Part 4 – Accounting Information

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 (NZ GAAP) and the pronouncements of the New Zealand Institute of Chartered Accountants.

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 2015-2025.

The assumptions underlying the preparation of this prospective financial information are adjusted to incorporate significant known variances as at December 2014. 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 the Council intends to provide to ratepayers, the expected cost of those services and, as a consequence, how much the 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

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 the 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.

- Tourism Nelson Tasman Ltd. Council has a 50% shareholding in this Company.
- Tasman Bays Heritage Council has significant influence over the trust. Council has equity accounted for 50% of this entity

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 the 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.
- 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 the Council are recognised as revenue when control over the asset is obtained.

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Inventories held for distribution at no charge, or for a nominal amount, are stated at the lower of cost and current replacement cost.

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 the 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 basisover 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:

- Roading
- 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 the 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

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 the 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

As operator of the Eves Valley landfill (and owner of a number of closed landfills), the Council 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 New Zealand International Reporting Standard 37 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.

Financial Guarantee Contracts

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

Financial guarantee contracts are initially recognised at fair value. If a financial guarantee contract was issued in a stand-alone arms length transaction to an unrelated party, its fair value at inception is equal to the consideration received. When no consideration is received a provision is recognised based on the probability Council will be required to reimburse a holder for a loss incurred discounted to present value. The portion of the guarantee that remains unrecognised, prior to discounting to fair value, is disclosed as a contingent liability.

Financial guarantees are subsequently measured at the initial recognition amount less any amortisation. However, if Council assesses that it is probable that expenditure will be required to settle a guarantee, then a provision for the guarantee is measured at the present value of the future expenditure.

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 the Council and which may not be revised by the Council without reference to the Courts or third party.

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

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 the Council.

Funding Impact Statements

The Funding Impact Statements ("FIS") have been prepared in accordance with the Local Government (Financial Reporting) Regulations 2011, which came into effect 11 July 2011. 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 the 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

The accounting policies are now in accordance with Tier 1 PBE accounting standards. Prior to 1 July 2014, Council financial statements were prepared in accordance with NZ IFRS 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.

Landfill aftercare costs

As operator of the Eves Valley and Murchison landfills, the Council 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 NZ IFRS 37 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.

Infrastructural assets

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

- The physical deterioration and condition of an asset, for example the 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 the Council's asset management planning activities, which gives Council further assurance over its useful life estimates.

Experienced independent valuers perform the Council's infrastructural asset revaluations.

Critical judgement in applying Council's accounting policies

Management have exercised the following critical judgement in applying the 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 $1.38 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 slower 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 six cost groups across the model.

We have used a cost weighted averaging exercise to derive an inflation rate for all costs, best summarised in the following table:

	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20	Jun-21	Jun-22	Jun-23	Jun-24	Jun-25	Ten Year Average
Income	2.3%	2.9%	3.0%	3.1%	3.3%	3.4%	3.5%	3.6%	3.7%	3.8%	3.3%
Salaries	2.2%	3.0%	3.1%	3.2%	3.3%	3.4%	3.5%	3.6%	3.7%	3.8%	3.3%
Maintenance	2.4%	2.3%	2.5%	2.6%	2.8%	2.9%	3.0%	3.2%	3.4%	3.5%	2.9%
Other Operating Expenses	2.3%	2.5%	2.6%	2.7%	2.9%	3.0%	3.1%	3.3%	3.4%	3.6%	2.9%
Energy	3.5%	3.8%	3.9%	4.1%	4.3%	4.5%	4.7%	4.9%	5.1%	5.3%	4.4%
Capital	2.3%	2.6%	2.6%	2.7%	2.8%	3.0%	3.1%	3.3%	3.5%	3.7%	3.0%

The BERL figures were prepared in October 2014.

The financial projections contained in this document are presented in future (inflation adjusted) dollars.

Prospective Statement of Comprehensive Revenue and Expense	2014/15 Budget $000	2015/16 Budget $000	2016/17 Budget $000	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
REVENUE											
Revenue from Rates											
General rates	33,041	35,653	36,413	37,685	39,125	41,071	43,206	45,020	47,314	49,253	50,219
Targeted rates (other than for water supply)	25,767	25,568	27,155	28,303	28,869	29,630	30,493	31,652	32,390	33,413	34,486
Targeted rates for a water supply	6,445	6,800	7,231	7,796	8,301	8,844	9,188	9,636	10,222	10,601	11,157
Operating Activities											
Development and financial contributions	2,920	5,308	5,870	5,503	5,799	5,526	5,817	5,470	5,692	5,767	6,135
Operating subsidies and grants	4,086	4,663	4,612	4,746	4,938	5,089	5,214	5,536	5,608	5,773	5,976
Capital subsidies	4,760	3,303	3,268	3,256	4,224	4,448	3,903	4,063	4,279	4,363	4,564
Other revenue	26,160	26,169	27,209	28,202	29,938	31,021	32,465	33,757	34,641	35,165	36,587
Total Revenue	**103,179**	**107,464**	**111,758**	**115,491**	**121,194**	**125,629**	**130,286**	**135,134**	**140,146**	**144,335**	**149,124**
Fair value movement on revaluation	593	476	653	797	466	621	164	167	1,347	565	232
Other gains	85	87	93	75	111	89	87	93	75	111	89
Finance income	264	536	539	536	533	552	552	551	570	570	569
TOTAL REVENUE	**104,121**	**108,563**	**113,043**	**116,899**	**122,304**	**126,891**	**131,089**	**135,945**	**142,138**	**145,581**	**150,014**
EXPENSE											
Finance expense	9,976	10,017	10,264	10,726	11,207	11,688	11,296	10,521	9,974	8,890	7,686
Employee related expense	18,324	19,945	20,455	21,119	21,706	22,288	23,039	23,844	24,744	25,589	26,569
Expenditure on operating activities	29,898	30,569	31,421	32,755	33,085	34,497	35,665	36,889	38,939	39,115	40,304
Maintenance	16,243	17,928	18,557	19,379	20,520	20,662	21,884	22,360	23,061	23,723	24,397
Depreciation and amortisation	21,569	23,852	25,309	26,599	28,711	30,147	31,013	32,412	33,445	33,993	35,606
TOTAL EXPENSE	**96,010**	**102,311**	**106,006**	**110,578**	**115,229**	**119,282**	**122,897**	**126,026**	**130,163**	**131,310**	**134,562**
TOTAL ACCOUNTING SURPLUS	**8,111**	**6,252**	**7,037**	**6,321**	**7,075**	**7,609**	**8,192**	**9,919**	**11,975**	**14,271**	**15,452**
Share of joint ventures	952	1,142	1,166	1,149	1,138	1,135	1,177	1,178	1,175	1,176	1,164
Share of associates surplus/deficit	0	0	0	0	0	0	0	0	0	0	0
NET SURPLUS BEFORE TAXATION	**9,063**	**7,394**	**8,203**	**7,470**	**8,213**	**8,744**	**9,369**	**11,097**	**13,150**	**15,447**	**16,616**
Income tax expense	0	0	0	0	0	0	0	0	0	0	0
NET SURPLUS for the year	**9,063**	**7,394**	**8,203**	**7,470**	**8,213**	**8,744**	**9,369**	**11,097**	**13,150**	**15,447**	**16,616**

Prospective Statement of Comprehensive Revenue and Expense	2014/15 Budget $000	2015/16 Budget $000	2016/17 Budget $000	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
OTHER COMPREHENSIVE INCOME REVENUE AND EXPENSES											
Gain on asset revaluations	33,463	47,585	0	39,848	50,612	0	45,699	52,843	0	50,745	54,840
Asset impairment Loss	0	0	0	0	0	0	0	0	0	0	0
Share of associate other comprehensive revenue and expenses	0	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER COMPREHENSIVE REVENUE AND EXPENSES	**33,463**	**47,585**	**0**	**39,848**	**50,612**	**0**	**45,699**	**52,843**	**0**	**50,745**	**54,840**
TOTAL COMPREHENSIVE SURPLUS/DEFICIT	**42,526**	**54,979**	**8,203**	**47,318**	**58,825**	**8,744**	**55,068**	**63,940**	**13,150**	**66,192**	**71,456**
TOTAL OPERATING SURPLUS (as above)	**8,111**	**6,252**	**7,037**	**6,321**	**7,075**	**7,609**	**8,192**	**9,919**	**11,975**	**14,271**	**15,452**
Less Non-Controllable Activities											
Capital subsidies	4,760	3,303	3,268	3,256	4,224	4,448	3,903	4,063	4,279	4,363	4,564
Vested assets	4,950	2,966	3,022	3,080	3,142	3,207	3,279	3,356	3,441	3,533	3,634
Fair value movement on revaluation	593	476	653	797	466	621	164	167	1,347	565	232
Total Non-Controllable Activities	**10,303**	**6,745**	**6,943**	**7,133**	**7,832**	**8,276**	**7,346**	**7,586**	**9,067**	**8,461**	**8,430**
TOTAL CONTROLLABLE SURPLUS/DEFICIT	**(2,192)**	**(493)**	**94**	**(812)**	**(757)**	**(667)**	**846**	**2,333**	**2,908**	**5,810**	**7,022**

Prospective Statement of Financial Position	2014/15 Budget $000	2015/16 Budget $000	2016/17 Budget $000	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
CURRENT ASSETS											
Cash and cash equivalents	1,422	1,615	1,268	1,837	524	507	643	724	836	1,003	1,207
Trade and other receivables	11,594	12,240	12,689	12,931	13,764	14,091	14,439	14,802	15,150	15,372	15,851
Other financial assets	1,692	1,715	1,738	1,764	1,792	1,825	1,864	1,909	1,965	2,033	2,114
Non current assets held for resale	1,866	1,864	1,864	1,864	1,864	1,864	1,864	1,864	1,864	1,864	1,864
TOTAL CURRENT ASSETS	**16,574**	**17,434**	**17,559**	**18,396**	**17,944**	**18,287**	**18,810**	**19,299**	**19,815**	**20,272**	**21,036**
CURRENT LIABILITIES											
Trade and other payables	11,589	12,348	12,361	12,996	12,810	13,255	13,137	13,028	13,737	13,877	14,326
Employee benefit liabilities	1,671	1,726	1,769	1,823	1,869	1,914	1,970	2,029	2,092	2,149	2,213
Current portion of borrowings	12,930	16,090	17,550	18,128	20,668	21,206	22,458	22,882	22,022	22,822	23,458
TOTAL CURRENT LIABILITIES	**26,190**	**30,164**	**31,680**	**32,947**	**35,347**	**36,375**	**37,565**	**37,939**	**37,851**	**38,848**	**39,997**
WORKING CAPITAL	**(9,616)**	**(12,730)**	**(14,121)**	**(14,551)**	**(17,403)**	**(18,088)**	**(18,755)**	**(18,640)**	**(18,036)**	**(18,576)**	**(18,961)**
NON CURRENT ASSETS											
Investments in associates	88,098	88,098	88,098	88,098	88,098	88,098	88,098	88,098	88,098	88,098	88,098
Other financial assets	3,790	6,790	6,790	19,790	25,790	28,790	28,790	28,790	28,790	28,790	28,790
Intangible assets	915	859	926	1,102	1,195	1,207	1,213	1,250	1,239	1,229	1,219
Trade & other receivables	31	33	34	35	37	38	39	40	41	41	42
Forestry assets	21,533	22,009	22,662	23,459	23,925	24,546	24,710	24,877	26,223	26,789	27,021
Investment property	1,850	1,869	1,887	1,906	1,926	1,946	1,968	1,990	2,014	2,040	2,067
Property, plant and equipment	1,295,069	1,354,256	1,362,146	1,411,021	1,464,778	1,468,378	1,512,761	1,560,281	1,556,332	1,602,896	1,653,615
TOTAL NON CURRENT ASSETS	**1,411,286**	**1,473,914**	**1,482,543**	**1,545,411**	**1,605,749**	**1,613,003**	**1,657,579**	**1,705,326**	**1,702,737**	**1,749,883**	**1,800,852**
NON CURRENT LIABILITIES											
Term borrowings	158,965	161,436	160,457	175,559	174,205	172,015	160,838	144,741	129,585	109,981	89,088
Derivative Financial Instruments	3,197	3,197	3,197	3,197	3,197	3,197	3,197	3,197	3,197	3,197	3,197
Employee benefit liabilities	545	563	577	595	610	625	643	662	683	701	722
Provisions	1,041	1,041	1,041	1,041	1,041	1,041	1,041	1,041	1,041	1,041	1,041
TOTAL NON CURRENT LIABILITIES	**163,748**	**166,237**	**165,272**	**180,392**	**179,053**	**176,878**	**165,719**	**149,641**	**134,506**	**114,920**	**94,048**
TOTAL NET ASSETS	**1,237,922**	**1,294,947**	**1,303,150**	**1,350,468**	**1,409,293**	**1,418,037**	**1,473,105**	**1,537,045**	**1,550,195**	**1,616,387**	**1,687,843**

