

Ruapehu District Council
Te Kaunihera-ā-Rohe o Ruapehu

Summary Annual Report 2022/2023



Construction on the replacement of the Ruapehu Road rail over-bridge began in early April 2023 (2022/23 FY) and was completed in August (2023/24 FY). The work was part of \$1.5m in bridge renewal work undertaken in the 2022/2023 financial year.



MESSAGE FROM THE MAYOR AND CHIEF EXECUTIVE

We are pleased to present Ruapehu District Council's Annual Report for the 2022/23 financial year, which marks the second year of our ten-year 2021/31 Long Term Plan.

Our primary focus throughout the year has been the development of safe, prosperous rural communities that leverage agriculture, business, and tourism while preserving our environment. The Annual Report highlights our progress in achieving these strategic goals and successfully delivering our work programmes for 2022/23.

The year posed significant challenges, including general inflation growth, rising interest rates, construction and depreciation costs, compliance with three waters standards, and labour market pressures. Despite these complexities, we remained dedicated to maintaining service levels and addressing critical infrastructure needs, effectively completing most of our planned work program.

To fund these initiatives, the Council implemented an average 4.2% rate increase for the year. While this was above the target rate guideline of 3.5%, we indicated in the Long Term Plan it was the minimum required to keep our work program going while supporting community development with the cost challenges we were experiencing.

This increase enabled us to execute \$24.3 million in capital works for the 2022/23 financial year, with approximately equal allocations to Land Transport (\$10 million) and three waters (\$9.9 million), and most of the remainder (\$2.5 million) directed toward minor works for Recreation and Community Facilities.

We had previously highlighted the need for additional Government support in our three waters projects to prevent debt levels from becoming uncomfortable. The end of our current Government three waters funding required Council to borrow to maintain our work program and saw our debt increase by \$13.5m during the 2022/23 financial year, up from \$8m for 2021/22.

Notable three waters projects included the ongoing development of the new Ohakune Water Treatment Plant and the renewal of underground reticulated infrastructure in Taumarunui. Once completed, the Ohakune Water Treatment Plant will eliminate boil water notices and supply restrictions, benefiting the Ohakune tourism sector and promoting township growth. In Taumarunui, trenchless technology was employed to enhance the resilience of the reticulated network, minimizing disruption, time, and cost. Work to replace breakage prone watermains on Hakiha Street and Golf Road Taumarunui was warmly welcomed by residents and businesses plagued by multiple outages over many years.

Land Transport faced challenges due to rising costs, labour shortages, budget constraints, and a wet summer season, affecting the extent of resurfacing and asphalt work. Nevertheless, we completed 18.6km of chip seal resurfacing and 4.96km of sealed pavement rehabilitation. A highlight was the initiation of the Ruapehu Road rail over-bridge replacement which was completed in August this year. The Land Transport activity also made substantial progress toward enabling the Te Ara Mangawhero and Te Hangāruru cycleways, crucial for tourism, local economy, and iwi development.

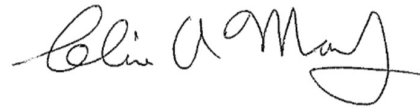
In the solid waste sector, a relatively small capital expenditure of \$800,000 supported the Taumarunui and Waimarino Resource Recovery Centres to divert around 190 tonnes of material from landfill. With all Ruapehu residual waste now transported to a landfill near Auckland, attracting increasing waste levy charges, our Resource Recovery Centres are playing an increasingly important role in achieving Ruapehu's zero-waste 2040 target and lowering waste costs to ratepayers.

Council's construction of six new social housing units in Moore St Ohakune was completed on-time and under budget in April 2023. The \$2.1m project was funded through the Government's COVID19 response infrastructure fund in partnership with Council. Construction of the units made a direct positive contribution to the local economy and are now helping to address a critical shortage of social housing in Ohakune. The project was Council's first implementation of its Five-Year Housing Strategy and Plan Action adopted in late 2020 with the money remaining from coming in under budget applied to refurbishing existing social housing units.

Looking forward, Council believes that despite our financial constraints, and uncertainties surrounding such things as three waters reform, the ski industry, and potential Government policy changes, that we remain adaptable and well-positioned to manage with our available resources. While our capacity for new initiatives is limited due to our financial position, we remain committed to understanding, and responding to, the community's aspirations as we develop the 2024-2034 Long Term Plan next year.



