

PART 3

Financial Statements

- STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE
- STATEMENT OF CHANGES IN NET ASSETS/EQUITY
- STATEMENT OF FINANCIAL POSITION
- STATEMENT OF CASH FLOWS
- RECONCILIATION OF NET SURPLUS/ (DEFICIT) AFTER TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES
- RECONCILIATION OF MOVEMENTS IN LIABILITIES ARISING FROM FINANCING ACTIVITIES
- NOTES TO FINANCIAL STATEMENTS
- FUNDING IMPACT STATEMENT
- NOTES TO FUNDING IMPACT STATEMENT



Statement of Comprehensive Revenue and Expense

for the year ended 30 June

	note:	Group		Council		
		Actual	Actual	Actual	Budget	Actual
		2023	2022	2023	2023	2022
		\$000s	\$000s	\$000s	\$000s	\$000s
Revenue:						
Rates, excluding targeted water rates	3	76,592	72,694	77,045	76,296	73,126
Targeted rates for metered water supply	3	2,936	2,540	3,238	3,802	2,756
Subsidies and grants	4	63,174	57,884	63,174	63,721	57,884
Development and financial contributions	4	9,390	9,635	9,390	7,321	9,635
Gains	5	1,396	6,241	1,296	1,020	8,046
Finance revenue	7	4,191	10,936	6,368	3,033	8,099
Other revenue	4	93,627	82,053	52,161	47,306	48,761
Total revenue	2	251,306	241,983	212,672	202,499	208,307
Expenditure:						
Personnel costs	6	40,038	34,246	28,466	30,515	25,890
Finance costs	7	6,877	3,859	6,963	5,991	2,888
Depreciation and amortisation		39,908	33,915	35,108	31,935	29,443
Other expenses	8	154,873	99,728	117,864	129,575	88,056
Total operating expenditure	2	241,696	171,748	188,401	198,016	146,277
Surplus before tax		9,610	70,235	24,271	4,483	62,030
Income tax expense/(credit)	9	(2,055)	3,709	-	-	-
Surplus after tax		11,665	66,527	24,271	4,483	62,030
Other comprehensive revenue and expense:						
Gain on investment in Joint Venture		813	-	-	-	-
Gain on property revaluations		120,074	141,910	120,074	38,676	127,351
Impairment on property revaluation		(171,394)	(86,138)	(171,394)	-	(86,138)
Deferred tax on property valuations		-	(2,319)	-	-	-
Total other comprehensive revenue and expense	22	(50,506)	53,453	(51,319)	38,676	41,213
Total comprehensive revenue and expense		(38,841)	119,979	(27,048)	43,159	103,243

The accompanying notes form part of these financial statements.
For explanations of major variances refer to note 30 – Variances Explanation

Statement of Changes in Net Assets/Equity

for the year ended 30 June

	note:	Group		Council		
		Actual	Actual	Actual	Budget	Actual
		2023	2022	2023	2023	2022
		\$000s	\$000s	\$000s	\$000s	\$000s
Balance at 1 July		2,061,207	1,941,228	1,902,148	1,843,091	1,798,905
Total comprehensive revenue and expenses		(38,841)	119,979	(27,048)	43,159	103,243
Balance at 30 June	22	2,022,366	2,061,207	1,875,100	1,886,250	1,902,148

The accompanying notes form part of these financial statements.
For explanations of major variances refer to note 30 – Variances Explanation

Statement of Financial Position

as at 30 June

	note:	Group		Council		
		Actual	Actual	Actual	Budget	Actual
		2023	2022	2023	2023	2022
		\$000s	\$000s	\$000s	\$000s	\$000s
Assets:						
Non-current assets:						
Property, plant and equipment	10	2,036,224	2,044,791	1,910,688	1,958,789	1,920,837
Intangible assets	11	10,815	12,694	10,391	15,017	12,331
Forestry assets	12	17,735	15,679	17,735	19,063	15,679
Other financial assets:						
- Investment in subsidiaries	13	-	-	6,000	6,000	6,000
- Other	13	12,703	2,890	84,770	90,382	70,205
Derivative financial instruments	27	6,416	4,352	5,037	-	3,497
Investment property	14	116,226	128,625	14,450	10,950	11,500
Investment in Joint Venture	17	8,091	6,750	-	-	-
Total non-current assets		2,208,210	2,215,781	2,049,071	2,100,201	2,040,049
Current assets:						
Cash and cash equivalents	15	8,085	12,725	5,444	185	6,214
Debtors and other receivables	16	18,850	17,429	13,188	14,957	14,257
Other financial assets	13	4,176	12,620	4,176	12,492	12,620
Derivative financial instruments	27	197	-	-	-	-
Inventory		716	712	397	344	314
Total current assets		32,024	43,486	23,205	27,978	33,405
Total assets		2,240,233	2,259,267	2,072,276	2,128,179	2,073,454
Liabilities:						
Non-current liabilities:						
Borrowings	18	115,442	82,233	115,442	152,155	82,233
Provisions	19	10,808	8,820	4,972	4,336	4,093
Derivative financial instruments	27	-	-	-	3,541	-
Deferred tax liability	9	12,359	18,616	-	-	-
Total non-current liabilities		138,609	109,669	120,414	160,032	86,326
Current liabilities:						
Borrowings	18	43,085	55,200	43,085	55,000	55,200
Provisions	19	729	644	729	-	644
Creditors and other payables	20	29,636	28,402	29,860	24,243	26,434
Employee entitlements	21	4,308	3,567	3,087	2,654	2,702
Derivative financial instruments	27	-	-	-	-	-
Current tax liabilities	9	1,500	578	-	-	-
Total current liabilities		79,258	88,391	76,761	81,897	84,980
Total liabilities		217,867	198,060	197,175	241,929	171,306
Net assets		2,022,366	2,061,207	1,875,100	1,886,250	1,902,148
Equity:						
Accumulated funds	22	855,218	827,676	780,459	705,011	741,124
Other reserves	22	1,617,148	1,233,531	1,094,640	1,181,239	1,161,024
Total equity	22	2,022,366	2,061,207	1,875,100	1,886,250	1,902,148

The accompanying notes form part of these financial statements.
For explanations of major variances refer to note 30– Variance explanations.

Statement of Cash Flows

for the year ended 30 June

	note:	Group		Council		
		Actual	Actual	Actual	Budget	Actual
		2023	2022	2023	2023	2022
		\$000s	\$000s	\$000s	\$000s	\$000s
Cash flows from operating activities:						
Receipts from rates revenue		79,319	75,175	80,071	80,097	75,823
Receipts from other revenue		157,232	140,214	115,002	111,875	104,807
Goods and Services Tax (net)		323	(620)	323	-	(620)
Interest received		1,849	374	4,770	3,033	1,061
Payments to suppliers and employees		(166,301)	(124,936)	(144,002)	(159,417)	(104,113)
Interest paid		(6,563)	(3,602)	(6,963)	(5,947)	(2,888)
Income tax paid		(3,267)	(2,046)	-	-	-
Net cash flow from operating activities		62,593	84,559	49,202	29,641	74,070
Cash flows from investing activities:						
Proceeds from sale of property, plant and equipment		133	323	27	-	98
Proceeds from sale of non-current property held for sale		-	7,503	-	-	7,503
Sale of investments		11,916	9,182	11,916	-	9,182
Advances received		7,032	12,666	2,434	-	125
Dividends received		10	7	3,318	3,012	3,162
Purchase of property, plant and equipment		(70,994)	(99,355)	(66,791)	(71,082)	(95,859)
Purchase of intangible assets		(1,071)	(815)	(347)	-	(640)
Purchase of investment property		(13,730)	(17,721)	-	-	-
Purchase of forestry assets		(771)	(438)	(771)	-	(438)
Acquisition of investments		(12,851)	(9,505)	(12,851)	(18,367)	(9,505)
Advances made		(8,001)	(13,539)	(8,001)	-	(13,539)
Net cash flow from investing activities		(88,327)	(111,692)	(71,066)	(86,437)	(99,911)
Cash flows from financing activities:						
Proceeds from borrowings		45,708	53,233	45,708	53,370	53,233
Repayment of borrowings		(24,614)	(23,000)	(24,614)	-	(23,000)
Net cash flow from financing activities		21,094	30,233	21,094	53,370	30,233
Net increase / (decrease)		(4,640)	3,100	(770)	(3,426)	4,392
Cash and cash equivalents:						
At the beginning of the year		12,725	9,625	6,214	3,611	1,822
At the end of the year	15	8,085	12,725	5,444	185	6,214

The accompanying notes form part of these financial statements.

Reconciliation of Net Surplus/(Deficit) after Tax to Net Cash Flow from Operating Activities for the year ended 30 June

	Group		Council	
	Actual 2023 \$000s	Actual 2022 \$000s	Actual 2023 \$000s	Actual 2022 \$000s
Surplus after tax	11,665	66,527	24,271	62,030
Add/(less) non-cash items:				
Depreciation and amortisation expense	39,908	33,915	35,108	29,443
Decrease in forestry value due to harvest	-	405	-	405
Vested assets revenue	(8,954)	(10,011)	(8,954)	(10,011)
Carbon credits surrendered	718	1,357	718	1,357
Movement in deferred tax	(6,258)	660	-	-
Movement in runway seal and rescue fire service provision	1,109	941	-	-
Movement in provisions	964	619	964	619
(Gains) / losses in fair value of biological assets	(1,285)	1,434	(1,285)	1,434
(Gains) / losses in fair value of investment property	27,253	1,253	1,372	(550)
(Gains) / losses on fair value of investments	-	26	-	26
(Gains) / losses on derivative financial instruments	(2,319)	(10,587)	(1,598)	(7,064)
	51,136	20,012	26,325	15,659
Add/(less) items classified as investing or financing activities:				
Movement in capital creditors	(3,396)	3,259	(3,396)	3,259
(Gains) / losses on disposal of property, plant and equipment and non-current assets held for sale	19	(6,864)	83	(6,749)
Other movements	1,355	(3,748)	(3,318)	(3,162)
	(2,022)	(7,353)	(6,631)	(6,697)
Add/(less) movements in working capital items:				
Movement in debtors and other receivables	(2,150)	(70)	1,069	431
Movement in inventory	(10)	(65)	(83)	22
Movement in creditors and other payables	2,306	4,308	3,865	2,516
Movement in income tax (receivable) / payable	926	1,001	-	-
Movement in employee entitlements	741	200	385	109
	1,813	5,374	5,236	3,078
Less items reclassified as investing activities	(4,322)	-	(4,322)	-
Net cash inflow from operating activities	58,271	84,559	44,880	74,070

Reconciliation of Movements in Liabilities arising from Financing Activities

	Group		Council	
	Actual 2023 \$000s	Actual 2022 \$000s	Actual 2023 \$000s	Actual 2022 \$000s
Borrowings				
Opening balance at 1 July	(137,433)	(107,200)	(137,433)	(107,200)
Cash inflows	(45,708)	(53,233)	(45,708)	(53,233)
Cash outflows	24,614	23,000	24,614	23,000
Non-cash changes	-	-	-	-
Closing balance at 30 June	(158,527)	(137,433)	(158,527)	(137,433)
Derivatives				
Opening balance at 1 July	4,352	(6,236)	3,497	(3,567)
Cash inflows	-	-	-	-
Cash outflows	-	-	-	-
Non-cash changes	2,261	10,587	1,540	7,064
Closing balance at 30 June	6,613	4,352	5,037	3,497

Notes to Financial Statements

1. Statement of Accounting Policies

Marlborough District Council (the Council) is a unitary authority located in New Zealand that is governed by the Local Government Act 2002 (LGA). The relevant legislation governing Council's operations includes the LGA and the Local Government (Rating) Act 2002.

The Group consists of the ultimate parent, Marlborough District Council and:

- Council's 88.5% share of the joint operation Marlborough Regional Forestry (MRF);
- Councils wholly owned subsidiary MDC Holdings Ltd (MDCH). The wholly owned subsidiaries of MDCH include:
 - Marlborough Airport Ltd; and
 - Port Marlborough NZ Ltd which in turn has two wholly owned subsidiaries: PMNZ Marina Holdings Ltd and Waikawa Marina Trustee Ltd; and
- Marlborough Housing for the Elderly Trust.

The Council and Group provides local infrastructure, local public services and provides regulatory functions to the community. The Council does not operate to make a financial return.

The Council has designated itself and the Group as public benefit entities (PBEs) for the purposes of complying with generally accepted accounting practice (NZ GAAP).

These financial statements of the Council and Group are for the year ended 30 June 2023. The financial statements were authorised for issue by Council on 14 December 2023.

1.1. Basis of Preparation

The financial statements have been prepared on the going concern basis and accounting policies been applied consistently throughout the period.

(i) 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, which includes requirement to comply with NZ GAAP.

The financial statements have been prepared in accordance with and comply with PBE Accounting Standards.

(ii) Measurement Base

The financial statements have been prepared on a historical cost basis adjusted for the revaluation of certain assets.

(iii) Presentation Currency and Rounding

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

(iv) New Accounting Standards Applied

- PBE IPSAS 41 Financial Instruments
PBE IPSAS 41 Financial Instruments replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement which is effective for the year ended 30 June 2023. Council has adopted the standard in this reporting period.

The main changes under the standard relevant to the Council are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
 - A new impairment model for financial assets based on expected losses, which might result in the earlier recognition of impairment losses.
 - A new hedge accounting model for hedge accounting relationships, should the Council elect to adopt the new model. The Council has elected to continue to apply the PBE IPSAS 29 hedge accounting model on transition to PBE IPSAS 41.
- **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 ended 30 June 2023. The Council has adopted the standard in this reporting period. The Council has determined the main impact of the new standard is that additional information will need to be disclosed on those judgements that have the most significant effect on the selection, measurement, aggregation, and presentation of service performance information.

(v) **Other Changes in Accounting Policies**

There have been no other changes in accounting policies.

(vi) **Standards Issued and Not Yet Effective**

The standards and amendments below have been issued. However, they are not yet effective and have not been early adopted:

- PBE IFRS 17 Insurance Contracts;
- 2022 Omnibus Amendments to PBE Standards; and
- Disclosure of Fees for Audit Firms' Services (amendments to PBE IPSAS 1)

Council has not yet assessed the impact of these on the financial statements. They will be adopted for the financial year ending 30 June 2024.

1.2. Significant Accounting Policies Summary

Significant accounting policies are included in the notes to which they relate.

Significant accounting policies that do not relate to a specific note are outlined below.

(i) **Basis of Consolidation**

The consolidated financial statements are prepared by adding together like items of assets, liabilities, equity, revenue, expenses, and cash flows of entities in the Group on a line-by-line basis. All intragroup balances, transactions, revenues and expenses are eliminated on consolidation if material.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. The consolidation of an entity begins from the date when the Council obtains control of the entity and ceases when the Council loses control of the entity.

Control over an entity is determined when the Council has exposure, or rights, to variable benefits from its involvement with the entity and has the ability to affect the nature or amount of those benefits through its power over the other entity. The Council considers all relevant facts and circumstances in assessing whether it has power over another entity. For example, the ability to appoint or remove a majority of the entity's governance

and management, binding arrangements the Council enters into, group voting rights, and pre-determination mechanisms. The Council reassesses whether or not it controls another entity if facts and circumstances change.

(ii) **Foreign Currency Transactions**

Foreign currency transactions (including those subject to forward foreign exchange contracts) are translated into New Zealand Dollars using the spot exchange rate at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

(iii) **Goods and Services Tax (GST)**

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are presented on a GST- inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense. The net amount of GST recoverable from, or payable to, the Inland Revenue (IR) is included as part of receivables or payables in the Statement of Financial Position. The net GST paid to, or received from the IR, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows. Commitments and contingencies are disclosed exclusive of GST.

(iv) **Budget Figures**

The budget figures are those approved by the Council in its 2022-23 Annual Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Council in preparing these financial statements.

(v) **Exchange and Non-Exchange Revenue**

Revenue from exchange transactions arises where the Group provides goods or services to another entity and directly receives approximately equal value (primarily in the form of cash) in exchange. Revenue from non-exchange transactions arises from transactions that are not exchange transactions. These are transactions where the Group receives value from another party without giving approximately equal value directly in exchange for the value received.

(vi) **Critical Accounting Estimates and Assumptions**

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- Estimating the fair value of land, buildings and infrastructure assets – see note 10.
- Estimating the economic lives of PPE and intangible assets – see notes 10 and 11.
- Estimating the fair value of forestry assets – see note 12.
- Estimating the fair value of investment property, including valuation uncertainty – see note 14.
- Estimating the landfill aftercare provision – see note 19.
- Estimating the fair value of derivative financial instruments – see note 27.

