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ACCOUNTING INFORMATION

REPORTING ENTITY

The financial forecasts reflect the operations of the Tasman District Council.

Tasman District Council was formed in 1989 as a result of the Local Government Commission's Final Re-organisational Scheme. The resultant Tasman District Council is an amalgamation of the former Waimea County Council, Richmond Borough Council, Motueka Borough Council and Golden Bay County Council.

In 1992 Council assumed the responsibilities of the former Nelson Marlborough and West Coast Regional Councils within its boundaries to become a Unitary Authority.

STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The forecast information has been prepared and complies with Section 111 of the Local Government Act 2002, the Financial Reporting Act 1993, Generally Accepted Accounting Practice in New Zealand (GAAP) and the pronouncements of the Chartered Accountants Australia New Zealand (CAANZ).

The Tasman District Council is a Public Benefit Entity (PBE) whose primary objective is to provide goods and services for community or social benefit and where any equity has been provided with a view to supporting that primary objective rather than for a financial return. All available reporting exemptions allowed under the framework for Public Benefit Entities have been adopted.

The financial statements have been prepared in accordance with Tier 1 PBE accounting standards. These financial statements comply with PBE accounting standards.

The financial statements are presented in New Zealand Dollars (NZD) and all values are rounded to the nearest thousand dollars (\$000). The functional currency of the Council is New Zealand dollars.

MEASUREMENT BASE

The measurement base adopted is that of historical cost, except for land, buildings, forest assets and infrastructural assets which have been valued separately as noted below.

STATEMENT OF PROSPECTIVE FINANCIAL INFORMATION

The financial information contained within this document is prospective financial information in terms of Public Benefit Entity Financial Reporting Standard 42. The purpose for which it has been prepared is to enable the public to participate in the decision-making processes as to the services to be provided by the Tasman District Council to the Tasman communities over the financial years 2018-2028.

The assumptions underlying the preparation of this prospective financial information are adjusted to incorporate significant known variances as at December 2017. No actual results have been incorporated in this prospective financial information.

BASIS OF FINANCIAL STATEMENT PREPARATION

The financial statements are prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through surplus or deficit, certain classes of property, plant and equipment and investment property.

The preparation of financial statements, in conformity with Public Benefit Entity standards, is issued by the External Reporting Board. (PBE IPSAS) requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below will be applied consistently to all periods presented in the prospective financial statements.

The main purpose of prospective financial statements in the Long Term Plan is to provide users with information about the core services that Council intends to provide to ratepayers, the expected cost of those services and, as a consequence, how much Council requires by way of rates to fund the intended levels of service. The level of rates funding required is not affected by subsidiaries except to the extent that Council obtains distributions from, or further invests in, those subsidiaries. Such effects are included in the prospective financial statements of Council.

A CAUTIONARY NOTE

The actual results achieved for any given financial year are likely to vary from the information presented and may vary materially depending upon the circumstances that arise during the period. The prospective financial information is prepared in accordance with Section 93 of the Local Government Act 2002. The information may not be suitable for use in any other capacity.

JOINT VENTURES

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. For jointly controlled operations Council recognises in its financial statements the assets it controls, the liabilities and expenses it incurs, and the share of income that it earns from the joint venture in accordance with PBE IPSAS 8 Interests in Joint Ventures.

The entities disclosed below are treated as joint ventures.

- Nelson Regional Sewerage Business Unit. Council has a 50% interest in this entity.
- Nelson Tasman Combined Civil Defence Organisation. Council has a 50% interest in this entity.
- Nelson Tasman Regional Landfill Business Unit. Council has a 50% interest in this entity.

ASSOCIATED ORGANISATIONS

Council accounts for an investment in an associate in the financial statements using the equity method. An associate is an entity over which Council has significant influence and that is neither a subsidiary nor an interest in a joint venture. The investment in an associate is initially recognised at cost and the carrying amount is increased or decreased to recognise Council's share of the surplus or deficit of the associate after the date of acquisition. Distributions received from an associate reduce the carrying amount of the investment.

If Council's share of deficits of an associate equals or exceeds its interest in the associate, Council discontinues recognising its share of further deficits. After Council's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that Council has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports surpluses, Council will resume recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

Council's share in the associates surplus of deficits resulting from unrealised gains on transactions between Council and its associates are eliminated.

Dilution gains or losses arising from investments in associates are recognised in the surplus or deficit.

The entities disclosed below are treated as associates.

- Port Nelson Ltd. Council was vested a 50% shareholding in this entity
- Nelson Airport Ltd. Council has a 50% shareholding in this Company.
- Tasman Bays Heritage Trust. Council has significant influence over the trust.

Council has equity accounted for 50% of these entities.

REVENUE RECOGNITION

Revenue is recognised on an accrual basis. The following particular policies apply:

- Rates are recognised on instalment notice.
- Water billing revenue is recognised on an accrual basis with unread meters at year end accrued on an average usage basis.
- New Zealand Transport Agency revenue is recognised on entitlement when conditions pertaining to eligible expenditure are fulfilled.
- Rental income from investment property is recognised in the surplus or deficit on a straight line basis over the terms of the lease. Lease incentives granted are recognised as an integral part of the total rental income.
- Grants from the Government are recognised at their fair value where there is reasonable assurance that the grant will be received.
- Development and financial contributions are recognised as revenue when Council provides, or is able to provide, the service that gave rise to the charging of the contribution. Otherwise, development and financial contributions are recognised as liabilities until such time as Council provides, or is able to provide, the service.
- Interest is recognised using the effective interest method.
- Other 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 when conditions of the grant are satisfied.
- Dividends are recognised when the right to receive payment has been established.
- Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as revenue. Assets vested in Council are recognised as revenue when control over the asset is obtained.
- Infringements are recognised when the fine is issued.

The Tasman District Council collects monies for many organisations. Where collections are processed through the Tasman District Council's books, any monies held are shown as liabilities in the Statement of Financial Position. Amounts collected on behalf of third parties are not recognised as revenue, but commissions earned from acting as agent are recognised in revenue.

DISCLOSING TRANSACTIONS AS EXCHANGE OR NON-EXCHANGE

The new PBE accounting standards require entities to disclose on the face of the statement of financial position separate amounts for receivables from exchange transactions, receivables from non-exchange transactions, payables from exchange transactions, and payables from non-exchange transactions. Revenue from transfers and taxes, including major classes, is also required to be separately disclosed either on the face of the statement of comprehensive revenue and expense or the notes.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash-in-hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown in current liabilities in the statement of financial position.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially measured at fair value. They are subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Debtors have been valued at estimated net realisable value, after providing for doubtful and uncollectable debts.

WORKS IN PROGRESS

Work in progress is valued at the lower of cost and net realisable value.

EXPENDITURE

Expenditure is recognised when the service has been provided or the goods received or when it has been established that rewards of ownership have been transferred from the seller/provider to Council and when it is certain the obligation to pay arises.

PAYABLES

Short-term payables are recorded at their face value.

LEASES

Finance leases transfer to the lessee substantially all of the risks and rewards of ownership. At inception, finance leases are recognised as assets and liabilities on the Balance Sheet at the lower of the fair value of the leased property and the present value of the minimum lease payments. Any additional direct costs of the lessee are added to the amount recognised as an asset. Assets leased under a finance lease are depreciated as if the assets are owned.

Operating leases, where the lessor substantially retains the risks and rewards of ownership, are recognised in the surplus or deficit in a systematic manner over the term of the lease. Lease incentives are recognised in the surplus or deficit as a reduction in rental expense.

BORROWING COSTS

Borrowing Costs are recognised as an expense in the period in which they are incurred. Borrowings are initially recognised at their fair value plus transaction costs. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

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

GRANT EXPENDITURE

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where Council has no obligation to award on receipt of the grant application. Council recognises these grants as expenditure when a successful applicant has been notified.

TAXATION

Council's income tax expense comprises the total amount included in the determination of surplus or deficit for the period in respect of current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year (using tax rates enacted or substantially enacted at balance sheet date) together with any adjustment of tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method and applied on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of the assets and liabilities.

The enactment of tax rates and legislation at balance sheet date determine the application of deferred tax and applies when the related deferred tax asset is realised or when deferred tax liability is settled.

Deferred tax is not accounted for if an asset or liability of a non-business transaction does not affect either accounting profit or taxable profit. Similarly, deferred tax is not accounted for on temporary differences associated with investments in subsidiaries, branches, associates and joint ventures where the reversal of the temporary difference is controlled by Council, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable future taxable profit will be available against which deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

FINANCIAL ASSETS

FINANCIAL ASSETS AT FAIR VALUE THROUGH SURPLUS OR DEFICIT

This category has two sub-categories: financial assets held for trading, and those designated at fair value through surplus or deficit at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. After initial recognition they are measured at fair value. Gains or losses on measurement are recognised in the surplus or deficit.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition they are measured at amortised cost using the effective interest method. Gain or loss on impairment or de-recognition are recognised in the surplus or deficit.

HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. After initial recognition they are measured at amortised cost using the effective interest method. Gain or loss on impairment or de-recognition are recognised in the surplus or deficit.

Community loans are held-to-maturity assets and are stated at fair value.

FINANCIAL ASSETS AT FAIR VALUE THROUGH COMPREHENSIVE INCOME

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every balance date.

IMPAIRMENT OF FINANCIAL ASSETS

At each Statement of Financial Position date Council assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the surplus or deficit.

ACCOUNTING FOR DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Council uses derivative financial instrument to hedge exposure to interest rate risks arising from financing activities. In accordance with its treasury policy, Council does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The associated gains or losses of derivatives that are not hedge accounted are recognised in the surplus or deficit.

Council has elected not to hedge account for its interest rate swaps.

INTANGIBLE ASSETS

COMPUTER SOFTWARE

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

Costs associated with maintaining computer software (including the annualised licence) programmes are recognised as an expense as incurred.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Tasman District Council, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised on a straight-line basis over their estimated useful lives. The useful lives and associated amortisation rates of computer software have been estimated at five years (20 percent).

CARBON CREDITS

Purchased carbon credits are recognised at cost on acquisition. They have an indefinite useful life and are not amortised, but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.

EASEMENTS

Easements are recognised at cost, being the costs directly attributable in bringing the asset to its intended use. Easements have an indefinite useful life and are not amortised, but are instead tested for impairment annually.

SUBSEQUENT EXPENDITURE

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates, and it meets the definition of, and recognition criteria for, an intangible asset. All other expenditure is expensed as incurred.

An intangible asset with an indefinite useful life is not amortised, but is tested for impairment annually, and is carried at cost less accumulated impairment losses.

PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment consist of:

Operational Assets – these include land, buildings, computers and office equipment, building improvements, library books, plant and equipment, forestry and motor vehicles.

Restricted Assets – assets owned or vested in Council which cannot be disposed of because of legal or other restrictions and provide a benefit or service to the community.

REVALUATION

It is Council's intention to revalue all property plant and equipment with the exception of vehicles, computers, plant, library books and office equipment, no more than every three years.

Revaluation increases and decreases relating to individual assets within a class are offset. Revaluation increases and decreases in respect of different classes are not offset.

The following assets will be revalued on a three yearly basis:

- Rooding
- Stormwater
- Solid Waste
- Water Supply
- Wastewater
- Rivers
- Coastal Structures
- Land and Buildings

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but 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 recognised in other comprehensive revenue and expense.

The anticipated results of the revaluations have been included in the Long Term Plan.

INFRASTRUCTURAL ASSETS

Infrastructural assets are the fixed utility systems owned by Council. Each asset type includes all items that are required for the network to function, e.g. sewerage reticulation includes reticulation piping and sewerage pump stations.

Costs incurred in obtaining any resource consents are capitalised as part of the asset to which they relate. If a resource consent application is declined, then all capitalised costs are written off in the current period.

