



**PAPAIOEA**  
**PALMERSTON**  
**NORTH**  
**CITY**

---

# **PALMERSTON NORTH CITY COUNCIL**

---

AGENDA

## **MINUTES ATTACHMENTS**

# **COUNCIL**

---

**9:00 AM, WEDNESDAY 30 OCTOBER 2024**

COUNCIL CHAMBER, FIRST FLOOR  
CIVIC ADMINISTRATION BUILDING  
32 THE SQUARE, PALMERSTON NORTH

---

# **COUNCIL MEETING**

30 October 2024

**183-24 Annual Report 2023/24 – minor updates**

There were numerous proofing changes made that were incorporated into the new document provided for the Council meeting today, including the changes to key achievements recommended to Council, by the Risk & Assurance Committee, following the meeting last week on 23 October.

Some changes have occurred since the agenda was published. The most significant changes are identified below.

As this document is being adopted, we have provided updated copies of these pages for easy reference by Elected Members.

Page	Change
24	City Emissions section: Revised text for further clarification and to meet Audit NZ requirements
107	Organisational Emissions section: Revised text for further clarification and to meet Audit NZ requirements
108	Measure 2: Revised text to meet Audit NZ requirements
228	Requested by Audit NZ: Essential services benchmark: Correction to calculation of measure Debt Control Benchmark: Correction to calculation of measure

Other minor proofing changes since the Council agenda version was printed:

Page	Change
Numerous	Some headings for financial tables in Section 2 showed the incorrect year for the Annual Plan Budget column. These were updated from 2023 to 2024.
256	“What the Trust does” changed to “What the company does”
259	Sustainability measure comment: Changed from “The elite status made PNAL one of only 23 airports (as at December 2023)” to “The elite status made PNAL one of only 94 airports (as at August 2024)”

Work on the consent application was finalised and the consent application was submitted on the 19th of December 2022, a date that was agreed upon with Horizons Regional Council.

As a result of deliberations for the new Long Term Plan, we are now taking another look to see if there is a new or more affordable option for our treatment and discharge for the future.

In terms of our fresh air, Palmerston North has clean fresh air and the risk of exceeding New Zealand Air Quality Standards is low. Horizons do not require the city to have an air quality monitoring programme.

### Citywide Emissions

Through the 2021-31 Long Term Plan, Council set a target of a 30% net reduction in tonnes of CO<sub>2</sub> equivalent emissions

(tCO<sub>2</sub>e) in Palmerston North by 2031, compared to the 2016/17 baseline. Emissions categories include Stationery energy, Transportation, Waste, Industry, Agriculture and Forestry. This includes carbon absorbed by forest growth and emissions from harvesting, but precludes the purchase of carbon offsets. This 2023 inventory has been prepared to measure progress against this target (2023 sat within the 2021-31 Long Term Plan period). Total net emissions for 2023 were 647,252 tCO<sub>2</sub>e. This is a 21,880 tCO<sub>2</sub>e reduction compared to the previous year, and an 11,929 tCO<sub>2</sub>e increase since the 2016/17 baseline.

The city-wide target was revised as part of the 2024-34 Long Term Plan and is currently set at a 44% reduction in per capita emissions by 2034 compared to the 2016 baseline. However, on a per capita basis, citywide emissions have declined 9% over the 2016-2023 period.

However, on a per capita basis, citywide emissions have declined 9% over the same period.

### Economy, Visitor Numbers, Business Development and Employment

Economic growth in Palmerston North has been relatively strong over the last five years with Gross Domestic Product (GDP) increasing by 12.6% in the city compared with 10.4% nationally. Economic activity is easing at present with high interest rates and elevated living costs weighing on consumer spending and driving down demand for goods and services across the economy. This is reflected in data for the city which indicates that GDP has fallen by -0.7% over the year to March 2024, compared to an increase of 0.2% nationally.

Challenging economic conditions are forecast to continue in 2024, with economic activity expected to improve as inflation falls back into range later this year. Lower inflation will enable interest rates to fall, reducing living costs for our families and whanau and releasing money to be spent on goods and services across the economy. This will support our businesses to be profitable, supporting an increase in investment and employment across the city. Central government investment in key local industries, such as defence and scientific research, as well as a focus on raising export opportunities for our producers, will also support the regional economy as we emerge from the current economic downturn.

Despite economic challenges, salaries and wages increased strongly over 2022 and 2023 as competition for a limited pool of workers, drove earnings higher. Median annual salaries and wages in the city have increased above the rate of growth for New Zealand, up 27.8% over the five years to March 2023 compared to an increase of 27.6% nationally.