2. Cost of Services Summary for Group of Activities

	Council		
	2023 Actual \$000s	2023 Budget \$000s	2022 Actual \$000s
Revenue:			
People	18,821	14,860	14,333
Community facilities	15,774	15,610	15,543
Roads and footpaths	61,941	71,902	58,301
Flood protection and control works	10,467	11,971	10,846
Sewerage	16,599	14,410	15,561
Stormwater drainage	4,540	3,924	4,971
Water supply	14,070	12,085	16,110
Solid waste management	15,746	15,857	13,386
Environmental management	15,544	15,621	14,545
Regulatory	15,860	15,584	13,954
Regional development	6,314	6,519	5,881
Total activity revenue	195,676	198,343	183,431
Plus other revenue (including forestry)*	22,651	10,292	30,240
Less internal revenue	(5,655)	(6,136)	(5,364)
Total revenue	212,672	202,499	208,307
Expenditure:			
People	17,719	14,458	13,562
Community facilities	16,780	15,038	14,671
Roads and footpaths	52,126	73,918	31,301
Flood protection and control works	7,683	9,487	5,723
Sewerage	15,131	12,519	14,116
Stormwater drainage	2,972	2,774	2,425
Water supply	11,025	11,164	9,820
Solid waste management	16,924	15,669	13,353
Environmental management	15,589	16,095	15,632
Regulatory	16,222	15,633	14,579
Regional development	6,427	6,262	5,938
Total activity expenditure	178,598	193,017	141,121
Plus other expenditure (including forestry)*	15,458	11,135	10,520
Less internal expenditure	(5,655)	(6,136)	(5,364)
Total expenditure	188,401	198,016	146,277

*Council's "other revenue" and "other expenditure" in the Summary Cost of Services includes:

	Council		
	2023 Actual \$000s	2023 Budget \$000s	2022 Actual \$000s
Other revenue			
MRF revenue	5	-	773
MRF gain on revaluation of biological assets	1,285	1,020	-
Internal interest	5,655	6,136	5,364
General revenues rates contribution (^)	-	(6,900)	-
Boulevard Park on Taylor development	-	-	7,495
Insurance claim	579	-	1,352
MDC Holdings Ltd dividend	3,308	2,587	3,155
Commercial property	2,243	1,886	2,325
Other interest	4,765	2,467	1,034
Gain on derivatives	1,540	-	7,064
Subvention income	-	-	13
Other revenue	3,271	3,096	1,665
Total other revenue	22,651	10,292	30,240

(^) In Budget the General revenues rates contribution, which includes the contribution from the COVID-19 Rates Relief Reserve contribution, is offset in Other revenue while in actuals it is distributed amongst Council Activities.

	Council		
	2023 Actual \$000s	2023 Budget \$000s	2022 Actual \$000s
Other expenditure			
MRF expenses	838	1,140	2,653
MRF loss on revaluation due to harvest	-	-	405
Interest expense	6,963	5,549	2,888
Loss on derivatives	-	-	-
Commercial property	3,100	1,300	1,286
Penalties and rates remissions	506	608	438
Insurance	-	804	824
Other expenses	4,051	1,734	2,026
Total other expenditure	15,458	11,135	10,520

Accounting Policy

The cost of service for each significant activity of the Council has been derived using the cost allocation system outlined below.

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific significant activity.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as total expenditure, staff numbers, and floor area.

There have been no changes to the cost allocation methodology during the year.

3. Rates Activity

Rates, excluding rates for metered water supply:	Group		Council		
	Actual 2023	Actual 2022	Actual 2023	Budget 2023	Actual 2022
	\$000s	\$000s	\$000s	\$000s	\$000s
People	9,813	9,245	9,813	9,881	9,245
Community facilities	11,129	10,700	11,129	11,089	10,700
Roads and footpaths	11,418	10,723	11,418	11,313	10,723
Flood protection and control works	5,249	4,933	5,249	5,232	4,933
Sewerage	8,755	8,688	8,755	8,719	8,688
Stormwater drainage	2,411	2,166	2,411	2,403	2,166
Water supply	7,707	7,493	7,707	6,984	7,493
Solid waste management	3,496	3,090	3,496	3,308	3,090
Environmental management	9,315	8,623	9,315	9,282	8,623
Regulatory	4,034	4,006	4,034	3,912	4,006
Regional development	3,715	3,456	3,715	4,170	3,456
Total activity rates	77,042	73,123	77,042	76,293	73,123
Plus non-activity rates	3	3	3	3	3
Less related party rates eliminated	(453)	(432)	-	-	-
Total gross rates revenue	76,592	72,694	77,045	76,296	73,126
Less rates remissions	(509)	(411)	(509)	(514)	(411)
Rates, excluding targeted metered water rates net of remissions	76,083	72,283	76,536	75,782	72,715
Targeted Rates for Metered Water Supply					
Targeted rates for metered water supply	2,936	2,540	3,238	3,802	2,756

Accounting Policy

The following policies for rates have been applied:

- General rates, targeted rates (excluding water-by-meter), and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. The Council considers that the effect of payment of rates by instalments and the priority attaching to them is not sufficient to require discounting of rates receivable and subsequent recognition of interest revenue.
- Rates arising from late payment penalties are recognised as revenue when rates become overdue.
- Rates remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its Rates Remission Policy.

4. Subsidies, Contributions and Other Revenue

	Group		Council		
	Actual 2023 \$000s	Actual 2022 \$000s	Actual 2023 \$000s	Budget 2023 \$000s	Actual 2022 \$000s
Subsidies and grants:					
Waka Kotahi roading subsidies	46,980	40,877	46,980	57,238	40,877
Shovel ready government funding	3,617	3,408	3,617	630	3,408
Three waters government funding	1,250	5,010	1,250	-	5,010
Wilding conifer government funding*	5,610	4,693	5,610	-	4,693
Other donations and grants	5,717	3,896	5,717	5,853	3,896
Total subsidies and grants	63,174	57,884	63,174	63,721	57,884
Development and financial contributions:					
Capital contributions	195	387	195	-	387
Other contributions	277	241	277	50	241
Development contributions	8,518	8,874	8,518	7,171	8,874
Development impact levies	400	133	400	100	133
Total development and financial contributions	9,390	9,635	9,390	7,321	9,635
Other revenue:					
User charges	25,542	22,896	25,542	25,562	22,901
Regulatory revenue	5,582	4,911	6,060	5,732	5,352
Infringements and fines	944	983	944	970	983
Vested assets	8,954	10,011	8,954	1,139	10,011
Rendering of services	34,409	26,757	-	-	-
Rental revenue from investment properties	12,024	11,128	758	734	731
MRF revenue	5	773	5	-	773
Subvention income	-	-	-	-	13
Other revenue*	6,167	4,594	9,898	13,170	7,997
Total other revenue	93,627	82,053	52,161	47,306	48,761

*Revenue received for the National Wilding Conifer Control Program has been reclassified from other revenue to subsidies and grants. The budget remains unchanged.

Accounting Policy

Subsidies and Grants

The Council receives funding assistance from Waka Kotahi, which subsidises part of the costs of maintenance and capital expenditure on the local roading infrastructure. The subsidies are recognised as non-exchange revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

Other donations and grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue

Accounting Policy

when conditions of the grant are satisfied.

Development and Financial Contributions

Development and financial contributions are recognised as exchange revenue when received. Otherwise, development and financial contributions are allocated to the appropriate Reserve until such time Council provides, or is able to provide, the service.

Other Revenue

Provision of Services Partial Cost Recovery/Subsidised

Revenue from a subsidised sale of services is recognised as non-exchange revenue. Revenue from a contract to provide services is recognised by reference to the outstanding obligations of the contract at reporting date.

Provision of Services Full Cost Recovery

Significant revenue from full cost recovery sale of services is recognised as exchange revenue. Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract at reporting date.

Vested Assets

Assets vested in Council, with or without conditions, are recognised as non-exchange revenue, at fair value, when control over the assets is obtained.

Sales of Goods

Proceeds from sales of goods are included in other revenue and are recognised as exchange revenue when goods are delivered and title has passed.

Insurance Revenue

Insurance receipts are included in other revenue and arise mainly from earthquake and flood related material damage claims. These receipts have been recognised on as exchange revenue when its receipt is considered virtually certain and reliably measured. Refer to note 29 – Natural Disasters.

Dividend Revenue

Dividends are included in other revenue and are recognised when the right to receive payment has been established. Dividends are recognised as revenue unless the dividend clearly represents a recovery of part of the cost of the investment.

5. Gains

	Group		Council		
	Actual 2023 \$000s	Actual 2022 \$000s	Actual 2023 \$000s	Budget 2023 \$000s	Actual 2022 \$000s
Non-financial instruments gains:					
Property, plant and equipment gains on disposal	108	2	11	-	2
Non-current assets held for sale gains on disposal	-	7,494	-	-	7,494
Investment property revaluation gain (note 14)	-	(1,255)	-	-	550
Forestry revaluation gain (note 12)	1,285	-	1,285	1,020	-
Other	3	-	-	-	-
Total non-financial instruments gains	1,396	6,241	1,296	1,020	8,046

6. Personnel

6.1 Personnel Costs

	Group		Council		
	Actual 2023 \$000s	Actual 2022 \$000s	Actual 2023 \$000s	Budget 2023 \$000s	Actual 2022 \$000s
Salaries and wages and related entitlements	39,867	34,048	28,722	30,492	26,024
Defined employer contribution plan	1,651	1,445	1,224	1,259	1,113
Project salaries capitalised	(1,480)	(1,247)	(1,480)	(1,236)	(1,247)
Total personnel costs	40,038	34,246	28,466	30,515	25,890

Accounting Policy

Salaries and Wages

Salaries and wages are recognised as an expense as employees provide services.

Defined Contribution Schemes

Employer contributions to Kiwi Saver and the National Provident Fund are accounted for as defined contribution superannuation schemes and are expensed as incurred.

6.2 Chief Executive

The incumbent Chief Executive received the following remuneration:

	Council	
	Actual 2023	Actual 2022
	\$000s	\$000s
Salary	344	340
Vehicle, superannuation and other	17	19
Total Chief Executive compensation	361	359

6.3 Elected Representatives

Elected representatives received the following remuneration:

	Group		Council	
	Actual 2023	Actual 2022	Actual 2023	Actual 2022
	\$000s	\$000s	\$000s	\$000s
Mayor:				
Nadine Taylor*	140	60	131	60
John Leggett*	47	152	44	140
Councillors:				
Scott Adams	32	-	32	-
Jenny Andrews	12	42	12	42
Jamie Arbuckle*	58	48	49	48
Sally Arbuckle	32	-	32	-
Cynthia Brooks	13	45	13	45
Allanah Burgess	30	-	30	-
David Croad*	61	43	52	43
Deborah Dalliessi	30	-	30	-
Brian Dawson	44	43	44	43
Barbara Fauls	52	47	52	47
Michael Fitzpatrick	13	45	13	45
Matt Flight	29	-	29	-
Gerald Hope	50	48	50	48
Raylene Innes	34	-	34	-
Francis Maher	14	46	14	46
Ben Minehan	33	-	33	-
David Oddie*	19	78	16	66
Mark Peters*	18	64	15	52
Jonathan Rosene	30	-	30	-
Thelma Sowman	41	44	41	44
Total elected representatives' remuneration	832	805	796	769

Remuneration includes payment for attendance at resource consent hearings.

*The previous Mayor John Leggett, Councillor Mark Peters and Councillor David Oddie were directors of MDCH during the reporting periods and were paid directors' fees by MDCH of \$3,471 each (2021-22: \$12,036). The current Mayor Nadine Taylor, Councillor Jamie Arbuckle and Councillor David Croad were directors during the reporting period and were paid directors' fees by MDCH of \$8,626 each (2021-22: \$0)

6.4 Staff Employed Full Time Equivalent

At balance date the Council employed 242 full time employees (2021-22: 231) with the balance of staff representing 69 (2021-22: 59) full-time equivalent employees. A full-time employee is determined on the basis of a 40-hour working week.

6.5 Individuals Receiving Total Annual Remuneration of:

	2023		2022
less than \$60,000	128	less than \$60,000	124
\$60,000 to \$79,999	83	\$60,000 to \$79,999	70
\$80,000 to \$99,999	72	\$80,000 to \$99,999	80
\$100,000 to \$119,999	62	\$100,000 to \$119,999	40
\$120,000 to \$139,999	18	\$120,000 to \$139,999	14
\$140,000 to \$159,999	5	\$140,000 to \$159,999	8
\$160,000 to \$179,999	8	\$160,000 to \$219,999	9
\$180,000 to \$239,999	8	\$220,000 to \$359,999	3
\$240,000 to \$379,999	2		
Total	386	Total	348

Total remuneration includes the estimated values of non-financial benefits provided to employees.

The disclosure has been updated to include the remuneration of casual employees in this reporting period. The prior year comparatives have been updated to reflect this change.

7. Finance Costs and Revenue

	Group		Council		
	Actual 2023 \$000s	Actual 2022 \$000s	Actual 2023 \$000s	Budget 2023 \$000s	Actual 2022 \$000s
Finance revenue:					
Interest revenue:					
Term deposits and bonds	1,930	318	1,554	386	269
Community loans	-	1	-	-	1
Related party loans	-	30	3,274	2,647	765
Interest derivatives (presented net):					
Fair value movement on interest rate swaps	2,261	10,587	1,540	-	7,064
Total interest revenue	4,191	10,936	6,368	3,033	8,099
Finance costs:					
Interest expense:					
Interest on borrowings	6,877	3,859	6,963	5,991	2,888
Total finance costs	6,877	3,859	6,963	5,991	2,888

Accounting Policy

Interest rate swaps are measured at fair value with gains or losses on re-measurement recognised through the surplus or deficit.

Accounting Policy

Borrowing costs are recognised as an expense in the financial year in which they are incurred.

8. Other Expenses

The following items are included in Other expenses in the Statement of Comprehensive Revenue and Expense and are required to be separately disclosed:

	Group		Council		
	Actual 2023 \$000s	Actual 2022 \$000s	Actual 2023 \$000s	Budget 2023 \$000s	Actual 2022 \$000s
Other expenses:					
Fees to auditors:					
Audit New Zealand for:					
- audit of Council's financial statements	218	151	218	160	151
- audit of the prior year financial statements	22	-	22	-	-
- audit of MDCH financial statements	30	18	-	-	-
Deloitte for audit of Port Marlborough NZ Ltd and Marlborough Airport Ltd financial statements	145	108	-	-	-
Grants and donations	4,382	4,913	4,284	4,588	4,766
Insurance premiums	5,452	4,654	3,729	3,520	3,048
Impairment adjustment of receivables (note 16)	304	(14)	(30)	-	5
Directors' fees	279	251	-	-	-
Property plant and equipment loss on disposal	94	702	94	-	702
Direct operating expenses of investment properties	4,649	4,046	127	70	44
Loss on forestry valuation (note 12)	-	1,434	-	-	1,434
Loss on Investment property valuation (note 14)	27,276	-	1,372	-	-
Payments under operating leases	462	384	360	183	307

9. Tax

9.1. Relationship Between Tax Expense and Accounting Profit

	Group		Council	
	Actual 2023 \$000s	Actual 2022 \$000s	Actual 2023 \$000s	Actual 2022 \$000s
Surplus before tax	9,610	70,235	24,271	62,030
Tax at 28% (2022: 28%)	2,691	19,680	6,796	17,368
Plus/(less) tax effect of:				
Non-deductible expenditure	1,550	37	-	-
Non-taxable (income)/expense	(6,372)	(15,827)	(6,796)	(17,368)
Reinstatement of building depreciation	-	(159)	-	-
Deferred tax expense/(credit) not recognised	-	(159)	-	-
Prior year adjustment	76	(22)	-	-
Income tax expense/(credit)	(2,055)	3,550	-	-
Comprising:				
Current tax expense	4,203	3,058	-	-
Adjustments to current tax in prior years	-	(9)	-	-
Deferred tax expense	(6,258)	660	-	-
Total tax expense/(credit)	(2,055)	3,709	-	-
Income tax recognised in comprehensive income				
Deferred tax on property revaluations	-	(2,319)	-	-

9.2. Current Tax Assets/(Liabilities)

	Group		Council	
	Actual 2023 \$000s	Actual 2022 \$000s	Actual 2023 \$000s	Actual 2022 \$000s
Tax (payable)/receivable	1,500	578	-	-

Any amount of income derived by a local authority is exempt from income tax, except for income derived from Council Controlled Organisations or port activity as per section CW39 Income Tax Act 2007.

9.3. MDC Group Deferred Tax Asset/(Liability)

	Council tax losses \$000s	Property, plant & equipment \$000s	Investment property \$000s	Intangibles	Financial instruments \$000s	Provisions \$000s	Total \$000s
Balance at 1 July 2021	735	(14,389)	(3,932)	(86)	732	1,303	(15,637)
(Charged)/credited to surplus	(699)	533	17	27	(827)	289	(660)
Charged to other comprehensive income	-	(2,319)	-	-	-	-	(2,319)
Balance at 30 June 2022	36	(16,175)	(3,915)	(59)	(95)	1,592	(18,616)
(Charged)/credited to surplus	193	655	5,295	14	(357)	458	6,258
Charged to other comprehensive income	-	-	-	-	-	-	-
Balance at 30 June 2023	229	(15,520)	1,380	(45)	(452)	2,050	(12,359)

Due to its non taxable status Council as parent has not recognised a deferred tax asset in relation to tax losses of \$818,000 (2021-22: \$130,000). However, the asset has been recognised at Group level.

Accounting Policy

Income Tax

Income tax expense includes components relating to current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, and any adjustments in respect of prior years.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that affects neither accounting profit nor taxable profit.

Current tax and deferred tax are measured using tax rates (and tax laws) that have been enacted at balance date.