Weston Kirton
MAYOR
RUAPEHU DISTRICT



Clive Manley
CHIEF EXECUTIVE
RUAPEHU DISTRICT COUNCIL

FINANCIAL SUMMARY 2022/23

The following summary financial statements were extracted from the full audited financial report of Ruapehu District Council for 30 June 2023. The summary financial statements do not include all the disclosures provided in the full financial statements and cannot be expected to provide as complete an understanding as provided by the full financial statements.

This summary and the full annual report were authorised for issue by the Council on 25 October 2023. The full annual report is available from Council offices or can be downloaded at www.ruapehudc.govt.nz.

An unmodified audit report was issued on the full financial statements. An emphasis of matter was included in the audit opinion in relation to the impact of the Three Waters Reform.

HOW WE PERFORMED FINANCIALLY

Operational Result

Our operational result for the 2022/23 Financial Year shows a net deficit of \$2.2m against a budget of \$4.6m surplus.

Capital Works Programme

We have completed a capital works programme in the last 12 months totalling \$24.3m.

| Activity | Description | \$million |
|-----------------------------------|--|-------------|
| Land Transport | Renewals of various sorts | 10.0 |
| Water Supply | Renewals of various sorts | 4.5 |
| Wastewater | Various minor works | 5.1 |
| Stormwater | Various minor works | 0.3 |
| Solid Waste | Various minor works under \$100k | 0.8 |
| Recreation & Community Facilities | Various minor works | 2.5 |
| Community Support | Various minor works under \$100k | 0.7 |
| Overheads | Computer Equipment, Software and Furniture | 0.5 |
| Total | | 24.3 |

Key Financial Indicators – Comparative Table

(\$million)

| | LTP 2023 | 2023 | 2022 | 2021 | 2020 | 2019 |
|-------------------|----------|-------|------|------|------|------|
| Income | 47.0 | 50.6 | 51.9 | 46.2 | 43.5 | 39.4 |
| Less Expenditure | 42.4 | 52.8 | 41.3 | 40.1 | 38.7 | 35.6 |
| Surplus/(Deficit) | 4.6 | (2.2) | 10.7 | 6.1 | 4.8 | 3.8 |

Debt

Council debt total is \$55m. This has increased by \$13.6m during the 2022/23 Financial Year (\$8m for 2021/22).

Weighted Average Interest Rates

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|--------------------|-------|-------|-------|-------|-------|
| Short Term < 1 yr. | 6.03% | 3.11% | 0.59% | 0.62% | 3.79% |
| Long Term > 1 yr. | 5.36% | 3.10% | 2.20% | 2.01% | 3.10% |

Key Treasury Management Indicators

The table indicates the performance of Council's Treasury Management against the Treasury Management Policy limits on borrowing and interest rate exposures.

| | Acceptable Range | 2023 Actual | 2022 Actual | 2021 Actual | 2020 Actual | 2019 Actual |
|------------------------------------|------------------|-------------|-------------|-------------|-------------|-------------|
| Interest Expense/Operating Revenue | 3 to 12% | 4.0% | 1.7% | 1.2% | 1.9% | 2.9% |
| Total Liabilities /Total Assets | <12% | 11.37% | 9.1% | 9.6% | 8.2% | 8.2% |
| Net Debt /Operating Revenue | 1 to 1.5 | 0.89 | 0.80 | 0.71 | 0.67 | 0.71 |

| | Acceptable Range | 2023 Actual | 2022 Actual | 2021 Actual | 2020 Actual | 2019 Actual |
|---|------------------|-------------|-------------|-------------|-------------|-------------|
| Interest Rate Exposure under new Treasury Policy | | | | | | |
| Less than 2 years | 40% to 100% | 44.75% | 45.89% | 56.00% | 32.00% | 38.18% |
| 2 - 4 years | 25% to 80% | 34.53% | 26.57% | 24.00% | 44.00% | 32.73% |
| 4 - 8 years | 0% to 60% | 20.72% | 27.54% | 19.00% | 24.00% | 29.09% |

STRATEGIC ACTIVITIES HIGHLIGHTS FOR THE YEAR

Key Performance Indicators

Council records a variety of key performance indicators (KPIs) to report nonfinancial performance. Individual KPIs are reported in each activity area and can be found on the following pages.

