

OPEN

MINUTE ITEM

ATTACHMENTS

Ordinary meeting of the
Nelson City Council
Te Kaunihera o Whakatū

Thursday 26 October 2023
Commencing at 9.00a.m.
Council Chamber

Floor 2A, Civic House
110 Trafalgar Street, Nelson

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Annual Report updates post final agenda publication

Page	Change					
6	Updated page numbers					
8	Updated 26 October 2023 to 31 October 2023					
15	Updated page numbers					
21	<div>Wording updated:</div> <table><tr><td>Accessibility Providing transport choices via public transport and efficiency... maximise movement of people via public transport</td><td>Annual number of bus patrons</td><td>Target to be informed by the public transport review 2022/23 target is 503,000</td><td>A total of 454,943 trips were taken on the public transport system in the last financial year. This represents a 42% increase from the patronage in the 2021/22 financial year, where the target was 488,000. It does not meet the 2022/23 target of 503,000 as per the Nelson-Tasman Regional Public Transport Plan 2021-31</td><td>Not achieved</td></tr></table>	Accessibility Providing transport choices via public transport and efficiency... maximise movement of people via public transport	Annual number of bus patrons	Target to be informed by the public transport review 2022/23 target is 503,000	A total of 454,943 trips were taken on the public transport system in the last financial year. This represents a 42% increase from the patronage in the 2021/22 financial year, where the target was 488,000. It does not meet the 2022/23 target of 503,000 as per the Nelson-Tasman Regional Public Transport Plan 2021-31	Not achieved
Accessibility Providing transport choices via public transport and efficiency... maximise movement of people via public transport	Annual number of bus patrons	Target to be informed by the public transport review 2022/23 target is 503,000	A total of 454,943 trips were taken on the public transport system in the last financial year. This represents a 42% increase from the patronage in the 2021/22 financial year, where the target was 488,000. It does not meet the 2022/23 target of 503,000 as per the Nelson-Tasman Regional Public Transport Plan 2021-31	Not achieved		
97	Page number reference updated					
197	<div>Wording updates/changes in red:</div> <div>Service performance reporting judgements</div> <p>Council needs to comply with a new Accounting Standard (PBE FRS 48) on service performance reporting, which became effective for reporting periods beginning on or after 1 January 2022. The new standard requires the disclosure of judgements used in the selection, measurement and aggregation of service performance information in Council's Annual Report 2022/23, even though it became effective part way through the 2022/23 financial year.</p> <p>In the preparation of the performance framework in the Long Term Plan 2021-2031 and the Annual Plan 2022/23, Council has made the following judgments in the selection of our service performance measures:</p> <ul style="list-style-type: none">We have reflected on the extent to which the levels of service we planned to provide to the community were best captured by performance measuresWe have retained the levels of service and performance measures consulted on with our community during the preparation of the Long Term Plan 2021-2031, and these were carried through into the Annual Plan 2022/23. They are, therefore, the ones Council needs to report against in this Annual Report 2022/23We have analysed the levels of service and performance measures and noted areas where we will propose improving them during the upcoming Long Term Plan 2024-2034 and consult with our community on them through that processWe have surveyed our community on how we are going against some of the performance measures through our residents' survey, and have considered the views and feedback expressed by our residentsWe have ensured that the performance measures adequately inform progress towards delivering the outcomes in Council's Long Term Plan. <p>The performance framework links to Council's vision and community outcomes and these can be found in the Long Term Plan 2021-2031 http://www.nelson.govt.nz/assets/Our-council/Images/plans-strategies-policies/long-term-plans/ltp-2021-31/Long-Term-Plan-2021-31-FINAL-FOR-WEB-04-August-2021-updated23March22.pdf</p>					
198	Wording updates/changes in red:					

		Port's significant noise event >89dBh & events >85dbH (at monitor)	0 & 5	0 & 15
		Dust events external complaints	0	0
		Port substance spills >10L reach harbour	0	0
	People	High risk events	<=2	1
		Lost time injuries (LTI) greater than 5 days off work	<=2	17
		Lost time injury frequency rate (LTIFR)	<=1.3	3.54
		Critical risk verification reviews	44	44
		Visible safety leadership events	400	406
	Community	Utilisation of Slipway – Calwell	85% or 312 days	84%
		Sponsorship (% of underlying NPAT)	>1.2%	1.3%
		Dividend \$ (%underlying NPAT) ex. property revaluations and one-offs	4.0 (51%)	4.0m (52%)
	Shareholders	Underlying revenue	\$76.8m	\$82.9m
		Underlying earning before interest rates and taxes	\$12.8m	\$13.9m
		Underlying net profit after tax	\$7.8m	\$7.7m
		Underlying return on assets	2.0%	2.0%
		Underlying return on equity	2.9%	2.8%
		Gearing	21.9%	20.1%
203	Original:			

	Reduced carbon emissions year on year (adjusted for COVID)	Reduce carbon emission compared with 2021 (normalised against revenue) 2020 = 3.17t per \$100k Revenue 2021 = 3.06t per \$100k Revenue	Achieved				
		25% carbon reduction compared to 2020 (normalised against revenue)	Not Measured				
Table figures updated:							
¶ Quality-of-Service	Reduced carbon emissions year on year (adjusted for COVID)	Reduce carbon emission compared with 2022 (normalised against revenue)¶ 2022 = 2.88t per \$100k Revenue¶ 2023 = 2.24t per \$100k Revenue¶	Achieved				
		25% carbon reduction compared to 2020 (normalised against revenue)	On track to Achieve				
204	Original: <div>The Pulse survey is performed every two years. The result for 2021 was achieved.</div> Disclosure updated: <div> *Customer Satisfaction Survey is performed every 2 years. **Administered internally, Pulse Survey response rate of 34% in 2023 (2021:55%) ***Employee Turnover – this has significantly improved from 2022 with the implementation of our new Values and ongoing improving Culture. ****Non NCC Work – Company resources were reprioritised from other customers to support the NCC Flood response and clean-up efforts. *****EBIT Return on Equity – the relatively high proportion of Capital is invested in Land and Buildings reduces Nelmac's overall Return on Equity compared with peers but provides the Company with long term security to operate. </div>						
204	Original: <table> <tr> <td>Non-shareholder Business</td><td>Profitable growth in non-NCC work</td><td>Profitable year on year growth in non-NCC work from 2021 to 2022</td><td>Not achieved</td></tr> </table> Years updated:			Non-shareholder Business	Profitable growth in non-NCC work	Profitable year on year growth in non-NCC work from 2021 to 2022	Not achieved
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211	Table updated with additional measures that had previously not pulled through:																																										

	Three campaigns and promotions delivered profiling Nelson Tasman as a great destination for visitors, <u>businesses</u> and talent attraction	7/ Campaigns and promotions
	6+ film enquiries per year and 2+ filming outcomes	Supported over 9 filming outcomes
	Regional events deliver over \$15m of value to the regional economy	Over \$25m value
	Business & Workforce Development	
	Number of businesses supported through 1:1 business advisory service (contract annual target 200)	413 businesses
	Businesses have experienced positive business outcomes by reporting a <u>net promoter</u> score of 50+ or higher (contract annual target 50+)	NPS 72+
	Total annual value of capability development and R&D funding issued: contract annual target circa \$1m	Issued \$1,020,927
	Capability improvement, reported through <u>programme feedback</u> Formal MBIE evaluation to take place in 2023/24	Feedback
	2022/23 SOI includes Workforce Development programmes that align with the RSLG Workforce Development Plan	e.g. Skills hub bid
	50 businesses engaged in youth transition and employment programmes	E2E 120 businesses
	80 events held at the Mahitahi Colab with 2500 total attendees	172 events; 2188 people
	Quarterly innovation event programme delivered	1/4ly programme
	70% of businesses engaged with <u>Co Starters</u> programmes report an	100% reported
212	Table updated:	