DEPRECIATION

Depreciation is provided on a straight line basis on all assets at rates which will write off the cost (or valuation) of the assets to their estimated residual values, over their useful lives. These assets have component lives that have been estimated as follows:

Land	Not Depreciated
Buildings (including fit out)	10-100 years
Plant and Equipment	5-10 years
Motor Vehicles	5-10 years
Library Books	2-10 years

INFRASTRUCTURE ASSETS

TRANSPORTATION	
Bridges	50-100 years
Roads	2-80 years
Formation	Not Depreciated
Sub-base (sealed)	Not Depreciated
Basecourse (sealed)	65-75 years
Surfaces	2-50 years
Carparks – components	8-45 years
Footpaths	5-50 years
Pavement base (unsealed)	Not Depreciated
Drainage	15-80 years
WASTEWATER	
Oxidation Ponds	Not Depreciated
Treatment	9-100 years
Pipe	50-80 years
Pump Stations	20-80 years
WATER	
Wells and Pumps	10-80 years
Pipes/Valves/Meters	15-80 years

STORMWATER

Channel/Detention Dams	Not Depreciated
Pipe/Manhole/Sumps	80-120 years
Ports and Wharves	7-100 years
Aerodromes	10-80 years
Solid waste	15-100 years

RIVERS

Stop Banks	Not Depreciated
Rock Protection	Not Depreciated
Willow Plantings	Not Depreciated
Gabion Baskets/Outfalls	30-60 years
Railway Irons	50 years

LIBRARY BOOKS

LIBRARIES

Adult and Technical Books	10 years
Children's Books	5 years
CDs and talking books	2 years

IMPAIRMENT

The carrying amounts of Council's assets, other than investment property, inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses on re-valued assets offset any balance in the asset revaluation reserve, with any remaining impairment loss being posted to the surplus or deficit.

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

VESTED ASSETS

Vested assets are assets vested in Council as a result of subdivision activity. Council has made an estimate of the likely value of assets that will be vested in any one year. This estimate is based upon an assessment of typical vested assets underpinned by Council's future growth study.

ADDITIONS

The cost of an item of property, plant, and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to Council and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

DISPOSALS

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in revaluation reserves in respect of those assets are transferred to general funds.

SUBSEQUENT COSTS

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Council and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

FOREST ASSETS

Forest assets are predominantly standing trees which are managed on a sustainable yield basis. These are shown in the Statement of Financial Position at fair value less estimated point of sale costs at harvest. The costs to establish and maintain the forest assets are included in the surplus or deficit together with the change in fair value for each accounting period.

The valuation of the Tasman District Council's forests is based on the present value of expected discounted cash flow models where the fair value is calculated using cash flows from continued operations, based on sustainable forest management plans taking into account growth potential. Forest assets are valued separately from the underlying freehold land.

GST

All figures are GST exclusive except receivables and payables which are stated with GST included.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

CONTRACT RETENTIONS

Certain contracts entitle Council to retain amounts to ensure the performance of contract obligations. These retentions are recognised as a liability and are then used to remedy contract performance or paid to the contractor at the end of the retention period.

OVERHEADS

Indirect overheads have been apportioned on an activity basis, using labour cost of full time staff employed in those specific output areas.

Indirect costs not directly charged to activities are allocated as overheads using appropriate cost drivers such as actual usage, staff numbers and floor area.

INVESTMENT PROPERTIES

Properties that fall within the accounting definition of investment properties are revalued annually at fair value by an independent registered valuer. The result of the revaluation is credited or debited to the surplus or deficit. There is no depreciation on investment properties.

PROPERTIES INTENDED FOR RESALE

In circumstances where the use of the property changes to being property held for resale the property would be reclassified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Non-current assets would not be depreciated or amortised while they are classified as held for sale.

PROVISIONS

A provision is recognised in the Statement of Financial Position when Council has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits, the amount of which can be reliably estimated, will be required to settle the obligation.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in "finance costs"

EMPLOYEE ENTITLEMENTS

Provision is made in respect of Tasman District Council's liability for retiring gratuity allowances, annual and long service leave and sick leave.

The retiring gratuity liability is assessed on an actuarial basis 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 amount of unused entitlement accumulated at the balance sheet date that the entity anticipates employees will use in future periods in excess of the days that they will be entitled to in each of those periods.

LANDFILL AFTER-CARE COSTS

Landfills in the region are now provided regionally, through the Nelson-Tasman Regional Landfill Business Unit, which is a joint committee of the Nelson City Council and Tasman District Council. This business unit commenced operations on 1 July 2017. From this date the Eves Valley Landfill (which we previously managed) stopped receiving waste and all waste is now directed the York Valley Landfill (located in Nelson City).

As the landfills in the District are now a 50% Joint Venture, Tasman District Council recognise 50% of the post care provisions for both Eves Valley and York Valley landfills and has a legal obligation to provide ongoing maintenance and monitoring services at the landfill sites after closure. The landfill post closure provision is recognised in accordance with PBE IPSAS Reporting Standard 19 Provisions, Contingent Liabilities and Contingent Assets. This provision is calculated on the basis of discounting closure and post closure costs into present day value.

The calculations assume no change in the legislative requirements for closure and post closure treatment.

EQUITY

Equity is the community's interest as measured by total assets less total liabilities. Public equity is disaggregated and classified into a number of reserves. The components of equity are:

- Accumulated Funds
- Restricted Reserves and Council Created Reserves
- Asset Revaluation Reserve

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.

Restricted reserves are those reserves subject to specific conditions accepted as binding by Council and which may not be revised by Council without reference to the Courts or third party.

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

STATEMENT OF CASH FLOWS

Cash and cash equivalents mean cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which council invests, as part of its day to day cash management.

Operating activities include cash received from all income sources and record the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise the change in equity and debt capital structure of Council.

FUNDING IMPACT STATEMENTS

The Funding Impact Statements (FIS) have been prepared in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014. This is a reporting requirement unique to Local Government and the disclosures contained within and the presentation of these statements is not prepared in accordance with generally accepted accounting practices (GAAP).

The purpose of these statements is to report the net cost of services for significant groups of activities (GOA) of Council, and are represented by the revenue that can be allocated to these activities less the costs of providing the service. They contain all funding sources for these activities and all applications of this funding by these activities. The GOA FIS include internal transactions between activities such as internal overheads and charges applied and or recovered and internal borrowing. A FIS is also prepared at the whole of Council level summarising the transactions contained within the GOA FIS, eliminating internal transactions, and adding in other transactions not reported in the GOA statements.

These statements are based on cash transactions prepared on an accrual basis and as such do not include non-cash/accounting transactions that are included within the Prospective Comprehensive Income Statement as required under GAAP. These items include but are not limited to Council's depreciation, gain and/or losses on revaluation and vested assets.

They also depart from GAAP as funding sources are disclosed within the FIS as being either for operational or capital purposes. Income such as subsidies received for capital projects, development and financial contributions and gains on sale of assets are recorded as capital funding sources. Under GAAP these are treated as income in the Prospective Comprehensive Income Statement.

FUNDING IN ACCORDANCE WITH THE LOCAL GOVERNMENT ACT 2002

Section 100(1) of the Local Government Act 2002 requires local authorities to set operating revenues at a level to cover all operating expenses, except as provided in S100(2). Operating expenses include an allowance for debt servicing and for the decline in service potential of assets (depreciation). Council has complied with S100(1) in the preparation of this Long Term Plan.

CHANGES IN ACCOUNTING POLICIES

There are no changes to accounting policies.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements Council has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgments 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 discussed below.

INFRASTRUCTURAL ASSETS

There are a number of assumptions and estimates used when performing Depreciated Replacement Cost valuations over Infrastructural assets. These include:

- The physical deterioration and condition of an asset, for example Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets which are not visible, for example stormwater, wastewater and water supply pipes that are underground. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments of underground assets.
- Estimating any obsolescence or surplus capacity of an asset.
- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then Council could be over or under estimating the annual depreciation charge recognised as an expense in the surplus or deficit. To minimise this risk Council's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of Council's asset management planning activities, which gives Council further assurance over its useful life estimates.

Council staff perform the Council's infrastructural asset revaluations with a review undertaken by experienced independent valuers.

CRITICAL JUDGEMENT IN APPLYING COUNCIL'S ACCOUNTING POLICIES

Management have exercised the following critical judgement in applying Council's accounting policies.

CLASSIFICATION OF PROPERTY

Council owns a number of properties which are maintained primarily to provide community housing. The receipt of lower than market-based rental from these properties is incidental to holding these properties. These properties are held for service delivery objectives. These properties are accounted for as property, plant and equipment.

INFLATION ADJUSTED ACCOUNTS

The PBE Financial Reporting Standard 42 – ‘Prospective Financial Information’, requires councils to incorporate the effects of inflation into their 10-year financial forecasts.

This means that all financial figures shown in this document for Year 1 onwards incorporate inflation adjustments compounding annually. For example, this means that what costs \$1.00 for maintenance in Year 1 is expected to cost almost \$1.26 by Year 10.

Inflation data for the local government sector is provided by Business and Economic Research Ltd, (BERL). The data is prepared to assist councils with planning models, particularly their Long Term Plans.

Council considered the BERL figures along with other economic factors like forecast labour costs and the economic conditions currently being experienced.

In deriving our inflation-adjusted financial projections we have used the data from BERL plus some other data for Year 1 operating costs.

Variable annual rates have been applied to four cost groups across the model, best summarised in the following table:

	Jun-19	Jun-20	Jun-21	Jun-22	Jun-23	Jun-24	Jun-25	Jun-26	Jun-27	Jun-28	Ten Year Average
Income	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%	2.90%	2.6%
Salaries	2.60%	2.60%	2.70%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	2.8%
Maintenance	2.00%	2.20%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.3%
Capital	2.00%	2.20%	2.20%	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.70%	2.4%

The BERL figures were prepared in October 2017.

PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

	2017/18 Budget \$000	2018/19 Budget \$000	2019/20 Budget \$000	2020/21 Budget \$000	2021/22 Budget \$000	2022/23 Budget \$000	2023/24 Budget \$000	2024/25 Budget \$000	2025/26 Budget \$000	2026/27 Budget \$000	2027/28 Budget \$000
INCOME											
Revenue from Rates											
General rates	37,210	38,310	39,742	41,470	42,817	44,893	46,662	48,120	49,234	50,956	52,021
Targeted rates	33,087	34,108	35,273	36,613	38,708	40,001	41,633	42,192	43,755	45,197	47,141
Operating Activities											
Development and financial contributions	5,427	9,838	9,936	10,040	8,072	8,157	8,244	8,696	8,795	8,896	8,538
Operating subsidies and grants	3,686	3,510	3,611	3,636	3,814	3,879	4,062	4,135	4,267	4,305	4,489
Capital subsidies	3,764	3,173	4,634	4,004	5,639	4,177	4,105	4,537	5,239	4,791	4,391
Fees and charges	13,536	14,969	15,731	16,463	16,817	17,424	17,931	18,444	19,100	19,766	20,330
Other revenue	14,223	18,699	21,192	22,015	20,790	22,812	22,261	23,112	23,106	20,655	15,135
Total Revenue	110,933	122,607	130,119	134,241	136,657	141,343	144,898	149,236	153,496	154,566	152,045
Fair value movement on revaluation	797	466	621	164	167	1,347	565	232	697	(1,266)	(740)
Other gains	75	62	62	62	62	62	62	62	62	62	62
Finance income	484	293	354	432	560	717	694	657	630	615	653
TOTAL INCOME	112,289	123,428	131,156	134,899	137,446	143,469	146,219	150,187	154,885	153,977	152,020
EXPENSE											
Finance expense	8,301	9,696	9,499	9,436	9,427	9,666	9,779	9,670	9,202	8,687	8,000
Employee related expense	23,073	24,819	26,005	26,948	27,828	28,857	29,874	30,867	32,016	33,249	34,474
Expenditure on operating activities	28,946	28,778	29,883	29,378	30,527	32,485	32,266	33,086	34,775	35,186	35,959
Maintenance	21,547	23,705	25,949	27,326	27,385	29,621	29,325	30,811	30,616	29,799	27,186
Depreciation and amortisation	24,349	26,382	27,657	30,233	30,172	29,233	31,354	31,309	31,869	34,481	35,046
TOTAL EXPENSE	106,216	113,380	118,993	123,321	125,339	129,862	132,598	135,743	138,478	141,402	140,665
TOTAL ACCOUNTING SURPLUS	6,073	10,048	12,163	11,578	12,107	13,607	13,621	14,444	16,407	12,575	11,355
Share of joint ventures	3,094	3,166	3,225	3,301	3,642	4,003	4,108	4,205	4,266	4,322	4,431
Share of associates surplus/deficit	0	0	0	0	0	0	0	0	0	0	0
NET SURPLUS BEFORE TAXATION	9,167	13,214	15,388	14,879	15,749	17,610	17,729	18,649	20,673	16,897	15,786
Income tax expense	0	0	0	0	0	0	0	0	0	0	0
NET SURPLUS for the year	9,167	13,214	15,388	14,879	15,749	17,610	17,729	18,649	20,673	16,897	15,786
OTHER COMPREHENSIVE INCOME											
Gain on asset revaluations	0	0	89,696	0	0	112,279	0	0	142,581	0	0
Deferred tax on asset revaluations	0	0	0	0	0	0	0	0	0	0	0
Movement in NZLG shares value	0	0	0	0	0	0	0	0	0	0	0
Asset impairment Loss	0	0	0	0	0	0	0	0	0	0	0
Share of associate other comprehensive income	0	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER COMPREHENSIVE INCOME	0	0	89,696	0	0	112,279	0	0	142,581	0	0

PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE (CONT.)