| | 2023 | | |
|-------------------------------------|-----------|--------------|--------------|
| | Achieved | Not Achieved | Not Assessed |
| Land Transport | 4 | 3 | - |
| Water | 7 | 2 | - |
| Wastewater | 5 | - | - |
| Stormwater | 7 | - | - |
| Solid Waste | 6 | 1 | 1 |
| Recreation and Community Facilities | 23 | 9 | - |
| Community Support | 8 | 2 | - |
| Leadership | 4 | 4 | - |
| Regulation | 9 | 6 | - |
| Total | 73 | 27 | 1 |

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2023

Group and Parent
For the year ended 30 June 2023

| | Notes | Council | | | Group | |
|--|-------|-------------------------|----------------------|-------------------------|-------------------------|-------------------------|
| | | Actual 2023 \$000 | LTP 2023 \$000 | Actual 2022 \$000 | Actual 2023 \$000 | Actual 2022 \$000 |
| Revenue | | | | | | |
| Rates | 3 | 27,000 | 27,721 | 25,525 | 27,000 | 25,525 |
| Fees and Charges | 4 | 3,208 | 3,123 | 2,969 | 3,208 | 2,969 |
| Development and Financial Contributions | | 230 | 120 | 358 | 230 | 358 |
| Subsidies and Grants | 5 | 19,049 | 15,704 | 20,258 | 19,049 | 20,258 |
| Finance Revenue | 6 | 339 | 25 | 35 | 348 | 37 |
| Other Revenue | 7 | 680 | 309 | 1,275 | 1,138 | 1,782 |
| Gains | 8 | 91 | - | 1,554 | 91 | 1,554 |
| Total Revenue | | 50,597 | 47,002 | 51,974 | 51,064 | 52,483 |
| Expenses | | | | | | |
| Personnel Costs | 9 | 6,315 | 6,519 | 6,331 | 6,589 | 6,594 |
| Depreciation and Amortisation Expense | 19 | 10,786 | 10,171 | 8,860 | 10,788 | 8,861 |
| Finance Costs | 6 | 2,009 | 931 | 895 | 2,009 | 895 |
| Other Expenses | 10 | 30,733 | 24,739 | 24,235 | 30,920 | 24,492 |
| Losses | 11 | 2,960 | - | 943 | 2,960 | 943 |
| Total Expenses | | 52,803 | 42,360 | 41,264 | 53,266 | 41,785 |
| Share of Associate's Surplus / (Deficit) | | - | - | 15 | - | 15 |
| Net Surplus / (Deficit) before tax | | (2,206) | 4,642 | 10,725 | (2,202) | 10,713 |
| Income tax expenses | | - | - | - | 1 | 1 |
| Net Surplus / (Deficit) after tax | | (2,206) | 4,642 | 10,725 | (2,201) | 10,712 |
| Other Comprehensive Revenue and Expense | | | | | | |
| Gain/(Loss) on Property, Plant and Equipment Revaluations | 17,25 | 11,362 | 14,748 | 67,432 | 11,362 | 67,434 |
| Financial Assets at Fair Value Through Comprehensive Revenue and Expense | | (5) | - | 2 | (5) | 2 |
| Total Other Comprehensive Revenue and Expense | | 11,357 | 14,748 | 67,434 | 11,357 | 67,436 |
| Total Comprehensive Revenue and Expense | | 9,151 | 19,390 | 78,159 | 9,156 | 78,148 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

