Forecast Financial Information

These prospective financial statements were authorised for issue by Timaru District Council on 30th March 2021. Timaru District Council is responsible for the prospective financial statements presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures.

Timaru District Council's planning processes are governed by the Local Government Act 2002. The Act requires Council to prepare a ten year Long-Term Plan (LTP) every three years and an Annual Plan, which updates the LTP by exception, in the intervening years. This is Timaru District Council's LTP for the period 2021 to 2031 and is prepared in accordance with the Act. The Council and management are responsible for the preparation of the prospective financial statements and the appropriateness of the underlying assumptions.

The information contained within this document is prospective financial information in terms of PBE FRS 42. The forecast financial statements have been prepared on the basis of assumptions as to future events the Council reasonably expects to occur associated with actions the Council expects to take. They have been prepared in accordance with current accounting policies in this plan. Actual results up until March 2021 have been taken into account in preparation of these prospective financial statements. Prospective Group financial statements have not been prepared as information for all entities in the group is not available.

The purpose for which this plan has been prepared is to enable the public to participate in the decision making processes as to the services to be provided by the Timaru District Council to its community for the year, and to provide a broad accountability mechanism of Council to the community. This information has been prepared for the Council's budgeting and financial planning purposes. It may therefore not be appropriate to be used for any other purpose. Actual results are likely to vary from the information presented and the variations may be material. These prospective financial statements will not be updated.

Forecast Statement of Comprehensive Revenue and Expense

	AP 2020/2021	Budget 2021/2022	Forecast 2022/2023	Forecast 2023/2024	Forecast 2024/2025	Forecast 2025/2026	Forecast 2026/2027	Forecast 2027/2028	Forecast 2028/2029	Forecast 2029/2030	Forecast 2030/2031
Revenue											
Rates excluding metered water supply rates	53,356	58,983	62,161	65,520	69,061	72,798	76,736	80,888	85,263	89,873	94,728
Fees, charges and metered rates for water supply	15,259	19,146	19,917	20,911	21,758	22,653	23,562	24,514	25,538	26,586	27,652
Subsidies and grants	14,008	18,258	16,253	13,718	14,109	14,514	15,941	15,702	15,521	15,955	16,446
Finance revenue	1,578	723	733	743	752	762	772	782	793	805	816
Dividend Revenue	2,041	1,040	1,070	1,097	1,124	1,154	1,182	1,213	1,246	1,280	1,313
Other Revenue	4,865	4,293	4,187	4,390	4,561	4,814	4,612	4,750	4,875	5,014	5,211
Otrher gains / (losses)	-	-	47	43	45	50	50	55	60	64	65
Total operating revenue	91,107	102,443	104,368	106,422	111,410	116,745	122,855	127,904	133,296	139,577	146,231
Expenditure											
Personnel costs	20,882	23,825	24,794	25,333	25,846	26,335	26,990	27,721	28,532	29,299	30,094
Other expenses	41,759	44,546	46,014	49,532	50,485	50,864	52,598	54,414	56,428	58,473	62,446
Finance costs	3,133	3,440	4,570	5,471	6,099	6,856	7,560	8,267	8,299	8,190	8,034
Depreciation and amortisation expense	16,757	24,554	25,103	25,805	26,671	27,404	28,937	30,388	30,577	31,773	32,911
Total operating expenditure	82,531	96,365	100,481	106,141	109,101	111,459	116,085	120,790	123,836	127,735	133,485
Operating surplus (deficit) before tax	8,576	6,078	3,887	281	2,309	5,286	6,770	7,114	9,460	11,842	12,746
Income Tax Expense	-	-	-	-	-	-	-	-	-	-	-
Operating surplus (deficit) after tax	8,576	6,078	3,887	281	2,309	5,286	6,770	7,114	9,460	11,842	12,746
Other comprehensive revenue and expense											
Items that could be reclassified to surplus(deficit)											
Gain on revaluation of property, plant and equipment	-	-	14,087	32,462	-	39,974	50,426	-	44,761	59,966	-
Total other comprehensive revenue and expense	-	-	14,087	32,462	-	39,974	50,426	-	44,761	59,966	-
Total comprehensive revenue and expense	**8,576**	**6,078**	**17,974**	**32,743**	**2,309**	**45,260**	**57,196**	**7,114**	**54,221**	**71,808**	**12,746**

