



chatham islands council

Performance Audit & Risk Committee

MEETING PACK

for

PARC Meeting

Wednesday, 3 December 2025

9:00 am (+1345)

Held at:

Chatham Islands Council

13 Tuku Road, Chatham Islands

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AGENDA

PARC MEETING



Name:	Performance Audit & Risk Committee
Date:	Wednesday, 3 December 2025
Time:	9:00 am to 11:00 am (+1345)
Location:	Chatham Islands Council, 13 Tuku Road, Chatham Islands
Committee Members:	Mr Philip Jones (Committee Chair), Mayor Greg Horler, Cr Celine Gregory-Hunt, Cr Jenna Hoverd
Attendees:	Mr Paul Eagle, Ms Colette Peni, Ms Jo Guise, Ms Denise Thomas, Ms Tanya Clifford
Apologies:	Cr Graeme Hoare

1. Opening Meeting

1.1 Apologies

N/A

Supporting Documents:

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1.2 Interests Register

1.3 Action List

Supporting Documents:

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1.4 Terms of Reference

9:00 am (5 min)

Mr Paul Eagle

For Decision

To formally record the establishment of the Performance, Audit and Risk Committee, confirm the Committee's Terms of Reference and membership as approved by Council on 19 November 2025, and note the Committee's first meeting date and scheduled meeting cycle.

Supporting Documents:

1.4.a	1.4 Terms of Reference for the PARC REPORT_03Dec25.pdf	11
1.4.b	CIC Performance Audit and Risk Committee TOR_19Nov25.pdf	13

2. Confirm Minutes

2.1 PARC Meeting Minutes 1 September 2025

9:05 am (2 min)

For Decision

For the PARC to confirm the minutes from the previous meeting.

Supporting Documents:

2.1.a	2.1 Minutes of PARC Meeting .pdf	16
2.1.b	Public PARC Minutes 1 Sept 2025.pdf	17

3. Financial Report

3.1 Financial Report

9:07 am (10 min)

Mr Paul Eagle

For Information

For the PARC to receive the financial report to ?? 2025.

Supporting Documents:

3.1.a	3.1 Financial Report.pdf	21
3.1.b	CIC Finance report October 2025.pdf	22

4. Annual Report 2025

4.1 Annual Report 2024/25 - Draft

9:17 am (10 min)

Mr Paul Eagle

For Information

Supporting Documents:

4.1.a	4.1 Annual Report 2024_25 Draft REPORT_03Dec25.docx	25
4.1.b	Annual Report 2425.docx	27

4.2 Annual Audit 2024/25 - Update

9:27 am (10 min)

Mr Paul Eagle

For Noting

To provide an update on Audit New Zealand's progress on the audit of the Chatham Islands Council 2024/25 Annual Report (25J), and to outline the matters, Audit New Zealand will speak to verbally at the meeting.

Supporting Documents:

4.2.a	4.2 Annual Audit 2024_25 Update REPORT_03Dec25.docx	120
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5. Annual Plan 2026/27 - Dates

5.1 Annual Plan 2026/27 - Dates

9:37 am (10 min)

Mr Paul Eagle

For Noting

To clarify the planning requirements, delivery approach, and role of the Performance, Audit and Risk Committee in the development of the Council's 2026/27 Annual Plan.

Supporting Documents:

5.1.a	5.1 Annual Plan 2026_27 Dates REPORT_03Dec25.pdf	122
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6. Riskpool

6.1 Riskpool - Proposed amendments to the Trust Deed

Supporting Documents:

6.1.a	6.1 Riskpool - Proposed amendments to the Trust Deed REPORT_03Dec25.pdf	126
6.1.b	Attachment 1_Letter from LGMFT dated 21 August 2025.pdf	130
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7. Public Excluded

7.1 Move to Public Excluded

Supporting Documents:

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7.2 Public Excluded Minutes 1 September 2025

Supporting Documents:

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7.3 Move out of Public Excluded

8. Close Meeting

8.1 Close the meeting

Next meeting: No date for the next meeting has been set.



Performance, Audit & Risk Committee

5.1 Annual Plan 2026/27 - Dates

Date of meeting	3 December 2025
Agenda item number	5.1
Author/s	Tanya Clifford, ECan

Purpose

To clarify the planning requirements, delivery approach, and role of the Performance, Audit and Risk Committee in the development of the Council's 2026/27 Annual Plan.

Recommendations

That the Performance, Audit & Risk Committee recommends to Council:

- 1. Notes the information in the report**

Background information

An Annual Plan is a short-term planning and budgeting document produced by Chatham Islands Council each year (except in the years when a Long-Term Plan is adopted). It:

- Sets out the council's budget, work programme, and priorities for the upcoming financial year.
- Identifies any changes from the Long-Term Plan, including new projects, changes in timing, or financial adjustments.
- Provides the basis for setting rates and fees for the year.
- Is developed with community consultation where changes from the Long-Term Plan are significant.

In short, the Annual Plan outlines what the council will deliver in the coming year, how it will be funded, and how it differs from the longer-term commitments in the Long-Term Plan.

The Annual Plan process includes confirming the draft budget and assessing whether any changes from the Long-Term Plan are considered 'significant and material.'

In March 2026, Council will be required to make this determination. If a significant difference is identified, formal community consultation must follow. Historically, Council has concluded that changes have not been significant, meaning that only general community engagement has been undertaken, rather than formal consultation. In this scenario, the budget is then updated as needed in June and adopted by Council before 30 June 2026 for implementation in the next financial year.

Proposed timetable

Budget development	February to March 2026
<i>The draft budget for the 2026/27 financial year is prepared, including updates to operating and capital expenditure, funding requirements, and alignment with the adopted Long-Term Plan (LTP). This work includes identifying any changes in project timing, service levels, or financial assumptions.</i>	
PARC / Council consideration	March 2026
<i>The draft budget is presented to the Performance, Audit and Risk Committee (PARC) and Council for review. At this stage, Council must determine whether the differences between the proposed Annual Plan budget and the equivalent year in the Long-Term Plan are 'significant and material.' PARC and Council may also seek clarification or further detail on proposed work programmes and the achievement of Council's agreed levels of service and strategic goals.</i>	
If Council determines that the variation is significant:	If Council determines that the variation is not significant:
<i>A formal engagement and consultation process is required, consistent with the Local Government Act 2002. This will include:</i> <ul style="list-style-type: none"> <i>Preparation of a formal consultation document clearly outlining material changes</i> <i>Public consultation during May 2026</i> <i>Receipt of submissions and hearings held in early June 2026</i> <i>Final amendments incorporated following deliberations</i> 	<i>No formal consultation process is required. In this case, Council may instead undertake general community engagement as appropriate, with the draft Annual Plan and budget refined through the normal review and decision-making cycle.</i>
PARC / Council review	June 2026
<i>Following consultation (if required) or internal refinement, the updated Annual Plan and budget are reported back to PARC and Council for final consideration.</i>	
PARC / Council adopt Annual Plan, including budget then set rates	June 2026
<i>Council adopts the 2026/27 Annual Plan, including the final budget, and sets the rates for the upcoming financial year. The plan must be adopted before 30 June 2026 to enable implementation from 1 July 2026.</i>	

Key Budget Assumptions

The Annual Plan is developed using a number of standard planning assumptions that guide financial forecasts and work programmes. These typically include:

- **Central Government funding and subsidies:**
Assumptions are made about the level and continuity of grants or funding support from central government agencies. In some cases, the level of funding is not confirmed until late in the planning process, creating uncertainty that may affect the delivery of agreed service levels.
- **Transport and infrastructure subsidies:**
Council assumes current funding assistance rates and subsidy arrangements will continue across the planning period. Any shortfall between planned expenditure and external subsidies is generally funded through rates, fees and charges or deferring work.
- **Population, rating base and price changes:**
Council assumes little change in population or the number of rateable properties unless local growth projections indicate otherwise. Adjustments for inflation, interest rates, materials, supply costs, and labour are based on recognised sector forecasts (e.g., BERL), with consideration given to local cost pressures, including geographic isolation and high service delivery costs by increasing the BERL adjustment factors by an additional 0.75%.
- **Legislative and regulatory environment:**
Government policy and legislative change can significantly affect council operating and capital expenditure. Annual Plans generally assume no major legislative changes unless already signalled. Where new obligations arise, it is assumed that additional external funding will be required to meet compliance expectations. Where the impacts remain unclear, the Annual Plan generally assumes that current functions and service responsibilities will continue until formal changes are enacted.
- **Climate change and natural hazards:**
Forecasts usually assume no major natural disaster or catastrophic climate-related event during the planning period. While councils continue to plan and strengthen resilience, the direct financial impacts of such events are generally not included in the base budget and would be addressed through insurance, emergency funds, or additional government support if required.
- **Service levels and performance:**
Councils typically plan to maintain existing levels of service unless a change is specifically proposed and funded. Any significant shift in cost drivers, regulatory requirements, or funding availability may affect the ability to maintain these levels.

These assumptions provide the basis for preparing a balanced Annual Plan each year and are reviewed as new information becomes available.

Capital Expenditure

The Annual Plan assumes that capital expenditure will be limited to projects for which external funding has been secured. For council, this means:

- **Transport infrastructure capital works** are primarily funded through New Zealand Transport Agency Waka Kotahi assistance. Accordingly, only roading capital projects included in the approved land transport programme will be budgeted for within the Annual Plan.
- **Other capital projects** will only proceed where dedicated external funding or grants have been obtained. The Council does not have the financial capacity to fund significant capital investment from rates or internal reserves alone.
- The capital programme is therefore focused on maintaining and renewing existing infrastructure within available funding, with no unfunded major upgrades or new assets included in the baseline budget.

This approach ensures that capital commitments remain financially sustainable, align with confirmed funding sources, and do not place additional cost burdens on ratepayers unless external support is secured.

Attachments

None

Action List

Performance Audit & Risk Committee



As of: 2 Dec 2025

Cost reduction programme

In Progress

A draft cost reduction programme would be presented to the Chair by 21 August 2024

Due Date: 21 Aug 2024

Owner: Mr Paul Eagle

Meeting: 29 Jul 2024 PARC Meeting, 3.1 Financial Report

Latest Update:

To further address the outcome of the assurance work, a Workshop was held on-Island for the Mayor and Councillors led by Department of Internal Affairs officials took place on Wednesday 17 September. Additionally, a meeting with the Department of Internal Affairs Chief Executive and Secretary for Local Government, the Executive Director, Water Reform and Manager, Operational Policy together with the Mayor, Independent Chair of our Performance, Audit and Risk Committee and myself took place on Thursday 13 November. We have received no further update on progress. To maintain alignment with our annual planning timelines, we need definitive direction.

Ms Jo Guise | 25 Nov 2025



PARC

1.4 Terms of Reference for the Performance, Audit and Risk Committee

Date of meeting	03 December 2025
Author/Reviewer	Paul Eagle, Chief Executive

Purpose

To formally record the establishment of the Performance, Audit and Risk Committee, confirm the Committee's Terms of Reference and membership as approved by Council on 19 November 2025, and note the Committee's first meeting date and scheduled meeting cycle.

Recommendations

That the Performance, Audit and Risk Committee:

1. **Receives** this report.
2. **Notes** that Council at its 19 November 2025 meeting:
 - a. **Established** pursuant to clause 30(1) of Schedule 7 of the Local Government Act 2002, the Performance, Audit and Risk Committee,
 - b. **Adopted** the Terms of Reference (as per Attachment),
 - c. **Appointed** Philip Jones as the Independent Committee Chair of the Performance, Audit and Risk Committee.
 - d. **Appointed** the Mayor, Greg Horler, Deputy Mayor, Celine Gregory-Hunt, and Councillors Graeme Hoare and Jenna Hoverd as members of the Performance, Audit and Risk Committee,
 - e. **Appointed** the Mayor, Greg Horler, as Deputy Chair of the Performance, Audit and Risk Committee,
 - f. **Agreed** that the Performance, Audit and Risk Committee will meet for the first time on Wednesday 3 December 2025, and;
 - g. **Agreed** that the Performance, Audit and Risk Committee will meet on the dates as approved by Council.



Attachments

Terms of Reference for the Performance Audit and Risk Committee.



Performance Audit and Risk Committee

Terms of Reference

Purpose

The Performance Audit and Risk Committee has the core function for the formulation and monitoring of performance audit and risk frameworks, providing oversight of the Council's approach to risk management and compliance, while also assisting in the development and review of funding and financial policies and Council's performance monitoring.

Membership, tenure, and quorum

The Mayor, Deputy Mayor, two Councillors and one independent member as Chair. The independent member must not be a Councillor or a staff member and is appointed to the role by the Council.

Members will be appointed to the Performance Audit and Risk Committee for an initial period not exceeding three years. The maximum period of membership of the Performance Audit and Risk Committee is two terms.

The quorum shall be three members.

Competencies

Committee members must demonstrate the following competencies:

- Risk management expertise;
- Strong financial literacy and understanding of council finances;
- Legal and regulatory compliance awareness (LGA, LGFA, Audit New Zealand expectations);
- Governance and assurance capability – able to provide independent oversight;
- High integrity, sound judgement and impartiality;
- Strategic thinking – able to link risks to long-term community outcomes;
- Audit literacy – able to interpret internal/external audit findings;
- Clear analytical and questioning skills;
- Business continuity and resilience awareness;
- Understanding of small, remote-area operating realities – limited systems, high-risk contracts, supply-chain vulnerabilities;
- Sensitivity to small-community conflicts of interest and reputational risk;
- Awareness of Crown–Island relationships and unique funding arrangements;
- Cultural competence and understanding of Te Tiriti.

Responsibilities

The Performance Audit and Risk Committee's responsibilities are to:



1. Financial and performance

- a. develop and review Council's funding and financial policies and frameworks and make recommendations to Council;
- b. develop and review Council's performance monitoring framework (financial and non-financial) and make recommendations to Council;
- c. review Council's draft Annual Report, Annuals Plans and Long Term Plan prior to Council's adoption and make recommendations to Council;

2. Audit

- a. receive and review external audit letters and management reports;
- b. approve and review the internal audit plan and review the annual programme report, and monitor implementation of the internal audit plan;

3. Risk management

- a. approve, review and monitor Council's risk framework and policy;
- b. review the Council's risk appetite and risk tolerance and make recommendations to Council;
- c. monitor the effectiveness of Council's risk management and internal control systems, and risks arising from litigation;
- d. monitor the implementation of recommendations and findings made in relation to:
 - i. Internal Control Framework
 - ii. Internal Reporting
 - iii. External Reporting and Accountability
- e. review the risk register;

4. Compliance

- a. ensure compliance with legal and regulatory requirements on Council;
- b. oversee the Council's policies and procedures on matters such as fraud, misconduct and whistleblowing;
- c. monitor health and safety compliance by the Council.

5. Review and make recommendations on relevant Council policies before Council's approval in the context of the Council's risk management and compliance framework.

Delegated powers

All powers necessary to perform the Performance Audit and Risk Committee's responsibilities under the terms of reference, including the authority to:

1. seek information that it requires, within its terms of reference, from any employee of the Council;
2. conduct or authorise investigations into matters within the responsibilities set out in the terms of reference;
3. access outside legal or independent professional advice it considers necessary;
4. approve and review Council's audit and risk policies and frameworks;
5. make recommendations to the Council on matters within the Committee's terms of reference; and



6. establish the informal working groups or steering groups necessary for the purpose of progressing audit and risk-related matters.

Reporting arrangements

The Performance Audit and Risk Committee reports directly to the full Council.

Note:

The Performance Audit and Risk Committee is not delegated the power of authority to:

- *Develop, approve or review strategic policy and strategy*
- *Develop, approve or review non-financial operational policies and plans*
- *Approve funding and financial policies.*

The Performance Audit and Risk Committee shall review the Terms of Reference periodically or as circumstances require.



Performance, Audit and Risk

2.1 Minutes of PARC Meeting 1 September 2025

Date of meeting	3 December 2025
Agenda item number	2.1
Author/s	Jo Guise, Executive Assistant

Purpose

To present the minutes from the Performance, Audit & Risk meeting held on 1 September 2025.

Recommendations

THAT the minutes of the Performance, Audit & Risk meeting held on 1 September 2025 be received.

MINUTES (in Review)

PARC MEETING



Name:	Performance Audit & Risk Committee
Date:	Monday, 1 September 2025
Time:	9:00 am to 10:08 am (+1245)
Location:	Chatham Islands Council, 13 Tuku Road, Chatham Islands
Committee Members:	Mr Philip Jones (Committee Chair), Mayor Greg Horler, Cr Keri Day, Monique Croon, Mr Steve Joyce
Attendees:	Ms Colette Peni, Ms Jo Guise, Mr Paul Eagle, Ms Tanya Clifford

1. Opening Meeting

1.1 Apologies

1.2 Interests Register

There were no conflicts noted for this meeting.

1.3 Action List

Due Date	Action Title	Owner(s)
21 Aug 2024	Cost reduction programme Status: In Progress	Mr Paul Eagle



Action List

THAT the Action List be received.

Decision Date:	1 Sept 2025
Mover:	Cr Keri Day
Second:	Monique Croon
Outcome:	Approved

2. Confirm Minutes

2.1 Minutes 21 July 2025



Minutes 21 July 2025

THAT the PARC minutes from 21 July 2025 be a true and accurate record.

Decision Date:	1 Sept 2025
Mover:	Mr Philip Jones
Second:	Cr Keri Day
Outcome:	Approved

3. Financial Report

3.1 Financial Report



Financial Report to 31 July 2025

THAT the Performance, Audit & Risk Committee receive the report.

Decision Date: 1 Sept 2025
Mover: Mr Steve Joyce
Seconders: Mayor Greg Horler
Outcome: Approved

Tanya Clifford noted the Annual Plan reflected expected revenue and expenditure without cost reductions and could be updated once reductions were confirmed. Questions were raised on expenditure variances - contractor costs related to timing issues, higher legal fees linked to the court case and retrospective contract work.

Discussion followed on how rates income was recorded, with Tanya explaining it was recognised annually in the system, though Philip Jones suggested apportioning monthly for clearer reporting. He also requested future CapEx reporting be broken down beyond a single roading line.

4. Annual Report Timeline 2025

4.1 Annual Report Timeline 2025



Summary of Annual Report

THAT the Performance, Audit & Risk Committee:

1. Receives the updated summary on the Annual Report timeline for the 2024 financial year.

Decision Date: 1 Sept 2025
Mover: Cr Keri Day
Seconders: Mr Philip Jones
Outcome: Approved

Philip Jones highlighted tight timelines to meet the statutory audit deadline at the end of October, noting risks with staff and auditor availability. Tanya Clifford explained the Summary Annual Report was prepared after most audit work was completed to avoid rework, and noted ongoing challenges around “going concern” assessments, which may be influenced by upcoming service contract changes.

Discussion also touched on the new Auditor General, and potential impact on future audits.

5. Service Delivery Transitioning Arrangements Update

5.1 Service Delivery Transitioning Arrangements Update



Service Delivery Transitioning Arrangements Update

THAT the Performance, Audit & Risk Committee:

1. Receives the report.
2. NOTES that the Chief Executive is engaging with the Public Services Commissioner and the on the long-term viability and sustainability of the Chatham Islands Council.

3. NOTES the work that is underway to ensure the Chatham Islands Council receives support in fulfilling its critical services from another local authority moving forward.
4. THAT the Committee recommends that Council delegate authority to the CE to develop and sign a Heads of Agreement for future service delivery, noting a full contract will return to Council for approval.

Decision Date: 1 Sept 2025
Mover: Monique Croon
Seconders: Cr Keri Day
Outcome: Approved

Discussion covered the transition to regional water services, with assurance that support from Auckland's Mayor, CE, and governing body was strong. Clarification was made to adjust the recommendation wording, removing reference to DIA responsibilities. The committee agreed to recommend that Council delegate authority to the CE to develop and sign a Heads of Agreement for future service delivery, noting a full contract would return to Council for approval. Corporate services transition from ECAN was also raised as an urgent priority, with further detail to be discussed in public excluded.

6. Public Excluded

6.1 Move to Public Excluded



Move to Public Excluded

THAT the public be excluded from the following part of the proceedings of the meeting.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

Item No.	Minutes / Report of:	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
PE.2	Chief Executive Officer	PX PARC Minutes 21 July 2025	Good reason to withhold exists under Section 7	Section 48(1) (a)

This resolution is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987, and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by holding the whole or relevant part of the proceedings of the meeting in public, are as follows:

ITEM NO.	GENERAL SUBJECT OF EACH MATTER TO BE CONSIDERED	SECTION	SUBCLAUSE AND REASON
PE.2	PE PARC Minutes 21 July 2025	7(2) (b) (ii) 7(2) (h) 7(2) (i)	Would be likely to prejudice the commercial position of the person or persons who are the subject of the information. To maintain legal professional privilege. To enable the Council holding the information to carry out, without prejudice or disadvantage, commercial activities.

and that appropriate officers remain to provide advice to the Committee.

Decision Date: 1 Sept 2025
Mover: Mr Steve Joyce
Seconders: Monique Croon
Outcome: Approved

7. Close Meeting

7.1 Close the meeting

Next meeting: No date for the next meeting has been set.

Signature: _____

Date: _____



Performance, Audit & Risk Committee

3.1 Financial Report

Date of meeting	3 December 2025
Agenda item number	3.1
Author/s	Paul Eagle, Chief Executive / Tanya Clifford, ECan

Purpose

To present to the Performance, Audit & Risk Committee the financial report.

Recommendations

That the Performance, Audit & Risk Committee receives the report.

Chatham Islands Council - Council cash financial report year-to-date transactions

Report to 31 October 2025

Year to date 'cash' transactions for four months	Revenue	Expenditure	Net surplus/ (loss)	Capital	Cash surplus/ (loss)
Leadership & community partnerships	2,783	89,581	(86,799)	-	(86,799)
Transportation, roading & coastal networks	1,145,579	634,832	510,747	1,074,925	(564,178)
Roading	1,130,822	612,644	518,178	1,074,925	(556,747)
Coasts	14,757	22,188	(7,430)	-	(7,430)
Three waters supply & treatment - potable water	175,053	105,454	69,598	-	69,598
Three waters supply & treatment - wastewater	112,973	69,513	43,460	-	43,460
Waste management & minimisation	114,101	252,097	(137,995)	-	(137,995)
Community development & emergency response	295,333	476,719	(181,387)	-	(181,387)
Community services	137,028	293,504	(156,476)	-	(156,476)
Petrol	158,304	128,947	29,357	-	29,357
Emergency services	-	54,268	(54,268)	-	(54,268)
Environmental protection, compliance & planning	43,077	319,126	(276,049)	-	(276,049)
Biosecurity and animal control	16,015	254,295	(238,279)	-	(238,279)
Resource management and regulatory	27,062	64,831	(37,770)	-	(37,770)
Corporate services and other overheads	5,655,417	793,628	4,861,788	10,665	4,851,124
Corporate services	1,452,417	793,628	658,788	10,665	648,124
Annual appropriation	4,203,000	-	4,203,000	-	4,203,000
Totals	7,544,315	2,740,951	4,803,364	1,085,590	3,717,774

All figures are 'cash' based and exclude year-to-date depreciation budgeted at \$2,300,000 for the year.

Budget figures reflect those adopted as part of the 2025/26 Annual Plan process, and have not been adjusted for cost savings. The Annual Plan budget expected a cash loss of \$320k, which excludes the timing impact of year-end account balances.