Group and Parent As at June 2023

| | Notes | Council | | | Group | |
|---|-------|-------------------------|----------------------|-------------------------|-------------------------|-------------------------|
| | | Actual 2023 \$000 | LTP 2023 \$000 | Actual 2022 \$000 | Actual 2023 \$000 | Actual 2022 \$000 |
| Assets | | | | | | |
| Current Assets | | | | | | |
| Cash and Cash Equivalents | 12 | 9,407 | 2,197 | 7,187 | 9,620 | 7,929 |
| Receivables | 13 | 3,982 | 3,967 | 3,768 | 4,020 | 3,805 |
| Prepayments and Accrued Income | 38 | 2,811 | 1,015 | 1,831 | 2,825 | 1,831 |
| Inventory | 14 | 310 | 382 | 348 | 310 | 348 |
| Total Current Assets | | 16,510 | 7,561 | 13,134 | 16,775 | 13,913 |
| Non-Current Assets | | | | | | |
| Investment in Associates | | | | | | |
| - Investment in CCOs and other similar Entities | 15 | 67 | 48 | 67 | 67 | 67 |
| Other Financial Assets | 16 | 1,028 | 741 | 1,079 | 1,028 | 1,079 |
| Property, Plant and Equipment | 17 | 542,477 | 487,690 | 520,796 | 542,484 | 520,799 |
| Intangible Assets | 18 | 155 | 877 | 159 | 155 | 159 |
| Investment Property | 20 | 5,805 | 3,741 | 6,684 | 5,805 | 6,684 |
| Total Non-Current Assets | | 549,532 | 493,097 | 528,786 | 549,539 | 528,789 |
| Total Assets | | 566,042 | 500,658 | 541,920 | 566,315 | 542,702 |
| Liabilities | | | | | | |
| Current Liabilities | | | | | | |
| Creditors and Other Payables | 21 | 6,783 | 3,540 | 5,928 | 6,909 | 6,124 |
| Borrowings | 22 | 8,122 | 8,000 | 19,000 | 8,122 | 19,000 |
| Employee Entitlements | 23 | 509 | 403 | 498 | 529 | 513 |
| Income in Advance | 38 | 1,793 | 2,835 | 1,326 | 1,801 | 1,783 |
| Total Current Liabilities | | 17,207 | 14,778 | 26,752 | 17,361 | 27,419 |
| Non-Current Liabilities | | | | | | |
| Borrowings | 22 | 46,900 | 40,951 | 22,400 | 46,900 | 22,400 |
| Provisions | 24 | 233 | 199 | 217 | 233 | 217 |
| Total Non-Current Liabilities | | 47,133 | 41,150 | 22,617 | 47,133 | 22,617 |
| Total Liabilities | | 64,340 | 55,928 | 49,369 | 64,494 | 50,037 |
| Net Assets | | 501,702 | 444,730 | 492,550 | 501,821 | 492,665 |
| Equity | | | | | | |
| Accumulated Funds | 25 | 294,941 | 298,749 | 296,864 | 295,058 | 296,976 |
| Other Reserves | 25 | 206,761 | 145,981 | 195,686 | 206,763 | 195,689 |
| Total Equity Attributable to the Council | | 501,702 | 444,730 | 492,550 | 501,821 | 492,665 |

STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2023

Group and Parent
For the year ended 30 June 2023

| | Notes | Council | | | Group | |
|--|-------|-------------------------|----------------------|-------------------------|-------------------------|-------------------------|
| | | Actual 2023 \$000 | LTP 2023 \$000 | Actual 2022 \$000 | Actual 2023 \$000 | Actual 2022 \$000 |
| Balance at 1 July | | 492,551 | 425,340 | 414,391 | 492,665 | 414,517 |
| Total Comprehensive Revenue and Expense for the Year | | 9,151 | 19,390 | 78,159 | 9,156 | 78,148 |
| Balance at 30 June | 25 | 501,702 | 444,730 | 492,550 | 501,821 | 492,665 |