	2017/18 Budget \$000	2018/19 Budget \$000	2019/20 Budget \$000	2020/21 Budget \$000	2021/22 Budget \$000	2022/23 Budget \$000	2023/24 Budget \$000	2024/25 Budget \$000	2025/26 Budget \$000	2026/27 Budget \$000	2027/28 Budget \$000
TOTAL OPERATING SURPLUS (as above)	6,073	10,048	12,163	11,578	12,107	13,607	13,621	14,444	16,407	12,575	11,355
Less Non-Controllable Activities											
Capital subsidies	3,764	3,173	4,634	4,004	5,639	4,177	4,105	4,537	5,239	4,791	4,391
Vested assets	3,051	4,259	4,352	4,448	4,546	4,650	4,762	4,876	4,998	5,128	5,267
Fair value movement on revaluation	797	466	621	164	167	1,347	565	232	697	(1,266)	(740)
Total Non-Controllable Activities	7,612	7,898	9,607	8,616	10,352	10,174	9,432	9,645	10,934	8,653	8,918
TOTAL CONTROLLABLE SURPLUS/DEFICIT	(1,539)	2,150	2,556	2,962	1,755	3,433	4,189	4,799	5,473	3,922	2,437

PROSPECTIVE STATEMENT OF FINANCIAL POSITION

	2017/18 Budget \$000	2018/19 Budget \$000	2019/20 Budget \$000	2020/21 Budget \$000	2021/22 Budget \$000	2022/23 Budget \$000	2023/24 Budget \$000	2024/25 Budget \$000	2025/26 Budget \$000	2026/27 Budget \$000	2027/28 Budget \$000
CURRENT ASSETS											
Cash and cash equivalents	7,987	6,189	4,155	4,340	4,722	5,285	5,121	5,014	4,897	5,200	7,668
Trade and other receivables	14,030	19,212	20,696	20,822	20,418	20,700	20,643	21,275	21,592	20,788	18,846
Other financial assets	1,521	1,833	1,833	1,833	1,833	1,833	1,833	1,833	1,833	1,833	1,833
Non current assets held for resale	770	560	560	560	560	560	560	560	560	560	560
TOTAL CURRENT ASSETS	24,308	27,794	27,244	27,555	27,533	28,378	28,157	28,682	28,882	28,381	28,907
CURRENT LIABILITIES											
Trade and other payables	16,143	17,652	18,208	18,963	18,827	19,189	18,693	19,245	19,456	18,851	19,138
Employee benefit liabilities	2,028	2,194	2,281	2,347	2,406	2,474	2,538	2,598	2,666	2,736	2,803
Current portion of borrowings	12,978	228	228	228	228	228	228	228	228	228	228
Current portion of derivative financial instruments	0	818	818	818	818	818	818	818	818	818	818
TOTAL CURRENT LIABILITIES	31,149	20,892	21,535	22,356	22,279	22,709	22,277	22,889	23,168	22,633	22,987
WORKING CAPITAL	(6,841)	6,902	5,709	5,199	5,254	5,669	5,880	5,793	5,714	5,748	5,920
NON CURRENT ASSETS											
Investments in associates	109,933	123,311	123,311	123,311	123,311	123,311	123,311	123,311	123,311	123,311	123,311
Other financial assets	10,851	38,603	38,582	38,582	38,599	38,614	38,639	38,661	38,683	38,713	38,751
Intangible assets	953	1,386	1,449	1,622	1,785	1,911	2,007	2,100	2,192	2,299	2,418
Trade & other receivables	0	0	0	0	0	0	0	0	0	0	0
Forestry assets	34,298	36,724	37,345	37,508	37,676	39,022	39,588	39,820	40,517	39,251	38,511
Investment property	4,620	4,700	4,700	4,700	4,700	4,700	4,700	4,700	4,700	4,700	4,700
Property, plant and equipment	1,391,605	1,428,223	1,535,180	1,556,223	1,573,485	1,701,024	1,709,915	1,720,936	1,874,088	1,876,822	1,883,479
TOTAL NON CURRENT ASSETS	1,552,260	1,632,947	1,740,567	1,761,946	1,779,556	1,908,582	1,918,160	1,929,528	2,083,491	2,085,096	2,091,170
NON CURRENT LIABILITIES											
Term borrowings	155,244	196,386	197,756	203,781	205,719	205,289	197,371	190,027	180,679	165,443	155,925
Derivative financial instruments	20,071	11,582	11,582	11,582	11,582	11,582	11,582	11,582	11,582	11,582	11,582
Employee benefit liabilities	592	561	587	607	624	645	664	682	702	723	743
Provisions	3,093	3,286	3,233	3,178	3,139	3,100	3,059	3,017	2,975	2,932	2,890
TOTAL NON CURRENT LIABILITIES	179,000	211,815	213,158	219,148	221,064	220,616	212,676	205,308	195,938	180,680	171,140
TOTAL NET ASSETS	1,366,419	1,428,034	1,533,118	1,547,997	1,563,746	1,693,635	1,711,364	1,730,013	1,893,267	1,910,164	1,925,950
EQUITY											
Accumulated equity	580,862	626,972	639,252	653,974	669,673	687,551	706,854	725,038	743,233	755,557	768,816
Restricted reserves	10,251	9,903	13,011	13,168	13,218	12,950	11,376	11,841	14,319	18,892	21,419
Revaluation reserves	775,306	791,159	880,855	880,855	880,855	993,134	993,134	993,134	1,135,715	1,135,715	1,135,715
TOTAL EQUITY	1,366,419	1,428,034	1,533,118	1,547,997	1,563,746	1,693,635	1,711,364	1,730,013	1,893,267	1,910,164	1,925,950

PROSPECTIVE STATEMENT OF CASHFLOWS

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
CASHFLOW FROM OPERATING ACTIVITIES											
CASH WAS PROVIDED FROM:											
Fees and charges	41,224	45,875	52,911	55,361	55,271	56,233	56,847	58,587	60,608	59,719	55,422
Rates	70,276	72,420	74,990	78,055	81,495	84,866	88,267	90,296	92,969	96,130	99,140
Dividends received	2,930	2,955	2,955	2,955	2,955	2,955	2,955	2,955	2,955	2,955	2,955
Interest received	484	293	354	432	560	717	694	657	630	615	653
Net GST received	0	0	0	0	0	0	0	0	0	0	0
	114,914	121,543	131,210	136,803	140,281	144,771	148,763	152,495	157,162	159,419	158,170
CASH WAS DISBURSED TO:											
Payments to staff and suppliers	(76,144)	(79,965)	(84,542)	(86,882)	(89,073)	(93,912)	(95,258)	(98,296)	(101,233)	(102,473)	(102,183)
Interest paid	(8,301)	(9,696)	(9,499)	(9,436)	(9,427)	(9,666)	(9,779)	(9,670)	(9,202)	(8,687)	(8,000)
	(84,445)	(89,661)	(94,041)	(96,318)	(98,500)	(103,578)	(105,037)	(107,966)	(110,435)	(111,160)	(110,183)
NET CASH FROM OPERATING ACTIVITIES	30,469	31,882	37,169	40,485	41,781	41,193	43,726	44,529	46,727	48,259	47,987
CASHFLOW FROM INVESTING ACTIVITIES											
CASH WAS PROVIDED FROM:											
Proceeds from sale of assets	75	62	62	62	62	62	62	62	62	62	62
Proceeds from sale of investments	0	55	45	22	21	23	13	14	15	8	0
	75	117	107	84	83	85	75	76	77	70	62
CASH WAS DISBURSED TO:											
Purchase of investments	(7,407)	(9,162)	(24)	(22)	(39)	(38)	(37)	(36)	(37)	(38)	(39)
Purchase of property, plant and equipment	(45,286)	(42,430)	(40,657)	(46,387)	(43,381)	(40,246)	(36,011)	(37,332)	(37,536)	(32,751)	(36,025)
	(52,693)	(51,592)	(40,681)	(46,409)	(43,420)	(40,284)	(36,048)	(37,368)	(37,573)	(32,789)	(36,064)
NET CASH FROM INVESTING ACTIVITIES	(52,618)	(51,475)	(40,574)	(46,325)	(43,337)	(40,199)	(35,973)	(37,292)	(37,496)	(32,719)	(36,002)
CASHFLOW FROM FINANCING ACTIVITIES											
CASH WAS PROVIDED FROM:											
Proceeds from loans	34,001	29,407	18,165	24,193	21,252	19,780	18,186	14,243	12,581	5,862	12,764
CASH WAS DISBURSED TO:											
Repayment of borrowings	(12,975)	(15,326)	(16,794)	(18,169)	(19,313)	(20,211)	(26,104)	(21,587)	(21,929)	(21,098)	(22,281)
NET CASH FROM FINANCING ACTIVITIES	21,026	14,081	1,371	6,025	1,938	(431)	(7,917)	(7,344)	(9,348)	(15,237)	(9,517)
TOTAL NET CASHFLOWS	(1,123)	(5,512)	(2,034)	185	382	563	(164)	(107)	(117)	303	2,468
Opening cash held	9,110	11,701	6,189	4,155	4,340	4,722	5,285	5,121	5,014	4,897	5,200
Closing cash balance	7,987	6,189	4,155	4,340	4,722	5,285	5,121	5,014	4,897	5,200	7,668
Represented by:											
Cash and cash equivalents	7,987	6,189	4,155	4,340	4,722	5,285	5,121	5,014	4,897	5,200	7,668
Cash and cash equivalents	7,987	6,189	4,155	4,340	4,722	5,285	5,121	5,014	4,897	5,200	7,668

PROSPECTIVE STATEMENT OF CHANGES IN NET ASSETS/EQUITY

	2017/18 Budget \$000	2018/19 Budget \$000	2019/20 Budget \$000	2020/21 Budget \$000	2021/22 Budget \$000	2022/23 Budget \$000	2023/24 Budget \$000	2024/25 Budget \$000	2025/26 Budget \$000	2026/27 Budget \$000	2027/28 Budget \$000
EQUITY AT THE START OF THE YEAR	1,195,396	1,414,820	1,428,034	1,533,118	1,547,997	1,563,746	1,693,635	1,711,364	1,730,013	1,893,267	1,910,164
Total Comprehensive Revenue and Expenses	42,526	13,214	105,084	14,879	15,749	129,889	17,729	18,649	163,254	16,897	15,786
EQUITY AT THE END OF THE YEAR	1,237,922	1,428,034	1,533,118	1,547,997	1,563,746	1,693,635	1,711,364	1,730,013	1,893,267	1,910,164	1,925,950
COMPONENTS OF EQUITY											
Accumulated general equity at beginning of year	511,235	614,956	626,972	639,252	653,974	669,673	687,551	706,854	725,038	743,233	755,557
Net surplus/(deficit) for the year	9,063	13,214	15,388	14,879	15,749	17,610	17,729	18,649	20,673	16,897	15,786
Net transfers (to)/from reserves	(2,394)	(1,199)	(3,108)	(157)	(50)	268	1,574	(465)	(2,478)	(4,573)	(2,527)
ACCUMULATED GENERAL EQUITY AT END OF YEAR	517,904	626,972	639,252	653,974	669,673	687,551	706,854	725,038	743,233	755,557	768,816
Accumulated reserve funds at beginning of year	14,710	8,705	9,903	13,011	13,168	13,218	12,950	11,376	11,841	14,319	18,892
Net transfers to/(from) reserves	2,394	1,199	3,108	157	50	(268)	(1,574)	465	2,478	4,573	2,527
ACCUMULATED RESERVE FUNDS AT END OF YEAR	17,104	9,903	13,011	13,168	13,218	12,950	11,376	11,841	14,319	18,892	21,419
Accumulated revaluation reserves at beginning of year	669,451	791,159	791,159	880,855	880,855	880,855	993,134	993,134	993,134	1,135,715	1,135,715
Revaluation surplus/(deficit)	33,463	0	89,696	0	0	112,279	0	0	142,581	0	0
ACCUMULATED REVALUATION RESERVES AT END OF YEAR	702,914	791,159	880,855	880,855	880,855	993,134	993,134	993,134	1,135,715	1,135,715	1,135,715
EQUITY AT THE END OF THE YEAR	1,237,922	1,428,034	1,533,118	1,547,997	1,563,746	1,693,635	1,711,364	1,730,013	1,893,267	1,910,164	1,925,950