Notes:

Leadership & community partnerships	Predominately includes costs related to Councillor honorarium. No issues of note.
Transportation, roading & coastal networks	Roading projects primarily on track. NZTA subsidy rate remains at 88%.
Three waters supply & treatment - potable water	Three waters - income primary rates, with grant funding received in the prior financial year to meet LWDW plan requirements.
Three waters supply & treatment - wastewater	Expenditure on three water operational and capital costs is low reflective of Council's funding restrictions, this may have further impacts on the levels of service Council is able to provide. Lack of investment in critical asset maintenance increases the risk of asset failure. There remains a significant level of uncertainty related to how the Local Water Done Well plan will apply to Council and how the expected work will be funded.
Waste management & minimisation	Waste management expenditure tracking well, but Council would benefit from reviewing for additional cost efficiencies that could be achieved as part of the cost reduction plan.
Community development & emergency response	Larger transactions for this activity includes payment of grants to community organisations, which are one-off in nature and payment of rent expense.
Environmental protection, compliance & planning	No issues of note to report, primarily related to works performed by ECan.
Corporate services and other overheads	Annual budget was \$1.9 million, some overhead expenses have increased significantly,

Chatham Islands Council - Council cash financial report year-end forecast (continued)

Report to 31 October 2025

Remaining 'cash' difference to budget for eight months	Revenue	Expenditure	Net Surplus/ (loss)	Capital	Cash surplus/ (loss)
Leadership & community partnerships	4,837	200,965	(196,127)	-	(196,127)
Transportation, roading & coastal networks	4,367,033	1,414,621	2,952,412	3,000,075	(47,663)
Roading	4,311,312	1,320,576	2,990,736	3,000,075	(9,339)
Coasts	55,721	94,045	(38,325)	-	(38,325)
Three waters supply & treatment - potable water	-	406,144	(406,144)	-	(406,144)
Three waters supply & treatment - wastewater	-	162,112	(162,112)	-	(162,112)
Waste management & minimisation	11,275	625,931	(614,657)	-	(614,657)
Community development & emergency response	510,817	1,206,141	(695,323)	-	(695,323)
Community services	78,038	650,084	(572,046)	-	(572,046)
Petrol	395,165	398,167	(3,002)	-	(3,002)
Emergency services	37,615	157,890	(120,275)	-	(120,275)
Environmental protection, compliance & planning	98,034	673,273	(575,239)	-	(575,239)
Biosecurity and animal control	432	388,808	(388,377)	-	(388,377)
Resource management and regulatory	97,602	284,465	(186,862)	-	(186,862)
Corporate services and other overheads	-	1,159,655	(1,159,655)	-	(1,159,655)
Corporate services	-	1,159,655	(1,159,655)	-	(1,159,655)
Annual appropriation	-	-	-	-	-
Totals	4,991,997	5,848,841	(856,845)	3,000,075	(3,856,920)
Expected annual transactions	12,536,311	8,589,792	3,946,519	4,085,665	(139,146)
Annual Plan/Budget	11,891,073	8,139,792	3,751,281	4,075,000	(323,719)

The above tab takes the difference between amounts in the Annual Plan Budget and year-to-date transactions (above), to estimate remaining transactions to year end, with the exception of adjustments made below.

Adjustments made:

Actual exceeds annual budget		Standard formula removed, no further transactions expected
Transactions re-estimated, subsequent to budget		Increase compliance costs from LWDW plan - \$150k
		Transfer of seed funding to NKMR - \$300k

Key points:

Expected remaining cash movement to 30 June 2026	(3,856,920)	Council will spend more than it receives
Estimated overall cash movement to 30 June 2026	(139,146)	Council will spend more than it receives
Change to originally estimated movement	(184,573)	Favourable impact

Notes:

Corporate services and other overheads	Annual budget was \$1.9 million. Some overhead expenses have recently increased significantly, such as audit fees and insurance costs.
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Chatham Islands Council - Council financial report benchmarks (continued)

Report to 31 October 2025

Ratio or measure of sustainability	Achieved?	Target	October	June	March
<i>Cash management:</i>					
Available cash (overdraft)	Yes	> -\$150k	1,449,851	198,761	432,528
Total cash (overdraft)	Yes	> \$200k	1,838,087	586,997	853,220
Working capital ratio (ability to pay our bills)	Yes	> 1	2.60	0.85	2
<i>Operating cash performance:</i>					
Net cash movement for period (2024/25)	Yes	> \$0	1,639,326	698,241	964,464
Operating performance (cash flow) ratio	Yes	> 5%	24%	4.9%	8%
Adjusted balanced budget (cash) ratio	Yes	> 100%	197%	110%	124%
<i>Asset replacement:</i>					
Asset sustainability ratio	Yes	> 85%	141%	167%	173%

Notes:

In the initial part of the year, the Council experiences high cash liquidity and positive reporting targets. This is a reflection of the Council

Formulas:

Working capital ratio (ability to pay our bills)	$= \frac{\text{SUM}(\text{cash and debtor assets, excluding JV})}{\text{SUM}(\text{creditors, excluding loan balances})}$
Net cash movement for period (2023/24)	$= (\text{Total current bank balance}) - (\text{Total bank balance 2022/23})$
Operating performance (cash flow) ratio	$= \frac{\text{Total current bank balance}}{\text{Total operating revenue for the period}}$
Adjusted balanced budget (cash) ratio	$= \frac{\text{Total operating revenue for the period}}{\text{Total operating expenditure \& capital for}}$
Asset sustainability ratio	$= \frac{\text{Total capital expenditure for the period}}{\text{Total depreciation for the period}}$

Highlighting rules:

Ratio within benchmarked expectation	Yes	Ratio not within benchmarked expectation	No
Ratio within +/- 2% of benchmarked expectation	Acceptable		



PARC

4.1 Annual Report 2024/25 – Draft

Date of meeting	03 December 2025
Author/Reviewer	Tanya Clifford, Canterbury Regional Council Paul Eagle, Chief Executive

Purpose

To provide the Performance, Audit and Risk Committee with an interim update on the preparation of the Annual Report 2024/25, including progress to date, areas requiring further input, and the pathway to completion.

Recommendations

That the Performance, Audit and Risk Committee:

1. **Receives** this report.
2. **Notes** the progress made on the Annual Report 2024/25 and the remaining steps required to complete it.
3. **Provides** feedback or direction on the outstanding matters outlined above.

Background

Preparation of the Annual Report 2024/25 is well advanced, with all core sections drafted including:

- Mayor and Chief Executive's report
- 2024/25 in Review
- Moriori and Māori Engagement
- Vision and strategic framing
- Group of Activities performance narratives and Levels of Service reporting
- Financial statements, notes and Funding Impact Statements
- Auditor's draft requirements and format expectations

Progress to date

All 'Group of Activities' sections have now been drafted, with performance measures updated to reflect the new Levels of Service framework. The financials have been populated using the updated ANZ model and are currently subject to final audit adjustments. Narrative sections are in near-final draft. All audit queries received to date have been responded to within the required timeframes.



Matters requiring confirmation

To finalise the document for audit and adoption, the following items require direction:

- Final review of Group of Activities commentary, particularly where survey sample size limits interpretation.
- Confirmation of treatment of water regulatory changes under Local Water Done Well and associated compliance commentary.
- Any final design changes for publication formatting.

Next steps

The remaining steps are:

1. Incorporating final internal amendments and updated financial results following audit.
2. Completing final editorial and design work.
3. Issuing the final draft Annual Report to Audit New Zealand.
4. Presenting the completed Annual Report 2024/25 to Council for adoption.

Front section, suggested order

Responsible	Title	Page number
C&E/Design	Cover page Done	
C&E/Design	Inside cover – profile of the Chatham Islands I'm assuming this can remain as is? – JS	
C&E	Contents page Will edit last once I have done final formatting. - JS	
C&E	Mayor and Chief Executive's report & 2024/25 in review TC updated for Paul's response, has not been checked by Monique	
C&E	Introduction + vision + Moriori and Māori engagement	
C&E	'What we delivered' sections J - I have drafted content for review under each of the sections now, based on the draft LoS performance measures doc.	
Finance	Financial summary	
Finance/proof by C&E	Group of Activities performance summaries LoS tables updated for new performance measures, information to be reviewed by Paul and populated	
Finance	Financial statements Tanya has: Created new financial tables, with numbers subject to audit review, therefore minor changes likely Reviewed content and updated for information in LTP and ANZ model financial accounts	
Finance	Auditors report	

Chatham Islands Council

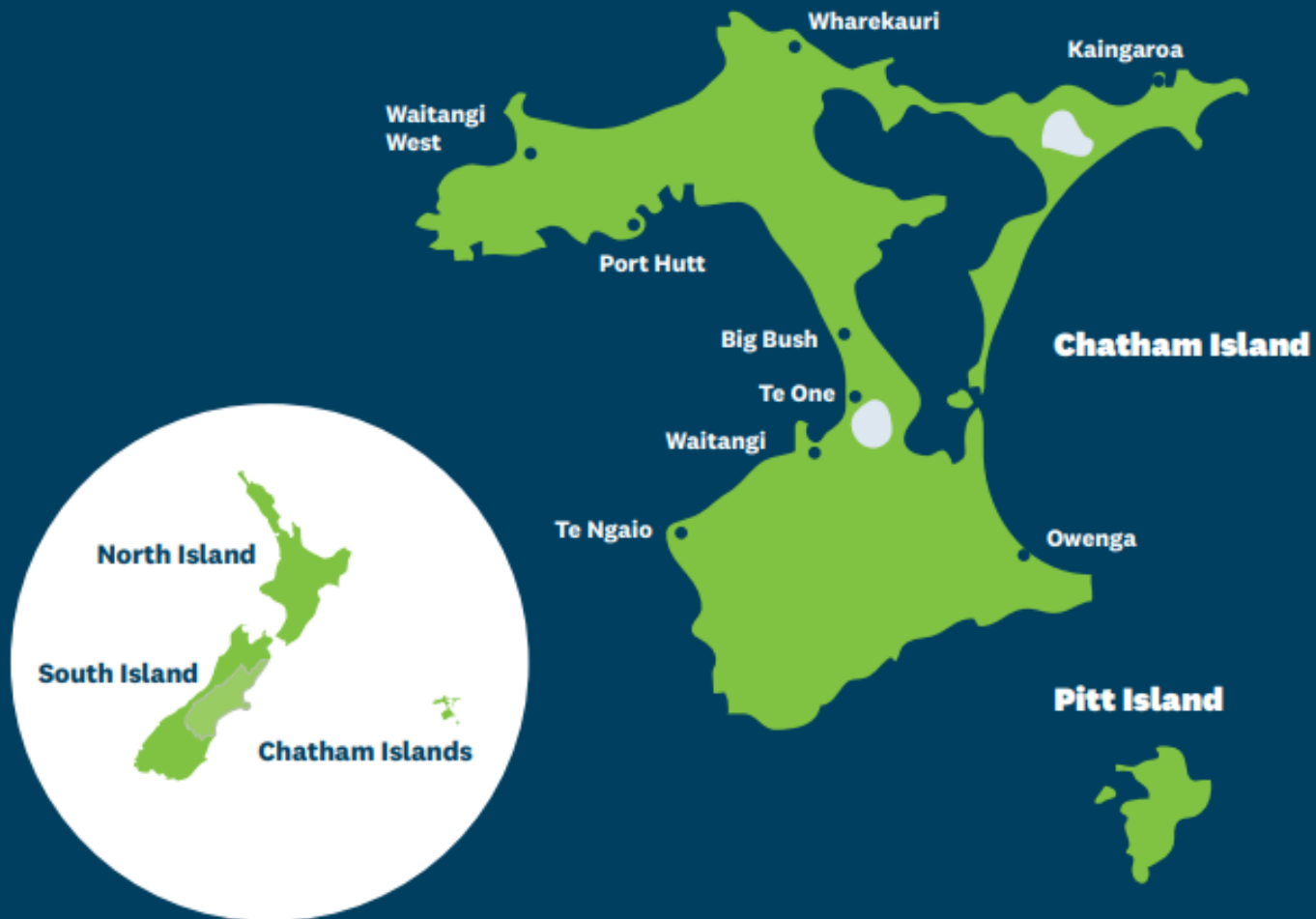
Annual Report 2024/25



chatham islands council

Our people, our Islands, our future





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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 and resilience for our community, despite ongoing challenges.

This year has been marked by a sharper focus on “getting back to basics”: ensuring our community has the essential services it needs, while continuing to advocate strongly for the long-term investment that the Islands require.

We remain mindful of the financial reality we face. With a very small ratepayer base, our Council cannot operate without Government support. We are grateful for the Government's ongoing commitment, while continuing to press for secure and fair funding arrangements that recognise both our statutory obligations and our unique isolation. Uncertainty remains a constant challenge, particularly with national reforms in water, emergency management, and resource management – but our message to Wellington has been clear: the Islands cannot be left behind, and Ministers have responded positively.

A sustainable funding model is the only way to keep families here, grow our economy, and protect our way of life for generations to come.

We take a whole-of-Island approach in our work via the four on-Island entities leadership group, Kāhui Manu Tāiko. From shipping and wharves to safe drinking water, resilient fuel and energy supplies, and community facilities, we are working

closely with our partners to deliver the priorities set out in the refreshed Chatham Islands Strategy.

A highlight of the year was the Stakeholders Forum in Wellington, a long serving Kāhui Manu Tāiko initiative. It brought together iwi, imi, Trust leaders, Ministers, and officials to align on a shared roadmap through to 2026. This spirit of kotahitanga, unity, is central to the future of our Islands, and we acknowledge our Treaty partners, Moriori and Māori, and the Chatham Islands Enterprise Trust for their leadership and collaboration.

Locally, we have continued to welcome visitors, build stronger partnerships with regional councils and several Government agencies across, and celebrate the centenary of the Chatham Islands Council. These milestones remind us that while our circumstances are unique, our commitment to serve our people is enduring.

We extend our thanks to our Councillors, staff, contractors and service partners for their dedication. Most importantly, we thank our community, our whānau, for your resilience, patience, and support.

Together, in unity, we continue to chart a course towards a more sustainable, connected, and vibrant future for Rēkohu, Wharekauri, the Chatham Islands.

Paul Eagle

Chief Executive

Moriori and Māori engagement

The Council has an obligation to consider the principles of Te Tiriti o Waitangi – and to recognise and provide for the special relationship between and with Moriori, Māori, their culture, traditions, land and miheke or taonga.

The obligation to consult includes recognising those who hold t'chakat henu or mana whenua or ancestral rights of land ownership. Within Rekohu, Wharekauri, the Chatham Islands, the Council recognises the t'chakat henu, Hokotehi Moriori Trust and Moriori Imi Settlement Trust (MIST), and Ngāti Mutunga o Wharekauri Iwi Trust as groups that represent mana whenua within the territory. The Council recognises the obligation to actively promote Moriori and Māori participation in the decision-making process.

The key goals of the Council in progressing relationships with imi/iwi are:

- Working towards formalising working relationships.
- Building capacity to enhance participation in the decision-making process.
- Providing information to assist Moriori and Māori to effectively contribute to the decision-making process.
- Providing education and raising awareness among staff and elected members so that they can gain an appreciation of the Moriori and Māori values and traditions in relation to the Local Government Act 2002 and the Resource Management Act 1991.
- Consulting with Moriori and Māori on key decisions. The Council also recognises an obligation to the Chatham Islands community under the Long-Term Plan 2024-34 in enhancing and acknowledging the importance of t'chakat henu/ tangata whenua.

The Council's vision

The Council is working towards creating a resilient and sustainable community that embraces diversity and builds growth for our people, our Islands and our future. These are the Council's priorities for ensuring that:

- We lead with integrity and respect.
- We work collectively for the greater good of the community to achieve community aspirations.
- We strive towards a sustainable future and actively pursue opportunities that can enhance the wellbeing and prosperity of our community.
- We are accountable to our community and transparent in our decision-making.

What we delivered

In this document, you will find the year that was. We highlight what we have achieved and -what funding and other barriers have prevented us from achieving what hasn't quite gone according to plan. We set out our Levels of Service, targets and measures for the work we do and how we performed against those. We compare this year's result to what happened last year. We also have the opportunity to share stories of the work we have been involved in. We are proud to deliver this mahi for the people of Rekohu, Wharekauri, the Chatham Islands.

Council activities:

- Leadership and community partnerships
- Transportation, roading and coastal networks
- Three waters supply and treatment
- Waste management and minimisation
- Community services and emergency management
- Environmental management, protection and monitoring.

Commented [TC1]: Hi team comms, should this be a heading or a separate box???

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 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.



Level of service: Ensure Council decision-making is informed by community participation

Measure	Target	Result
Number of occasions Council formally communicates with Government to advocate for additional funding to benefit the Chatham Islands.	At least annually	Achieved The Chief Executive and Mayor regularly meet with representatives of the Department of Internal Affairs (and several other relevant Crown agencies) to advocate for additional funding to meet our operational obligations. This includes funding related to Local Water Done Well, and a consolidated application to the Regional Infrastructure Fund (RIF). This result is consistent with that in the prior financial year.
Frequency of engagement with Government and Island partners. <i>Island partners include Chatham Islands Enterprise Trust, Imi, Iwi and Central Government organisations operating on the Chatham Islands – for example the Department of Conservation.</i>	At least twice each year	Achieved The stakeholder group Kahui Manu Taiko meet monthly to discuss and progress priorities and responsibilities associated with the Chatham Islands Strategy. The Kahui Manu Taiko group is a rebranding of the four entities group, which previously met quarterly. In addition to this, an island representative's stakeholder hui aims to be held twice a year, with relevant Government and non-government organisations. The intention of these hui is to identify island needs requiring support to address. Unfortunately, due to changes with key staff representatives for the host of the on-Island hui (Moriori), only one hui occurred in 2025, compared with 2024 where two hui were held.
Frequency of opportunities for Imi and Iwi to: <ul style="list-style-type: none"> Contribute to the decision-making processes of the Council Identify potential joint projects with shared efficiencies for discussion with island partner groups Engage with a designated staff member	At least annually	Achieved Imi and Iwi representatives are invited to participate in Council decision making, especially those with cultural implications. All other engagements occur through the Kahui Manu Taiko group, which meets monthly. This is a new measure for the 2024/25 financial year.

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Measure	Target	Result
Frequency of community meetings hosted by the Chief Executive and Council to provide opportunities for community voices to be heard.	At least quarterly	<p>Not achieved</p> <p>As a result of previous community feedback arising from the annual residents' satisfaction survey in 2024, it was highlighted that the community would appreciate a greater presence from the Chief Executive and Councillors in the community. Council has actively been trialing different options to more appropriately engage with the community, including a Facebook live "Hear from the mayor" which was an online question and answer session in October 2024.</p> <p>In addition, five community-based question and answer sessions were held around Chatham and Pitt Islands in January 2025 with the Chief Executive and Council representatives related to the Local Public Service Reform review with Council and the Chatham Islands Enterprise Trust.</p> <p>Several new engagement opportunities have occurred, including community meetings held in Kaingaroa, Owenga, Waitangi and Pitt Island in conjunction with the Chatham Islands Enterprise Trust to consult on the Local Public Service Reform. While met with positive community responses, these were not completed quarterly due to staff availability and resourcing constraints. Council will however be consulting on its 30-year strategy and amending its Long-Term Plan next year which will provide multiple opportunities to engage.</p> <p>This is a new target for the 2024/25 financial year, with no community meetings held in 2024 outside of normal Council meetings.</p>
Percentage of the community that are satisfied with the level of Council engagement.	70%	<p>Not achieved</p> <p>In 2024/25, the annual residents' satisfaction survey showed 57% of the respondents thought the level of Council engagement was sufficient or more than sufficient.</p>

Measure	Target	Result
<i>Measured by annual survey of residents. Satisfaction is defined as whether residents consider information supplied by Council was sufficient to provide rationale behind Council's decisions</i>		The target has been refocused slightly to the previous year, where 81% of the respondents agreed or strongly agreed that the information provided by Council to the community was sufficient. Given the sample size and comments provided, reliable extrapolations cannot be made. However, the Council will focus on improving the level of engagement with the community.
<p>Percentage of the community that are confident Council decisions are well-informed and made in the best interests of the community.</p> <p><i>Measured by annual survey of residents. Confidence is defined as whether residents consider a sufficient opportunity has been allowed for participation in decision making providing appropriate opportunities for community voices to be heard.</i></p>	66% confident or very confident	<p>Not achieved</p> <p>In 2024/25, the annual residents' satisfaction survey showed 42% of the respondents were confident or very confident that the Council decisions were made in the best interest of the community, a decrease on last year's result of 79%. Given the sample size and comments provided, reliable extrapolations cannot be made. Council will continue to investigate methods to reach out to residents to inform the community on issues impacting Council.</p> <p>A new initiative was implemented recently where the Chief Executive now provides a written update weekly on a range of Council matters. Anecdotally, this has been received positively with many issues now being addressed as they arise.</p>

Financial impact statement

The Council is required to include Funding Impact Statements in its Annual Report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

	Actual 2024/25 \$000	Long-Term Plan 2024/25 \$000	Actual 2023/24 \$000
Source of operating funding			
General rates, rates penalties	-	-	-
Targeted rates	-	-	-
Subsidies and grants for operating purposes	1,102	904	877
Local Authorities fuel tax, fines, infringement fees, and other receipts	143	121	121
Total operating funding	1,244	1,025	998
Applications of operating funding			
Payments to staff and suppliers	233	281	320
Finance costs	-	-	-
Internal charges and overheads applied	772	685	698
Total application of operating funding	1,005	966	1,018
Surplus / (deficit) of operating funding	240	59	(20)
Source of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Increase / (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Total source of capital funding	-	-	-
Applications of capital funding			
Capital expenditure - to improve the level of service	-	-	-
Capital expenditure - to replace existing assets	8	-	-
Increase / (decrease) in reserves	232	59	(20)
Total application of capital funding	240	59	(20)
Surplus / (deficit) of operating funding	(240)	(59)	20
Funding balance	-	-	-
<i>Excludes depreciation</i>	22	5	15

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). ~~This has been paused due to lack of funding availability.~~

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.