Forecast Statement of Changes in net Assets/Equity

	AP	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	2020/2021	**2021/2022**	**2022/2023**	**2023/2024**	**2024/2025**	**2025/2026**	**2026/2027**	**2027/2028**	**2028/2029**	**2029/2030**	**2030/2031**
Equity balance at 1 July	834,939	1,359,825	1,365,903	1,383,877	1,416,620	1,418,926	1,464,186	1,521,383	1,528,497	1,582,718	1,654,528
Comprehensive income for year	8,576	6,078	17,974	32,743	2,309	45,260	57,196	7,114	54,221	71,808	12,746
Equity Balance 30 June	**843,515**	**1,365,903**	**1,383,877**	**1,416,620**	**1,418,929**	**1,464,186**	**1,521,382**	**1,528,497**	**1,582,718**	**1,654,526**	**1,667,274**
Components of Equity											
Retained Earnings at 1 July	798,724	794,785	815,864	818,012	816,214	816,278	819,395	823,829	828,314	834,970	843,915
Transfers to/(from) Retained Earnings	-	15,001	(1,739)	(2,079)	(2,242)	(2,169)	(2,337)	(2,629)	(2,803)	(2,899)	(3,168)
Net Surplus/(Deficit)	8,576	6,078	3,887	281	2,309	5,286	6,770	7,114	9,460	11,842	12,746
Retained earnings 30 June	807,300	815,864	818,012	816,214	816,281	819,395	823,828	828,314	834,971	843,913	853,493
Asset Revaluation Reserves at 1 July	-	528,825	528,825	542,912	575,374	575,374	615,348	665,774	665,774	710,536	770,502
Revaluation Gains	-	-	14,087	32,462	-	39,974	50,426	-	44,761	59,966	-
Revaluation Reserves 30 June	-	528,825	542,912	575,374	575,374	615,348	665,774	665,774	710,535	770,502	770,502
Special Funded Reserves at 1 July	36,215	36,215	21,214	22,953	25,032	27,274	29,443	31,780	34,409	37,212	40,111
Transfers to / (from) reserves	-	(15,001)	1,739	2,079	2,242	2,169	2,337	2,629	2,803	2,899	3,168
Council created Reserves 30 June	36,215	21,214	22,953	25,032	27,274	29,443	31,780	34,409	37,212	40,111	43,279
Equity at 30 June	**843,515**	**1,365,903**	**1,383,877**	**1,416,620**	**1,418,929**	**1,464,186**	**1,521,382**	**1,528,497**	**1,582,718**	**1,654,526**	**1,667,274**

Forecast Statement of Financial Position

	AP 2020/2021	Budget 2021/2022	Forecast 2022/2023	Forecast 2023/2024	Forecast 2024/2025	Forecast 2025/2026	Forecast 2026/2027	Forecast 2027/2028	Forecast 2028/2029	Forecast 2029/2030	Forecast 2030/2031
ASSETS											
Current Assets											
Cash and cash equivalents	4,747	19,394	19,551	19,690	19,833	19,985	20,135	20,295	20,465	20,640	20,813
Debtors and other receivables	5,220	10,234	10,531	10,794	11,064	11,352	11,635	11,938	12,260	12,591	12,919
Other financial assets	27,826	28,339	28,339	28,339	28,339	28,339	28,339	28,339	28,339	28,339	28,339
Inventories	77	35	35	35	35	35	35	35	35	35	35
Total Current Assets	**37,870**	**58,002**	**58,456**	**58,858**	**59,271**	**59,711**	**60,144**	**60,607**	**61,099**	**61,605**	**62,106**
Non-Current Assets											
Plant, property and equipment	894,418	1,433,336	1,482,996	1,537,789	1,566,695	1,636,662	1,718,672	1,726,897	1,777,265	1,843,581	1,855,426
Intangible assets	1,383	3,513	3,408	3,337	3,273	3,216	3,164	3,117	3,075	3,038	3,004
Forestry	1,201	1,217	1,217	1,217	1,217	1,217	1,217	1,217	1,217	1,217	1,217
Investment Property	1,546	1,628	1,675	1,718	1,764	1,813	1,863	1,919	1,979	2,043	2,108
Investment in CCOs and other similar entities	54,173	53,659	53,659	53,659	53,659	53,659	53,659	53,659	53,659	53,659	53,659
Other Financial Assets Term	51	4,691	4,691	4,691	4,691	4,691	4,691	4,691	4,691	4,691	4,691
Total Non-Current Assets	**952,772**	**1,498,044**	**1,547,646**	**1,602,411**	**1,631,299**	**1,701,258**	**1,783,266**	**1,791,500**	**1,841,886**	**1,908,229**	**1,920,105**
TOTAL ASSETS	**990,642**	**1,556,046**	**1,606,102**	**1,661,269**	**1,690,570**	**1,760,969**	**1,843,410**	**1,852,107**	**1,902,985**	**1,969,834**	**1,982,211**
LIABILITIES											
Current Liabilities											
Trade and other payables	7,434	15,642	16,095	16,496	16,910	17,351	17,784	18,245	18,737	19,245	19,745
Employee benefit liabilities	614	2,192	2,192	2,192	2,192	2,192	2,192	2,192	2,192	2,192	2,192
Borrowings	6,000	-	-	-	-	-	-	-	-	-	-
Other Financial Liabilities	5,500	3,976	4,142	4,520	4,708	5,111	5,213	5,313	5,411	5,513	5,836
Total Current Liabilities	**19,548**	**21,810**	**22,429**	**23,208**	**23,810**	**24,654**	**25,189**	**25,750**	**26,340**	**26,950**	**27,773**
Non-Current Liabilities											
Provisions	5,000	8,511	8,345	7,967	7,779	7,376	7,274	7,174	7,076	6,974	6,651
Employee benefit liabilities	1,526	130	130	130	130	130	130	130	130	130	130
Borrowings	121,053	159,692	191,321	213,344	239,923	264,624	289,436	290,555	286,720	281,253	280,384
Total Non-Current Liabilities	**127,579**	**168,333**	**199,796**	**221,441**	**247,832**	**272,130**	**296,840**	**297,859**	**293,926**	**288,357**	**287,165**
TOTAL LIABILITIES	**147,127**	**190,143**	**222,225**	**244,649**	**271,642**	**296,784**	**322,029**	**323,609**	**320,266**	**315,307**	**314,938**
NET ASSETS	**843,515**	**1,365,903**	**1,383,877**	**1,416,620**	**1,418,928**	**1,464,185**	**1,521,381**	**1,528,498**	**1,582,719**	**1,654,527**	**1,667,273**
EQUITY											
Retained Earnings	807,300	815,864	818,012	816,214	816,281	819,395	823,828	828,314	834,971	843,913	853,493
Asset Revaluation Reserves	-	528,825	542,912	575,374	575,374	615,348	665,774	665,774	710,535	770,502	770,502
Special Funded Reserves	36,215	21,214	22,953	25,032	27,274	29,443	31,780	34,409	37,212	40,111	43,279
Trust Funds	-	-	-	-	-	-	-	-	-	-	-
TOTAL EQUITY	**843,515**	**1,365,903**	**1,383,877**	**1,416,620**	**1,418,929**	**1,464,186**	**1,521,382**	**1,528,497**	**1,582,718**	**1,654,526**	**1,667,274**