	improvement in entrepreneurial capability			
	Te Tauihu Blue Economy cluster established and 20+ businesses engaged	22+ businesses		
	3+ Partnership initiatives with climate action / industry sector groups directly supporting industry solutions for reducing carbon footprint	EECA, 2x podcasts		
	6+ Visitor sector business resilience training and development delivered	10 visitor sector training initiatives		
	Organisational Management and Performance			
	-Future model 2022 onwards: Investigate future funding model for destination management and marketing and private sector partnerships to support programmes in 2022/23 and 2023/24 -Investigate and confirm future service levels, location and funding model for the iSITE	Visitor sectors partners: 43; \$65.7k Visitor information point pop-up / trial		
	Wellbeing and Development programme implemented by December 2022	PD delivered		
	Zero Carbon or Climate Positive certification is maintained	24% carbon reduction		
	The NRDA maintains a balanced/positive budget	Balanced budget		
	NRDA delivers a clean Audit	Clean audit		
	Zero lost time work injuries	Zero		
	Stakeholder survey scheduled Q1 2024	Scheduled 2024		
224	Original: <table><tr><td>Provide out-of-school and other art educational activities; Minimum 80 sessions of Suter Kids Club [SKC] and other community learning sessions are delivered per annum.</td><td>Achieved: 183 SKC art classes delivered to 1,748 students and 65 classes for adults with 593 participating. Number of SKC classes delivered per week varied from 4 to 6; adults 2 classes per week; children's holiday programme delivered in July 2022, October 2022 and April 2023 school holidays; 3 Modified target in line with new Ministry of Education Enriched Local Curriculum (ELC) contract. ELC replaces "Learning Experiences Outside the Classroom (LEOTC)", 3,100 students under previous LEOTC contract. Children's Japanese calligraphy programmes delivered by outside provider. There were 2 <i>Discover your own Moa</i> drawing classes with artist Gary Baseman, for children with their families and one for teens.</td></tr></table>		Provide out-of-school and other art educational activities; Minimum 80 sessions of Suter Kids Club [SKC] and other community learning sessions are delivered per annum.	Achieved: 183 SKC art classes delivered to 1,748 students and 65 classes for adults with 593 participating. Number of SKC classes delivered per week varied from 4 to 6; adults 2 classes per week; children's holiday programme delivered in July 2022, October 2022 and April 2023 school holidays; 3 Modified target in line with new Ministry of Education Enriched Local Curriculum (ELC) contract. ELC replaces "Learning Experiences Outside the Classroom (LEOTC)", 3,100 students under previous LEOTC contract. Children's Japanese calligraphy programmes delivered by outside provider. There were 2 <i>Discover your own Moa</i> drawing classes with artist Gary Baseman, for children with their families and one for teens.
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	<p>Wording removed as not relevant to this section:</p> <table border="1"> <tr> <td data-bbox="459 338 927 770"> <p>Provide out-of-school and other art educational activities; Minimum 80 sessions of Suter Kids Club [SKC] and other community learning sessions are delivered per annum.</p> </td><td data-bbox="927 338 1401 770"> <p>Achieved: 183 SKC art classes delivered to 1,748 students and 65 classes for adults with 593 participating. Number of SKC classes delivered per week varied from 4 to 6; adults 2 classes per week; children's holiday programme delivered in July 2022, October 2022 and April 2023 school holidays. Children's Japanese calligraphy programmes delivered by outside provider. There were 2 <i>Discover your own Moa</i> drawing classes with artist Gary Baseman, for children with their families and one for teens.</p> </td></tr> </table>	<p>Provide out-of-school and other art educational activities; Minimum 80 sessions of Suter Kids Club [SKC] and other community learning sessions are delivered per annum.</p>	<p>Achieved: 183 SKC art classes delivered to 1,748 students and 65 classes for adults with 593 participating. Number of SKC classes delivered per week varied from 4 to 6; adults 2 classes per week; children's holiday programme delivered in July 2022, October 2022 and April 2023 school holidays. Children's Japanese calligraphy programmes delivered by outside provider. There were 2 <i>Discover your own Moa</i> drawing classes with artist Gary Baseman, for children with their families and one for teens.</p>
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Financial Information

Section	Change
SOCI	<p>Due to a reclassification change (refer to note 43 below), there have been changes within the Statement of Revenue and Expenses due to the reclassification of forestry income and expenses. The net effect to the Statement of Revenue and Expenses is nil. There will be, however, some consequential changes throughout the notes to the accounts, including notes 2, 5, 6, 7, 43 as well as the prudence benchmarks.</p> <p>Previous Version:</p>

	Note	Actual 2023 \$'000	Council Budget 2023 \$'000	Actual 2022 \$'000	Group Actual 2023 \$'000	Actual 2022 \$'000
Rates	3	78,235	77,967	74,123	78,235	74,123
Fees and charges	5	35,379	41,652	32,312	51,903	48,524
Subsidies and grants	4	22,447	15,520	17,746	23,497	19,021
Finance income	9	872	-	340	999	376
Development/financial contributions	5	6,384	3,733	6,514	6,384	6,514
Other revenue	5	21,034	11,372	14,983	18,014	11,531
Total income (excluding gains)		164,351	150,244	146,018	179,032	160,089
Other gains/(losses)	6	(2,586)	1,042	10,949	(2,463)	10,607
Total income		161,765	151,286	156,967	176,569	170,696
Personnel Costs	8	(30,337)	(28,639)	(27,562)	(54,519)	(48,189)
Depreciation and amortisation expense	19,20	(38,354)	(33,466)	(31,672)	(40,866)	(33,714)
Finance costs	9	(7,026)	(4,964)	(3,851)	(7,334)	(3,989)
Other expenses	7	(100,689)	(77,305)	(70,352)	(91,038)	(64,073)
Total operating expenditure		(176,406)	(144,374)	(133,437)	(193,757)	(149,965)
Share of associate's surplus/(deficit)	25	-	-	-	5,510	6,892
Income tax expense	10	-	-	-	(215)	(103)
Surplus/(deficit) from continuing operations		(14,641)	6,912	23,530	(11,893)	27,520

New Version:

		Council		Group		
		Actual	Budget	Actual	Actual	Actual
\$NZ000's	Note	2023	2023	2022	2023	2022
Rates	3	78,235	77,967	74,123	78,235	74,123
Fees and charges	5	37,363	41,652	38,800	53,887	55,012
Subsidies and grants	4	22,447	15,520	17,746	23,497	19,021
Finance revenue	9	872	-	340	999	376
Development/financial contributions	5	6,384	3,733	6,514	6,384	6,514
Other revenue	5	21,034	11,372	14,983	18,014	11,531
Other gains/(losses)	6	(2,103)	1,042	9,669	(1,980)	9,327
Total revenue		164,232	151,286	162,175	179,036	175,904
Personnel costs	8	(30,337)	(28,639)	(27,562)	(54,519)	(48,189)
Depreciation and amortisation expense	19,20	(38,354)	(33,466)	(31,672)	(40,866)	(33,714)
Finance costs	9	(7,026)	(4,964)	(3,851)	(7,334)	(3,989)
Other expenses	7	(103,156)	(77,304)	(75,560)	(93,505)	(69,281)
Total operating expenditure		(178,873)	(144,373)	(138,645)	(196,224)	(155,173)
Share of joint operation's surplus	25	-	-	-	5,510	6,892
Surplus before tax		(14,641)	6,913	23,530	(11,678)	27,623
Income tax expense	10	-	-	-	(215)	(103)
Surplus after tax		(14,641)	6,913	23,530	(11,893)	27,520

Note 2.12 Updates were required in relation to the ETS liability on surrender. Also, the number of hectares in the ETS scheme was updated.