Prospective Statement of Financial Position	2014/15 Budget $000	2015/16 Budget $000	2016/17 Budget $000	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
EQUITY											
Accumulated equity	517,904	529,660	536,787	543,215	549,862	556,751	564,976	574,454	585,102	598,602	613,045
Reserve funds	17,104	14,788	15,864	16,906	18,472	20,327	21,471	23,090	25,592	27,539	29,712
Revaluation reserves	702,914	750,499	750,499	790,347	840,959	840,959	886,658	939,501	939,501	990,246	1,045,086
TOTAL EQUITY	**1,237,922**	**1,294,947**	**1,303,150**	**1,350,468**	**1,409,293**	**1,418,037**	**1,473,105**	**1,537,045**	**1,550,195**	**1,616,387**	**1,687,843**

Prospective Statement of Cashflows	2014/15 Budget $000	2015/16 Budget $000	2016/17 Budget $000	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
CASHFLOW FROM OPERATING ACTIVITIES											
CASH WAS PROVIDED FROM:											
Fees and charges	29,862	37,454	39,121	40,062	42,622	44,349	45,706	47,001	48,315	49,125	50,936
Rates	65,134	67,958	70,747	73,729	76,252	79,489	82,833	86,257	89,871	93,220	95,826
Dividends received	2,546	2,502	2,502	2,502	2,502	2,502	2,502	2,502	2,502	2,502	2,502
Interest received	264	536	539	536	533	552	552	551	570	570	569
Net GST received	573	0	0	0	0	0	0	0	0	0	0
	98,379	**108,450**	**112,909**	**116,829**	**121,909**	**126,892**	**131,593**	**136,311**	**141,258**	**145,417**	**149,833**
CASH WAS DISBURSED TO:											
Payments to staff and suppliers	(65,309)	(70,642)	(73,046)	(75,808)	(78,041)	(80,263)	(83,369)	(85,943)	(89,441)	(91,333)	(94,034)
Interest paid	(10,397)	(10,017)	(10,264)	(10,726)	(11,207)	(11,688)	(11,296)	(10,521)	(9,974)	(8,890)	(7,686)
	(75,706)	**(80,659)**	**(83,310)**	**(86,534)**	**(89,248)**	**(91,951)**	**(94,665)**	**(96,464)**	**(99,415)**	**(100,223)**	**(101,720)**
NET CASH FROM OPERATING ACTIVIITES	**22,673**	**27,791**	**29,599**	**30,295**	**32,661**	**34,941**	**36,928**	**39,847**	**41,843**	**45,194**	**48,113**
CASHFLOW FROM INVESTING ACTIVITIES											
CASH WAS PROVIDED FROM:											
Proceeds from sale of assets	0	87	93	75	111	89	87	93	75	111	89
Proceeds from sale of investments	0	0	0	0	0	0	0	0	0	0	0
	0	**87**	**93**	**75**	**111**	**89**	**87**	**93**	**75**	**111**	**89**
CASH WAS DISBURSED TO:											
Purchase of investments	(504)	(23)	(23)	(13,026)	(6,028)	(3,033)	(39)	(45)	(56)	(68)	(81)
Purchase of property, plant and equipment	(49,672)	(32,340)	(30,498)	(32,455)	(29,243)	(30,362)	(26,915)	(24,141)	(25,735)	(26,265)	(27,660)
	(50,176)	**(32,363)**	**(30,521)**	**(45,481)**	**(35,271)**	**(33,395)**	**(26,954)**	**(24,186)**	**(25,791)**	**(26,333)**	**(27,741)**
NET CASH FROM INVESTING ACTIVITIES	**(50,176)**	**(32,276)**	**(30,428)**	**(45,406)**	**(35,160)**	**(33,306)**	**(26,867)**	**(24,093)**	**(25,716)**	**(26,222)**	**(27,652)**
CASHFLOW FROM FINANCING ACTIVITIES											
CASH WAS PROVIDED FROM:											
Proceeds from loans	38,071	20,768	18,032	33,808	21,854	19,554	12,533	7,209	6,007	4,017	3,201
CASH WAS DISBURSED TO:											
Repayment of borrowings	(12,870)	(16,090)	(17,550)	(18,128)	(20,668)	(21,206)	(22,458)	(22,882)	(22,022)	(22,822)	(23,458)
NET CASH FROM FINANCING ACTIVITIES	**25,201**	**4,678**	**482**	**15,680**	**1,186**	**(1,652)**	**(9,925)**	**(15,673)**	**(16,015)**	**(18,805)**	**(20,257)**
TOTAL NET CASHFLOWS	(2,302)	193	(347)	569	(1,313)	(17)	136	81	112	167	204
Opening cash held	3,724	1,422	1,615	1,268	1,837	524	507	643	724	836	1,003
Closing cash balance	**1,422**	**1,615**	**1,268**	**1,837**	**524**	**507**	**643**	**724**	**836**	**1,003**	**1,207**
Represented by:											
Cash and cash equivalents	1,422	1,615	1,268	1,837	524	507	643	724	836	1,003	1,207
Cash and cash equivalents	**1,422**	**1,615**	**1,268**	**1,837**	**524**	**507**	**643**	**724**	**836**	**1,003**	**1,207**

Prospective Statement of changes in Net Assets/Equity	2014/15 Budget $000	2015/16 Budget $000	2016/17 Budget $000	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
EQUITY AT THE START OF THE YEAR	**1,195,396**	**1,239,968**	**1,294,947**	**1,303,150**	**1,350,468**	**1,409,293**	**1,418,037**	**1,473,105**	**1,537,045**	**1,550,195**	**1,616,387**
Total Comprehensive Revenue and Expenses	42,526	54,979	8,203	47,318	58,825	8,744	55,068	63,940	13,150	66,192	71,456
EQUITY AT THE END OF THE YEAR	**1,237,922**	**1,294,947**	**1,303,150**	**1,350,468**	**1,409,293**	**1,418,037**	**1,473,105**	**1,537,045**	**1,550,195**	**1,616,387**	**1,687,843**
COMPONENTS OF EQUITY											
Accumulated general equity at beginning of year	511,235	522,928	529,660	536,787	543,215	549,862	556,751	564,976	574,454	585,102	598,602
Net surplus/(deficit) for the year	9,063	7,394	8,203	7,470	8,213	8,744	9,369	11,097	13,150	15,447	16,616
Net transfers (to)/from reserves	(2,394)	(662)	(1,076)	(1,042)	(1,566)	(1,855)	(1,144)	(1,619)	(2,502)	(1,947)	(2,173)
ACCUMULATED GENERAL EQUITY AT END OF YEAR	**517,904**	**529,660**	**536,787**	**543,215**	**549,862**	**556,751**	**564,976**	**574,454**	**585,102**	**598,602**	**613,045**
Accumulated reserve funds at beginning of year	14,710	14,126	14,788	15,864	16,906	18,472	20,327	21,471	23,090	25,592	27,539
Net transfers to/(from) reserves	2,394	662	1,076	1,042	1,566	1,855	1,144	1,619	2,502	1,947	2,173
ACCUMULATED RESERVE FUNDS AT END OF YEAR	**17,104**	**14,788**	**15,864**	**16,906**	**18,472**	**20,327**	**21,471**	**23,090**	**25,592**	**27,539**	**29,712**
Accumulated revaluation reserves at beginning of year	669,451	702,914	750,499	750,499	790,347	840,959	840,959	886,658	939,501	939,501	990,246
Revaluation surplus/(deficit)	33,463	47,585	0	39,848	50,612	0	45,699	52,843	0	50,745	54,840
ACCUMULATED REVALUATION RESERVES AT END OF YEAR	**702,914**	**750,499**	**750,499**	**790,347**	**840,959**	**840,959**	**886,658**	**939,501**	**939,501**	**990,246**	**1,045,086**
EQUITY AT THE END OF THE YEAR	**1,237,922**	**1,294,947**	**1,303,150**	**1,350,468**	**1,409,293**	**1,418,037**	**1,473,105**	**1,537,045**	**1,550,195**	**1,616,387**	**1,687,843**

Prospective Cashflow Reconciliation	2014/15 Budget $000	2015/16 Budget $000	2016/17 Budget $000	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
SURPLUS(DEFICIT) FROM PROSPECTIVE INCOME STATEMENT	**9,063**	**7,394**	**8,203**	**7,470**	**8,213**	**8,744**	**9,369**	**11,097**	**13,150**	**15,447**	**16,616**
ADD NON CASH ITEMS											
Depreciation	21,569	23,852	25,309	26,599	28,711	30,147	31,013	32,412	33,445	33,993	35,606
Fair value movement on revaluation	0	(476)	(653)	(797)	(466)	(621)	(164)	(167)	(1,347)	(565)	(232)
Share of associates surplus/deficit	0	0	0	0	0	0	0	0	0	0	0
Vested assets	(4,950)	(2,966)	(3,022)	(3,080)	(3,142)	(3,207)	(3,279)	(3,356)	(3,441)	(3,533)	(3,634)
	16,619	**20,410**	**21,634**	**22,722**	**25,103**	**26,319**	**27,570**	**28,889**	**28,657**	**29,895**	**31,740**
MOVEMENTS IN WORKING CAPITAL											
Decrease (increase) in accounts receivable	(687)	(646)	(449)	(243)	(833)	(327)	(348)	(363)	(348)	(222)	(479)
Increase (decrease) in accounts payable	311	759	13	635	(186)	445	(118)	(109)	709	140	449
Increase (decrease) in employee entitlements	0	55	43	54	46	45	56	59	63	57	64
	(376)	**168**	**(393)**	**446**	**(973)**	**163**	**(410)**	**(413)**	**424**	**(25)**	**34**
OTHER											
Decrease (increase) in term receivables	0	(2)	(1)	(1)	(2)	(1)	(1)	(1)	(1)	0	(1)
Increase (decrease) in term employee entitlements	0	18	14	18	15	15	18	19	21	18	21
	0	**16**	**13**	**17**	**13**	**14**	**17**	**18**	**20**	**18**	**20**
ADD(DEDUCT) ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES											
Gain on sale of assets	0	(87)	(93)	(75)	(111)	(89)	(87)	(93)	(75)	(111)	(89)
Capital creditors	(2,633)	(110)	235	(285)	416	(210)	469	349	(333)	(30)	(208)
	(2,633)	**(197)**	**142**	**(360)**	**305**	**(299)**	**382**	**256**	**(408)**	**(141)**	**(297)**
NET CASH FLOW FROM OPERATING ACTIVITIES	**22,673**	**27,791**	**29,599**	**30,295**	**32,661**	**34,941**	**36,928**	**39,847**	**41,843**	**45,194**	**48,113**

