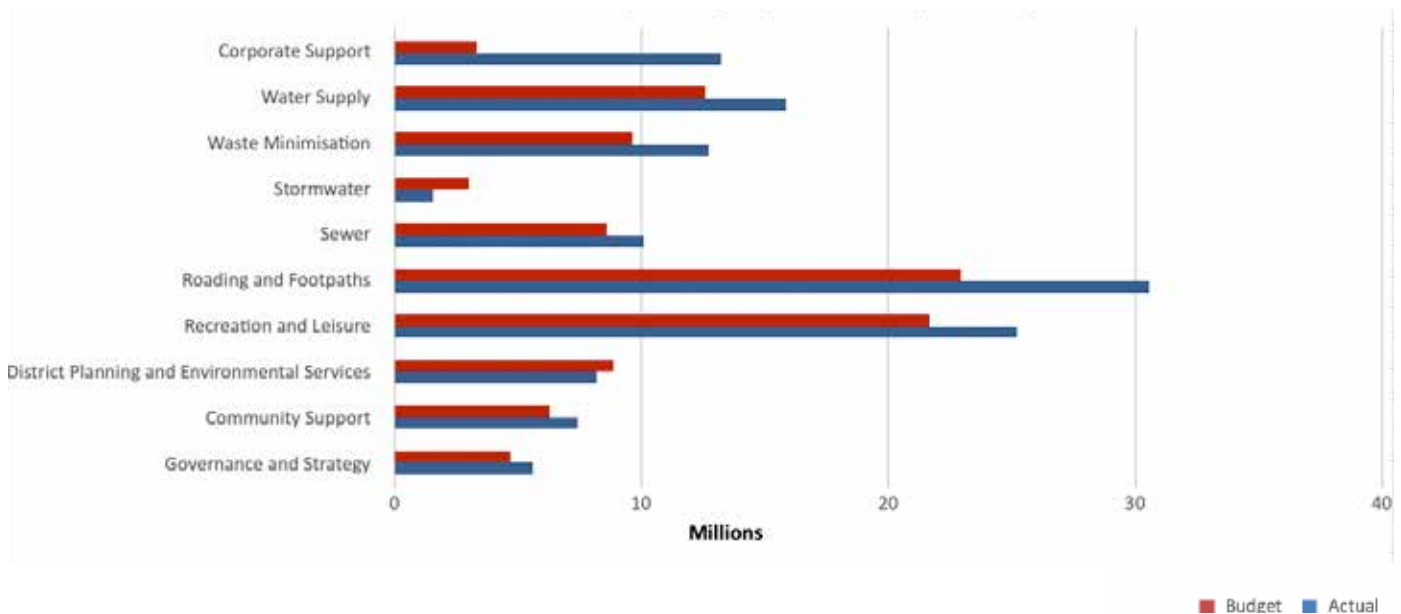
Expenditure was above budget mainly due to an \$8.98m increase in depreciation to reflect the increased cost of replacement following asset revaluation. Increases in waste management costs has caused operating expenditure to increase by \$3.37m. In addition roading maintenance costs were over budget attributable to emergency works arising from flood events and higher contract maintenance costs.

Reserve funds significantly increased due to the revaluation of the Water assets.