Previous Version:

	<p>2.12 Biological assets</p> <p>Forestry assets are valued annually at fair value less estimated costs to sell for one growth cycle. The valuation methodology adopted is net present value based on the age and condition of the trees. The valuation was undertaken by PF Olsen on 30 June 2023. Changes in the valuation of the forestry assets are recognised in the surplus or deficit. The valuation does not include any value in respect of carbon trading.</p> <p>Forestry maintenance costs are recognised in the surplus or deficit when incurred.</p> <p>Emissions Trading Scheme for Forestry</p> <p>The Council has voluntarily entered the New Zealand Emissions Trade Scheme (ETS) in respect of the 542.6 hectares of forest land located in the Nelson Region. This entitles the Council to receive emission units for carbon stored in the specific area from a 1 July 2022 baseline.</p> <p>Received carbon credits are recognised at cost on acquisition, which is at nil (currently the Council is holding 14,453 credits). They have an indefinite useful life and are not amortised but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.</p> <p>Financial risk management strategies</p> <p>The Council is exposed to financial risks arising from changes in timber prices. The Council is a long-term forestry investor and does not expect timber prices to decline significantly in the foreseeable future. Therefore, no measures have been taken to manage the risks of a decline in timber prices. The Council reviews its outlook for timber prices regularly in considering the need to active financial risk management.</p> <p>New Version:</p> <p>2.12 Biological assets</p> <p>Forestry assets are valued annually at fair value less estimated costs to sell for one growth cycle. The valuation methodology adopted is net present value based on the age and condition of the trees. The valuation was undertaken by PF Olsen on 30 June 2023. Changes in the valuation of the forestry assets are recognised in the surplus or deficit. The valuation does not include any value in respect of carbon trading.</p> <p>Forestry maintenance costs are recognised in the surplus or deficit when incurred.</p> <p>Emissions Trading Scheme for Forestry</p> <p>The Council has voluntarily entered the New Zealand Emissions Trade Scheme (ETS) in respect of 144.3 hectares of forest land located in the Nelson Region. This entitles the Council to receive emission units for carbon stored in the specific area from a 1 July 2022 baseline.</p> <p>Received (encumbered) carbon credits are recognised in the forestry asset at acquisition through offset of the surrender liability (currently the Council is holding 14,453 credits). They are derecognised when they are used to satisfy carbon emission obligations.</p> <p>Surrender Liability</p> <p>The Council effectively recognises the ETS credit surrender liability on harvest of forestry (encumbered) on acquisition of the carbon credits as an offset.</p> <p>Financial risk management strategies</p> <p>The Council is exposed to financial risks arising from changes in timber prices. The Council is a long-term forestry investor and does not expect timber prices to decline significantly in the foreseeable future. Therefore, no measures have been taken to manage the risks of a decline in timber prices. The Council reviews its outlook for timber prices regularly in considering the need to active financial risk management.</p>
Note 2.13	<p>Further disclosures on Forestry ETS was required under Intangible Assets.</p> <p>Previous Version:</p> <p>Emissions Trading Scheme</p> <p>Emissions Trading Scheme (ETS) credits are held to meeting the landfill and forestry liability.</p> <p>Purchased carbon credits are recognised at cost on acquisition. They are not amortised, but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.</p> <p>New Version:</p> <p>Emissions Trading Scheme</p> <p><i>Landfill Carbon Credits</i></p> <p>Emissions Trading Scheme (ETS) credits are held to meeting the landfill liability.</p>

	<p>Purchased carbon credits are recognised at cost on acquisition. They are not amortised, but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.</p> <p><i>Forestry Carbon credits</i></p> <p>Council earns ETS credits over time as the forest grows in exchange for the carbon absorbed from the atmosphere by these trees. Therefore, the number of ETS credits held by Council increases as the plantation forestry grows.</p> <p>Council distinguishes its ETS credits into two categories:</p> <ul style="list-style-type: none"> • Encumbered credits: the ETS credits Council expects to be surrendered after its trees are harvested. • Unencumbered units: the ETS credits which are deemed to be surplus to future harvest obligations. <p>The Council recognises all forestry ETS credits as "encumbered credits" at a net nil, as the surrender value on harvest offsets the value of these credits.</p>
Note 2.19	<p>Deleted paragraph which was repeating previous wording in note 2.4.</p> <p>Previous Version:</p> <p>2.19 Borrowings</p> <p>Borrowing costs are recognised as an expense in the financial year in which they are incurred. —</p> <p>New Version:</p> <p>For the remainder of note 2, this has been the renumbering from note 2.19 to 2.29.</p>
Note 19	<p>There have been updates and additions to the valuation methodology notes.</p> <p>Previous Version:</p>

	<p>19 Property, plant and equipment (continued)</p> <p>Valuation</p> <p>New Council assets that are added between valuations are recorded at cost except for vested assets.</p> <p>Vested assets (current year additions transferred) are infrastructural assets such as roads, sewers and water mains, paid for by subdividers and vested in the City on completion of the subdivision. These have been valued based on the actual quantities of infrastructure components and the current "in the ground" cost of providing identical services.</p> <p>All other assets are valued at historical cost, except for the following:</p> <p><i>Land (operational, restricted, and infrastructural land with a title)</i></p> <p>The most recent valuation of land was performed by an independent registered valuer, Quotable Value New Zealand. The valuation is effective as at 30 June 2021.</p> <p>Land is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values. Where there is a designation against the land or the use of the land is restricted because of reserve or endowment status, the valuation approach reflects the value in use. Such land is valued based on rural land value plus a location adjustment to reflect different zoning, which are based on the valuer's judgement.</p> <p>Restrictions on the Council's ability to sell land would normally not impair the value of the land because the Council has operational use of the land for the foreseeable future and will substantially receive the full benefits of outright ownership.</p> <p><i>Infrastructural asset classes: sewerage, water, drainage, and roads</i></p> <p>Revaluations are updated annually. Infrastructural assets are valued bi-annually internally at depreciated replacement cost by Council engineers based on an internal valuation plus additions at cost less depreciation. For intervening years, infrastructural assets have been revalued in house by means of applying an inflation index. 2022-23 is a full valuation year and WSP New Zealand Ltd has reviewed the valuation as at 30 June 2023. Work in Progress is recognised at cost less impairment and is not depreciated.</p> <p>There are a number of estimates and assumptions exercised when valuing infrastructural assets using the depreciated replacement cost method. These include:</p> <ul style="list-style-type: none"> • Estimating any obsolescence or surplus capacity of the asset • Estimating the replacement cost of the asset. The replacement cost is derived from recent construction contracts in the region for similar reasons. • Estimates of the remaining useful life over which the asset will be depreciated. These estimates can be affected by the local conditions. For example, weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, the the Entity could be over - or under-estimating the annual depreciation charge recognised as an expense in the statement of comprehensive income. To minimise this risk, infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group and have been adjusted for local conditions based on past experience. Asset inspections, deterioration, and condition-modelling are also carried out regularly as part of the asset management planning activities, which provides further assurance over useful life estimates. <p><i>Specialist infrastructural assets</i></p> <p>Specialist infrastructural assets including dams, water reservoirs and wastewater treatment plants have been revalued by WSP New Zealand Ltd at depreciated replacement cost with assets optimised using least cost alternative as at 30 June 2023. Revaluations are updated annually.</p> <p><i>Nelson Tasman Regional Sewerage Business Unit</i></p> <p>Land is valued at market valuation as at 30 June 2021 by Quotable Value and is reviewed every five years or if there is a material movement. Infrastructural assets are valued at depreciated replacement cost with assets optimised using least cost alternative by Council engineers as at 30 June 2023. The valuation methodology has been reviewed by WSP Ltd. Revaluations are updated annually.</p> <p><i>Nelson Regional Landfill Business Unit</i></p> <p>Land is reviewed annually and revalued at market value every five years or if there is a material movement. The latest valuation was conducted as at 30 June 2021 by QV Valuation.</p> <p>Infrastructural assets are valued annually internally at depreciated replacement cost by Council engineers as at 30 June 2023 based on an internal valuation plus additions at cost less depreciation. The valuation methodology has been peer reviewed by WSP Ltd and revaluations are updated annually. Work in progress is recognised at cost less impairment and is not depreciated.</p> <p>The results of revaluing land and infrastructural assets are credited or debited to other comprehensive revenue and expenses and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this results in a debit balance in the asset revaluation reserve for any class of asset, this is expensed in the Surplus or Deficit. To the extent that increases in value offset previous decreases debited to the Surplus or Deficit, the increase is credited to the Surplus or Deficit.</p> <p>New Version:</p>
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	<p>Valuation</p> <p>New Council assets that are added between valuations are recorded at cost except for vested assets.</p> <p>Vested assets (current year additions transferred) are infrastructural assets such as roads, sewers and water mains, paid for by subdividers and vested in the City on completion of the subdivision. These have been valued based on the actual quantities of infrastructure components and the current "in the ground" cost of providing identical services.</p> <p>All other assets are valued at historical cost, except for the following:</p> <p><i>Land (operational, restricted, and infrastructural land with a title)</i></p> <p>The most recent valuation of land was performed by an independent registered valuer, Quotable Value New Zealand. The valuation is effective as at 30 June 2021.</p> <p>Land is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values. Where there is a designation against the land or the use of the land is restricted because of reserve or endowment status, the valuation approach reflects the value in use. Such land is valued based on rural land value plus a location adjustment to reflect different zoning, which are based on the valuer's judgement.</p> <p>Restrictions on the Council's ability to sell land would normally not impair the value of the land because the Council has operational use of the land for the foreseeable future and will substantially receive the full benefits of outright ownership.</p> <p><i>Infrastructural asset classes: sewerage, water, drainage, and roads</i></p> <p>Revaluations are updated annually. 2021-22 was a full valuation year and WSP New Zealand Ltd has reviewed the valuation as at 30 June 2022. Infrastructural assets are valued bi-annually internally at depreciated replacement cost by Council engineers based on an internal valuation plus additions at cost less depreciation. For intervening years, infrastructural assets have been revalued in house by means of applying an inflation index and additional uplift where necessary to align with market rates.</p> <p>For sewerage, water and drainage infrastructural assets, the Statistic NZ CGPI Civil Construction - systems is used as the inflationary index. The additional uplift is advised by WSP Limited through assessing factors such as recent contract pricing, market conditions, regional events, and comparable council data. In August 2023, Tonkin & Taylor were engaged to peer review the additional uplifts suggested by WSP Limited.</p> <p>For roading assets, a combination of Statistic NZ CGPI Civil Construction - systems for water and sewerage and Waka Kotahi indices for structures and construction were used to complete the fair value update. These fair value updates are prepared in-house and peer reviewed by WSP Limited.</p> <p>Work in Progress is recognised at cost less impairment and is not depreciated.</p> <p>There are a number of estimates and assumptions exercised when valuing infrastructural assets using the depreciated replacement cost method. These include:</p> <ul style="list-style-type: none"> • Estimating any obsolescence or surplus capacity of the asset • Estimating the replacement cost of the asset. The replacement cost is derived from recent construction contracts in the region for similar reasons. • Estimates of the remaining useful life over which the asset will be depreciated. These estimates can be affected by the local conditions. For example, weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, the the Entity could be over - or under-estimating the annual depreciation charge recognised as an expense in the statement of comprehensive income. To minimise this risk, infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group and have been adjusted for local conditions based on past experience. Asset inspections, deterioration, and condition-modelling are also carried out regularly as part of the asset management planning activities, which provides further assurance over useful life estimates.
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22 Forestry assets