Prospective Funding Impact Statement	2014/15 Budget $000	2015/16 Budget $000	2016/17 Budget $000	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
SOURCES OF OPERATING FUNDING											
General rates, uniform annual general charges, rates penalties	33,298	35,653	36,413	37,685	39,125	41,071	43,206	45,020	47,314	49,253	50,219
Targeted rates	25,767	32,369	34,386	36,099	37,171	38,474	39,681	41,288	42,612	44,014	45,643
Subsidies and grants for operating purposes	4,086	4,663	4,612	4,746	4,938	5,089	5,214	5,536	5,608	5,773	5,976
Fees and charges	7,002	15,814	16,642	16,993	18,347	19,207	20,092	20,815	21,622	21,887	22,719
Interest and dividends from investments	2,810	3,038	3,041	3,038	3,035	3,054	3,054	3,053	3,072	3,072	3,071
Local authorities fuel tax, fines, infringement fees, and other receipts	21,966	8,950	9,125	9,754	10,105	10,351	10,975	11,429	11,408	11,511	11,986
TOTAL OPERATING FUNDING	**94,929**	**100,487**	**104,219**	**108,315**	**112,721**	**117,246**	**122,222**	**127,141**	**131,636**	**135,510**	**139,614**
APPLICATIONS OF OPERATING FUNDING											
Payments to staff and suppliers	68,636	71,363	73,350	76,231	78,331	80,558	83,793	86,260	89,902	91,518	94,359
Finance costs	9,995	10,017	10,264	10,726	11,207	11,688	11,296	10,521	9,974	8,890	7,686
Other operating funding applications	0	0	0	0	0	0	0	0	0	0	0
TOTAL APPLICATIONS OF OPERATING FUNDING	**78,631**	**81,380**	**83,614**	**86,957**	**89,538**	**92,246**	**95,089**	**96,781**	**99,876**	**100,408**	**102,045**
SURPLUS (DEFICIT) OF OPERATING FUNDING	**16,298**	**19,107**	**20,605**	**21,358**	**23,183**	**25,000**	**27,133**	**30,360**	**31,760**	**35,102**	**37,569**
SOURCES OF CAPITAL FUNDING											
Subsidies and grants for capital expenditure	4,760	3,303	3,268	3,256	4,224	4,448	3,903	4,063	4,279	4,363	4,564
Development and financial contributions	2,920	5,308	5,870	5,503	5,799	5,526	5,817	5,470	5,692	5,767	6,135
Increase (decrease) in debt	8,734	4,678	482	2,680	(4,814)	(4,752)	(10,625)	(16,173)	(15,615)	(18,805)	(20,057)
Gross proceeds from sale of assets	85	87	93	75	111	89	87	93	75	111	89
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
TOTAL SOURCES OF CAPITAL FUNDING	**16,499**	**13,376**	**9,713**	**11,514**	**5,320**	**5,311**	**(818)**	**(6,547)**	**(5,569)**	**(8,564)**	**(9,269)**
APPLICATIONS OF CAPITAL FUNDING											
Capital expenditure											
- to meet additional demand	3,461	2,085	1,469	1,564	577	1,320	170	2,512	1,644	4,011	5,488
- to improve the level of service	16,293	11,322	15,977	18,756	14,056	12,039	9,217	7,801	12,729	7,336	9,667
- to replace existing assets	11,380	19,044	12,815	12,421	14,195	17,213	17,061	13,477	11,694	14,949	12,713
Increase (decrease) in reserves	1,663	32	57	131	(325)	(261)	(133)	23	124	242	432
Increase (decrease) in investments	0	0	0	0	0	0	0	0	0	0	0
TOTAL APPLICATIONS OF CAPITAL FUNDING	**32,797**	**32,483**	**30,318**	**32,872**	**28,503**	**30,311**	**26,315**	**23,813**	**26,191**	**26,538**	**28,300**
SURPLUS (DEFICIT) OF CAPITAL FUNDING	**(16,298)**	**(19,107)**	**(20,605)**	**(21,358)**	**(23,183)**	**(25,000)**	**(27,133)**	**(30,360)**	**(31,760)**	**(35,102)**	**(37,569)**
FUNDING BALANCE	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Prospective Balanced Budget Statement	2014/15 Budget $000	2015/16 Budget $000	2016/17 Budget $000	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
Total income	104,121	108,563	113,043	116,899	122,304	126,891	131,089	135,945	142,138	145,581	150,014
Total expenditure	96,010	102,311	106,006	110,578	115,229	119,282	122,897	126,026	130,163	131,310	134,562
Total accounting surplus	**8,111**	**6,252**	**7,037**	**6,321**	**7,075**	**7,609**	**8,192**	**9,919**	**11,975**	**14,271**	**15,452**
Less											
Vested assets	4,950	2,966	3,022	3,080	3,142	3,207	3,279	3,356	3,441	3,533	3,634
Other gains/losses	678	476	653	797	466	621	164	167	1,347	565	232
Development and financial contributions	2,920	5,308	5,870	5,503	5,799	5,526	5,817	5,470	5,692	5,767	6,135
Capital rates income	3,851	2,889	3,136	2,977	2,967	3,214	3,118	3,212	3,327	3,490	3,582
Capital grants and subsidies	4,760	3,303	3,268	3,256	4,224	4,448	3,903	4,063	4,279	4,363	4,564
Loan principal repaid from rates income	10,385	1,080	1,082	1,157	1,258	1,294	1,239	1,281	1,285	1,290	1,315
	27,544	**16,022**	**17,031**	**16,770**	**17,856**	**18,310**	**17,520**	**17,549**	**19,371**	**19,008**	**19,462**
Plus											
Depreciation not funded	20,567	10,851	11,353	11,538	12,087	12,122	10,660	9,783	8,913	7,612	7,723
Operations funded from reserve funds	411	277	199	224	247	250	266	240	317	356	297
	20,978	**11,128**	**11,552**	**11,762**	**12,334**	**12,372**	**10,926**	**10,023**	**9,230**	**7,968**	**8,020**
Underlying operating surplus/(deficit)	**1,545**	**1,358**	**1,558**	**1,313**	**1,553**	**1,671**	**1,598**	**2,393**	**1,834**	**3,231**	**4,010**
Net transfers to reserves and equity	(1,545)	(1,358)	(1,558)	(1,313)	(1,553)	(1,671)	(1,598)	(2,393)	(1,834)	(3,231)	(4,010)
Balanced budget	**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.

The 2014/15 Annual Plan information is as per the published document and has not been reclassified to reflect legislation changes which became effective from July 1st 2015.

Where appropriate the budgets for the LTP 2015-2025 have been developed from the forecast closing position of the 2014/15 financial year rather than the published annual plan.

Depreciation and amortisation expense by groups of activities

Group of Activity	2014/2015 (000s)	2015/2016 (000s)	2016/2017 (000s)	2017/2018 (000s)	2018/2019 (000s)	2019/2020 (000s)	2020/2021 (000s)	2021/2022 (000s)	2022/2023 (000s)	2023/2024 (000s)	2024/2025 (000s)
Environmental Management	200	204	242	291	326	361	386	365	346	327	291
Public Health and Safety	8	7	8	9	9	8	8	8	8	8	8
Roading and Footpaths	9,321	10,604	11,697	12,360	13,050	14,266	14,777	15,202	16,217	16,627	17,029
Coastal Assets	349	71	71	70	98	97	96	128	126	124	157
Solid Waste	335	286	296	316	348	348	338	293	315	336	353
Wastewater	2,497	2,620	2,729	2,800	3,082	3,162	3,222	3,450	3,344	3,398	3,730
Stormwater	1,457	1,548	1,626	1,696	2,002	2,070	2,138	2,490	2,560	2,627	3,012
Flood Protection and River Control Works	28	39	59	80	188	209	232	353	374	396	526
Water Supply	2,796	3,475	3,650	3,815	4,194	4,190	4,235	4,539	4,458	4,506	4,868
Community Relations	33	40	40	39	39	39	39	39	41	36	16
Community Facilities and Parks	3,105	2,979	2,604	2,649	2,654	2,695	2,720	2,719	2,702	2,683	2,713
Council Enterprises and Property	414	1,025	1,247	1,298	1,325	1,500	1,507	1,504	1,621	1,581	1,535
Governance	17	1	1	2	8	14	14	14	14	8	10

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 Financial Contributions

How funds are received

All new subdivisions, from one new lot up to hundreds of new lots, are required to pay Reserve Financial Contributions (RFCs) for reserves and other Council facilities. With regard to Reserve Financial Contributions, these are based on 5.62 percent of the value of all new allotments, less the value of any land taken for reserves or walkways. Credits are also given in some cases for work that is carried out on these areas of land, over and above levelling and grassing. Examples of such credits would be children's play equipment and formation of paths. Reserve Financial Contributions are also payable as a percentage of the cost of some large constructions (e.g. new factories and commercial premises).

All Reserve Financial Contributions received must be separately accounted for and the Council keeps Reserve Financial Contributions received in four separate accounts as follows:

- Golden Bay Ward
- Motueka Ward
- Moutere/Waimea and Lakes/Murchison Wards
- Richmond Ward

Income in each of these accounts varies considerably from year to year, depending on the demand for new sections and the availability of land for development.

What the Reserve Financial Contributions can be used for

Strict criteria apply to the use of Reserve Financial Contributions with use being in the main restricted to:

- Land purchase for reserves.
- Capital improvements to reserves.
- Other capital works for recreation activities.
- Growth related projects.

Allocation of Funds

Each year as part of the Council's Long Term Plan review or annual work plan process, a list of works in each of the four Reserve Financial Contributions accounts is produced by staff.

These requests are considered by the Community Boards in Golden Bay and Motueka, and the Ward Councillors for each of the four ward groupings listed previously. Recommendations are then forwarded to the Council's Community Development Committee for approval before being included in the Long Term Plan or annual work plan.

In the past Council has funded smaller requests from the RFC accounts for non-Council Sport and Recreation Facilities projects. Council has moved away from this process to ensure all projects meet the criteria for use of RFC funds. In order to continue to assist these groups, Council has added a section called Sport and Recreation Facilities to its Grants from Rates scheme whereby groups can apply for funding of up to $5,000 for projects that support sport and recreation in the district.

Tables of the proposed expenditure of the Reserve Financial Contributions for each of the four ward groupings follow:

District Wide Reserve Financial Contributions 2015-2025	2015/2016 Budget $	2016/2017 Budget $	2017/2018 Budget $	2018/2019 Budget $	2019/2020 Budget $	2020/2021 Budget $	2021/2022 Budget $	2022/2023 Budget $	2023/2024 Budget $	2024/2025 Budget $
PROJECTS										
Valuation costs	11,091	11,369	11,664	11,979	12,327	12,696	13,090	13,522	13,982	14,485
Consultant Fees	21,995	22,566	23,153	23,778	24,444	25,177	25,958	26,814	27,753	28,780
Library Books	10,230	10,486	10,758	11,049	11,369	11,710	12,073	12,472	12,896	13,360
Rainbow Project	12,877	13,198	13,542	13,907	-	-	-	-	-	-
Loan Interest	328	-	-	-	-	-	-	-	-	-
Loan Principal	11,405	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURE	**67,926**	**57,619**	**59,117**	**60,713**	**48,140**	**49,584**	**51,121**	**52,808**	**54,630**	**56,625**
Estimated Opening Balance	30,329	20,011	20,753	21,522	22,317	23,199	24,114	25,064	26,114	27,207
Internal Interest Received	1,088	743	768	795	882	915	949	1,051	1,093	1,136
Transfer from Ward Accounts	56,520	57,619	59,117	60,713	48,140	49,584	51,121	52,808	54,630	56,625
ESTIMATED CLOSING BALANCE	**20,011**	**20,753**	**21,522**	**22,317**	**23,199**	**24,114**	**25,064**	**26,114**	**27,207**	**28,343**

Richmond Ward Reserve Financial Contributions 2015-2025	2015/2016 Budget $	2016/2017 Budget $	2017/2018 Budget $	2018/2019 Budget $	2019/2020 Budget $	2020/2021 Budget $	2021/2022 Budget $	2022/2023 Budget $	2023/2024 Budget $	2024/2025 Budget $
Walkways/Cycleways										
General	-	7,872	10,769	18,248	17,054	46,842	32,598	18,708	51,633	26,772
Artwork										
General	-	-	-	-	-	23,421	-	-	-	-
Sportsfields										
General	-	89,216	86,151	77,417	30,697	99,538	102,624	-	109,721	113,781
Gardens	10,000	10,000	10,000	10,000	15,000	15,000	15,000	10,000	30,000	10,000
Picnic Areas										