Commented [TC2]: This is generally due to unfavourable weather eroding/damaging the road surface

Level of service: Operate and maintain a safe and reliable roading network that is in good condition and fit for purpose

Measure	Target	Result
Percentage of sealed or unsealed network strengthened.	6% of the unsealed network strengthened	<p>Not Achieved</p> <p>In 2024/25, 2.3% (3.86km of the 166 kilometers) of unsealed network was strengthened. This is less than 2023/24, where 3.4% (5.7km) of the unsealed network was strengthened.</p> <p>The planned strengthening work for 2024/25 was reduced to allow for general maintenance work on Pitt Island to be undertaken, and because some of the strengthening scheduled for 2024/25 was completed ahead of schedule in the prior year.</p> <p>Sealing occurs every three years with the next rotation due in the 2025/26 year.</p>
Length of unsealed roading network resurfaced.	9.5% of the unsealed network	<p>Achieved</p> <p>In the 2024/25 financial year, 9.8% (16.3km of the 166 kilometers) of unsealed network was resurfaced. This is consistent with the resurfacing completed in 2023/24, when 10% (16.7km) of the unsealed network was resurfaced.</p> <p>Sealing occurs every three years with the next rotation due in the 2025/26 year.</p>
Percentage of planned footpath maintenance completed (aligning with the roading asset management plan).	>95% footpaths maintained to the expected level of service	<p>Achieved</p> <p>All (100%) footpaths were maintained to the required standard as set out in the Roading Activity Management Plan. This result is consistent with the 2023/24 result.</p>
Average quality of ride on the sealed and unsealed network measured by the National Association of Australia State Road Authorities (NAASRA).	At or below 70 (sealed) and 120 (unsealed)	<p>Not Achieved</p> <p>The NAASRA measures the surface texture of the road and is used as an indication of a road users experience of the road 'ride'.</p>

Measure	Target	Result
		<p>The Averaged NAASRA rating for the sealed network for 2024/25 is 63, and the Average NAASRA rating for the unsealed network is 137. This compares slightly worse than the result in 2023/24 where the sealed network was rated 56, and the unsealed network was rated 116.</p> <p>Overall, the network continues to be rated as “good”. The NAASRA ratings have increased slightly compared to the 2023/24 result, representing a slight reduction in ride quality between years.</p> <p>The 2024/25 scores are based on only two of the three surveys completed, as the first survey conducted during the financial year did not meet data quality standards and the results are not able to be included.</p> <p>The sealed network consistently achieves the desired ride quality scores year-on-year. The unsealed network is more prone to variance and small areas of roughness from localised faults, which can skew the network averages easily due to how short the overall network on the Chatham Islands is.</p>
Number of fatal or serious injury crashes on the road network.	No more than two per year	<p>Achieved</p> <p>One fatal or serious injury crash was reported in 2024/25. A crash analysis was undertaken for this crash, and it was found that the crash was likely a genuine accident. This is a slight change on the 2023/24 result, where no fatal or serious injury crashes were reported.</p> <p>Road safety promotion continues to be a priority for Council. This promotional activity is contributing to improvements in road safety outcomes.</p>

Measure	Target	Result
<p>Percentage of residents very satisfied or satisfied with the quality and safety of the sealed road network.</p> <p><i>Measured by annual survey of residents. Satisfaction is defined as whether residents consider the quality and safety of our sealed roads is appropriate for funding allocated.</i></p>	45%	<p>Achieved</p> <p>The annual satisfaction survey for 2024/25 showed 67% of respondents were either satisfied or very satisfied with the quality and safety of chip sealed roads. This result has slightly decreased from last year's 72% result. Council's sealed roads are resealed once every three years, with the next reseat to occur in 2025/26. There is a notable correlation between when roads are resealed and community satisfaction with the quality and safety of the sealed road network.</p> <p>Council monitors quality and safety of our roads by maintaining a complaints and enquiries register and monitoring the monthly roading reports from our engineers. Any updates or important information regarding the quality or safety of our roading network for community attention is communicated through social media and newsletters.</p>
<p>Percentage of residents very satisfied or satisfied with the quality and safety of the unsealed road network.</p> <p><i>Measured by annual survey of residents. Satisfaction is defined as whether residents consider the quality and safety of our unsealed roads is appropriate for funding allocated.</i></p>	50%	<p>Not achieved</p> <p>The annual satisfaction survey for 2024/25 reported that 38% of respondents were satisfied or were very satisfied with the quality and safety of the unsealed road network. This result has not changed from last year's 38% result.</p> <p>Community feedback indicated that the number of potholes on our unsealed road network and the size of the gravel stones used on the roads was a concern to our residents. Unfavourable weather conditions have had a negative impact on our unsealed roads and delayed the grading programme and other routine road maintenance works. Council will continue to work on increasing the level of satisfaction by working closely with our roading contractor and roading engineers to monitor the road condition, addressing quality and safety concerns in a timely manner.</p>

Measure	Target	Result
Percentage of customer service requests relating to roadside hazards on the road or footpath network that Council staff respond to within five working days and forward to the relevant contractor.	100%	Achieved All (100%) customer requests were forwarded to our relevant contractors as required and actioned or responded to within five working days. To ensure roadside hazards are appropriately captured, a summary of all roading related complaints are provided to our contractors monthly to assist with monitoring the condition of the road and footpath network. This result is consistent with that of the 2023/24 financial year.
Number of times Council encourages resident to report poor road conditions, road accidents for rectification and communicates planned maintenance schedules to residents for awareness.	At least twice each year	Not achieved As a result of previous community feedback arising from the annual residents' satisfaction survey in 2024, it was highlighted that the community had serious concerns about the condition of some roads and the risk of roaming feral cattle causing serious harm to the community. During the year no formal encouragement to report road risks through Facebook or Council's e-newsletter occurred as the risk was considered mitigated with the MPI funded cattle cull, reducing the risk of roaming cattle to public safety. Office staff are trained to verbally encourage formal reporting to the Council on any roading issues requiring Council's attention. Council will seek to improve the promotion of road safety next year. This is a new target for the 2025 financial year, with no formal promotion to encourage the reporting of poor road conditions completed in 2024 outside of normal road safety campaign information.
Identification and mapping of roadside boundary fences that pose a risk of allowing stock to access roads	Annually	Not measured No formal identification process to map roadside boundary fences has occurred in 2024/25, due to staff availability. However, eight separate complaints have been received about wandering cattle

Measure	Target	Result
Communication with landowners, where problem areas identified, to encourage remedial action.		<p>connected to four different properties. Discussions on fencing and keeping animals safe have been held with these owners. Council continues to work with landowners to reduce the risk of animals causing harm on our roading network. Council's Dog and Stock Control Officer "tags" fences with blue tape to identify areas of fencing which require attention. A discussion is held with the relevant property owners regarding the fence issue.</p> <p>This is a new target for the 2024/25 financial year.</p>

Financial impact statement

The Council is required to include Funding Impact Statements in its Annual Report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

	Actual 2024/25 \$000	Long-Term Plan 2024/25 \$000	Actual 2023/24 \$000
Source of operating funding			
General rates, rates penalties	-	-	-
Targeted rates	134	133	81
Subsidies and grants for operating purposes	2,356	2,233	2,164
Local Authorities fuel tax, fines, infringement fees, and other receipts	82	113	54
Total operating funding	2,572	2,479	2,299
Applications of operating funding			
Payments to staff and suppliers	1,868	1,873	1,646
Finance costs	-	-	-
Internal charges and overheads applied	202	179	183
Total application of operating funding	2,069	2,052	1,829
Surplus / (deficit) of operating funding	503	427	470
Source of capital funding			
Subsidies and grants for capital expenditure	2,713	3,298	2,182
Increase / (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Total source of capital funding	2,713	3,298	2,182
Applications of capital funding			
Capital expenditure - to improve the level of service	-	1,045	257
Capital expenditure - to replace existing assets	3,083	2,703	2,222
Increase / (decrease) in reserves	133	(23)	173
Total application of capital funding	3,216	3,725	2,652
Surplus / (deficit) of operating funding	(503)	(427)	(470)
Funding balance	-	-	-
<i>Excludes depreciation</i>	<i>2,080</i>	<i>1,793</i>	<i>1,761</i>

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



Level of service: Provide potable water supply that meets the needs of our community now and into the future

Measure	Target	Result
<p>The extent to which the Council's drinking water supplies comply with the Drinking Water Quality Assurance rules, for: a) Bacterial compliance b) Protozoal compliance.</p> <p><i>The Department of Internal Affairs updated this mandatory performance measure after the council had published our Long-Term Plan, which sets our statement of service. The updated measure still covers the bacterial and protozoal compliance of water supplies but now is directly referenced to the relevant rules in the Drinking Water Quality Assurance Rules 2022. Our reporting is, therefore, against those rules.</i></p>	<p>Full compliance with*</p> <ol style="list-style-type: none"> 4.4 T1 Treatment Rules 4.5 D1.1 Distribution System Rule 4.7.1 T2 Treatment Monitoring Rules 4.7.2 T2 Filtration Rules 4.7.3 T2 UV Rules 4.7.4 T2 Chlorine Rules 4.8 D2.1 Distribution System Rule 4.10.1 T3 Bacterial Rules 4.10.2 T3 Protozoal Rules and 4.11.5 D3.29 Microbiological Monitoring Rule <p>* Chatham Islands Council are not currently compliant with the Drinking Water Quality Assurance rules and will be unable to meet full compliance without additional funding* Chatham Islands Council are not currently compliant with the Drinking Water Quality Assurance rules and will be unable to meet full compliance without additional funding</p>	<p>Not achieved</p> <p>The Council is currently not compliant with the revised Drinking Water Quality Assurance Rules (DWQAR) at both Waitangi and Kaingaroa. Due to the change in rules over the reporting period, the % compliance that is lower of that calculated for the Q1/Q2 or Q3/Q4 period.</p> <p>The Waitangi Water Scheme is classified as a Level 2 supplier, servicing between 101 and 500 people. For the reporting period, the scheme was partially non-compliant with the treatment and distribution requirements. Compliance results are summarised as follows:</p> <ul style="list-style-type: none"> • Treatment (T2) Rules – Monitoring: 94% compliance, with non-conformances primarily due to insufficient free available chlorine (FAC) concentration leaving the water treatment plant. • Treatment (T2) Rules – Filtration: 100% compliance. • Treatment (T2) Rules – UV: 100% compliance • Treatment (T2) Rules – Chlorine: 87% compliance, again reflecting insufficient FAC concentration leaving the water treatment plant. • Distribution (D2) Rules: 67% compliance, with non-conformances linked to an inadequate water quality sampling regime (noting that sampling frequency and timing are constrained by island flight schedules). Additional issues include the absence of FAC monitoring at reservoir outlets, insufficient FAC concentration within the network, and inadequate testing of backflow prevention devices. <p>The Kaingaroa Water Scheme is classified as a level 1 supplier, servicing between 26 and 100 people. The scheme meets all</p>

Measure	Target	Result
		<p>targeted treatment and distribution requirements for its classification. However, it remains partially non-compliant with certain Drinking Water Quality Assurance rules, specifically:</p> <ul style="list-style-type: none"> • Treatment (T1) Rules: 70% compliance, with non-conformances primarily relating to the UV treatment unit, which is currently operating outside the range it is validated for due to inadequate organics removal. • Distribution (D1) Rules: 100% compliance. <p>Council has assessed the Kaingaroa Water Scheme as not achieving the Drinking Water Quality Assurance rules as the water treatment plant has several issues requiring remedial or improvement works. If left unaddressed, these may lead to a heightened risk of non-compliance, particularly in relation to insufficient FAC concentration in the network and elevated chlorate levels.</p> <p>In the previous year, the Council was non-compliant with the former Drinking Water Standards for New Zealand (DWSNZ) at both the Waitangi and Kaingaroa supplies.</p> <p>The non-compliance primarily stemmed from funding limitations, monitoring constraints, treatment challenges and other logistical issues.</p> <p>Council continues to actively pursue funding and operational improvements to ensure its drinking water supplies are safe to drink and compliant with current regulation requirements.</p>
Number of temporary advisory notices to boil water (as determined in consultation with Taumata Arowai), indicating that water supplied	Zero	<p>Not achieved</p> <p>No new boil water notices were put in place for Waitangi or Kaingaroa for the 2024/25 financial year, but one boil water notice continued related to the prior financial year.</p>

Measure	Target	Result
by Council water schemes is drinking i.e. safe to drink.		In 2023/24 one boil water notice and one do not drink notice was put in place for Kaingaroa. The do not drink notice was in place in May 2024 due to detection of chlorate above the maximum acceptable value and was lifted in October 2024, with consecutive results below the acceptable value due to mitigation measures employed by the operator.
Percentage of real water loss from Council's networked reticulation system is managed at an acceptable level.	Does not exceed 20%	Not measured Information was not collected this year as data was not available. However, no incidences of water loss were reported that exceeded 20%. Water meters are read quarterly to monitor water usage and to highlight any potential issues. This is consistent with the situation in the prior financial year.
Percentage of residents connected to a Council water scheme who are very satisfied or satisfied with the service. <i>Measured by annual survey of residents. Satisfaction is defined as whether residents consider the quality and quantity of our drinking water supply is appropriate for funding allocated.</i>	50%	Not achieved The 2024/25 annual resident's survey shows 40% of five respondents who are connected to a water scheme being satisfied or very satisfied with the water scheme. This survey captures a very small percentage of the Chatham Islands population. In 2023/24 31% of respondents were satisfied or very satisfied with the result. Council acknowledges that water infrastructure requires further capital investment for our services to improve and be fully compliant with legislation.
Percentage of responses to reports of faults that meet the agreed median response times when attending a call-out in response to a fault or unplanned interruption to the networked reticulation system:	100%	Achieved The following median response times were measured in 2024/25: <ul style="list-style-type: none"> No urgent call-outs occurred during the year (2023/24 one urgent call out, which was attended to within two hours). No non-urgent call-outs were received (2023/24 one due to water discolouration at Kaingaroa, this was attended to within two hours).

Measure	Target	Result
<ul style="list-style-type: none"> Attendance for urgent call-outs: the time from when the Council receives notification to when service personnel reach the site does not exceed two hours Resolution of urgent call-outs: the time from when the Council receives notification to when service personnel confirm resolution of the fault or interruption does not exceed eight hours Attendance of non-urgent call-outs: the time from when the Council receives notification to when service personnel reach the site does not exceed two hours Resolution of non-urgent call-outs: the time from when Council receives notification to when service personnel confirm resolution of the fault or interruption does not exceed eight hours. 		<p>All urgent and non-urgent issues were resolved within eight hours (2023/24 all issues resolved within targeted timeframes).</p>

Measure	Target	Result
<p>Percentage of residents dissatisfied with drinking water quality and supply, measured by the total number of complaints received about any of the following:</p> <ul style="list-style-type: none"> • Drinking water clarity • Drinking water taste • Drinking water odour • Drinking water pressure or flow • Continuity of supply <p>Council's response to any of these issues</p> <p><i>A percentage has been used as the Council coverage (the number of connections) is below the per 1,000 mandatory measure.</i></p>	Does not exceed 2% of properties connected (or approximately two complaints for all connected properties)	<p>Achieved</p> <p>Two complaints (1.75% of 114 connections) were received during the 2024/25 financial year related to the Waitangi or Kaingaroa water supply. These were sent to the CEO and Mayor and were dealt with via email.</p> <p>Two complaints were received in the 2023/24 financial year, due to water shortage and/or water discolouration at Kaingaroa.</p> <p>Council continues to seek funding to improve the reliability of its drinking water supply in terms of quantity and quality.</p>
Average consumption of drinking water per day per resident, within the territorial authority district, as a measure of demand management.	Less than 500L/person/day	<p>Achieved</p> <p>Average annual usage in 2024/25 was:</p> <ul style="list-style-type: none"> • 290L/person/day in Waitangi (2023/24: 280L/ person/day) and • 190L/person/day in Kaingaroa (2023/24: 220L/person/day)

Financial impact statement

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	Actual 2024/25 \$000	Long-Term Plan 2024/25 \$000	Actual 2023/24 \$000
Source of operating funding			
General rates, rates penalties	-	-	-
Targeted rates	90	96	76
Subsidies and grants for operating purposes	133	214	207
Local Authorities fuel tax, fines, infringement fees, and other receipts	10	9	9
Total operating funding	233	319	292
Applications of operating funding			
Payments to staff and suppliers	280	344	236
Finance costs	-	-	-
Internal charges and overheads applied	56	50	51
Total application of operating funding	336	394	287
Surplus / (deficit) of operating funding	(103)	(75)	5
Source of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Increase / (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Total source of capital funding	-	-	-
Applications of capital funding			
Capital expenditure - to improve the level of service	-	-	-
Capital expenditure - to replace existing assets	1	-	-
Increase / (decrease) in reserves	(104)	(75)	5
Total application of capital funding	(103)	(75)	5
Surplus / (deficit) of operating funding	103	75	(5)
Funding balance	-	-	-
<i>Excludes depreciation</i>	<i>66</i>	<i>64</i>	<i>48</i>

Level of service: Provide a well-managed wastewater system to protect public health and the physical environment

Measure	Target	Result
<p>Percentage of residents who are very satisfied or satisfied with the wastewater system.</p> <p><i>Measured by annual survey of residents. Satisfaction is defined as whether residents consider the wastewater system is appropriate for funding allocated.</i></p>	50%	<p>Achieved</p> <p>The 2024/25 annual resident's survey shows 100% of respondents who are connected to a wastewater/ sewage scheme being satisfied or very satisfied with the wastewater or sewage scheme, compared with 43% satisfaction in the prior year – noting this result was influenced by the small sample size.</p> <p>Council acknowledges that wastewater infrastructure requires further capital investment for our services to improve.</p>
<p>Percentage of resident dissatisfied with wastewater services, measured by the total number of complaints received about any of the following:</p> <ul style="list-style-type: none"> • Sewage odour • Wastewater system faults • Wastewater system blockages • Council's response to any of these issues as a measure of the wastewater system meeting community requirements <p><i>A percentage has been used as the Council coverage (the number of connections) is below the per 1,000 mandatory measure.</i></p>	Does not exceed 2% of properties connected (or approximately two complaints for all connected properties)	<p>Achieved</p> <p>One complaint (less than 1% of the 130 connections) regarding the sewerage system were received in 2024/25 about water run off onto property. In 2023/24 no complaints were received.</p> <p>Council continues to seek funding to carry out remedial and upgrade works to maintain an appropriate level of service.</p>
Percentage of connections that experience dry-weather sewage overflows from the wastewater system, as a measure of the wastewater system meeting community requirements	Does not exceed 2% of properties connected	<p>Achieved</p> <p>In September 2024, one dry-weather overflow (less than 1% of the 130 connections) occurred at the wastewater pump station due to pump failure.</p>

Measure	Target	Result
<i>A percentage has been used as the Council coverage (the number of connections) is below the per 1,000 mandatory measure.</i>		In 2023/24 there were no dry-weather sewerage overflows or complaints.
<p>Number of reports of non-compliance with resource consent conditions, annually, for discharge from Council's wastewater system:</p> <ul style="list-style-type: none"> • Abatement notices • Infringement notices • Enforcement orders • Convictions 	No more than two	<p>Achieved</p> <p>In 2024/25 there were no notices or orders issued. This is consistent with 2023/24.</p> <p>The treated wastewater discharge complied with quantity and quality limits in the 2024/25 financial year, except for E.coli and nitrogen. Mitigating action taken includes remedial works associated with the land application system, which will reduce treated wastewater concentrations prior to reaching groundwater. Further funding is required to strengthen resilience and enable compliance.</p>
<p>Percentage of reports of sewage overflows resulting from a blockage or other fault in the Council's wastewater system responded to in agreed timeframes.</p> <p><i>Attendance time: the time from when the Council receives notification to when the service personnel reach the site does not exceed 12 hours.</i></p> <p><i>Resolution time: the time from when the Council receives notification to when the service personnel confirms resolution of the blockage or other fault does not exceed 24 hours.</i></p>	100%	<p>Achieved</p> <p>No incidences of blockages or faults occurred in 2024/25. This is consistent with the prior financial year.</p>

Level of service: Manage storm water to minimise and manage flood events

Measure	Target	Result
The median response time to flooding events, measured from the time that Council receives notification to the time that the service personnel reach the site.	No more than two hours	Achieved No flooding events occurred. This result is consistent with that in the prior financial year.
Number of reports of non-compliance with resource consent conditions, annually, for discharge from Council's storm water system measured by the number of: <ul style="list-style-type: none"> • Abatement notices • Infringement notices • Enforcement orders • Convictions 	Three or fewer reports of non-compliance	Achieved No discharge notices were issued, or other non-compliance events noted in the current financial year. This result is consistent with that in the prior financial year.
Percentage of properties connected from which complaints received about the performance of storm water management, indicating residents' satisfaction. <i>A percentage has been used as the Council coverage (the number of connections) is below the per 1,000 mandatory measure.</i>	Not exceeding 2% of properties connected	Achieved One complaint (less than 1% of the 130 wastewater connections) was received in the current financial year regarding stormwater overflow from two locations.
Number of flooding events	Not exceeding two per year	Achieved No flooding events occurred in the current financial year. This result is consistent with that in the prior financial year. The lagoon was opened in October 2023, mitigating the risk of flooding and land subsidence around the lagoon.

Measure	Target	Result
<p>Percentage of habitable properties affected by each flooding</p> <p><i>A percentage has been used as the Council coverage (the number of connections) is below the per 1,000 mandatory measure.</i></p>	Not exceeding 2% of properties connected	<p>Achieved</p> <p>No flooding events occurred in the current and prior financial year.</p>

Financial impact statement

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	Actual 2024/25 \$000	Long-Term Plan 2024/25 \$000	Actual 2023/24 \$000
Source of operating funding			
General rates, rates penalties	-	-	-
Targeted rates	105	109	105
Subsidies and grants for operating purposes	172	120	116
Local Authorities fuel tax, fines, infringement fees, and other receipts	13	11	12
Total operating funding	290	240	233
Applications of operating funding			
Payments to staff and suppliers	182	197	130
Finance costs	-	-	-
Internal charges and overheads applied	72	64	65
Total application of operating funding	254	261	195
Surplus / (deficit) of operating funding	36	(21)	38
Source of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Increase / (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Total source of capital funding	-	-	-
Applications of capital funding			
Capital expenditure - to improve the level of service	-	-	-
Capital expenditure - to replace existing assets	1	-	-
Increase / (decrease) in reserves	36	(21)	38
Total application of capital funding	36	(21)	38
Surplus / (deficit) of operating funding	(36)	21	(38)
Funding balance	-	-	-
<i>Excludes depreciation</i>	<i>84</i>	<i>82</i>	<i>62</i>

Note: Council incurs minimal storm water transactions, and therefore has elected to not separately disclose these transactions but include these within the wastewater disclosure.

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 five 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.



Level of service: Provide efficient and effective waste minimisation activities and services

Measure	Target	Result
<p>Amount of waste going to landfill</p> <p><i>Benchmark volume of 300 tonne established in 2022/23.</i></p>	Less than 300 tonnes	<p>Not achieved</p> <p>In the 2024/25 financial year, 330.5 tonnes of waste material was received at the Owenga landfill site. This is lower than the previous year's result of 367 tonnes, but above the benchmarked target of 300 tonnes. The result was impacted from a significant increase in construction waste arising from ongoing work at the Chatham Island Airport.</p> <p>Council remains committed to implementing strategies to encourage waste minimisation, including educational campaigns encouraging the community to sort their waste, and regular promotion of ways to reduce, repurpose and recycle.</p>
Percentage of total waste diverted from landfills through recycling collection.	Establish baseline	<p>Achieved</p> <p>This is a new target for the 2025 financial year, with the establishment of a baseline. For 2025 the percentage of waste diverted to be recycled was 86%. This diversion percentage is high as all waste entering a transfer station on the island is sorted into bins for recycling where possible and transferred to landfill where alternative waste management treatment is not possible. Consequently, given the waste diversion success of the current approach, a prudent baseline target of 70% has been set.</p>
Frequency of information about waste management and minimisation activities and projects circulated in our monthly Council e-newsletter.	Monthly	<p>Achieved</p> <p>Regular messaging about waste management and minimisation was circulated within the community. This is similar to what was provided last year.</p>
Availability of staff at the Te One transfer station to help residents unload rubbish and educate them on the significance of separating recyclables during opening hours.	100%	<p>Achieved</p> <p>The Te One transfer station staff were available to help residents unload rubbish, and while doing so, were able to educate them on the importance of separating their recycling. This is similar to what was achieved last year.</p>

Measure	Target	Result
Percentage of landfill activities, facilities and services managed to comply with resource consent conditions, landfill management plans (developed in partnership with Imi and Iwi), and appropriate legislative requirements.	100%	<p>Achieved</p> <p>No non-compliance issues or other environmental impacts were noted at the landfill site based on monitoring completed in 2024/25. This result is consistent with that of 2023/24.</p> <p>Ensuring our landfills remain compliant remains important to Council. We work closely with our partners Fulton Hogan, Environment Canterbury, Ministry for the Environment, Imi and Iwi to ensure our landfill site remains compliant with our landfill management plan, along with best practice and other cultural considerations.</p>
Percentage of potential or actual waste-related non-compliance issues responded to within five working days.	100%	<p>Achieved</p> <p>All (100%) waste related complaints were responded to within five working days. There was no waste related compliance issues noted within 2024/25 financial year. To ensure Council provides efficient and effective waste minimisation activities and services, a summary of all waste related complaints is provided to our contractor as they occur. This result is consistent with the prior financial year, noting the performance measure is new for this financial year.</p>
Percentage of times Council staff provide response to written requests or complaints regarding waste management within five working days of receipt.	95%	<p>Achieved</p> <p>There were no complaints related to waste management during the 2024/25 financial year. In the prior financial year, one complaint was received about dumping at Te Awainanga bridge, which was responded to within five working days.</p>
<p>Percentage of residents very satisfied or satisfied with the landfill and recycling service and ease of use</p> <p><i>Measured by annual survey of residents. Satisfaction is defined as whether residents consider the landfill and recycling service is appropriate for funding allocated.</i></p>	65%	<p>Not achieved</p> <p>In the 2024/25 financial year, 50% of the respondents who completed the annual resident's satisfaction survey were either satisfied or very satisfied with the Council's landfill and recycling service and ease of use, this is the same as the 2023/24 result of 50%. The landfill site is fully operational, with the management of the site contracted out.</p>

Measure	Target	Result
		The Council is continuing to work with the contractor to improve processes and create other enhancements and efficiencies. Survey feedback has identified managing waste coming on and off the island along with wider opening hours and collection sites as areas of service improvement, which Council will investigate further in the next financial year.

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	Actual 2024/25 \$000	Long-Term Plan 2024/25 \$000	Actual 2023/24 \$000
Source of operating funding			
General rates, rates penalties	-	-	-
Targeted rates	97	99	100
Subsidies and grants for operating purposes	985	663	643
Local Authorities fuel tax, fines, infringement fees, and other receipts	16	12	16
Total operating funding	1,098	774	759
Applications of operating funding			
Payments to staff and suppliers	860	754	727
Finance costs	-	-	-
Internal charges and overheads applied	40	36	37
Total application of operating funding	900	790	764
Surplus / (deficit) of operating funding	198	(16)	(5)
Source of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Increase / (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Total source of capital funding	-	-	-
Applications of capital funding			
Capital expenditure - to improve the level of service	-	-	-
Capital expenditure - to replace existing assets	-	-	-
Increase / (decrease) in reserves	198	(16)	(5)
Total application of capital funding	198	(16)	(5)
Surplus / (deficit) of operating funding	(198)	16	5
Funding balance	-	-	-
<i>Excludes depreciation</i>	<i>173</i>	<i>175</i>	<i>120</i>

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.

Community services



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.