Council

Actual 2023 \$'000

Actual 2022 \$'000

Group

Actual 2023 \$'000

Actual 2022 \$'000

Carrying amount opening balance

5,834

7,227

5,834

7,227

Gain/loss arising from changes in fair value less estimated point-of-sale costs

(736)

932

(736)

932

Harvest

(961)

(2,325)

(961)

(2,325)

Balance at 30 June 2023

4,137

5,834

4,137

5,834

Council owns 549.3 hectares, (2022: 561.7 hectares), of Radiata Pine, Douglas Fir and Cupressus Macrocarpa planted between 1981 and 2020. Other stands totalling 53.2 hectares, (2022: 53.2 hectares), were considered to have no commercial value. Independent registered valuers PF Olsen have valued the forestry assets as at 30 June 2023. A discount rate of 7.8% (2022: 7.9%), has been used in discounting the present value of expected before tax cash flows.

The Council has entered into the New Zealand Emissions Trade Scheme in respect of 144.3 hectares of forest land located in the Nelson Region. The 14,453 of ETS credits currently held are recognised at a net nil value as the value of the credits is offset by the harvest surrender value liability.

Note 25

Update to the capital commitment for TBHT following final financial statements being provided. Also, updated some wording within the note.

Previous Version:

Port Nelson Ltd \$'000

Tasman Bays Heritage Trust \$'000

Nelson Airport Ltd \$'000

Total 2023 \$'000

Revenue

85,780

2,657

16,879

105,316

Depreciation and amortisation

(10,574)

(483)

(4,238)

(15,295)

Finance costs

(3,550)

(33)

(1,448)

(5,031)

Other expenses

(59,096)

(1,999)

(7,089)

(68,184)

Net surplus / (deficit) before taxation

12,560

142

4,104

16,806

Tax expense

(3,243)

-

(1,394)

(4,637)

Net surplus / (deficit) before taxation

9,317

142

2,710

12,169

Share of contingent liabilities

-

-

-

-

Share of capital commitments

2,050

-

571

2,621

Dividends received or receivable

2,000

-

600

2,600

4,050

-

1,171

5,221

New Version:

Port Nelson Ltd \$'000

Tasman Bays Heritage Trust \$'000

Nelson Airport Ltd \$'000

Total 2023 \$'000

Revenue

85,780

2,657

16,879

105,316

Depreciation and amortisation

(10,574)

(483)

(4,238)

(15,295)

Finance costs

(3,550)

(33)

(1,448)

(5,031)

Other expenses

(59,096)

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(68,184)

Net surplus / (deficit) before taxation

12,560

142

4,104

16,806

Tax expense

(3,243)

-

(1,394)

(4,637)

Net surplus / (deficit) after taxation

9,317

142

2,710

12,169

Share of contingent liabilities

-

-

-

-

Share of capital commitments

2,050

210

571

2,831

Dividends received or receivable

2,000

-

600

2,600

4,050

210

1,171

5,431

Note 26

Updates to the disclosure around total assets and liabilities for Joint Operations.