CONSOLIDATED STATEMENT OF CASH FLOWS

Group and Parent
For the year ended 30 June 2023

| | Notes | Council | | | Group | |
|--|-------|-------------------------|----------------------|-------------------------|-------------------------|-------------------------|
| | | Actual 2023 \$000 | LTP 2023 \$000 | Actual 2022 \$000 | Actual 2023 \$000 | Actual 2022 \$000 |
| Cash Flows from Operating Activities | | | | | | |
| Cash was received from: | | | | | | |
| Receipts from Rates Revenue | | 27,813 | 27,721 | 25,513 | 27,813 | 25,513 |
| Receipts from Subsidies and Grants | | 18,310 | 15,704 | 14,635 | 18,310 | 14,635 |
| Interest Received | | 339 | 26 | 37 | 348 | 37 |
| Other Revenue | | 4,508 | 3,551 | 7,689 | 4,949 | 7,762 |
| | | 50,969 | 47,002 | 47,874 | 51,419 | 47,947 |
| Cash was distributed to: | | | | | | |
| Payments to Suppliers | | (30,934) | (24,738) | (23,238) | (31,665) | (23,086) |
| Payments to Employees and Elected Members | | (6,305) | (6,519) | (6,457) | (6,573) | (6,453) |
| Interest Paid | | (1,998) | (931) | (896) | (1,998) | (896) |
| Goods and Services Tax (Net) | | 164 | - | 627 | 175 | 627 |
| | | (39,073) | (32,188) | (29,964) | (40,061) | (29,808) |
| Net Cash Flow from Operating Activities | 26 | 11,897 | 14,814 | 17,910 | 11,359 | 18,139 |
| Cash Flows from Investing Activities | | | | | | |
| Cash was distributed to: | | | | | | |
| Purchase of Property, Plant and Equipment | | (23,304) | (19,575) | (24,707) | (23,295) | (24,707) |
| Purchase of Intangible Assets | | (48) | - | (26) | (48) | (26) |
| Purchase of Investments | | 54 | - | (248) | 54 | (249) |
| Net Cash Flow from Investing Activities | | (23,298) | (19,575) | (24,981) | (23,289) | (24,982) |
| Cash Flows from Financing Activities | | | | | | |
| Cash was received from: | | | | | | |
| Proceeds from Borrowings | | 13,622 | 4,761 | 8,000 | 13,622 | 8,000 |
| | | 13,622 | 4,761 | 8,000 | 13,622 | 8,000 |
| Cash was distributed to: | | | | | | |
| Repayment of Borrowings | | - | - | - | - | - |
| Net Cash Flow from Financing Activities | | 13,622 | 4,761 | 8,000 | 13,622 | 8,000 |
| Net Increase/(Decrease) in Cash, Cash Equivalents and Bank Overdrafts | | 2,220 | - | 931 | 1,691 | 1,158 |
| Cash, Cash Equivalents and Bank Overdrafts at the beginning of the year | | 7,187 | 2,197 | 6,256 | 7,929 | 6,771 |
| Cash, Cash Equivalents and Bank Overdrafts at the end of the year | 12 | 9,407 | 2,197 | 7,187 | 9,620 | 7,929 |

NOTES ACCOMPANYING SUMMARY ACCOUNTS

Summary of Significant Accounting Policies

Basis of Preparation

The full annual report from which this summary is derived is prepared in accordance with PBE accounting standards. The summary financial statements are prepared in accordance with PBE FRS 43. The full financial statements comply with these standards for the periods reported.

Statement of Compliance

The financial statements of the Council and Group have been prepared in accordance with the requirements of the LGA and the Local Government (Financial Reporting and Prudence) Regulations 2014 (LG(FRP)R), which includes the requirement to comply with NZ GAAP.

These financial statements have been prepared in accordance with and comply with PBE accounting standards.

The Council was required under section 98 of the local Government Act 2002 to complete and adopt its audited financial statements and service performance information by 31 December 2023.

The Council and management of Ruapehu District Council confirm that all statutory requirements in relation to this annual report have been met including those outlines in the Local Government Act 2002, and the local Government (Financial Reporting and Prudence) Regulations 2014.

Presentation Currency and Rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

Other changes in accounting policies

There have been no other changes in accounting policies.

Standard issued and not yet effective, and not early adopted

There have been no standards and amendments, issued but not yet effective that have not been early adopted, and which are relevant to the Council and group.

New amendment applied

PBE IPSAS 41 Financial Instruments

PBE IPSAS 41 replaces PBE IFRS 9 Financial Instruments and is effective for the year ending 30 June 2023. Accounting policies have been updated to comply with PBE IPSAS 41. The main updates are:

Classification and Measurement

Loans as well as receivables are held to collect contractual cash flows and are expected to give rise to future cash flows representing solely payments of principal and interest. The Council has analysed the contractual cash flow characteristics of those instruments and concluded they meet the criteria for amortised cost measurement under PBE IPSAS 41. The measurement of these instruments remains the same, but they will now be classified under the amortised cost category under PBE IPSAS 41.

Impairment;

- Debtors and other receivables – this policy has been updated to reflect that the impairment of short-term receivables is now determined by applying an expected credit loss model.
- Equity investments – this policy has been updated to remove references to impairment losses, as PBE IPSAS 41 no longer requires identification of impairment for equity investments measured at fair value through other comprehensive revenue and expense. Also, on disposal, the accumulated gains/losses are no longer transferred to surplus/(deficit) but are transferred to general funds.
- Short term investments and Government bonds – this policy has been updated to explain that a loss allowance for expected credit losses is recognised only if the estimated loss allowance is not trivial.

PBE FRS 48 Service Performance Reporting

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 Presentation of Financial Statements and is effective for the year ending 30 June 2023. The Council had adopted the PBE

FRS 48 and this resulted in the disclosure of judgements used in the selection, measurement, aggregation and presentation of service performance information.

