

Chatham Islands Council

Summary Annual Report 2024/25



Our people, our Islands, our future



Profile of the Chatham Islands

The Chatham Islands and its people are a unique community, isolated by 800 kilometres of ocean from mainland New Zealand.

The Chatham Islands consist of two main inhabited islands, Chatham Island and Pitt Island. Pitt Island lies 23km south east of Chatham Island and both islands are surrounded by a number of smaller islands, all within a radius of approximately 50km. The main island, Chatham, has an area of 90,000 hectares. Pitt Island has an area of 6,300 hectares.

The Islands were formed by a volcanic up-thrust and the land surface is predominantly flat with a number of peaks, the largest peak rising to 188 metres. A significant landmark of Chatham Island is 'Te Whanga' which is a large lagoon that covers approximately 20,000 hectares or about one-fifth of the Island. There are five settlement areas on the main Island - Waitangi, Te One, Owenga, Port Hutt and Kaingaroa.

The 'livelihood' for the majority of Islanders is dependent on fishing and farming. Their continued welfare and the Islands' viability are linked with the sustainable management of the natural and physical resource base.

Chatham Islands Council is the smallest local authority in New Zealand. It has both district and regional council responsibilities.



2024/25 in review

Kioranga, kia ora

We are pleased to present the Chatham Islands Council's Annual Report for 2024/25. This report reflects another year of progress, careful stewardship, and resilience for our community during a period of significant change.

Throughout the year we maintained a strong focus on "getting back to basics", ensuring our community receives the essential services it depends on while advocating for the long-term investment required to keep the Islands viable. With a very small ratepayer base, the Council cannot – and won't – meet its statutory responsibilities without Crown support. We remain grateful for the Government's continued commitment, while pressing for sustainable funding arrangements that reflect our isolation, infrastructure needs and limited resources.

Uncertainty created by national reforms in water services, emergency management, and resource management has continued to challenge planning. However, our message to central government has been clear: the Chatham Islands must not be left behind. Ministers have responded positively and encouraged the Islands to unite around a coherent, long-term plan. A sustainable funding model remains essential to supporting families, local businesses, and our way of life for generations to come.

This year we strengthened our whole-of-Island approach through Kāhui Manu Tāiko, the leadership group representing the four on-Island entities. Together, we advanced shared priorities across shipping and wharves, safe drinking water, resilient fuel and energy

supplies, and improved community facilities, all aligned with the refreshed Chatham Islands Strategy.

Key milestones included presenting a comprehensive case to the Department of Internal Affairs seeking support to address two decades of resourcing constraints, and engaging the Public Service Commission for further assistance. We advanced the Local Public Service Reform work with the Chatham Islands Enterprise Trust, exploring a more coordinated and locally grounded model for delivering public services. Work also began on the first 30-year strategy for the Island, building on community-led priorities. In addition, we delivered a City and Regional Deal, the "Island Deal", to the Government and progressed a consolidated Regional Infrastructure Fund application with strong Ministerial backing.

Locally, we continued to welcome visitors, strengthen partnerships with councils and government agencies, and celebrated the centenary of the Chatham Islands Council. These milestones reinforce that while our circumstances are unique, our commitment to serving our people is enduring.

Thanks are extended to the Mayor, Councillors, staff, contractors and partners. Most importantly, we thank our community for your resilience, patience and trust as we work together toward a sustainable future for Rēkohu, Wharekauri, the Chatham Islands.

Paul Eagle,
Chief Executive



Greg Horler,
Mayor



Our performance during 2024/25

The Council has six groups of activities, over which we set our desired performance targets to the community.

The statement of service performance of Chatham Islands Council has been prepared in accordance with Public Benefit Entity International Public Sector Accounting standards and is for the year ended 30 June 2025. The full statement of service performance was authorised for issue by Chatham Islands Council on 10 December 2025.

In preparing the statement of service performance, Chatham Islands Council has made judgements on the application of reporting standards and has made estimates and assumptions concerning the measurement of certain service performance targets, these assumptions are detailed in the critical judgements section in the full Annual Report.

A summary of our level of service performance against our targets, is included on the following pages.