Total income (salaries and wages and income from self-employment) was \$3.54 billion in the year to March 2023, 39.2% higher than the year to March 2018 compared with national income growth of 39.5% over this period. Wage growth is easing in 2024 as demand for workers falls in response to weak demand for goods and services across the economy. On the upside, labour market indicators remain relatively positive with the rate of unemployment remaining below the longer-term trend despite economic challenges.

Tourism spending is also being impacted by the economic slowdown with domestic tourism spending in the city falling by 1.7% in the year to May 2024. This compares with a 3.1% fall nationally. In contrast, international tourism spending has strengthened due to the removal of economic restrictions in place in response to COVID-19, increasing by 23.8% in the city over the year to May 2024 compared with the previous year. This compares with a 20.8% increase nationally. Global economic recovery alongside the easing of domestic interest rates, are expected to support tourism spending in New Zealand into 2025.

Electronic card retail spending is following the same trend with annual growth in spending falling below the rate of annual inflation both in the city and nationally. Over the year to May, retail spending in the city increased by 1.3% to reach a total of \$1.506 billion. This compares with 2.5% growth

in spending nationally. Core spending is holding up while spending on big-ticket and discretionary items are falling, as household and business spending pulls back in response to higher costs.

Palmerston North has industry strengths that add to the resilience of the city economy. Our economy is buffered by a large and diverse government, health and education sector, contributing 31.2% of GDP and 36.0% of total employment.

This compares with 17.1% of GDP and 23.1% of employment, nationally. 'Public administration and safety' is the largest sector in Palmerston North by contribution to GDP and the third largest employer, adding \$704.4m (13.1%) to GDP and 6,105 (10.8%) jobs to the city economy. 'Defence' is the largest sub-sector, generating \$293.5m in GDP over the March 2023 year and employing 2,369 personnel. 'Health care and social assistance' continues to be the largest employer, contributing 8,008 jobs to the city economy. The city also has a high growth scientific research sector, which is set to benefit from increased investment into agricultural emissions reduction.

The signalled boost in funding to key industries in the city, as well as expansion of our high-growth sectors such as logistics and distribution, will support the Palmerston North economy to recover from the current broad based economic challenges.

## What happened in the year

### Climate Change

2023 was officially the hottest year on record reaching 1.48°C above pre-industrial times. At the same time, New Zealand's greenhouse gas emissions decreased by 4% from 2021 to 2022, which is good news, although it's not enough to put us on a trajectory to reach net zero by 2050. In March 2024 the independent Climate Change Commission recommended a 58% reduction in Emissions Trading Scheme credits (in 2025) due to a significant increase in forest planting and the 161 million ETS credits in circulation currently considered to be 'surplus'. If this is adopted it will increase the price of credits and, at least theoretically, drive further emission reductions.

In May 2024 consultation began on the National Adaptation Framework which outlines funding options and who will be responsible for future climate adaptation projects under the National Adaptation Plan. Progress on delivering the National Adaptation Plan will be provided in August 2024.

We published the results of its Carbon Neutral Feasibility Study which indicates that current reduction rates

will minimise Council emissions by 2050 and hard to reduce sources can be offset by tree planting increasing to a rate of 15 hectares (37,500 trees) per year by 2035.

210kW of new Solar generation is being installed at our Awapuni Resource Recovery Centre to help offset its energy consumption.

Last planting season, volunteers planted 14,949 trees as part of the Green Corridors project. This not only helps attract biodiversity into the city, but also helps to absorb and store carbon dioxide from the atmosphere.

## Ongoing considerations

### Climate Change

We continue to develop and deliver organisational and citywide inventories to track our greenhouse gas emissions and compare them against our Net Zero Feasibility scenarios. This information helps us to measure our progress against our published goals and focus our attention on inefficient or high-emission areas.

We've already adopted many of the principles of international and national policy in our Community Wellbeing Strategy 2024-34 and its Climate Change & Sustainability Plan.

We will continue to share our expertise and develop a common climate inventory and adaptation toolset with our partner across the Manawatū-Whanganui region.

