Chatham Islands Council

Summary Annual Report 2025/26



chatham islands council

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.



2025/26 in review

Kīoranga, kia ora

I am pleased to present the Chatham Islands Council Annual Report for 2025/26. This was a significant year for Council, with substantial progress made in strengthening the organisation, improving its financial position and rebuilding confidence with our community, partners and central government.

As a small and remote council, we continue to face unique challenges in delivering essential infrastructure, regulatory services and community facilities. Our small rating base cannot meet these costs alone, so strong and constructive relationships with central government and local partners remain critical.

A major focus during the year was strengthening Council's governance, financial management, systems and controls in response to matters raised through the Office of the Auditor-General's review. This work has improved transparency, accountability and organisational discipline and has placed Council in a stronger position for the future.

The financial turnaround during the second half of the year was particularly encouraging. Council moved from a forecast year-end deficit to ultimately record a surplus, reflecting tighter financial oversight, careful management of expenditure and a stronger focus on priorities.

Leadership continuity was also important. I acknowledge the support of the Chatham Islands Enterprise Trust in enabling its Group Chief Executive, Bob Penter, to also serve as Interim Chief Executive of Council from March 2026. This provided stability at an important time and demonstrated the benefits of Council and the Trust working closely together for the Islands.

Council also renewed its focus on relationships with Ministers and government agencies. The work undertaken during 2025/26 helped lay the foundation for the subsequent announcement of $15 million of new Regional Infrastructure Fund investment for Chatham Islands wharves, livestock infrastructure and fuel facilities.

Council also secured a one-year extension of contracted services from Environment Canterbury. This will provide continuity while allowing for an orderly transition to new providers and future service arrangements.

The progress made during 2025/26 leaves Council financially stronger, organisationally more resilient and better positioned to deliver for the community. I thank Councillors, staff, contractors, the Chatham Islands Enterprise Trust, iwi and imi, government agencies and our community partners for their contribution during the year.

Most importantly, I thank the people of Rēkohu, Wharekauri and the Chatham Islands for their continued support as we work together toward a resilient and sustainable future.





Greg Horler,

Mayor

Bob Penter,

Chief Executive

Our performance during 2025/26

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 2026. The full statement of service performance was authorised for issue by Chatham Islands Council on 29 October 2026.

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 identity 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 2025/26 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.

Though still lower than what we'd like, results of the Annual Residents Satisfaction Survey showed an increase in confidence that Council decisions are made in the best interest of the community. We hope to build on that increase in trust and continue to improve.



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 are proud to have met seven of ten of the measures for the transportation, roading and coastal networks group of activities.

A strong majority of residents expressed their satisfaction with the sealed road network, a noticeable increase from last year. Satisfaction with the unsealed road network has improved, though still remains at only 50%.

Targets regarding resealing and resurfacing were well exceeded and all planned footpath maintenance was carried out in full.

All customer requests were actioned or responded to within five working days.



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 achieved 11 of the 17 total measures in the supply and treatment of three waters.

Council acknowledges that water infrastructure requires further capital investment for our services to improve and be fully compliant with legislation. There was a boil water notice and the residents survey captured low satisfaction regarding potable water infrastructure.

All wastewater targets were achieved. We are pleased to report no flooding events or discharge notices were required this year.

Potable water



Wastewater



Storm water



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. We remain committed to working alongside the community to promote sustainable waste management practices and regularly publish public notices to encourage recycling.

Looking ahead, we plan to expand our recycling education initiatives by engaging with local schools and teaching children about the importance of recycling and environmental responsibility.



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.

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.

What we delivered

Council achieved four of the six measures for community services and emergency management. Resident satisfaction with community services has increased and Council responded to all enquiries and complaints within 24 hours.

Though there have been minimal communications to the community regarding emergency management, the community continues to feel prepared in the case of an emergency.

Community services



Emergency management



Environmental management, protection and monitoring

Council has responsibilities under legislation to protect public health, safety and wellbeing.

Biodiversity, biosecurity and regulatory functions, including pest management, consent processing, bylaw enforcement and liquor licensing, help protect our environment and support our communities.