Leadership and community partnerships

The elected representatives of our community form our leadership and partnerships function, which involves engaging with our community to understand their needs and building relationships with other organisations to support development and utilising resources efficiently.

Council's priority activities and our rationale for providing these services

Our priorities for this activity include:

- Advocating to Central Government for additional funding to benefit the Chatham Islands.
- Managing partnerships with t'chakat henu, tangata whenua, Chatham Islands Enterprise Trust and other Island-based organisations to build and maintain strong relationships and identify opportunities and efficiencies benefiting our Island communities.
- Increased Councilor visibility by engaging with residents on issues or challenges and listening to feedback.
- Increasing the confidence our community has in the Council's decision-making processes by increasing accessibility.

This activity enables the interests of our Islanders to be represented in a fair and equitable manner and provides opportunities for the community to partner in our decision-making processes.

Contribution to community outcomes

Leadership and community partnerships contribute to the resilient community and embracing diversity community outcomes by ensuring the principles of Te Tiriti o Waitangi are recognised, and that relationships with Moriori and Māori are strengthened and maintained. We are committed to ensuring the diverse voices of our community are heard.

These areas also contribute to the building growth community outcome by advocating for funding or other contributions from the Government to benefit the Island and fostering strong relationships with the Chatham Islands Enterprise Trust and other organisations to provide development opportunities on-Island. Council believes this is the most effective method to ensure future funding needs are met. Council also advocates for additional funding to benefit the Island, which if successful provides employment and other growth opportunities for the Island, potentially including improved infrastructure. More broadly, we will work with imi and iwi to ensure that appropriate regard is made to miheke/taonga and other culturally significant matters.

Providing the opportunity and appropriate information for the community to participate in the Council's major decisions is of primary importance to the Council. We ensure democratic processes are undertaken appropriately and support the work of our elected members.

What we delivered

Council met three of the six targets set for 2024/25 regarding leadership and community partnerships.

The Chief Executive and Mayor regularly met with representatives from central government to advocate for the additional funding to benefit the Chatham Islands.

Council continued to work well with Island partners, particularly through monthly meetings with Kahui Manu Taiko (previously the 'Four Entities'). Imi and iwi were invited to participate in Council decisions.

Unfortunately, the results of the Annual Residents Satisfaction Survey showed a decrease in satisfaction with the level of Council engagement and an even more significant decrease in confidence that Council decisions were made in the best interest of the community. However, due to the sample size of the survey, we understand that only the views of a small portion of the population were captured.

While several community-based question and answer sessions were held in early 2025, staff availability has meant that more regular engagement has not been possible.

Council will endeavour to address this in the coming financial year.



Transportation, roading and coastal networks

The aim of the transportation, roading and coastal networks group of activities is to link our populated communities and Islands, keep our people connected, safe and active, and contribute to the sustainability and growth of our local economy.

Harbour control is undertaken primarily to ensure safety in our waterways. The Chatham Islands have approximately 360km of coastline that is used extensively for commercial fishing, along with some recreational and aquaculture industries.

Council's priority activities and our rationale for providing these services

Our priority activities include:

- Ensure an overall 'good' driving experience in terms of quality and safety, by appropriately managing the local roading network
- Establishing safe travel routes for high foot travel areas, including schools
- Continue to work with landowners to address feral cattle and other roadside risks, construction of boundary fences to address safety concerns raised by Council and community
- Working together with imi and iwi
- New premises for Council works facilities (Fulton Hogan workshop).

Contribution to community outcomes

The transportation, roading and coastal networks activity provides a safe and resilient transport network, which is accessible to all. In creating our roading works programme, Council consults with NZ Transport Agency Waka Kotahi, along with imi and iwi to ensure that appropriate regard is made to miheke/taonga and other culturally significant matters.

Our transport system is operated in an effective and efficient way to meet the needs of residents and businesses. The road network is critical to the movement of goods which enables our economy to thrive and grow. Council considers land use sustainability and minimising the impact of climate change on our environment in transport planning.

Our coastal and navigational work provides recreational opportunities to our community and improves health and social wellbeing.

Council can respond and recover from the impact of all marine hazards, ensuring maritime management protects and reduces the impact of harm to the environment and supporting the economic development and sustainability of the fishing industry.