Richmond Ward Reserve Financial Contributions 2015-2025	2015/2016 Budget $	2016/2017 Budget $	2017/2018 Budget $	2018/2019 Budget $	2019/2020 Budget $	2020/2021 Budget $	2021/2022 Budget $	2022/2023 Budget $	2023/2024 Budget $	2024/2025 Budget $
General	10,240	-	-	-	-	-	-	-	-	-
Playgrounds										
General	15,345	73,472	64,613	77,417	73,900	175,656	78,477	56,123	109,721	53,544
Saxton Velodrome	100,000	-	-	-	-	-	-	-	-	-
Toilets										
General	112,530	115,456	-	27,649	-	72,604	181,101	-	-	66,930
Cemeteries										
Richmond Cemetery Roading	-	-	53,844	221,193	56,847	17,566	54,330	12,472	23,235	30,788
Miscellaneous										
Valuation Expenses/Future Planning	-	10,486	10,758	11,049	11,369	11,710	12,073	12,472	12,896	13,360
Security Cameras		20,992	-	-	-	-	-	-	38,725	-
New Reserves	-	104,960	269,222	-	284,233	-	-	311,796	-	334,649
Loan Interest	40,447	17,678	3,144	-	-	-	-	-	-	-
Loan Principal	404,457	392,791	108,405	-	-	-	-	-	-	-
Transfer to District Wide Contributions	16,960	17,286	17,735	18,214	14,442	14,875	15,336	15,842	16,389	16,987
TOTAL EXPENDITURE	709,979	860,208	634,642	461,188	503,542	477,212	491,540	437,413	392,320	666,810
Estimated Opening Balance	**1,127,503**	**1,333,003**	**1,420,266**	**1,752,941**	**2,282,577**	**2,824,836**	**3,446,236**	**3,998,306**	**4,668,168**	**5,444,907**
Projected Income	875,037	899,249	916,042	927,905	958,526	991,116	912,812	945,674	980,664	1,102,586
Internal Interest Received	40,442	48,221	51,275	62,919	87,274	107,496	130,798	161,601	188,396	219,465
	2,042,982	2,280,473	2,387,583	2,743,765	3,328,378	3,923,448	4,489,847	5,105,581	5,837,227	6,766,958
Expenditure	709,979	860,208	634,642	461,188	503,542	477,212	491,540	437,413	392,320	666,810
ESTIMATED CLOSING BALANCE	**1,333,003**	**1,420,266**	**1,752,941**	**2,282,577**	**2,824,836**	**3,446,236**	**3,998,306**	**4,668,168**	**5,444,907**	**6,100,148**

Waimea/Moutere & Lakes Ward Reserve Financial Contributions 2015-2025	2015/2016 Budget $	2016/2017 Budget $	2017/2018 Budget $	018/2019 Budget $	2019/2020 Budget $	2020/2021 Budget $	2021/2022 Budget $	2022/2023 Budget $	2023/2024 Budget $	2024/2025 Budget $
PROJECTS										
Walkways/Cycleways										
General	10,230	20,992	21,538	27,649	36,382	11,710	38,635	52,382	25,817	56,221
Sportsfields										
General	-	131,200	91,535	-	96,639	76,118	102,624	81,067	51,633	87,009
Gardens										
General	10,240	10,476	10,737	11,017	16,988	11,653	18,005	18,581	12,808	19,885
Artwork										
General	-	-	-	-	16,000	-	16,000	52,407	-	13,000
Playgrounds										
General - new reserves etc	102,300	56,678	69,998	-	96,639	76,118	78,477	106,011	83,904	113,781
Toilets	-	26,240	26,922	110,596	-	23,421	24,147	-	-	-
Cemeteries										
General	10,240	10,476	-	3,305	16,988	3,496	18,005	3,716	-	13,257
Coastcare	22,528	26,189	26,844	16,525	28,313	29,134	30,008	30,968	32,021	33,142
Miscellaneous										
Valuation Fees	6,759	12,067	10,229	12,178	13,643	14,052	14,488	14,966	15,475	16,032
New reserves land	255,750	262,400	269,222	276,491	-	292,760	-	-	322,709	-
Transfer to District Wide Contributions	16,960	17,286	17,735	18,214	14,442	14,875	15,336	15,842	16,389	16,987
Loan Interest	68,310	52,435	37,989	26,046	19,502	11,775	4,047	96	-	-
Loan Principal	298,178	269,711	228,439	134,391	134,391	134,391	134,391	3,194	-	-
TOTAL EXPENDITURE	801,496	896,148	811,188	636,412	489,926	699,503	494,162	379,229	560,756	369,313
Estimated Opening Balance	**711,152**	**579,944**	**381,025**	**106,708**	**165,450**	**396,003**	**449,874**	**718,431**	**1,140,670**	**1,427,318**

Waimea/Moutere & Lakes Ward Reserve Financial Contributions 2015-2025	2015/2016 Budget $	2016/2017 Budget $	2017/2018 Budget $	018/2019 Budget $	2019/2020 Budget $	2020/2021 Budget $	2021/2022 Budget $	2022/2023 Budget $	2023/2024 Budget $	2024/2025 Budget $
Projected Income	644,780	675,944	522,547	690,432	713,216	737,466	744,791	771,603	800,152	799,879
Internal Interest Received	25,508	21,286	14,324	4,722	7,263	15,908	17,928	29,865	47,252	58,718
	1,381,440	1,277,173	917,896	801,862	885,929	1,149,376	1,212,593	1,519,899	1,988,074	2,285,914
Expenditure	801,496	896,148	811,188	636,412	489,926	699,503	494,162	379,229	560,756	369,313
ESTIMATED CLOSING BALANCE	**579,944**	**381,025**	**106,708**	**165,450**	**396,003**	**449,874**	**718,431**	**1,140,670**	**1,427,318**	**1,916,602**

Motueka Ward Reserve Financial Contributions 2015-2025	2015/2016 Budget $	2016/2017 Budget $	2017/2018 Budget $	2018/2019 Budget $	2019/2020 Budget $	2020/2021 Budget $	2021/2022 Budget $	2022/2023 Budget $	2023/2024 Budget $	2024/2025 Budget $
Walkways/Cycleways										
General	-	15,744	10,769	15,483	28,423	-	30,184	31,180	24,526	24,095
Sportsfields										
General	-	52,480	26,922	-	56,847	-	42,257	-	-	38,819
Gardens										
General	10,230	10,496	10,769	5,530	11,369	11,710	10,866	12,472	12,908	13,386
Playgrounds										
General - new reserves etc	66,495	73,472	43,076	32,073	39,793	29,276	60,367	42,404	-	42,835
Toilets	35,805	-	26,922	110,596	-	-	-	21,202	-	-
Cemeteries										
General	7,168	7,333	-	-	10,193	11,653	12,003	12,387	12,808	13,257
Coastcare										
General	17,920	17,808	18,254	22,033	22,650	23,307	24,006	24,774	25,617	22,536
Miscellaneous										
Purchase New Reserve	255,750	-	161,533	-	-	292,760	-	-	322,709	-
Valuation Fees/Future Planning	10,230	6,291	6,455	4,808	6,822	7,026	7,244	7,483	7,738	8,016
Keep Motueka Beautiful	10,230	10,486	10,758	11,049	11,369	11,710	12,073	12,472	12,896	13,360
Motueka Clock Tower Trust	7,161	7,340	7,531	7,734	7,958	8,197	8,451	8,730	9,027	9,352

Motueka Ward Reserve Financial Contributions 2015-2025	2015/2016 Budget $	2016/2017 Budget $	2017/2018 Budget $	2018/2019 Budget $	2019/2020 Budget $	2020/2021 Budget $	2021/2022 Budget $	2022/2023 Budget $	2023/2024 Budget $	2024/2025 Budget $
Library Invest & Concept Plans	-	-	-	-	-	466,139	-	-	-	-
Transfer to District Wide Contributions	16,960	17,286	17,735	18,214	14,442	14,875	15,336	15,842	16,389	16,987
TOTAL EXPENDITURE	437,949	218,736	340,724	227,521	209,866	876,654	222,788	188,947	444,617	202,644
Estimated Opening Balance	**1,190,327**	**1,061,839**	**1,152,916**	**1,133,237**	**1,203,142**	**1,304,728**	**752,329**	**792,241**	**877,966**	**720,371**
Projected Income	266,766	270,995	279,040	256,110	264,562	273,557	232,716	241,094	250,014	181,940
Internal Interest Received	42,696	38,817	42,005	41,316	46,889	50,698	29,983	33,579	37,008	30,704
	1,499,788	1,371,652	1,473,961	1,430,664	1,514,593	1,628,983	1,015,028	1,066,913	1,164,988	933,015
Expenditure	437,949	218,736	340,724	227,521	209,866	876,654	222,788	188,947	444,617	202,644
ESTIMATED CLOSING BALANCE	**1,061,839**	**1,152,916**	**1,133,237**	**1,203,142**	**1,304,728**	**752,329**	**792,241**	**877,966**	**720,371**	**730,371**

Golden Bay Ward Reserve Financial Contributions 2015-2025	2015/2016 Budget $	2016/2017 Budget $	2017/2018 Budget $	2018/2019 Budget $	2019/2020 Budget $	2020/2021 Budget $	2021/2022 Budget $	2022/2023 Budget $	2023/2024 Budget $	2024/2025 Budget $
PROJECTS										
Walkways/Cycleways										
General	-	10,476	16,106	16,525	16,988	17,480	18,005	18,581	19,213	19,885
Sportsfields										
Golden Bay Recreation Reserve	15,345	7,347	16,153	16,589	-	-	-	-	-	-
Art Works										
General	-	-	4,295	4,407	-	-	-	11,148	-	11,931
Playgrounds										
General - new reserves etc	-	-	-	-	22,739	23,421	24,147	-	-	-
Cemeteries										
General	-	-	10,769	11,060	-	-	-	-	11,618	-

Golden Bay Ward Reserve Financial Contributions 2015-2025	2015/2016 Budget $	2016/2017 Budget $	2017/2018 Budget $	2018/2019 Budget $	2019/2020 Budget $	2020/2021 Budget $	2021/2022 Budget $	2022/2023 Budget $	2023/2024 Budget $	2024/2025 Budget $
Coastcare	20,460	20,972	21,517	22,098	22,739	23,421	24,147	24,944	25,792	26,720
Transfer to District Wide Contributions	5,653	5,762	5,912	6,071	4,814	4,958	5,112	5,281	5,463	5,662
TOTAL EXPENDITURE	41,458	44,556	74,752	76,750	67,279	69,280	71,410	59,954	62,085	64,199
Estimated Opening Balance	**581,690**	**608,527**	**676,310**	**719,674**	**756,350**	**808,614**	**863,907**	**905,405**	**965,104**	**1,028,113**
Projected Income	47,431	90,233	93,638	87,429	90,314	93,385	79,646	82,513	85,566	69,574
	26,838	67,783	43,365	36,676	52,264	55,293	41,498	59,699	63,009	47,423
Internal Interest Received	20,865	22,106	24,479	25,996	29,229	31,189	33,262	37,139	39,527	42,048
	649,986	720,866	794,426	833,100	875,893	933,187	976,815	1,025,058	1,090,198	1,139,735
Expenditure	41,458	44,556	74,752	76,750	67,279	69,280	71,410	59,954	62,085	64,199
ESTIMATED CLOSING BALANCE	**608,527**	**676,310**	**719,674**	**756,350**	**808,614**	**863,907**	**905,405**	**965,104**	**1,028,113**	**1,075,536**

Assumptions

The Tasman Long Term Plan 2015-2025 is required to contain information on the significant forecasting assumptions underlying the information contained in the document. These assumptions include assessments of a number of factors that might impact on Council and the community, including consideration of how the population will probably change over the next 30 years, funding of Council services, the financial environment, how Council will provide services over the next 30 years and external factors such as climate change and Government legislation.

The assumptions are based on current information, but actual results might differ and these differences might be large. Council has, therefore, included an assessment of how likely the actual may vary from the assumptions and what impact the variances would have on Council and the community.

These are the overarching assumptions relating to Council's activities. In addition to these assumptions, activity specific assumptions are found in each of the activity sections and Activity Management Plans which are available as separate documents.

Assumption	Description of Risk	Level of uncertainty	Impact
Population Change and Growth Assumptions			
Population growth: Council has undertaken a detailed assessment of the likely population increase for all of the District's main settlements as well as rural areas outside of these settlements. The overall population of Tasman is expected to increase from an estimated population of 48,800 in 2013 to 54,000 by 2043. The population increase has been based on the medium growth rates provided by Statistics New Zealand. Council planning also considers non-resident demand for holiday home properties and business growth. The growth figures included in this Plan are at the same rate as those used in the Long Term Plan 2012-2022. The reason for this is that the 2011 census was cancelled following the Christchurch earthquake and updated population projections have not been issued by Statistics New Zealand following the 2013 census.	That growth is higher or lower than projected. A higher figure might result if a large number of people decided to relocate from other cities or towns. A lower growth rate might result if economic conditions are poor and net migration to New Zealand is negative. The demand for holiday home properties could be lower than expected if New Zealand or overseas economic conditions are worse than expected. Note: Growth rates since 2012 have been slightly lower than forecast in the Long Term Plan 2012-2022.	Low	The growth strategy provides for a consistent supply of sections to match demand across the Tasman District. Council reassesses the growth rates and whether projects need to be brought forward or delayed as part of each year's Annual Plan or Long Term Plan process.
Ageing population: The medium age in the Tasman District in 2006 was 40.3 This is expected to increase to 47.7 by 2046. The increasing age of the population is likely to have an impact on residents' ability to pay for services	That the age profile in 10 years time is significantly different to that forecast.	Low	Demographic projections and the ageing of the population is well defined and likely to be similar to that forecast by Statistics New Zealand. Council has taken projected demographic changes into consideration as part of the development of this Plan, for example increased demand for community services such as libraries.