	<p>Previous Version:</p> <table> <tr> <th></th><th>2003 \$'000</th><th>2002 \$,000</th></tr> <tr> <td>Assets</td><td></td><td></td></tr> <tr> <td>Current assets</td><td>4,386</td><td>1,170</td></tr> <tr> <td>Non-current assets</td><td>62,009</td><td>54,942</td></tr> <tr> <td>Total assets</td><td>66,395</td><td>56,112</td></tr> <tr> <td>Liabilities</td><td></td><td></td></tr> <tr> <td>Current liabilities</td><td>27,038</td><td>3,257</td></tr> <tr> <td>Non-current liabilities</td><td>17,562</td><td>15,251</td></tr> <tr> <td>Total liabilities</td><td>44,600</td><td>18,508</td></tr> <tr> <td>Revenue</td><td>10,956</td><td>9,535</td></tr> <tr> <td>Expenses</td><td>(9,667)</td><td>(7,887)</td></tr> <tr> <td>Net surplus/(deficit)</td><td>1,289</td><td>1,648</td></tr> </table> <p>New Version:</p> <table> <tr> <th></th><th>2003 \$'000</th><th>2002 \$,000</th></tr> <tr> <td>Assets</td><td></td><td></td></tr> <tr> <td>Current assets</td><td>1,098</td><td>1,170</td></tr> <tr> <td>Non-current assets</td><td>65,297</td><td>54,942</td></tr> <tr> <td>Total assets</td><td>66,395</td><td>56,112</td></tr> <tr> <td>Liabilities</td><td></td><td></td></tr> <tr> <td>Current liabilities</td><td>27</td><td>3,257</td></tr> <tr> <td>Non-current liabilities</td><td>17,562</td><td>15,251</td></tr> <tr> <td>Total liabilities</td><td>17,589</td><td>18,508</td></tr> <tr> <td>Revenue</td><td>10,956</td><td>9,535</td></tr> <tr> <td>Expenses</td><td>(9,667)</td><td>(7,887)</td></tr> <tr> <td>Net surplus/(deficit)</td><td>1,289</td><td>1,648</td></tr> </table>		2003 \$'000	2002 \$,000	Assets			Current assets	4,386	1,170	Non-current assets	62,009	54,942	Total assets	66,395	56,112	Liabilities			Current liabilities	27,038	3,257	Non-current liabilities	17,562	15,251	Total liabilities	44,600	18,508	Revenue	10,956	9,535	Expenses	(9,667)	(7,887)	Net surplus/(deficit)	1,289	1,648		2003 \$'000	2002 \$,000	Assets			Current assets	1,098	1,170	Non-current assets	65,297	54,942	Total assets	66,395	56,112	Liabilities			Current liabilities	27	3,257	Non-current liabilities	17,562	15,251	Total liabilities	17,589	18,508	Revenue	10,956	9,535	Expenses	(9,667)	(7,887)	Net surplus/(deficit)	1,289	1,648	
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Note 28	<p>Updated the interest range on council borrowings.</p> <p>Previous version:</p> <p>The interest rates on the Council borrowings range from 1.03% to 6.37% (2022: 1.03% to 3.83%). The weighted average interest rate on the above loans was 5.96% (2022: 2.5%).</p> <p>New Version:</p> <p>The interest rates on the Council borrowings range from 1.03% to 6.69% (2022: 1.03% to 3.83%). The weighted average interest rate on the above loans was 5.96% (2022: 2.5%).</p>																																																																									
Note 29	<p>Updates were required to the assumptions for the contaminated land at Tahunanui Beach.</p> <p>Previous Version:</p> <p><i>Contaminated Land</i></p> <p>Nelson City Council is seeking to urgently remediate and then remove contaminated sawdust found at Tahunanui's back beach. The Council has appointed a specialist consultant to manage the sawdust remediation and removal. At this stage, the full cost of the remediation is expected to \$3.0m.</p> <p>The following significant assumptions have been made in calculating the provision:</p> <ul style="list-style-type: none"> The area has been estimated at 5,900m³, with a sawdust conversion rate of 1 ton per 1 cubic meter is assumed. Dumping cost calculation has assumed that York Valley landfill will be able to accept the contaminated sawdust. Reinstatement options have not been determined yet, and it is assumed the dug-up area will be backfilled with suitable material. <p>New Version:</p>																																																																									

	<p>Contaminated Land</p> <p>Nelson City Council is seeking to urgently remediate and then remove contaminated sawdust found at Tahunanui's back beach. Subsequent to year end, the Council has appointed a specialist consultant to manage the sawdust remediation and removal. At this stage, the full cost of the project is estimated to be \$3.0m.</p> <p>The following significant assumptions have been made in calculating the provision:</p> <ul style="list-style-type: none">• The area has been estimated at 5,900m3, with a sawdust conversion rate of 1 tonne per 1 cubic meter assumed.• The sawdust removed is expected to be dumped at York Valley within the Nelson/Tasman landfill and transport costs are based on this assumption. Should out of region disposal be required, this would increase the transport and associated costs included in the provision.• The extent of treatment required so the sawdust toxin contamination meets the York Valley landfill's acceptance level is currently unknown.• Reinstatement options for Tahunanui Beach have not yet been determined. It is assumed, as a minimum, that the excavated area will be backfilled with suitable material.• Consultants will be engaged to plan the reinstatement of the area.																																																												
Note 33	<p>The schedule for non-cancellable operating leases has been updated.</p> <p>Previous Version:</p> <p>Operating leases as lessor Land and buildings owned by Council and group are let under operating leases. Non-cancellable terms vary between one month and 22 years, with the majority under five years.</p> <p>The future aggregate lease payments to be collected under non-cancellable operating leases are as follows:</p> <table><tr><th></th><th colspan="2">Council</th><th colspan="2">Group</th></tr><tr><th></th><th>Actual 2023 \$'000</th><th>Actual 2022 \$'000</th><th>Actual 2023 \$'000</th><th>Actual 2022 \$'000</th></tr><tr><td>Not later than one year</td><td>1,370</td><td>1,465</td><td>5,851</td><td>5,596</td></tr><tr><td>Later than one year and not later than five years</td><td>4,073</td><td>3,216</td><td>15,084</td><td>14,719</td></tr><tr><td>Later than five years</td><td>8,176</td><td>6,158</td><td>16,310</td><td>15,746</td></tr><tr><td>Total non-cancellable operating leases</td><td>13,619</td><td>10,839</td><td>37,245</td><td>36,061</td></tr></table> <p>New Version:</p> <p>Operating leases as lessor Land and buildings owned by Council and group are let under operating leases. Non-cancellable terms vary between one month and 45 years, with the majority under five years.</p> <p>The future aggregate lease payments to be collected under non-cancellable operating leases are as follows:</p> <table><tr><th></th><th colspan="2">Council</th><th colspan="2">Group</th></tr><tr><th></th><th>Actual 2023 \$'000</th><th>Actual 2022 \$'000</th><th>Actual 2023 \$'000</th><th>Actual 2022 \$'000</th></tr><tr><td>Not later than one year</td><td>1,587</td><td>1,465</td><td>6,021</td><td>5,596</td></tr><tr><td>Later than one year and not later than five years</td><td>4,100</td><td>3,216</td><td>15,232</td><td>15,278</td></tr><tr><td>Later than five years</td><td>6,842</td><td>6,158</td><td>16,365</td><td>16,378</td></tr><tr><td>Total non-cancellable operating leases</td><td>12,529</td><td>10,839</td><td>37,618</td><td>37,252</td></tr></table>		Council		Group			Actual 2023 \$'000	Actual 2022 \$'000	Actual 2023 \$'000	Actual 2022 \$'000	Not later than one year	1,370	1,465	5,851	5,596	Later than one year and not later than five years	4,073	3,216	15,084	14,719	Later than five years	8,176	6,158	16,310	15,746	Total non-cancellable operating leases	13,619	10,839	37,245	36,061		Council		Group			Actual 2023 \$'000	Actual 2022 \$'000	Actual 2023 \$'000	Actual 2022 \$'000	Not later than one year	1,587	1,465	6,021	5,596	Later than one year and not later than five years	4,100	3,216	15,232	15,278	Later than five years	6,842	6,158	16,365	16,378	Total non-cancellable operating leases	12,529	10,839	37,618	37,252
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Note 33	<p>Capital commitments schedule has been reviewed and updated.</p> <p>Previous Version:</p>																																																												

	33 Capital commitments and operating leases			
	Capital commitments			
	Council		Group	
	Actual	Actual	Actual	Actual
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
- Roading network	2,513	584	2,513	584
- Flood protection	3,832	9,222	3,832	9,222
- Other improvements	-	2,259	-	2,259
- Wastewater	3,549	10,878	3,549	10,621
- Water supply	793	917	793	1,142
- Stormwater	2,991	11,145	2,991	11,145
- Land & Buildings	2,633	5,079	2,633	4,914
- Solid Waste	50	-	50	-
- Parks & Recreation	256	-	256	-
- Social	174	-	174	-
- Software	162	301	162	239
- Equipment	-	70	-	70
Group	-	-	-	-
Buildings	-	-	-	-
- Property, Plant & Equipment	-	-	571	616
Intangible assets	-	-	-	-
- Wharf and property purchase/redevelopment	-	-	2,050	984
Tasman Bay Heritage Trust	-	-	-	-
- Property, Plant & Equipment	-	-	-	9
Total capital commitments	16,953	40,455	19,574	41,805
New Version:				
Capital commitments				
	Council		Group	
	Actual	Actual	Actual	Actual
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
- Roading network	1,989	584	1,989	584
- Flood protection	3,620	9,222	3,620	9,222
- Other improvements	-	2,259	-	2,259
- Wastewater	1,860	10,878	1,860	10,621
- Water supply	612	917	612	1,142
- Stormwater	2,057	11,145	2,057	11,145
- Land & Buildings	2,633	5,079	2,633	4,914
- Solid Waste	50	-	50	-
- Parks & Recreation	248	-	248	-
- Social	174	-	174	-
- Software	162	301	162	239
- Equipment	-	70	-	70
Group	-	-	-	-
Buildings	-	-	-	-
- Property, Plant & Equipment	-	-	571	616
Intangible assets	-	-	-	-
- Wharf and property purchase/redevelopment	-	-	2,050	984
Tasman Bay Heritage Trust	-	-	-	-
- Property, Plant & Equipment	-	-	-	9
Total capital commitments	13,405	40,455	16,026	41,805
Note 34	There have been a couple of changes in figures.			
	Previous version:			