PROSPECTIVE CASHFLOW RECONCILIATION

	2017/18 Budget \$000	2018/19 Budget \$000	2019/20 Budget \$000	2020/21 Budget \$000	2021/22 Budget \$000	2022/23 Budget \$000	2023/24 Budget \$000	2024/25 Budget \$000	2025/26 Budget \$000	2026/27 Budget \$000	2027/28 Budget \$000
SURPLUS(DEFICIT) FROM PROSPECTIVE INCOME STATEMENT	9,167	13,214	15,388	14,879	15,749	17,610	17,729	18,649	20,673	16,897	15,786
ADD NON CASH ITEMS											
Depreciation	24,349	26,382	27,657	30,233	30,172	29,233	31,354	31,309	31,869	34,481	35,046
Fair value movement on revaluation	(797)	(466)	(621)	(164)	(167)	(1,347)	(565)	(232)	(697)	(1,266)	(740)
Share of associates surplus/deficit	0	0	0	0	0	0	0	0	0	0	0
Vested assets	(3,051)	(4,259)	(4,352)	(4,448)	(4,546)	(4,650)	(4,762)	(4,876)	(4,998)	(5,128)	(5,267)
	20,501	21,657	22,684	25,621	25,459	23,236	26,027	26,201	26,174	30,619	30,519
MOVEMENTS IN WORKING CAPITAL											
Decrease (increase) in accounts receivable	(744)	(3,410)	(1,484)	(126)	404	(282)	57	(632)	(317)	804	1,942
Increase (decrease) in accounts payable	151	(1,136)	556	755	(136)	362	(496)	553	211	(605)	287
Increase (decrease) in employee entitlements	108	135	87	66	59	67	64	60	68	70	67
	(485)	(4,411)	(841)	695	327	147	(375)	(19)	(38)	269	2,296
OTHER											
Decrease (increase) in term receivables	0	0	0	0	0	0	0	0	0	0	0
Increase (decrease) in term provisions	1,564	(61)	(54)	(55)	(38)	(39)	(41)	(42)	(42)	(42)	(42)
Increase (decrease) in term employee entitlements	34	40	26	20	18	20	19	18	20	21	20
	1,598	(21)	(28)	(35)	(20)	(19)	(22)	(24)	(22)	(21)	(22)
ADD(DEDUCT) ITEMS CLASSIFIED AS INVESTING											
Gain on sale of assets	(75)	(62)	(62)	(62)	(62)	(62)	(62)	(62)	(62)	(62)	(62)
Capital creditors	(237)	1,505	28	(613)	328	281	429	(216)	2	557	(530)
	(312)	1,443	(34)	(675)	266	219	367	(278)	(60)	495	(592)
NET CASH FLOW FROM OPERATING ACTIVITIES	30,469	31,882	37,169	40,485	41,781	41,193	43,726	44,529	46,727	48,259	47,987

PROSPECTIVE FUNDING IMPACT STATEMENT

	2017/18 AP \$000	2018/19 Budget \$000	2019/20 Budget \$000	2020/21 Budget \$000	2021/22 Budget \$000	2022/23 Budget \$000	2023/24 Budget \$000	2024/25 Budget \$000	2025/26 Budget \$000	2026/27 Budget \$000	2027/28 Budget \$000
SOURCES OF OPERATING FUNDING											
General rates, uniform annual general charges, rates penalties	37,701	38,822	40,266	42,007	43,366	45,456	47,240	48,712	49,843	51,581	52,664
Targeted rates	33,276	34,328	35,497	36,842	38,943	40,241	41,879	42,443	44,012	45,461	47,413
Subsidies and grants for operating purposes	3,609	3,531	3,632	3,658	3,836	3,902	4,086	4,159	4,291	4,330	4,515
Fees and charges	13,545	14,948	15,710	16,442	16,795	17,402	17,908	18,421	19,075	19,741	20,305
Interest and dividends from investments	3,414	3,248	3,309	3,387	3,515	3,672	3,649	3,612	3,585	3,570	3,608
Local authorities fuel tax, fines, infringement fees, and other receipts	15,848	17,981	20,636	21,487	20,663	23,012	22,576	23,539	23,645	21,269	15,838
TOTAL OPERATING FUNDING	107,393	112,858	119,050	123,823	127,118	133,685	137,338	140,886	144,451	145,952	144,343
APPLICATIONS OF OPERATING FUNDING											
Payments to staff and suppliers	78,579	81,362	86,109	87,992	90,254	95,570	96,212	99,661	102,501	103,498	103,027
Finance costs	8,301	9,696	9,500	9,437	9,428	9,667	9,780	9,671	9,203	8,688	8,001
Other operating funding applications	0	0	0	0	0	0	0	0	0	0	0
TOTAL APPLICATIONS OF OPERATING FUNDING	86,880	91,058	95,609	97,429	99,682	105,237	105,992	109,332	111,704	112,186	111,028
SURPLUS (DEFICIT) OF OPERATING FUNDING	20,513	21,800	23,440	26,394	27,436	28,448	31,346	31,554	32,747	33,766	33,315
SOURCES OF CAPITAL FUNDING											
Subsidies and grants for capital expenditure	3,764	3,173	4,634	4,004	5,639	4,177	4,105	4,537	5,239	4,791	4,391
Development and financial contributions	5,427	9,838	9,936	10,040	8,072	8,157	8,244	8,696	8,795	8,896	8,538
Increase (decrease) in debt	21,026	14,081	1,371	6,025	1,938	(431)	(7,917)	(7,344)	(9,348)	(15,237)	(9,517)
Gross proceeds from sale of assets	75	62	62	62	62	62	62	62	62	62	62
Lump sum contributions	0	0	0	0	0	0	0	0	0	0	0
Other dedicated capital funding	0	0	0	0	0	0	0	0	0	0	0
TOTAL SOURCES OF CAPITAL FUNDING	30,292	27,154	16,003	20,131	15,711	11,965	4,494	5,951	4,748	(1,488)	3,474
APPLICATIONS OF CAPITAL FUNDING											
Capital expenditure											
- to meet additional demand	6,229	1,549	1,556	5,965	6,671	5,007	8,304	6,312	2,428	806	124
- to improve the level of service	23,038	23,033	20,563	17,903	17,643	18,868	11,967	14,068	12,796	8,095	18,269
- to replace existing assets	16,255	16,345	18,511	23,131	18,743	16,087	15,310	17,167	22,306	23,292	18,163
Increase (decrease) in reserves	(553)	(1,079)	(1,166)	(474)	73	436	234	(64)	(57)	55	194
Increase (decrease) in investments	5,836	9,106	(21)	0	17	15	25	22	22	30	39
TOTAL APPLICATIONS OF CAPITAL FUNDING	50,805	48,954	39,443	46,525	43,147	40,413	35,840	37,505	37,495	32,278	36,789
SURPLUS (DEFICIT) OF CAPITAL FUNDING	(20,513)	(21,800)	(23,440)	(26,394)	(27,436)	(28,448)	(31,346)	(31,554)	(32,747)	(33,766)	(33,315)
FUNDING BALANCE	0	0	0	0	0	0	0	0	0	0	0

Pursuant to PBE FRS-42 paragraph 40 following is an explanation of the relationship between this Funding Impact Statement and the Prospective Comprehensive Income Statement.

This Funding Impact Statement has been prepared in accordance with the Local Government (Financial Reporting) Regulations 2011. This is a reporting requirement unique to Local Government and the disclosures contained within and the presentation of this statement is not prepared in accordance with generally accepted accounting practices ("GAAP").

This statement is based on cash transactions prepared on an accrual basis and as such does not include non cash/accounting transactions that are included within the Prospective Comprehensive Income Statement as required under GAAP. These items include but are not limited to Council's depreciation, gain and/or losses on revaluation and vested assets.

It also departs from GAAP as funding sources are disclosed based on whether they are deemed for operational or capital purposes. Income such as subsidies for capital projects, for example New Zealand Transport Agency subsidies projected to be received for road renewal works, development and reserve financial contributions and gains on sale of assets are recorded as capital funding sources. Under GAAP these are treated as income in the Prospective Comprehensive Income Statement.

Where appropriate the budgets for the LTP 2018-2028 have been developed from the forecast closing position of the 2017/18 financial year rather than the published annual plan.

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PROSPECTIVE BALANCED BUDGET STATEMENT

Tasman District Council

Prospective Balanced Budget Statement

For the Long Term Plan 2018-2028

	2017/18 AP \$000	2018/19 Budget \$000	2019/20 Budget \$000	2020/21 Budget \$000	2021/22 Budget \$000	2022/23 Budget \$000	2023/24 Budget \$000	2024/25 Budget \$000	2025/26 Budget \$000	2026/27 Budget \$000	2027/28 Budget \$000
Total income	115,954	122,607	130,119	134,241	136,657	141,343	144,898	149,236	153,496	154,566	152,045
Total expenditure	107,936	113,380	118,993	123,321	125,339	129,862	132,598	135,743	138,478	141,402	140,665
Total accounting surplus	8,018	13,214	15,388	14,879	15,749	17,610	17,729	18,649	20,673	16,897	15,786
Less											
Vested assets	3,051	4,259	4,352	4,448	4,546	4,650	4,762	4,876	4,998	5,128	5,267
Other gains/losses	797	466	621	164	167	1,347	565	232	697	(1,266)	(740)
Development and financial contributions	5,427	9,838	9,936	10,040	8,072	8,157	8,244	8,696	8,795	8,896	8,538
Capital rates income	2,678	4,490	4,851	4,603	3,972	4,324	3,551	3,835	4,278	4,165	6,304
Capital grants and subsidies	3,764	3,173	4,634	4,004	5,639	4,177	4,105	4,537	5,239	4,791	4,391
Loan principal repaid from rates income	1,832	1,192	1,335	1,121	1,247	1,370	1,371	1,477	1,541	1,307	1,305
	17,549	23,418	25,729	24,380	23,643	24,025	22,598	23,653	25,548	23,021	25,065
Plus											
Depreciation not funded	11,693	11,119	10,840	11,240	9,280	6,658	6,354	5,981	6,200	7,050	7,213
Operations funded from reserve funds	911	1,260	1,409	770	1,319	1,756	880	574	598	672	3,412
	12,604	12,378	12,249	12,010	10,599	8,414	7,234	6,554	6,799	7,722	10,625
Underlying operating surplus/(deficit)	1,670	2,175	1,908	2,509	2,705	1,999	2,365	1,551	1,924	1,598	1,345
Net transfers to reserves and equity	(1,670)	(2,175)	(1,908)	(2,509)	(2,705)	(1,999)	(2,365)	(1,551)	(1,924)	(1,598)	(1,345)
Balanced budget	0	0	0	0	0	0	0	0	0	0	0

DEPRECIATION AND AMORTISATION OF EXPENSES BY GROUP OF ACTIVITIES

	2017/18 Budget \$000	2018/19 Budget \$000	2019/20 Budget \$000	2020/21 Budget \$000	2021/22 Budget \$000	2022/23 Budget \$000	2023/24 Budget \$000	2024/25 Budget \$000	2025/26 Budget \$000	2026/27 Budget \$000	2027/28 Budget \$000
Environmental Management	188	198	247	302	344	365	358	370	398	419	415
Public Health and Safety	146	108	96	88	75	63	61	50	50	49	48
Transportation, Roads and Footpaths	10,420	11,206	11,752	12,852	12,126	11,018	12,339	12,558	12,939	14,582	14,963
Coastal Structures	130	87	87	101	99	99	127	137	136	167	167
Solid Waste	584	431	492	547	498	517	570	608	634	683	711
Wastewater	2,517	3,888	4,083	4,438	4,631	4,639	4,849	4,940	4,994	5,306	5,378
Stormwater	1,469	1,641	1,661	1,859	1,889	1,939	2,233	2,301	2,354	2,710	2,732
Flood Protection and River Control Works	62	63	62	62	61	57	57	53	50	50	50
Water Supply	2,859	3,354	3,535	3,930	4,133	4,196	4,411	4,189	4,288	4,616	4,677
Community Development	3,568	3,313	3,364	3,471	3,495	3,554	3,547	3,292	3,176	2,849	2,833
Council Enterprises	602	661	710	741	773	812	859	874	891	924	910
Governance	1	6	12	12	12	18	18	12	12	12	13

This table has been included in accordance with section 4 of the Local Government (Financial Reporting) Regulations 2011, and will constitute part of the notes to the financial statements in Council's Annual Report.