Fishing and tourism contribute a large amount to our Islands' economic prosperity. Access to water and recreational/commercial activities will be key to our Islands' continued growth.

What we delivered

Council met half of the measures for the transportation, roading and coastal networks group of activities.

More than half of residents expressed their satisfaction with the sealed road network. Though the level of satisfaction has decreased from last year, the roads are resealed every three years, and are due for resealing next year. Dissatisfaction with the unsealed road network remains high, this is generally due to unfavourable weather eroding/damaging the road surface.

All planned footpath maintenance was carried out in full, and the unsealed network was resealed according to Plan requirements.

Council received a number of complaints regarding wandering cattle, and Council continues to work with landowners to decrease the risks associated with stock on our roading network.

One hundred percent of customer requests were actioned or responded to within five working days.

Council worked hard to collaborate with appropriate entities to resolve the fuel crisis as best we could. We understand the strain on the community the lack of fuel and uncertainty of shipping dates causes and will continue to work hard to ensure we do what we can to avoid such situations again.



Three waters supply and treatment

Safe drinking water and appropriate collection, treatment and disposal of wastewater are essential to the health and wellbeing of our people and our environment.

Impact of the Local Water Done Well Programme

The Government's Local Water Done Well reforms have come into effect, establishing a new framework for water service delivery in New Zealand.

Chatham Islands Council has submitted its Water Services Delivery Plan in accordance with the legislation. However, the plan has not yet been accepted, and therefore our future delivery arrangements remain uncertain.

Until decisions on funding, regulatory requirements, and implementation are confirmed, the full financial and operational impacts of the proposed model cannot be reliably estimated. It is anticipated that responsibility for managing water services; including service levels, rate collection, and funding of operating and capital costs, will continue to rest with Council, supported by external organisations where required.

Any increased compliance costs arising from the reforms are expected to be met through Crown funding.

Council's priority activities and our rationale for providing these services

Our priority activities include:

- Water and wastewater reticulation schemes that meets public health standards (while Council aims to achieve full compliance with current drinking water legislation, it is non-compliant due to funding and logistical challenges)
- Water and wastewater reticulation schemes are sufficient for public demand
- Water drinking fountain/water station, this priority has been paused due to lack of funding availability.

There are no other flood protection or control assets.

Contribution to community outcomes

The three waters supply and treatment activity contributes to the resilient community and sustainable action community outcomes as these services and assets enhance community wellbeing.

Acknowledging our funding constraints, we aim to provide water supplies that are safe to drink, with supply continuity appropriate for firefighting purposes. Council considers water supply an essential service to our community and recognises the need for resilient infrastructure.

Our water schemes take water from our environment and require a resource consent. We aim to manage water takes so the impact is not detrimental to our surrounding environment and the impact of climate change and drought on our environment is minimised.

Acknowledging our funding constraints, we aim to provide quality wastewater treatment that minimises overflows. We aim to ensure wastewater is collected and treated without causing a hazard to public health or unpleasant odours. Council considers wastewater supply an essential service to our community and recognises the need for resilient infrastructure.

Our wastewater is treated and discharged into our environment. We aim to sustainably manage this, so the impact of the discharges does not adversely affect the health and cleanliness of the receiving environment and the impact of climate change on our environment is minimised.

Council aims to safely transfer stormwater runoff to minimise harm and property damage and so people can move safely during wet weather.

We manage stormwater so that the impact of any discharge minimises the impact of climate change and drought on our environment and does not adversely affect the health and quality of the natural environment.

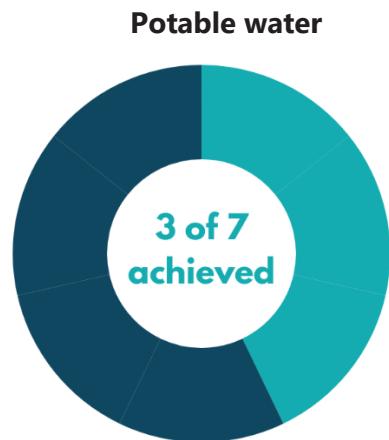
Council has minimal expenditure on stormwater and flood protection activities. Consequently, Council has no performance measures related flood protection works as it does not have such assets to maintain. Any transactions related to stormwater or flood protection are included within the wastewater funding impact statement.