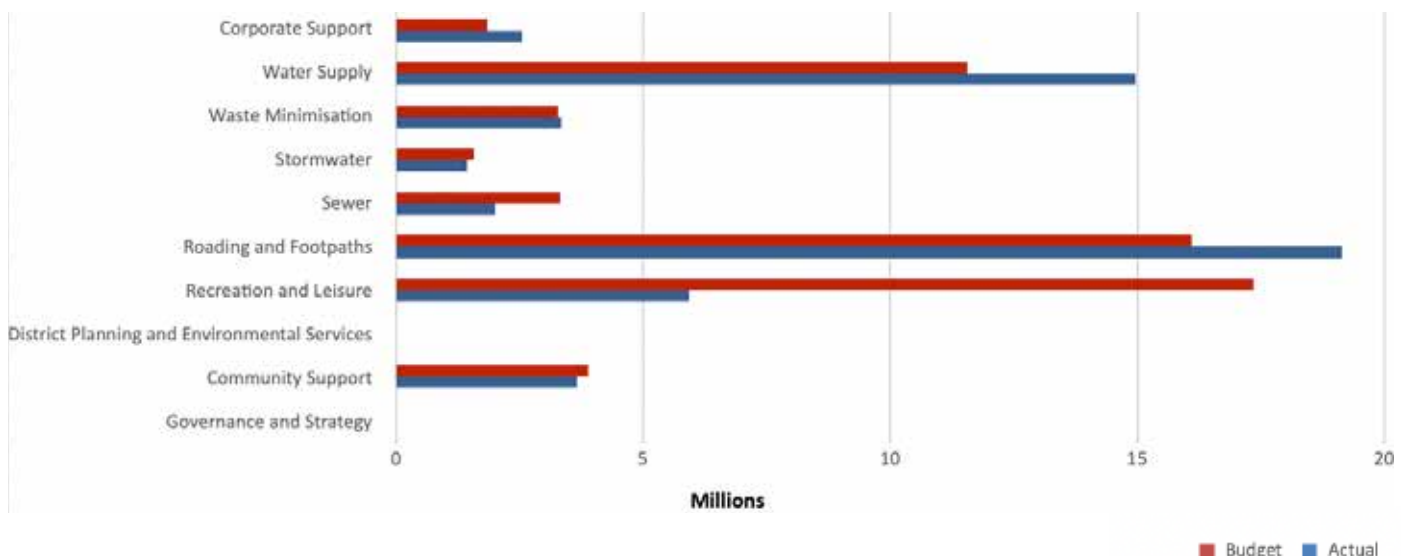
Council's debt is \$11.8m above its projected values with \$205.5m of debt at the end of June 2023 (budget \$193.7m).

Council is looking after \$1,883m of assets located throughout the district (budget \$1,523m).

Operating Expenditure by Activity 2022-2023



Capital Expenditure by Activity 2022-2023



Revenue and Expenditure 2022-2023

	Actual (\$M)	Budget (\$M)
Rates Revenue	65.5	64.8
Other Revenue	48.2	37.1
Operating Expenditure	130.4	101.7
Capital Expenditure	53.0	58.9
Investments	60.5	56.8
Borrowings	205.5	193.7
Reserve Funds	989.4	569.4

Comprehensive Revenue and Expense for the year ended 30 June 2023

	Council			Group	
	Actual 2023 \$000	Budget 2023 \$000	Actual 2022 \$000	Actual 2023 \$000	Actual 2022 \$000
Revenue	113,688	101,904	115,290	125,112	119,911
Operating Expenditure	(122,975)	(97,256)	(105,720)	(125,870)	(108,982)
Finance Costs	(7,402)	(4,407)	(4,135)	(7,739)	(4,280)
Share of surplus of associates	-	-	-	10,542	10,097
Net surplus / (deficit) before taxation	(16,689)	241	5,435	2,045	16,745
Taxation	(2)	-	-	(101)	(160)
Net surplus / (deficit) after taxation	(16,691)	241	5,435	1,944	16,585
Gains on revaluation of assets	55,987	34,352	371,642	55,987	371,642
Total Other Comprehensive Revenue	55,987	34,352	371,642	55,987	371,642
Total Comprehensive Revenue	39,296	34,593	377,077	57,931	388,229

Changes in Equity for the year ended 30 June 2023

	Council			Group	
	Actual 2023 \$000	Budget 2023 \$000	Actual 2022 \$000	Actual 2023 \$000	Actual 2022 \$000
Total Comprehensive Revenue	39,296	34,593	377,077	57,931	388,229
Equity at beginning of year	1,734,194	1,370,138	1,357,116	1,838,445	1,450,216
Equity at end of year	1,773,490	1,404,731	1,734,193	1,896,376	1,838,445