The purpose of this table is to specify in relation to each group of activities, the combined depreciation and amortisation expense for assets used directly in providing the group of activities.

This information was previously included within Council's Cost of Service Statements, however, under the new financial reporting regulations the funding impact statements exclude non-cash/accounting transactions such as depreciation.

RESERVE FUNDS

Changes to the Local Government Act 2002 now require councils to provide a summary of the Reserve funds that it holds.

BACKGROUND

These changes placed more focus on the accounting for, and disclosure of reserves. The Act defines reserve funds as “money set aside by a local authority for a specific purpose”. Reserves are part of equity which may or may not be physically backed by cash/investments. Reserves are often used to separate a funding surplus of an activity. The Act requires Council to specify the amount expected to be deposited in the fund, and the amount expected to be withdrawn from the fund over the 10 year period that the Long Term Plan covers. Council does not transfer money from one reserve to fund another. Council now charges/pays ‘internal’ interest on any surplus or deficit balances that each individual reserve may have. Opening balance surpluses are usually due to approved committed projects not yet being undertaken or completed.

Reserve Reporting	Activity to which the fund relates	Opening Balance 1 July 2018 (000's)	Transfer into fund (000's)	Transfers out of fund (000's)	Closing Balance 30 June 2028 (000's)
Reserve Financial Contributions Reserve	Community Facilities & Parks	3,075	39,712	(29,972)	12,816
Rivers Disaster Fund	Rivers & Flood Protection	1,136	411	-	1,546
Rivers Reserve	Rivers & Flood Protection	1,100.99	36,024	(36,326)	799
Water Reserve	Water	619	253,972	(252,812)	1,779
Wastewater Reserve	Wastewater	677	175,379	(176,380)	(324)
Self Insurance Fund	Overall Council	1,057	-	-	1,057
Stormwater Reserve	Stormwater	659	97,464	(97,055)	1,069
Solid Waste Reserve	Solid Waste	360	157,249	(157,104)	504
Dog Control Reserve	Public Health & Safety	58	4,545	(4,807)	(204)
Community Facilities Rate Reserve	Community Facilities & Parks	456	42,582	(42,582)	456
Camping Ground Reserve	Council Enterprises & Property	32	18,852	(16,422)	2,461
Community Housing Reserve	Community Facilities & Parks	305	10,224	(7,742)	2,786
Development Contribution Reserve	Roading & Footpaths, Water, Wastewater, Stormwater	(4,732)	54,646	(62,095)	(12,180)
General Disaster Fund	Governance	3,902	4,951	-	8,853
TOTAL		8,705	896,012	(883,297)	21,419

RESERVES

RESERVE FINANCIAL CONTRIBUTIONS RESERVE

Reserve financial contributions are paid as a percentage of the land value of new allotments, and are applied to the acquisition and development of land for reserves, and to the development and upgrading of community services. All reserve financial contributions must be separately accountable and the Council keeps reserve financial contributions received in four separate accounts (Golden Bay ward, Motueka ward, Moutere/Waimea/Lakes/Murchison wards, Richmond ward). Strict criteria apply to the use of these funds.

RIVERS DISASTER FUND

The rivers disaster fund (The Classified Rivers Protection Fund) covers the excess for river protection assets insured under the Local Authority Protection Programme (LAPP). No allowance has been made in the Long Term Plan for any withdrawals on this disaster fund as the timing of any disasters cannot be predicted.

RIVERS RESERVE

The river reserve is used to enable separate accounting for the funding and expenditure for the rivers activity. Each year Council sets the proposed income, expenditure and funding budgets. Variations from these budgets, as a result of timing of projects or unplanned expenditure are recorded in the rivers fund to keep any surpluses/deficits separate from other activities.

WATER RESERVE

The water reserve is used to separate all funding and expenditure for the water activity, excluding development contributions income and projects. Each year Council sets the proposed income, expenditure and funding budgets for this activity. Variations from these budgets, as a result of timing of projects and/or unplanned expenditure are recorded in the water reserve to keep any surpluses/deficits separate from other activities.

WASTEWATER RESERVE

The wastewater reserve is used to separate all funding and expenditure for the water activity, excluding development contributions income and projects. Each year Council sets the proposed income, expenditure and funding budgets for this activity. Variations from these budgets, as a result of timing of projects and/or unplanned expenditure are recorded in the wastewater reserve to keep any surpluses/deficits separate from other activities.

SELF INSURANCE FUND

The purpose of this fund is to provide cover for assets or liabilities that are medium to low risk, but are uneconomic to insure.

STORMWATER RESERVE

The stormwater reserve is used to separate all funding and expenditure for the stormwater activity, excluding development contributions income and projects. Each year Council sets the proposed income, expenditure and funding budgets for this activity. Any variation from these budgets for example as a result of timing of projects or unplanned expenditure are recorded in the stormwater reserve to keep any surpluses/deficits separate from other activities.

SOLID WASTE RESERVE

The solid waste reserve is used to separate all funding and expenditure for the solid waste activity. Each year Council sets the proposed income, expenditure and funding budgets set for this activity. Any variation from these budgets for example timing of projects or unplanned expenditure are recorded in the solid waste reserve to keep any surpluses/deficits separate from other activities.

DOG CONTROL RESERVE

The dog control reserve is used to separate all funding and expenditure for the dog control activity. Each year Council sets the proposed income, expenditure and funding budgets for this activity. Any variation from these budgets, for example timing of projects or unplanned expenditure, are recorded in the dog control reserve to keep any surpluses/deficits separate from other activities.

COMMUNITY FACILITIES RATE RESERVE

The community facilities rate reserve is used to separate all funding and expenditure for the community facilities activity. Each year Council sets the proposed income, expenditure and funding budgets for this activity. Any variations from these budgets, for example timing of projects or unplanned expenditure, are recorded in the community facilities rate reserve so that any surpluses/deficits are kept separate from other activities. The surplus in this reserve increases over the life of the Long Term Plan due to interest costs decreasing as the loans are repaid. The surplus increase is mainly from year 5 onwards in this Long Term Plan.

CAMPING GROUND RESERVE

The camping ground reserve is used to separate all funding and expenditure for the camping ground activity. Each year Council sets the proposed income, expenditure and funding budgets for this activity. Any variations from these budgets, for

example timing of projects, unplanned expenditure or changes in income, are recorded in the camping ground reserve so that any surpluses/deficits are kept separate from other activities.

COMMUNITY HOUSING RESERVE

The community housing reserve is used to separate all funding and expenditure for the community housing activity. Each year Council sets the proposed income, expenditure and funding budgets for this activity. Any variations from these budgets, for example due to timing of projects or unplanned expenditure, is recorded in the community housing reserve so that any surpluses/deficits can be kept separate from other activities.

DEVELOPMENT CONTRIBUTION RESERVE

It is Tasman District Council's intention that developers should bear the cost of the increased demand that development places on the District's infrastructure. Population growth in the District places a strain on network and community infrastructure. That infrastructure will need to expand and be further developed in order to cope with the demands of population growth. This includes additional demand on services such as roading, water supply, wastewater and stormwater management. All development contributions must be separately accountable and the Council keeps development contributions received in four separate accounts; roading, wastewater, stormwater and water. Strict criteria apply to the use of these funds. Any budgeted surpluses/deficits for these funds in any given year are funded through borrowing or repaying development contribution loans. The opening balance of development contributions loans are \$7,995,000 and these loans are forecast to be fully repaid at the end of the Long Term Plan.

GENERAL DISASTER FUND

The General Disaster Fund is to cover uninsurable assets like roads and bridges. Council usually receives a subsidy from NZ Transport Agency to cover part of the costs of any roads and bridges damaged in a disaster but Council needs to fund any remaining costs. No allowance has been made in the Long Term Plan for any withdrawals on this disaster fund as disasters are impossible to predict. This plan includes provision to increase the Disaster Fund to \$6.5 million by 2028.

FINANCIAL REGULATIONS BENCHMARKS

Long Term Plan disclosure statement for period commencing 1 July 2018

WHAT IS THE PURPOSE OF THIS STATEMENT?

The purpose of this statement is to disclose Council's planned financial performance in relation to various benchmarks to enable the assessment of whether Council is prudently managing its revenues, expenses, assets, liabilities and general financial dealings.

Council is required to include this statement in its Long Term Plan in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