CONTINGENT LIABILITIES

| | Council & Group | |
|-------------------|-----------------|--------|
| | Actual | Actual |
| | 2023 | 2022 |
| | \$000 | \$000 |
| Legal Proceedings | 150 | 150 |

Council is subject to one legal proceeding against it, alleging inadequate compensation for acquired land. The potential liability to Council, if the claim is successful, is estimated to be \$150,000. The outcome of the claim will not be known until legal proceedings progress further (as for 2022).

Council is working to resolve a Personal Grievance that has potential liability.

New Zealand Local Government Funding Agency (LGFA):

The Council is a guarantor of the New Zealand Local Government Funding Agency Limited (LGFA). The LGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand. LGFA has a current credit rating from Standard and Poors of AAA for local currency and a foreign rating of AA+ as at 30 June 2023.

As at 30 June 2023, the Council is one of 30 local authority shareholders and 70 local authority guarantors of the LGFA. The New Zealand Government also has a 11.1% shareholding in the LGFA. It has an uncalled capital of \$1 million. When aggregated with the uncalled capital of other shareholders, \$20 million is available in the event that an imminent default is identified. Also, together with other shareholders and guarantors, the Council is a guarantor of all the LGFA's borrowings. At 30 June 2023, the LGFA had borrowings totaling \$16.43 billion (2022: \$15.79 billion).

PBE Accounting Standard require the Council to initially recognise the guaranteed liability by applying the 12-month expected credit loss (ECL) model (as fair value could not be reliably measured at initial recognition), and subsequently at the higher of the provision for impairment at balance date determined by the ECL model and the amount initially recognised. The Council has assessed the 12-month ECL of the guaranteed liability, based on market information of the underlying assets held by the LGFA. The estimated 12-month expected credit losses are immaterial due to the very low probability of default by the LGFA in the next 12 months. Therefore, the Council has not recognised a liability.

The Council considered the risk of the LGFA defaulting on repayment of interest or capital to be very low on the basis that:

- It is not aware of any local authority debt default events in New Zealand; and
- Local government legislation would enable local authorities to levy a rate to raise sufficient funds to meet any debt obligations if further funds were required.

CAPITAL COMMITMENTS AND OPERATING LEASES

| | Council & Group | |
|---|-------------------------|-------------------------|
| | Actual 2023 \$000 | Actual 2022 \$000 |
| Capital Commitments | | |
| Roading | 21,849 | 48,848 |
| Bridges | - | 1,930 |
| Water | 3,187 | 6,401 |
| Wastewater | - | 34 |
| Stormwater | - | 24 |
| Community Facilities | - | 527 |
| Total Capital Commitments | 25,036 | 57,764 |
| Operating Leases As Lessee | | |
| Not Later Than One Year | 301 | 305 |
| Later Than One Year and Not Later Than Five Years | 459 | 529 |
| Later Than Five Years | 1,094 | 1,052 |
| Total Non-Cancellable Operating Leases | 1,854 | 1,886 |
| Operating Leases As Lessor | | |
| Not Later Than One Year | 33 | 101 |
| Later Than One Year and Not Later Than Five Years | 52 | 72 |
| Later Than Five Years | 65 | 74 |
| Total Non-Cancellable Operating Leases | 150 | 247 |

Capital Commitments

Council has entered into a number of contracts for land transport, mainly for the sealed pavement rehabilitation and maintenance & resurfacings. These works were required to be completed by 30 June 2031.

Operating Leases

Council leases property, plant and equipment in the normal course of its business. The future aggregate minimum lease payments payable under non-cancellable operating leases are as shown above.

Council leases an office building as the lessee, for which the lease expires in September 2031, with a right of renewal for a further 25 years. There is no option to purchase the asset at the end of the lease term. There are no other significant leases. The total minimum future sublease payments expected to be received under non-cancellable subleases at balance date is \$nil (2022: \$nil).

There are no restrictions placed on the council by any of the leasing arrangements. No contingent rents have been recognised during the period.