Emergency management



Level of service: Provide services to the communities we serve, including library and dog and animal control services

Measure	Target	Result
<p>Percentage of residents very satisfied or satisfied with community services, including library and dog and animal control services</p> <p><i>Measured by annual survey of residents. Satisfaction is defined as whether residents consider the community services are appropriate for funding allocated.</i></p>	70%	<p>Not achieved</p> <p>In 2024/25, the annual resident's satisfaction survey showed 57% of the respondents were satisfied or very satisfied with our community services, this was a decrease to the 73% satisfaction result in 2023/24. Council is unable to draw definitive conclusions regarding the decline from the current to prior year results. Survey results can vary depending on respondent makeup and sentiment at the time of completion. While no specific cause has been identified, feedback indicates that dog and stock control may be an area requiring further focus.</p>
<p>Percentage of complaints about operations and facilities investigated within one working day, with major faults remedied within 24 hours of notification.</p>	100%	<p>Achieved</p> <p>During the 2024/25 financial year, 424 enquiries or complaints were received, 368 related to stock or dogs. All (100%) enquires were responded to within 24 hours, but 43 non-urgent complaints remained unresolved after 24 hours, due to the complaint relating to ongoing stock management issues. This result is consistent with the prior year, where all 442 enquiries or complaints were responded to within 24 hours. Council considers the target to have been achieved, as all major faults were resolved within 24 hours. Outstanding issues mainly related to recurring wandering stock rather than Council's response time.</p>
<p>Percentage of residents able to identify at least three key services provided by Council, e.g. dog/animal control, library and recreational services</p> <p><i>Measured by annual survey of residents.</i></p>	75%	<p>Not achieved</p> <p>This year, the survey approach required participating respondents to record a response, as opposed to ticking a box. Consequently, only 10% of respondents identified three or more services provided by the Council, with 76% of respondents leaving the field blank or not answering the question. In 2023/24 94% of the respondents could identify three or more services Council provides.</p>

Level of service: Provide information and advisory services to enable people to understand risks and make informed decisions, and enable emergency management as required

Measure	Target	Result
Frequency of information about emergency management circulated in our monthly Council e-newsletter.	At least quarterly	Not achieved No information about emergency management was circulated by Council on social media or in the monthly Council e-newsletter due to staff availability and pressing priorities. In the prior year, regular communications relating to emergency management activities and projects were circulated on our website and through other publications such as the monthly Council e-newsletter, and on the Council's Facebook page.
Percentage of residents who feel prepared or well prepared and know what to do in an emergency. <i>Measured by annual survey of residents.</i>	70%	Achieved In 2024/25, 90% of the residents who completed the annual resident's satisfaction survey felt they were prepared or well prepared for an emergency, which is an improvement on year's result of 74%. Council cannot draw firm conclusions on the movement between years, as survey results can vary depending on who responds and their sentiment at the time.
Percentage of staff and volunteers who feel confident in relation to readiness to respond to an emergency event. <i>Measured by annual staff and emergency response volunteers survey.</i>	70%	Not measured This is a new performance measure for the 2024/25 financial year, and as such a survey was not available to be completed at the time of the emergency response event due to staff availability and work priorities.

Financial impact statement

The Council is required to include Funding Impact Statements in its Annual Report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

	Actual 2024/25 \$000	Long-Term Plan 2024/25 \$000	Actual 2023/24 \$000
Source of operating funding			
General rates, rates penalties	417	381	334
Targeted rates	-	-	-
Subsidies and grants for operating purposes	914	612	683
Local Authorities fuel tax, fines, infringement fees, and other receipts	952	315	330
Total operating funding	2,283	1,308	1,347
Applications of operating funding			
Payments to staff and suppliers	1,300	870	643
Finance costs	5	-	3
Internal charges and overheads applied	747	663	676
Total application of operating funding	2,052	1,533	1,322
Surplus / (deficit) of operating funding	231	(225)	25
Source of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Increase / (decrease) in debt	(19)	(22)	(19)
Gross proceeds from sale of assets	(103)	-	-
Total source of capital funding	(19)	(22)	(19)
Applications of capital funding			
Capital expenditure - to improve the level of service	-	-	-
Capital expenditure - to replace existing assets	120	-	-
Increase / (decrease) in reserves	92	(247)	6
Total application of capital funding	212	(247)	6
Surplus / (deficit) of operating funding	(231)	225	(25)
Funding balance	-	-	-
<i>Excludes depreciation</i>	<i>156</i>	<i>87</i>	<i>44</i>

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

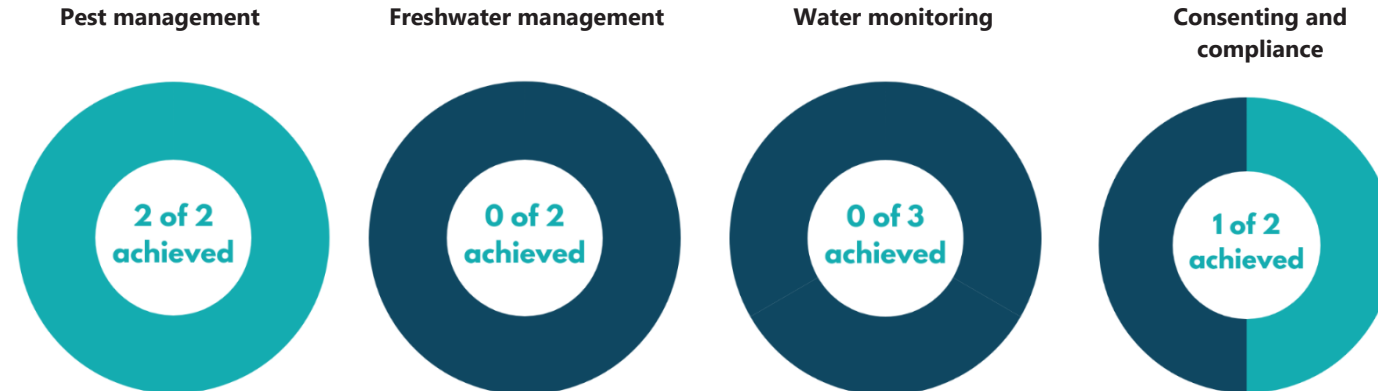
What we delivered

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.



Level of service: Work in partnership with the community to protect the Islands from environmental and economic damage from pest species

Measure	Target	Result
<p>Review and update Pest Management strategy and Predator Free 2050 Strategy to identify location sites of interest and species for pest management work.</p> <p><i>To be undertaken in partnership with Imi, Iwi and the Department of Conservation.</i></p>	By 30 June 2025	<p>Achieved</p> <p>Consideration was given to whether the Pest Management Strategy and Predator Free 2050 Strategy were required to be updated, with no formal update required during the period, as both strategies remain current and continue to provide a relevant framework for operational delivery.</p> <p>Key elements of these strategies were actively implemented, in partnership with imi, iwi and other partner organisations; including pest control efforts at the border and in identified priority locations. This ensured that pest management activities remained aligned with our strategic objectives despite no formal update occurring.</p> <p>This is a new measure for the current financial year, but the result is consistent with the prior financial year.</p>
<p>Frequency of environmental awareness programmes, community engagement events or community messages on our website or Facebook page to educate and involve the community in environmental protection efforts, including the importance of not bringing pests to the Island.</p>	At least quarterly	<p>Achieved</p> <p>Biosecurity articles were included in the monthly Chatham Islands Council e-newsletter. Articles focused on topical issues related to biosecurity matters on the Chathams including border biosecurity and how important the community is regarding supporting biosecurity outcomes.</p> <p>These articles were highlighted on the Chatham Islands Council Facebook page three times over the year, and there was a specific post regarding the great pest hunt in February. This result is consistent with the previous year.</p>

Levels of service: Partner with imi, iwi and engage with the community to implement the government direction in relation to essential freshwater

Measure	Target	Result
Establish priorities for changes to the regulatory framework. To be established in partnership with imi and iwi.	By 30 June 2025	<p>Not achieved</p> <p>Due to ongoing changes to central government direction, priorities for changes to the regulatory framework have not been established. Going forward, it is unlikely the Essential Freshwater Package will need to be implemented.</p> <p>Council will continue to not achieve this target until replacement legislation of the Resource Management Act is enacted, along with new and amended National Policy Statements and National Environmental Standards. Once this revised framework is in place, Council will consider changes required to the regulatory framework.</p> <p>The Chatham Islands Resource Management Document is currently compliant with all legislation. New legislation and national direction is likely to be in place in the 2025/26 financial year and will require changes to the Chatham Islands Resource Management Document.</p>
Present priorities for changes to the regulatory framework (identified above) to Government for approval.	Not applicable, to be set once the priorities for the regulatory framework have been established. Expected by 30 June 2026.	<p>Not measured</p> <p>Priorities for changes to the regulatory framework will be set once the Resource Management Act replacement legislation and new and amended national direction is in place, likely by the end of 2025.</p>

Levels of service: Monitor and provide accurate and timely water quality and quantity data, for use by the community and decision-makers

Measure	Target	Result
Review and confirm priority sites for river flow, lagoon levels and climate rainfall measurements and water quality site network, install monitoring equipment if required.	By 30 June 2025	<p>Not achieved</p> <p>There has been no review in the 2024/25 financial year to identify priority monitoring sites for river flow, lagoon levels and climate rainfall measurements. The last assessment was completed as part of an on-island workshop in November 2023.</p> <p>Limited staff availability and other pressing priorities have impacted Council's ability to confirm programme changes and identify priority sites.</p>
Maintain water quantity (river flow, lagoon levels and climate rainfall) telemetered sites and quality sites.	N/A - existing sites will continue to be maintained while the review is being undertaken and as the transition to a new set of sites occurs.	<p>Not achieved</p> <p>Hydrometric recording sites to monitor water quantity for rivers (four sites), lake levels (two sites) and climate (rainfall – six sites) remained in place, but have not been maintained/calibrated during the year. Council has paused its water quantity monitoring activity while it assesses the future application given its current funding limitations.</p> <p>The impact of not completing site maintenance visits during the year has resulted in several data collation sites now failing and satellite communications of collated data now becoming unreliable. Consequently, the accuracy and timing of information may not be complete.</p> <p>Regardless, all data generated from these recording sites continue to be uploaded to the Council website providing "real-time" (unaudited) results. In 2023/24 five validation/calibration visits occurred.</p>

Measure	Target	Result
Report sampled water quantity (river flow, lagoon levels and climate rainfall) and quality information from priority sites (identified above) on: <ul style="list-style-type: none"> The Chatham Islands Council website and National LAWA (Land, Air, Water Aotearoa) website – once reporting ability is available. 	Annually	<p>Not achieved</p> <p>Sampled water quantity (river flow, lagoon levels and climate rainfall) data is displayed on the Chatham Islands Council website.</p> <p>Council continues to progress reporting of water quality information on the national LAWA (Land, Air, Water Aotearoa) website. This approach will enable consistent national data reporting of Chathams data, and comparison of this data with the rest of New Zealand.</p>

Levels of service: Ensure the efficient and effective delivery of consenting and compliance services to achieve the sustainable management of natural resources and provision of compliant community services

Measure	Target	Result
Applications for resource consents are processed within statutory timeframes.	80%	<p>Achieved</p> <p>All resource consents were processed within statutory timeframes. This is consistent with the prior financial year's result. Where appropriate, imi and iwi have been consulted on any cultural or other relevant matters of interest as part of the consenting process.</p>
Percentage of significant non-compliance incidents where action is taken.	75%	<p>Not achieved</p> <p>An island wide compliance audit under the Resource Management Act 1991 and Chatham Islands Resource Management Document 2020 was undertaken in February 2025. Significant non-compliance was found at various sites around the island and was reported in the Compliance Audit Reports. Except for letters of assessment being sent to landowners for voluntary remediation, no (0%) further compliance action was undertaken for the 2025 financial year.</p>

Measure	Target	Result
		<p>Council prefers to take a collaborative approach with landowners to resolve issues of non-compliance in the first instance before other further action is taken.</p> <p>In the prior financial year, no compliance monitoring activity occurred due to financial limitations restricting assessments to every two years.</p>

Financial impact statement

The Council is required to include Funding Impact Statements in its Annual Report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

	Actual 2024/25 \$000	Long-Term Plan 2024/25 \$000	Actual 2023/24 \$000
Source of operating funding			
General rates, rates penalties	-	-	-
Targeted rates	-	-	-
Subsidies and grants for operating purposes	1,266	1,301	1,216
Local Authorities fuel tax, fines, infringement fees, and other receipts	257	143	112
Total operating funding	1,524	1,444	1,328
Applications of operating funding			
Payments to staff and suppliers	907	1,144	1,023
Finance costs	-	-	-
Internal charges and overheads applied	354	314	320
Total application of operating funding	1,261	1,458	1,343
Surplus / (deficit) of operating funding	263	(14)	(15)
Source of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Increase / (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Total source of capital funding	-	-	-
Applications of capital funding			
Capital expenditure - to improve the level of service	-	-	-
Capital expenditure - to replace existing assets	4	-	-
Increase / (decrease) in reserves	259	(14)	(15)
Total application of capital funding	263	(14)	(15)
Surplus / (deficit) of operating funding	(263)	14	15
Funding balance	-	-	-
<i>Excludes depreciation</i>	<i>10</i>	<i>2</i>	<i>7</i>

Critical judgements, assumptions and policies used in the statement of service performance

The statement of service performance is formally classified from **pages 7 to 35**.

The relevant legislation governing the requirement of reporting of Chatham Islands Council's service performance is Part 3 of Schedule 10 of the Local Government Act 2002.

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 statement 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. The main judgements, estimates and assumptions are discussed below:

Measure selection and level of aggregation

The service performance measures in this annual report are intended to compare the actual results of activities delivered by Chatham Islands Council against the forecast levels of service. The service performance measures were originally adopted in the 2024-2034 Long-Term Plan.

The service performance measures are reported to Council through the Performance, Audit and Risk Committee annually. These results are then reported in the Annual Report for the year to 30 June.

The performance measures were selected to cover quantitative measurement of progress towards Chatham Islands Council's Long-Term Plan and Annual Plan. The final measures included in this Annual Report are broken down into the six groups of activities, providing a holistic set that gives a rounded picture of the non-financial performance of Chatham Islands Council.

Each activity has a set of metrics that were identified through the 2024-2034 Long-Term Plan involving Council and management. This process ensured the selected measures best reflect Chatham Islands Council's performance and are available in a timely and accurate manner.

Included within the performance measures are the mandatory performance measures set under section 261B of the Local Government Act 2002, the Secretary for Local Government made the Non-Financial Performance Measures Rules 2013. This was to ensure the public were able to assess a reasonable comparison across all the councils.

Surveys

In preparing the statement of service performance, the Council has also made judgements on the application of reporting standards and has made estimates and assumptions concerning the measurement of certain service performance targets.

This includes the use of survey results to gauge service performance, which is inherently at risk of low response rates, unintentionally unrepresentative sampling, or inadequate question setting. With a small sample size, trend data or robust reasons behind a survey result may be difficult to extrapolate.

We apply the following judgements:

- Surveys used in the statement of service performance are based on questions set in the Long-Term Plan, and the responses received are used to improve Council's processes and service delivery.
- To encourage a wide response rate, a wide variety of platforms were utilised to provide a copy of the survey link. Including the Chatham Islands Council e-newsletter mailing list, emails the Council held on their Rating Information Database (RID) and other social media channels. The survey was also promoted to residents by advertising the survey on our website and social media channels, as well as having paper copies available at the Council office.

Any measure reporting on a survey result, utilises data from the residents satisfaction survey.

The statement of service performance utilises data from one community survey-based questionnaire conducted annually in July/August, overseen by contractors familiar with preparing and collating online surveys.

The survey received a total of 21 responses (2023/24 36 responses). Given the Island's population size, and the exclusion of Councillors and staff members, or those who share a household with staff or Councillors, a smaller response rate is likely.

Please note that:

- Because the sample size is low, the findings should be treated with some caution. This survey only captures a very small percentage of the Chatham Islands population.
- In some cases, respondents chose to answer 'I have no opinion' or did not respond, rather than rate a service or facility. Where this is the case, these responses have been removed from the analysis and the subtotal of respondents calculated.
- One of the community services questions in previous years was a question with a list of services, asking respondents to check which boxes they were aware Council was responsible for. This year, that question was exchanged for an open text question, asking respondents to name services they were aware Council provided. Most respondents left this field blank.

The Council also expected to prepare a second survey focused on assessing how confident staff and emergency response volunteers felt in relation to readiness to respond to an emergency event.

The survey was expected to be completed subsequent to the emergency response training event. However, due to staff availability and work priorities, a survey was not prepared in time.

Customer Service Requests

Customer Service Requests referred to in a range of measures means requests received by email, telephone or verbally by Council staff during normal working hours. All customer service requests are entered into the Council's financial management system and updated as completed.

The assumption is that all requests are managed through this process as opposed to staff receiving and responding to requests independently.

Council funding impact statement

The Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014 require the Council to adopt a Funding Impact Statement both for the Council and for each group of activities. The objective of the policy makers is to provide information that is more easily understood. The Funding Impact Statement must identify: the sources of funding to be used, the amount of funds expected to be produced from each source, and how the funds are to be applied.

Revenue and expenditure in the Funding Impact Statements are recognised on a basis consistent with the financial

statements. However, transactions with no funding impact, such as depreciation, have been removed.

The regulations also require the Funding Impact Statement for each group of activities to disclose internal charges and cost allocation and not eliminate these as required by Generally Accepted Accounting Practice (GAAP).

The Revenue and Financing Policy contained in the 2024-34 Long-Term Plan sets out Chatham Islands Council's policies with respect to which funding mechanisms are to be used to finance the operating and capital expenditure.

Reconciliation of operating funding to statement of comprehensive revenue and expense:

	Actual 2024/25 \$000	Long-Term Plan 2024/25 \$000	Actual 2023/24 \$000	Annual Plan 2023/24 \$000
Surplus/(deficit) of operating funding	1,368	64	340	359
Subsidies and grants for capital expenditure	2,713	3,298	2,053	3,314
Depreciation	(2,590)	(2,210)	(2,506)	(2,484)
Investment in associate	(237)	181	124	-
Surplus/(deficit) per financial statements	1,254	1,333	11	1,189

Council financial impact statement

	Actual 2024/25 \$000	Long-Term Plan 2024/25 \$000	Actual 2023/24 \$000	Annual Plan 2023/24 \$000
Source of operating funding				
General rates, rates penalties	417	381	384	358
Targeted rates	426	436	402	400
Subsidies and grants for operating purposes	6,927	5,916	7,268	6,520
Interest and dividends from investments	17	42	91	16
Local authorities fuel tax, fines, infringement fees, and other receipts	1,457	683	1,464	611
Total operating funding	9,245	7,458	9,610	7,905
Applications of operating funding				
Payments to staff and suppliers	5,629	7,393	6,884	7,543
Finance costs	5	1	6	3
Other operating funding applications	2,243	-	2,379	-
Total application of operating funding	7,877	7,394	9,269	7,546
Surplus / (deficit) of operating funding	1,367	64	340	359
Source of capital funding				
Subsidies and grants for capital expenditure	2,713	3,298	2,053	3,314
Increase / (decrease) in debt	(19)	(22)	-	(19)
Gross proceeds from sale of assets	(103)	-	-	-
Total source of capital funding	2,694	3,276	2,053	3,295
Applications of capital funding				
Capital expenditure - to improve the level of service	-	1,045	-	1,420
Capital expenditure - to replace existing assets	3,216	2,703	2,977	2,822
Increase / (decrease) in reserves	845	(408)	(584)	(588)
Total application of capital funding	4,061	3,340	2,393	3,654
Surplus / (deficit) of capital funding	(1,367)	(64)	(340)	(359)
Funding balance	-	-	-	-

Statement of compliance and responsibility

Reporting entity

Chatham Islands Council is a Unitary Local Authority under the Chatham Islands Council Act 1995 and the Local Government Act 2002 and is domiciled and operates in New Zealand.

Chatham Islands Council has designated itself as a public benefit entity for financial reporting purposes. The primary objective of the Council is to provide local infrastructure, local public services for community or social benefit, and regulatory functions to the community. The Council does not operate to make a financial return. As a public entity under the Public Audit Act 2001, the Council is audited by the Office of the Auditor General and is classed as a Public Sector Public Benefit Entity for financial reporting purposes.

Compliance

The Councillors and management of Chatham Islands Council confirm that the Annual Report, which includes both the financial information and the statement of service performance has been prepared in accordance with all statutory reporting requirements, as outlined in the Local Government Act 2002 and complies with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

The Councillors and management of Chatham Islands Council confirm the financial statements have been prepared to comply with Public Benefit Entity Accounting Standards (PBE accounting standards) for a Tier 2¹ entity and were authorised for issue by the Council on 10 December 2025.

¹ A Tier 2 entity is defined as having no public accountability, having total expenditure between \$5 and \$33 million and elects to be in Tier 2

Responsibility

Councillors and management of Chatham Islands Council accept responsibility for the preparation of the annual financial statements the statement of service performance and the judgements used in them. They also accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and service performance reporting.

In the opinion of the Councillors and management of Chatham Islands Council, the financial statements fairly reflect the financial position of the Council as at 30 June 2025, and the results of its operations, cash flows and the service performance achievements for the year ended on that date.

Greg Horler

Mayor

10 December 2025

Paul Eagle

Chief Executive

10 December 2025

Financial statements

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

	Note	Actual 2024/25 \$000	Long-Term Plan 2024/25 \$000	Actual 2023/24 \$000
Revenue				
Rates	1	843	817	787
Grants & subsidies	2	9,640	9,214	9,499
Council Dues		264	309	270
Petrol	3	446	-	454
User pays, fees & charges		175	144	166
Interest		17	42	91
Other revenue		571	230	396
Total revenue		11,956	10,756	11,663
Expenditure				
Depreciation and amortisation	9	2,590	2,210	2,506
Personnel costs	4	1,070	1,060	1,134
Financial costs		5	1	6
Other expenditure	5	6,801	6,333	8,130
Total expenditure		10,466	9,664	11,776
Share of surplus of associate	15	(237)	109	126
Total surplus / (deficit)		1,253	1,261	13
Comprehensive revenue and expense				
Increase / (decrease) in revaluation reserve	9, 12	63	-	-
Total other comprehensive revenue and expense		63	-	-
Total comprehensive revenue and expense	-	1,316	1,261	13

These statements should be read in conjunction with the Statement of Accounting Policies and Notes to the Financial Statements.

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

	Note	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	12	1,316	1,261	13
Equity at the end of the year		99,824	102,202	98,508

Statement of financial position as at 30 June 2025

	Note	Actual 2024/25 \$000	Long-Term Plan 2024/25 \$000	Actual 2023/24 \$000
Current assets				
Cash & cash equivalents	6	237	-	43
Cash funds held in trust	6	345	-	345
Cash investments		-	187	-
Receivables and other financial assets	7	639	732	1,679
Inventory	8	50	-	1
Total current assets		1,271	919	2,068
Non-current assets				
Investment in associate	15	131	351	368
Property, equipment & intangible assets	9	99,965	102,509	99,308
Total non-current assets		100,096	102,860	99,676
Total assets		101,367	103,779	101,744
Current liabilities				
Bank overdraft	6	-	189	499
Payables and other financial liabilities	10	1,453	1,298	2,632
Total current liabilities		1,453	1,487	3,132
Non-current liabilities				
Other long term financial liabilities	11	90	90	104
Total non-current liabilities		90	90	104
Total liabilities		1,543	1,577	3,236
Total public equity	12	99,824	102,202	98,508

These statements should be read in conjunction with the Statement of Accounting Policies and Notes to the Financial Statements.

Statement of cash flows for the year ended 30 June 2025

	Note	Actual 2024/25 \$000	Long-Term Plan 2024/25 \$000	Actual 2023/24 \$000
Cash flow from operating activities				
Receipts from rates revenue		834	816	748
Receipts from grants and subsidies		9,843	9,204	9,379
Receipts from Council Dues		262	309	291
Interest received		17	42	91
Receipts from other revenue		1,889	372	330
Payments made to employees		(1,048)	(1,060)	(1,154)
Interest paid		(5)	(1)	(6)
Other payments to suppliers		(7,483)	(5,945)	(7,334)
Net cash flow from operating activities		4,308	3,737	2,345
Cash flow from investing activities				
Purchase of fixed assets		(3,699)	(3,748)	(2,595)
Sale/(purchase) of other assets		103	-	206
Net cash flow from investing activities		(3,596)	(3,748)	(2,389)
Cash flow from financing activities				
Loans raised		-	-	-
Repayment of loans		(19)	(22)	(17)
Net cash flow from financing activities		(19)	(22)	(17)
Increase / (decrease) in cash held		693	(33)	(60)
Opening cash balance		(111)	31	(51)
Closing cash balance	6	582	(2)	(111)

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, net of outstanding bank overdrafts and excludes any cash investments held by the Council.