	<p>Council: <i>Local Government Funding Agency</i></p> <p>The Entity 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 Poor's of AAA as at March 2023 for local currency, and a foreign currency rating of AA+ as at October 2022.</p> <p>As at 30 June 2023, there are 77 councils and 3 CCOs as members of the LGFA. Nelson City Council is one of 74 70 guarantors of the LGFA. The New Zealand Government also has a 20% shareholding in the LGFA. It has uncalled capital of \$1.0 million. When aggregated with the uncalled capital of other shareholders, \$20.0 million is available in the event that an imminent default is identified. Also, together with the other shareholders and guarantors, the Group is a guarantor of all of the LGFA's borrowings. At 30 June 2023, the LGFA had borrowings totalling \$17.7 billion (2022: \$16.8 billion).</p> <p>New Version: Council: <i>Local Government Funding Agency</i></p> <p>The Entity 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 Poor's of AAA as at March 2023 for local currency, and a foreign currency rating of AA+ as at October 2022.</p> <p>As at 30 June 2023, there are 77 councils and 3 CCOs as members of the LGFA. Nelson City Council is one of 70 guarantors of the LGFA. The New Zealand Government also has a 20% shareholding in the LGFA. It has uncalled capital of \$1.0 million. When aggregated with the uncalled capital of other shareholders, \$20.0 million is available in the event that an imminent default is identified. Also, together with the other shareholders and guarantors, the Group is a guarantor of all of the LGFA's borrowings. At 30 June 2023, the LGFA had borrowings totalling \$17.7 billion (2022: \$16.8 billion).</p>																														
Note 36	<p>Updates to the non-FTE staff.</p> <p>Previous Version: Council employees At balance date, Council employed 376 staff (2022: 351), made up of 247 (2022: 231) full-time employees (FTEs), with the balance of staff representing 129 (2022: 76) FTEs. The FTE total for 2023 was 325 (2022: 307).</p> <p>New Version: Council employees At balance date, Council employed 376 staff (2022: 351). The FTE total for 2023 was 325 (2022: 307); made up of 247 (2022: 231) full-time employees (FTEs), with the balance of staff representing 78 (2022: 76) FTEs.</p>																														
Note 35	<p>Updates to the senior management team remuneration.</p> <p>Previous Version:</p> <table><tr><td></td><td colspan="2">Council</td></tr><tr><td></td><td>Actual 2023 \$'000</td><td>Actual 2022 \$'000</td></tr><tr><td>Council members</td><td></td><td></td></tr><tr><td>Remuneration</td><td>760</td><td>777</td></tr><tr><td>Full-time equivalent members</td><td>13.0</td><td>13.0</td></tr><tr><td>Senior Management Team, including the Chief Executive</td><td></td><td></td></tr><tr><td>Remuneration</td><td>2,041</td><td>2,008</td></tr><tr><td>Full-time equivalent members</td><td>8.0</td><td>8.8</td></tr><tr><td>Total key management personnel compensation</td><td>2,801</td><td>2,785</td></tr><tr><td>Total full-time equivalent personnel</td><td>21.0</td><td>21.8</td></tr></table> <p>New Version:</p>		Council			Actual 2023 \$'000	Actual 2022 \$'000	Council members			Remuneration	760	777	Full-time equivalent members	13.0	13.0	Senior Management Team, including the Chief Executive			Remuneration	2,041	2,008	Full-time equivalent members	8.0	8.8	Total key management personnel compensation	2,801	2,785	Total full-time equivalent personnel	21.0	21.8
	Council																														
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Council members																															
Remuneration	760	777																													
Full-time equivalent members	13.0	13.0																													
Senior Management Team, including the Chief Executive																															
Remuneration	2,041	2,008																													
Full-time equivalent members	8.0	8.8																													
Total key management personnel compensation	2,801	2,785																													
Total full-time equivalent personnel	21.0	21.8																													

		Council	
		Actual 2023 \$'000	Actual 2022 \$'000
	Council members		
	Remuneration	760	777
	Full-time equivalent members	13.0	13.0
	Senior Management Team, including the Chief Executive		
	Remuneration	1,854	2,008
	Full-time equivalent members	8.0	8.8
	Total key management personnel compensation	2,614	2,785
	Total full-time equivalent personnel	21.0	21.8
Note 39	<p>Updates have been made to the subsequent events note to provide further clarity.</p> <p>Previous Version:</p> <p>Nelson Floods:</p> <p>In August 2022, a state of emergency was declared in Nelson due to areas of widespread flooding. This caused major damage to Council infrastructure in the Nelson and surrounding areas. The restoration is still on-going.</p> <p>Nelson City Council have committed to the purchase of up to 14 "red stickered" properties where the landslide risk is too high for those property owners to return to their homes and the cost to mitigate is prohibitive. Central government has offered up to \$6 million as a 50% contribution to support this. In August 2023, Nelson City Council has purchased 321, 323 and 325 Brook Street.</p> <p>Since balance date, central government has confirmed that they will contribute 50 percent of the cost to remediate numerous landslips affecting residential areas in Nelson, at a cost of up to \$6 million. 18 significant slips have been identified on Council owned land that affect private properties, of which, 16 can be remediated.</p> <p>New Version:</p> <p>Nelson Floods:</p> <p>In August 2022, following the extreme weather event, a state of emergency was declared in Nelson due to areas of widespread flooding. This caused major damage to Council infrastructure in the Nelson and surrounding areas. The recovery is still on-going.</p> <p>On 31 August 2023, following requests from Mayor Nick Smith, central government wrote to council offering a cost-sharing package to support the recovery work from the August 2022 extreme weather event to the value of \$12.3 million. This is broken down as follows:</p> <ul style="list-style-type: none"> Central government has offered up to \$6 million as a 50 percent contribution to Nelson City Council to support the purchase of up to 14 "red stickered" properties where the landslide risk is too high for those property owners to return to their homes and the cost to mitigate is prohibitive. Council has agreed to publicly consult on the buyback offer of affected properties. Nelson City Council will be responsible for any costs over and above the respective 50 percent contributions. Central government has offered an investment of up to \$6 million as a 50 percent contribution to the cost to remediate 18 landslips originating on Council land affecting residential areas in Nelson. Central government has committed to a lump sum payment of \$300,000 (being \$30,000 per year over 10 years) to the ongoing monitoring of the Tahunanui slump using equipment installed by EQC as part of their wall in relation to the August 2022 weather event. 		
Note 43	<p>Due to a reclassification of forestry income and expenses, there is now an addittional note.</p> <p>New Version:</p> <p>43 Reclassification of Net Forestry Operations</p> <p>In the prior financial year, the net expenditure of forestry operations was classified as a cost of the forestry asset. This has been reclassified in terms of PBE IPSAS 1 and shown separately in respect of the revenue and expenditure components.</p> <p>The closing balance of the forestry asset and net surplus or deficit are not affected by this reclassification.</p> <p>The following items have been reclassified in the comparative figures disclosed in the prior year:</p> <p>Service Provision (within other expenses) – Increase of \$5,208,270</p> <p>Sales of goods and services (within fees and charges revenue) – Increase of \$6,487,586</p> <p>Gain on changes in fair value of forestry (within other gains / (losses)) – Decrease of \$1,279,316</p>		

Independent Auditor's Report

**To the readers of Nelson City Council's annual report
for the year ended 30 June 2023**

The Auditor-General is the auditor of Nelson City Council (the City Council) and its subsidiaries and controlled entities (the Group). The Auditor-General has appointed me, John Mackey, using the staff and resources of Audit New Zealand, to report on the information in the City Council's annual report that we are required to audit under the Local Government Act 2002 (the Act). We refer to this information as "the audited information" in our report.