RELATED PARTY TRANSACTIONS

Transactions with Key Management Personnel

| | 2023 | | 2022 | |
|--|-----------|--------------|-----------|--------------|
| | FTE's | - | FTE's | - |
| Councillors | | | | |
| Remuneration | | 491 | | 410 |
| Full Time Equivalent Members | 17 | | 12 | |
| Executive Leadership Team Including Chief Executive | | | | |
| Salaries and other Short-Term Employee Benefits | | 1,166 | | 1,383 |
| Post-Employment Benefits | | - | | - |
| Other Long-Term Benefits | | - | | - |
| Termination Benefits | | - | | - |
| Full Time Equivalent Members | 7 | | 9 | |
| Total Key Management Personnel Compensation | 24 | 1,657 | 21 | 1,793 |

Due to the difficulty in determining the full-time equivalent for Councillors, the full-time equivalent figure is taken as the number of Councillors.

Key management personnel include the Mayor, Councillors, Chief Executive and the other eight members of the executive leadership team.

During the year, Councillors and senior management, as part of a normal customer relationship, were involved in minor transactions with Council (such as the payment of rates).

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and condition no more or less favorable than those that it is reasonable to expect the Council and group would have adopted in dealing with the party at arm's length in the same circumstances.

Related party disclosures have also not been made for transactions with entities within the Council group (such as funding and financing flows), where the transactions are consistent with the normal operating relationships between the entities and are on normal terms and conditions for such group transactions.

Councillors are also involved in various non-profit organisations throughout the community, which receive funding from Council. There has been no disclosure where the transactions are consistent with a client/recipient relationship on terms and condition no more or less favorable than those that it is reasonable to expect the Council and group would have adopted in dealing with the party at arm's length in the same circumstances.

RDC Holdings Ltd (100% Council owned subsidiary) is non-active and has no revenue, expenditure, assets or liabilities, and there have been no transactions recorded in the 2023 financial year. (2022: Nil).

Visit Ruapehu Ltd (100% Council Controlled Organisation). This new organisation replaced the Ruapehu Regional Tourism Organisation (RTO) Trust, which was operated from 2009 until wound up by a Trustees Resolution on 17 October 2019 under a Deed of Confirmation. The transactions and assets and liabilities for the period 1 July 2022 to 30 June 2023 are consolidated into the Parent Group within the Financial Statements.

Provisions/Impairments

No impairments have been required for any receivables to related parties (2022: Nil).

EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Explanations for major variations from the budget for 2022/23 are as follows:

Statement of Comprehensive Revenue and Expense

Revenue

Rates are similar level to the budget and \$1.5m higher than the previous year, due to the agreed rating increase for the year, growth within the district and penalties received of \$430k. This has been offset by \$37k for write offs of penalties and prior year rates, mostly due to the Rating of Whenua Māori Amendment Bill, and \$182K of payment discounts.

Subsidies and Grants are \$3.2m higher than budget, mainly due to additional unbudgeted funds received for Ohakune WTP (\$1.8m), Bridge Renewals (\$840K), Bennett Road Carpark (\$71k), 3 waters Connection at the new New World (\$110k) and other minor projects.

Other revenue is \$507k higher than budget mainly due to unbudgeted \$300k Internal Salaries recoveries, unbudgeted \$56k received from National Emergency Management Agency, unbudgeted \$60k received from shared cost of Passenger project and \$55k higher than budget received from I-sites.

Council does not budget for non-financial instrument gains; therefore any gain amount is a variance against the budget. This year this was a \$91k gain from revaluations of Investment Property and gain on disposal of assets.

Expenses

Personnel Costs are \$204k lower than budget mainly due to vacant positions.

Finance costs are \$1.1m higher than the budget due to market interest rates being higher than what was budgeted.

Other expenses are \$6m higher than the budget mainly due to additional \$2.3m for roading maintenance from the weather events, additional \$2.2m spent on other maintenance mainly from the increase of contract from Ethical Waste and 3 waters, and \$810k increase in consultants fees.

The council does not budget for losses, therefore any gain amount is a variance against the budget. This year there was \$2.9m attributed to loss on disposal of assets from roading assets (renewals) and investments property valuation.

Statement of Financial Position

Cash and Cash equivalents are \$7.2m higher than the budget, which is due to the timing of income and expenditure and also the need to have higher cash balances due to a larger capital works programme and the three waters stimulus spending profile.

Property Plant and Equipment is \$54.9m higher than the budgeted amount, mainly due to higher revaluation for land transport last year.

Investment Property is \$2.1m higher than the budgeted amount, due to strong revaluations over the last 3 years.