Significant notes & accounting policies

The following accounting policies are additional to the disclosures and accounting policies included within the relevant specific notes that form part of the financial statements.

Basis of preparation

The 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).

The financial statements comply with Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS). This includes preparing the accounts on a going concern basis. Refer to note 16 in the financial statements for further details on our going concern assumption.

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 and therefore reduced disclosure requirements will apply.

Measurement base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of certain infrastructural assets.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand (\$000) except for remuneration and disclosures in note 4, which are

disclosed to the nearest dollar. The functional currency of Chatham Islands Council is New Zealand dollars.

Budget figures

The budget figures in the financial statements are those approved by Chatham Islands Council as part of the annual planning process. The Council has approved no additional expenditure outside this planning process.

The budget figures have been prepared in accordance with NZ GAAP and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements.

Critical financial assumptions, judgements and estimations

The preparation of financial statements using Public Sector accounting standards requires the use of judgements, estimates and assumptions. Where material, information on the main assumptions is provided in the relevant accounting policy or in the relevant note.

The estimates and assumptions are based on historical experience as well as other factors that are believed to be reasonable under the circumstances. Subsequent actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis and adjustments are made where necessary.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the relevant notes.

Significant judgements and estimations include asset revaluations, impairments and provisions.

New or amended standards adopted

Standards and amendments, issued but not yet effective that have not been early adopted at balance date, and which may be relevant to the Council are:

Disclosure of Fees for Audit Firms' Services (Amendments to PBE IPSAS 1)

Disclosure of Fees for Audit Firms' Services (Amendments to PBE IPSAS 1) has been adopted in the preparation of these financial statements. The amendment changes the required disclosures for fees for services provided by the audit or review provider, including a requirement to disaggregate the fees into specified categories. This new disclosure is included in Note 5.

Other changes in accounting policies

There have been no significant changes in accounting policies during the 2025 financial year.

Taxation

Chatham Islands Council is a public authority and consequently is exempt from the payment of income tax, except for income derived from Council Controlled Organisations.

All items in the financial statements are exclusive of GST, except for receivables and payables, which are stated as GST inclusive. The net amount of GST recoverable from or payable to Inland Revenue is included as part of receivables or payables in the Statement of Financial Position.

In the statement of cash flows, the GST component of operating activities reflects the net GST paid to and received from Inland Revenue. The GST component has been presented on a net basis, as the gross amounts do not provide meaningful information.

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

We received more than was expected by \$1.2 million

Council continued its temporary role of transporting and supplying petrol to the island. Petrol revenue of \$0.4 million was not budgeted as it was expected alternative arrangements would be in place.

Our grants were \$0.4 million higher than expected due to timing of grants expected to be received in the prior financial year, being received in the current financial year.

There are no other significant differences to budget, rather fees subject to fluctuation, such as user-pays chargers 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.

NOTE 1: RATES REVENUE

Rates are set annually by resolution from the Council and relate to a particular financial year. All ratepayers are invoiced within the financial year for which the rates have been set. Rates revenue is recognised in full as at the date when rate assessment notices are sent to the ratepayers.

Rates are a tax as they are payable under the Local Government Ratings Act 2002 and therefore meet the definition of a non-exchange transaction.

	Actual 2024/25 \$000	Actual 2023/24 \$000
General rates	392	355
Targeted rates	426	403
Penalties and other adjustments	25	29
Total rates revenue	843	787

The revenue from rates was billed on the following rating information held at the end of the year immediately prior to the new rating year

	30 June 2024
The number of rating units	697
The total land value of rating units	100,041,250
The total capital value of rating units	252,816,550

NOTE 2: GRANTS REVENUE

For the Council, the main grants and subsidies are received from the following agencies:

- The Department of Internal Affairs provides an annual contribution to meet the Council's statutory obligations. Council also received additional support during the 2024/25 financial year related to various water services reform support packages. The Crown's annual contribution in 2024/25 was \$4.2 million. This level of financial support is committed for the foreseeable future. The Crown's contribution is insufficient to cover our operating requirements and does not cover depreciation of infrastructure assets; which means we are unable to effectively plan for or invest in infrastructural development. Council continues to work with central government and other organisations to provide additional ongoing support.
- The New Zealand Transport Agency Waka Kotahi reimburses part of the Council's costs for maintaining the local roading infrastructure. The reimbursement from the New Zealand Transport Agency Waka Kotahi is for costs already incurred, with no unfulfilled conditions or other contingencies relating to the reimbursements. The current level of support provided by New Zealand Transport Agency Waka Kotahi is 88% of actual costs incurred. Council currently funds any New Zealand Transport Agency Waka Kotahi shortfalls from cash reserves; which further draws on Council's liquidity.

Grants are recognised when any conditions relating to expenditure or other eligibility criteria have been fulfilled or when control over the asset is obtained. Grants are a non-exchange transaction.

A summary of our significant grants and subsidies and the agencies that provide this support is provided in the following table:

	Actual 2024/25 \$000	Actual 2023/24 \$000
Department of Internal Affairs	4,858	4,975
Waka Kotahi roading subsidy	4,419	3,903
Tourism Infrastructure Fund	113	98
Lotteries Commission	212	-
National Emergency Management Agency	-	31
Other	39	492
Total Grants & Subsidies	9,640	9,499

NOTE 3: OTHER SIGNIFICANT REVENUE ITEMS

Other revenue from operating activities is generally measured at the fair value of consideration received or receivable. The Council undertakes various activities as part of its normal operations which generates revenue. Other revenue items are a non-exchange transaction.

In 2023, the Council agreed to temporarily transport and supply petrol to the Chatham Islands. The previous supplier elected to cease operations, due to the cost becoming financially untenable. The Chatham Islands Council is currently responsible for purchasing, storing and transporting petrol to the island. Based on these attributable costs, the Council has applied a mark-up to provide this service to the community on a cost recovery basis. The Council is looking to find another supplier on the island to take responsibility for this activity.

Revenue recognised in the Annual Report related to the supply of petrol amounts to \$446,000, which is matched with the cost to supply petrol of \$480,000, including administrative time and costs. Petrol expenditure exceeds revenue for the year due to timing of purchases.

NOTE 4: GOVERNANCE AND EMPLOYMENT EXPENDITURE

Governance costs relate to the remuneration made to all elected members, comprising the Mayor and Councillors. Employment costs relate to the remuneration paid directly to staff including other employee benefits such as KiwiSaver contributions.

Governance and employment related expenditure comprises any money, consideration or benefit received or receivable or otherwise made available, directly or indirectly, during the reporting period but does not include reimbursement of authorised work expenses or the provision of work-related equipment such as cell phones and laptops.

During the year, no payments were made outside of normal contractual terms to members of Council or staff (in the 2023/24 financial year, no payments were made outside of normal contractual terms to members of Council or staff).

The Remuneration Authority is responsible for setting the remuneration levels for elected members. The elected members receive an annual salary, as opposed to a combination of meeting fee payments and annual salary. Elected members receive no other non-monetary benefits. Furthermore, there have been no appointments of elected members to other boards, with the purpose of representing Council's interests.

Key management personnel of the Council include the Mayor, Councillors and the Chief Executive. The assessed total full time equivalent of our key management personnel is assessed as 10 for the year ended 30 June 2025 (as of 30 June 2024, 10). Due to the difficulty in determining the full-time equivalent figure for the Mayor and Councillors, the figure is based on head count.

Remuneration of our key management personnel is disclosed as follows:

Name	Position	Actual 2024/25	Actual 2023/24
Monique Croon	Mayor	57,408	58,934
Keri Day	Deputy Mayor	24,270	24,270
Celine Gregory-Hunt	Councillor	18,218	18,218
Graeme Hoare	Councillor	18,218	18,218
Gregory Horler	Councillor	18,218	18,218
Richard Joyce	Councillor	18,218	18,218
Judith Kamo	Councillor	18,218	18,218
Nigel Ryan	Councillor	18,218	18,218
Amanda Seymour	Councillor	18,218	18,218
Total elected representatives' remuneration		209,204	210,730
Chief executive remuneration:			
Owen Pickles - to January 2024		-	174,439
Paul Eagle		250,744	164,437
Total key management personnel remuneration		459,948	544,862

Remuneration includes any non-financial benefits paid or payable for the year, and includes outstanding leave balances paid as part of final pay calculations.

Employee numbers and remuneration bands: As at 30 June 2025, the Council employed seven full time and two full-time employees (as at 30 June 2024, eight full-time and two full time equivalent staff members were employed).

The Local Government Act 2002 requires Council to disclose the number of employees receiving total annual remuneration of less than \$60,000 and the number of employees receiving over \$60,000, expressed in bands of \$20,000. To prevent employees and the remuneration level being personally identified, the Act allows for two or more bands to be combined, where there are five or less staff in a band.

	Actual 2024/25		Actual 2023/24
		< \$59,999	3
< \$59,999	4	\$60,000 - \$99,999	6
\$60,000 - \$259,999	6	\$100,000 - \$259,999	2
Total	10	Total	11

NOTE 5: OTHER SIGNIFICANT EXPENDITURE

Expenses are recognised in the period to which they relate.

The Council's financial statements and service performance information for the year ended 30 June 2025 is audited by Audit New Zealand on behalf of the Auditor-General. The audit fee disclosed for the financial report represents the fee for the annual statutory audit engagement carried out under the Auditor-General's auditing standards, as described in the audit report on **pages xx**. This fee also includes the audit of the summary annual report, also a statutory requirement, which is completed in conjunction with this engagement and not billed separately.

The Council recognizes the following notable items of expenditure recognised:

	Actual 2024/25 \$000	Actual 2023/24 \$000
Audit fees - Financial Report	110	109
Other audit fees - Long-Term Plan	-	64
Other audit fees - other	8	-
Donations	137	171
Bad debts	-	-
Lease expense	389	410

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.

There is no significant difference between current and 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.

NOTE 6: CASH AND CASH EQUIVALENTS

Our cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are disclosed in the current liabilities section in the statement of financial position. Our cash and cash equivalents balances are subject to expected credit losses, however no loss allowance has been recognised because the estimated amount is trivial.

Cash investments with maturities exceeding three months are recognised as cash investments. They are initially measured at the amount invested, adjusted for interest received.

	Actual 2024/25 \$000	Actual 2023/24 \$000
Cash at bank and on hand	237	43
Funds held in trust	345	345
Bank overdraft	-	(499)
Total cash and cash equivalents	582	(111)

The Council holds short-term deposits with ANZ bank, the only banking facility available on the island. Short term deposits are held as part of Council's overall investment and liquidity risk management programme to ensure a banking facility remains active on the Island. Bank balances that are interest bearing earn interest based on current floating bank deposit rates.

The Council holds funds in trust, representing unspent grant money provided to the Council for the Norman Kirk Memorial. These funds are held in a separate account from the Council's current operating account and are subject to restrictions.

The 2024/25 Annual Plan forecast a closing cash overdraft balance (including investments and funds held in trust) of \$2,000. The Council's deteriorating cash position is due to higher compliance costs and insufficient external support secured. The Council has an overdraft arrangement in place with its banking facility to cover any overdrafts, which includes the ability to provide adequate security against any required short-term borrowing or increased overdraft limit. The council remains reliant on external funding to meet operating requirements and any asset upgrades.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, net of outstanding bank overdrafts.

NOTE 7: RECEIVABLES AND OTHER FINANCIAL ASSETS

Short-term receivables are recorded at the amount due, less an allowance for expected credit losses. The Council apply the simplified expected credit losses model of recognising lifetime expected credit losses for short-term receivables.

In measuring expected credit losses, receivables have been grouped into rates receivables, and other receivables, and assessed on a collective basis as they possess shared credit risk characteristics. A provision matrix is then established based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Rates are "written-off" where rates cannot be reasonably recovered and when remitted in accordance with the Council's rates remission policy.

Other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation or the receivable being more than one year overdue. Council has recognised no expected credit losses for the 2024/25 or 2023/24 financial years.

Other financial assets are initially recognised at fair value.

All Council transactions are considered non-exchange transactions. Non-exchange receivables arise when the Council is owed value from another party without giving approximately equal value directly in exchange for the value received. Most of the goods or services that the Council provides are funded from our general funds and therefore the exchange is unequal.

Examples of non-exchange transactions include rates, grants, infringements and fees and charges. Non-exchange transactions are comprised of either taxes or transfers. Transfers also include grants that do not have specific conditions attached which require return of the grant for non-performance.

Exchange receivables arise when the Council is owed by another entity or individual for goods or services provided directly by the Council and will receive approximately equal value in a willing arm's length transaction (primarily in the form of cash in exchange). Examples of exchange transactions include amounts for commercial sales fees and charges that have not been subsidised by our general funds.

	Actual 2024/25 \$000	Actual 2023/24 \$000
Rates	157	134
Other receivables or financial assets	482	1,545
Total current receivables and other financial assets	639	1,679
Total non-current receivables and other financial assets	-	-

NOTE 8: INVENTORY

Inventories are held for distribution or for use in the provision of goods and services. The Council holds petrol inventory associated with the supply of petrol to the community. Petrol inventory is recognized based on the lower of cost or net realizable value.

The Council recognizes within the receivables and other financial assets figure petrol stock on hand of \$50,000 (2023/24, \$1,000). Petrol stock on hand was low last year, due to limited shipping service in June 2024 rationing petrol supply to the community.

NOTE 9: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

Expenditure is recognised as a property, equipment and intangible asset when it creates a new asset or increases the economic benefits of an existing asset. Costs that do not meet the criteria for capitalisation are expensed. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration, the asset is initially recognised at fair value at the date of transfer. Work in progress is recognised at cost less impairment and is not depreciated.

Our property, equipment and intangible assets consists of operational assets, infrastructure assets and intangible assets.

Operational assets include land, buildings and non-revalued equipment items. Our land and buildings were valued at deemed cost by way of Government Valuation, as at 1 July 1989. Subsequent additions are valued at cost. All other operational assets are valued at cost less accumulated depreciation.

Infrastructure assets include the roading network, drainage, reticulation systems for potable water and wastewater and waste management assets. The most recent infrastructural assets revaluation was independently completed by Stantec NZ as at 30 June 2022, using the depreciated replacement cost method. Subsequent additions are included at costs.

Intangible assets are primarily costs associated with acquiring computer software, which is valued at cost less accumulated amortisation.

After initial recognition, certain asset classes are revalued to fair value. Where there is no active market for an asset, fair value is determined by optimised depreciated replacement cost. Optimised depreciated replacement cost is a valuation methodology where the value of an asset is based on the cost of replacement. The remaining life of the asset is estimated and straight-line depreciation applied to bring the replacement cost to a fair value. Our infrastructure asset classes are revalued regularly to ensure their carrying amount does not differ materially from fair value. The valuation cycle for revalued asset classes is normally five years. The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation, this balance is expensed in the statement of comprehensive revenue and expense.

There are several estimates and assumptions exercised when valuing infrastructural assets using the depreciated replacement cost method. These include:

- Unit costs are sourced from engineering staff, previous valuations and contract rates. Where applicable Chatham Island specific rates are not available, mainland NZ rates are used as a proxy with an additional mark-up to account for the remote nature of the islands and the logistical challenges for completing works, these are confirmed as suitable by engineering staff.
- Remaining useful lives have been determined by calculating the difference between the respective asset's expected Total Useful Life (TUL) and the age of the asset. Note that where an asset's age is unknown, both

engineering judgement and local knowledge have been used to assign a suitable remaining life.

Valuations of assets exclude land assets, including land under roads.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. For assets not carried at a revalued amount, the total impairment loss is recognised in the Statement of Comprehensive revenue and expense.

Depreciation and amortization, is provided on a straight-line basis on all assets. Rates are calculated to allocate the asset's cost or valuation less estimated residual value over their estimated useful life, as follows:

Asset	Years
Operational assets	
Buildings	10-50 years
Office equipment	1-15 years
Vehicles	5-10 years
Parks and reserves	20-25 years
Infrastructure assets	
<i>Roading network</i>	
Sealed pavement surface	5-10 years
Sealed pavement layers (first coast seals, basecourse, subbase)	45-60 years or not depreciated
Unsealed pavement layers (wearing course, subbase)	5 years, or not depreciated for subbase
Drainage	45-55 years
Footpaths	20-25 years
Minor structures (including signs, railings and streetlights)	2-35 years
Retaining walls	25-30 years
Bridges, bridge culverts and wharves	30-45 years
<i>Drainage, reticulation systems for potable water and wastewater</i>	
Treatment plant and pump stations	1-26 years
Reservoirs	25-35 years
Pumps, valve, hydrants and other reticulation assets	15-55 years
<i>Waste management</i>	
Landfill, transfer stations and other assets	5-45 years
Intangible assets	
Computer software	5 years

Movements within the carrying value for each significant class of our property, equipment and intangible assets are as follows for 2024/25:

	Opening cost \$000	Accumulated depreciation \$000	Carrying value at the start of the year \$000	Additions \$000	Disposals and other adjustments at cost \$000	Depreciation \$000	Accumulated depreciation on disposals and other adjustments \$000	Closing accumulated depreciation \$000	Carrying value at the end of year \$000
Operational assets									
Land	278	-	278	-	(30)	-	-	-	248
Buildings	2,357	(914)	1,443	133	(11)	(124)	-	(1,038)	1,442
Office equipment	374	(183)	191	3	40	(46)	19	(210)	189
Vehicles	397	(191)	206	-	(71)	(38)	21	(208)	97
Parks and Reserves	222	(94)	128	-	60	(7)	72	(29)	181
Total operational assets	3,628	(1,382)	2,246	136	(12)	(215)	112	(1,485)	2,157
Infrastructural assets									
Transportation - Roading & Coastal networks	95,205	(4,017)	91,188	3,081	-	(2,074)	-	(6,091)	92,198
Waste management	2,717	(324)	2,393	-	37	(156)	(11)	(491)	2,274
Waste Water	1,518	(178)	1,340	-	-	(82)	1	(259)	1,258
Potable Water	2,283	(142)	2,141	-	-	(64)	-	(206)	2,078
Total infrastructural assets	101,723	(4,661)	97,062	3,081	37	(2,376)	(10)	(7,047)	97,808
Work in progress	-	-	-	-	-	-	-	-	-
Property, Plant and Equipment	105,351	(6,043)	99,308	3,217	25	(2,591)	102	(8,532)	99,965

During the year the Council reviewed the assets listed in the Fixed Asset Register to ensure consistency of classification and that the register correctly identified assets that were held by the Council. A number of minor updates were identified to align the financial information in the Annual Report with the Fixed Asset Register, which resulted in movements within the disposals and accumulated depreciation adjustment columns, above.

Core assets 2024/25

Included within the infrastructure assets are the following core Council assets

	Closing book value \$000	Additions \$000	Vested \$000	Replacement cost \$000
Water				
Treatment Plants and Facilities	735	-	-	1,163
Other Assets	1,343	-	-	2,125
Wastewater				
Treatment Plants and Facilities	736	-	-	1,690
Other Assets	522	-	-	1,197

	Closing book value \$000	Additions \$000	Vested \$000	Replacement cost \$000
Stormwater				
Storm drainage	-	-	-	-
Roads and footpaths				
Roads and footpaths	91,198	3,081	-	114,684
Total	95,534	3,081	-	120,940

Movements within the carrying value for each significant class of our property, equipment and intangible assets are as follows for 2023/24:

	Opening cost	Accumulated depreciation	Carrying value at the start of the year	Additions	Disposals and other adjustments at cost	Depreciation	Accumulated depreciation on disposals and other adjustments	Closing accumulated depreciation	Carrying value at the end of year
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Operational assets									
Land	278	-	278	-	-	-	-	-	278
Buildings	1,915	(925)	990	538	(121)	(78)	113	(914)	1,443
Office equipment	660	(368)	292	63	(18)	(40)	(105)	(183)	191
Vehicles	358	(226)	132	49	74	(34)	(15)	(191)	206
Parks and Reserves	99	(89)	10	10	114	(5)	(2)	(94)	128
Total operational assets	3,310	(1,608)	1,702	660	50	(157)	(9)	(1,382)	2,245
Infrastructural assets									
Transportation - Roading & Coastal networks	92,869	(1,970)	90,899	2,313	(2)	(2,022)	-	(4,017)	91,188
Waste management	2,797	(167)	2,630	4	(158)	(155)	73	(324)	2,393
Waste Water	1,505	(84)	1,421	-	13	(82)	(12)	(178)	1,340
Potable Water	2,283	(78)	2,205	-	-	(64)	-	(142)	2,141
Total infrastructural assets	99,454	(2,299)	97,155	2,317	(147)	(2,323)	61	(4,661)	97,062
Work in progress	-	-	-	-	-	-	-	-	-
Property, Plant and Equipment	102,764	(3,907)	98,857	2,977	(98)	(2,480)	52	(6,043)	99,308

During the year the Council reviewed the assets listed in the Fixed Asset Register to ensure consistency of classification and that the register correctly identified assets that were held by the Council. A number of minor updates were identified to align the financial information in the Annual Report with the Fixed Asset Register, which resulted in movements within the disposals and accumulated depreciation adjustment columns, above.

Core assets 2023/24

Included within the infrastructure assets are the following core Council assets

	Closing book value \$000	Additions \$000	Vested \$000	Replacement cost \$000
Water				
Treatment Plants and Facilities	757	-	-	1,163
Other Assets	1,384	-	-	2,125
Wastewater				
Treatment Plants and Facilities	784	-	-	1,690
Other Assets	556	-	-	1,197

	Closing book value \$000	Additions \$000	Vested \$000	Replacement cost \$000
Stormwater				
Storm drainage	-	-	-	-
Roads and footpaths				
Roads and footpaths	91,191	2,690	-	111,684
Total	94,672	2,690	-	117,859

NOTE 9: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)

Insurance of Assets, Council only insures operational assets due to cost constraints, with Council electing to self-insure infrastructure assets. In the event of a natural disaster, it is assumed that New Zealand Transport Agency Waka Kotahi will contribute to any remedial work required on our roading assets. Council also assumes any rebuild costs of other infrastructure assets (drainage, reticulation systems for potable water and wastewater and waste management assets) arising from an emergency event, will be funded by way of Central Government contributions.

Council has the ability to utilise an overdraft facility to cover any initial outlays required in an emergency event. Any cash outlays related to an emergency event, would expect to be recovered from Central Government.

	Actual 2024/25 \$000	Actual 2023/24 \$000
Total value of assets covered by insurance contracts	2,834	2,272
The maximum amount to which assets are insured under Council insurance policies	15,171	15,251

The Council is not covered by any financial risk sharing arrangements in relation to its assets. No property, equipment and intangible assets are pledged as security for liabilities. There are no restrictions over the title of these assets.

NOTE 10: PAYABLES AND OTHER FINANCIAL LIABILITIES

Short-term creditors and other payables are measured at the amount payable. The carrying value of payables approximates their fair value.

Payables under exchange transactions, transfers and taxes payable are non-interest bearing and are normally settled on 30-day terms. All Council's payables are recognised as exchange transactions as they are directly with another party on an arm's length basis and are of approximately equal value. Non-exchange payables are classified as either transfers payable (for example, Council grants) or taxes (for example, PAYE).

A provision for employee benefit liabilities (holiday leave and outstanding remuneration) is recognised as a liability when benefits are earned but not paid. This has been calculated on an actual entitlement basis. Council does not provide any retirement or long service leave benefits to staff. Council does not recognise a liability for sick leave.

Other provisions are recognised for future liabilities of uncertain timing or amount when there is a present obligation because of a past event, it is probable that expenditure will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are measured at the expenditure expected to be required to settle the obligation. Liabilities and provisions to be settled beyond 12 months are recorded at their present value.

A provision is made for the estimated refunds of outstanding Council Dues to the Pitt Island Barge Society. Council Dues are repayable on the production of audited accounts by the Pitt Island Barge Society on an annual basis.

	Actual 2024/25 \$000	Actual 2023/24 \$000
Payables and accrued expenses under exchange transactions	1,030	2,244
Revenue in advance	300	300
Employee leave and other accrued benefits	106	84
Provisions	17	-
Total payables and other financial liabilities	1,453	2,628

NOTE 11: OTHER LONG TERM FINANCIAL LIABILITIES

Borrowings on normal commercial terms are initially recognised at the amount borrowed plus transaction costs. Interest due on the borrowings is subsequently accrued and added to the borrowings balance. Borrowings are classified as current liabilities unless the Council or group has an unconditional right to defer settlement of the liability for at least 12 months after balance date. The carrying amount of term liabilities repayable within one year approximates their fair value, as the effect of discounting is not significant.