We are also required to report on:

- whether the City Council has complied with the requirements of schedule 10 of the Act that apply to the annual report; and
- the completeness and accuracy of the City Council's disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

We refer to this information as "the disclosure requirements" in our report.

We completed our work on 31 October 2023. This is the date on which we give our report.

Opinion on the audited information

In our opinion:

- the financial statements on pages 111 to 114 and pages 122 to 193:
 - present fairly, in all material respects:
 - the City Council and Group's financial position as at 30 June 2023;
 - the results of the operations and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards;
- the funding impact statement on page 115 to 116, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council's Long-term plan;
- the statement of service provision on pages 17 to 101, and 194 to 196:
 - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2023, including:

Item 5: 5 Annual Report 2022/23: Attachment 2

- the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
 - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
 - complies with generally accepted accounting practice in New Zealand;
- the statement about capital expenditure for each group of activities on pages 23 to 103, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the City Council's Long-term plan; and
- the funding impact statement for each group of activities on pages 23 to 103, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council's Long-term plan.

Report on the disclosure requirements

We report that the City Council has:

- complied with the requirements of schedule 10 of the Act that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 117 to 121, which represent a complete list of required disclosures and accurately reflects the information drawn from the City Council's and Group's audited information and, where applicable, the City Council's Long-term plan and annual plans.

The basis for our opinion is explained below and we draw attention to other matters. In addition, we outline the responsibilities of the Council and our responsibilities relating to the audited information, we comment on other information, and we explain our independence.

Emphasis of matter – The Government's three waters reform programme

Without modifying our opinion, we draw attention to the following disclosures:

Uncertainty over the water services reform programme

Pages 12 and 13 of the annual report, which outline developments in the Government's water services reform programme.

The Water Services Entities Act 2022, as amended by the Water Services Entities Amendment Act 2023 on 23 August 2023 and the Water Services Legislation Act 2023 on 31 August 2023, establishes ten publicly owned water services entities to carry out responsibilities for the delivery of three waters services, and transfers related assets and liabilities currently controlled by local authorities.

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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, on pages 12 and 13 of the annual report, 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.

Uncertainty over the Council's contribution to purchase properties affected by severe weather events

Note 39 on page 189, outlines that subsequent to 30 June 2023, the Council agreed to consult publicly on a cost-sharing arrangement with the Government that, if approved, will involve co-funding the costs of recovery from the August 2022 severe weather event. The financial impact of the cost-sharing arrangement is uncertain as details are being worked through and could be significant.

Basis for our opinion on the audited information

We carried out our audit 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. We describe our responsibilities under those standards further in the "Responsibilities of the auditor for the audited information" section of this report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the audited information.

Responsibilities of the Council for the audited information

The Council is responsible for meeting all legal requirements that apply to its annual report.

The Council's responsibilities arise under the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014.

The Council is responsible for such internal control as it determines is necessary to enable it to prepare the information we audit that is free from material misstatement, whether due to fraud or error.

In preparing the information we audit the Council is responsible for assessing its ability to continue as a going concern. The Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to amalgamate

or cease all of the functions of the City Council and the Group or there is no realistic alternative but to do so.

Responsibilities of the auditor for the audited information

Our objectives are to obtain reasonable assurance about whether the audited information, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit carried out in accordance with the Auditor General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of this audited information.

For the budget information reported in the audited information, our procedures were limited to checking that the budget information agreed to the City Council's annual plan and Long-term plan.

We did not evaluate the security and controls over the electronic publication of the audited information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City Council and Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- We determine the appropriateness of the reported intended levels of service in the statement of service provision, as a reasonable basis for assessing the levels of service achieved and reported by the City Council.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the City Council and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related

disclosures in the audited information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the City Council and the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the audited information, including the disclosures, and whether the audited information represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the audited information of the entities or business activities within the Group to express an opinion on the consolidated audited information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 1 to 16, 104 to 110, 197 to 225 and 227, but does not include the audited information and the disclosure requirements, and our auditor's report thereon.

Our opinion on the audited information and our report on the disclosure requirements do not cover the other information, and we do not express any form of audit opinion or assurance conclusion thereon.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the audited information and the disclosure requirements, or our knowledge obtained during our work, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the City Council and Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to our audit and our report on the disclosure requirements, we have carried out other audit and assurance engagements for the City Council and subsidiary companies. These audit and

assurance engagements, as described in note 7 on page 156, are compatible with those independence requirements. Other than these engagements, we have no relationship with or interests in, the City Council or its subsidiaries and controlled entities



John Mackey
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

[Entity Letterhead]

31 October 2023

John Mackey
Appointed Auditor
Audit New Zealand
PO Box 2
Christchurch 8140

Dear John

Representation letter for the year ended 30 June 2023

This representation letter is provided in connection with your audit, carried out on behalf of the Auditor-General, of the financial statements and statement of service provision of Nelson City Council and group (City Council and group) for the year ended 30 June 2023 for the purpose of expressing an independent opinion about whether:

- the financial statements:
 - present fairly, in all material respects:
 - the financial position as at 30 June 2023; and
 - the financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Accounting Standards.
- the funding impact statement presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council's Long-term plan.
- the statement of service provision:
 - presents fairly, in all material respects, the City Council and group's levels of service for each group of activities for the year ended 30 June 2023, including:
 - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;

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- the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
 - complies with generally accepted accounting practice in New Zealand.
- The statement about capital expenditure for each group of activities presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the City Council's Long-term plan.
- the funding impact statement for each group of activities presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council's Long-term plan.
- We understand that your audit was carried out in accordance with the Auditing Standards issued by the Auditor-General, 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.

We understand that, because you will be issuing a non-standard audit report, the Auditor-General has the responsibility to refer to that audit report in a report to Parliament in accordance with section 20 of the Public Audit Act 2001.

Your audit report will, without modifying your opinion, include the following emphasis of matter paragraphs, to draw attention to:

- pages 12 and 13 of the annual report, which outline developments in the Government's water services reform programme. The Water Services Entities Act 2022, as amended by the Water Services Entities Amendment Act 2023 on 23 August 2023 and the Water Services Legislation Act 2023 on 31 August 2023, establishes ten publicly owned water services entities to carry out responsibilities for the delivery of three 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, on pages 12 and 13, 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.
- note 39 on page 189, which outlines that subsequent to 30 June 2023, the Council agreed to consult publicly on a cost-sharing arrangement with the Government that, if approved, will involve co-funding the costs of recovery from the August 2022 severe weather event. The financial impact of the cost-sharing arrangement is uncertain as details are being worked through and could be significant.

General responsibilities

To the best of our knowledge and belief:

- the resources, activities, and entities under our control have been operating effectively and efficiently;
- we have complied with our statutory obligations including laws, regulations, and contractual requirements;
- we have carried out our decisions and actions with due regard to minimising waste;
- we have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector (that is, we have carried out our decisions and actions with due regard to probity); and
- any decisions or actions have been taken with due regard to financial prudence.

We also acknowledge that we have responsibility for designing, implementing, and maintaining internal control (to the extent that is reasonably practical given the size of the City Council and group) to prevent and detect fraud or error, and which enables the preparation of the financial statements and the statement of performance that are free from material misstatement whether due to fraud or error.