Assumption	Description of Risk	Level of uncertainty	Impact
and also the services that they require.			
Affordability: As noted in the Ageing Population section the medium age of residents is expected to increase over the next 20 years. Older residents who are no longer in employment will be less able to fund increases in rates for new services/infrastructure.	That the ability of the community to afford rates increases will be lower or higher than anticipated.	Low	Council considers affordability of rates and charges as part of each Long Term Plan and Annual Plan. The Long Term Plan contains a number of changes to levels of service to assist with affordability.
Development contributions: Full assumptions on development contributions are included within the draft Development Contributions Policy – copies of this policy are available on Council's website. Council expects to collect $36.8 million in development contributions over the next 10 years.	That development occurs at a slower or faster rate than forecast. This could be across the District or in specific settlements.	Medium	The Council's growth strategy is detailed and the forecast rate of growth is conservative. Council reassesses its work programme each year as part of the Annual Plan process and can bring forward or delay projects if the growth rate is different or occurs in different settlements than forecast. If growth was lower than forecast this would result in less money collected through development contributions and a reduction of income. In the short term this would require additional borrowing and higher interest costs, but in the medium and long term Council would delay projects to manage this shortfall.
Reserve Financial Contributions (RFCs): That Council will receive $1.8 million in 2015/2016 from financial contributions, rising to $2.12 million by 2024/2025.	That development occurs at a slower or faster rate than forecast. This could be across the District or in specific settlements.	Medium	The Council's growth strategy is detailed and the forecast rate of growth is conservative. If growth was lower than forecast this would result in lower financial contributions. Council would delay projects through the Annual Plan process to manage any shortfall. If the growth rate was faster than forecast Council would consider bringing projects forward. Council is proposing to not spend all RFCs received during the term of the Long Term Plan. This will provide a buffer is growth is lower than expected and will provide future Councils options for spending the funds, and to either repay loans faster than scheduled or to have a buffer in case development in the settlements is lower than expected.
Vested Assets: That Council will receive $2.96 million of vested assets in 2015/16 rising to $3.634 million in 2024/25. Vested Assets are engineering assets such as roads, sewers and water mains, paid for by developers and vested to Council on completion of the subdivision.	That vested assets vary from budget.	Medium	Vested assets must be maintained by Council and depreciation provided for, therefore if growth is higher than forecast Council will need to increase its budget to maintain those assets. The impact of higher or lower growth is not considered significant.
Financial Assumptions			
Inflation/Price changes: In preparing the Consultation Document Council has assumed the inflation as set out in the table below.	That inflation is higher or lower than planned.	Medium to High	There is likely to be some variation in the actual rates of inflation from those assumed and this will impact on the financial results of Council. If the variances are significant Council may need to consider either increasing or decreasing rates and charges or the levels of service for

Assumption	Description of Risk	Level of uncertainty	Impact
Council has generally used the figures provided by Business and Economic Research Limited (BERL). Variable annual rates have been applied to six cost groups across the model. We have used a cost weighted averaging exercise to derive an inflation rate for all costs. The inflation cost estimated by BERL for salaries has been adjusted to reflect the Council's expected future costs.			activities. A 1% movement in inflation could increase or decrease costs by approximately $1 million p.a by year 10 of the Plan. There might also be an impact on Council debt levels.

	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20	Jun-21	Jun-22	Jun-23	Jun-24	Jun-25	Ten Year Average
Income	2.30%	2.90%	3.00%	3.10%	3.30%	3.40%	3.50%	3.60%	3.70%	3.80%	3.3%
Salaries	2.20%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.80%	3.3%
Maintenance	2.40%	2.30%	2.50%	2.60%	2.80%	2.90%	3.00%	3.20%	3.40%	3.50%	2.9%
Other Operating Expenses	2.30%	2.50%	2.60%	2.70%	2.90%	3.00%	3.10%	3.30%	3.40%	3.60%	2.9%
Energy	3.50%	3.80%	3.90%	4.10%	4.30%	4.50%	4.70%	4.90%	5.10%	5.30%	4.4%
Capital	2.30%	2.60%	2.60%	2.70%	2.80%	3.00%	3.10%	3.30%	3.50%	3.70%	3.0%

Interest rates: In preparing the Consultation Document:	Higher interest rates will increase costs for Council. Lower interest rates will decrease costs.	Medium/high	Interest rates used are based on advice from Price Waterhouse Coopers and includes the cost of both funds already borrowed and anticipated new debt at anticipated future interest rates. If actual interest rates are higher than the assumed rate, this cost would be rated for or future borrowing requirements adjusted. A degree of protection against fluctuating interest rates has been provided through the use of interest rate swaps. Council is also a member of the Local Government Funding Agency which provides access to loans at a lower rate than Council could obtain directly from banks.

	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20	Jun-21	Jun-22	Jun-23	Jun-24	Jun-25	Ten Year Average
Interest Rate	5.70%	5.75%	5.75%	5.75%	6.00%	6.00%	6.00%	6.25%	6.25%	6.25%	5.97%

Useful lives of significant assets: The Council has made a number of assumptions about the useful life of its assets (refer Infrastructure Strategy). These assumptions affect the depreciation charges	That the lives of assets are materially different from those contained within the Plan.	Low	If the life of assets are materially different from those contained within the Plan the asset values stated in the prospective balance sheet and the profit contained in the prospective income statement would be affected. If the life was shorter than expected then Council might need to replace the asset sooner than planned and this would need to be funded through

Assumption	Description of Risk	Level of uncertainty	Impact
contained within the Council's proposed budgets. The detail for each asset category is reflected in the Statement of Accounting Policies on pages in the supporting document on Council's website. Council's asset depreciation rates are in the Statement of Accounting Policies which is available on Council's website. Council has a work programme planned to obtain improved information on the age and condition of its utilities assets.			borrowing or an increase in rates. However, Council has a long history of managing assets and has asset management practices in place which reduce the likelihood of the useful life of assets being very different to the projections. New technology over the term of the plan might enable Council to further extend the life of its assets and therefore reduce replacement costs.
Funding depreciation: Council is proposing to begin funding depreciation from year one of the Long Term Plan 2015-2025. After 10 years depreciation would be fully funded (refer to Council's Revenue and Financing Policy, Infrastructure Strategy and Finance Strategy for further details).	That the amount set aside for depreciation will be higher or lower than the amount required to replace assets.	Low	Council revalues its assets on a regular basis. Any changes to the value of assets, and therefore the amount required to be funded to replace them when the wear out, will be included in updated Long Term Plans.
Revaluation: The Council revalues the following non-current assets on a three yearly cycle. Stormwater - Yr 3 (and every three years thereafter) 9% Solid Waste - Yr 3 (and every three years thereafter) 9% Roading - Yr 1 (and every three years thereafter) 5% Water Supply - Yr 3 (and every three years thereafter) 10% Wastewater - Yr 3 (and every three years thereafter) 9% Rivers - Yr 1 (and every three years thereafter) 9% Coastal - Yr 1 (and every three years thereafter) 9% Land - Yr 1 (and every three years thereafter) 9% Buildings - Yr 1 (and every three years thereafter) 9% These assumptions affect the depreciation charges contained within the Council's proposed budgets. The detail for each asset category is reflected in the Statement of Accounting	That the lives of assets are materially different from those contained within the Plan.	Low	If the life of assets are materially different from those contained within the Plan the asset values stated in the prospective balance sheet and the profit contained in the prospective revenue statement would be affected. If the life was shorter than expected then Council might need to replace the asset sooner than planned and this would need to be funded through borrowing or an increase in rates. However, Council has a long history of managing assets and has asset management practices in place which reduce the likelihood of the useful life of assets being very different to the projections. New technology over the term of the plan might enable Council to further extend the life of its assets and therefore reduce replacement costs.

Assumption	Description of Risk	Level of uncertainty	Impact
Policies on pages in the supporting document on Council's website. Council's asset depreciation rates are in the Statement of Accounting Policies which is available on Council's website.			
NZTA funding: An underlying assumption of the budget figures contained in the Transportation Activity is that the government subsidy through the NZ Transport Agency's Co-investment Rate will remain unchanged during the first three years of the Long Term Plan. Funding rates used for the preparation of this Plan are based on information from the NZ Transport Agency and are set at 52% for 2015/16 and then 51% thereafter. The only exception is Special Purpose Roads (Pupu Spings Road and Totaranui Road) which will be funded at 100% for 2015/16 to 2017/18.	That the Government will reduce the level of subsidy available to councils for transport and transport related activities.	Medium	Any decrease in NZ Transport Agency funding will require Council to make a decision on whether to increase funding for transport activities from rates, reduce levels of service, remove projects from the Long Term Plan or apply a mix of these options. An example of the impact of lower NZ Transport Agency funding is when the co-investment rate for Tasman work is to be reduced by 1%, from 52% to 51% in 2016/17 then Council income would be $136,000 lower as a result of this. To offset this Council would need to either increase general rates by 0.20%, or decrease levels of service.
Insurance costs: It has been assumed that insurance premiums will continue at the level paid for cover for 2014/2015 plus inflation. These costs are subsequent to the Christchurch earthquakes. Council has also made an assumption that it will be able to obtain insurance cover.	That premiums increase above inflation and/or Council cannot obtain 100% cover.	Medium	Any increase in premiums above the level assumed in this Plan will have an impact on rates or the level of cover that Council adopts.
Return on investments: It is assumed that the return on investments, including dividends from Council Controlled Trading Organisations and retained earnings on subsidiaries will continue at current levels plus inflation.	That returns are lower than expected.	Low	Lower returns will impact on rates as the income will need to be raised from other sources. Alternatively Council could consider reducing levels of service.
Limits on Rates and Rate increases: The level of the Council limits on rates and rate increases, as required by the Local Government Act 2002, are set out in the Financial Strategy. This Plan assumes that Council will remain within these limits.	That rate increases are above the limits set by Council.	Low	The rates limits might be exceeded if there was a natural disaster and Council had to increase rates to cover the cost of damage, or Council decided to undertake an additional capital project, or if income was lower than forecast. If one of these situations occurred Council could decide to either amend the rates limit and/or report the breach through the Annual Report and pre-election report. There is no legislative requirement for Council to remain within the rates limit and the forecasts in this Plan provide a margin for unexpected events.

Assumption	**Description of Risk**	**Level of uncertainty**	**Impact**
Major Industrial Water Users (IWU) and provision of water to some Nelson South properties: The figures in the LTP assume that the IWUs and properties in Nelson South will continue to require the same amount of water that is currently being provided.	That the amount of water required is higher or lower than that currently provided.	Medium	If the amount of water required increases or decreases significantly the Council will need to reassess the water storage needs for the urban water supply system. A large change in the volume provided might also affect the cost of water provided to other urban water supply users, including Tasman residential properties. The reason for this is that most of the costs of supplying water are fixed, and a change in the volume provided would also change the average cost per cubic metre.
Operational Assumptions			
Council Resource consents: It is assumed that resource consents held by Council will not be significantly altered and any due for renewal during the life of the Plan can be renewed accordingly.	That conditions of resource consents are significantly altered and there are accordingly significant new compliance costs or consents cannot be renewed.	Low	Budgets are in place for renewal of resource consents. Any increased compliance costs will be managed through the Annual Plan process. If resource consents are not renewed then Council will need to consider how it delivers these services. These costs could be significant, for example if water extraction rights are not approved.
Going Concern: The financial information that supports the Consultation Document assumes that the Council will continue through the term of the Long Term Plan. The Council will continue to work with Nelson City Council to develop shared services where this provides economic and social benefits to our communities.	N/A	Low	Note: Any assumption that there would be an reorganisation of Councils would mean that the Council budgets would be replaced by budgets of a new organisation.
External Assumptions			
Government legislation: It is assumed that there will be no material changes to existing legislation or additional activity or compliance requirements imposed by Central Government, that has not already been allowed for in this document.	That Central Government requires Council to undertake further activities, without corresponding funding or imposes additional compliance costs on Local Government.	Medium	If changes in legislation require Council to provide further services, or significantly increases levels of compliance or operating costs then this will need to be offset by increases in fees and charges and/or in increases in rates. It is unlikely that Government will reduce compliance or legislative costs incurred by Council, but if there was a reduction this would enable Council to reduce rates or fees and charges.
Climate change: The Council anticipates increased flooding risk, coastal inundation and an increase in the frequency of drought as a result of changing weather patterns and sea level rise. Council plans for these events based on previous disasters, extreme events, such as a one in five hundred year storm are not budgeted for.	Climatic events might lead to increased costs for Council in both responding to events and building greater resilience into infrastructure.	Medium	How the Council manages the impacts of more frequent and more severe storm events is extremely important. It will have a significant impact on large tracts of coastline, land use planning, private property, and the Council's infrastructure and finances. Council's Engineering Standards include consideration of the potential impacts of climate change in the planning, location and design of infrastructure. It is not possible to quantify the cost of climate change, but Council hold reserves and insurance to meet the costs of flood events. Council is also proposing to increase funding for emergency reinstatement works for those activities most likely to be effected by Climate Change, for example Transportation,