### Organisational Emissions

The organisation's emissions have fallen from 26,444 tonnes of CO<sub>2</sub> equivalent emissions (tCO<sub>2</sub>e) in 2015/16, to 17,180 tCO<sub>2</sub>e in 2023/24: a 35% reduction. Non-landfill-related emissions fell from 6,942 tCO<sub>2</sub>e to 5,661 tCO<sub>2</sub>e over the same period: an 18.46% reduction since 2015/16 and a 5.6% decrease from the previous 2022/23 period. Emissions categories include methane from closed landfills, electricity and natural gas, petrol and diesel, wastewater treatment, staff commuting, travel, waste, fertilizer use and leakage of refrigerants. These findings, and the associated source data, have been independently assessed against ISO14064-3 by an external auditor.

## How did we perform

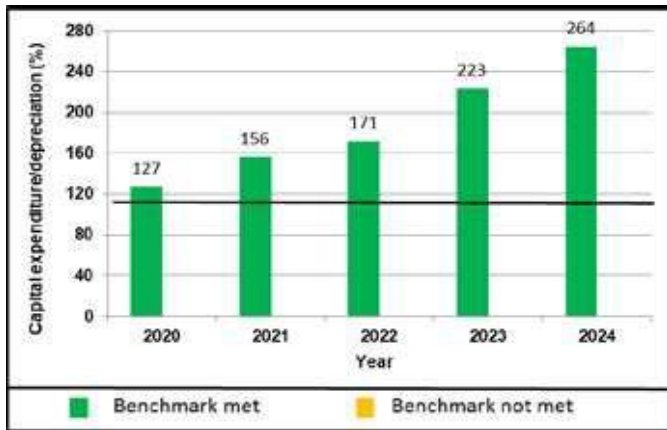
What we do	How we show we are doing a good job	Result	Comment
<p><b>Foster sustainable practices and behaviours so that city residents and organisations become more sustainable.</b></p>	<p>1. Increase in sustainable practices.</p> <p>Target: Narrative measure outlining projects and initiatives that foster sustainable practices/ behaviours and their impacts.</p>	<p>● Target met</p> <p>✓</p>	<p>The objectives of the Low Carbon Fund are narrowly defined in terms of delivering carbon reductions at low/negative net present costs, the fund continues to deliver low-carbon projects that offer a range of broader strategic outcomes, such as air/water quality improvements. The climate change team also continue to support the Green Corridors project, with 14,949 trees planted in the previous planting season (the current season is just beginning at the time of writing).</p> <p>The recent Aokautere rezoning has resulted in 170 hectares of gullies being reclassified as Conservation and Amenity zones. The responsibility is likely to fall partially on Green Corridors, so the resourcing requirements are still being considered.</p>
<p><b>Develop policies and plans and work with city stakeholders to achieve the target of a 30% reduction in greenhouse gas emissions by 2031 and continue to reduce greenhouse gas emissions from Council's own activities.</b></p>	<p>2. Decrease in Council's total organisational emissions.</p> <p>Target: Narrative measure outlining greenhouse gas reduction initiatives and their impacts.</p>	<p>✓ Target met</p>	<p>Ongoing monitoring of organisational emissions, with inventories for the 23/24 FY delivered to the August 2024 Sustainability Committee.</p> <p>Quantifying GHG emissions is subject to inherent uncertainty because the scientific knowledge and methodologies to determine the emissions factors and processes to calculate or estimate quantities of GHG sources is still evolving, as are GHG reporting and assurance standards.</p> <p>Carbon reduction initiatives delivered under the Low Carbon Fund (LCF) represent over 1,000 tonnes of expected organisational carbon savings at a net-negative cost to Council. These initiatives include the purchase of electric vehicles, including pool cars and ride on mowers, the purchase of pool covers for the Lido outdoor swimming pool and the installation of alternative energy systems such as solar power at the materials recovery facility and a wood pellet boiler at the council's plant nursery. The annual report for the LCF was delivered to the same committee.</p> <p>A City-wide Climate Action Plan aimed at reducing emissions and improving adaptation to climate impacts is currently under development.</p>
<p><b>Work with iwi and community groups to re-establish bush, particularly along waterways, and to control introduced predators.</b></p>	<p>3. Measured through Manawato River level of service.</p> <p>Target: Measured through Manawato River level of service.</p>	<p>✓ Target met</p>	<p>Several community working days have been held to control plant pests within Mc Crae's bush and the Ashhurst Domain. The animal pest control programme has continued within our reserves and walkway gullies. We continue to support the planting work of the Green Corridors group through funding and technical guidance.</p>



### Essential services benchmark

The following graph displays the council's capital expenditure on network services as a proportion of depreciation on network services.