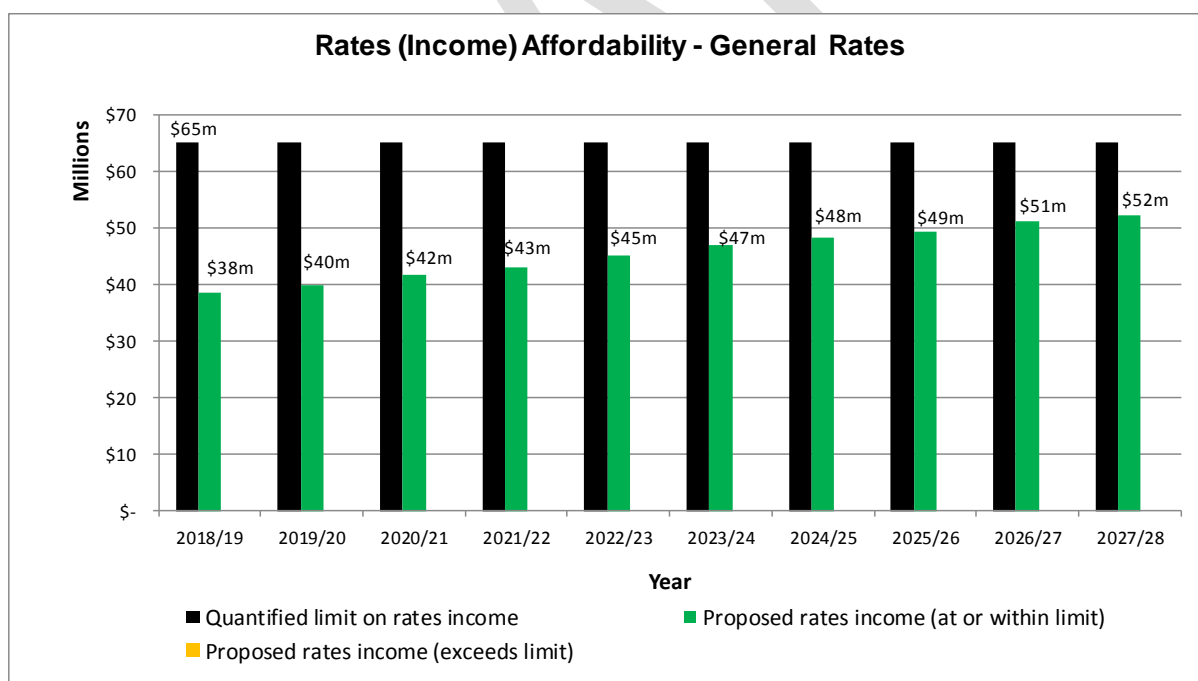
RATES AFFORDABILITY BENCHMARK

Council meets the rates affordability benchmark if—

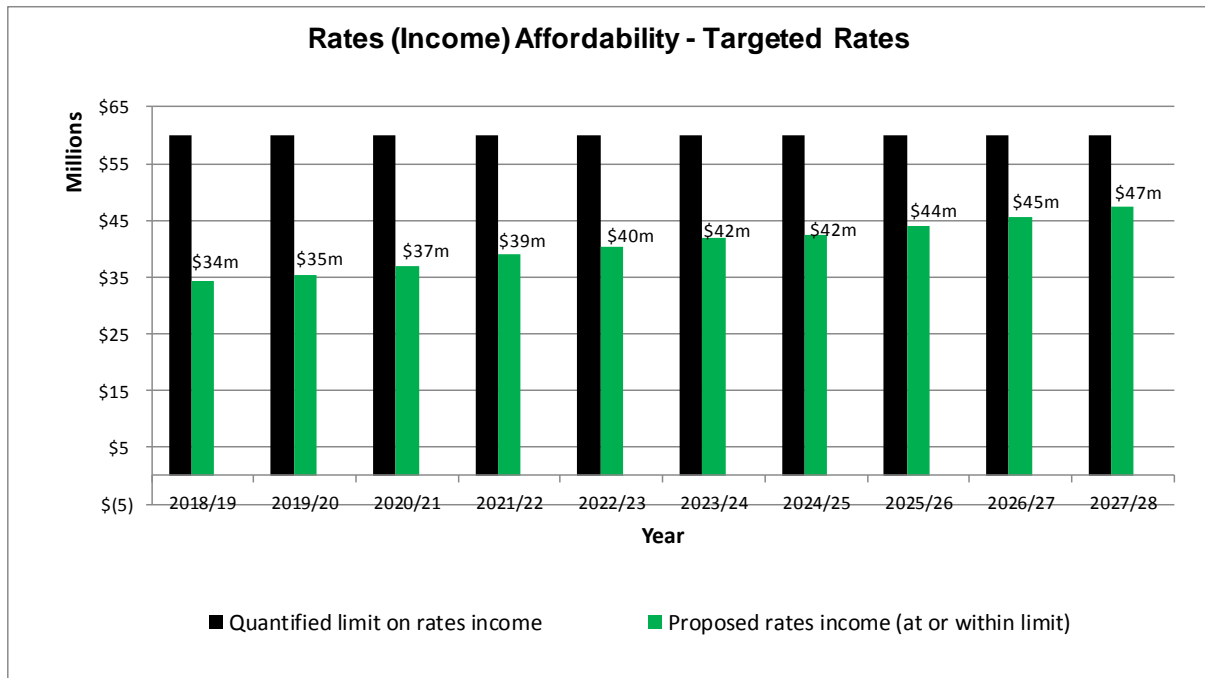
- its actual rates income equals, or is less than, each quantified limit on rates; and
- its actual rates increases equals, or is less than, each quantified limit on rates increases.

RATES (INCOME) AFFORDABILITY

The following graph compares Council's planned general rates income with a quantified limit on general rates contained in the Financial Strategy (refer to Supporting Information). The quantified limit for general rates is \$65m per annum for each year covered by the Long Term Plan.

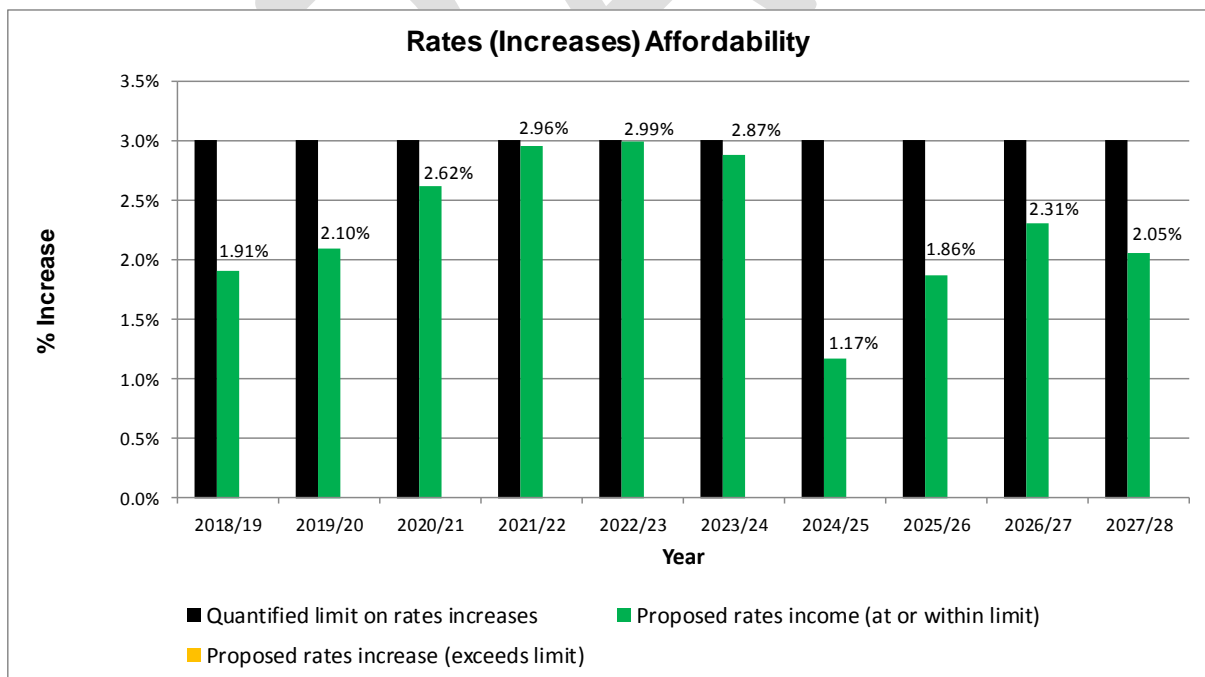


The following graph compares Council's planned targeted rates income with a quantified limit on targeted rates contained in the Financial Strategy. The quantified limit for targeted rates is \$60m per annum for each year covered by the Long Term Plan.



RATES (INCREASES) AFFORDABILITY

The following graph compares Council's planned rate increases with a quantified limit on rates increases contained in the Financial Strategy. The quantified limit is a maximum of 3% increase in rates revenue excluding growth for each year covered by the Long Term Plan. Growth ranges from 1.08% to 1.48% per annum over the 10 years of the Long Term Plan.



DEBT AFFORDABILITY BENCHMARK

Council meets the debt affordability benchmark if its planned borrowing is within each quantified limit on borrowing.

The definitions contained in the regulations differ from those used in Council's Treasury Risk Management Policy and Financial Strategy. The quantified limits on borrowings contained in the Financial Strategy are taken from Council's treasury policy, and as such were formulated in relation to the definition of net external debt. Planned results are reported using both the prescribed definitions contained in the regulations, and the definition intended by the financial strategy, explained below.

Net external debt is defined in the treasury policy as total external debt less liquid financial assets and investments.

Net debt is defined in the regulations as financial liabilities less financial assets (excluding trade and other receivables).

Financial liabilities as defined by GAAP include, gross external debt (aggregate borrowings of the Council, excluding debt of Council's associate organisations, including any capitalised finance leases, and financial guarantees provided to third parties) plus trade payables and derivative financial instruments (interest rate swaps).

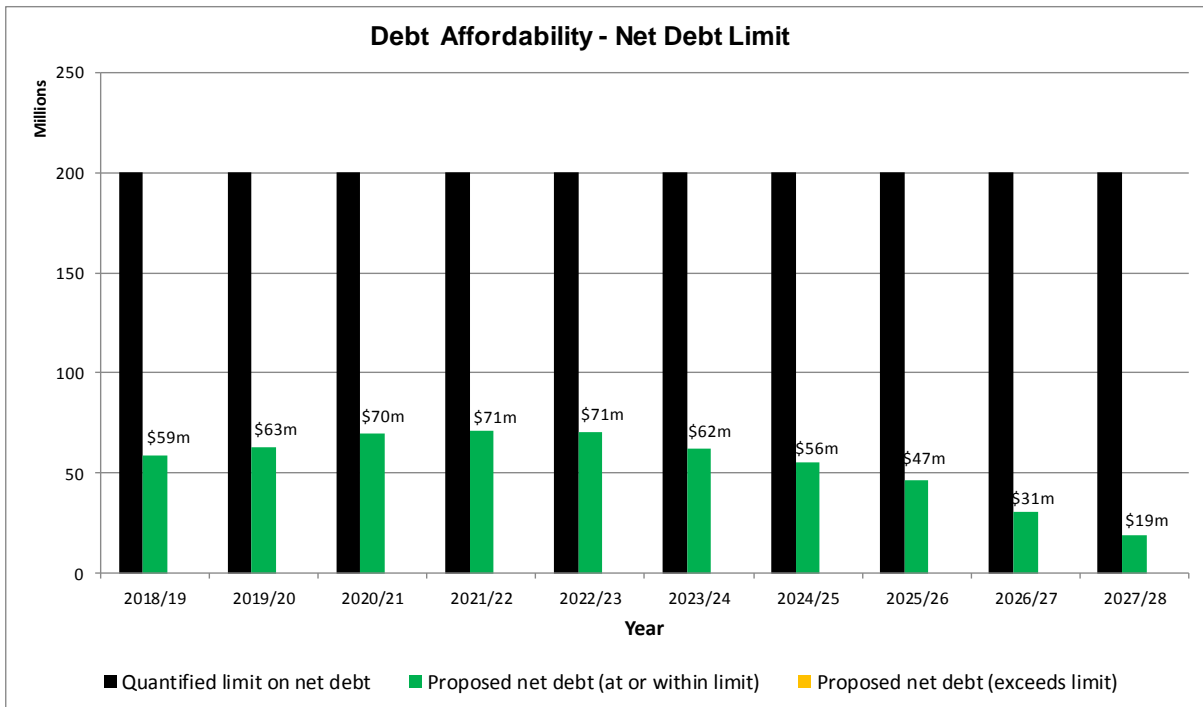
Financial assets as defined by GAAP include cash or near cash treasury investments held from time to time, and equity instruments of other entities e.g. investments in Council Controlled Organisations (CCOs).

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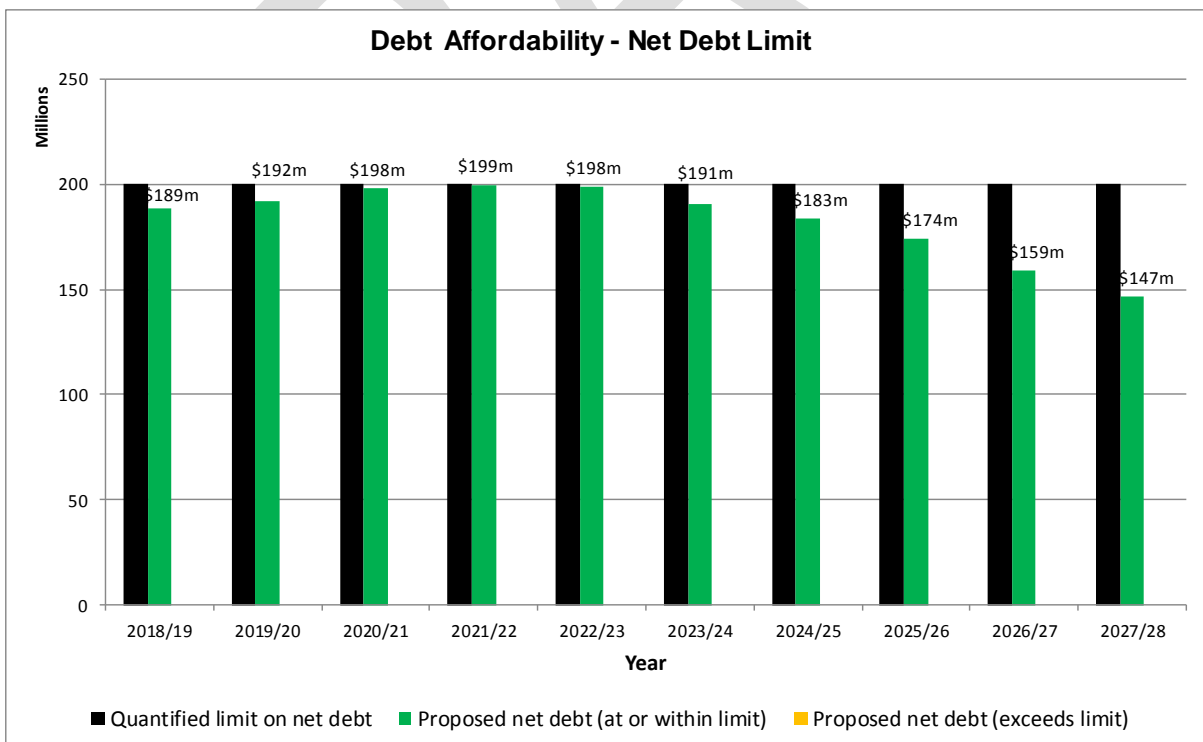
EXTERNAL DEBT LIMIT

The following graph compares Council's planned borrowing with a quantified limit on borrowing contained in the Financial Strategy. The quantified limit is net external debt not to exceed \$200 million per annum.