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

Financial Position as at 30 June 2023

	Council			Group	
	Actual 2023 \$000	Budget 2023 \$000	Actual 2022 \$000	Actual 2023 \$000	Actual 2022 \$000
Equity	1,773,490	1,404,731	1,734,193	1,896,374	1,838,443
Total Equity	1,773,490	1,404,731	1,734,193	1,896,374	1,838,443
Current assets	57,849	41,570	56,542	63,686	64,021
Non-current assets	1,953,223	1,588,233	1,880,317	2,080,648	1,982,697
Current liabilities	(69,377)	(25,359)	(70,542)	(72,300)	(71,734)
Non-current liabilities	(168,205)	(199,712)	(132,124)	(175,659)	(136,542)

Cash Movements for the year ended 30 June 2023

	Council			Group	
	Actual 2023 \$000	Budget 2023 \$000	Actual 2022 \$000	Actual 2023 \$000	Actual 2022 \$000
Cash Balance - 1 July	15,648	4,107	4,107	18,324	5,999
Net cash from operating	16,617	25,439	20,769	16,779	23,559
Net cash from investing	(33,682)	(76,315)	(74,579)	(37,660)	(75,085)
Net cash from financing	40,713	50,876	65,351	44,608	63,851
Cash Balance - 30 June	39,296	4,107	15,648	42,051	18,324

Accounting Policies

1. Accounting Policies Basis of Preparation

The summary financial statements of the Timaru District Council (the Council) have been prepared in accordance with the requirements of the Local Government Act 2002: Part 6, Section 98 and Schedule 10, 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 14 November 2023.

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 have been prepared in accordance with Public Benefit Entity (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 unqualified audit opinion.

The audit opinion includes an Emphasis of Matter statement in relation to the three waters reforms which is referred to below in Section 3. Events after balance sheet date.

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

Timaru District Holdings Limited (TDHL) has a loan outstanding from the Council of \$21.7m (2022: \$21.7m). There are no fixed repayment terms for this loan. Dividends of \$1m (2022: \$1m) were paid by TDHL to the Council during the year.

The Council has contingent liabilities including:

- Housing NZ has provided \$1.1m as at 30 June 2023 (2022: \$1.1m) towards the construction of social housing units. This advance is repayable with interest, if the Council withdraws its investment in joint funded social housing.
- Timaru District Council has 18,550,000 shares (2022: 18,550,000) in Timaru District Holdings Limited at an issue price of \$1.35 each which have been paid to \$185.50 (2022: \$185.50). This uncalled capital is security for the Letter of Credit facility of \$19m (2022: \$19m) with ANZ Bank for the credit facilities with Timaru District Holdings Limited.
- 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 credit rating of AAA. Together with the shareholders of LGFA and other guarantors, the Council is a guarantor of all LGFA's borrowings. As at 30 June 2023, LGFA had borrowings totalling \$18.66b (2022: \$16.8b).

Financial reporting standards require Timaru District Council to recognise the guarantee liability at fair value. However, the Council has been unable to determine a sufficiently reliable fair value for the guarantee, and therefore has not recognised a liability. The Council considers the risk of the LGFA defaulting on repayment of interest or capital to be very low on the basis that it is not aware of any local authority debt default events in New Zealand; and local government legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligations if further funds were required.

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, including subsidiaries and other entities (see Notes 14 and 15).
- Estimating the fair value of property, plant and equipment (see Note 17).
- Estimating the landfill aftercare provision (see Note 25).
- Estimating the fair values of debt (see Note 23).
- Estimating the fair values of financial instruments (see Notes 13 and 14).
- Estimating the fair value of forestry assets (see Note 20)
- Estimating the retirement and long service leave obligations (see Note 24)

Critical judgments in applying accounting policies

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

- Classification of property (see Note 17)
- Valuation methodology for property, plant and equipment and intangible assets (see Notes 17 and 18)

Donated or vested land and buildings with use or return conditions (see Notes 3 and 17).

Service performance reporting (PBE FRS 48)

The statement of service performance is formally classified from pages 36 to 99.

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.

Accounting Policies

The statement of service performance of the Council has been prepared in accordance with PBE standards and is for the year ended 30 June 2023. The statement was authorised for issue by the Council on 14 November 2023.