Current and deferred tax are recognised against the profit or loss for the period, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

10. Property, Plant and Equipment

	Cost/ Accumulated valuation depreciation 1-Jul-2022 \$000s	Carrying amount 1-Jul-2022 \$000s	Current year											Carrying amount 30-Jun-2023 \$000s		
			WIP & other reclassifications \$000s	Additions \$000s	Disposals \$000s	Disposals depreciation adjustment \$000s	Impairment \$000s	Depreciation \$000s	Transfer adjustment \$000s	Dpn adjustment \$000s	Revaluation cost adjustment \$000s	Revaluation adjustment \$000s	Cost/ revaluation 30-Jun-2023 \$000s		Accumulated depreciation 30-Jun-2023 \$000s	
2023 MDC Group																
10.1 Infrastructural assets																
Work in progress	13,006	13,006	(3,175)	18,489	(5)	-	-	-	-	-	-	-	-	-	28,315	28,315
Infrastructure land	23,370	23,370	-	44	-	-	-	-	-	(1,449)	-	-	-	-	21,965	21,965
Land under roads	140,319	140,319	-	1,764	-	-	-	-	-	-	-	-	-	-	142,083	142,083
Flood protection and controlled works	218,543	217,904	130	2,357	-	-	223	-	-	87,403	(862)	-	-	-	308,433	308,433
Road and footpaths	647,647	647,647	7	24,292	-	(171,394)	13,709	-	-	6,481	(13,709)	-	-	-	507,034	507,034
Sewerage schemes other	133,649	133,649	5	5,895	-	-	3,147	-	-	-	-	-	-	-	136,402	136,402
Sewerage treatment and facilities	51,225	51,225	2,400	626	-	-	1,103	-	-	-	-	-	-	-	54,251	53,148
Stormwater drainage schemes	94,652	94,652	21	2,068	-	-	2,028	-	-	-	-	-	-	-	96,741	94,713
Water supply schemes - other	158,008	158,008	71	3,311	-	-	3,691	-	-	-	-	-	-	-	161,390	157,699
Water treatment and facilities	20,893	20,893	-	-	-	-	1,017	-	-	-	-	-	-	-	20,893	19,876
Wharf infrastructure	47,835	47,835	-	-	-	-	1,824	-	-	-	-	-	-	-	48,025	46,200
	1,548,147	1,548,508	(541)	58,846	(5)	-	28,742	190	-	92,435	(14,571)	1,528,679	12,811	-	1,515,868	1,515,868
10.2 Operational assets																
Work in progress	22,010	22,010	(17,488)	8,138	-	-	-	-	-	-	-	-	-	-	7,475	7,475
Buildings	111,806	111,803	17,017	8,095	(2,519)	(93)	3,863	46	-	6,222	(2,751)	140,759	1,012	-	139,747	139,747
Forest crops	991	991	-	-	-	-	-	-	-	-	-	-	-	-	991	991
Improvements at fair/market value	28,785	28,785	-	-	-	-	883	4,189	-	66	-	33,040	883	-	32,157	32,157
Land	193,686	193,686	-	3,772	(2,004)	-	177	-	-	(1,778)	-	193,682	178	-	193,504	193,504
Landfill	10,947	6,007	-	12	-	-	1,742	-	-	-	-	10,959	6,682	-	4,277	4,277
Library books	2,408	1,391	-	277	(369)	(369)	208	-	-	-	-	2,316	1,230	-	1,086	1,086
Other structures and improvements	55,535	45,944	671	2,153	(2)	(1)	1,533	-	-	-	-	58,357	11,123	-	47,234	47,234
Office equipment, furniture and fittings	6,747	2,139	-	2,545	(390)	(385)	717	-	-	-	-	8,902	4,940	-	3,962	3,962
Plant, machinery and equipment	23,980	10,303	-	1,430	(625)	(439)	1,954	760	-	-	-	25,545	15,192	-	10,353	10,353
	458,895	422,685	200	26,422	(5,909)	(1,287)	11,067	(190)	-	4,510	(2,751)	482,026	41,240	-	440,787	440,787
10.3 Restricted assets																
Buildings	18,625	18,625	341	123	(59)	-	367	-	-	1,351	(367)	20,381	-	-	20,381	20,381
Land	54,972	54,972	-	137	(10)	-	-	-	-	4,089	-	59,188	-	-	59,188	59,188
	73,597	73,597	341	260	(69)	-	367	-	-	5,440	(367)	79,569	-	-	79,569	79,569
Total operational and infrastructural assets	2,079,640	34,849	-	85,528	(5,983)	(1,287)	38,176	-	-	102,385	(17,689)	2,090,275	54,051	-	2,036,224	2,036,224

	Prior year											Carrying amount 30-Jun-2022 \$'000s	
	Cost/ Accumulated depreciation valuation 1-Jul-2021 \$'000s	Carrying amount 1-Jul-2021 \$'000s	WIP & other reclassifications Cost \$'000s	Additions \$'000s	Disposals \$'000s	Disposals depreciation adjustment \$'000s	Impairment \$'000s	Depreciation \$'000s	T transfer adjustment \$'000s	Revaluation cost adjustment \$'000s	Revaluation depreciation adjustment \$'000s		Cost/ Accumulated depreciation 30-Jun-2022 \$'000s
2021+22 MDC Group													
10.1 Infrastructural assets													
Work in progress	28,184	28,184	(21,944)	7,260	(494)	-	-	-	-	-	-	13,006	13,006
Infrastructure land	19,952	19,952	28	1,248	-	-	-	-	2,142	-	-	23,370	23,370
Land under roads	138,267	138,267	-	2,113	(61)	-	-	-	-	-	-	140,319	140,319
Flood protection and controlled works	222,257	221,841	1,536	4,366	-	(9,615)	223	-	-	-	-	218,543	217,904
Road and footpaths	623,475	623,475	172	38,802	(75)	(76,386)	11,886	-	61,660	(11,886)	647,647	647,647	647,647
Sewerage schemes other	124,254	124,254	10,013	15,236	-	-	3,040	-	(15,854)	(3,040)	133,649	133,649	133,649
Sewerage treatment and facilities	47,989	47,989	393	2,688	-	-	818	-	155	(818)	51,225	51,225	51,225
Stormwater drainage schemes	86,169	86,169	693	6,114	-	-	1,753	-	1,676	(1,753)	94,652	94,652	94,652
Water supply schemes - other	141,400	141,400	3,498	5,950	(5)	-	3,080	-	7,165	(3,080)	158,008	158,008	158,008
Water treatment and facilities	20,291	20,291	-	24	-	-	884	-	578	(884)	20,893	20,893	20,893
Wharf infrastructure	51,516	48,001	52	-	(474)	(359)	1,590	-	(3,259)	(4,747)	47,835	47,835	47,835
	1,503,754	1,499,823	(5,599)	83,801	(1,109)	(359)	23,274	(86,001)	54,263	(26,208)	1,549,147	639	1,548,508
10.2 Operational assets													
Work in progress	12,603	12,603	(5,101)	14,557	(49)	-	-	-	-	-	-	22,010	22,010
Buildings	99,309	97,879	4,178	2,254	-	(137)	3,274	-	6,195	(4,701)	111,806	3	111,803
Forest crops	991	991	-	-	-	-	-	-	-	-	991	-	991
Improvements at fair/market value	23,812	21,003	20	139	-	-	957	-	4,812	(3,766)	28,785	-	28,785
Land	165,061	165,061	25	728	(26)	-	-	-	27,678	-	193,686	-	193,686
Landfill	6,588	4,722	3,650	709	-	-	218	-	-	-	10,947	4,940	6,007
Library books	2,150	1,164	258	-	-	-	227	-	-	-	2,408	1,391	1,017
Other structures and improvements	49,969	41,713	1,620	3,960	-	-	1,335	-	-	-	55,535	9,591	45,944
Office equipment, furniture and fittings	6,090	2,050	88	667	(88)	(81)	649	-	-	-	6,747	4,608	2,139
Plant, machinery and equipment	23,044	10,682	824	711	(644)	(555)	1,870	-	-	-	23,980	13,677	10,303
	389,617	354,834	5,304	23,983	(817)	(636)	8,530	(137)	38,685	(8,467)	456,695	34,210	422,685
10.3 Restricted assets													
Buildings	14,394	14,394	255	1,231	(91)	(2)	306	-	2,836	(304)	18,625	-	18,625
Land	43,961	43,961	-	-	-	-	-	-	11,011	-	54,972	-	54,972
	58,355	58,355	255	1,231	(91)	(2)	306	-	13,847	(304)	73,597	-	73,597
Total operational and infrastructural assets	1,951,726	1,913,013	-	109,015	(2,017)	(997)	32,110	(86,138)	106,795	(34,979)	2,079,640	34,849	2,044,791

2023 Council	Current Year														Carrying amount 30-Jun-2023 \$000s
	Cost/ Accumulated valuation depreciation 1-Jul-2022 \$000s	Carrying amount 1-Jul-2022 \$000s	WIP & other reclassifications Cost \$000s	Additions \$000s	Disposals \$000s	Disposals depreciation adjustment \$000s	Impairment Depreciation \$000s	Transfer adjustment \$000s	Transfers Dpn adjustment \$000s	Revaluation cost adjustment \$000s	Revaluation depreciation adjustment \$000s	Cost/ Accumulated revaluation depreciation 30-Jun-2023 \$000s	Accumulated depreciation 30-Jun-2023 \$000s		
														Disposals \$000s	
10.1 Infrastructural assets															
Work in progress	13,006	13,006	(3,175)	18,489	(5)	-	-	-	-	-	-	28,315	28,315		
Infrastructure land	23,370	23,370	-	44	-	-	-	-	(1,449)	-	-	21,965	21,965		
Land under roads	140,319	140,319	-	1,764	-	-	-	-	-	-	-	142,083	142,083		
Flood protection and controlled works	218,543	217,904	130	2,357	-	223	-	87,403	(862)	(13,709)	308,433	308,433			
Road and footpaths	647,647	647,647	7	24,292	-	(171,394)	-	13,709	6,481	-	507,034	507,034			
Sewerage schemes other	133,649	133,649	5	5,885	-	-	-	3,147	-	-	139,549	136,402			
Sewerage treatment and facilities	51,225	51,225	2,400	626	-	-	-	1,103	-	-	54,251	53,148			
Stormwater drainage schemes	94,652	94,652	21	2,068	-	-	-	2,028	-	-	96,741	94,713			
Water supply schemes - other	158,008	158,008	71	3,311	-	-	-	3,691	-	-	161,390	157,699			
Water treatment and facilities	20,893	20,893	-	-	-	-	-	1,017	-	-	20,893	19,876			
	1,501,313	1,500,673	(541)	58,846	(5)	(171,394)	24,918	92,435	(14,571)	1,480,654	10,986	1,469,668			
10.2 Operational assets															
Work in progress	17,878	17,878	(17,488)	2,216	-	-	-	-	-	-	-	2,606	2,606		
Buildings	98,511	98,511	17,017	8,048	(2,411)	(92)	2,843	6,222	(2,751)	-	127,387	127,387			
Forest crops	991	991	-	-	-	-	-	-	-	-	991	991			
Improvements at fair/market value	920	920	-	-	-	-	-	66	-	-	986	986			
Land	167,323	167,323	-	3,765	(2,003)	-	192	(1,778)	-	-	167,307	167,115			
Landfill	10,947	6,007	-	12	-	-	1,742	-	-	-	10,959	6,682			
Library books	2,408	1,017	-	277	(369)	-	208	-	-	-	2,316	1,086			
Other structures and improvements	55,549	45,958	671	2,153	(2)	(1)	1,533	-	-	-	58,371	11,123			
Office equipment, furniture and fittings	6,747	2,139	-	2,545	(390)	(385)	721	-	-	-	8,902	4,944			
Plant, machinery and equipment	11,623	5,822	-	1,018	(90)	(61)	1,015	-	-	-	12,551	6,755			
	372,897	26,331	200	20,034	(5,265)	(908)	8,254	4,510	(2,751)	392,376	30,926	361,450			
10.3 Restricted assets															
Buildings	18,625	18,625	341	123	(69)	-	367	1,351	(367)	-	20,381	20,381			
Land	54,972	54,972	-	137	(10)	-	-	4,089	-	-	59,188	59,188			
	73,597	73,597	341	260	(69)	-	367	5,440	(667)	79,569	-	79,569			
Total operational and infrastructural assets	1,947,807	1,920,837	-	79,140	(5,339)	(908)	33,539	102,385	(17,669)	1,952,599	41,912	1,910,687			

	Prior Year											Carrying amount 30-Jun-2022 \$000s
	Cost/ Accumulated valuation depreciation 1-Jul-2021 \$000s	Carrying amount 1-Jul-2021 \$000s	WIP & other reclassifications Cost \$000s	Additions \$000s	Disposals depreciation adjustment \$000s	Impairment \$000s	Depreciation \$000s	Transfer adjustment \$000s	Revaluation cost adjustment \$000s	Revaluation depreciation adjustment \$000s	Cost/ Accumulated revaluation depreciation 30-Jun-2022 \$000s	
2021-22 Council												
10.1 Infrastructural assets												
Work in progress	28,184	28,184	(21,944)	7,260	(494)	-	-	-	-	-	13,006	13,006
Infrastructure land	19,952	19,952	28	1,248	-	-	-	-	2,142	-	23,370	23,370
Land under roads	138,267	138,267	-	2,113	(61)	-	-	-	-	-	140,319	140,319
Flood protection and controlled works	222,257	221,841	1,536	4,366	-	(9,615)	223	-	-	-	218,543	217,904
Road and footpaths	623,475	623,475	172	38,802	(75)	(76,386)	11,886	-	61,660	(11,886)	647,647	647,647
Sewerage schemes other	124,254	124,254	10,013	15,236	-	-	3,040	-	(15,854)	(3,040)	133,649	133,649
Sewerage treatment and facilities	47,989	47,989	393	2,688	-	-	818	-	155	(818)	51,225	51,225
Stormwater drainage schemes	86,169	86,169	693	6,114	-	-	1,753	-	1,676	(1,753)	94,652	94,652
Water supply schemes - other	141,400	141,400	3,498	5,950	(5)	-	3,080	-	7,165	(3,080)	158,008	158,008
Water treatment and facilities	20,291	20,291	-	24	-	-	884	-	578	(884)	20,893	20,893
	1,452,238	1,451,822	(5,611)	83,800	(635)	-	21,684	-	57,522	(21,461)	1,501,313	1,500,673
10.2 Operational assets												
Work in progress	11,754	11,754	(4,001)	10,174	(49)	-	-	-	-	-	17,878	17,878
Buildings	82,100	82,100	3,974	2,243	-	-	2,285	-	10,194	(2,285)	98,511	98,511
Forest crops	991	991	-	-	-	-	-	-	-	-	991	991
Improvements at fair/market value	2,612	1,691	-	-	-	-	204	-	(1,692)	(1,894)	920	920
Land	145,197	145,197	25	728	(26)	-	-	-	21,399	-	167,323	167,323
Landfill	6,588	1,866	3,650	709	-	-	218	-	-	-	10,947	6,007
Library books	2,150	986	-	258	-	-	227	-	-	-	2,408	1,017
Other structures and improvements	49,969	41,713	1,620	3,960	-	-	1,335	-	-	-	55,549	45,958
Office equipment, furniture and fittings	6,090	2,050	88	667	(98)	(81)	649	-	-	-	6,747	2,139
Plant, machinery and equipment	11,441	6,302	-	575	(393)	(324)	986	-	-	-	11,623	5,822
	318,892	293,881	5,356	19,314	(566)	(405)	5,904	-	29,901	(4,179)	372,897	346,567
10.3 Restricted assets												
Buildings	14,394	14,394	255	1,231	(91)	(2)	306	-	2,836	(304)	18,625	18,625
Land	43,961	43,961	-	-	-	-	-	-	11,011	-	54,972	54,972
	58,355	58,355	255	1,231	(91)	(2)	306	-	13,847	(304)	73,597	73,597
Total operational and infrastructural assets	1,829,485	1,804,058	-	104,345	(1,292)	(407)	27,894	-	101,270	(25,944)	1,947,807	1,920,837

10.1 MDC Group Assets Under Construction

Property, plant and equipment in the course of construction by class of asset are detailed below:

MDC Group	2023 \$000s	2022 \$000s
Asset Class		
Roads and footpaths	3,188	460
Sewerage treatment and facilities	2,780	3,846
Sewerage other	27	31
Water other	9,883	4,668
Water treatment and facilities	6,307	1,714
Stormwater	82	82
Flood protection and control works	2,483	1,431
Buildings	1,857	17,467
Landfill	2,795	83
Other structures and improvements	1,504	820
Land	86	18
Wharf infrastructure	710	-
Plant machinery and equipment	425	3,672
Fair value improvements	3,663	724
Total	35,790	35,016

The larger 2022-23 items include:

- Roads and footpaths – Blenheim streetscape upgrade;
- Sewerage treatment – Seddon sewer upgrade project;
- Water other – Koromiko water pipeline and Wairau Valley water upgrade;
- Water treatment – Renwick water treatment upgrade, together with Flaxbourne irrigation project;
- Flood protection and control works – Lower Wairau stopbank upgrades;
- Buildings – Senior Housing development project; and
- Landfill – Stage 9 of the Regional Landfill.

10.2 Council Depreciation and Amortisation by Group of Activities

	2023 \$000s	2022 \$000s
People	1,065	933
Community facilities	2,958	2,323
Roads and footpaths	13,526	11,731
Flood protection and control works	231	228
Sewerage	4,250	3,857
Stormwater drainage	2,030	1,755
Water supply	4,309	3,650
Solid waste management	2,058	535
Environmental management	934	896
Regulatory	440	380
Regional development	886	730
Total	32,687	27,018

The above information is provided to meet the requirement of section 5(4) of the Local Government (Financial Reporting Regulations 2014). It does not include all of Council's depreciation and amortisation expense eg; MRF and investment activities.