Assumption	Description of Risk	Level of uncertainty	Impact
			Stormwater and Parks and Reserves activities.
Disasters: It is assumed that there will be some minor disaster events during the term of this Plan, for example flooding, but that these events will not be significant.	That there is a significant natural disaster in the District, such as flooding, earthquake or fire.	Low	Council has adequate insurance to cover natural disasters. However, in the event of a significant event Council will need to re-evaluate its work programme and implement disaster recovery plans. Council also has a disaster fund and is currently working to build this up to $6.5 million. Council is also proposing to increase funding for emergency reinstatement works for those activities most likely to be effected by disasters for example Transportation, Stormwater and Parks and Reserves activities.
Emissions Trading Scheme (ETS): Council assumes that ETS costs will arise mainly as a result of the landfill at Eves Valley and from its forestry holdings.	That costs will be higher than forecast	Low	Council has undertaken an analysis of the impact of the ETS and has budgeted for the cost implications of the Emissions Trading Scheme. If costs are higher than forecast then Council may need to increase rates or fees and charges to fund these.

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.

Tasman District Council Reserve Reporting	Projected Opening Balance 1 July 2015 (000’s) $	Transfer in to fund over the LTP period (000’s) $	Transfers out of fund over the LTP period (000’s) $	Projected Closing Balance 30 June 2025 (000’s) $	Activity to which the fund relates
Reserve Financial Contributions Reserve	3,641	22,544	(16,334)	9,851	Community Facilities & Parks
Rivers Disaster Fund	810	329	-	1,139	Rivers & Flood Protection
Rivers Reserve	414	34,640	(34,640)	414	Rivers & Flood Protection
Water Reserve	-	216,369	(215,298)	1,071	Water
Wastewater Reserve	-	248,472	(248,472)	-	Wastewater
Self Insurance Fund	920	360	-	1,280	Overall Council
Stormwater Reserve	272	137,443	(137,443)	272	Stormwater
Solid Waste Reserve	391	113,233	(113,998)	(374)	Solid Waste
Dog Control Reserve	41	5,472	(5,129)	384	Public Health & Safety
Community Facilities Rate Reserve	1.078	56,512	(56,512)	1,078	Community Facilities & Parks
Camping Ground Reserve	105	18,165	(17,883)	387	Council Enterprises & Property
Community Housing Reserve	31	4,842	(2,941)	1,932	Community Facilities & Parks
Development Contribution Reserve	4,686	39,459	(39,464)	4,681	Roading & Footpaths, Water, Wastewater, Stormwater
General Disaster Fund	1,737	5,860	-	7,597	Governance
TOTAL	14,126	903,700	(888,114)	29,712	

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 2018.

Financial Regulations Benchmarks

Long Term Plan disclosure statement for period commencing 1 July 2015

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.

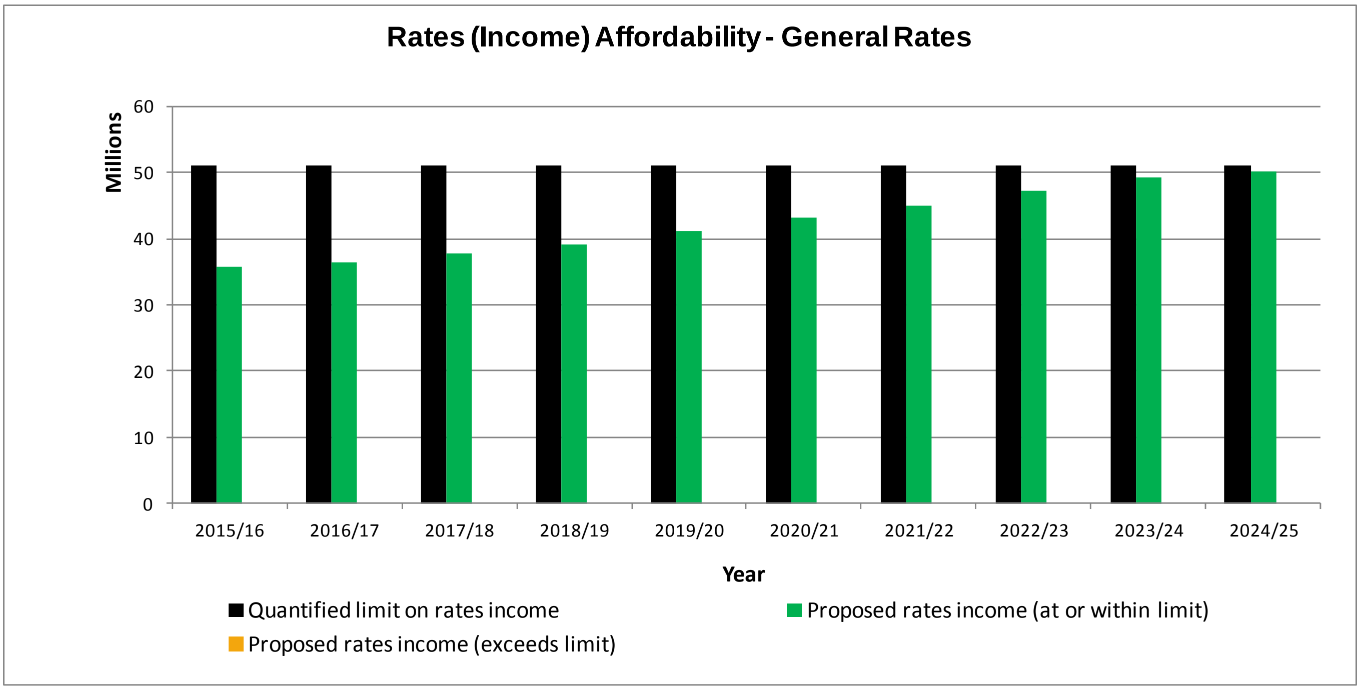
Rates affordability benchmark

Council meets the rates affordability benchmark if—

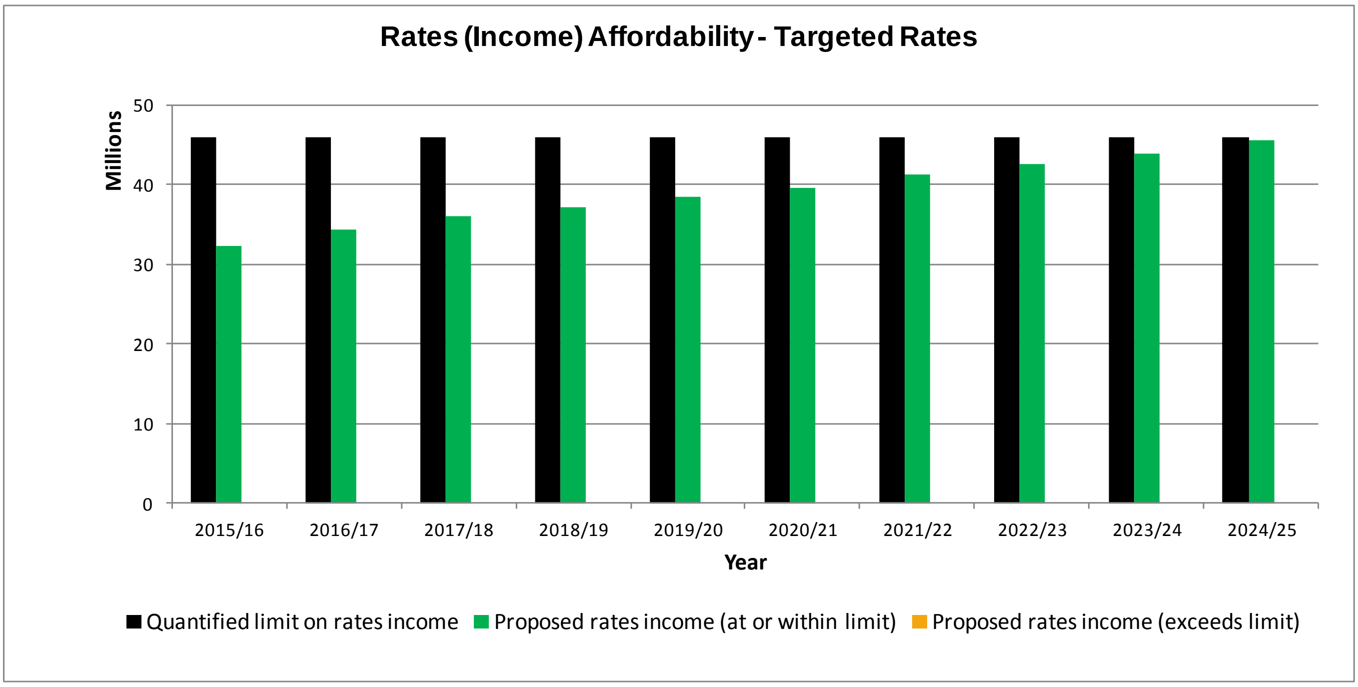
- its actual rates income equals, or is less than, each quantified limit on rates; and
- its actual rates increases equals, or is less than, each quantified limit on rates increases.

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 $51m per annum for each year covered by the Long Term Plan.

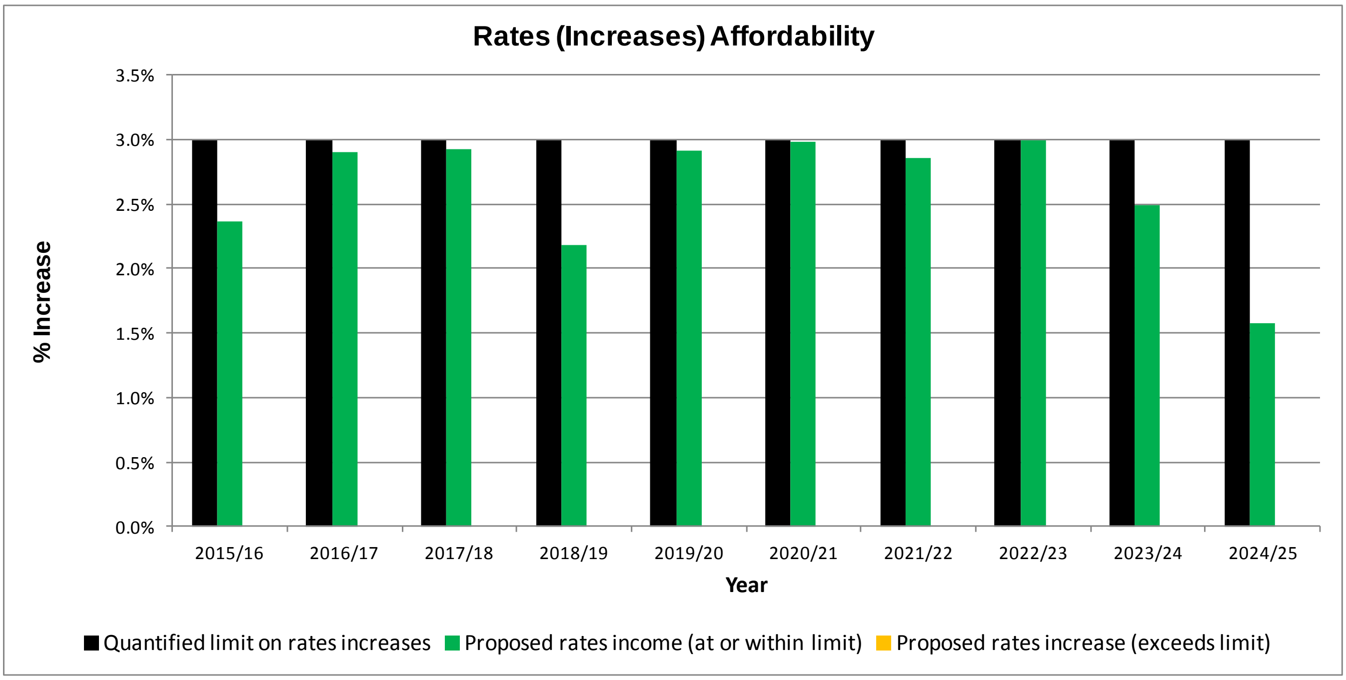


The following graph compares Council's planned targeted rates income with a quantified limit on targeted rates contained in the Financial Strategy. The quantified limit for targeted rates is $46m per annum for each year covered by the Long Term Plan.