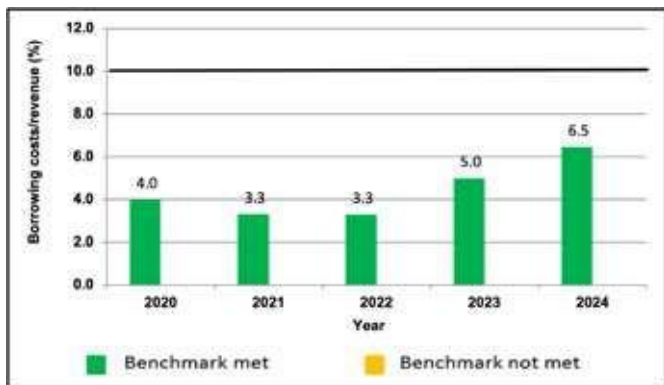
The council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



### Debt servicing benchmark

The following graph displays the council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment).

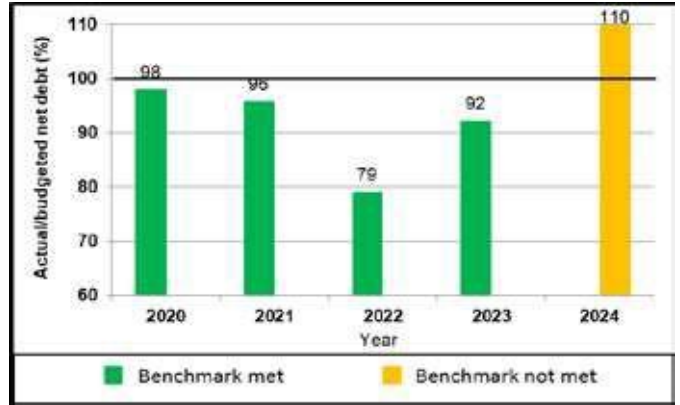
Because Statistics New Zealand projects the council's population will grow as fast as the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 10% of its revenue.



### Debt control benchmark\*

The following graph displays the council's actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables).

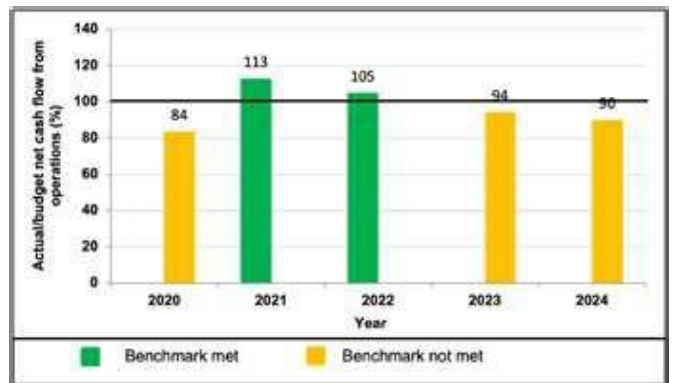
The council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.



\* Refer to additional information or comment on page 229 for further explanation.

### Operations control benchmark \*

This graph displays the council's actual net cash flow from operations as a proportion of its planned net cash flow from operations.



The council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.

\* Refer to additional information or comment on page 229 for further explanation.

## Independent Auditor's Report

### To the readers of Palmerston North City Council's annual report for the year ended 30 June 2024

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

We are also required to report on:

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

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

We completed our work on 30 October 2024. This is the date on which we give our report.

### Opinion on the audited information

#### ***Unmodified opinion on the audited information, excluding the statement of service provision***

In our opinion:

- the financial statements on pages 166 to 225:
  - present fairly, in all material respects:
    - the City Council and Group's financial position as at 30 June 2024;
    - the results of the operations and cash flows for the year ended on that date; and



- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards;
- the funding impact statement on page 232 presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council's Long-term plan and annual plan,
- the statement about capital expenditure for each group of activities on pages 233 to 241, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the City Council's Long-term plan and annual plan; and
- the funding impact statement for each group of activities on pages 233 to 241, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council's Long-term plan and annual plan.

### **Qualified opinion on the statement of service provision**

In our opinion, except for the possible effects of the matter described in the *Basis for our opinion on the audited information* section of our report, the statement of service provision (included in section two "What the Council Does") on pages 27 to 157:

- presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2024, including:
  - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
  - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
- complies with generally accepted accounting practice in New Zealand.

### **Report on the disclosure requirements**

We report that the City Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence) Regulations 2014 on pages 226 to 229, which represent a complete list of required disclosures and accurately reflects the information drawn from the City Council's and Group's audited information and, where applicable, the City Council's Long-term plan and annual plans.