Creditors and other payables is \$3.2m higher than the budget, due to the timing of expenditure relating to large contracts of \$2.5m for land transport, \$1.1m for 3 waters, \$400k contract payment for recreation services.

Borrowing is \$6.1m higher than the budget due to the increase in Capital Projects and Waka Kotahi Capital works. \$5m was to manage the liquidity position as of 30 June 2023. This has been repaid in July 2023.

Income in Advance is \$1m lower than the budget mainly due to delays in Bridge Renewals, Ohakune WTP and Trails project.

Statement of Cash Flows

Subsidies and grants receipts are \$2.5m higher than budget due to unbudgeted external funding from Central Government.

Cashflow from Other Revenue is \$1.1m higher than budget as a result of unbudgeted payment received from shared service and I-site sales.

Supplier payments are \$6.2m higher than budget, which is mainly due to higher Waka Kotahi expenditure.

Interest Paid is \$1.1m higher than the budget due to market interest rates being higher than what was budgeted.

Purchase of Property Plant and Equipment is \$3.7m higher than budget. This is mainly due to additional new projects of \$720k delivered for the year and the increase in contract costs mainly Waka Kotahi capital contracts.

EVENTS AFTER BALANCE DATE**Water services reform programme**

In June 2022, the Government introduced legislation to establish four publicly owned water services entities to take over responsibilities for service delivery and infrastructure from local authorities with effect from 1 July 2024. The impact of these proposed reforms, once legislated, will mean that the Council will no longer deliver three waters services or own the assets required to deliver these services. During the 2022/23 Financial Year Central Government has undertaken a range of consultation activities and after the balance date it passed legislation that provides for the transfer of assets into one of 10 water service entities no later than 1 July 2026. Council has yet to determine the entity that it will likely enter.

Ruapehu Alpine Lifts (RAL)

On June 20, 2023, RAL went into liquidation. Since then, the government commits \$5m support to ensure the 2023 ski season can go ahead. Council has an unsecured loan to RAL of \$500k which has been impaired as at 30 June 2023. The government is now considering the three bids for government support with the bidders to determine the best outcome for RAL's creditor, the Crown, the local economy and community.

Independent Auditor's Report

To the readers of Ruapehu District Council and group's summary of the annual report for the year ended 30 June 2023

The summary of the annual report was derived from the annual report of the Ruapehu District Council and group (the District Council) for the year ended 30 June 2023.

The summary of the annual report comprises the following information on pages 6 to 15:

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

Opinion

In our opinion:

- the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with PBE FRS-43: Summary Financial Statements.

Summary of the annual report

The summary of the annual report does not contain all the disclosures required by generally accepted accounting practice in New Zealand. Reading the summary of the annual report and the auditor's report thereon, therefore, is not a substitute for reading the full annual report and the auditor's report thereon.

The summary of the annual report does not reflect the effects of events that occurred subsequent to the date of our auditor's report on the full annual report.

The full annual report and our audit report thereon

We expressed an unmodified audit opinion on the information we audited in the full annual report for the year ended 30 June 2023 in our auditor's report dated 25 October 2023.

Our auditor's report on the full annual report also includes an emphasis of matter paragraph drawing attention to developments in the Government's water services reform programme which will affect the District Council in future years. The Water Services Entities Act 2022, as amended by the Water Services Entities Amendment Act 2023 on 23 August 2023 and the Water Services Legislation Act 2023 on 31 August 2023, establishes ten publicly owned water services entities to carry out responsibilities for the delivery of three waters services and related assets and liabilities currently controlled by local authorities. Water services entities' establishment dates are staggered, with all the water services entities becoming operational between 1 July 2024 and 1 July 2026. The financial impact of the water services reform on the Council as outlined in note 33 remains uncertain until the relevant water services entity's establishment date is known, and the allocation schedule of assets, liabilities, and other matters to be transferred is approved.

Council's responsibility for the summary of the annual report

The Council is responsible for preparing the summary of the annual report which includes preparing summary statements, in accordance with PBE FRS-43: Summary Financial Statements.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the full annual report and whether the summary statements comply with PBE FRS 43: Summary Financial Statements.

Our opinion on the summary of the annual report is based on our procedures, which were carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

In addition to our audit of the summary and full annual reports, we have performed a limited assurance engagement related to the District Council's debenture trust deed, which is compatible with those independence requirements.

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



Clarence Susan
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand
25 October 2023