In preparing the statement of service performance, 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 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 2022-2023 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 broken down into the 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 (noting that for this year, 13 of these measures were not reported as these are surveyed every two years). 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.

Where actions within an activity do not fall within the three areas previously described, but can be qualitatively measured, Council has chosen to include these within the performance measures. These measures directly relate to the levels of service for the activity, such as measurements relating to the diversion of waste from landfill in the Waste Minimisation activity. These measures describe the fundamentals required to undertake these activities. The measure is reported as achieved or not achieved, with little judgement to be made.

3. Changes in Accounting Policy

There have been no changes in accounting policy.

4. Events after balance sheet date

Three waters reform programme

The New Zealand Government is implementing a water services reform programme that is intended to ensure all New Zealanders have safe, clean and affordable water services. The Government believes this will be achieved by establishing new public entities to take on the delivery of drinking water, wastewater and stormwater services across New Zealand. The reform will be enacted by three pieces of legislation:

The Water Services Entities Act 2022, which (as amended by the Water Services Entities Amendment Act 2023 on 23 August 2023) establishes ten publicly owned water services entities and sets out their ownership, governance and accountability arrangements. A water services entity is established (for transitional purposes) on the date on which the appointment of the entity's establishment board takes effect, and its establishment date (operational date) will be a date between 1 July 2024 and 1 July 2026.

The Water Services Legislation Act 2023, which amended the Water Services Entities Act 2022 on 31 August 2023 to provide for the transfer of water services assets and liabilities to the water services entities.

The Water Services Economic Efficiency and Consumer Protection Act 2023, which provides the economic regulation and consumer protection framework for water services. The consumer protection framework will come into force on 1 July 2024 and the rest of the Act came into force on 31 August 2023.

5. Group Contingencies

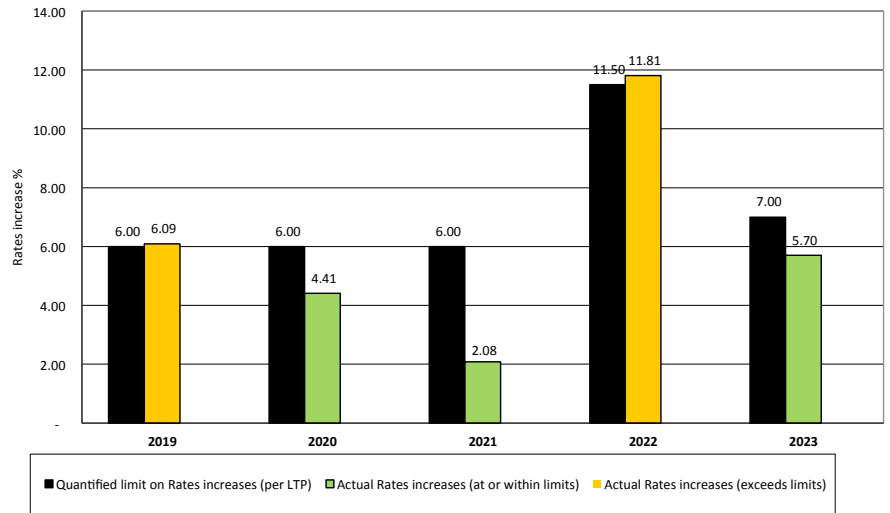
PrimePort Timaru Limited has no contingent liabilities at balance date (2022: \$Nil).

Alpine Energy Limited group has contingent liabilities as at 31 March 2023 of \$0.73m in the form of performance and import guarantees to cover ongoing project work (2022: \$7.11m).