The Council maintains a prudent borrowings position given our equity and annual revenue. Council will only borrow where there is sufficient assurance additional funding assistance can be obtained to repay borrowings. Borrowings are primarily used to fund the purchase of new assets or upgrades to existing assets. Interest costs associated with the Council's borrowings is disclosed in the Statement of Comprehensive Revenue and Expense.

Deferred revenue is generally non-interest bearing and is settled on agreed terms. Therefore, the carrying value of deferred revenue approximates their fair value. The Council has a 20-year suspensory loan of \$90,000 from Housing New Zealand that must be repaid if the Council does not meet the conditions of the loan prior to 2029. Due to the uncertain nature of this suspensory loan, the Council will not recognise the loan as revenue until it is certain the funding conditions will be met.

NOTE 12: EQUITY

Equity is the community's interest in Chatham Islands Council and is measured as the difference between total assets and total liabilities. Equity is classified into several separate components.

The objective of managing these components is to achieve intergenerational equity, which is a principle promoted in the Local Government Act 2002 and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets but does not expect them to meet the full cost of long-term assets that will benefit ratepayers in future generations.

Our general funds are managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings. Additionally, the Council has asset management plans in place for major classes of assets, detailing renewal, and programmed maintenance. These plans ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The components of equity are:

- **Retained earnings:** General Funds – Revenue appropriation account to fund future development.
- **Restricted reserves:** These are reserves subject to specific conditions of use, whether under statute or accepted as binding by the Council. Transfers from these reserves may be made only for specified purposes or when certain specified conditions are met. Our restricted reserves are restricted by Council decision rather than being legally binding. Therefore, Council may alter these reserves without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council and include:
 - Emergency Services Reserve - Funds are set aside for emergency events such as natural disasters, note this reserve was closed in 2023/24.
 - Mayoral Relief Reserve – Funds are set aside for emergency relief.
- **Asset Revaluation Reserve:** Reserves generated by revaluations in property, plant and equipment and other assets.

The Local Government Act 2002 requires the Council to make adequate and effective provision in its Long-Term Plan to meet the expenditure needs identified in those plans. The Local Government Act 2002 sets out the factors the Council must consider when determining the most appropriate funding sources for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's Long-Term Plan.

	Actual 2024/25 \$000	Actual 2023/24 \$000
General funds		
Opening balance	19,954	19,691
Adjust for net surplus/(loss) for the year	1,253	13
Adjust for transfer (to)/from other reserves	-	250
Closing balance	21,207	19,954
Emergency services reserve		
Opening balance	-	250
Adjust for transfer (to)/from other reserves	-	(250)
Closing balance	-	-
Mayoral relief reserve		
Opening balance	25	25
Adjust for transfer (to)/from other reserves	-	-
Closing balance	25	25
Asset revaluation reserve		
Opening balance	78,529	78,529
Revaluation/(impairments)	63	-
Closing balance	78,592	78,529
Total equity at year end	99,824	98,508

Capital management, the Local Government Act 2002 requires the Council to manage its finances prudently and promote the current and future interests of the community.

NOTE 13: COMMITMENTS

The Council has no contractual capital commitments for the acquisition of property, plant and equipment at 30 June 2025 (30 June 2024, nil). The Council has in place maintenance contracts with external service providers to provide engineering services on infrastructural assets. The scope of future work is dependent on organisational priorities along with funding availability, due to these uncertainties, no disclosure has been made.

The Council has two non-cancellable operational lease arrangements in place at the end of the reporting period, one related to a land lease of a landfill site and one for a building space. The lease terms are for terms less than 30 years and are renewable at the end of the lease period at market rates.

	Actual 2024/25 \$000	Actual 2023/24 \$000
Not later than 1 year	416	415
Between 1 and 5 years	1,664	1,661
More than 5 years	8,019	8,444
Total	10,099	10,520

The future commitment excludes agreed increases for the impact of annual inflationary adjustments, which are uncertain by nature and difficult to predict.

NOTE 14: CONTINGENCIES

Contingent assets and liabilities are disclosed when the contingency is evident. Contingent assets are disclosed if it is probable the benefits will be realised. Contingent liabilities are disclosed if the possibility they will crystallise is not remote. Council is not aware of any contingent assets or liabilities at 30 June 2025, for Council or any associates (30 June 2024, nil).

NOTE 15: RELATED PARTY DISCLOSURE

Related parties arise where one entity can affect the financial and operating policies of another through the presence of control or significant influence. Related parties include all Council Controlled Entities and associates of the Council and key management personnel. Key management personnel include the Mayor and Councillors as elected members of the Council and the Chief Executive.

Council has entered into transactions with related entities during the year. These transactions were part of a normal supplier relationship and on terms and conditions no more or less favourable than those reasonable to expect the Council would have adopted in dealing with the party on an arm's length basis in the same circumstances. The Council also provides accommodation to one staff member, at a market based rental rate, as approved by Council.

Council's interest in an associate

Associates are entities over which the Council has significant influence but not control. Investments in associates are accounted for using the equity method.

The Council has an interest in the Chatham Islands Housing Partnership Trustee Limited (trustee company). The trustee company comprises four shareholders, each with the right to appoint one director. The Council has recognised the significant influence over the trustee company and accounts for a 25% share in the trustee company as an associate.

The trustee company holds no assets or liabilities, and its purpose is to act as a sole trustee of the Chatham Islands Housing Partnership (housing trust). The Council has recognised that the housing trust forms part of the trustee company's group and therefore recognised a 25% share in the trustee company group.

The purpose of the housing trust is to relieve hardship caused through isolation and reduced access to housing. The reporting date of the housing trust is 31 March. There are no significant restrictions on the ability of the associate group to transfer funds to the Council in the form of cash dividend or similar distributions, or to repay loans or advances.

As at 31 March 2025, the housing trust recognized an impairment loss of \$972,260 due to the termination of a building contract, specifically seven sections and units under construction at the time of termination. As at 31 March 2024,

the Housing Trust had \$1 million committed to the construction of five houses, to be paid upon completion of the project. The Council's share of an associate's profits or losses is recognised in the surplus or deficit.

Council's interest in Council Controlled Organisations

The Council has one Council Controlled Organisation, the Chatham Islands Mayoral Disaster Relief Fund Trust. Its purpose is as a body to receive grants to respond to emergency events on the Chatham Islands. For the year ended 30 June 2025, the entity was dormant and had no assets or liabilities, nor did the entity make any transactions during the year. This situation is consistent with the 2024 financial year. Therefore, the parent and group accounts are the same.

The Council has exempted this organisation from reporting under Section 7 of the Local Government Act 2002.

NOTE 16: GOING CONCERN

Chatham Islands Council is the smallest Council in New Zealand, with less than one thousand residents and 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 significant reliance on external support from 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 Central Government that the historic annual appropriation is insufficient to meet 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.

Commented [TC3]: Comms, area of audit focus, but await review until updated for Paul's feedback.

NOTE 16: GOING CONCERN (CONTINUED)

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, the wharf, and waste management facilities.

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.

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 as part of the Annual Plan process, requires additional savings and cost efficiencies to be found to ensure the Council does not exceed its overdraft limit by 30 June 2026. The Council is currently assessing these options, with reductions to regional council activities occurring in the interim to achieve conservative cashflow management. Council will also likely be required to use an overdraft facility on a temporary basis to cover any cash shortfall, including timing differences between receipts and payments.

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) 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.

NOTE 17: 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, with support from the Department of Internal Affairs. 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 Secretary for Local Government has not yet confirmed acceptance of the plan, and therefore the future service delivery arrangements and their financial implications remain uncertain.

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.

NOTE 18: EVENTS AFTER THE END OF THE REPORTING PERIOD

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, as there was additional scrutiny of our going concern assumptions requiring further technical review by our Auditors, impacting on our adoption date.

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.

Financial prudence graphs

Annual Report disclosure statement for the year ended 30 June 2025

What is the purpose of this statement?

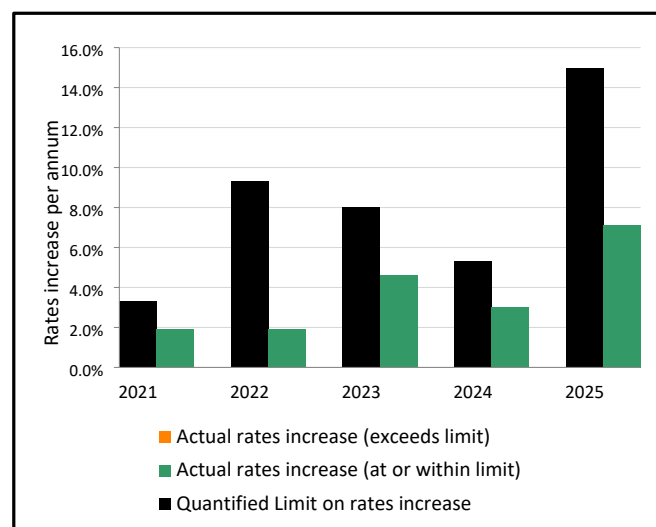
The purpose of this statement is to disclose the council's financial performance in relation to various benchmarks to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities and general financial dealings. The Council must include this statement in its Annual Report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014. Refer to the regulations for more information, including definitions of some of the terms used in this statement.

Rates affordability benchmark

The Council meets the rates affordability benchmark if its actual rates increases equal or are less than each quantified limit on rates increases.

The graph compares the Council's actual rates increases with a quantified limit on rates increases contained in the Financial Strategy included in the Council's Long-Term Plan. An annual rate increase limit of 15% has been set by Council, to be used at Council's discretion in cases where an adjustment is necessary to reflect movements with other comparable councils.

Commented [TC4]: To include graphs

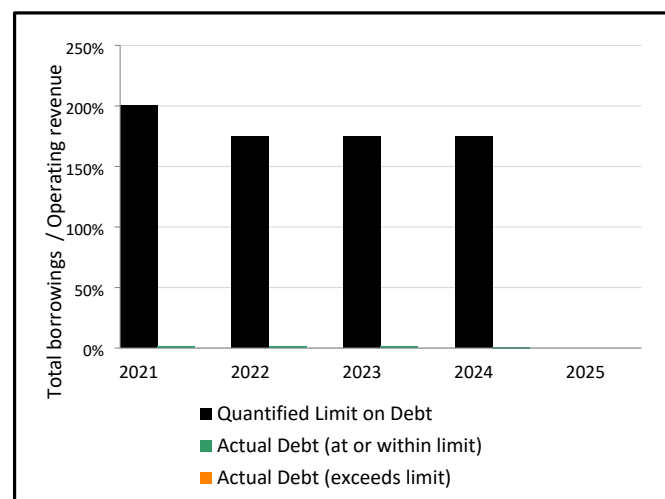


87

Debt affordability benchmark

The graph compares the councils actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the Council's Long-Term Plan. The Council's long-term borrowing limits are set at 0%, unless there is a funding arrangement in place to support the repayment.

Council's cash balance may fluctuate between a positive and overdraft balance during a year; particularly at the end of the financial year where payments to suppliers may be delayed and interest charges incurred on the overdraft facility, the graph below includes the year end cash overdraft. As the nature of the overdraft is temporary and Council expects an influx of cash in July, Council considers the borrowing limit is complied with.

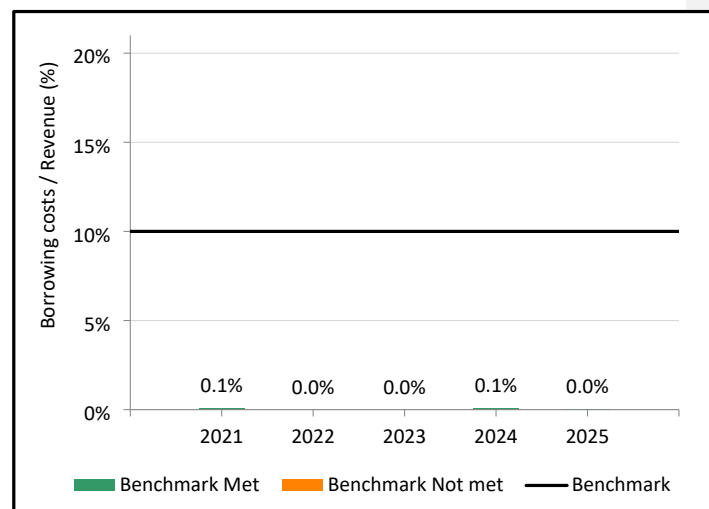


Debt servicing benchmark

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).

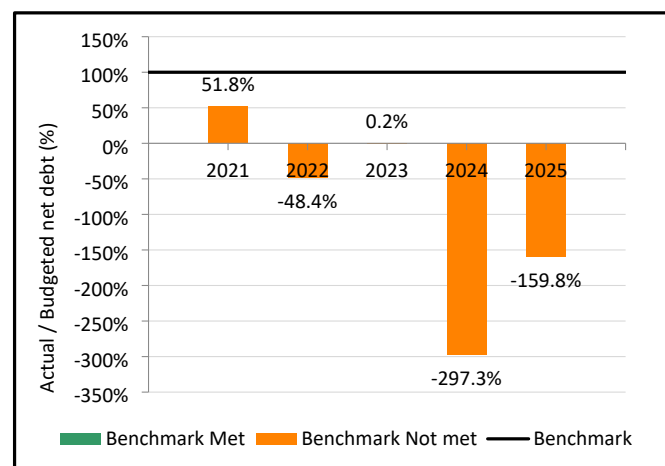
A local authority meets the debt servicing benchmark for a year if its borrowing costs for the year equal or are less than 10% of its revenue defined as above. Council does not enter into debt, unless a funding arrangement is in place to enable Council to make repayments; however, interest on the Council's bank overdraft may occur.

Commented [TC5]: Changed order of graphs



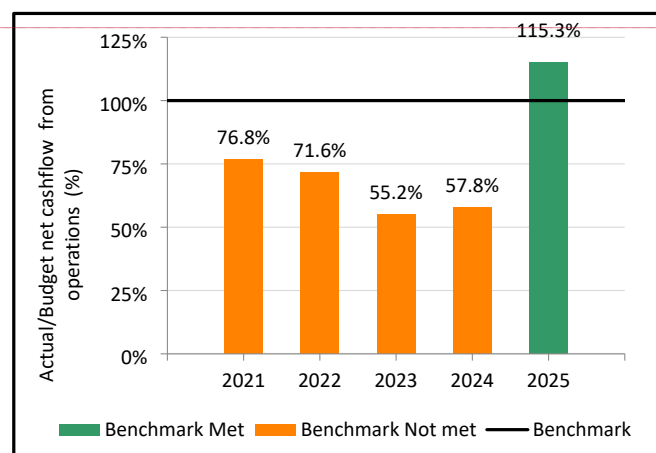
Debt control benchmark

The following graph displays the Council's actual net debt as a proportion of planned net debt. 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.



Operations control benchmark

This graph displays the Council's actual net cash flows 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.

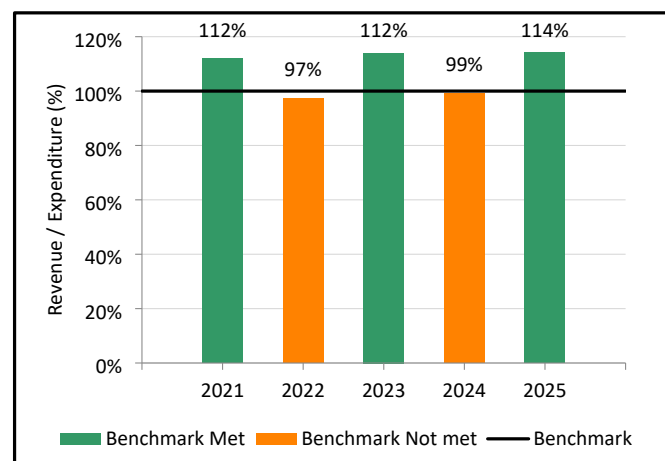


Commented [TC6]: Probably going to need to include a further explanation here

The operations control benchmark shows whether actual net operating cash flow is equal to or less than planned. The above graph reflects the reality of funding issues faced by the Council over the years. It is impossible for the Council to meet its legislative obligations and to operate in a self-sufficient manner without support from central government, given the small ratepayer base and a lack of investments. Many projects that were budgeted had to be postponed due to lack of funding.

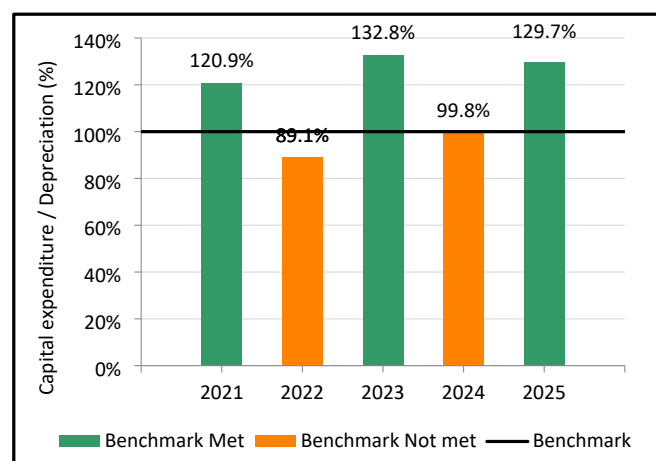
Balanced budget benchmark

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 and equipment). The Council meets this benchmark if its revenue equals or is greater than its operating expenses.



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.



Independent Auditor's report

[estimate two or three pages]

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R25/2 PU1C/9020
CIC12259/25



Our people, our Islands, our future





PARC

4.2 Annual Audit 2024/25 – Update

Date of meeting	03 December 2025
Author	Paul Eagle, Chief Executive

Purpose

To provide an update on Audit New Zealand’s progress on the audit of the Chatham Islands Council 2024/25 Annual Report (25J), and to outline the matters, Audit New Zealand will speak to verbally at the meeting.

Recommendations

That the Performance, Audit and Risk Committee:

1. **Receives** the verbal report.
2. **Notes** the likely inclusion of an Emphasis of Matter relating to going concern and an additional reference to the Water Services Delivery Plan.
3. **Notes** the final audit opinion expected for the 10 December 2025 Council meeting.

Background

Audit New Zealand is nearing completion of fieldwork for the Council’s 2024/25 audit.

Key matters for Committee awareness

Proposed Opinion wording

Audit New Zealand has advised that the current draft opinion includes:

a. An emphasis of matter – Going Concern:

This reflects the “material uncertainty on going concern” highlighted in Note 16 of the draft Annual Report. This emphasis is consistent with the prior year’s audit and reflects the Council’s unique funding dependencies and structural challenges.

b. Additional wording – Water Services Delivery Plan:



Audit New Zealand proposes to note the uncertainty associated with the Council's Water Services Delivery Plan, which is currently under review by the Department of Internal Affairs.

The Chief Executive will confirm with Department of Internal Affairs that the plan is unlikely to receive full approval at this stage, as its execution will require significant Crown funding. A conditional "approval subject to" outcome is anticipated.

Audit New Zealand considers this a relevant uncertainty for users of the Annual Report.

Timing and adoption

It is unlikely that the audit opinion will be fully approved by 3 December 2025. Audit New Zealand is working towards readiness for the 10 December 2025 Council Meeting, where adoption of the Annual Report is currently scheduled.

Verbal update

This verbal briefing will support transparency for elected members and allow early clarification of any questions prior to formal adoption by Council.



PARC

5.1 Annual Plan 2026/27 – Dates

Date of meeting	03 December 2025
Author/Reviewer	Tanya Clifford, Canterbury Regional Council Paul Eagle, Chief Executive

Purpose

To clarify the planning requirements, delivery approach, and role of the Performance, Audit and Risk Committee in the development of the Council's 2026/27 Annual Plan.

Recommendations

That the Performance, Audit and Risk Committee:

1. **Receives** this report.

Background

An Annual Plan is a short-term planning and budgeting document produced by Chatham Islands Council each year (except in the years when a Long-Term Plan is adopted). It:

- Sets out the council's budget, work programme, and priorities for the upcoming financial year.
- Identifies any changes from the Long-Term Plan, including new projects, changes in timing, or financial adjustments.
- Provides the basis for setting rates and fees for the year.
- Is developed with community consultation where changes from the Long-Term Plan are significant.

In short, the Annual Plan outlines what the council will deliver in the coming year, how it will be funded, and how it differs from the longer-term commitments in the Long-Term Plan. The Annual Plan process includes confirming the draft budget and assessing whether any changes from the Long-Term Plan are considered 'significant and material.'

In March 2026, Council will be required to make this determination. If a significant difference is identified, formal community consultation must follow. Historically, Council has concluded that changes have not been significant, meaning that only general community engagement has been undertaken. In this scenario, the budget is then updated as needed in June and adopted by Council before 30 June 2026 for implementation in the next financial year.



Proposed timetable

Budget development	February to March 2026
<i>The draft budget for the 2026/27 financial year is prepared, including updates to operating and capital expenditure, funding requirements, and alignment with the adopted Long-Term Plan (LTP). This work includes identifying any changes in project timing, service levels, or financial assumptions.</i>	
PARC / Council consideration	March 2026
<i>The draft budget is presented to the Performance, Audit and Risk Committee (PARC) and Council for review. At this stage, Council must determine whether the differences between the proposed Annual Plan budget and the equivalent year in the Long-Term Plan are 'significant and material.' PARC and Council may also seek clarification or further detail on proposed work programmes and the achievement of Council's agreed levels of service and strategic goals.</i>	
If Council determines that the variation is significant:	If Council determines that the variation is not significant:
<i>A formal engagement and consultation process is required, consistent with the Local Government Act 2002. This will include:</i> <ul style="list-style-type: none"> <i>• Preparation of a formal consultation document clearly outlining material changes</i> <i>• Public consultation during May 2026</i> <i>• Receipt of submissions and hearings held in early June 2026</i> <i>• Final amendments incorporated following deliberations</i> 	<i>No formal consultation process is required. In this case, Council may instead undertake general community engagement as appropriate, with the draft Annual Plan and budget refined through the normal review and decision-making cycle.</i>
PARC / Council review	June 2026
<i>Following consultation (if required) or internal refinement, the updated Annual Plan and budget are reported back to PARC and Council for final consideration.</i>	
PARC / Council adopt Annual Plan, including budget then set rates	June 2026
<i>Council adopts the 2026/27 Annual Plan, including the final budget, and sets the rates for the upcoming financial year. The plan must be adopted before 30 June 2026 to enable implementation from 1 July 2026.</i>	



Key budget assumptions

The Annual Plan is developed using a number of standard planning assumptions that guide financial forecasts and work programmes. These typically include:

- **Government funding and subsidies:**
Assumptions are made about the level and continuity of grants or funding support from central government agencies. In some cases, the level of funding is not confirmed until late in the planning process, creating uncertainty that may affect the delivery of agreed service levels.
- **Transport and infrastructure subsidies:**
Council assumes current funding assistance rates and subsidy arrangements will continue across the planning period. Any shortfall between planned expenditure and external subsidies is generally funded through rates, fees and charges or deferring work.
- **Population, rating base and price changes:**
Council assumes little change in population or the number of rateable properties unless local growth projections indicate otherwise. Adjustments for inflation, interest rates, materials, supply costs, and labour are based on recognised sector forecasts (eg. BERL), with consideration given to local cost pressures, including geographic isolation and high service delivery costs by increasing the BERL adjustment factors by an additional 0.75%.
- **Legislative and regulatory environment:**
Government policy and legislative change can significantly affect council operating and capital expenditure. Annual Plans generally assume no major legislative changes unless already signalled. Where new obligations arise, it is assumed that additional external funding will be required to meet compliance expectations. Where the impacts remain unclear, the Annual Plan generally assumes that current functions and service responsibilities will continue until formal changes are enacted.
- **Climate change and natural hazards:**
Forecasts usually assume no major natural disaster or catastrophic climate-related event during the planning period. While councils continue to plan and strengthen resilience, the direct financial impacts of such events are generally not included in the base budget and would be addressed through insurance, emergency funds, or additional government support if required.
- **Service levels and performance:**
Councils typically plan to maintain existing levels of service unless a change is specifically proposed and funded. Any significant shift in cost drivers, regulatory requirements, or funding availability may affect the ability to maintain these levels.



These assumptions provide the basis for preparing a balanced Annual Plan each year and are reviewed as new information becomes available.

Capital Expenditure

The Annual Plan assumes that capital expenditure will be limited to projects for which external funding has been secured. For Council, this means:

- **Transport infrastructure capital works** are primarily funded through New Zealand Transport Agency assistance. Accordingly, only roading capital projects included in the approved land transport programme will be budgeted for within the Annual Plan.
- **Other capital projects** will only proceed where dedicated external funding or grants have been obtained. The Council does not have the financial capacity to fund significant capital investment from rates or internal reserves alone.