What we delivered

Council is pleased to have achieved 12 of the 17 total measures in the supply and treatment of three waters.

No boil water notices were put in place for Waitangi or Kaingaroa. No urgent call outs were received nor complaints or relating to the water supply in Waitangi or Kaingaroa.

All wastewater targets were achieved. We are pleased to receive no complaints, no concerning incidents and no flooding events this year.



Waste management and minimisation

Waste management facilities provide refuse and recycling services to protect the health of our communities and our environment.

Council's priority activities and our rationale for providing these services

Our priority activities include:

- Provide a good waste management service, that meets community expectations
- Reduced environmental impacts (such as lowering greenhouse gas emissions) through improved waste management strategies and processes
- Minimising waste going to landfill and increase the amount that is recycled.

Community outcomes

Rubbish and recycling collection services ensure our environment is functional, pleasant and safe. We promote the sustainable use of resources and provide sustainable alternatives to landfill disposal.

We protect our natural environment by providing waste disposal services for our communities and minimising the impact of climate change on our environment. We reduce the impact of landfill disposal by providing other services to divert waste from landfill and reduce waste production.

Our facilities comply with resource consents, and we ensure that we have operational plans for our services and site management plans for the facilities we operate.

What we delivered

Council achieved six of the eight measures for waste management and minimisation. Though we exceeded the benchmark of the amount of waste going to the Owenga landfill site, the result was lower than last year's.

Council acknowledges the community expresses concerns and a lack of satisfaction in this area and we continue to strive to improve waste management services for the community.



Community services and emergency management

Council provides facilities for the enjoyment and use of our community, including community housing, parks and reserves, sports fields and emergency management services. These contribute to the development of a healthy, active, functioning community.

Council also seeks to provide an efficient and effective system of emergency management response and planning that minimises the potential effect of all hazards on the community and the environment.

Council's priority activities and our rationale for providing these services

Our priority activities include:

- Providing good community facilities, that meets community needs and expectations
- Promotion of community development through recreation, the arts, and encouraging the sharing of our heritage
- Staff and volunteers are trained and feel ready to respond to an emergency event
- More emergency management communication
- Emergency response facility – no targets set, paused pending funding becoming available.

Contribution to community outcomes

Community services contribute to the resilient community and embracing diversity community outcomes by providing material and experiences to increase local historical/cultural information and connection.

We provide community open spaces and facilities enabling our community to participate in recreational and cultural opportunities. The library provides resources that support educational, creative, cultural and business activities.

We provide financial assistance to community groups to support cultural, heritage and other benefits within our community.

Areas of cultural significance are managed and protected. Our community is aware and involved in conservation and restoration work.

We provide facilities that enable communities to celebrate their heritage and creativity. Cemeteries provide a location for remembrance.

Emergency management services also contribute to the resilient community, sustainable action and building growth community outcomes by promoting readiness and preparedness through community education and providing suitable response training for staff and volunteers.

Our Civil Defence and Emergency Management system promotes safety of people and a resilient community. Council can respond and recover from the impact of emergency events. Ensuring appropriate strategies are in place to manage and reduce the impact of harm to the environment when an emergency event occurs.

What we delivered

Council achieved two of the six measures for community services and emergency management. In line with the overall trend, community satisfaction had decreased in these areas as well.



Fishing and tourism contribute a large amount to our Islands' economic prosperity. Supporting economic development, sustainability and resilience of these activities will be key to our Islands' growth and recovery after any emergency event.

Council responded to all enquiries and complaints within 24 hours.

Though there has been minimal communications to the community regarding emergency management, the community did respond that they feel prepared in the case of an emergency.



Environmental management, protection and monitoring

Council has responsibilities under legislation to safeguard public health, safety, and welfare.

Biodiversity, biosecurity and regulatory activities, such as the identification and management of pests, issue of consents, the enforcement of bylaws, and the provision of liquor licenses are undertaken for the benefit of our communities and to ensure that everyone enjoys our Islands.