Regulations were introduced in May 2014 requiring Council to disclose its performance in relation to specific benchmarks, as follows:

1. Rates (increase) affordability benchmark

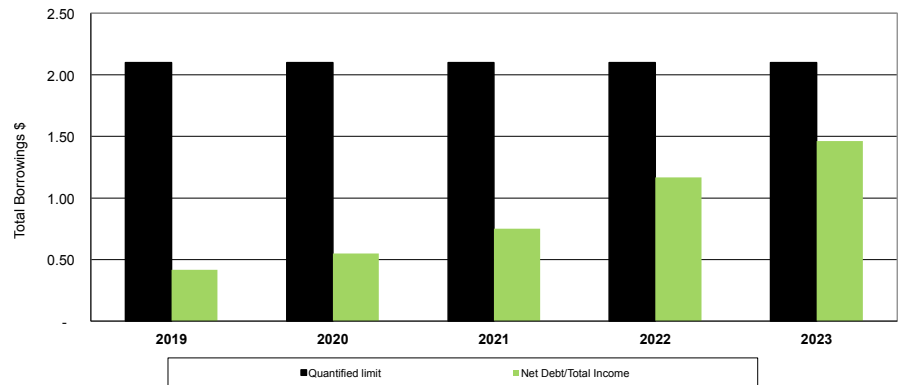
The following graph compares the Council’s actual rates increases with a quantified limit on rates increases included in the financial strategy in the Council’s long-term plan. The quantified limit is 12% plus inflation. Benchmark met.



2. Debt affordability benchmark

The following graph compares the Council’s actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the Council’s long-term plan. The quantified limit is below a ratio of 210% net debt to total income.

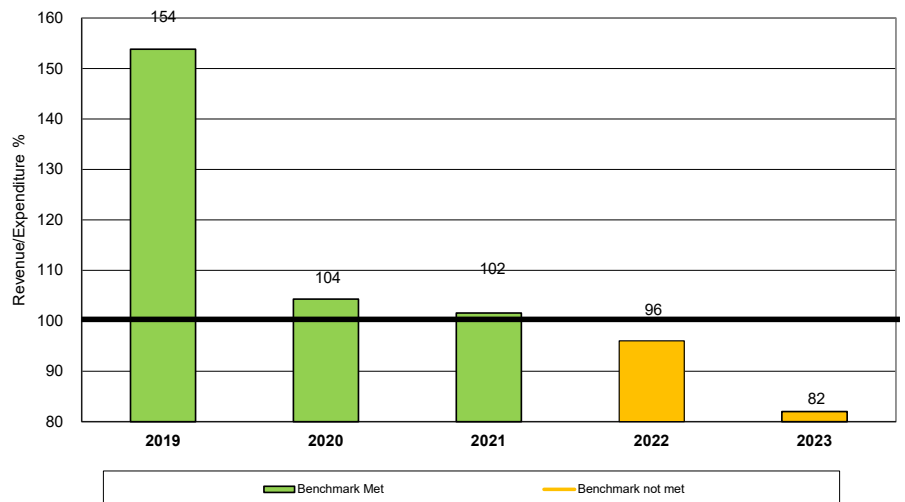
The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing. Benchmark met.



3. Balanced budget benchmark

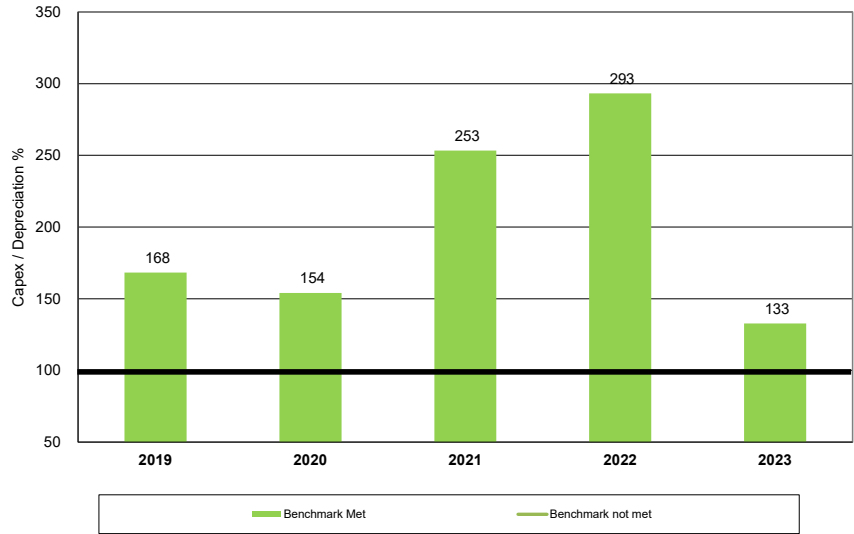
The following graph displays the Council’s revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant or equipment).