The capital programme is therefore focused on maintaining and renewing existing infrastructure within available funding, with no unfunded major upgrades or new assets included in the baseline budget.

This approach ensures that capital commitments remain financially sustainable, align with confirmed funding sources, and do not place additional cost burdens on ratepayers unless external support is secured.

PARC

6.1 Riskpool – Proposed amendments to the Trust Deed

Date of meeting	03 December 2025
Author	Paul Eagle, Chief Executive

Purpose

To seek Council approval to consent to proposed amendments to the Riskpool Trust Deed, as circulated by Local Government Mutual Funds Trustee Ltd (LGMFT), the trustee for the New Zealand Mutual Liability Riskpool Scheme (Riskpool).

Recommendation

That the Performance, Audit and Risk Committee:

1. **Receives** the report on proposed amendments to the Riskpool Trust Deed;
2. **Notes** the purpose and effect of the proposed amendments as outlined in this report and the attached papers;
3. **Recommends** to Council that it approves consenting to the amendments to the Riskpool Trust Deed, as set out in the attached letter dated 21 August 2025; and
4. **Authorises** the Chief Executive to sign and return the attached consent form on behalf of Council.

Background

Riskpool was established in 1997 by local authorities and Civic Assurance (now Civic Financial Services Ltd) to provide collective risk protection for local government entities across New Zealand. It was formed in response to an unreliable and expensive commercial insurance market, particularly following the withdrawal of key insurers from local government liability cover.

Structured as a not-for-profit mutual fund with a Board of Trustees (the Board) acting in the best interests of members, Riskpool successfully operated for 20 years, returning \$178.7 million in claims to its members in comparison to \$147.5 million in contributions. Chatham Islands Council was a member of the Riskpool Scheme in that period.

Since 2017, the Scheme has been in a managed wind-down phase. The Board's focus is now primarily on resolving legacy claims, pursuing recoveries from reinsurers, and ensuring sound trust governance.



Although the Riskpool Scheme is in a managed wind down phase, the Board is currently managing a number of significant workstreams relating to Riskpool including:

Domestic Litigation

Several legacy claims remain outstanding against the Scheme. In 2023, the Supreme Court in *Local Government Mutual Funds Trustee Ltd v Napier City Council [2023] NZSC 97* confirmed that claims against the Scheme involving both weathertight and non-weathertight defects (mixed claims) could be divided, with cover available for non-weathertight defects. This ruling had wide-ranging consequences and led to a series of other mixed defect claims proceeding against the Scheme.

Two of these claims are scheduled for trial in September 2025. The central issue at trial is whether the claims were validly notified under the Scheme. These proceedings are important in clarifying Riskpool's historic obligations and the interpretation of Scheme terms. The Board is working closely with its legal advisers to prepare for trial and is keeping reinsurers updated with developments.

Reinsurance recoveries

Reinsurance remains Riskpool's primary source of funds for accepted claims. However, the process of ensuring reinsurers meet their obligations is complex, involving multi-layered "towers" of reinsurance for each fund year. The relevant reinsurance contracts are governed by English law and subject to the jurisdiction of the London commercial courts.

The Board is actively engaged with London brokers, English counsel, and New Zealand advisers to pursue recovery. Litigation in London remains a possibility. Ensuring that reinsurers meet their indemnity obligations is essential to reduce the scale of any further calls on member Councils and safeguard the wider local government sector.

Proposed amendments to the Riskpool Trust Deed

The Riskpool Trust Deed dates from 1997, with further amendments having been made in 2007.

As part of its ongoing governance review, the Board commissioned Webb Henderson to conduct a 'hygiene check' of the Scheme and its governing documents. That review identified a number of deficiencies in the current Trust Deed which require correction to bring the governance framework into line with best practice.



In summary, the proposed changes:

- a. Clarify the duties owed under clause 6 of the Trust Deed. The amendments make clear that these duties are owed by LGMFT, rather than by the Board. It appears that has always been the intention of the drafting given that the Board is not a party to the Trust Deed. The Board will remain mindful of them and continue to seek to cause LGMFT to give effect to them.
- b. Clarify that the Trustee can distribute surplus funds to Members. This is implicit at present but as the Scheme pursues reinsurance recoveries it is appropriate to put the point beyond any doubt. See clauses 6.13 and 6.14 of the Amended Riskpool Trust Deed.
- c. Clarify that the role of the Scheme Manager under clause 9 of the Trust Deed passed to Civic Financial Service Limited, formerly known as New Zealand Local Government Insurance Corporation Limited (LGIC).
- d. Properly provide for indemnification and limitation of liability of LGMFT, as trustee, and the Board. The Trust Deed, as currently drafted, provides insufficient protections to LGMFT and the Board when compared to the position at common law and in typical commercial trust arrangements. The Board considers that this is an oversight which, in the interests of the Scheme and Members, should be addressed. See clause 13 of the Amended Riskpool Trust Deed.
- e. Ensure consistent use of defined terms and correct other minor drafting issues.

In accordance with clause 17.1 of the Riskpool Trust Deed, the proposed amendments are conditional on not less than 90% of Members consenting in writing to the changes. There are 75 Member Councils in the relevant period, each with a casting vote.

Basis for Recommendation

The Riskpool Trust Deed lacks clear provisions for indemnifying the Board. This exposes them to personal liability for the decisions they make despite acting in good faith in a complex, high-value scheme. This is not consistent with standard practice in the governance of comparable entities. In addition, the proposed amendments confirm that surplus funds may be distributed to Members and update technical provisions to reflect Riskpool's current structure.

To ensure Riskpool can continue to attract and retain capable Board members, to protect those serving in this capacity, and update the provisions



outlined above, it is recommended that elected members approve the proposed amendments to the Trust Deed.

The proposed amendments do not alter Chatham Islands Council's financial contributions or create new obligations. The practical effect of the amendments will be to reduce governance risk, ensure compliance with best practice, and provide the Board with adequate protections and safeguards when acting in the best interests of Chatham Islands Council's and other Members, in resolving legacy claims and winding down the Scheme.

Attachments

1. Letter from LGMFT dated 21 August 2025;
2. Draft Deed of Amendment and Restatement; and
3. Amended Riskpool Trust Deed – Proposed Amendments in Mark-Up



21 August 2025

Paul Eagle
Chatham Islands Council
PO Box 24
CHATHAM ISLANDS 8942

paul.eagle@cic.govt.nz

Dear Paul

RISKPOOL: UPDATE TO TRUST DEED

As indicated in our letters of 26 May and 24 July, we write in relation to proposed amendments to the trust deed governing the Riskpool Scheme (**Trust Deed**).

The Trust Deed dates from 1997, with further amendments having been made in 2007. As part of its ongoing governance review, the Board of Local Government Mutual Funds Trustee Limited (**LGMFT**) engaged Webb Henderson, legal and regulatory advisors, to conduct a 'hygiene check' of the Scheme and its governing documents. That review identified a number of deficiencies in the current Trust Deed which require correction to bring the governance framework into line with best practice.

Accompanying this letter are drafts of:

- the proposed deed of amendment and restatement of the existing Trust Deed (**Deed of Amendment and Restatement**); and
- a copy of the Trust Deed marked up to show the changes which would be affected by the Deed of Amendment and Restatement (**Amended Deed**).

In summary, the proposed changes:

- Clarify the duties owed under clause 6 of the Trust Deed. The amendments make clear that these duties are owed by LGMFT, rather than by the Board. It appears that has always been the intention of the drafting given that the Board is not a party to the Trust Deed. The Board would of course still be mindful of them and will continue to seek to cause LGMFT to give effect to them.
- Clarify that the Trustee can distribute surplus funds to Members. This is implicit at present but as the Scheme pursues reinsurance recoveries it is appropriate to put the point beyond any doubt. See clauses 6.13 and 6.14 of the Amended Deed.

- Clarify that the role of the Scheme Manager under clause 9 of the Trust Deed passed to Civic Financial Services Limited, formerly known as New Zealand Local Government Insurance Corporation Limited (LGIC).
- Properly provide for indemnification and limitation of liability of LGMFT, as trustee, and the Board. The Trust Deed, as currently drafted, provides insufficient protections to LGMFT and the Board when compared to the position at common law and in typical commercial trust arrangements. The Board considers that this is an oversight which, in the interests of the Scheme and Members, should be addressed. See clause 13 of the Amended Deed.
- Ensure consistent use of defined terms and correct other minor drafting issues.

Consent procedure

In accordance with clause 17.1 of the Trust Deed, the amendment and restatement of the Deed of Trust is conditional on not less than 90% of Members consenting in writing to the changes. We encourage all members to engage with the process of amendment and will be happy to arrange one-on-one sessions and virtual briefings with members to explain the proposed amendments.

If the amendments proposed by the Deed of Amendment and Restatement are acceptable to you, please sign the attached consent and return it to us at your earliest convenience, and no later than **30 September 2025**.

If you have any questions or would like to discuss any of the matters outlined above, please don't hesitate to contact me at: stephen.ferson@riskpool.org.nz

Ngā mihi



Stephen Ferson

General Counsel

Local Government Mutual Funds Trustee Ltd (Riskpool)

CONSENT TO TRUST DEED AMENDMENTS

Chatham Islands Council, a local authority within the meaning of the Local Government Act 2002, in its capacity as a Member of the Scheme (and having received such advice, if any, as it has considered appropriate in the circumstances), hereby irrevocably consents to the amendments to the deed of trust dated 1 July 1997 and as varied pursuant to a Deed of Variation of Deed of Trust dated 22 July 2007 between Civic Financial Services Limited (previously named New Zealand Local Government Insurance Corporation Limited) and Local Government Mutual Funds Trustee Company Limited (**Trust Deed**) as proposed in the draft Deed of Amendment and Restatement of Trust Deed relating to the New Zealand Mutual Liability Riskpool circulated under cover of the letter from Stephen Ferson, General Counsel of Riskpool, dated 21 August 2025.

The terms "Member" and "Scheme" shall have the same meaning in this Consent as in the Trust Deed.

Dated:

SIGNED for and on behalf of
Chatham Islands Council by:

Authorised Signatory

Deed of Amendment and Restatement

DEED dated 2025

Parties

1. **Civic Financial Services Limited** (formerly known as New Zealand Local Government Insurance Corporation Limited) (**Civic**)
2. **Local Government Mutual Funds Trustee Limited (LGMFT)**

Background

- A. On 1 July 1997, the parties entered into a Deed of Trust (as varied by Deed of Variation dated 22 June 2007) (**Deed of Trust**).
- B. The parties now wish to amend and restate the Deed of Trust, on the terms set out in this deed.
- C. The amendments to the Deed of Trust are in the interests of Members, and (in accordance with, and for the purposes of clause 17.1 of the Deed of Trust) the consent of Members will be sought in respect of them.

The parties agree as follows:

1. Interpretation

1.1 In this Deed:

- (a) **Effective Date** means the date on which the consent (pursuant to clause 17.1 of the Deed of Trust) of the requisite number of Members is received in writing, in accordance with clause 2 of this deed;
- (b) **Deed of Trust** has the meaning given to it in the Background;
- (c) **Revised Deed** means the deed set out in the Appendix of this deed;
- (d) capitalised terms that are not defined in this deed have the meaning given to them in the Revised Deed; and
- (e) headings are to be ignored in construing this deed.

2. Condition

In accordance with clause 17.1 of the Deed of Trust, the amendment and restatement of the Deed of Trust pursuant to this deed is conditional on not less than 90% of Members consenting in writing to the changes shown as marked up in the version of the Revised Deed attached as the Appendix to this deed.

3. Amendment

3.1 Amendment and restatement

Subject to clause 2, with effect on and from the Effective Date, the Deed of Trust is amended and restated in the form of the deed set out in the Appendix. Except to the extent amended by this deed, the Deed of Trust continues in full force and effect.

3.2 Confirmation

- (a) Each party acknowledges and confirms that on and from the Effective Date, the parties shall have the benefit of the Revised Deed in accordance with its terms and are bound by the terms of the Revised Deed and have the obligations set out in it.
- (b) The parties:
 - (i) acknowledge that, in the period prior to the Effective Date, the references in clause 6 of the Deed of Trust to duties, responsibilities, discretions, and powers of the "Board" were intended by the parties to mean (and have been understood and applied as being) duties, responsibilities, discretions, and powers of the Trustee Company, acting by and through the instrumentality of the Board; and
 - (ii) agree and confirm that, as a result, the amendments to that clause 6 as set out in the Revised Deed are consistent with that intent and understanding.

4. General

4.1 Further assurance

Each party shall take all steps, execute all documents and do or procure all other acts and things reasonably required to give effect to this deed according to its true intent.

4.2 Entire agreement

This deed records the entire agreement between the parties concerning the amendment and restatement of the Deed of Trust.

4.3 Counterparts

This deed may be executed in any number of counterparts (including electronically scanned copies) all of which, when taken together, will constitute one and the same instrument. A party may enter into this deed by executing any counterpart.

4.4 Deed binding and delivered

For the purposes of Section 9 of the Property Law Act 2007, this deed:

- (a) is intended to be immediately and unconditionally binding upon each party to be bound by it when that party executes this deed; and
- (b) without limiting any other mode of delivery, will be delivered by each of the parties immediately on execution and exchange of this deed in accordance with clause 4.3.

4.5 **Governing Law**

This deed is governed by the laws of New Zealand and each party irrevocably and unconditionally:

- (a) submits to the non-exclusive jurisdiction of the courts of New Zealand; and
- (b) waives any right to object to any proceedings being brought in, or transferred to, those courts.

Executed as a Deed

Signed for **LOCAL GOVERNMENT MUTUAL FUNDS TRUSTEE LIMITED** by:

Signature of director

Signature of director

Name of director

Name of director

Signed for **CIVIC FINANCIAL SERVICES LIMITED** by:

Signature of director

Signature of director

Name of director

Name of director

DATED

1997

**NEW ZEALAND LOCAL GOVERNMENT INSURANCE CORPORATION
LIMITED**

(“LGIC”)

AND

LOCAL GOVERNMENT MUTUAL FUNDS TRUSTEE COMPANY LIMITED

(“Trustee Company”)

DEED OF TRUST

THIS DEED OF TRUST made the 1st day of July 1997

PARTIES

CIVIC FINANCIAL SERVICES LIMITED (FORMERLY KNOWN AS NEW ZEALAND LOCAL GOVERNMENT INSURANCE CORPORATION LIMITED-at Wellington) ("LGIC")

LOCAL GOVERNMENT MUTUAL FUNDS TRUSTEE COMPANY LIMITED
(**"Trustee Company"**)

BACKGROUND

- A. LGIC is a Local Authority Trading Enterprise as that term is defined in the Local Government Act 1974.
- B. Trustee Company is a company incorporated under the Companies Act 1993 and is a wholly owned subsidiary of LGIC.
- C. LGIC, in consultation with Jardine, has agreed to establish a Trust pursuant to this deed to provide the Fund and the Scheme (to be known as the New Zealand Mutual Liability Riskpool) for the benefit of the Members of the Scheme and to manage all Claims for Civil Liabilities against the Members of the Scheme which may arise in connection with the exercise by the Members of any of their powers, duties or functions.
- D. The purpose for establishing this Trust in consultation with Members is to benefit residents and ratepayers of New Zealand and in particular that purpose is to be achieved by enabling Members to be recompensed from the Fund in respect of liabilities thus reducing the need for insurance cover and reducing Members' annual expenses. In addition the Scheme Manager will work with Members to ensure that proper systems are developed to promote the efficient and safe fulfilment of each Member's functions thus providing a benefit to the community as a whole.
- E. LGIC has agreed to hold all the shares in Trustee Company on trust for the Members of the Scheme pursuant to this deed.
- F. Trustee Company has agreed to act as Trustee of the Scheme and to hold and apply the Fund in accordance with this deed and the other Scheme Documents so as to provide the benefits intended to be obtained by Members of the Scheme as envisaged by this deed and the other Scheme Documents.

THIS DEED WITNESSES:

1. Interpretation

1.1. In this deed unless the context clearly requires otherwise:

“**Act**” means the Companies Act 1993.

“**Additional Contribution**” means any additional or further contribution to an Annual Fund by a Member, after the initial Contribution to that Annual Fund, called for or demanded by the Board pursuant to this deed and the Scheme Rules.

“**Annual Fund**” means the separate fund established, pursuant to the Scheme Documents, for each Fund Year of the Scheme.

“**Board**” means the directors of Trustee Company who number not less than the quorum required pursuant to the Constitution acting together as a board of directors.

“**Call**” means each call or demand for an Additional Contribution.

“**Civil Liability**” means any civil liability resulting from an obligation, function, power or duty of a Member arising under law and includes any public liability and any liability for negligence of the Member.

“**Claim**” means any claim by a Member in respect of that Member’s Civil Liability during the term of the Scheme in respect of the Risks.

“**Constitution**” means the constitution of Trustee Company as may be varied, or substituted from time to time.

“**Contribution**” includes each Member’s initial contribution to each Annual Fund as determined by the Board, pursuant to clause 11 and each Additional Contribution.

“**Deed of Participation**” means the deed of participation required to be entered into by each Member pursuant to clause 16.

“**Fund**” means all assets and property of the Scheme and includes each separate Annual Fund.

“**Fund Manager**” means the manager of the Fund pursuant to clause 10.

“**Fund Year**” means the year commencing 4.00pm on 30th June in each year and terminating 4.00pm on 30th June in the next following year, or as otherwise determined by the Board.

“**Guidelines for Exercise of Discretion**” or “**Guidelines**” means the guidelines from time to time set out by the Board as detailed in clause 8.1.

“**Indemnity Cover**” means insurance cover purchased by the Board on behalf of Members to meet the Claims of the Members in the amount and in respect of the Risks determined from time to time by the Board being amounts payable in excess of the pooled cover.

“Jardine” means Jardine Risk Consultants Limited.

“Local Authority” means a local authority pursuant to the Local Government Act 1974.

“Member” means any person or body (whether incorporated or not) admitted as a Member to the Scheme pursuant to the Scheme Documents.

“Pooled Cover” means cover provided from the Fund to manage and, if the Claims are accepted by the Board, settle or pay the Claims against the Members in respect of the Risks.

“Risks” means those risks of Civil Liability of each Member and which fall within the Guidelines for Exercise of Discretion for the relevant Fund Year.

“Scheme” means the scheme, to be known as the New Zealand Mutual Liability Riskpool, constituted by this deed and the other Scheme Documents.

“Scheme Documents” means this deed, the Scheme Rules, and the Constitution of Trustee Company and for each Member, its Deed of Participation and the Guidelines.

“Scheme Manager” means the manager of the Scheme appointed from time to time pursuant to clause 9.

“Scheme Manager’s Quantum” shall mean \$30,000 inclusive of self retained limit or such other amount as shall from time to time be fixed by the Board.

“Scheme Rules” means the rules of the Scheme as promulgated by the Board from time to time.

“Scheme Solicitor” means the solicitor appointed from time to time by the Board.

“Self Retained Limit” means the deductible or excess to be borne by each Member in respect of its Risks and Claims against it as provided in the Guidelines.

“Shares” means the shares in Trustee Company.

“Underlying Claim” means any claim for civil liability (covered for the time being under the Guidelines) made against a Member which may give rise to a Liability; but also includes a claim which may give rise to a Liability to a Member under any other category of risk to that Member which the Guidelines of the Scheme may properly have been extended to cover pursuant to the terms of this deed.

1.2. In this deed, unless the context clearly otherwise requires:

1.2.1. Words importing the singular shall include the plural and vice versa;

1.2.2. References to any legislation shall include references to all amendments to that legislation and to any legislation passed in substitution for it (in whole or in part);

- 1.2.3. References to “director” or “directors” shall be to a director, or directors, of Trustee Company, acting in their capacity as such; and;
- 1.2.4. References to persons shall be deemed to include references to individuals, companies, corporations, firms, partnerships, joint ventures, associations, organisations, trusts, states or agencies of state, government departments and local and municipal authorities in each case whether or not having separate legal personality.

2. Constitution of the Scheme

- 2.1. A scheme is hereby established by LGIC and Jardine for the benefit of Members of the Scheme with the objects set out in clause 2.4. The name of the Scheme shall be the New Zealand Mutual Liability Riskpool.
- 2.2. The parties agree that Trustee Company shall act as the Trustee of the Scheme established under this deed and shall be responsible to ensure that the purposes of the Scheme as provided by this deed and the other Scheme Documents are carried into effect.
- 2.3. The Fund of the Scheme shall include all assets and property for the time being held by or on behalf of Trustee Company, derived from:
 - 2.3.1. Contributions;
 - 2.3.2. Additional Contributions;
 - 2.3.3. Any gifts, donations or grants;
 - 2.3.4. Revenue from investments;
 - 2.3.5. Proceeds of realisation of investments;
 - 2.3.6. Any policies or contracts of re-insurance or indemnity;
 - 2.3.7. Any recoveries;
 - 2.3.8. Any other source.
- 2.4. The Fund shall be held in trust for the benefit of the Members of the Scheme by Trustee Company upon the trusts and for the objects contained in this deed and shall be managed, administered and applied by Trustee Company in accordance with the powers contained in this deed, in order to attain those objects.
- 2.5. LGIC hereby declares that it holds the Shares on trust for the benefit of the Members in accordance with the terms of this deed and the other Scheme Documents for the objects and purposes of the Scheme.
- 2.6. Trustee Company is and shall remain responsible for the safe custody of all money, policies, certificates and other documents of title and value in connection with the Fund and for the safe custody, realisation and distribution of all assets and property from the Fund, from time to time vested in Trustee Company.

3. Purposes and Objects

- 3.1. LGIC and Trustee Company declare that their purposes in entering into this deed and the objects of the Scheme are:
 - 3.1.1. To establish and maintain an Annual Fund for each Fund Year during the term of the Scheme for the benefit of the Members to meet the costs of establishing and running the Scheme and, subject to the terms of this deed and the other Scheme Documents and the Guidelines, to pay the Civil Liabilities of the Members arising from the Risks covered by the Scheme and specified in the Scheme Documents with the intention that Members' needs for insurance cover and insurance expenses are reduced for the benefit of residents and ratepayers;
 - 3.1.2. To provide Pooled Cover in respect of Risks as may be determined from time to time by the Board;
 - 3.1.3. To manage and settle or pay Claims made against Members;
 - 3.1.4. To develop programmes for the management of the risk of loss arising out of Civil Liability of the Members;
 - 3.1.5. To reduce the amount and frequency of losses to the Members arising out of Civil Liability;
 - 3.1.6. To purchase such Indemnity Cover or re-insurance in respect of such Risks as may be determined from time to time by the Board;
 - 3.1.7. To undertake such other functions in relation to the management of Civil Liability as the Board may from time to time require having regard to the interests of the Members, including making grants from the Fund to a Member or any other person or body approved by the Board;
 - 3.1.8. To investigate and if deemed appropriate by the Board, establish other Funds to cater for the insurance needs of Local Authorities and other local government organisations;
 - 3.1.9. To work with Members to ensure that proper systems are developed to promote the efficient and safe fulfilment of each Member's functions to provide to the Community as a whole;
 - 3.1.10. To do all other things as may be necessary or desirable to further the above objects in the interests of the Members of the Scheme.
- 3.2. The parties agree that they will co-operate to the fullest extent with each other in the implementation of the purposes stated in clause 3-1 and act in accordance with the provisions and spirit and intent of this deed.
- 3.3. LGIC shall be entitled to be paid an administration fee to be determined from time to time by the Board for the performance of its functions and duties under this deed as Fund Manager and for the provision of any other services to Trustee Company.