The Chatham Islands' isolation has helped keep many pests found elsewhere in New Zealand from establishing here. The Islands are also home to unique native plants, animals and ecosystems, many of which are found nowhere else in the world and remain vulnerable to the impacts of pests and invasive species.

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, embracing diversity and building growth community outcomes by planning, regulating and monitoring the use of our natural and physical resources, while protecting our unique culture, heritage and biodiversity and responding to the impacts of climate change and drought.

We work with imi, iwi and landowners to protect miheke/taonga, enhance biodiversity and manage pests that threaten our environment. Protecting our unique natural heritage helps create opportunities for sustainable growth, including tourism. Through stewardship, t'chiekitanga and kaitiakitanga, we safeguard the Islands' unique ecosystems, landscapes and indigenous biodiversity for future generations. We monitor environmental trends and pressures, particularly relating to land, soil and water, and use this information to inform planning and support more resilient communities.

Our planning and regulatory processes ensure sites of cultural significance are recognised and protected, while helping provide the infrastructure and resources needed by current and future generations. We promote best practice in land and water management through education, monitoring and compliance activities. We also regulate activities that may impact the environment, issue alcohol licences, and manage dog and stock control to support public safety, community wellbeing and economic prosperity. Our Dog and Stock Control Officer works with owners to encourage responsible animal management and minimise impacts on native fauna.

What we delivered

Council achieved three of the five applicable performance measures for the year, including all biosecurity measures and one of the two water monitoring, consenting and compliance measures.

Council continued to undertake biosecurity activities and provide regular updates to the community through its monthly newsletter. In addition, all resource consent applications were processed within statutory timeframes.

Three previously reported measures relating to pest management and freshwater management were not applicable during the 2025/26 financial year and have therefore been excluded from this assessment. Legislative changes affecting freshwater management also meant Council was unable to establish the priorities required to assess certain freshwater management targets.

Pest management



Water monitoring



Consenting and compliance



Financial performance for 2025/26

These summary financial statements have been extracted from the audited Annual Report for the year ended 30 June 2026, which was adopted by Council on 29 October 2026. The full Annual Report is available on Council's website (www.cic.govt.nz) or from the Council office.

The summary financial statements do not include all disclosures contained in the full Annual Report and should be read alongside that document. They are presented in New Zealand dollars, with all values rounded to the nearest thousand dollars ($000) and comply with PBE FRS-43 *Summary Financial Statements*.

The full financial statements have been prepared in accordance with the Local Government Act 2002, NZ GAAP and PBE IPSAS. Council applies Tier 2 PBE Accounting Standards and has used the reduced disclosure concessions available under that framework.

The financial statements have been prepared on a going concern basis. During 2025/26, Council continued to focus on strengthening its financial sustainability and ensuring limited resources were directed towards the services and infrastructure most important to the Chatham Islands community. Through prudent expenditure management, improved cash management and a continued focus on financial discipline, Council has strengthened its cash position, reduced liabilities and improved its overall financial position during the year. These improvements, together with confirmed funding arrangements and available banking facilities, support Council's expectation that it will continue to meet its obligations as they fall due.

While Council continues to face long-term challenges associated with its small rating base, ageing infrastructure, increasing compliance requirements and reliance on external funding, the material uncertainty relating to going concern included in previous years' audit opinions was not required for 2025/26.

Uncertainty remains regarding the future cost of complying with the Local Water Done Well reforms and other local government reform initiatives. These matters may affect future funding requirements and infrastructure investment decisions.

The Annual Report was audited by The Audit Office, which issued an unmodified audit opinion with an Emphasis of matters relating to Future of water delivery and simplifying local government reform. Reflecting Council's strengthened year-end financial position, this is the first year since 2022/23 that the audit opinion has not included a material uncertainty paragraph related to going concern.

There were no significant changes in accounting policies during 2025/26 and no events after balance date requiring adjustment to the financial statements. Council is exempt from income tax, and all amounts are stated exclusive of GST unless otherwise noted.