Representations on the financial statements and the statement of service provision

We confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements and statement of service provision, and that, to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves:

- we have fulfilled our responsibilities for preparing and presenting the financial statements and the statement of service provision as required by the Local Government Act 2002 and, in particular, that:
 - the financial statements:
 - present fairly, in all material respects:
 - the financial position of the City Council and group as at 30 June 2023; and
 - the financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Accounting Standards;
 - the statement of service provision:

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- presents fairly, in all material respects, the City Council and group's levels of service for each group of activities for the year ended 30 June 2023, including:
 - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved; and
 - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
- complies with generally accepted accounting practice in New Zealand;
- the funding impact statement presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council's Long-term plan;
- the statement about capital expenditure for each group of activities presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the City Council's Long-term plan;
- the funding impact statement for each group of activities presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council's Long-term plan;
- we have complied with the requirements of Schedule 10 of the Act that apply to the annual report;
- we have made the disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014;
- we believe the methods, significant assumptions, and data used in making and supporting accounting estimates and the related disclosures in the financial statements and performance information are appropriate to achieve recognition, measurement, or disclosure that is in accordance with the Public Benefit Entity Reporting Standards;
- we have appropriately accounted for and disclosed related party relationships and transactions in the financial statements;
- we have adjusted or disclosed all events subsequent to the date of the financial statements and the statement of service provision that require adjustment or disclosure;
- we are aware that you have not identified any misstatements to the financial statements and the statement of service provision, during the course of your audit that have not been adjusted;
- we believe the effects of uncorrected disclosure deficiencies, including both omitted and incomplete disclosures, are quantitatively and qualitatively immaterial, both individually and in aggregate, to the financial statements as a whole; and

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- we have disclosed all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. Where applicable, such litigation and claims have been accounted for and disclosed in accordance Public Benefit Entity Accounting Standards.

Representations about the provision of information

We confirm that, to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves:

- we have provided you with:
 - all information, such as records and documentation, and other matters that are relevant to preparing and presenting the financial statements and the statement of service provision; and
 - unrestricted access to persons within the City Council and group from whom you determined it necessary to obtain audit evidence;
- we have disclosed to you the results of our assessment of the risk that the financial statements and statement of service provision may be materially misstated as a result of fraud;
- we have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the City Council and group and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements and statement of service provision;
- we have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the City Council and group's financial statements and statement of service provision communicated by employees, former employees, analysts, regulators, or others;
- we have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements and the statement of service provision, including possible non-compliance with laws for setting rates;
- we have provided you with all the other documents ("other information") which will accompany the financial statements and the performance information which are consistent with one another, and the other information does not contain any material misstatements; and
- we have disclosed the identity of the related parties, all of their relationships, and all of their transactions of which we are aware.

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Publication of the financial statements and statement of service provision and related audit report on a website

The Council accepts that it is responsible for the electronic presentation of the audited financial statements and statement of service provision.

The electronic version of the audited financial statements and statement of service provision and the related audit report presented on the website are the same as the final signed version of the audited financial statements and statement of service provision, and audit report.

We have clearly differentiated between audited and unaudited information on the website and understand the risk of potential misrepresentation without appropriate controls.

We have assessed the security controls over audited financial and statement of service provision and the related audit report and are satisfied that procedures are adequate to ensure the integrity of the information provided.

Where the audit report on the full financial statements and statement of service provision is provided on a website, the financial statements and statement of service provision are also provided in full.

Going concern

We confirm that, to the best of our knowledge and belief, the City Council and group has adequate resources to continue operations at their current level for the foreseeable future. For this reason, the Council continues to adopt the going concern basis of accounting in preparing the financial statements and the statement of service provision, for the year ended 30 June 2023. We have reached this conclusion after making enquiries and having regard to circumstances that we consider likely to affect the City Council and group during the period of one year from 31 October 2023, and to circumstances that we know will occur after that date which could affect the validity of the going concern assumption.

We consider that the financial statements and the statement of service provision adequately disclose the circumstances, and any uncertainties, that we can reasonably be expected to be aware of concerning the adoption of the going concern basis of accounting by the City Council and group.

Sign-off on these representations

These representations are made at your request, and to supplement information obtained by you from the records of the City Council and group and to confirm information given to you orally.

Yours sincerely

Nick Smith
Mayor

Nigel Philpott
Chief Executive

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Mayor's Foreword

Kupu Whakataki

The 2022/23 financial year was challenging for Nelson City Council, dominated by the recovery from the August 2022 extreme weather event. As a newly elected Mayor, I had to get up to speed quickly on the extent of the damage and the repairs required. About 1200 people were evacuated from their homes during the emergency and the heavy rain caused more than 550 landslides.

At the peak on 24 August 2022, there were 104 red and 82 yellow placards on homes. As of 16 October 2023, there were 10 red 69 yellow – a reduction of more than 90% on red-stickered homes. Key infrastructure had to be fixed, such as the Maitai Dam raw water supply pipeline. Council has tried to build back better where possible to improve our resilience for future weather events. The closure of State Highway 6 to Marlborough triggered the need for a temporary air service to Blenheim and forestry road access for the isolated Kokorua community.

Despite some financial support from the Government, much of the cost of the huge recovery operation will fall on ratepayers. Net weather-related expenses totalled \$14.5 million in 2022/23, making up the bulk of a variance to budget of close to \$21.6 million for the year. Instead of a budgeted accounting surplus of \$6.9 million, we have an accounting deficit before revaluation of just over \$14.6 million.

Library services

Work is under way to strengthen the Elma Turner Library, which will extend its life. The Elma Turner Library was closed in June 2022 after it was discovered heavy ceiling tiles posed an earthquake risk and the ceiling grid itself in some areas was under 34% of the New Building Standard, meaning the library was earthquake prone. As work on the ceiling tiles progressed, buckling and splits in four trusses was discovered, requiring further strengthening work. The library has reopened in stages as the work has been completed and is expected to be fully reopened in early 2024.

eBus service

A highlight over the past year has been the build-up to the roll out of the new eBus service, which started on 1 August 2023. This extended bus service with a fleet of electric buses is the most important step to date in reducing Nelson's emissions. We've seen an increase in the number of journeys for September, which totalled 71,803, up from 67,944 in August. That August total was already a 68% increase on the number of journeys on the old NBus service.

Infrastructure renewal

Council continued its core work throughout the year, which includes the renewal of important infrastructure such as the Rutherford Street watermain, completed as part of a wider utilities upgrade. The bulk of the work on the Awatea Pump Station upgrade was also completed during the year, along with work on the Washington Valley stormwater upgrade project.

Housing and planning

A lack of affordable housing continues to be an issue in Nelson. Council has used its Housing Reserve and worked closely with community housing providers to get more homes built. There are no magic answers to this complex challenge but Council is keen to do its part.

To help cater for growth in the city and meet central government requirements, Council has suggested changes to its planning rules with proposed Plan Change 29. These are difficult issues and have caused contention between the need for intensification to meet housing needs and the effects on neighbourhoods of shading and loss of views throughout New Zealand.

New Chief Executive

The retirement in December 2022 of long-serving Chief Executive Pat Dougherty resulted in Council initiating the recruitment for a new CEO. We thank experienced local government executive Lindsay McKenzie for stepping into the role in the interim, between December 2022 and April 2023.

The Council welcomed Nigel Philpott to the CEO role in April 2023. Nigel's experience in senior public sector roles in Defence, Social Services and Industry Training, including as a successful CEO, puts him in a good position to lead Council staff for the next chapter in our 149-year history. The organisation faces financial and organisational challenges, compounded by significant government reforms. Nigel has settled well into role and is already making a positive difference to Council and the community.

Events

After the difficult years around the Covid-19 pandemic, it was wonderful to see thousands of people out enjoying some of Nelson's most popular events including the Santa Parade, Opera in the Park and Te Ramaroa. Council contracted and delivered 12 events or series of events over the year including Summer Movies al Fresco. It also partnered with community organisations to deliver popular activities such as the Multicultural Football Tournament, which was attended by more than 200 players and about 500 members of the community.

Highlights

Other highlights for the year included the completion of Te Pā Harakeke playground on the site of the old modeller's pond, the relining of the third pond in the beautiful Miyazu Gardens and more than 400 events and programmes run by Council in its libraries.

I expect another year of challenges and highlights ahead. My thanks to my fellow Elected Members, Council staff and members of the community who, like me, all want the best for Nelson.

Nick Smith

Mayor of Nelson: Te Koromatua o Whakatū