4. The Fund

- 4.1. Trustee Company shall establish and maintain a Fund in the amount recommended by the Board and shall at the commencement of each Fund Year during the term of the Scheme on the advice of the Board invite the Members of the Scheme to contribute to the Fund at such levels as are determined pursuant to clause 6.6 to meet:
 - 4.1.1. such Underlying Claims as may be made against any one or more of the Members during that Fund Year in respect of Risks to the extent of the Pooled Cover.
 - 4.1.2. the premium payable to an appropriate indemnity insurer or insurers to provide Indemnity Cover for the Members during that Fund Year.
 - 4.1.3. the operating expenses of the Scheme for that year.
 - 4.1.4. the grants or allocations to be made pursuant to clauses 3.1.7 or 3.1.8 (if any).
 - 4.1.5. any other amount determined by the Board to be required for the continuation of the Scheme.
- 4.2. Each Underlying Claim made upon any of the Members during a Fund Year in respect of Risks may at the discretion of the Board be met:
 - 4.2.1. to the extent that the Underlying Claim does not exceed the amount of the Pooled Cover of the Annual Fund for that Fund Year from that Annual Fund;
 - 4.2.2. to the extent that the Underlying Claim exceeds the amount of the Pooled Cover but does not exceed the amount of the Indemnity Cover for that Fund Year
 - (i) to the amount of the Pooled Cover, from the relevant Annual Fund for that Fund Year;
 - (ii) thereafter from Indemnity Cover for that Fund Year to the extent of that Cover;
 - 4.2.3. To the extent that the Underlying Claim exceeds the amount of the Pooled Cover and the Indemnity Cover for that Fund Year;
 - (i) to the amount of the Pooled Cover, from the relevant Annual Fund for that Fund Year;
 - (ii) to the amount of the Indemnity Cover for that Fund Year, to the extent of that cover;
 - (iii) the balance by the Fund from surpluses from previous Fund Years and from Additional Contributions from Members;

(iv) to the limit of any guarantee provided by LGIC, by LGIC.

4.3. The Members shall be invited to Contribute to the Fund in the proportions to be determined annually by the Board. The Contributions by Members for each Fund Year shall be held and accounted for as a separate Annual Fund for that Fund Year.

4.4. Trustee Company shall administer the Fund with the intent that upon the settlement of all Claims made in respect of occurrences or events arising during the relevant Fund Year;

4.4.1. any surplus or anticipated surplus remaining in the [Annual Fund](#) ~~attributable to~~for that Fund Year shall be allocated at the absolute direction of the Board towards liabilities of the Fund for any later Fund Year; and

4.4.2. any deficiency in the [Annual Fund](#) [for that Fund Year](#) shall be met by Additional Contributions by each Member in the proportion in which Contributions were made to the Annual Fund for that Fund Year.

5. Board of Trustee Company

5.1. LGIC shall, following consultation with the Board, appoint persons (not exceeding a maximum of six at any one time) as directors for a term not exceeding three years and one month, and may following consultation with the Board at any time remove, with or without a replacement, any director.

5.2. Unless otherwise expressly provided in this deed or the Constitution, questions arising at any meeting of the Board shall be decided by a simple majority of the votes of those directors present and voting.

5.3. The quorum necessary for the transaction of business at meetings of the Board shall be the majority of the Directors. A director is to be counted for quorum purposes whether entitled to vote or not.

5.4. Subject to the provisions of this deed and any applicable law, LGIC shall determine, from time to time, what (if any) directors fees, other valuable consideration or other benefit shall be paid or given by Trustee Company out of the Fund to any director in respect of that person's performance of duties as a member of the Board.

5.5. No director may hold office for more than twelve years, whether continuously or in aggregate over several periods.

6. Duties of the ~~Board~~[Trustee Company](#)

6.1. The ~~Board~~[Trustee Company](#) shall be responsible to LGIC as shareholder (as trustee for the Members). Notwithstanding anything to the contrary in the Constitution, the duties of the ~~Board~~[Trustee Company](#) shall include:

6.1.1. Implementing and achieving the purposes and objects of the Scheme;

- 6.1.2. Considering all Claims made against the Fund and determining whether or not the [Board's Trustee Company's](#) discretion should be exercised to meet the Claim for the Member from the Pooled Cover;
 - 6.1.3. Ensuring the Scheme is and remains financially viable and solvent within the "solvency tests" laid down by the Act and generally at law;
 - 6.1.4. Conduct its business in accordance with this deed and other Scheme Documents, and otherwise in such manner as is resolved by the Board from time to time;
 - 6.1.5. Promulgating and amending the Scheme Rules and the Guidelines from time to time.
- 6.2. The [Board Trustee Company](#) shall regard the purposes and objects of this deed and the Scheme as being of paramount importance in decisions made and policies adopted by it in relation to the Scheme and shall adopt and use such management and other techniques as will ensure that those main objectives are achieved.
 - 6.3. The Trustee Company being a wholly-owned subsidiary of LGIC (as trustee for the Members), any director may act in a manner which he or she believes is in the best interests of LGIC (as trustee for the Members) and the Members, notwithstanding that it may not be in the best interests of the Trustee Company.
 - 6.4. A director who is an officer, employee, nominee or representative of a Member shall only be disqualified from voting on any matter that affects that Member if it affects the Member directly and in a materially different way from which it affects other Members or there are personal reasons why that director has a conflict of interest.
 - 6.5. The [Board Trustee Company](#) shall from time to time appoint the Scheme Solicitor for such tenure and upon such terms as it shall in its sole discretion decide, but such appointment shall be formally reviewed by the [Board Trustee Company](#) at least every three years.
 - 6.6. The [Board Trustee Company](#) shall be responsible for the financial management of the Scheme to the extent that it shall:
 - 6.6.1. annually prepare the financial statements and, where considered necessary, report to the Members on any items arising from those statements;
 - 6.6.2. annually determine the Guidelines for the Risks to be provided for from the Fund for any Fund Year;
 - 6.6.3. annually determine the amount of Pooled Cover to be provided for the Members from the Fund for any Fund Year;
 - 6.6.4. annually determine the amount and nature of Indemnity Cover to be purchased for the Members from the Fund for any Fund Year and to determine the indemnity insurer or insurers for this purpose;

- 6.6.5. be responsible for the assessment of the Members to determine the proportion in which they are to contribute to the Fund in each year. Each Member shall be required to and shall provide to the [BoardTrustee Company](#) and to the Scheme Manager such information as the [BoardTrustee Company](#) or the Scheme Manager may require in relation to the history of Civil Liability Claims made against the Member, the Member's operating procedures or such other matters as may be directed in order to permit the [BoardTrustee Company](#) to carry out its obligations under this clause.
- 6.7. The [BoardTrustee Company](#) may from time to time establish, or disestablish, a Claims Committee. Any such Claims Committee shall have such membership, duties, functions and powers, and be subject to such procedures, as the Board may from time to time stipulate. Where a Claims Committee is disestablished, its duties, functions and powers shall revert to the [BoardTrustee Company](#) (but without prejudice to the validity or effectiveness of any act or omission of the Claims Committee prior to its disestablishment), and any reference in this deed to the Claims Committee shall be read accordingly.
- 6.8. The [BoardTrustee Company](#) at its discretion may establish such other committees, to be constituted by such persons, as the Board may determine. ~~The~~[The Trustee Company, and the](#) Board may delegate such of its powers, duties and functions as it may determine to any committee or person.
- 6.9. The [BoardTrustee Company](#) at all times remains responsible for powers and duties delegated to any committee or person and must monitor, by means of reasonable methods properly used, the exercise of those powers and duties by the delegate.
- 6.10. The [BoardTrustee Company](#) shall consider regularly the reports of the Scheme Manager and the Claims Committee in relation to Claims and:
- 6.10.1. shall, on the recommendation of the Claims Committee and Scheme Manager, determine whether to accept or reject any Claim;
- 6.10.2. from time to time shall issue instructions to the Claims Committee and Scheme Manager regarding the processing of Claims
- 6.10.3. shall, on written request from a Member, reconsider any Claim that has been rejected.
- 6.11. [Intentionally Omitted]
- 6.12. Where it becomes apparent to the [BoardTrustee Company](#) that the Annual Fund for any Fund Year will be insufficient to meet Claims payable from that Annual Fund, the [BoardTrustee Company](#) may at any time require the payment by the Members of an Additional Contribution in the same proportions as the Contributions paid by each of the Members to that Annual Fund in order to ensure that all Claims upon that Annual Fund are able to be met.
- 6.13. In addition to the provisions of this clause the [BoardTrustee Company](#) may at any time resolve to apply by way of transfer or loan any actual or anticipated surplus

then remaining in any Annual Fund to any later Annual Fund, or to such purposes as ~~may~~the Trustee Company in its absolute discretion determines from time to time to be ~~considered~~ appropriate having regard to the purposes of the Scheme and this deed.

- 6.14. The ~~Board~~Trustee Company, in accordance with the provisions of this deed, may make payments and grants from the Fund for the benefit of the Members and to further the objectives of the Scheme as the ~~Board~~Trustee Company deems fit in its absolute discretion.

~~6.15.~~ The Trustee Company ~~Board~~ shall within 12 months from the commencement of the Scheme hold an annual meeting of Members to be convened no earlier than 30 days after the

~~6.16.~~6.15. mailing to Members of notice of such meeting. In each subsequent year in which the Scheme continues the Board shall in the same manner hold an annual meeting.

~~6.17.~~6.16. Any meeting of the Members shall be called and conducted as closely as is practicable in accordance with the Constitution and the Act as if it were a meeting of the shareholders of Trustee Company and as if the Members were shareholders of Trustee Company, and each meeting shall otherwise regulate its own proceedings, however at any such meeting:

~~6.17.1.~~6.16.1. a Member shall have one vote;

~~6.17.2.~~6.16.2. a Member may vote only in respect of matters arising in, from or relating to a Fund Year during which the Member was or is a Member of the Scheme; and

~~6.17.3.~~6.16.3. matters arising in, from or relating to different Fund ears shall be considered and voted on separately.

7. [Intentionally Omitted]

8. Guidelines and Claims

8.1. The Trustee Company (acting through the Board) upon the recommendation of the Scheme Manager shall set at the commencement of each Fund Year Guidelines for the exercise of its discretion as to whether or not Claims by Members should be met out of the Pooled Cover.

8.2. The Trustee Company (acting through the Board) shall have absolute and unfettered discretion as to whether or not any Claim should be met out of the Pooled Cover and shall be influenced by but not bound by the Guidelines.

8.3. The Claims Committee may authorise the Scheme Manager to meet Claims out of the Pooled Cover where:

8.3.1. Those Claims do not exceed the Scheme Manager's Quantum and;

8.3.2. The Claim falls within the Guidelines and;

8.3.3. The Underlying Claim against the Member is one for which the Member is reasonably liable and would in all probability be held liable at law for the amount of the Claim.

8.4. Where the quantum of any Underlying Claim exceeds the Scheme Manager's Quantum the Claims Committee shall authorise the Scheme Manager in conjunction with the Scheme Solicitor to administer and deal with that Underlying Claim but any settlement of a claim shall be authorised by the Claims Committee.

9. Engagement of Scheme Manager

9.1. The Trustee Company Board shall appoint a person to be the Scheme Manager upon such conditions as to tenure and remuneration or otherwise as shall be determined by the Trustee Company Board in its sole discretion and agreed upon by the Scheme Manager, and the parties record that:

9.1.1. the first Scheme Manager appointed by the Trustee Company was shall be Jardine, which was appointed for a period of 5 years from commencement of the Scheme; and

9.1.2. With effect from 30 June 2012, LGIC was appointed as Scheme Manager and, without interruption, has continued in that capacity from that date and remains the Scheme Manager as at the date of this deed.

9.2. The Scheme Manager's duties shall be determined by the Trustee Company Board from time to time and may include:

9.2.1. from time to time undertake an assessment of the Members or any of them and their activities to assist the Fund Manager in the determination of the proportion in which the Members are to contribute to the Fund in any year and upon the conclusion of any such investigation direct the Members or any of them as to the procedures to be adopted by them to prevent losses or to minimise Civil Liability.

9.2.2. under the supervision and direction of the Claims Committee and the Board, the management of Claims made against each Member including:

- (a) the investigation and assessment of those Claims;
- (b) the preparation of regular reports to the Board on the progress of Claims and the preparation of recommendations as to the acceptance, rejection, settlement, litigation or other handling of the Claims;
- (c) the issue of instructions to the Scheme Solicitor for advice min respect of Claims and for assistance in the defence of Claims.

9.2.3. the provision of loss prevention and risk minimisation guidelines to members.

9.3. The Scheme Manager shall be available at all times to any member of the Trustee Company, the Board, or any member of the Claims Committee or any other

committee of the Board, or any of the Members of the Scheme, to answer any questions on the conduct of the Scheme's activities.

10. Fund Manager

- 10.1. LGIC shall be the Fund Manager upon such conditions as to remuneration or otherwise as shall be agreed by the Board and LGIC. In the event that LGIC becomes insolvent or ceases to trade then the Board shall appoint a new Fund Manager.
- 10.2. The Fund Manager's duties shall be determined by the Board from time to time and shall include:
 - 10.2.1. the keeping of the accounts of the Annual Fund for each Fund Year;
 - 10.2.2. the provision of administrative and secretarial services to Trustee Company and the Board including setting agendas and submitting reports;
 - 10.2.3. the preparation of advice and recommendations on the investment of any moneys of the Fund not immediately required and implementation of decisions of the Board;
 - 10.2.4. the preparation of regular reports to the Board in such form as the Board shall from time to time direct in respect of each Annual Fund as to:
 - (i) Claims outstanding;
 - (ii) The Scheme Manager's assessment of liability in respect of each outstanding Claim;
 - (iii) The ability of the Fund to meet the assessment of liability;
 - (iv) The assessment of further Additional Contributions required, if any;
 - (v) The investment of the moneys of the Fund not immediately required;
 - (vi) The allocation of surplus moneys in the Fund, if any;
 - 10.2.5. the preparation of the annual operating budget;
 - 10.2.6. the calculation of Contributions in conjunction with actuarial advice and advice from the Scheme Manager;
 - 10.2.7. the recommendation of the level of Pooled Cover to be provided in any Fund Year;
 - 10.2.8. the recommendation of the level of Indemnity Cover to be provided in any Fund Year.
- 10.3. The Fund Manager shall be available at all times to any member of the Board or any member of the Claims Committee or any other committee of the Board or any Member of the Scheme to answer questions on the management of the Fund.

- 10.4. The Fund Manager shall negotiate Indemnity Cover as requested by the Board and satisfying any specific requirements of LGIC while LGIC's Deed of Guarantee is operative or while there are outstanding amounts due to LGIC under any Deed of Guarantee.

11. Contributions to Scheme

- 11.1. Each Member, as a condition of membership of the Scheme for that Fund Year, shall pay the initial Contribution determined by the Board for that Member for that Fund Year.
- 11.2. The Contributions determined for any Member in respect of any Fund Year, shall be determined having regard to the advice from the Claims Committee, the Fund Manager and the Scheme Manager and such matters as the Board considers relevant to the Scheme Member's level of risk and may include, without limitation:
- 11.2.1. the Member's revenue base;
 - 11.2.2. the geographical location of the Member's territory;
 - 11.2.3. the population of the Member's territory;
 - 11.2.4. the Member's Civil Liability claims history (both during and prior to its membership of the Scheme);
 - 11.2.5. any matter relating to the nature of the Member's territory or its operations which create increased or reduced risks of Civil Liability;
 - 11.2.6. any matters relevant to the Scheme Member's risk management practices that are known to the Board;
 - 11.2.7. any other matters the Board considers relevant, having regard to the purposes and objects of the Scheme.
- 11.3. If during a Fund Year it becomes apparent to the Board that as a result of unexpected or exceptional circumstances the Fund for that Fund Year will be insufficient to meet Claims payable from the Fund, the Board may determine an Additional Contribution payable by each Member for the Fund Year (which will be in the same proportion to the Additional Contributions of all other Members as the initial Contribution paid by the Member for that Fund Year bears to the initial Contributions of all Members for that Fund Year).
- 11.4. All Contributions (including any Additional Contribution under sub-clause 11.3) must be paid within twenty days of the date of the contribution notice given to the Member by the Board, the Scheme Manager or the Fund Manager (or such longer period as stated in the notice or determined by the Board).
- 11.5. Without affecting any other Rule, if the amount of any Contribution (including any Additional Contribution under sub-clause **Error! Reference source not found.**) is not paid by the due date:

- 11.5.1. interest may, if the Board so determines, accrue calculated daily, on daily balances (and compounding semi-annually) at the Bank of New Zealand Indicator Rate from the due date to the date of actual payment;
- 11.5.2. an unpaid Contribution (and interest) constitutes a debt payable by the relevant Member to the Scheme and Trustee Company may bring proceedings for the recovery of that debt in its name on behalf of the Scheme.

12. Bank Account, Investment and Borrowing Powers

- 12.1. Trustee Company shall open a bank account for the Fund with a registered Bank determined by the Board.
- 12.2. The name of the bank account and the persons authorised as signatories to operate the bank account shall be determined by the Board.
- 12.3. The parties agree that the Trustee Company may invest moneys received in respect of the Fund and not immediately required to meet the liabilities of the Fund;
 - 12.3.1. with any registered Bank;
 - 12.3.2. in any security or investment authorised by the Trustee Act; or
 - 12.3.3. in any security or investment authorised by the Local Government Act 1974 or prescribed pursuant to and for the purposes of that Act; or
 - 12.3.4. with the Trustee of any other Trust Fund established for the benefit of Local Authorities or other local government organisations.
- 12.4. The parties agree that for any of the purposes of this deed Trustee Company may borrow moneys and for that purpose secure the repayment of its borrowings by granting security over the assets of the Scheme and the Fund.
- 12.5. All Contributions and other moneys received by Trustee Company shall be deposited to the credit of the Fund and shall be applied at its discretion as follows:
 - 12.5.1. in payment of any establishment costs for the Scheme;
 - 12.5.2. in payment of all administrative and operating costs associated with the Scheme;
 - 12.5.3. in payment of fees due to the Scheme Manager and the Fund Manager;
 - 12.5.4. in payment of all Claims accepted by the Board;
 - 12.5.5. by way of any grant or allocation approved under this deed; and
 - 12.5.6. generally in furtherance of the Scheme's objectives including a transfer, payment or loan in accordance with the Scheme Documents.

- 12.6. The parties agree that Trustee Company and the Board shall keep or cause to be kept all such accounting records for the Scheme and the Fund as fully and correctly explain the transactions and financial position of the Scheme and the Fund.

~~13. Recourse to Scheme Assets Only~~

13. Limitation of liability and indemnity

13.1. ~~For The liability of the payment of Trustee Company for any Claim against the Scheme~~ loss, claim, or other liability arising out of or connected with the performance of its obligations under this Deed (including, but not limited to, loss or liability of, or claims against, the Scheme, or in respect of the performance of any obligation of the Trustee Company or the Scheme under this deed, ~~resort may~~), is limited to, and can only be ~~had solely recovered to the extent of, the right of indemnity (conferred under clause 13.3) of the Trustee Company from~~ the Fund and other assets and property of the Scheme ~~and no~~, provided however that this limitation does not apply to the extent that the Trustee Company's right of indemnity is impaired as a direct result of the Trustee Company's dishonesty or wilful default.

~~13.1.~~13.2. No claim may be made or endorsed by a Member against:

~~13.1.1.~~13.2.1. any ~~Member of~~ director, officer, or employee of the Trustee Company, or the Board;

~~13.1.2.~~13.2.2. the Scheme Manager or the Fund Manager in any capacity other than as Scheme Manager or Fund Manager of the Scheme;

~~13.1.3.~~13.2.3. except to the extent of LGIC's indemnity to Trustee Company, LGIC; or

~~13.1.4.~~13.2.4. any other Member.

~~13.2.~~13.3. The Trustee Company, the Board and every member of the Board are, to the fullest extent permissible at law, unconditionally and irrevocably indemnified out of the Fund and other assets and property of the Scheme:

13.3.1. in respect of all liabilities, losses, costs and expenses incurred by the Trustee Company, the Board or a member of the Board; and

13.3.2. against all actions, proceedings, claims, demands, costs, expenses, losses or liabilities in respect of any matter or thing done or omitted by the Trustee Company the Board or a member of the Board,

in each case:

13.3.3. in connection with administering this Deed and the Scheme;

13.3.4. when exercising their powers, authorities and discretions under this deed and the Scheme;

13.3.5. in relation to any matter or thing done, or omitted to be done, in any way in relation to this Deed and the Scheme; and

13.3.6. even where the liability, loss, cost or expense or the action, proceedings, claims, demands, costs, expenses, losses or liabilities (as the case may be) arise from a failure or alleged failure by the Trustee Company, the Board or a member of the Board to comply with the terms of this deed, or the terms of the Scheme or any duty, limitation or restriction howsoever arising (including, by way of example, at common law, in equity, under statute or contract).

except for any liability arising in respect of any dishonesty or wilful default of the Trustee Company or the Board, or a member of the Board. Where the exception applies it only applies to deprive the person whose conduct amounts to dishonesty or wilful default of the benefit of the indemnities and no other person.

14. Order of Priority of Scheme Documents

14.1. The Scheme Documents shall be construed in the following order of priority:

14.1.1. this deed, which shall be paramount; then

14.1.2. the Scheme Rules; then

14.1.3. the Constitution; and then

14.1.4. the Deed of Participation and the Guidelines for each Member.

15. Surplus on Liquidation of Scheme

15.1. Upon the winding up of the Scheme (including the liquidation of Trustee Company) the assets, if any, remaining after payment of the debts and liabilities of the Scheme and the costs of winding up ("the surplus assets") shall be distributed among the then Members of the Scheme in proportion to their Contributions to the Scheme over the Fund Year in which the winding up commenced and the previous four Fund Years, provided however that Members whose Contributions are not fully paid up at the commencement of the winding up shall receive only a proportionate share of their entitlement being the amount which is in proportion to the amount of their Contributions paid up. In calculating a Member's Contributions for the purposes of this clause the amount of the Contribution shall be reduced by the amount of any Claim or Claims paid or payable pursuant to the Scheme.

16. Deed of Participation

16.1. Each Member, as a condition of membership of the Scheme, shall be required to execute under seal and deliver to Trustee Company a Deed of Participation in the form annexed as Schedule 1, as may be varied or substituted by the Board from time to time, whereby the Member covenants and agrees, for the benefit of Trustee Company and LGIC, to be bound and to observe and perform all the terms of this deed and the other Scheme Documents as if the Member was a party to this Deed and the other Scheme Documents.

16.2. Members shall provide the Scheme Manager with all information as is necessary to give effect to the Scheme and in particular will:

- 16.2.1. Disclose all material facts to the Scheme Manager as if the Member was an insured and the Scheme Manager was an agent for an insurer and;
- 16.2.2. Conduct itself in its dealings with the Scheme in the same manner as if it was an insured under a policy of insurance with the Scheme and in particular act in good faith towards the Scheme.
- 16.2.3. Immediately advise the Scheme Manager of any Underlying Claim and co-operate with the Scheme Manager and Scheme Solicitor in dealing with Underlying Claims

17. Variations

- 17.1. LGIC and Trustee Company may make any variation or addition to this deed if it is consented to in writing by not less than 90% in number of Members, and any such variation or addition shall be binding on all Members.

EXECUTED AS A DEED

EXECUTED by **NEW ZEALAND
LOCAL GOVERNMENT
INSURANCE CORPORATION
LIMITED** by two of its directors:

Director (signature)

Director (signature)

Name (Please Print)

Name (Please Print)

EXECUTED by **LOCAL
GOVERNMENT MUTUAL FUNDS
TRUSTEE COMPANY LIMITED** by
two of its directors:

Director (signature)

Director (signature)

Name (Please Print)

Name (Please Print)

SCHEDULE 1

DEED OF PARTICIPATION

 (Name of Member)

HEREBY DECLARES covenants and agrees for the benefit of Local Government Mutual Funds Trustee Company Limited and New Zealand Local Government Insurance Corporation Limited to be bound by and observe and perform all of the terms of the Deed of Trust establishing the New Zealand Mutual Liability Riskpool and the Scheme Documents referred to in that Deed of Trust as if it was a party to those documents (as amended from time to time).

SIGNED BY

 as the duly authorised agent of the
Member in the presence of:

 (Signature of duly authorised Agent)

 (Signature of Witness)

 (Name of Witness)

 (Address of Witness)

 (Date)



PARC Public Excluded Agenda

3 December 2025

Chair to Move

THAT the public be excluded from the following part of the proceedings of the meeting.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

Item No.	Minutes / Report of:	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
PE 7.2	Chief Executive Officer	PX PARC Minutes 1 September 2025	Good reason to withhold exists under Section 7	Section 48(1)(a)

This resolution is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987, and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by holding the whole or relevant part of the proceedings of the meeting in public, are as follows:

ITEM NO.	GENERAL SUBJECT OF EACH MATTER TO BE CONSIDERED	SECTION	SUBCLAUSE AND REASON
PE 7..2	PE PARC Minutes 1 September 2025	7(2)(b)(ii) 7(2)(h) 7(2)(i)	Would be likely to prejudice the commercial position of the person or persons who are the subject of the information. To maintain legal professional privilege. To enable the Council holding the information to carry out, without prejudice or disadvantage, commercial activities.