The Council meets this benchmark if its revenue equals or is greater than its operating expenses. Benchmark not met.



4. Essential services benchmark

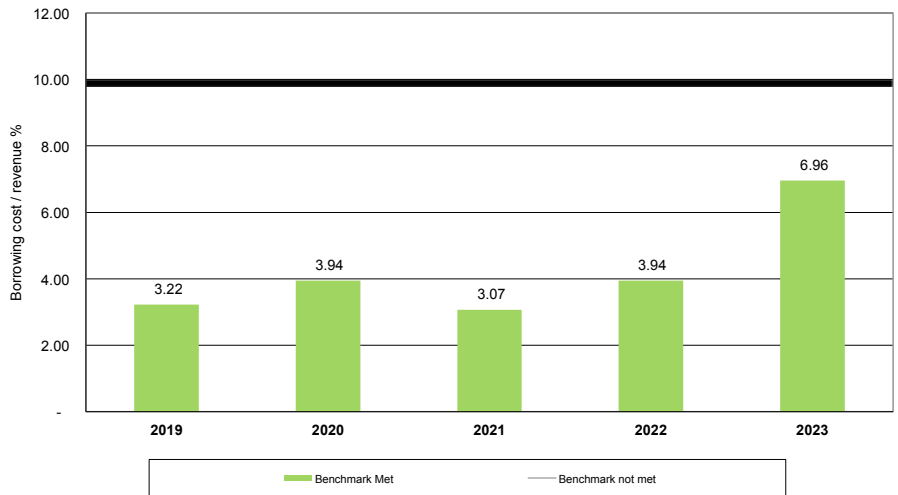
The following graph displays the Council’s capital expenditure on network services as a proportion of depreciation on network services. The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services. Benchmark met.



5. Debt servicing benchmark

The following graph displays the Council’s borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant or equipment).

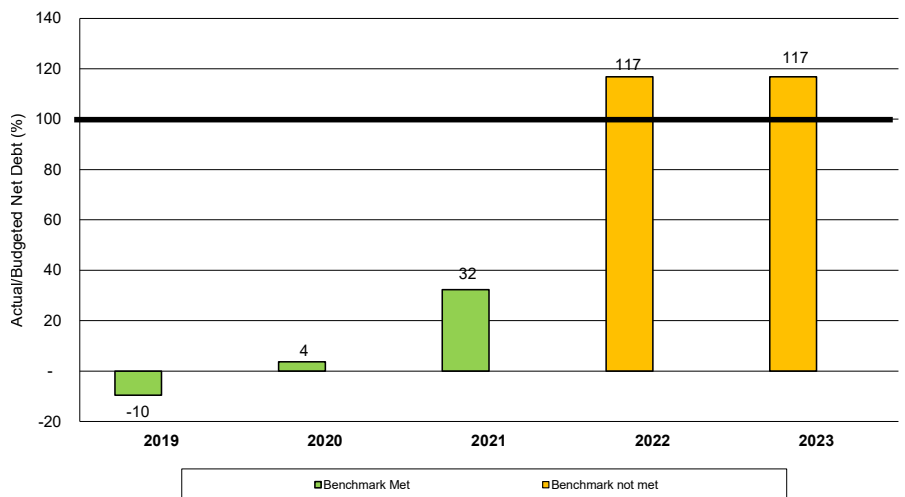
Because Statistics New Zealand projects the Council’s population will grow more slowly than the national population growth rate, it meets the debt servicing benchmark if its borrowing costs are equal or less than 10% of its revenue. Benchmark met.



6. Debt control benchmark

The following graph displays the Council’s actual net debt as a proportion of planned net debt as per Council’s long-term plan. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables).