10.3 Council Core Infrastructure Asset Disclosures

2023 Council

2023	Closing	Additions		Most Recent
	Book Value	Constructed	Vested	Replacement
	\$000s	\$000s	\$000s	Cost
				\$000
Asset Class				
Flood protection and control works	308,433	2,487	-	334,711
Road and footpaths	507,034	24,299	4,509	1,038,205
Sewerage schemes-other	136,402	5,900	1,897	209,369
Sewerage treatment and facilities	53,148	3,026	-	99,017
Stormwater drainage	94,713	2,089	1,641	163,747
Water schemes-other	157,699	3,382	765	207,908
Water treatment and facilities	19,876	-	-	98,781

Flood protection and controlled works do not include additional assets held in other classes, for example land.

Impairment

Impairment losses of \$171.4M were recognised this year (2021-22: \$86.0M).

Marlborough was impacted by flooding events in 2021 and 2022. The impairments relate to damage to the Council's roading network and flood protection and control assets. The impairment losses, calculated using the restoration cost approach, were recognised through the appropriate revaluation reserve and through other comprehensive revenue and expense in accordance with the accounting policy.

	Group		Council	
	Actual 2023 \$000s	Actual 2022 \$000s	Actual 2023 \$000s	Actual 2022 \$000s
Roads and Footpaths				
Opening impairment at 1 July	(48,989)	-	(48,989)	-
Impairment	(171,394)	(76,386)	(171,394)	(76,386)
Additions	9,334	27,397	9,334	27,397
Closing impairment at 30 June	(211,048)	(48,989)	(211,048)	(48,989)
				-
Flood Protection and Control Works				
Opening impairment at 1 July	(7,981)	-	(7,981)	-
Impairment	-	(9,615)	-	(9,615)
Additions	1,075	1,634	1,075	1,634
Closing impairment at 30 June	(6,906)	(7,981)	(6,906)	(7,981)

For further information on the impact of the flood damage please refer to note 29 – Natural Disasters.

Infrastructural Assets

Roads, bridges, carparks, wharves, street lighting, street berms and street furniture assets were independently valued at optimised depreciated replacement cost as at 30 June 2023 by Aaron Hartland of WSP New Zealand Ltd.

In previous valuations, analysis was carried out to calibrate the unit rates to the current contract rates and comparison councils. This year we have assessed that using last year's unit rates as the starting point and adjusting for the change using the Waka Kotahi infrastructure indices over the year yields the best estimates of unit rates for this valuation. We believe that this assessment is reasonable because:

- The actual contract costs are mostly covered by the local roading maintenance contract. This long-term contract, for which this is the last year of the contract, allows for costs to be adjusted by the same indices that we use for our adjustments.
- While the Waka Kotahi indices exclude bitumen, we assess these indices and the best available for roading valuation purposes. Bitumen fluctuates greatly in the short term so does not represent a long-term estimate that is needed for valuation. The Materials component of the Waka Kotahi indices, while not covering bitumen directly, covers oil and gas prices so are appropriate for use as the valuation price indices.

We note that the local roading maintenance contract will be renegotiated before the next roading valuation. The increase between this last year of the current contract and the first year of the new contract will provide good estimates of the change in unit rates for the next valuation.

River control and drainage assets were valued at depreciated replacement cost as at 30 June 2023. The river control and drainage valuation was performed by WSP New Zealand Ltd.

Water, sewer and stormwater assets were valued at depreciated replacement cost and optimised depreciated replacement cost where possible as at 30 June 2022. The valuation was performed by Council's engineering staff directly associated with managing these assets. An independent review of the valuation was conducted by Alexander Hayward Ltd.

As a relatively small Council, there are few construction contracts upon which to base unit costs. Adding to the complexity, contracts are now based on output specifications rather than the more traditional input pricing methodology. As a result of this we were unable to provide sufficient evidence that the unit costs used in the valuation reflect current contracts in the 2022 Annual Report, leading to a qualified audit opinion.

Council has taken steps to address this position and engaged WSP New Zealand Ltd to provide future valuations. Unfortunately, due to the late completion of the 2022 audit, WSP were engaged too late for their report to be finalised in time for its inclusion in the 2023 Annual Report.

While progress has been made in addressing these issues there remains significant uncertainty as to their exact values with Council in the process of reviewing the draft report. As a result, at the time of adoption of the annual report we were unable to conclude on the valuation and we have decided not to update this year's financial statements. We would prefer to 'do it once and do it right', which may materially alter the carrying value of the water, sewer and stormwater assets as at 30 June 2023. Indications from the draft valuation report are that a significant upwards movement across each asset class will be required. We aim to finalise the valuation before the adoption of the 2023-24 Long Term Plan with intentions to include it in the 2023-24 Annual Report.

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

- 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 assets from which unit rates are determined. Where recent contract costs are not available, indexing is used. Unit rates can vary based on asset location, topography and ground conditions;
- estimates are made when determining the remaining useful life over which the assets will be depreciated. These estimates can be affected by local conditions, for example, weather patterns and traffic growth. If useful lives do not reflect the consumption of the benefits of the asset, then Council could be under or over estimating the annual depreciation charge recognised as an expense in the Statement of Comprehensive Revenue and Expense.

To minimise this risk Council has determined the infrastructural asset useful lives with reference to 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 Council's asset management planning activities, which gives Council further assurance over the useful life estimates; and

- the physical deterioration and condition of the assets, for example Council could be carrying an asset at an amount that does not reflect its physical condition. This is particularly so for those assets which are not visible, for example stormwater, wastewater and water supply pipes that are underground. The risk is minimised by Council performing a number of physical inspections and condition modelling assessments of assets.

Land under roads was independently valued on a fair value basis as at 30 June 2009 by Lex Hayward of Alexander Hayward Ltd.

Land and Buildings Including Restricted Land and Buildings

Council land was independently valued by QV Valuations (Registered Valuers) as at 30 June 2023. The basis of valuation is fair value with reference to highest and best use as at 30 June 2023.

Properties in the course of construction for production, rental or administrative purposes, or otherwise, are carried at cost, less any recognised impairment loss. Cost includes professional fees and other costs incurred to bring the asset into use.

Council's small forest (soil erosion prevention) was independently valued at 30 June 2019 by Merrill & Ring New Zealand Ltd.

Land is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values. Adjustments have been made to the "unencumbered" land value where there is a designation against the land or the use of the land is restricted because of reserve or endowment status. These adjustments are intended to reflect the negative effect on the value of the land where an owner is unable to use the land more intensely.

Buildings were independently valued by Alexander Hayward Ltd (Registered Valuers) as at 30 June 2023. The basis of valuation for commercial and Council property buildings was fair

value using comparable sales. Assets acquired subsequent to valuation are shown at cost less depreciation.

Other buildings including halls, museums, memorials and public conveniences were valued at fair value using depreciated replacement cost because no reliable market data is available. Replacement cost is determined using a number of significant assumptions.

Significant assumptions include:

- the replacement asset is based on the replacement with modern equivalent assets with adjustments where appropriate for obsolescence due to over-design or surplus capacity;
- the replacement cost is derived from recent construction contracts of similar assets and Property Institute of New Zealand cost information;
- for Council's earthquake-prone buildings that are expected to be strengthened, the estimated earthquake-strengthening costs have been deducted off the depreciated replacement cost.
- the remaining useful life of assets is estimated after considering such factors as the condition of the asset, future maintenance and replacement plans, and experience with similar buildings; and
- straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

Non-specialised buildings (for example, residential buildings) are valued at fair value using market-based evidence. Market rents and capitalisation rates are applied to reflect market value. These valuations include adjustments for estimated building strengthening costs for earthquake-prone buildings and the associated lost rental during the time to undertake the strengthening work.

Improvements on Land

These are generally in the nature of playground equipment and other similar recreational structures on Council land and MRF improvements. MRF improvements are stated at fair value while other assets are stated at cost less any accumulated depreciation and impairment losses.

Landfill

Council has amortised the cost of the Blenheim landfill development over its remaining 25 year life and charged the amortisation to operating costs. The amortisation rate is based on volume utilisation divided by the estimated capacity of the landfill site.

Library Books and Parking Meters

These are stated at cost less accumulated depreciation plus additions at cost.

Accounting Policy

Property, plant and equipment are shown at cost or valuation, less accumulated depreciation and any impairment losses. Council's property, plant and equipment consist of:

- **infrastructural assets** - these are fixed utility systems such as road networks, sewer systems and water systems. Each asset class includes all items that are required for the network to function. For example, sewer reticulation includes reticulation piping and sewer pump stations.

- **operational assets** – these assets enable the ongoing operations. These include land, buildings, landfill, library books, plant and equipment and motor vehicles.
- **restricted assets** – these are mainly parks and reserves that provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

Additions

Additions in the periods between valuations are recorded at cost, except for vested assets. Cost represents the value of the consideration given to acquire the assets and the value of other directly attributable costs that have been incurred in bringing the assets to the location and condition necessary for their intended use. Certain infrastructural assets and land have been vested in Council as part of the subdivisional consent process. The vested reserve land has been initially recognised at the most recent appropriately certified government valuation which is their deemed cost. Vested infrastructural assets are initially valued based on the actual quantities of infrastructural components vested and the current “in the ground” cost of providing identical services and this is their deemed cost.

Disposals

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the surplus or deficit.

When revalued assets are sold the amounts included in the asset revaluation reserve in relation to those assets are transferred to accumulated funds.

Revaluation of Property, Plant and Equipment is Accounted for on a Class of Asset Basis

The net revaluation results are included in Other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class of asset. When the net revaluation decrease exceeds the asset revaluation reserve balance, this decrease is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed and then credited to the revaluation reserve for that class of asset.

Depreciation

Depreciation is provided on a straight line basis on all property, plant and equipment other than land, at rates which will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. Depreciation of these assets commences when the assets are ready for their intended use. Depreciation rates and useful lives are reviewed annually. Depreciation on assets is expensed.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Infrastructural Assets	Life (in years)	Rate
Flood protection and controlled works (pump stations, dams)	1 - 100	1 - 100%
Roads and footpaths	1 - 110	0.9 - 100%
Sewerage network including treatment	2.5 - 100	1 - 40%
Stormwater drainage schemes	1 - 100	1 – 100%
Water supply schemes – other	1 -100	1 - 100%
Water treatment and facilities	1 - 100	1 - 100%

Operational Assets	Life (in years)	Rate
Buildings	1 - 100	1 - 100%
Landfill	3.68 - 40	2.5 – 27.2%
Library books including audio books	5 – 13.34	7.5 - 20%
Other structures and improvements	3.23 - 100	1 - 31%
Office equipment, furniture and fittings	3.01 - 13.33	7.5 – 33.2%
Plant, machinery and equipment	2.23 - 100	1 - 45%

Restricted Assets	Life (in years)	Rate
Buildings	5 - 100	1 - 20%

Assets Not Depreciated

The following assets are not depreciated in line with Council's depreciation policy:

- **infrastructural assets** - assets under construction, infrastructure land, sewerage oxidation ponds and roading infrastructure including land under roads, roads and carpark formation, sealed roads subbase and street berms and plantings. Flood protection and control works including stopbanks, rock work and plantings.
- **operational assets** - assets under construction, forest crops, land, artwork and landfill capping.
- **restricted assets** - land.

Impairment of Assets

Property, plant and equipment that have a finite useful life are reviewed for impairment at each balance date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. When the impairment loss exceeds the balance in the revaluation reserve, the balance is recognised in expenditure.

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss on a revalued asset is credited to Other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

11. Intangible Assets

	Group total \$000s	Group Carbon credits \$000s	Software \$000s	Council		
				Council total \$000s	Carbon credits \$000s	Software \$000s
Cost:						
Balance at 1 July 2021	22,742	4,657	18,085	21,521	4,657	16,864
Additions	968	-	968	793	-	793
Disposals	(1,510)	(1,345)	(165)	(1,510)	(1,345)	(165)
Balance at 30 June 2022	22,200	3,312	18,888	20,804	3,312	17,492
Additions	911	-	911	687	-	687
Disposals	(1,073)	(734)	(339)	(1,058)	(734)	(324)
Balance at 30 June 2023	22,038	2,578	19,460	20,433	2,578	17,855
Accumulated amortisation and impairment:						
Balance at 1 July 2021	7,838	87	7,751	6,924	87	6,837
Amortisation expense	1,668	-	1,668	1,549	-	1,549
Balance at 30 June 2022	9,506	87	9,419	8,473	87	8,386
Amortisation expense	1,732	-	1,732	1,569	-	1,569
Disposals	(15)	-	(15)	-	-	-
Balance at 30 June 2023	11,223	87	11,136	10,042	87	9,955
Carrying amount:						
Balance at 1 July 2021	14,904	4,570	10,334	14,597	4,570	10,027
Balance at 30 June 2022	12,694	3,225	9,469	12,331	3,225	9,106
Balance at 30 June 2023	10,815	2,491	8,324	10,391	2,491	7,900

An Intangible asset is an identifiable non-monetary asset without physical substance. An asset is a resource that is controlled by the entity as a result of past events (for example, purchase or self-creation) and from which future economic benefits (inflows of cash or other assets) are expected.

11.1. Carbon Credits

Carbon credits have been assessed as having an indefinite useful life because they have no expiry date and will continue to have economic benefit for as long as the Emissions Trading Scheme is in place.

11.2. Intangible Assets Under Construction

Council had a total of \$581,000 in intangibles under construction (2021-22: \$437,000).

Accounting Policy

Software Acquisition and Development

Software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly attributable to the development of software for internal use are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs, maintenance and web related costs are recognised as expenditure when incurred.

Carbon Credits

Purchased carbon credits are recognised at cost on acquisition. Free carbon credits received from the Crown are recognised at fair value on receipt. They are not amortised, but are instead tested for impairment annually. They are de-recognised when they are used to satisfy carbon emission obligations.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is de-recognised. The amortisation charge for each financial year is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of computer software, the major classes of intangible assets have been estimated as follows:

Computer software	5 to 10 years	10% to 20%.
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Impairment of Intangible Assets

Intangible assets that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment.

For further details, refer to the policy for impairment of property, plant, and equipment in note 10. The same approach applies to the impairment of intangible assets.

12. Forestry Assets (including jointly held assets)

Forestry assets are predominantly owned and managed by MRF. The forestry estate is managed through a joint committee of Marlborough District Council (88.5%) and Kaikoura District Council (KDC) (11.5%). The MRF estate covers 3,518 stocked hectares as at 30 June 2023 (2021-22: 3,309)

	Group		Council		
	Actual 2023 \$000s	Actual 2022 \$000s	Actual 2023 \$000s	Budget 2023 \$000s	Actual 2022 \$000s
Balance at 1 July	15,679	17,080	15,679	18,043	17,080
Increase due to additions	771	437	771	-	437
Gains/(Losses) arising from changes attributable to physical changes (note 8)	(123)	(1,175)	(123)	1,020	(1,175)
Gains/(Losses) arising from changes attributable to log price changes (note 8)	1,408	(258)	1,408	-	(258)
Decreases due to harvest	-	(405)	-	-	(405)
Balance at 30 June	17,735	15,679	17,735	19,063	15,679

Council's share of jointly controlled assets and any liabilities incurred jointly with KDC are recognised on a proportionate basis and classified according to their nature.

The estate consists of seven forest blocks - Para, Pukaka, Strachan Peak, Koromiko, Waikakaho, Speeds and Sunhill. The planted area consists predominantly of radiata pine with small areas planted with other species. As of 30 June 2023, the weighted average age of the forest estate is 12 years old. (2021-22: 11.6)

Independent registered valuer Colliers has valued MRF's land and improvements as at 30 June 2023. Forme Consulting Group Ltd has prepared the forestry crop valuations as at 30 June 2023 based on methodology recommended by the New Zealand Institute of Forestry. For this valuation a discount rate of 6.5%, applied to pre-tax cash flows, has been used in line with rates used by similar forest

valuations within New Zealand. The sensitivity of crop value to discount rate is shown below:

	as at 30 June 2023			as at 30 June 2022		
	6%	6.5% (as used)	7%	6%	6.5% (as used)	7%
Discount rate:						
Tree crop value (\$000s)	22,834	20,039	17,573	20,171	17,716	15,688
MDC Group 88.5% share (\$000s)	20,208	17,735	15,552	17,851	15,679	13,884

Key financial risks arise from increase in costs associated with logging/loads, cartage harvesting costs, sale price for forestry and risks of changing demand from export markets.

Accounting Policy

Standing forestry assets are independently revalued annually at fair value less estimated costs to sell for one growth cycle.

Gains or losses arising on initial recognition of forestry assets at fair value less costs to sell and from a change in fair value less costs to sell are recognised in the surplus or deficit.

Forestry maintenance costs are recognised in expenditure when incurred.

Where Council transacts with the joint operation, unrealised profits and losses are eliminated to the extent of Council's share in the joint operation, except to the extent that unrealised losses provide evidence of impairment of the asset.

MRF Joint Operation	Council and Group	
	2023 \$000s	2022 \$000s
Current assets	52	50
Non-current assets	35,173	29,870
Current liabilities	98	83
Non-current liabilities	1,996	550
Income	3,066	809
Expenses	876	3,094

Accounting Policy

A joint arrangement is a binding arrangement that confers enforceable rights and obligations on the parties to the arrangement that is subject to joint control.

The Council and Group recognise its direct right to the assets, liabilities, revenues and expense of joint operations and its share of any jointly held or incurred assets, liabilities, revenue, and expenses. Assets, liabilities, revenues, and expenses relating to Council's interest in a joint operation are accounted for in line with Council's accounting policies and included in the relevant line items of the Council and Group financial statements.