The Chatham Islands' isolation has meant that many of the animal and plant pests common in New Zealand are not present on the Islands. We are also fortunate to have many indigenous plants and native animals on the Islands. Many of our flora and fauna species and ecosystems are endemic to the Chatham Islands and if adversely affected by pests, could disappear from their natural habitats.

Council's priority activities and our rationale for providing these services

Our priority activities include:

- Effective pest management control of identified pest species including Swan, Canada Geese and feral cattle
- Aim to implement government direction in relation to essential freshwater
- To maintain an adequate monitoring network for water quality and quantity

- For water quality and quantity information to be easily accessible.

Contribution to community outcomes

This work contributes to our sustainable action and embracing diversity community outcomes by planning, promoting, regulating and monitoring the use and development of our natural and physical resources, considering the impacts of climate change and drought and aiming to retain our unique island culture, heritage and biodiversity.

We work with imi and iwi to ensure that appropriate regard is made to miheke/taonga and to retain our unique island biodiversity. These activities also contribute to our building growth community outcome. We work with landowners to enhance the prosperity and security of their land by developing plans to managing pests that threaten our environment. By protecting our unique environment, we will provide future opportunities for growth within our community, particularly related to tourism.

Our unique ecosystems, landscapes and indigenous biodiversity are valued and stewardship/ t'chiekitanga/ kaitiakitanga exercised to safeguard our environment for future generations.

We monitor and investigate the state of our environment and identify trends, risks, and pressures our environment faces. Particularly in relation to land, soils and water. We use this information to make better decisions in our planning. We work to educate people and provide information to enable more sustainable and resilient living.

Our planning framework ensures that identified sites of importance including imi and iwi sites of cultural significance, are considered when planning decisions are made. We work with landowners to enhance biodiversity, helping to protect our natural heritage values.

Effective resource planning processes help ensure appropriate and efficient infrastructure and resources are available to meet the demands of our communities, both now and for future generations.

Compliance monitoring can ensure fair and equal opportunities for all. We actively encourage people to adopt best practice in relation to their use of land and water resources.

We develop policies and plans that promote sustainable management of our natural and physical resources and minimise the impact of climate change and drought on our environment.

We monitor and regulate activities that could, over time, put pressure on our environment and resources, and take preventative action through education and enforcement.

We provide licenses to ensure alcohol sales and consumption are safe, and control dogs and stock, so as not to adversely affect our community's quality of life.

Areas of cultural significance are managed and protected through our regulatory practices.

Our regulatory practices are managed in a manner that contributes to the economic well-being in our community.

We have a dog and stock control officer, who assists with educating owners on appropriate housing of animals, limiting negative effects on native fauna

What we delivered

Council achieved all the measures related to the biosecurity and consenting and compliance services, but did not achieve the measures related to essential freshwater and monitoring and providing data on water quality and quantity.

We have continued to feature our biosecurity work regularly in the Council monthly newsletter to keep the community informed with

the work we're doing in this space and all resource consents were processed on time.

Due to legislative changes coming out of central government, Council is unable to establish priorities. Council paused water quantity monitoring while considering funding limitations.

Pest management



Freshwater management



Water monitoring



Consenting and compliance



Our financial performance for 2024/25

The summary financial statements do not include all the disclosures provided in the full financial statements and cannot be expected to provide as complete an understanding as provided by the full financial statements. A copy of the full 2024/25 Annual Report can be found on our website (<https://www.cic.govt.nz>) or at our office.

Our financial performance

Our financial strategy highlights the financial challenges we are facing and includes strategies on how we plan to address them. A lack of funding continues to be an ongoing barrier to offering comparable services to that of mainland New Zealand.

As always, the Council relies heavily on funding from Central Government to operate, as we don't have the population to fund our work through rates. We are always careful not to unfairly burden our ratepayers by spending more than we are able, but in doing so our funding situation remains unpredictable and may delay desired projects, including infrastructure upgrades.

The purpose of our strategy is to enable prudent and sustainable financial management, ensuring Council can continue to provide effective services now and into the future.

The full financial statements are prepared in accordance with the requirements of the Local Government Act 2002, which requires information to be prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP), and comply

with Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS).