Statement of comprehensive revenue and expense for the year ended 30 June 2026

	Actual 2025/26 $000	Annual Plan 2025/26 $000	Actual 2024/25 $000
Rates	916	873	843
Grants & subsidies	8,784	9,673	9,259
Other revenue	1,517	1,209	1,473
Total revenue	**11,217**	**11,755**	**11,575**
Financial costs	5	-	5
Other expenditure	9,992	10,457	10,462
Total expenditure	**9,997**	**10,457**	**10,467**
Surplus/(deficit) associate share	-	136	(237)
Total surplus/(deficit)	**1,220**	**1,434**	**871**
Revaluation reserve change	9,218	-	63
Total comprehensive revenue and expense	**10,438**	**1,434**	**934**

Statement of changes in equity for the year ended 30 June 2026

	Actual 2025/26 $000	Annual Plan 2025/26 $000	Actual 2024/25 $000
Equity at the start of the year	**99,442**	**100,223**	**98,508**
Total comprehensive revenue and expense	10,438	1,434	934
Equity at the end of the year	**109,880**	**101,657**	**99,442**

Statement of financial position as at 30 June 2026

	Actual 2025/26 $000	Annual Plan 2025/26 $000	Actual 2024/25 $000
Current assets	1,835	764	1,271
Non-current assets	109,419	103,092	100,096
Total assets	**111,254**	**103,856**	**101,367**
Current liabilities	1,284	2,109	1,835
Non-current liabilities	90	90	90
Total liabilities	**1,374**	**2,199**	**1,925**
Net assets	**109,880**	**101,657**	**99,442**
Total public equity	**109,880**	**101,657**	**99,442**

Statement of cash flows for the year ended 30 June 2026

	Actual 2025/26 $000	Annual Plan 2025/26 $000	Actual 2024/25 $000
Net cash flow from operating activities	3,505	3,663	4,308
Net cash flow from investing activities	(2,999)	(4,261)	(3,596)
Net cash flow from financial activities	-	(22)	(19)
Increase/(decrease) in cash held	**506**	**(620)**	**693**
Opening cash balance	581	110	(111)
Closing cash balance	**1,087**	**(510)**	**582**

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

Revenue was $0.5 million lower than budget
Total revenue of $11.2 million was $0.5 million lower than budget. This was primarily due to grant and subsidy income being lower than expected, reflecting roading projects that were either deferred to future years or delivered at a lower cost than originally forecast. As a result, the associated subsidy funding received was also lower than anticipated.

This was partially offset by stronger than expected revenue from user pays, fees, and other income sources.

Expenditure was $0.5 million lower than budget
Total expenditure of $10.0 million was $0.5 million below budget. During the year, Council continued its focus on financial sustainability and careful expenditure management to strengthen its financial position and maintain affordable service delivery.

Savings were achieved across several activities, including a reduced scope of regional council services and lower expenditure in several operational areas. While this strengthened Council's cash position, some service levels and performance measures were affected as resources were prioritised towards essential community services and infrastructure.

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

Current assets were $1.1 million higher than budget
Current assets were higher than expected, primarily due to a stronger cash position at year end. Lower expenditure and the timing of projects contributed to cash balances being higher than originally forecast.

Non-current assets were $6.3 million higher than budget
Non-current assets were above budget mainly due to the revaluation of Council's infrastructure assets during the year.

Current liabilities were $0.8 million lower than budget
Current liabilities were lower than budget due to reduced expenditure and lower creditor balances at year end. Council was also able to avoid using its budgeted overdraft facility.

No significant variance in non-current liabilities
Non-current liabilities were broadly in line with budget.

Overall, Council's financial position at 30 June 2026 was stronger than anticipated, reflecting improved liquidity, lower liabilities, and a continued focus on financial sustainability.

Financial Sustainability and Future Challenges

Chatham Islands Council is New Zealand's smallest local authority and has a limited rating base. Council also relies on central government funding to support service delivery and infrastructure investment. During 2025/26, Council strengthened its financial position through careful expenditure management and a continued focus on directing resources to the services and infrastructure most important to the community. As a result, the year-end cash position was higher, liabilities were lower, and overall financial resilience was stronger than originally forecast.