13. Other Financial Assets

	Group		Council		
	Actual 2023 \$000s	Actual 2022 \$000s	Actual 2023 \$000s	Budget 2023 \$000s	Actual 2022 \$000s
Current portion:					
Term deposits and bonds with maturities of 4-12 months	4,176	12,620	4,176	12,492	12,620
Total current portion	4,176	12,620	4,176	12,492	12,620
Non-current portion:					
Term deposits and bonds with maturities 12 months plus	9,303	418	9,303	250	418
Community loans	6	10	6	6	10
Unlisted shares in subsidiaries (investment in subsidiaries)	-	-	6,000	6,000	6,000
Advance to MDCH	-	-	72,067	88,528	67,315
LGFA borrower notes	3,108	2,461	3,108	1,597	2,176
Other unlisted shares	286	1	286	1	286
Total non-current portion	12,703	2,890	90,770	96,382	76,205
Total other financial assets	16,879	15,510	94,946	108,874	88,825

The carrying value of term deposits and bonds approximates their fair value.

Financial assets are classified into the following categories for the purpose of measurement:

- term deposits and community loans which are amortised cost;
- advance to MDCH which is amortised cost;
- LGFA borrower notes which are fair value through other comprehensive income (FVTOCRE); and
- other unlisted shares which fair value through other comprehensive income (FVTOCRE).

The classification of a financial asset depends on the purpose for which the instrument was acquired.

Accounting Policy

Other financial assets (other than shares in subsidiaries) are initially recognised at fair value. They are then classified as, and subsequently measured under, the following categories:

- amortised cost;
- fair value through other comprehensive revenue and expense (FVTOCRE); and
- fair value through surplus and deficit (FVTSD).

Transaction costs are included in the value of the financial asset at initial recognition unless it has been designated at FVTSD, in which case it is recognised in surplus or deficit.

The classification of a financial asset depends on its cash flow characteristics and the Council and Group's management model for managing them.

A financial asset is classified and subsequently measured at amortised cost if it gives rise to cash

Accounting Policy

flows that are 'solely payments of principal and interest (SPPI)' on the principal outstanding and is held within a management model whose objective is to collect the contractual cash flows of the asset.

A financial asset is classified and subsequently measured at FVTOCRE if it gives rise to cash flows that are SPPI and held within a management model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Financial assets that do not meet the criteria to be measured at amortised cost or FVTOCRE are subsequently measured at FVTSD. However, the Council and Group may elect at initial recognition to designate an equity investment not held for trading as subsequently measured at FVTOCRE.

Subsequent Measurement of Financial Assets at Amortised Cost

Financial assets classified at amortised cost are subsequently measured at amortised cost using the effective interest method, less any expected credit loss (ECL). Where applicable, interest accrued is added to the investment balance. Instruments in this category include term deposits, community loans, and loans to subsidiaries and associates.

Subsequent Measurement of Financial Assets at FVTOCRE

Financial assets in this category that are debt instruments are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense, except ECL and foreign exchange gains and losses which are recognised in surplus or deficit. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified to surplus and deficit.

Financial assets in this category that are equity instruments designated as FVTOCRE are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense. There is no assessment for impairment when fair value falls below the cost of the investment. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred to accumulated funds within equity. The Council and Group designate into this category all equity investments that are not held for trading as they are strategic investments that are intended to be held for the medium to long-term.

Subsequent Measurement of Financial Assets/Liabilities at FVTSD

Financial assets/liabilities in this category are subsequently measured at fair value with fair value gains and losses recognised in surplus or deficit.

Interest revenue and dividends recognised from these financial assets are separately presented within revenue.

Other than for derivatives, the Council and Group have no instruments in this category.

Expected Credit Loss Allowance (ECL)

The Council and Group recognise an allowance for ECLs for all debt instruments not classified as FVTSD. ECLs are the probability-weighted estimate of credit losses, measured at the present value of cash shortfalls, which is the difference between the cash flows due to Council and Group in accordance with the contract and the cash flows it expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

ECLs are recognised in two stages. ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). However, if there has been a significant increase in credit risk since initial recognition, the loss allowance is based on losses possible for the remaining life of the financial asset (Lifetime ECL).

When determining whether the credit risk of a financial asset has increased significantly since initial

Accounting Policy

recognition, the Council and Group consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Council and Group's historical experience and informed credit assessment and forward-looking information.

The Council and Group consider a financial asset to be in default when the financial asset is more than 90 days past due. The Council and Group may determine a default occurs prior to this if internal or external information indicates the entity is unlikely to pay its credit obligations in full.

Council measure ECLs on loan commitments at the date the commitment becomes irrevocable. If the ECL measured exceeds the gross carrying amount of the financial asset, the ECL is recognised as a provision.

Shares in Subsidiaries (At Cost)

The investment in subsidiaries is carried at cost in the Council's parent entity financial statements.

Previous Accounting Policy (Summarised)

In the previous year, other financial assets were classified into the following categories:

- Loans and receivables at amortised cost (included term deposits, related party loans, and community loans);
- Held-to-maturity investments at amortised cost; and
- Fair value through other comprehensive revenue and expense (included shares and listed bonds).

The Main Differences for The Prior Year Policies are:

- Impairment was recorded only when there was objective evidence of impairment. For equity investments, a significant or prolonged decline in the fair value of the investment below its cost was considered objective evidence of impairment. For debt investments, significant financial difficulties of the debtor, probability the debtor would enter into bankruptcy, receivership or liquidation, and default in payments were indicators the asset is impaired.
- Impairment losses on shares were recognised in the surplus or deficit.
- For shares, the cumulative gain or loss previously recognised in other comprehensive revenue and expense was transferred from equity to surplus or deficit on disposal of the investment

14. Investment Property

	Group		Council		
	Actual 2023 \$000s	Actual 2022 \$000s	Actual 2023 \$000s	Budget 2023 \$000s	Actual 2022 \$000s
Balance at 1 July	128,625	116,498	11,500	10,950	10,950
Additions from acquisition	10,513	13,642	-	-	-
Transfer from property plant and equipment	4,322	(260)	4,322	-	-
Fair valuation gains/(losses) (note 5 and 8)	(27,234)	(1,255)	(1,372)	-	550
Balance at 30 June	116,226	128,625	14,450	10,950	11,500

14.1 Valuation Basis

The fair value of investment property at 30 June 2023 has been arrived at on the basis of a valuation carried out at that date by the following independent registered valuers:

- Port Marlborough NZ Ltd - Crighton Anderson Property and Infrastructure Ltd trading as Colliers International (2021-22: Crighton Anderson Property and Infrastructure Ltd trading as Colliers International);
- Marlborough Airport Ltd - Alexander Hayward Ltd (2021-22: Alexander Hayward Ltd); and
- Council - Alexander Hayward Ltd (2021-22: Alexander Hayward Ltd).

The fair value of investment property has been determined using the capitalisation of net income, discounted cash flow methods and comparable sales approach. These methods are based upon assumptions including future rental income, anticipated maintenance costs and appropriate discount rates.

The rates adopted are post tax and range between 7.25% and 10.00% (2021-22: 6.25% and 8.00%) for Council and 7.00% and 8.75% (2021-22: 6.40% and 8.25%) for Port Marlborough NZ Ltd and 7.00% (2021-22: 6.75%) for Marlborough Airport Ltd.

14.2 MDC Group Valuation Uncertainty Disclosure

Due to the uncertain impact of COVID-19 and escalating inflation levels on market values the valuation of investment properties the respective valuations for the Council, Marlborough Airport Ltd and Port Marlborough NZ Ltd reported on the basis of having 'significant valuation' uncertainty. (2020-21: significant valuation uncertainty).

Accounting Policy

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its cost, including transaction costs.

After initial recognition, all investment property is measured at fair value at each reporting date.

Gains or losses arising from a change in the fair value of investment property are recognised in revenue or expenditure.

15. Cash and Cash Equivalents

	Group		Council		
	Actual 2023 \$000s	Actual 2022 \$000s	Actual 2023 \$000s	Budget 2023 \$000s	Actual 2022 \$000s
Cash at bank and on hand	8,085	12,725	5,444	185	6,214
Total cash and cash equivalents	8,085	12,725	5,444	185	6,214

Cash and cash equivalents included in the Statement of Cash flows comprise of the following Statement of Financial Position amounts:

	Group		Council		
	Actual 2023	Actual 2022	Actual 2023	Budget 2023	Actual 2022
	\$000s	\$000s	\$000s	\$000s	\$000s
Cash on hand and balances with banks	8,085	8,225	5,444	185	1,714
Short term investments	-	4,500	-	-	4,500
Total as per statement of cash flows	8,085	12,725	5,444	185	6,214

Although cash and cash equivalents at 30 June 2023 are subject to the expected credit loss requirements of PBE IPSAS 41, no loss allowance has been recognised because the estimated allowance is trivial. Cash and cash equivalents are held at amortised cost.

Accounting Policy

Cash and cash equivalents include cash on hand, balances with banks, other short-term highly liquid investments with maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

16. Debtors and Other Receivables

16.1 Debtors and Other Receivables from Non-Exchange Transactions

	Group		Council	
	Actual 2023	Actual 2022	Actual 2023	Actual 2022
	\$000s	\$000s	\$000s	\$000s
Rates receivables	1,449	1,237	1,449	1,237
GST	2,018	2,285	1,962	2,285
Waka Kotahi roading subsidy	2,585	4,001	2,585	4,001
Other	306	306	306	306
Total non-exchange debtors and other receivables	6,358	7,829	6,302	7,829

16.2 Debtors and Other Receivables from Exchange Transactions

	Group		Council	
	Actual 2023	Actual 2022	Actual 2023	Actual 2022
	\$000s	\$000s	\$000s	\$000s
Trade receivables	4,185	3,769	4,185	3,769
Related party receivables	-	-	0	169
Prepayments and other sundry receivables	8,672	5,892	2,701	2,520
Gross exchange debtors and other receivables	12,857	9,661	6,886	6,458
Less allowance for expected credit losses	(365)	(61)	-	(30)
Total exchange debtors and other receivables	12,492	9,600	6,886	6,428

16.3 Total Debtors and Other Receivables

	Group		Council	
	Actual 2023 \$000s	Actual 2022 \$000s	Actual 2023 \$000s	Actual 2022 \$000s
Gross total debtors and other receivables	19,215	17,490	13,188	14,287
Less allowance for expected credit losses	(365)	(61)	-	(30)
Total debtors and other receivables	18,850	17,429	13,188	14,257

The Council does not provide for ECLs on rates receivable. Council has various powers under the Local Government (Rating) Act 2002 (LG(R)A 2002) to recover any outstanding debts. These powers allow the Council to commence legal proceedings to recover any rates that remain unpaid four months after the due date for payment. If payment has not been made within three months of the Court's judgment, then the Council can apply to the Registrar of the High Court to have the judgment enforced by sale or lease of the rating unit.

Ratepayers can apply for payment plan options subject to meeting certain criteria. Where such repayment plans are in place, debts are discounted to their present value of future payments if the effect of discounting is material.

Council has not recognised an allowance for expected credit losses as required under PBE IPSAS 41 for other receivables held at amortised cost as these are considered trivial.

The ageing profile below does not include rates receivable as these are excluded from PBE IPSAS 41. The past due categories have been updated for the current year and the comparatives.

16.4 Ageing Profile of Total Receivables

	2023			2022		
	Gross \$000s	Impairment \$000s	Net \$000s	Gross \$000s	Impairment \$000s	Net \$000s
Group						
Not past due	16,066	-	16,066	14,927	-	14,927
Past due 1-30 days	495	-	495	1,584	-	1,584
Past due 31-90 days	244	-	244	55	-	55
Past due >90 days	961	365	596	924	61	863
Total	17,766	365	17,401	17,490	61	17,429
Council						
Not past due	10,862	-	10,862	11,724	-	11,724
Past due 1-30 days	343	-	343	1,584	-	1,584
Past due 31-90 days	57	-	57	55	-	55
Past due >90 days	477	-	477	924	30	894
Total	11,739	-	11,739	14,287	30	14,257

There is no concentration of credit risk with respect to receivables as the MDC Group has a large number of customers (refer to note 27.4 – Financial instrument risk).

Accounting Policy

Short-term receivables are recorded at the amount due, less an allowance for expected credit losses.

The Council and Group apply the simplified ECL model of recognising lifetime ECL for short-term receivables.

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

Rates are "written-off":

- when remitted in accordance with the Council's Rates Remission Policy; and
- in accordance with the write-off criteria of sections 90A (where rates cannot be reasonably recovered) and 90B (in relation to Māori freehold land) of the Local Government (Rating) Act 2002.

Other receivables are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation or the receivable being more than one year overdue.

Previous Accounting Policy

In the previous year, the allowance for credit losses was based on the incurred credit loss model. An allowance for credit losses was recognised only when there was objective evidence that the amount due would not be fully collected.

17. Investment in Joint Venture

	Group		Council		
	Actual 2023 \$000s	Actual 2022 \$000s	Actual 2023 \$000s	Budget 2023 \$000s	Actual 2022 \$000s
Marlborough Inland Hub	8,091	6,750	-	-	-
Total investment in Joint Venture	8,091	6,750	-	-	-

Marlborough Inland Hub Ltd, represents a 50/50 partnership between Centreport Ltd and Port Marlborough NZ Ltd. Port Marlborough NZ Ltd owns a 32-hectare site at Riverlands, Blenheim. The initiative will provide an inland cargo hub, enabling freight movement via road rail to coastal and international shipping.

During the year, Port Marlborough NZ Ltd provided a secured and interest bearing long-term shareholder loan to Marlborough Inland Hub Limited of \$500K. Interest is payable on 30 June each year or as otherwise provided by agreement at an interest rate of the OCR from time to time plus a margin of 1.5%. Income from the loan for the year ended 30 June 2023 was \$18K. The loan is repayable on demand.

	Group	
	Actual 2023 \$000s	Actual 2022 \$000s
Carrying amount at beginning of year	6,750	-
Equity acquisitions	-	6,750
Share of profit/(loss)	28	-
Gain/(loss) on revaluation of PPE	813	-
Balance at end of the year	7,591	6,750
Advance (non-current)	500	-
Balance at end of the year	8,091	6,750

Accounting Policy

A joint arrangement is a binding arrangement that confers enforceable rights and obligations on the parties to the arrangement that is subject to joint control.

The Council and group recognise its investment in Joint Venture using the equity method.

18. Borrowings

18.1 Council

Council raises loans either using a Westpac facility or through the New Zealand Local Government Funding Agency Ltd. The loans are secured via security stock issued by Council under a Debenture Trust Deed.

MBIE Loan

Council has a loan of \$0.6M from MBIE (2021-22 \$0.2M) for the Flaxbourne Irrigation Scheme.

Westpac Facility

Secured loans can be raised under a \$20 million (2021-22: \$20 million) wholesale advance facility agreement with Westpac New Zealand Ltd (Westpac). Council has the option to renew the facility in March 2024.

Council has utilised \$6.0 million as at 30 June 2023 (2021-22: \$0.0 million).

New Zealand Local Government Funding Agency Ltd (LGFA)

Total borrowing with the LGFA is \$151.9 million (2021-22: \$137.2 million). The breakdown is provided in the table below.

LGFA borrowings	2023		2022	
	\$000s	Interest rate	\$000s	Interest rate
Current portion	37,085	\$37.1 million variable at 5.75%-6.05%	55,200	\$49.2 million variable at 1.85%-2.52% \$6 million fixed at 5.5%
Non-current portion	114,800	\$99.8 million variable at 5.96%-6.48% \$15 million fixed at 2.82%-5.58%	82,000	\$69.0 million variable at 2.44%-3.39% \$13.0 million fixed at 2.82%-4.57%
Total	151,885		137,200	

Council holds \$73 million in interest rate swaps (2021-22: \$52 million) fixed at a weighted average rate of 3.61% (2021-22: 3.50%) and with the following maturities: \$14 million in 2025, \$10 million in 2026, \$20 million in 2027, \$14 million in 2028 and \$15 million in 2029.

The fair values of interest rate swaps have been determined by calculating the expected future cash flows under the terms of the swaps and discounting these values to present value. The inputs into the valuation model are from independently sourced market parameters such as interest rate yield curves. Most market parameters are implied from instrument prices.

18.2 MDCH

During the year interest rates ranged between 0.05% and 5.21% (2021-22: 0.57%- 5.21%).

18.3 Internal Borrowings

Group of activity	2023				
	Opening 2023 \$000s	Advanced \$000s	Repaid \$000s	Closing 2023 \$000s	Interest expense \$000s
People	7,287	2,972	(1,799)	8,460	349
Community facilities	20,226	1,456	(1,178)	20,504	826
Roads and footpaths	10,459	5,098	(648)	14,909	515
Flood protection	2,661	590	(141)	3,110	140
Sewerage	44,677	2,100	(3,178)	43,599	1,829
Stormwater drainage	716	-	(57)	659	5
Water supply	22,393	3,172	(1,818)	23,747	941
Solid waste management	5,554	143	(733)	4,964	219
Environmental management	332	-	(19)	313	13
Regulatory	552	86	(47)	591	23
Regional development	10,345	63	(1,327)	9,081	386
Other non-activity	11,390	-	(684)	10,706	409
Total Internal Borrowings 2023	136,592	15,680	(11,629)	140,643	5,655

Accounting Policy

Borrowings on normal commercial terms are initially recognised at the amount borrowed plus transaction costs.