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% plus a range of growth from 1.18% to 2.55% for total rates income for each year covered by 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 borrowing contained in the Financial Strategy are taken from Council's treasury policy. Planned results reported in the benchmark graphs are determined based on the prescribed definitions contained in the regulations. The main departure between these two documents relates to the definition of net debt in the regulations compared to net external debt in the treasury policy.

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

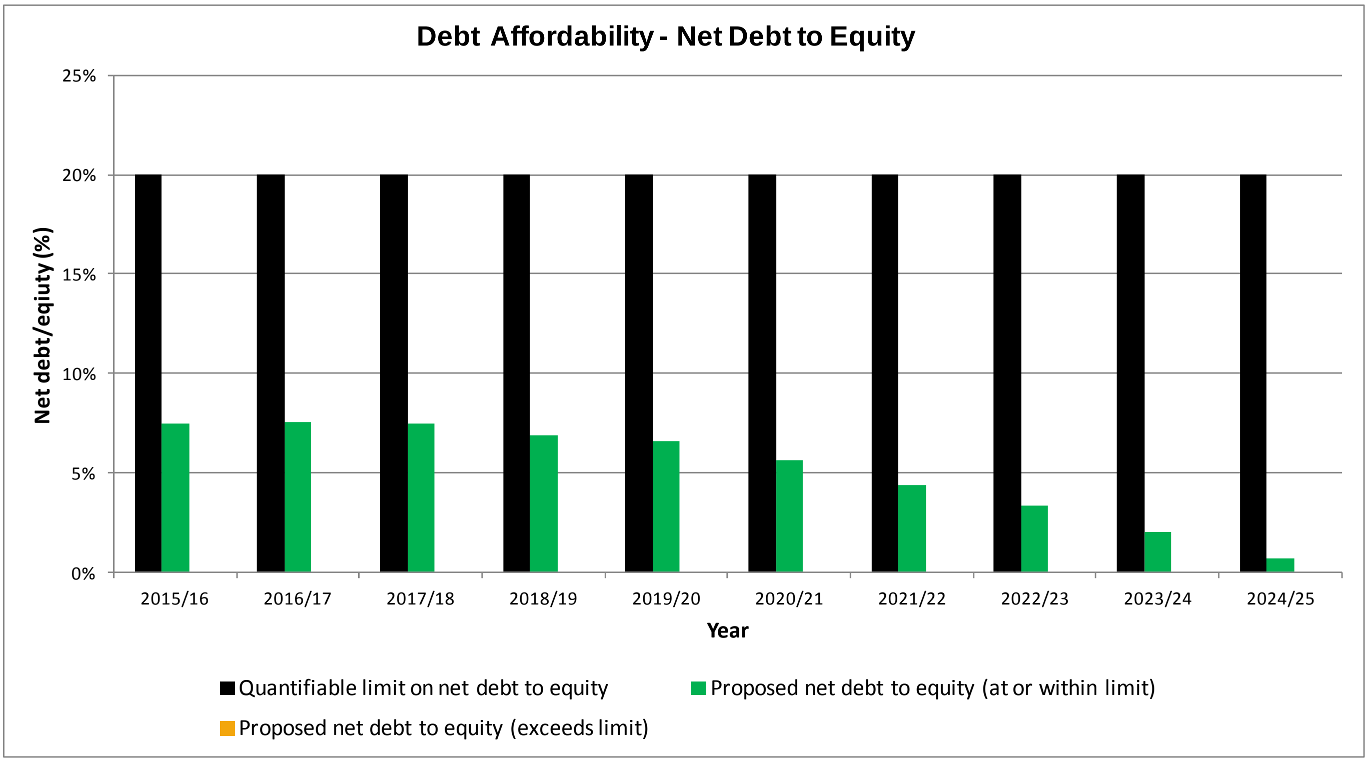
Financial liabilities as defined by GAAP include, gross external debt (aggregate borrowings of the Council, excluding debt of Council's associate organisations, including any capitalised finance leases, and financial guarantees provided to third parties) plus trade payables and derivative financial instruments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

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

Net debt to equity

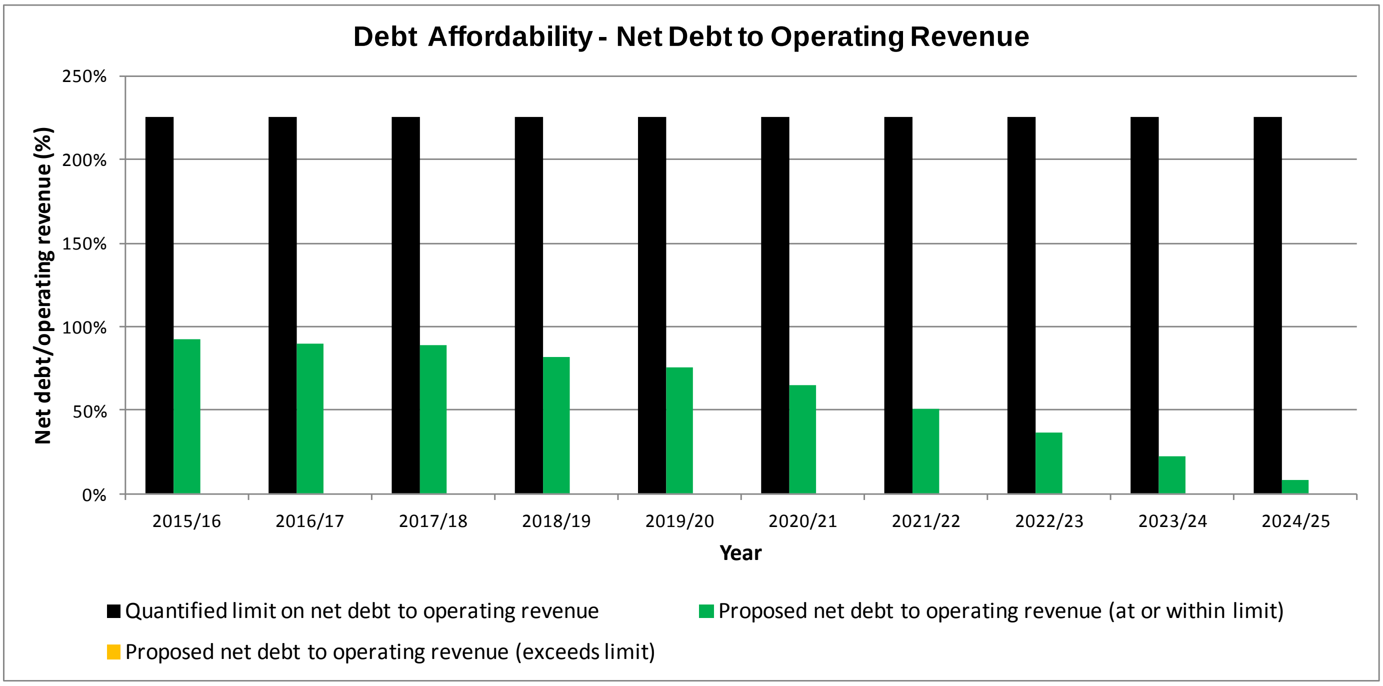
The following graph compares Council's planned debt with a quantified limit on borrowing contained in the Financial Strategy. The quantified limit is 20% of equity.



Net debt to total operating revenue

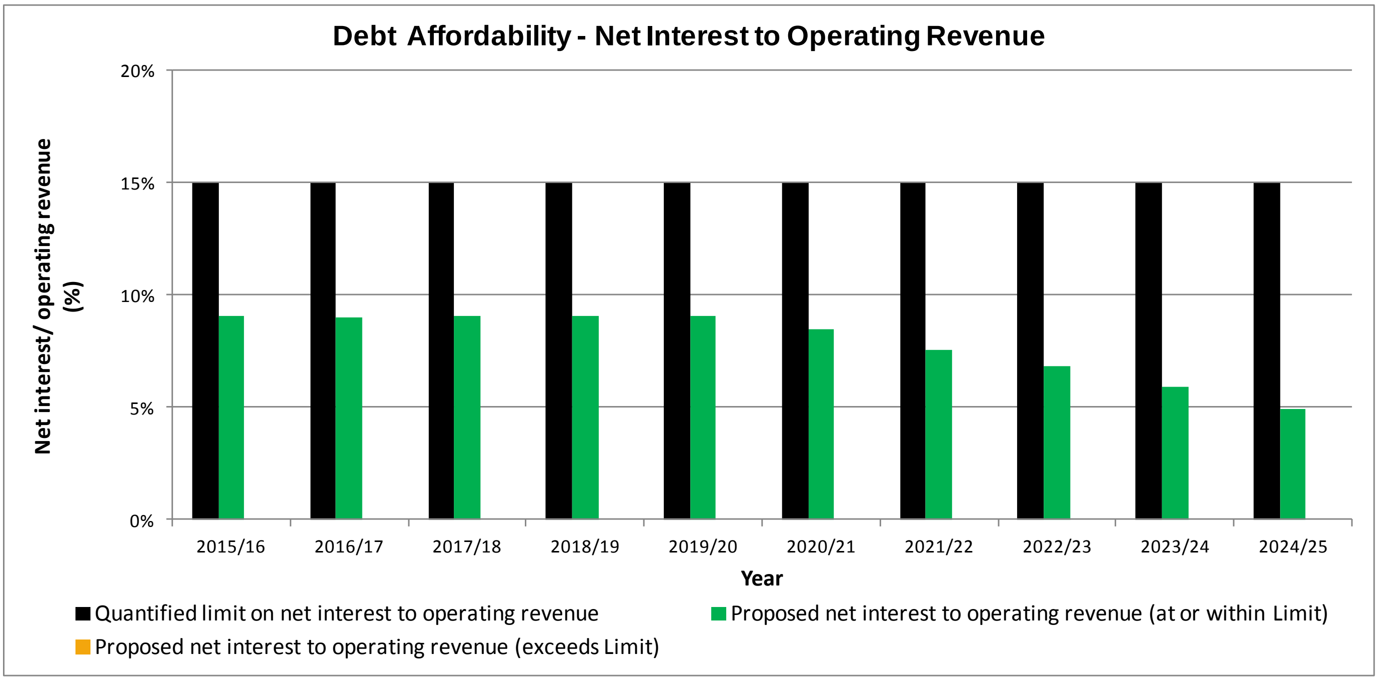
The following graph compares Council's planned debt with a quantified limit on borrowing contained in the Financial Strategy. The quantified limit is 225% of total operating revenue.

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.