The Chatham Islands Council has elected to prepare the financial statements in accordance with Tier 2 PBE accounting standards as it is not publicly accountable or large.

The summary financial statements are for the year ended 30 June 2025 and are presented in New Zealand dollars with all values rounded to the nearest thousand (\$000). The summary financial statements comply with PBE FRS-43 Summary Financial Statements.

The disclosures in the summary financial statement have been extracted from the full Annual Report, which was adopted and authorised for issue by Council on 10 December 2025. The summary financial statements do not include all the disclosures provided in the full financial statements and cannot be expected to provide as complete an understanding as provided by the full financial statements.

The Annual Report was audited by Audit New Zealand and received an unmodified opinion for 2024/25 with an emphasis of matter on the material uncertainty related to going concern and uncertainties arising from Local Water Done Well compliance.

Statement of comprehensive revenue and expense for the year ended 30 June 2025

	Actual 2024/25 \$000	Long-Term Plan 2024/25 \$000	Actual 2023/24 \$000
Rates	843	817	787
Grants & subsidies	9,259	9,214	9,499
Other revenue	1,473	725	1,377
Total revenue	11,575	10,756	11,663
Financial costs	5	1	6
Other expenditure	10,462	9,603	11,770
Total expenditure	10,467	9,604	11,776
Surplus/(deficit) associate share	(237)	109	126
Total surplus/(deficit)	871	1,261	13
Revaluation reserve change	63	-	-
Total comprehensive revenue and expense	934	1,261	13

Statement of changes in equity for the year ended 30 June 2025

	Actual 2024/25 \$000	Long-Term Plan 2024/25 \$000	Actual 2023/24 \$000
Equity at the start of the year	98,508	100,941	98,495
Total comprehensive revenue and expense	934	1,261	13
Equity at the end of the year	99,442	102,202	98,508

Statement of financial position as at 30 June 2025

	Actual 2024/25 \$000	Long-Term Plan 2024/25 \$000	Actual 2023/24 \$000
Current assets	1,271	919	2,068
Non-current assets	100,096	102,860	99,676
Total assets	101,367	103,779	101,744
Current liabilities	1,835	1,487	3,132
Non-current liabilities	90	90	104
Total liabilities	1,925	1,577	3,236
Net assets	99,442	102,202	98,508
Total public equity	99,442	102,202	98,508

Statement of cash flows for the year ended 30 June 2025

	Actual 2024/25 \$000	Long-Term Plan 2024/25 \$000	Actual 2023/24 \$000
Net cash flow from operating activities	4,308	3,737	2,346
Net cash flow from investing activities	(3,596)	(3,748)	(2,389)
Net cash flow from financial activities	(19)	(22)	(17)
Increase/(decrease) in cash held	693	(33)	(60)
Opening cash balance	(111)	31	(51)
Closing cash balance	582	(2)	(111)

What's changed to what we expected to spend and receive during the year?

We received more than was expected by \$0.8 million

Council continued its temporary role of transporting and supplying petrol to the island. Petrol revenue of \$0.5 million was not budgeted as it was expected alternative arrangements would be in place. There are no other significant differences to budget, rather fees subject to fluctuation, such as user-pays charges were higher than budget.

We spent more than was expected by \$0.9 million

Petrol costs of \$0.5 million were unbudgeted. Depreciation and amortisation charges were \$0.4 million higher than budgeted, with the variance related to the value of Council's property plant and equipment and additions.

Remaining variance relates to Council overheads being above expectation, reflective of higher operating costs.

What's changed to what we expected to own and owe during the year?

Current assets are higher than expected by \$0.4 million

Timing issues associated with the recognition of grant income has had a favorable impact on the cash position of Council.

Non-current assets are lower than expected by \$2.8 million

A significant project has been deferred to the following financial year. There are no other significant variations.

Current liabilities are higher than expected by \$0.3 million

This was primarily due to receipt of grants, which will be utilized in the next financial year, meaning these funds have not been recognized as revenue, and transferred to revenue in advance.