Borrowings are classified as current liabilities unless the Council or Group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

19. Provisions

	Group		Council	
	Actual 2023 \$000s	Actual 2022 \$000s	Actual 2023 \$000s	Actual 2022 \$000s
Current portion:				
Riskpool	100	-	100	-
Rates postponement provision	3	3	3	3
Carbon credits	626	641	626	641
Total current portion	729	644	729	644
Non-current portion:				
Landfill aftercare provision	4,972	3,993	4,972	3,993
Riskpool	-	100	-	100
Runway reseal provision	5,836	4,727	-	-
Total non-current portion	10,808	8,820	4,972	4,093
Total provisions	11,537	9,464	5,701	4,737

Provision movements	Group	Runway reseal	Council	Riskpool	Carbon credits	Landfill aftercare	Rates postpone- ment
Balance at 1 July 2022	9,464	4,727	4,737	100	641	3,993	3
Additional provisions made	2,785	1,109	1,676	-	625	1,051	-
Unused amounts reversed	-	-	-	-	-	-	-
Amounts used	(712)	-	(712)	-	(640)	(72)	-
Balance at 30 June 2023	11,537	5,836	5,701	100	626	4,972	3

Accounting Policy

A provision is recognised for future expenditure of uncertain amount or timing when:

- there is a present obligation (either legal or constructive) as a result of a past event;
- it is probable that an outflow of future economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation and discounted to present value where the effect is material.

Riskpool

This provision recognises \$100,000 for a final New Zealand Mutual Liability Riskpool call before its wind up which is anticipated to be in 2024. The Council has an ongoing obligation to contribute to the scheme should a call be made in respect of any historical claims (to the extent those claims are not covered by reinsurance), and to fund the ongoing operation of the scheme. The likelihood of any call, in respect of historical claims diminishes with each year as limitation period expire. However, as a result of the Supreme Court decision on 1 August 2023 in Napier City Council v Local Government Mutual Funds Trustee Limited, it has been clarified that Riskpool has a liability

for that member's claim in relation to non-weathertight defects (in a mixed claim involving both weathertight and non-weathertight defects). Riskpool has advised that it is working through the implication of the Supreme Court decision. At this point any potential liability is unable to be quantified.

Carbon Credits

This provision recognises an additional provision of \$625,000 (2021-22: \$640,000) for the Emission Trading Scheme units cost for landfill use for the six months to 30 June 2023.

Landfill Closure and Aftercare Liability

The long-term nature of these liabilities means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated taking into account existing technology and known changes to legal requirements and an inflation factor between 1.9% and 3.4% (2021-22: 2%) and a discount rate of 4.89% for closed landfills and 4.30% for the open regional landfill (2021-22: 3.4% closed and open landfills).

Council has responsibility under the consent to provide ongoing maintenance and monitoring of the landfill after the site is closed. Post-closure responsibilities include: treatment and monitoring of leachate, groundwater and surface monitoring, gas monitoring and recovery, implementation of remedial measures such as needing for cover and control systems, ongoing site maintenance for drainage systems, and final cover and vegetation. The uninflated cash outflows for landfill post-closure monitoring and maintenance are estimated at an average of \$56,900 for closed landfills and \$162,380 per annum for the open landfill to occur in perpetuity (2021:22: \$56,900 closed and \$148,001 open).

Council renewed the resource consent in 2009 for seven of its closed landfill sites. The remaining site was consented in 1998.

Current Landfill

Council gained the resource consent in November 1995 to operate the Bluegums landfill. Closure responsibilities occur at the closure of each stage of the landfill and upon final closure. Due to the increased quantity of waste delivered to the landfill, Council's recent landfill capacity review has provided an updated closure of the stage currently in use and closure of the entire landfill for 2048. A number of waste minimisation initiatives are planned to reduce the amount of waste being sent to landfill, including increased kerbside recyclables collection, diversion of food waste from landfill and the Waste Sorting Facility. For more information refer to the Solid Waste Management Activity section.

The cash outflows for landfill post-closure are expected to occur in 25 to 55 years' time. The estimated liability for closure and post-closure is \$5.30 million (2021-22: \$4.84 million).

The following major assumptions have been made in calculating the provision:

- the remaining capacity of the site is 1.72 million cubic metres (2021-22: 1.78 million cubic metres) (refuse, clean fill and cover);
- the estimated remaining life is 25 years (2021-22: 26 years) based on historical volume information; and
- the granting of resource consent renewals.

To provide for costs of aftercare of the currently used regional landfill, a charge is made each year based on the net present value of the estimated after care cost which it is estimated will be incurred following the closure of the landfill.

Runway Reseal

The provision reflects MAL cash flows obligation to maintain the runway under their license agreement with New Zealand Defence Force.

The provision for resealing was reviewed in May 2023 by Beca Ltd which undertook a desktop feasibility assessment and prepared a high level Rough Order Cost (ROC) estimate of the surfacing of the runway.

Business and Economic Research Ltd (BERL) price level adjustors plus a 4.5% interest factor were applied to the ROC to calculate the amount to be provided each year up until 2024/2025, when the runway is expected to be resealed.

20. Creditors and Other Payables

Creditors and other payables from exchange and non-exchange transactions	Group		Council		
	Actual 2023 \$000s	Actual 2022 \$000s	Actual 2023 \$000s	Budget 2023 \$000s	Actual 2022 \$000s
Trade and other payables	20,093	20,132	16,349	10,176	14,447
Accrued expenses	3,567	3,332	3,567	6,224	3,332
Income in advance	4,485	3,680	5,175	3,223	3,680
Deposits	1,491	1,258	1,491	943	1,258
Related party payables	-	-	3,278	3,677	3,717
Total creditors and other payables	29,636	28,402	29,860	24,243	26,434

Accounting Policy

Creditors and other payables are non-interest bearing and are normally settled on 30 day terms, therefore the carrying value of creditors and other payables approximates their fair value.

21. Employee Entitlements

	Group		Council		
	Actual 2023 \$000s	Actual 2022 \$000s	Actual 2023 \$000s	Budget 2023 \$000s	Actual 2022 \$000s
Current portion					
Accrued pay	362	166	362	156	166
Annual leave and sick leave	3,726	3,147	2,505	2,242	2,282
Retirement and long service leave	220	254	220	256	254
Total current portion	4,308	3,567	3,087	2,654	2,702
Total employee entitlements	4,308	3,567	3,087	2,654	2,702

Accounting Policy

Provision is made in respect of the Council and Group liability for retiring gratuity allowances, annual and long service leave and sick leave. The retiring gratuity liability and long service leave liability are assessed using current rates of pay taking into account years of service, years to entitlement and the likelihood staff will reach the point of entitlement. These estimated amounts are discounted to their present value using an interpolated 10 year government bond rate.

Liabilities for accumulating short-term compensated absences (e.g. annual and sick leave) are measured as the additional amount of unused entitlement accumulated at the balance sheet date.

Council has a sick leave gifting policy. The value of Council's sick leave gifting has been accessed but no material impact or changes have been made to the current level of provision.

Sick leave, annual leave, vested long service leave and non-vested long service leave and retirement gratuities that are expected to be settled within 12 months of balance date are classified as current.

22. Equity and Capital Management

	Group		Council		
	Actual 2023 \$000s	Actual 2022 \$000s	Actual 2023 \$000s	Budget 2023 \$000s	Actual 2022 \$000s
Accumulated funds					
Balance at 1 July	827,676	754,952	741,124	685,552	672,896
Transfers (to)/from Reserves	14,899	7,457	14,899	14,977	7,457
Transfers (to)/from Restricted Reserves	(1,347)	(1,276)	(1,347)	-	(1,276)
Transfers from Property Revaluation Reserves on disposal	1,511	17	1,511	-	17
Surplus for the year	12,478	66,526	24,271	4,483	62,030
Balance at 30 June	855,218	827,676	780,459	705,011	741,124
Ordinary and Council created Reserves					
Balance at 1 July	47,254	54,711	44,638	51,902	52,095
Transfers (to)/from accumulated funds	(14,899)	(7,457)	(14,899)	(14,977)	(7,457)
Balance at 30 June	32,355	47,254	29,739	36,925	44,638
Restricted Reserves					
Balance at 1 July	2,974	1,698	2,974	(368)	1,698
Transfers (to)/from accumulated funds	1,347	1,276	1,347	-	1,276
Balance at 30 June	4,321	2,974	4,321	(368)	2,974
Restricted Reserves consists of:					
Development Contribution Reserve	(2,092)	(1,919)	(2,092)	(4,517)	(1,919)
Land Subdivision Reserve	6,413	4,893	6,413	4,149	4,893
Property Revaluation Reserve					
Balance at 1 July	1,183,303	1,129,867	1,113,412	1,106,006	1,072,216

	Group		Council		
	Actual 2023 \$000s	Actual 2022 \$000s	Actual 2023 \$000s	Budget 2023 \$000s	Actual 2022 \$000s
Net revaluation gains	(51,319)	55,772	(51,319)	38,676	41,213
Deferred tax recognised directly in other comprehensive revenue and expense	-	(2,319)	-	-	-
Transfers to accumulated funds on disposal of property	(1,511)	(17)	(1,511)	-	(17)
Balance at 30 June	1,130,472	1,183,303	1,060,581	1,144,682	1,113,412
Total Reserves	1,167,148	1,233,531	1,094,641	1,181,239	1,161,024
Total equity	2,022,366	2,061,207	1,875,100	1,886,250	1,902,148

22.1 Ordinary Reserves

Ordinary Reserves	Activities to which the reserve is applied	Opening Balance at 1 July 2022 \$000s	Transfer to reserve \$000s	Transfer from reserve \$000s	Closing Balance at 30 June 2023 \$000s
Emergency events	Infrastructural assets including roading network and Wairau floodplain river protection.	9,324	572	(6,166)	3,730
Port Marlborough NZ Ltd special dividend	All activities in the Blenheim Vicinity, Picton Vicinity and General Rural geographic rating areas.	3,904	141	(341)	3,704
Infrastructure upgrade	Infrastructure such as water and sewerage and other activities as determined by Council from time to time.	13,473	5,434	(4,001)	14,906
Forestry and land development	All activities.	11,200	-	(2,527)	8,673
Covid19 - Rates Relief Reserve	All activities	(4,000)	-	(4,300)	(8,300)
People	People focused services including youth, elderly, community services, housing and energy efficiency, democratic participation, safety and learning.	(1,101)	440	(2,648)	(3,309)
Community facilities	Community facilities.	(480)	1,172	(198)	494
Roads and footpaths	Roads and footpaths.	9,051	6,748	(5,592)	10,207
Flood protection	Flood protection.	(435)	2,094	(2,011)	(352)
Sewerage	Sewerage.	(7,190)	6,378	(4,982)	(5,794)
Stormwater drainage	Stormwater drainage.	5,943	2,710	(176)	8,477
Water supply	Water supply.	883	4,834	(8,979)	(3,262)

Ordinary Reserves	Activities to which the reserve is applied	Opening Balance at 1 July 2022 \$000s	Transfer to reserve \$000s	Transfer from reserve \$000s	Closing Balance at 30 June 2023 \$000s
Solid waste management	Solid waste management.	715	3,903	(6,052)	(1,434)
Environmental management	Environmental management.	(323)	935	(827)	(215)
Regulatory	Regulatory.	847	531	(433)	945
Regional development	Regional development.	(345)	362	(588)	(571)
Other non-activity	All activities.	3,172	3,653	(4,985)	1,840
Total Ordinary Reserves 2023		44,638	39,907	(54,806)	29,739

Restricted Reserves	Activities to which the reserve is applied	Opening Balance at 1 July 2022 \$000s	Transfer to reserve \$000s	Transfer from reserve \$000s	Closing Balance at 30 June 2023 \$000s
Development contributions					
Reserve and Community Facilities		4,893	3,791	(2,270)	6,414
Roads and Footpaths	Growth driven capital expenditure	73	436	(62)	447
Sewerage		(3,624)	3,229	(5,030)	(5,425)
Stormwater		923	420	(51)	1,292
Water Supply		709	1,246	(362)	1,593
Total Restricted Reserves 2023		2,974	9,122	(7,775)	4,321

Purpose of Council's Reserves

Special Reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by Council.

For further information about Council's Reserves see page 316-319 of Council's 2021-2031 Long Term Plan.

Capital Management

The Council's capital is its equity (or ratepayers' funds), which comprises of accumulated funds and reserves. Equity is represented by net assets.

The LGA requires Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayers' funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the LGA and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets and not expecting them to meet the full cost of long term assets that will benefit ratepayers in future generations. Additionally, the Council has in place an infrastructure strategy and asset management plans for major classes of assets detailing renewal and maintenance programmes to ensure that ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The LGA requires the Council to make adequate and effective provision in its Long-Term Plan (LTP) and in its Annual Plan (where applicable) to meet the expenditure needs identified in those plans. The LGA also sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's LTP.

Accounting Policy

Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- accumulated funds;
- restricted reserves;
- ordinary and council created reserves; and
- property, plant and equipment revaluation reserve.

Restricted Reserves

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the Council.

Restricted reserves include those subject to specific conditions accepted as binding by the Council and which may not be revised by the Council without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Ordinary and Council Created Reserves

There are reserves restricted by Council decision. The Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

Property, Plant and Equipment Revaluation Reserve

This reserve relates to the revaluation of property, plant, and equipment to fair value.

23. Capital Commitments and Operating Leases

	Group		Council	
	Actual 2023 \$000s	Actual 2022 \$000s	Actual 2023 \$000s	Actual 2022 \$000s
Capital commitments:				
Property, plant and equipment	-	-		
<i>Buildings</i>	3,641	5,454	3,183	5,345
<i>Flood protection and control works</i>	896	32	896	32
<i>Landfill</i>	2,990	436	2,990	436
<i>Office equipment, furniture and fittings</i>	8	301	8	301
<i>Other structures and improvements</i>	3,998	341	3,998	341
<i>Roads and footpaths</i>	2,953	2,788	2,953	2,788
<i>Sewerage schemes other</i>	2,395	1,743	2,395	1,743
<i>Sewerage treatment and facilities</i>	1,153	1,733	1,153	1,733
<i>Stormwater drainage systems</i>	-	15	-	15
<i>Water supply schemes other</i>	550	1,831	550	1,831
<i>Water treatment and facilities</i>	5,036	4,746	5,036	4,746
<i>Land</i>	332	859	332	859
<i>Fair value improvements</i>	1,773	1,773	-	-
<i>Property Plant and Equipment</i>	361	37	-	-
Intangible assets	-	29	-	-
Investment property	5,427	6,455	-	-
Total capital commitments	31,512	28,573	23,493	20,170

Operating Leases as Lessee

MDC Group leases motor vehicles in the normal course of its business. All operating lease contracts contain market review clauses in the event that the option to renew is exercised. MDC Group does not have an option to purchase the leased asset at the expiry of the lease period.

	Group		Council	
	Actual 2023 \$000s	Actual 2022 \$000s	Actual 2023 \$000s	Actual 2022 \$000s
Operating leases as lessee:				
Not later than one year	75	132	38	95
Later than one year and not later than five years	388	396	21	29
Later than five years	1,298	1,298	-	-
Total non-cancellable operating leases	1,761	1,826	59	124

Operating Leases as Lessor

	Group		Council	
	Actual 2023	Actual 2022	Actual 2023	Actual 2022
	\$000s	\$000s	\$000s	\$000s
Operating leases as lessor:				
Not later than one year	16,106	15,302	5,689	4,885
Later than one year and not later than five years	41,464	40,435	19,239	18,210
Later than five years	33,833	32,527	26,630	25,324
Total non-cancellable operating leases	91,403	88,264	51,558	48,419

Rental revenue from operating leases is recognised on a straight-line basis over the term of the relevant lease. All operating lease contracts contain review clauses in the event that the MDC Group exercises its option to renew. The lessee does not have an option to purchase the property at expiry of the lease period.

Rentals payable under operating leases are charged to revenue on a straight-line basis over the term of the relevant lease, this includes the COVID-19 lease discounts provided by Council.

MDC Group operating leases relate to rental property owned by Port Marlborough NZ Ltd with lease terms of up to 30 years, with provision for renewal. All operating lease contracts contain market review clauses in the event that Port Marlborough NZ Ltd exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

MDC Group leases some land and buildings held for service delivery purposes under operating leases. The majority of these leases have a non-cancellable term of more than five years. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are detailed above.

24. Contingent Assets and Liabilities

24.1 Contingent Assets

Natural Disaster Revenue

There is an unquantifiable contingent asset for revenue from central government subsidies relating to the November 2016 Kaikoura earthquake.

There is an unquantifiable contingent asset for flood damage insurance claims and central government subsidies claims relating to weather events in 2021 and 2022.

Please refer to note 29– Natural disasters.

24.2 Contingent Liabilities

	Group		Council	
	Actual 2023	Actual 2022	Actual 2023	Actual 2022
	\$000s	\$000s	\$000s	\$000s
Uncalled capital in MDCH	-	-	70,000	70,000
Uncalled capital in LGFA	200	200	200	200
Total contingent liabilities	200	200	70,200	70,200

Contingent liabilities are liabilities that may or may not occur as they are dependent on another uncertain event. Judgement is exercised in determining whether the uncertain event is probable, possible or remote.

New Zealand Local Government Funding Agency Ltd (LGFA)

Council is a shareholder and guarantor of the LGFA. The LGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand and it has a local currency credit rating from Standard and Poor's of AA+ and a foreign currency rating of AA.

Council is one of 77 Local Authority Council's and three Council-Controlled Organisation participating of the LGFA. When Council's LGFA uncalled capital is aggregated with the uncalled capital of other shareholders, \$20 million is available in the event that an imminent default is identified.

Also, together with the other shareholders and guarantors, Council is a guarantor of a proportion of LGFA's borrowings. This is based on Council's rates as a proportion of the total rates for all guaranteeing Local Authorities. At 30 June 2023 LGFA had borrowings totaling \$17.7 billion (2021-22: \$15.8 billion).