Net interest to total operating revenue

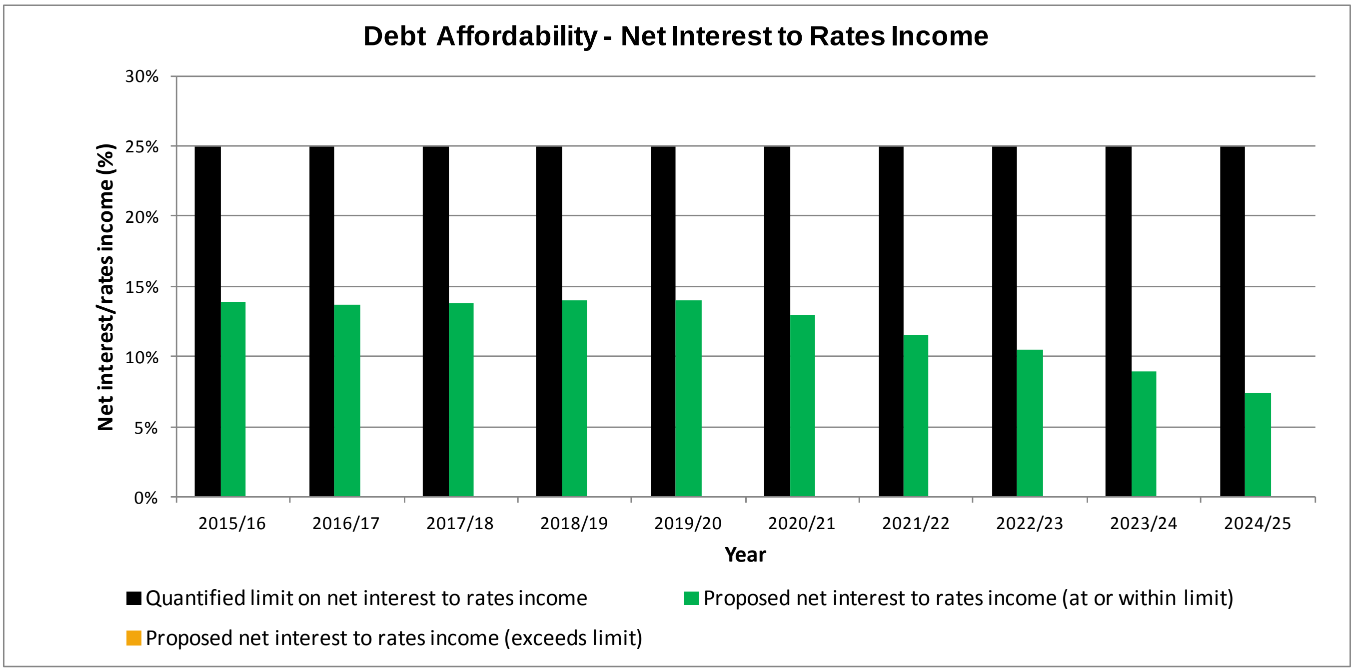
The following graph compares the net interest costs of Council's planned debt with a quantified limit on borrowing contained in the Financial Strategy. The quantified limit is 15% of total operating revenue.



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

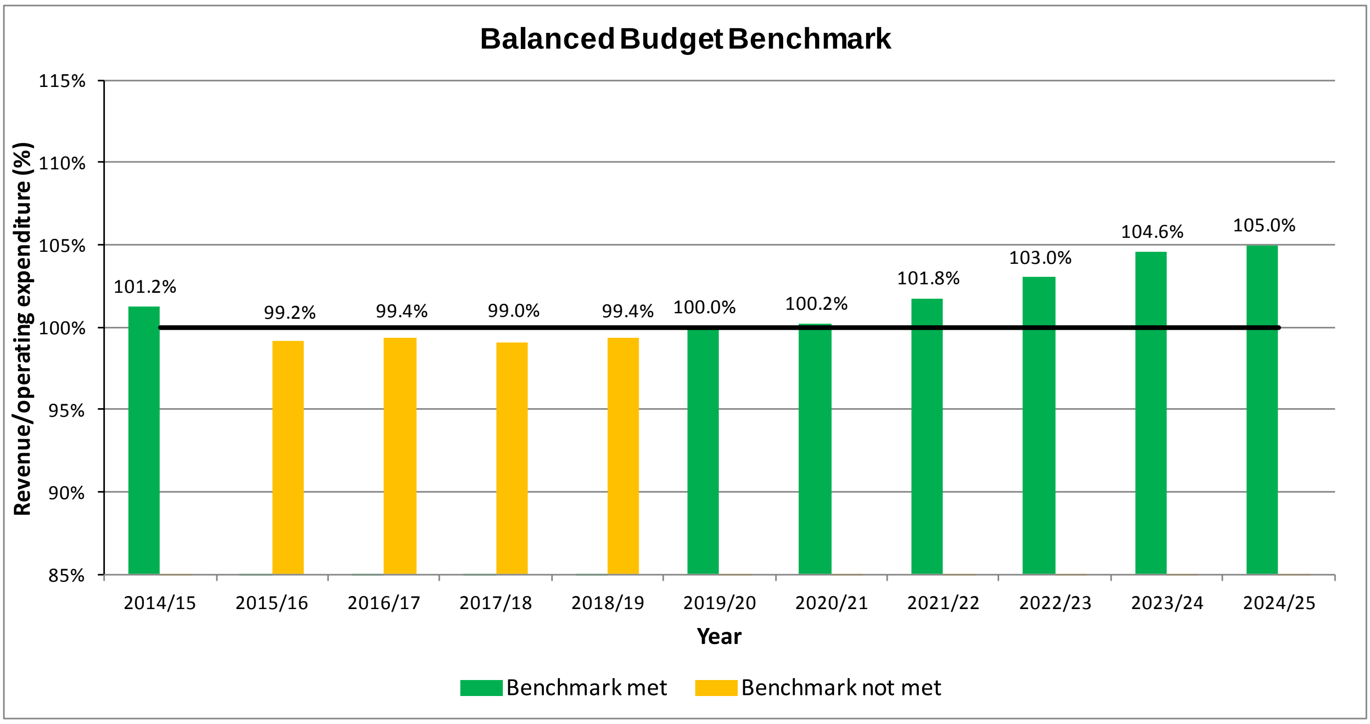
Financial Strategy. The quantified limit is 25% of total rates income.



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.

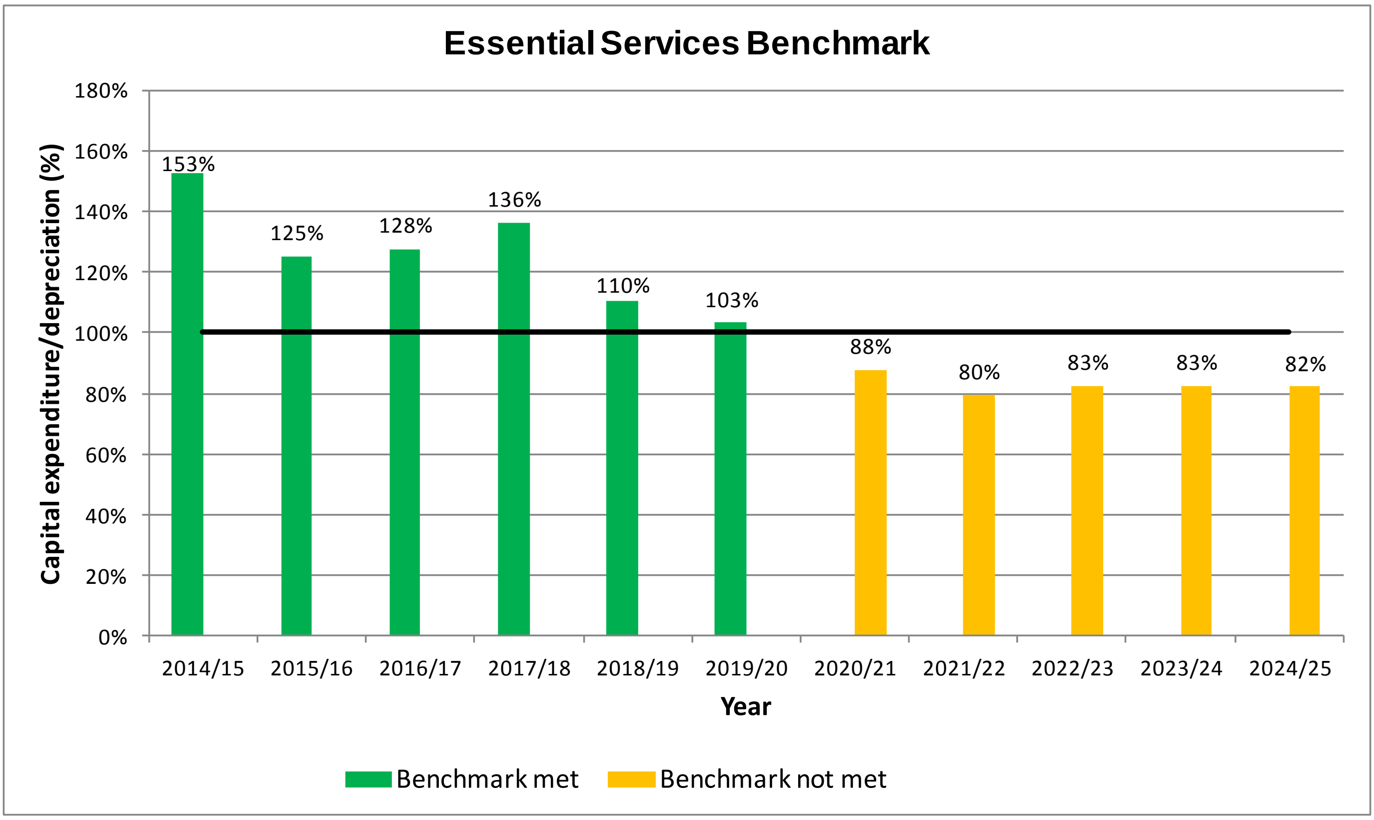


These benchmark results are based on the prescribed definitions of the regulations (outlined above). The Financial Strategy outlines a fundamental change in direction for Council in progressively funding depreciation from 2015/2016. Given the full depreciation charge is included in the operating expenses used to determine the above results; this produces an operating deficit as defined by the regulations that does not reflect the cash operating position of Council. A more detailed balanced budget is contained in the financial statements above. This shows Council runs a cash operating surplus over the same period; we considered this 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 have been defined as water, wastewater, stormwater, flood protection, roading activities. Therefore other Council activities and services have been excluded from this benchmark.

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.

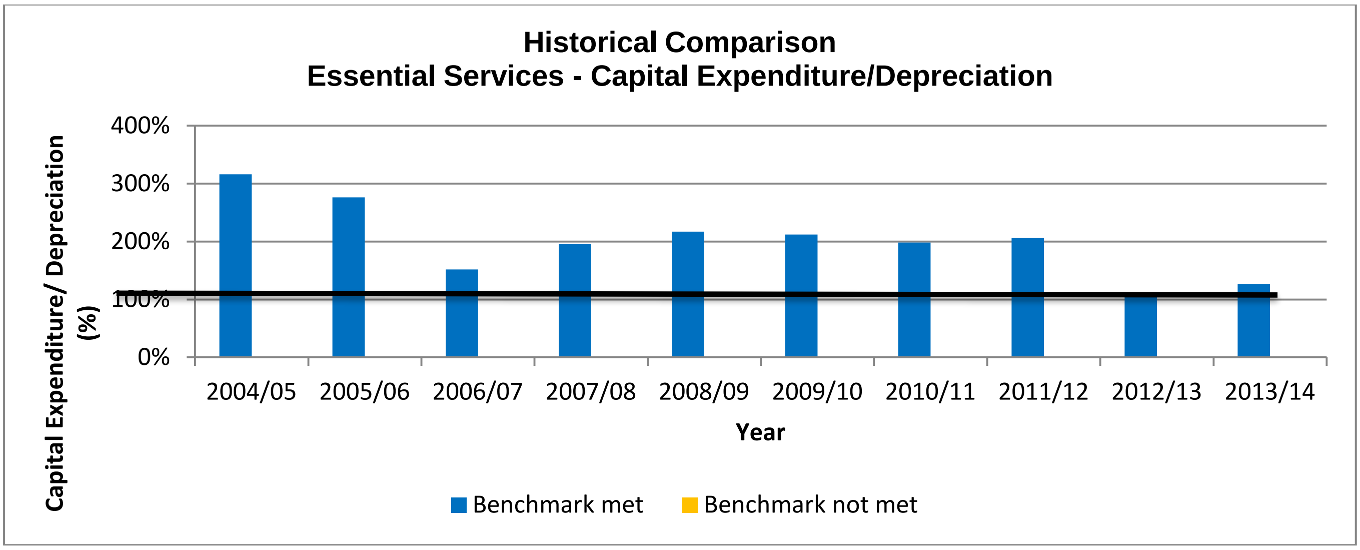


The main theme for the Financial Strategy is turning the tide on debt. This was achieved primarily through two means:

1. progressively funding depreciation, mentioned in the previous benchmark and outlined in more detail in the Financial Strategy, and
2. by reducing the overall capital expenditure programme.

The benchmark results in the above graph show Council's planned capital expenditure is less than planned depreciation for the last five years of the Long Term Plan. This is possible due to the previous high capital investment and improved management of infrastructure.

There is, however, an increased risk of a reduction in levels of service through infrastructure failure under this approach, although improvements to asset management systems are expected to mitigate this risk. Please refer to the Infrastructure Strategy for more commentary.



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 that the population of Tasman District will grow faster than the national population is projected to grow, Council meets the debt servicing benchmark if it’s planned borrowing costs equal or are less than 10% of its planned revenue.