There is no significant difference between non-current liabilities compared with budget

Council has historically experienced difficulties paying creditors over the year-end period with annual appropriation funds ending. Council has managed this by delaying creditor payments, with the expectation that outstanding balances will be repaid from the Annual Appropriation, to be received in July. This approach is incorporated into the budgeted estimations of year-end creditor balance. Council was fortunate to receive grant funding close to year end, which assisted with Council's cash flow, allowing all creditors to be paid within contractual timeframes.

GOING CONCERN

Chatham Islands Council is the smallest local authority in New Zealand, with approximately 600 residents and less than one thousand rateable units. This makes the Council unique in that funding sources available to other councils, such as rate increases, growth, or debt are not considered financially sustainable options for the Chatham Islands Council, as this would unfairly burden our ratepayers. Consequently, there is a dependency on the Government in the form of the annual Crown contribution and the roading subsidy from the New Zealand Transport Agency Waka Kotahi to ensure the Council remains operating one year after the annual report is signed, also known as the going concern assumption.

The Chatham Islands Council has indicated to the Government for over two decades that the annual appropriation is insufficient for us to deliver our statutory obligations. The Council's approach to prudently managing finances is to reduce expenditure to match expected funding allocations, meaning some areas will not comply with good practice or legislative requirements, as Council cannot afford to meet the additional costs of compliance.

Chatham Islands Council's current levels of funding do not allow it to comply with some legislation related to three waters and other environmental matters, and funding constraints mean that this position is unlikely to improve.

Further, Chatham Islands Council cannot adequately invest in critical infrastructure assets because it is unable to secure additional

funding from the Government. These include three waters assets, bridges and culverts, the wharves, and managing solid waste.

The ongoing impact of these financial conditions, the reduction of service from our cost saving exercise (explained below) along with the impact of increased compliance costs of the Local Water Done Well Delivery plan (detailed in note 17), indicate that material uncertainty exists that casts significant doubt on our ability to continue as a going concern on a long-term basis under the current funding model without input from the Government.

Our 2024-34 Long-Term Plan identified that our base line budget was not sustainable on an ongoing basis, due to higher costs particularly related to inflationary pressures and increases in the cost of living and our primary form of financial support from the Department of Internal Affairs Annual Appropriation, not adjusting to reflect these inflationary movements along with additional compliance costs.

After hearing from our community, Council considered the best method to address these cost pressures was to both increase our income and decrease our expenditure. Council has increased rates by an additional 3.5% above expected inflationary adjustments for the island. The rates increase proposed for 2025/26 of 7.25% allows Council to ensure rate consistency with other New Zealand councils over time.

The 2025/26 budget, adopted through the Annual Plan process, requires further savings and cost efficiencies to ensure the Council remains within its overdraft limit by 30 June 2026. Council is actively

assessing its options, with support from the Department of Internal Affairs, and has little choice but to scale back regional council activities in the interim to both allow for a transition to a new provider and maintain prudent cashflow management. Council will need to draw on its overdraft facility on a temporary basis to manage cash shortfalls, including timing gaps between revenue and expenditure.

The Council is currently negotiating with an organisation to assist with regional council and corporate service support after 30 June 2026, when service with our current provider will cease. There are likely to be some additional transition costs associated with the change of service provider, with the exact amounts and timing remaining uncertain. These costs have not been incorporated into the financial forecast for the year ending 30 June 2026, any impacts are likely to be funded by deferring expenditure where possible or potentially delaying payment to key contractors until the annual appropriation is received in July 2026.

Although we forecast being able to meet all of our financial obligations as they fall due for at least a period of one year from the adoption of the 30 June 2025 annual report, the Chatham Islands Council's cash balances will likely be in an overdraft position at 30 June 2026. The overdraft facility of \$500,000 in place with the Chatham Islands Council's banks (detailed in Note 6 of the full Annual Report) is assessed as sufficient to cover any cash shortfall until the 2026/27 Annual Appropriation funding is received in July 2026. As a result, the Council has determined the going concern assumption remains appropriate in the preparation of the financial statements for the year ended 30 June 2025.

The council acknowledges there is minimal allowance within its forecasts one year from the adoption of the 30 June 2025 annual report and therefore notes the material uncertainty associated with the going concern assessment. This limited cash allowance, could result in Chatham Islands Council not being able to meet its financial obligations as they fall due.