Financial reporting standards require Council to recognise the guarantee liability at fair value. The Council considers the risk of the LGFA defaulting on repayment of interest or capital to be very low and has not recognised a liability for this amount. This is on the basis that it is not aware of any local authority debt default events in New Zealand, 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, and the LGFA have a billion dollar facility with the NZ Government.

Financial Guarantees

A financial guarantee contract is a contract that requires Council to make specified payments to reimburse the holder of the contract for a loss it incurs because a specified debtor fails to make payment when due.

During the year Council served as a guarantor on a loan facility of \$2.8 million for the Marlborough Research Centre Trust (MRC) to enable it to build the new Bragato Research Institute building. Council is obligated under the guarantee to make loan payments in the event that the organisation defaults on a loan arrangement. The exercising of guarantees will be dependent on the financial stability of the organisation. At balance date, Council expects it will not be called upon by the bank for this financial guarantee. The possibility of any call on this guarantee is remote. Also, the MRC has provided Council with adequate security (2021-22: \$2.8 million for the Marlborough Research).

Local Authority Protection Programme (LAPP)

Council is a member of the Local Authority Protection Programme (LAPP). The Trust Deed of LAPP provides that the Trustees may adopt or determine such methods of setting Extra Contributions for coverage for any part of portion of a year. Council has not received any formal request for Extra Contributions from LAPP in the current year.

25. Related Parties Transactions

Transactions between the Council and the entities within the Group have been disclosed below.

	Council	
	Actual 2023 \$000s	Actual 2022 \$000s
<u>MDC Holdings Ltd</u>		
Amounts paid to		
Interest on advance	84	21
Swap valuation fee reimbursement	1	2
Amounts payable to		
Advance	3,278	3,675
Amounts received from		
Dividends	3,308	3,155
Interest on loans	2,835	613
Amounts receivable from		
Loans	71,515	67,315
Interest on loans	552	85
<u>Port Marlborough NZ Ltd</u>		
Amounts paid to		
Services received during the year	116	70
Amounts payable to		
Services received during the year	-	5.0
Amounts received from		
Harbour and navigational levies	430	430
Rates and other services	835	695
Subvention payment	-	-
Amounts receivable		
Subvention payment	-	-
<u>Marlborough Airport Ltd</u>		
Amounts paid to		
Services received during the year	3	10
Amounts payable to		
	-	-
Amounts received from		
Services provided during the year	263	241
Subvention payment	-	13
Amounts receivable from		
Services provided during the year	-	1

Transactions between Council and Key Management Personnel have been disclosed below.

	Council	
	Actual 2023 \$000s	Actual 2022 \$000s
Key management personnel		
Councillors including the Mayor:		
Remuneration	796	769
Full-time equivalent members	14.7	14.0
Senior management team including the Chief Executive:		
Remuneration	2,711	2,672
Full-time equivalent members	12.0	12.6
Total remuneration	3,507	3,441
Total full-time equivalent members	26.7	26.6

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

During the year Councillors and key management, as part of a normal customer relationship, were involved in minor transactions with Council (such as payment of rates, purchase of rubbish bags etc.). These goods and services were supplied on normal commercial terms.

No provision has been required, nor any expense recognised, for impairment of receivables for any loans or other receivables to related parties (2021-22: Nil).

26. Severance Payments

For the year ended 30 June 2023 Council made one severance payment of \$16,894 (2021-22: One of \$24,500).

27. Financial Instruments

27.1 Adoption of PBE IPSAS 41

The Council and group have adopted PBE IPSAS 41.

In accordance with the transitional provisions in PBE IPSAS 41, the Council and Group have elected to not restate the comparative information. The comparative information continues to be reported under PBE IPSAS 29. Adjustments arising from adoption of PBE IPSAS 41 are recognised in opening equity at 1 July 2022 (the date of initial application).

The accounting policies for the year ended 30 June 2023 have been updated to comply with PBE IPSAS 41. The main changes to the Council and Group's accounting policies are:

- Note 16 – Receivables – This policy has been updated to reflect that the impairment of short-term receivables is now determined by applying the simplified expected credit loss model.
- Note 13 – Financial assets – This policy has been updated to reflect:
 - the new classification changes;
 - the measurement and recognition of loss allowances based on the new expected credit loss model; and
 - the removal of impairment loss considerations for equity investments at FVTOCRE.

The derivatives accounting policies is in Note 13 – Derivatives remain unchanged as Council has not elected to apply the hedging requirements of PBE IPSAS 41.

PBE IPSAS 41 also significantly amended the financial instruments disclosures of PBE IPSAS 30. This has resulted in new or amended disclosures, mostly in relation to hedge accounting and credit risk.

On the date of initial of application of PBE IPSAS 41, the difference between carrying amounts of financial assets under PBE IPSAS 41 and PBE IPSAS 29 was not material. Classification changes have been described in Note 13 – Financial Assets.

The measurement categories and carrying amounts for financial liabilities have not changed on transition to PBE IPSAS 41.

Additional information in relation to subsequent measurement classification assessment

PBE IPSAS 41 requires debt instruments to be subsequently measured at FVTSD, amortised cost, or FVTOCRE. This classification is based on the business model for managing the debt instruments, and whether the payments are for solely payments of principal or interest on the principal amount outstanding.

Council assessed the business model for its classes of financial assets at the date of initial application. Debt instruments are held mainly to collect.

Council's debt instruments are solely comprised of contractual cash flows solely for payments of principal and interest, in line with basic lending arrangements. This assessment was based on the facts and circumstances as at the initial recognition of the assets.

PBE IPSAS 41 requires equity instruments to be classified at FVTSD. However, it permits entities to make an irrevocable election on transition to PBE IPSAS 41 to subsequently measure at FVTOCRE if the shares are not held for trading. The Council has elected to subsequently measure all of its shares at FVTOCRE.

27.2 Financial Instrument Categories

The accounting policies for financial instruments have been applied to the financial instrument asset categories of term deposits, cash and cash equivalents, debtors and other receivables, shares and community loans and to the financial instrument liability categories of derivative financial liability/asset instruments, creditors and other payables and secured loans.

The carrying amount is the approximate fair value for each of these classes of financial instruments, as shown in the Statement of Financial Position.

27.3 Fair Value Hierarchy Disclosures

For those instruments recognised at fair value in the Statement of Financial Position, fair values are determined according to the following hierarchy:

Quoted Market Price (Level 1) – financial instruments with quoted prices for identical instruments in active markets. There are no financial instruments held at fair value classified under this category.

Valuation Technique Using Observable Inputs (Level 2) – financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable. Financial derivatives valued as observable inputs (level 2) for the MDC Group are \$6.3 million (2021-22: \$4.5 million) and for Council are \$5.0 million (2021-22 \$3.5 million).

Valuation Techniques With Significant Non-Observable Inputs (Level 3) – financial instruments valued using models where one or more significant inputs are not observable. Financial instruments with significant non-observable inputs for Council and the MDC Group are unlisted shares \$0.3 million- (2021-22: \$0.3 million) and LGFA borrower notes \$3.1 million (2021-22: \$2.4M).

There were no transfers between the different levels of the fair value hierarchy.

27.4 Financial Instrument Risks

(a) Credit Risk

Credit risk is the risk that a third party will default on its obligation to MDC Group causing it to incur a loss. Financial Instruments which potentially subject Council to credit risk principally consist of bank accounts, local authority stock and accounts receivable.

Council (both itself and through its funds manager) places its cash and short term deposits in high rating financial institutions. Council's Treasury Policy requires a spread of investments with limitations placed on the level of credit exposure to any one financial institution.

Accounts receivable balances are spread over a large customer base, therefore, minimising exposure to credit risk in respect of these debtors.

Council has a series of policies to manage the risks associated with financial instruments. These policies can be found on the Council website. The web address is: <https://www.marlborough.govt.nz/your-council/long-term-and-annual-plans-policies-and-reports/treasury-management-policies>

MDC Group holds no other collateral or credit enhancements for financial instruments that give rise to credit risk.

The MDC Group maximum credit exposure for each class of financial instrument is as follows:

	Group		Council	
	Actual 2023 \$000s	Actual 2022 \$000s	Actual 2023 \$000s	Actual 2022 \$000s
i) Maximum exposure to credit risk				
Cash at bank and term deposits and bonds	21,564	25,763	18,923	19,252
Debtors and other receivables	14,478	12,853	8,873	9,681
Community and related party loans	6	10	6	10
Derivative financial instrument assets	6,416	4,352	5,037	3,497
Advance to MDCH	-	-	72,067	67,315
Total credit risk	42,521	42,978	104,906	99,755
ii) Credit quality of financial assets				
Counterparties with credit ratings - cash at bank, term deposits and derivatives:				
AA-	27,980	25,763	23,960	19,252
Total	27,980	25,763	23,960	19,252
iii) Counterparties without credit ratings - existing counterparty with no defaults in the past:				
Community and related party loans	6	10	6	10
Total	6	10	6	10

(b) Liquidity Risk

(i) Management of Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

MDC Group manages its liquidity in accordance with its funding and financial policies, which include cash flow forecasting, maintaining its financial market investments in liquid instruments, and a debt maturity policy to avoid concentrations of debt maturity dates. The Council has an AA negative credit rating with S&P Global and banks have indicated that they want to do business with Council.

The Council is exposed to liquidity risk as a guarantor of a defined portion of LGFA's borrowings. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due.

These policies are reviewed and updated with each Long Term Plan and can be found on the Council website.

(ii) Contractual Maturity Analysis of Financial Liabilities

This table analyses MDC Group financial liabilities into maturity groupings based on the remaining period at the balance date to the contractual maturity date. The contractual cash flow includes the principal and any interest component.

	Carrying amount \$000s	Contractual cash flow \$000s	< than 1 year \$000s	1-2 years \$000s	2-5 years \$000s	5+ years \$000s
Group 2023						
Creditors and other payables	25,151	25,151	25,151	-	-	-
Secured loans	158,527	251,750	47,070	53,336	123,432	27,912
Total financial liabilities	183,678	276,901	72,221	53,336	123,432	27,912
Group 2022						
Creditors and other payables	28,402	28,402	28,402	-	-	-
Bank overdraft	-	-	-	-	-	-
Secured loans	137,433	206,289	48,178	20,728	94,429	42,954
Total financial liabilities	165,835	234,691	76,580	20,728	94,429	42,954
Council 2023						
Creditors and other payables	24,685	24,685	24,685	-	-	-
Secured loans	158,527	251,750	47,070	53,336	123,432	27,912
Total financial liabilities	183,212	276,435	71,755	53,336	123,432	27,912
Council 2022						
Creditors and other payables	22,754	22,754	22,754	-	-	-
Secured loans	137,433	206,289	48,178	20,728	94,429	42,954
Total financial liabilities	160,187	229,043	70,932	20,728	94,429	42,954

(iii) Contractual Maturity Analysis of Financial Assets

The table following analyses MDC Group financial assets into maturity groupings based on the remaining period to the contractual maturity date as at the balance date.

	Carrying amount \$000s	Contractual cash flow \$000s	< than 1 year \$000s	1-2 years \$000s	2-5 years \$000s	5+ years \$000s
Group 2023						
Cash and cash equivalents	8,085	8,085	8,085	-	-	-
Debtors and other receivables	14,478	14,478	14,478	-	-	-
Interest Rate Swaps	6,613	6,613	197	350	368	5,698
Other financial assets:						
Term deposits	13,479	14,031	5,011	9,020	-	-
Local Authority stock and government bonds	3,309	3,700	270	844	2,318	268
Community loans	6	6	6	-	-	-
Total financial assets	45,970	46,913	28,047	10,214	2,686	5,966
Group 2022						
Cash and cash equivalents	12,725	12,725	12,725	-	-	-
Debtors and other receivables	12,853	12,853	12,853	-	-	-
Interest Rate Swaps	4,352	4,352	-	142	717	3,493
Other financial assets:						
Term deposits	13,038	12,905	12,905	-	-	-
Local Authority stock and government bonds	2,377	2,325	347	228	1,349	401
Community loans	10	10	10	-	-	-
Total financial assets	49,932	49,747	43,417	370	2,066	3,894
Council 2023						
Cash and cash equivalents	5,444	5,444	5,444	-	-	-
Debtors and other receivables	8,872	8,872	8,872	-	-	-
Interest Rate Swaps	5,037	5,037	-	-	348	4,689
Other financial assets:						
Term deposits	13,479	14,031	5,011	9,020	-	-
Local Authority stock and government bonds	3,309	3,700	270	844	2,318	268
Community loans	6	6	6	-	-	-
Advance to MDCH	72,067	83,654	36,313	11,916	20,894	14,531
Total financial assets	108,214	120,744	55,916	21,780	23,560	19,488
Council 2022						
Cash and cash equivalents	6,214	6,214	6,214	-	-	-
Debtors and other receivables	9,681	9,681	9,681	-	-	-
Interest Rate Swaps	3,497	3,497	-	-	4	3,493
Other financial assets:						
Term deposits	13,038	12,905	12,905	-	-	-
Local Authority stock and government bonds	2,377	2,325	347	228	1,349	401
Community loans	10	10	10	-	-	-
Total financial assets	34,817	34,632	29,157	228	1,353	3,894

(c) **Sensitivity Analysis**

The following table illustrates the potential effect on the surplus or deficit and equity (excluding accumulated funds) impact for reasonable possible market movements, with all other variables held constant, based on MDC Group financial instrument exposures at balance date.

	2023		2022	
	-50bps Surplus \$000s	+50bps Surplus \$000s	-50bps Surplus \$000s	+50bps Surplus \$000s
Interest rate risk:				
Group				
Financial assets				
Cash and cash equivalents - term deposits	-	-	(23)	23
Other financial assets - term deposits	(83)	83	(83)	83
Interest rate swaps	(1,141)	1,134	(1,038)	1,000
Financial liabilities				
Borrowings:				
Bank overdraft	-	-	-	-
Secured loans	124	(124)	315	(315)
Interest rate swaps	(556)	579	(502)	476
Total sensitivity to interest rate risk	(1,657)	1,673	(1,308)	1,244
Council				
Financial assets				
Cash and cash equivalents - term deposits	-	-	(23)	23
Other financial assets - term deposits	(67)	67	(65)	65
Interest rate swaps	(1,141)	1,134	(1,038)	1,000
Financial liabilities				
Borrowings:				
Secured loans	428	(428)	427	(427)
Interest rate swaps	-	-	0	0
Total sensitivity to interest rate risk	(781)	774	(699)	661

(d) **Cash Flow Interest Rate Risk**

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. The MDC Group's exposure to changes in market interest rates primarily arises from borrowings issued at variable interest rates.

Generally, the MDC Group raises long-term borrowings at floating rates. The Council's liability management policy requires it to maintain a percentage of its borrowings at fixed rates of interest.

	Minimum Fixed Rate	Maximum Fixed Rate
0-2 years	40%	100%
2 years to 5 years	25%	80%
5 years to 10 years	0%	60%

To achieve this, the MDC Group uses interest rate swaps. Interest rate swaps have the economic effect of converting borrowings at floating rates into fixed rates that are generally lower than those available if the Council or Group borrowed at fixed rates directly. Under the interest rate swaps, the Council and Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date.

	Average contract fixed interest rate		Notional principal amount		Fair value	
	2023 %	2022 %	2023 \$000s	2022 \$000s	2023 \$000s	2022 \$000s
Outstanding fixed for floating:						
Group						
Less than one year	4.22%	0.00%	17,400	-	197	-
1 to 2 years	3.83%	4.15%	26,250	31,400	350	142
2 to 5 years	2.72%	3.20%	48,000	32,250	368	717
Greater than 5 years	3.46%	2.60%	35,500	50,000	5,698	3,493
Total sensitivity to interest rate risk	3.05%	2.70%	127,150	113,650	6,613	4,352
Council						
Less than one year	0.00%	0.00%	-	-	-	-
1 to 2 years	4.05%	4.05%	14,000	14,000	-	-
2 to 5 years	2.47%	2.98%	44,000	20,000	348	4
Greater than 5 years	3.61%	2.65%	15,000	39,000	4,689	3,493
Total sensitivity to interest rate risk	3.38%	3.01%	73,000	73,000	5,037	3,497

(e) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

At times MDC Group purchases plant and equipment associated with the construction of certain assets from overseas, which require it to enter into transactions denominated in foreign currencies. As a result of these activities, exposure to currency risk arises. When these transactions are significant MDC Group manage foreign currency risks arising from contractual commitments and liabilities by entering into forward foreign exchange

contracts to manage the foreign currency risk exposure. This means that the Council is able to fix the New Zealand dollar amount payable prior to delivery of the plant and equipment from overseas.

(f) Fair Value Interest Rate Risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Investments issued at fixed rates of interest expose the Council and group to fair value interest rate risk. The MDC Group is not able to actively manage fair value interest rate risk.

28. Insurance

Council has estimated its maximum probable loss from either earthquake, tsunami or flood to be \$548 million (2021-22: \$535 million).

Council has taken the mitigation approach of a mix of full insurance, risk sharing and self-insurance for any applicable excess taking into account the following:

- i. Not all assets are likely to be impacted on one event, given their diverse nature and location.
- ii. Immediate replacement of all damaged assets will not be required, immediately following an event.
- iii. The balance between premium costs and risk.
- iv. Councils do not generally insure roads or other land. Roads reinstatement is subject to NZTA subsidies.

Council has an Emergency Events Reserve, currently at \$3.7 million (2021-22: \$9.3 million).