The basis for our opinion is explained below and we draw attention to inherent uncertainties in the measurement of greenhouse gas emissions. In addition, we outline the responsibilities of the Council and our responsibilities relating to the audited information, we comment on other information, and we explain our independence.

## **Basis for our opinion on the audited information**

*Statement of service provision: Our work was limited with respect to the performance measure on percentage of resource consent applications processed within statutory frameworks*

An important part of the City Council's service performance is the percentage of resource consent applications processed in accordance with statutory timeframes. Our audit testing of resource consents identified that the City Council's systems have not accurately recorded resource consent processing times during the 2024 performance year. Due to the extent of the inaccuracies, we are unable to determine whether the City Council's reported result for this measure is materially correct.

As a result, our work was limited and there were no practicable audit procedures we could apply to obtain assurance over the reported result for this performance measure for the year ended 30 June 2024.

*Statement of service provision: Our work was limited in respect of the number of complaints received about water supply, wastewater and stormwater*

The City Council is required to report against the performance measures set out in the Non- Financial Performance Measure Rules 2013 (the Rules) made by the Secretary for Local Government. These include mandatory performance measures relating to the number of complaints received in relation to its drinking water supply, wastewater system and performance of the stormwater system (per 1,000 connections).

The Department of Internal Affairs has issued guidance to assist local authorities in applying the Rules, including how to count complaints. Our audit testing found that the City Council has not been counting complaints in accordance with this guidance and the City Council's method of counting was likely to have understated the actual number of complaints received.

Furthermore, complete records for all complaints made to the City Council were not available.

As a result, our audit work was limited and there were no practicable audit procedures we could apply to obtain assurance over the reported results for these performance measures. Our opinion was also qualified in this regard in the 2023 performance year.

***Statement of service provision: Our work was limited in respect of the comparative year result for the performance measure: The average quality of ride on the sealed local road network, measured by smooth travel exposure***

Our audit opinion for the year ended 30 June 2023 was qualified in respect of the performance measure *The average quality of ride on the sealed local road network, measured by smooth*

*travel exposure*, because the City Council had not undertaken a road smoothness survey within the last two financial years. As a result, the City Council did not have any up-to-date data to calculate its result for this measure, and the actual quality of ride on the sealed local road network may have differed materially from the result reported.

This issue has been resolved for the year ended 30 June 2024. As the limitation on our work cannot be resolved for the prior year, the City Council's performance information reported for this performance measure for the 30 June 2023 year may not be directly comparable to the 30 June 2024 performance information.

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. We describe our responsibilities under those standards further in the "Responsibilities of the auditor for the audited information" section of this report.

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

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

### **Emphasis of matter – Inherent uncertainties in the measurement of greenhouse gas emissions**

The City Council has chosen to include a measure of its greenhouse gas (GHG) emissions in its performance information. Without further modifying our opinion and considering the public interest in climate change related information, we draw attention to page 108 of the statement of service provision, which outlines the inherent uncertainty in the reported GHG emissions. Quantifying GHG emissions is subject to inherent uncertainty because the scientific knowledge and methodologies to determine the emissions factors and processes to calculate or estimate quantities of GHG sources are still evolving, as are GHG reporting and assurance standards.

### **Responsibilities of the Council for the audited information**

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

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

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

In preparing the information we audit the Council is responsible for assessing its ability to continue as a going concern. The Council is also responsible for disclosing, as applicable,

matters related to going concern and using the going concern basis of accounting, unless there is an intention to amalgamate or cease all of the functions of the City Council and the Group or there is no realistic alternative but to do so.

## **Responsibilities of the auditor for the audited information**

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

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

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

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

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

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

material uncertainty exists related to events or conditions that may cast a significant doubt on the City Council and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the audited information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the City Council and the Group to cease to continue as a going concern.

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

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

Our responsibilities arise from the Public Audit Act 2001.

## **Other Information**

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 1 to 26, 158, 230, 242, and 272 to 279, but does not include the audited information and the disclosure requirements, and our auditor's report thereon.

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

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

## Independence

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

In addition to our audit and our report on the disclosure requirements we have performed an audit of the City Council's Long-term plan 2024-34 and a limited assurance engagement related to the City Council's debenture trust deed. These engagements are compatible with those independence requirements.

Other than these engagements, we have no relationship with, or interests in, the City Council or its subsidiaries and controlled entities.

Debbie Perera

Audit New Zealand

On behalf of the Auditor-General  
Palmerston North, New Zealand