The significant assumptions made by the Council in carrying out this assessment are that we will deliver a minimal level of service, and that we will not incur any additional unexpected expenditure above that currently forecasted for 2025/26, or if such expenditure occurs, we will be able to utilise delayed payment arrangements with our key suppliers or secure additional grant support.

EVENTS AFTER THE END OF THE REPORTING PERIOD - IMPACT OF LOCAL WATER DONE WELL PROGRAMME

The Government has enacted the new Local Water Done Well legislation, to address New Zealand's water infrastructure challenges. Under this legislation councils are required to develop Water Services Delivery Plans outlining their intended approach to future service delivery.

Chatham Islands Council submitted its Delivery Plan by the statutory deadline of 3 September 2025. The plan proposes continuing a Council-delivered model for Waitangi and Kaingaroa, in which water services remain directly owned and operated by Council, ensuring accountability to the local community. The water service delivery

plan suggests a significant escalation of funding requirement for both operating and capital expenditure from the Crown. The Secretary for Local Government has rejected the plan due to insufficient detail on asset conditions and concerns over whether the plan demonstrates financial sustainability, and therefore the future service delivery arrangements and their financial implications remain uncertain. The Council will need to complete an asset condition report by 30 June 2026 and submit a revised plan by 30 June 2028.

The Council's Three Waters infrastructure is aging, with a significant backlog of critical renewals and upgrades. Limited funding means the network is largely maintained through reactive repairs, constraining service improvement and growth. Council also continues to face challenges meeting existing drinking-water standards, and additional external funding will be required to achieve higher levels of compliance under the new regulatory framework, potentially requiring additional support from outside Council to achieve.

As decisions on funding, regulation, and implementation are still to be finalised, it is not yet possible to estimate the full impact of the Council's future delivery model.

EVENTS AFTER THE END OF THE REPORTING PERIOD - OTHER

The Council is required under section 98(7) of the Local Government Act 2002, to complete and adopt its Annual Report prior to 31 October 2025. This timeframe was not met.

With this exception, there are no other events after the end of the reporting period that require adjustment to the financial statements or the notes to the financial statements.

Independent Auditor's Report

To the readers of Chatham Islands Council's summary of the annual report for the year ended 30 June 2025

The summary of the annual report was derived from the annual report of the Chatham Islands Council for the year ended 30 June 2025.

The summary of the annual report comprises the following information on pages 5 to 17 and 19 to 23:

- the summary statement of financial position as at 30 June 2025;
- 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 2025;
- the explanatory information to the summary financial statements; and
- the summary statement of service performance, referred to as 'Our performance during 2024/25'.

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 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 2025 in our auditor's report dated 10 December 2025.

Without modifying our opinion, our auditor's report on the full annual report drew attention to the following matters.

Material uncertainty related to going concern

Note 16 on pages 80-82 of the full annual report outlines how insufficient funding to meet increased costs continues to weaken the Council's cash position and management's plans to deal with the cash flow constraints. There is material uncertainty related to these conditions that may cast significant doubt on the Council's ability to continue as a going concern.

Emphasis of Matter – Future of water delivery

Note 17 on pages 82-83 of the full annual report outlines that the Secretary for Local Government has rejected the Council's water services delivery plan. In that plan, the Council had proposed to deliver water, wastewater and stormwater services itself directly from 1 July 2027.

Following this decision, the Council is required to amend their plan and resubmit it in two stages, with the final resubmitted plan due by 30 June 2028. There is therefore uncertainty about future delivery of water services on the islands, the level of services the Council can continue to provide to its community, and the financial implications of the eventual delivery model.

Information about these matters is also disclosed on pages 21 - 23 of the Chatham Island Council's summary annual report.

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.

Other than in our capacity as auditor, we have no relationship with, or interests in the Chatham Islands Council.

A handwritten signature in blue ink, appearing to read 'Yvonne Yang'.

Yvonne Yang
Audit New Zealand
On behalf of the Auditor-General Christchurch, New Zealand
10 December 2025





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Our people, our Islands, our future