Council also continued to strengthen governance, improve financial processes, and identify opportunities to deliver services more efficiently through partnerships, shared services, and collaborative approaches where these provided value to the community.

While Council's short-term financial position has improved, longer-term challenges remain. These include maintaining critical infrastructure, responding to regulatory and compliance obligations, attracting and retaining specialist capability, and securing sufficient funding to support future service delivery. Council continues to work closely with central government and funding partners to address these challenges and support long-term community outcomes.

Local Government Reforms

Central Government has signalled its intention to reform aspects of local government, including consideration of future council structures, functions and service delivery arrangements. The nature, timing and impact of any future reforms remain uncertain.

The Council is not presently included in an amalgamation proposal. Any future change to the Council's structure may be progressed through a backstop process following the 2028 local elections, with the final outcome dependent on future Cabinet decisions and the passing of enabling legislation.

Because of the significant uncertainty about the outcome and timing of any future reorganisation, the financial statements have continued to be prepared on a going concern basis.

Local Water Done Well Programme

The Government's Local Water Done Well reforms require councils to prepare Water Services Delivery Plans outlining how water services will be delivered in the future.

Council submitted its Water Services Delivery Plan by the statutory deadline of 3 September 2025. The Plan proposed that water services for Waitangi and Kaingaroa continue to be owned and delivered by Council. No final decision has been made on the future delivery model, and the ultimate arrangement remains subject to further assessment, regulatory approval, and future Council decisions.

Following its review of the Plan, the Secretary for Local Government requested additional information on asset condition and the long-term financial sustainability of the proposed model. In response, Council completed an asset condition assessment and provided the results to the Department of Internal Affairs during 2025/26.

The assessment will inform further analysis of future water service delivery options and a revised Water Services Delivery Plan, which must be submitted by 30 June 2028.

Council's three waters infrastructure is ageing and requires significant investment to address renewal backlogs, improve resilience, and meet current and future regulatory requirements. Funding constraints have limited investment in some assets, resulting in a greater reliance on reactive maintenance.

The financial and operational impacts of the reforms remain uncertain, as Government funding arrangements, regulatory requirements, and implementation pathways continue to develop. While the ultimate service delivery model remains uncertain, Council expects that significant additional investment and ongoing external funding support will be required to maintain compliance with future regulatory standards and achieve long-term service outcomes for the Chatham Islands' water infrastructure.

Independent Auditor's Report

To the readers of Chatham Islands Council's summary of the annual report for the year ended 30 June 2026

The summary of the annual report was derived from the annual report of the Chatham Islands Council (the Council) for the year ended 30 June 2026.

The summary of the annual report comprises the following information on pages 4 to 16 and 18 to 21:

- the summary statement of financial position of the Council as at 30 June 2026;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows of the Council for the year ended 30 June 2026;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary description used for the summary statement of service provision (referred to as 'our performance during 2025/26').

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 2026 in our auditor's report dated 29 October 2026.

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

Future of water delivery

Note 16 on page 81 of the full annual report discloses that the Secretary for Local Government did not accept the Council's water services delivery plan and requested further information. In that plan, the Council had proposed to deliver water, wastewater and stormwater services directly from 1 July 2027.

Following this decision, the Council is required to amend its plan and resubmit it in two stages, with the final resubmitted plan due by 30 June 2028. There is therefore uncertainty about the 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.

Simplifying Local Government Reform

The government has announced it wants to simplify local government, including reducing the number of local authorities by amalgamations within regions. As described in note 17 on page 81 of the full annual report, the council is not yet part of an amalgamation proposal and any future change may be determined through a backstop process following the 2028 local elections. The eventual outcome for the council is dependent on future cabinet decisions and enactment of enabling legislation. Because of the significant uncertainty about the outcome and timing of any future reorganisation, the financial statements have continued to be prepared on a going concern basis.

Information about these matters is also disclosed on pages 20 to 21 of the Chatham Islands 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 Council.



Yvonne Yang
The Audit Office
On behalf of the Auditor-General Christchurch, New Zealand
29 October 2026





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chatham islands council

Our people, our Islands, our future