The following graph represents the planned results based on the prescribed definitions in the regulations.



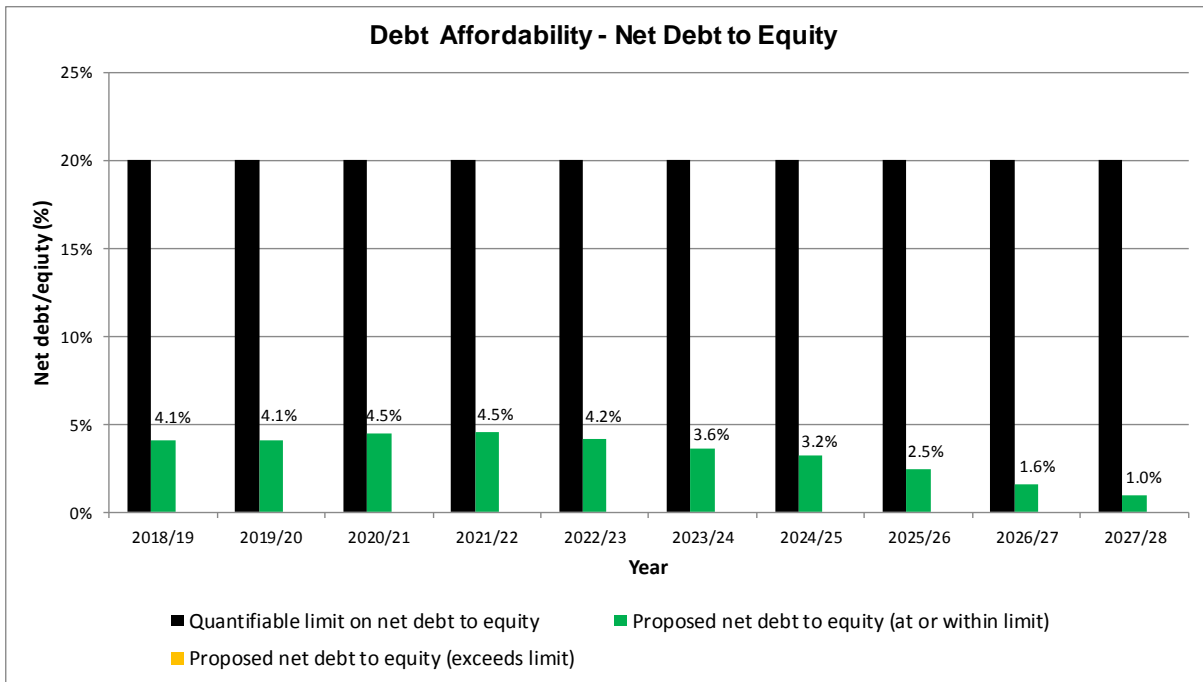
The following graph represents the planned results based on the intended definitions contained in the financial strategy.



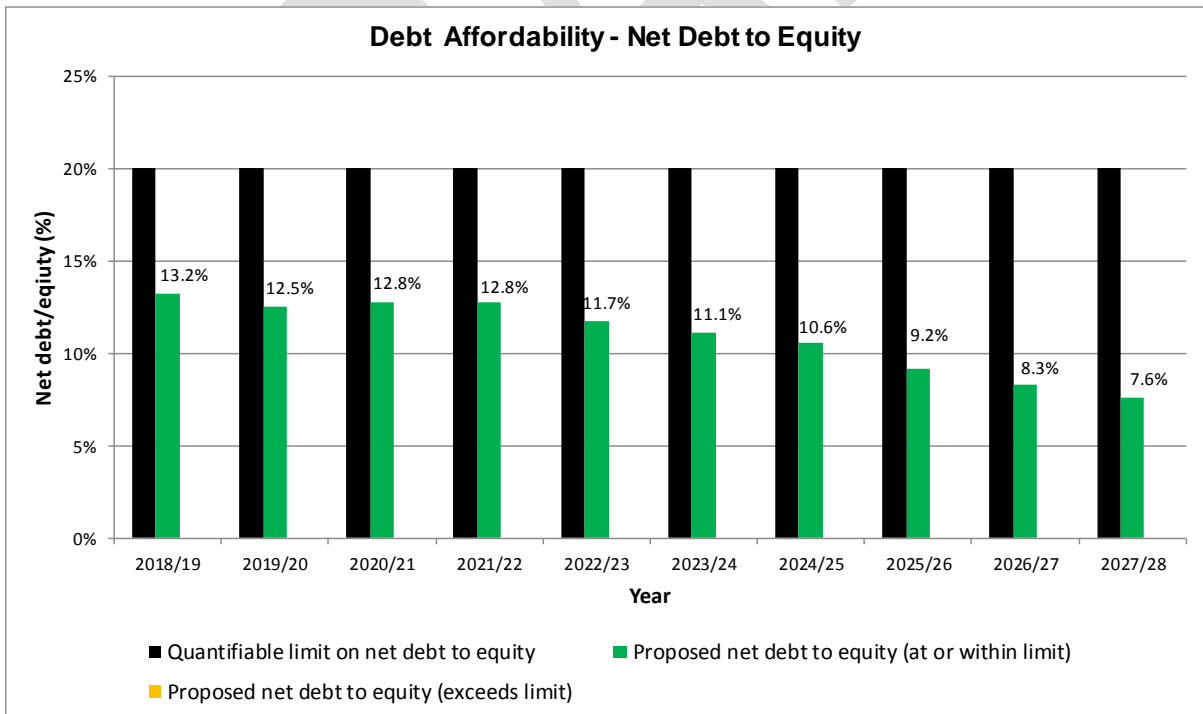
NET DEBT TO EQUITY

The following graph compares Council's planned debt with a quantified limit on borrowing contained in the Financial Strategy. The quantified limit is net external debt to not exceed 20% of equity.

The following graph represents the planned results based on the prescribed definitions in the regulations.



The following graph represents the planned results based on the intended definitions contained in the financial strategy.

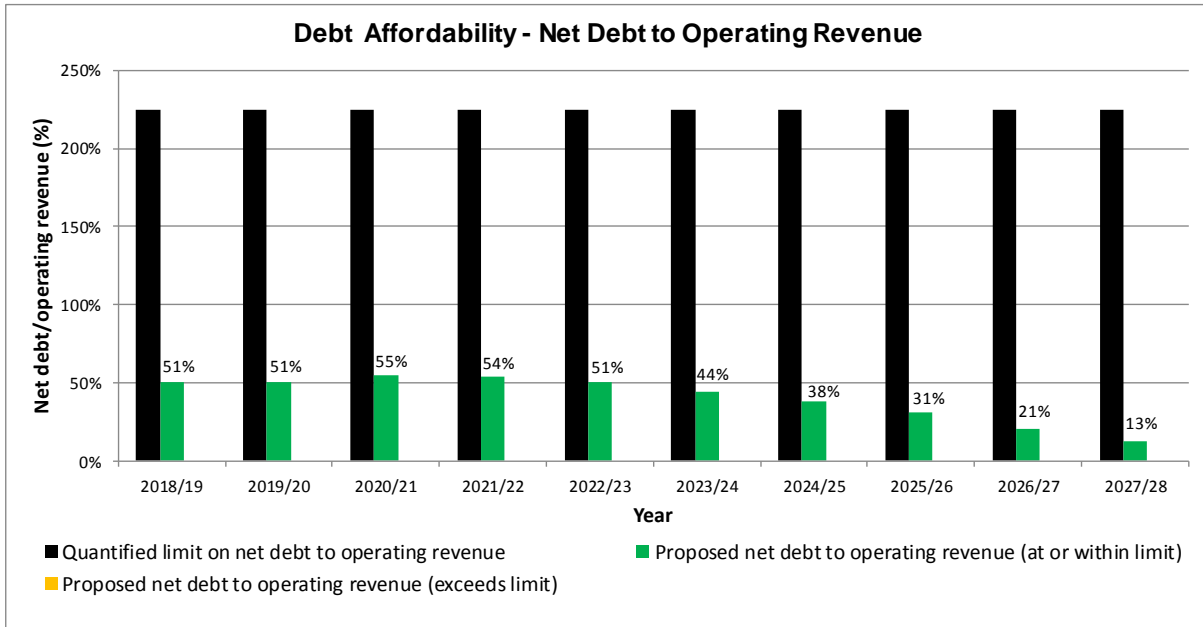


NET DEBT TO TOTAL OPERATING REVENUE

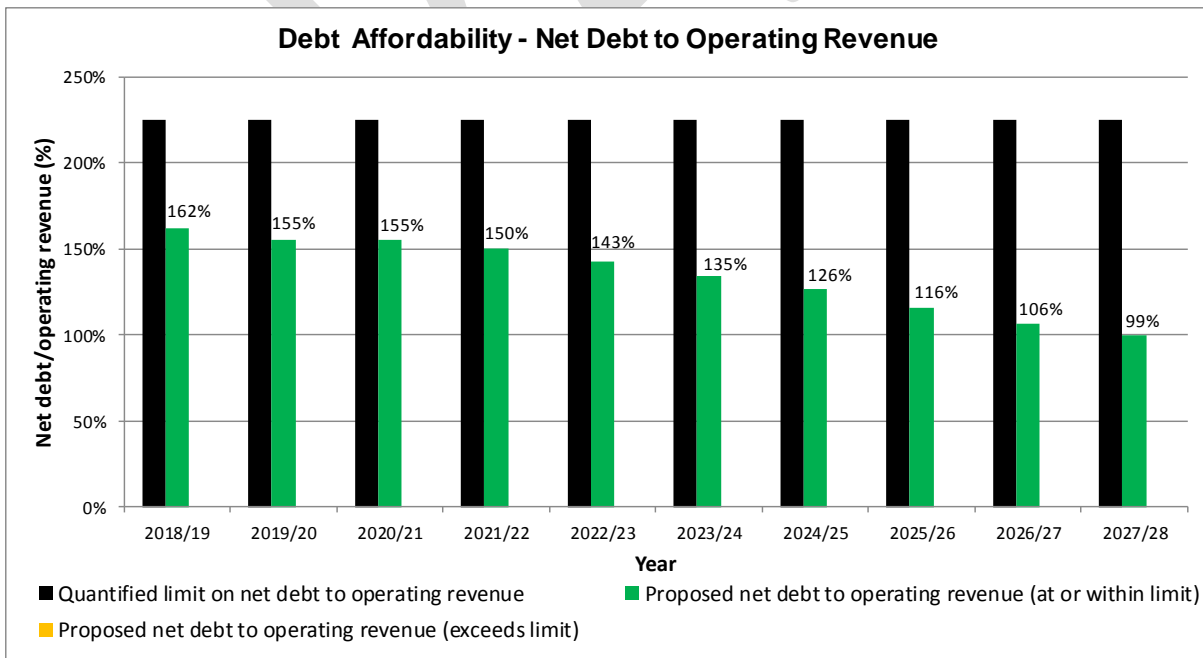
The following graph compares Council's planned debt with a quantified limit on borrowing contained in the Financial Strategy. The quantified limit is net external debt to not exceed 225% of total operating revenue.