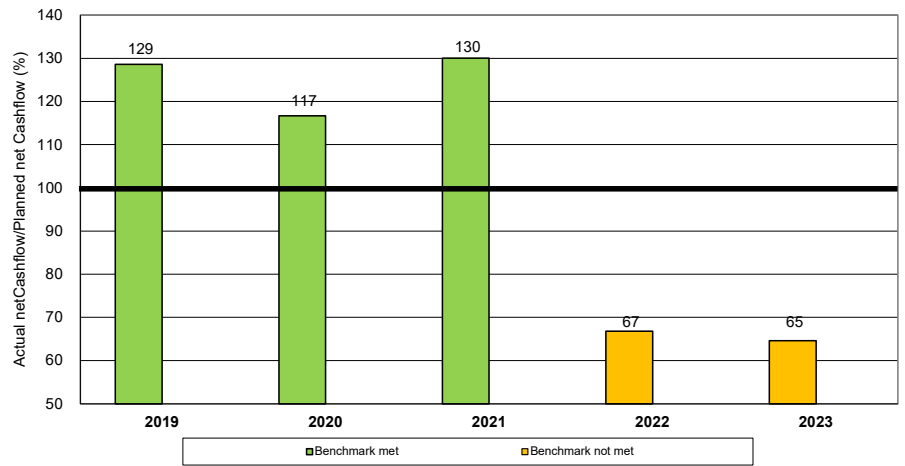
The Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt. Benchmark not met.



7. Operations control benchmark

This graph displays the Council's actual net cash flow from operations as a proportion of its planned net cash flow from operations.

The Council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations. Benchmark not met.



Statement of Compliance

Compliance

The Timaru District Council was required under section 98(3) of the Local Government Act 2002 (LGA) to complete its audited financial statements and service performance information by 31 October 2023. This timeframe was not met. The Council and management of the Timaru District Council confirm that all other statutory requirements of section 98 and Part 3 of Schedule 10 of the LGA have been complied with.

The Statement of Service Performance of the Council has been prepared in accordance with the requirements of Part 3 of Schedule 10 of the LGA, including the requirement from section 111 of the LGA to prepare all information in accordance with New Zealand generally accepted accounting practice (NZ GAAP).

Responsibility

The Council and management of the Timaru District Council accept responsibility for the preparation of the annual Financial Statements and the Statement of Service Performance including the judgments used in them.

The Council and management of the Timaru District Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurances as to the integrity and reliability of financial and service performance reporting.

In the opinion of the Council and management of the Timaru District Council, the annual Financial Statements and the Statement of Service Performance for the year ended 30 June 2023 fairly reflect the financial position and operations of the Timaru District Council.



Nigel Bowen

Mayor

14 November 2023

Bede Carran

Chief Executive

14 November 2023

Independent Auditor's Report

To the readers of Timaru District Council and Group summary of the annual report for the year ended 30 June 2023

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 2023.

The summary of the annual report comprises the following information on pages 11 to 27:

- the summary statement of financial position as at 30 June 2023;
- the summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2023;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary of service performance.

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 2023 in our auditor's report dated 14 November 2023.

Our auditor's report on the full annual report also includes an emphasis of matter paragraph drawing attention to the uncertainty over the Government's water services reform programme.

The Water Services Entities Act 2022, as amended by the Water Services Entities Amendment Act 2023 on 23 August 2023 and the Water Services Legislation Act 2023 on 31 August 2023, establishes ten publicly owned water services entities to carry out responsibilities for the delivery of three water services and related assets and liabilities currently controlled by local authorities. Water services entities' establishment dates are staggered, with all the water services entities becoming operational between 1 July 2024 and 1 July 2026. The financial impact of the water services reform on the Council as outlined in note 17 remains uncertain until the relevant water services entity's establishment date is known, and the allocation schedule of assets, liabilities, and other matters to be transferred is approved.

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.

Independent Auditor's Report

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.

Other than in our capacity as auditor, we have no relationship with, or interests in the District Council and Group.



John Mackey

Audit NewZealand

On behalf of the Auditor-General

Christchurch, New Zealand

14 December 2023

TIMARU



DISTRICT COUNCIL

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