The following information relates to the insurance of Council assets as at 30 June:

	note:	2023		2022	
		Assets Value at Cost \$000s	Maximum cover \$000s	Assets Value at Cost \$000s	Maximum cover \$000s
Council insurance					
Total value of assets covered by insurance contracts and maximum amount to which they are insured	(a)	373,862	799,225	294,463	673,279
Total value of assets covered by financial risk arrangements and the maximum available under these arrangements	(b)	617,644	60,000	604,855	60,000
Total value of self-insured assets and value of any fund held for that purpose		764,310	3,730	743,741	9,324
Land	(c)	335,884	-	386,908	-
TOTAL		2,091,700	862,955	2,029,967	742,603

Note:

(a) Community Assets: with a few exceptions, this replacement cover is for community assets on Council or Council controlled land, for example water treatment plant, WIP, sewerage treatment plant, buildings, library books, computers and office equipment.

Vehicles: All vehicles including the leased fleet, mowers, trucks, mobile pumps are insured at replacement value for \$4.3 million (2020-21: \$3.7 million).

Council has an 88.5% share in the MRF. Their assets and standing timber are insured at replacement/reinstatement value of \$18.7 million (2020-21: \$19.1 million).

- (b) **Underground Reticulation and Flood Protection Assets:** These assets are covered by the financial risk sharing arrangement, the Local Authority Protection Programme, with the replacement value of \$860 million (2021-22: \$797 million). The cover is for \$60 million (2021-22: \$60 million) for a first event. A further 60% of central government funding is available for eligible events.
- (c) **Land:** includes MRF land valued at \$19.7 million (2021-22: \$16.0 million) and land under roads \$142 million (2021-22: \$140 million).

Roading and Footpath and Carpark Assets Excluding Most Bridges: These activities have a value of \$1,033 million (2021-22: \$959 million) and are not insured. Any reinstatement cost would be subsidised by New Zealand Transport Agency at a minimum of 51%.

Bridges: Uninsured bridges have a value of \$66 million (2021-22: \$67 million). Any reinstatement cost would be subsidised by New Zealand Transport Agency at a minimum of 51%.

29. Natural Disasters

29.1 2021 Flooding Event

In July 2021 and August 2022 the region was impacted by severe flooding which caused significant damage.

The damage caused to Marlborough local roads by the storms was unprecedented for the region. Kenepuru Road, Queen Charlotte Drive and Awatere Valley were the worst hit. Marlborough Roads established a recovery team to repair and restore the roading network with a Waka Kotahi subsidy rate of 95% for initial works. Council has embarked on the Marlborough Sounds Future Access Study to support the case for funding the Sounds' future transport network's recovery and maintenance. At this stage it is still unknown what this will look like.

Damage to Council's flood protection assets was extensive following the July 2021 event with much of the damage eligible for central government and Local Authority Funding Program (LAPP) financial assistance, subject to applicable thresholds. Damage from the August 2022 events was much less severe and repairs have been largely completed within the financial year. The Council is continuing to discuss with insurers and central government the level of claims and recoveries. Until discussions with insurers progress sufficiently to provide a higher level of certainty, we are unable to recognise further insurance proceeds. Council has disclosed an unquantifiable contingent asset per note 24.1

Damage assessment work has been completed and eligible repair works are underway.

There were \$171.4M in asset impairments recognised due to flood damage in 2022-23 (21-22: \$86.0M). See note 10 for further information on this.

	Council and Group	
	2023 \$'000	2022 \$'000
Flood event related transactions		
Insurance recoveries	210	500
NEMA funding	208	-
Waka Kotahi roading subsidy	36,980	33,815
Total Revenue	37,398	34,315
Roading repairs	(28,516)	(8,981)
Flood protection repairs	(1,459)	(365)
Other	(262)	(257)
Total expenditure	(30,237)	(9,603)
Capitalised reinstatement costs	10,409	29,030
Impairment through revaluation reserves	(171,394)	(86,001)
Impact on assets	(160,984)	(56,971)

29.2 2016 Kaikoura Earthquake

The 14 November 2016 Kaikoura earthquake caused significant damage in our region, resulting in insurance and central government subsidy claims. Damage assessment work has been completed and eligible repair works are substantially completed.

The final insurance claim was settled during the previous financial year. The Council continues to work with central government (NEMA) regarding financial assistance for three waters reticulation asset damage. Until discussion progresses sufficiently to provide a higher level of certainty, we are unable to recognise further proceeds. Council has recognised an unquantifiable contingent asset per note 24.1.

There were no asset impairments due to earthquake damage in 2022-23 (2021-22: Nil).

	Council and Group	
	2023 \$'000	2022 \$'000
Earthquake related transactions		
Insurance recoveries	-	1,274
NEMA funding	57	-
Total revenue	57	1,274
Earthenware sewer pipe relining	(2,454)	(3,872)
Total capital expenditure	(2,454)	(3,872)

30. Variance Explanations

Explanations for major budget variances from the Council budget figures in the Annual Plan are as follows:

Statement of Comprehensive Revenue and Expense

	Actual 2023 \$000s	Budget 2023 \$000s	Variance \$000s	Comments
Development and financial contributions	9,390	7,321	2,069	Development Contributions are higher than expected due to the volume of subdivisions reaching milestones required to contribute.
Finance revenue	6,368	3,033	3,335	Finance revenue is higher than budget due to: <ul style="list-style-type: none"> Fair value movements on investments are not budgeted. The movement is due to interest rate increases at year end and maturity date of swaps getting closer causing a rise in swap values; and Increased interest rates charged on advance to subsidiaries.
Other revenue	52,161	47,306	4,855	Total Other revenue is higher by \$4.9 million in several categories as explained below: <ul style="list-style-type: none"> Vested assets : \$7.8 million higher due to the current progress of subdivision work in Marlborough. <p>This is offset by:</p> <ul style="list-style-type: none"> Funding received for the National Wilding Conifer Control Program being reclassified to subsidies and grants after being budgeted at \$5.6M in regulatory revenue. Lower than budgeted insurance revenue \$1.4M..
Depreciation and amortisation	35,108	31,935	3,173	Depreciation costs are higher than budget due to high level of additions fair value movement in the previous financial year.
Other expenses	117,864	129,575	(11,711)	Other expenditure is lower by \$11.7 million in several categories as explained below: <ul style="list-style-type: none"> Delays in repairs to roads and flood protection assets damaged in the July 2021 weather event and a portion of these costs capitalised. These are partially offset by unbudgeted expenditure on roads and flood protection assets following the August 2022 weather event. Higher than anticipate costs for the regional landfill (\$1.1 million) primarily made up of a higher landfill provision and contract costs offset by lower ETS obligations. Desludge costs at the sewer ponds (\$1.8 million).
Gain on property revaluations	120,074	38,676	81,398	Higher than anticipated revaluation movement primarily due to the off cycle flood protection revaluation, higher than anticipated unit costs in the roads and

	Actual 2023 \$000s	Budget 2023 \$000s	Variance \$000s	Comments
				footpaths valuation and higher than anticipated land value movements. This is offset by no valuation movement for three waters with the valuation report still in draft at the time of signing.

Statement of Financial Position

	Actual 2022 \$000s	Budget 2022 \$000s	Variance \$000s	Comments
Cash and cash equivalents	5,444	185	5,259	Higher than budget due to a large payment being deposited late on 30 June 2023.
Other financial assets - current	4,176	12,492	(8,316)	Other current financial assets are lower than budget due to the change in strategy to move to longer term deposits as interest rates rise.
Property, plant and equipment	1,910,688	1,958,789	(48,101)	Property, plant and equipment is lower than budget due to the effect of the impairment of roading and flood protection assets and the decision not to revalue three waters assets. This is offset by higher than anticipated opening balances with large valuation movements in the prior year not included in the opening balance and higher than anticipated valuation movements in the current year..
Other financial assets - non-current	90,770	96,382	(5,612)	Decrease due to lower than budget advances to MDCH. This is offset by increased longer term term deposits.
Investment property	14,450	10,950	3,500	Increase due to the transfer of the old Blenheim Library to investment property.
Creditors and other payables	29,860	24,243	5,617	Higher accounts payable and accruals at year end due to significant capital programme currently in progress.
Total borrowings	158,527	207,155	(48,628)	Borrowings have decreased due to lower than budget advances to MDCH caused by delays in the iReX projects.

31. Events After the Balance Date

The Water Services Reform Programme Update

The New Zealand Government is implementing a water services reform programme that is intended to ensure all New Zealanders have safe, clean and affordable water services. The Government believes this will be achieved by establishing new public entities to take on the delivery of drinking water, wastewater and stormwater services across New Zealand. The reform will be enacted by three pieces of legislation:

The Water Services Entities Act 2022, which (as amended by the Water Services Entities Amendment Act 2023 on 23 August 2023) establishes ten publicly owned water services entities and sets out their ownership, governance and accountability arrangements. A water services entity is established (for transitional purposes) on the date on which the appointment of the entity's establishment board takes

effect, and its establishment date (operational date) will be a date between 1 July 2024 and 1 July 2026.

The Water Services Legislation Act 2023, which amended the Water Services Entities Act 2022 on 31 August 2023 to provide for the transfer of water services assets and liabilities to the water services entities.

The Water Services Economic Efficiency and Consumer Protection Act 2023, which provides the economic regulation and consumer protection framework for water services. The consumer protection framework will come into force on 1 July 2024 and the rest of the Act came into force on 31 August 2023.

However, the financial impact of the transfer of three water assets and associated function, is not certain. With the change in the government there is a possibility of a change to water services reform programme. Considering the recent developments there is a possibility that the new Government might repeal or substantially amend the three legislations.

On 14 December 2023 it was announced that Cabinet has agreed to introduce and pass legislation early next year that will repeal Three Waters legislation restoring council ownership and control of water assets. The effect of this announcement on the Council is uncertain until such legislation is passed.

Other

While not significant, post balance date Council is providing support to Destination Marlborough and in the process of integrating the operation of the Marlborough Museum.

On 13 December 2023 KiwiRail advised Port Marlborough, a subsidiary of the Council, that the iReX project for the replacement of the Interislander ferries was cancelled. It is Port Marlborough's assessment that there is limited exposure to the Council and Group.

32. Breach of Statutory Deadline

The Council is required under section 98(3) of the Local Government Act 2002 to complete and adopt its audited financial statements and service performance information by 31 October 2023. This timeframe was not met.

Funding Impact Statement

Marlborough District Council: Funding Impact Statement				
	2021-22 Long Term Plan \$000s	2021-22 Annual Report \$000s	2022-23 Annual Plan \$000s	2022-23 Annual Report \$000s
Sources of operating funding				
General rates, uniform annual general charge, rates penalties	48,761	49,208	51,818	52,138
Targeted rates	27,447	27,040	28,595	28,540
Subsidies and grants for operating purposes	5,776	17,926	56,270	42,500
Fees and charges	18,980	21,060	22,538	23,036
Interest and dividends from investments	5,066	4,197	6,046	8,088
Local authorities fuel tax, fines, infringement fees, and other receipts	14,819	12,591	18,618	14,633
Total Operating funding	120,849	132,022	183,885	168,935
Applications of operating funding				
Payments to staff and suppliers	92,087	100,667	152,403	136,503
Finance costs	5,638	2,960	5,991	7,036
Other operating funding applications	4,901	6,979	6,232	6,523
Total applications of operating funding	102,626	110,606	164,626	150,062
Surplus of operating funding	18,223	21,416	19,259	18,873
Sources of capital funding				
Subsidies and grants for capital expenditure	18,192	39,958	7,451	20,674
Development and financial contributions	7,176	9,635	7,321	9,390
Increase (decrease) in debt	47,924	30,233	52,750	21,094
Gross proceeds from sale of assets	-	9,248	-	27
Lump sum contributions	150	243	173	170
Other dedicated capital funding	2,415	1,328	2,650	1,713
Total sources of capital funding	75,857	90,645	70,345	53,068
Applications of capital funding				
Capital expenditure to meet additional demand	19,424	27,763	15,280	15,065
Capital expenditure to improve the level of service	25,257	11,492	38,194	15,774
Capital expenditure to replace existing assets	33,197	57,954	28,974	40,034
Increase (decrease) in reserves	(16,315)	(5,992)	(18,244)	(13,552)
Increase (decrease) of investments	32,517	20,844	25,400	14,620
Total applications of capital funding	94,080	112,061	89,604	71,941
Deficit of capital funding	(18,223)	(21,416)	(19,259)	(18,873)
Funding balance	-	-	-	-

Marlborough District Council: Funding Impact Statement

	2021-22 Long Term Plan \$000s	2021-22 Annual Report \$000s	2022-23 Annual Plan \$000s	2022-23 Annual Report \$000s
Reconciliation				
Total operating funding	120,849	133,999	183,885	168,935
plus - Subsidies and grants for capital expenditure	18,192	37,981	7,451	20,674
plus - Development and financial contributions	7,176	9,635	7,321	9,390
plus - Lump sum contributions	151	243	172	170
plus - Other dedicated capital funding	1,276	1,328	1,511	1,713
plus - Contributions vested assets	1,139	10,011	1,139	8,954
plus - Gain on sale of fixed assets	-	7,496	-	11
plus - Fair value gains	-	550	-	-
plus - Sale of inventory	-	-	-	-
plus - Fair value movement gain on SWAP	-	7,064	-	1,540
plus - Forestry asset revaluation gain	1,263	-	1,020	1,285
Revenue as per Statement of Comprehensive Revenue and Expense	150,046	208,307	202,499	212,672
Total applications of operating funding	102,626	112,687	164,626	150,062
plus - Depreciation and amortisation	29,342	29,443	31,935	35,108
plus - Loss on sale of fixed assets	-	700	-	94
plus - Surrendered New Zealand Carbon Units (NZUs)	501	1,357	1,345	718
plus - Landfill aftercare provision	53	656	110	1,047
plus - Fair value losses	-	-	-	1,372
plus - Forestry asset revaluation loss	-	1,433	-	-
Expenditure as per Statement of Comprehensive Revenue and Expense	132,522	146,276	198,016	188,401
Surplus as per Statement of Comprehensive Revenue and Expense	17,524	62,031	4,483	24,271

Notes to Funding Impact Statement

1. Statement of Accounting Policies

Sources of Operating Funding - includes revenue to the activity, but note:

- i. Grants and contributions received which are specified for funding capital expenditure are not included, they are included in “Sources of capital funding” - whereas under NZ GAAP they are included in either “Development and financial contributions” or “Other revenue” in the Statement of Comprehensive Revenue and Expense.
- ii. Any gain from sale of assets is not included; instead the sale proceeds are included in “Sources of capital funding” - whereas under NZ GAAP any such gain is included in “Gains” in the Statement of Comprehensive Revenue and Expense.
- iii. Internal charges and overheads recovered are shown as a source of operating funding in the FIS – whereas in Council’s Statement of Comprehensive Revenue and Expense they are deducted from operating expenditure.
- iv. The value of assets vested in (effectively donated to) Council which are specified for funding capital expenditure are not included. Under NZ GAAP they are included in “Other revenue” in the Statement of Comprehensive Revenue and Expense and added to the value of Fixed assets in the Statement of Financial Position.

Applications of Operating Funding - includes operating expenditure of the activity, but note:

- v. Depreciation and amortisation expense is excluded as it does not involve a cash payment - whereas under NZ GAAP it is included in Expenditure in the Statement of Comprehensive Revenue and Expense. The value of this expense is shown in the reconciliation section.
- vi. In Council’s Statement of Comprehensive Revenue and Expense internal charges and overheads recovered are deducted from operating expenditure whereas in the FIS they are shown as a source of operating funding.
- vii. The “Finance costs” shown are the amount paid by the activity to Council’s Investment unit and so are also an internal cost.
- viii. Any loss on sale of assets is not included as it does not involve a cash payment - whereas under NZ GAAP it is included in Expenditure in the Statement of Comprehensive Revenue and Expense.

Sources of Capital Funding - shows direct sources of funding the capital expenditure of the activity, but note:

- ix. Grants and contributions received which are specified for funding capital expenditure are included - whereas under NZ GAAP they are included in either “Development and financial contributions” or “Other revenue” in the Statement of Comprehensive Revenue and Expense.
- x. Any proceeds from the sale of an asset are included in here - whereas under NZ GAAP only the loss or gain on sale would be included in the Statement of Comprehensive Revenue and Expense.
- xi. The value of assets vested in (effectively donated to) Council which are specified for funding capital expenditure are not included – whereas under NZ GAAP they are included in “Other revenue” in the Statement of Comprehensive Revenue and Expense.
- xii. Funding from a reserve is included as a negative value of “Increase (decrease) in reserves” in the “Applications of capital funding” section.
- xiii. While loans are included here there are some situations in which a loan is used to fund operating expenditure.

- xiv. Capital expenditure may also be funded from items included as “Sources of operating funding”, e.g. activities with low levels of capital expenditure often fund it directly from rates.

Applications of Capital Funding - shows how much funding has been:

- xv. Used to fund capital expenditure; and
- xvi. Transferred to a reserve, less the amount taken from a reserve to fund capital expenditure.

Surplus (Deficit) of Operating Funding And Capital Funding - represent funds transferred between these two uses as defined by the FIS, for the reasons outlined here they differ from a surplus which would be calculated under NZ GAAP and as presented in the Statement of Comprehensive Revenue and Expense.

Council’s management and investment units are not included in any activity, their costs and revenues are allocated over all activities, using appropriate allocation bases. For this reason adding the information provided for all activity groups will not agree to Council’s financial statements. Similarly adding all “Internal charges and overheads recovered” gives a different answer to adding all “Internal charges and overheads applied” as most recoveries are to the management unit