(Total operating revenue is defined as earnings from rates, government grants and subsidies, user charges, levies, interest, dividends, financial and other revenue, but excludes non-government capital contributions, (e.g. developer contributions and vested assets), gains on derivative financial instruments, and revaluations of property, plant, or equipment.)

The following graph represents the planned results based on the prescribed definitions in the regulations.

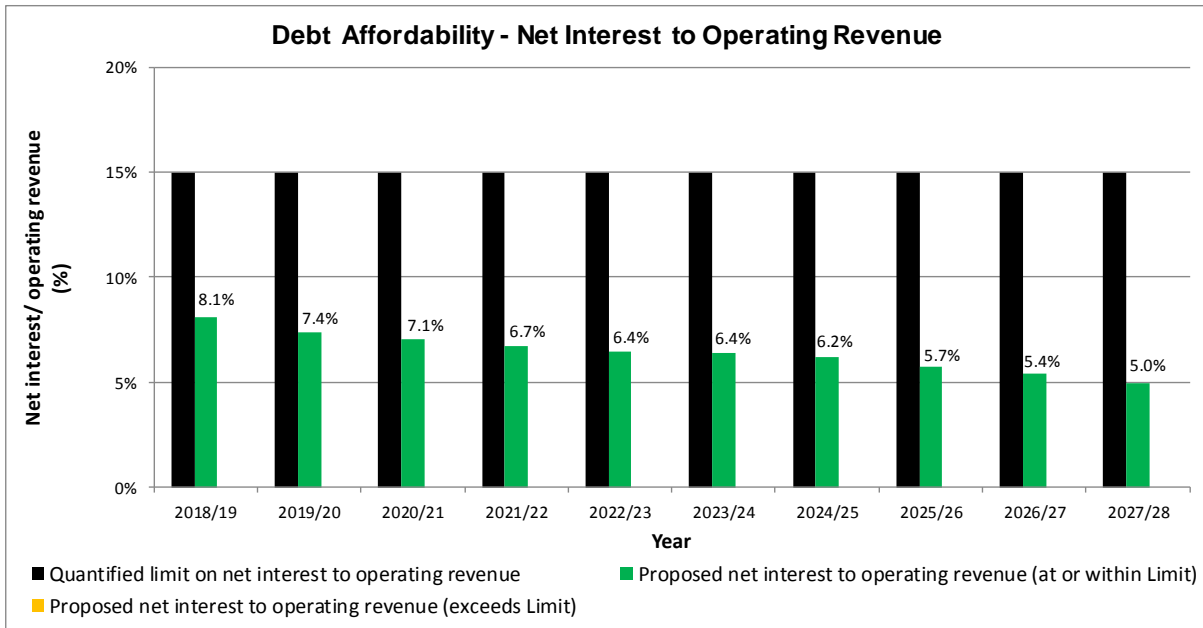


The following graph represents the planned results based on the intended definitions contained in the financial strategy.



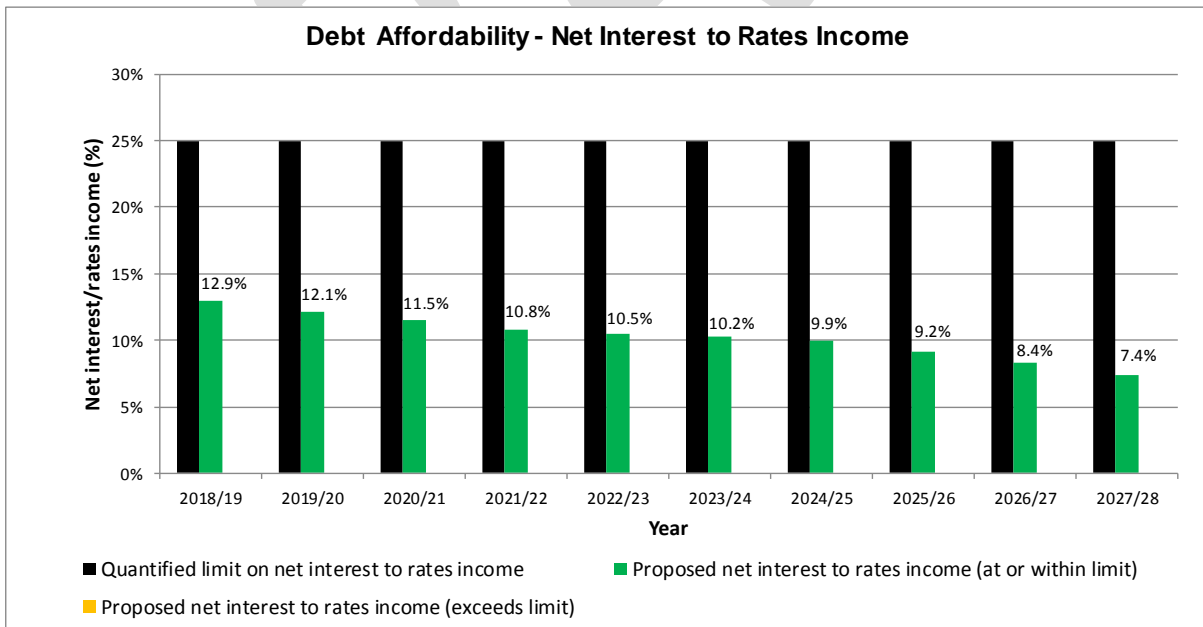
NET INTEREST TO TOTAL OPERATING REVENUE

The following graph compares the net interest costs of Council's planned debt with a quantified limit on borrowing contained in the Financial Strategy. The quantified limit is net interest on external debt to not exceed 15% of total annual operating revenue.



NET INTEREST TO TOTAL RATES INCOME

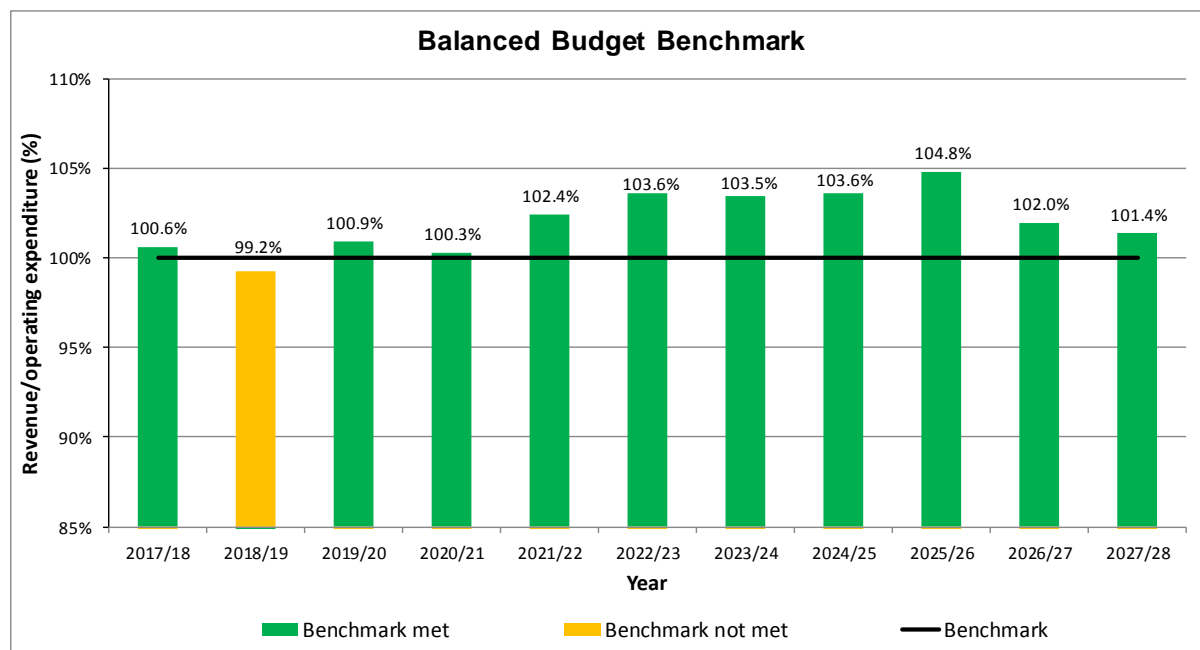
The following graph compares the net interest costs of Council's planned debt with a quantified limit on borrowing contained in the Financial Strategy. The quantified limit is net interest on external debt to not exceed 25% of total annual rates income.



BALANCED BUDGET BENCHMARK

The following graph displays Council's planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment).

Council meets the balanced budget benchmark if its planned revenue equals or is greater than its planned operating expenses.



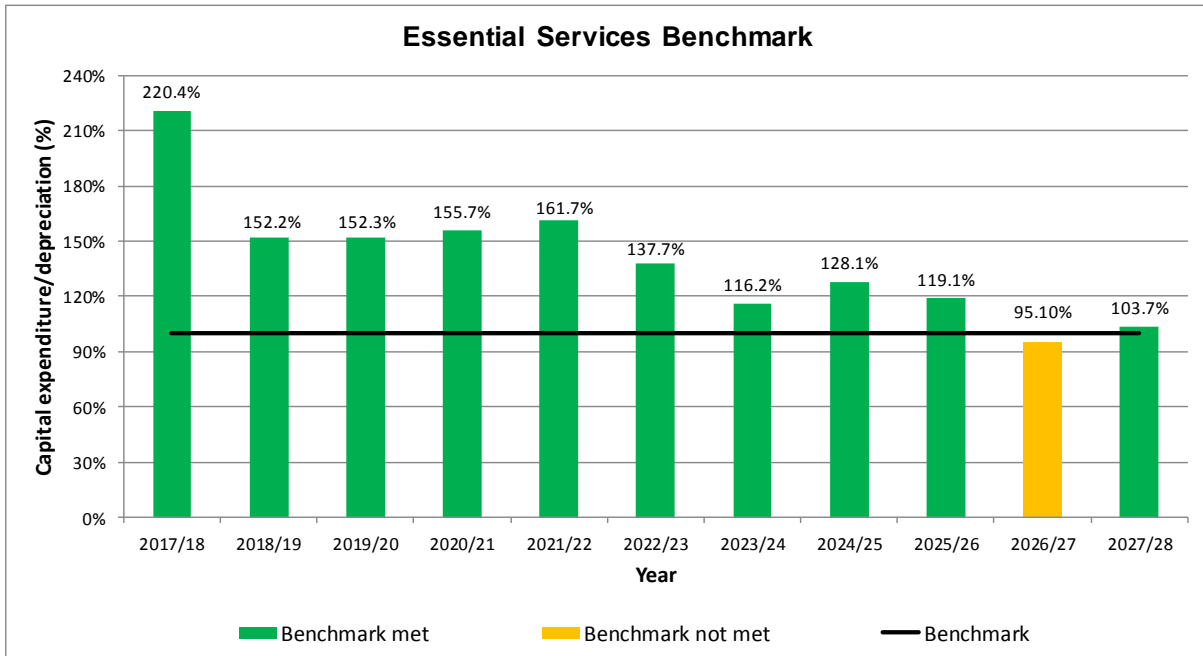
Note under the regulations, operating expenses include depreciation, however, Council only first began progressively funding depreciation from 2015/2016, with the expectation of fully funding depreciation by 2024/2025. Given the above results have been determined using the full annual depreciation charge, this produces an operating deficit in 2018/2019 as defined by the regulations that does not reflect the cash operating position of Council.

A more detailed balanced budget is contained in the inflation adjusted accounts (see page 23). This shows Council runs a cash-operating surplus over the same period; we consider this is a better measure of Council's operating performance.

ESSENTIAL NETWORK SERVICES BENCHMARK

The following graph displays the Council's planned capital expenditure on essential network services as a proportion of expected depreciation on network services. Essential network services are defined as infrastructure relating to water, wastewater, stormwater, flood protection, roads and footpaths.

Council meets the essential services benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services. Capital expenditure excludes vested assets.



DEBT SERVICING BENCHMARK

The following graph displays Council's planned borrowing costs as a proportion of planned 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 population of Tasman District will grow more slowly than the national population growth rate, Council meets the debt servicing benchmark if its planned borrowing costs equal or are less than 15% of its planned revenue.