Forecast Statement of Cashflows

	AP 2020/2021	Budget 2021/2022	Forecast 2022/2023	Forecast 2023/2024	Forecast 2024/2025	Forecast 2025/2026	Forecast 2026/2027	Forecast 2027/2028	Forecast 2028/2029	Forecast 2029/2030	Forecast 2030/2031
Cash flows from operating activities											
Receipts from rates revenue	72,110	58,627	61,864	65,256	68,792	72,510	76,452	80,585	84,941	89,542	94,401
Receipts from other revenue	15,537	41,697	40,357	39,019	40,428	41,981	44,115	44,966	45,934	47,555	49,309
Interest received	3,619	1,763	1,804	1,839	1,876	1,915	1,954	1,995	2,039	2,084	2,129
Payments to suppliers and employees	(62,839)	(67,828)	(70,355)	(74,463)	(75,919)	(76,760)	(79,154)	(81,671)	(84,467)	(87,265)	(92,039)
Interest paid	(3,133)	(3,440)	(4,570)	(5,471)	(6,099)	(6,856)	(7,560)	(8,267)	(8,299)	(8,190)	(8,034)
Net Cashflow from Operating Activity	25,294	30,819	29,100	26,180	29,078	32,790	35,807	37,608	40,148	43,726	45,766
Receipts from sale of property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-
Receipts from sale of investments	-	-	-	-	-	-	-	-	-	-	-
Acquisition of investments	-	-	-	-	-	-	-	-	-	-	-
Purchases of property, plant and equipment	(79,247)	(70,266)	(60,572)	(48,065)	(55,514)	(57,338)	(60,469)	(38,567)	(36,141)	(38,085)	(44,722)
	-	-	-	-	-	-	-	-	-	-	-
Net Cashflow from Investing Activity	(79,247)	(70,266)	(60,572)	(48,065)	(55,514)	(57,338)	(60,469)	(38,567)	(36,141)	(38,085)	(44,722)
Cash flow from financing activities											
Proceeds from borrowings	-	39,635	31,629	22,023	26,580	24,700	24,812	1,119	-	-	-
Repayment of borrowings	37,569	-	-	-	-	-	-	-	(3,835)	(5,466)	(870)
Net Cashflow from Financing Activity	37,569	39,635	31,629	22,023	26,580	24,700	24,812	1,119	(3,835)	(5,466)	(870)
Net Increase (Decrease) in Cash Held	(16,384)	188	157	138	144	152	150	160	172	175	174
Add Opening Cash bought forward	48,957	19,206	19,394	19,551	19,690	19,833	19,985	20,135	20,295	20,465	20,640
Closing Cash Balance	**32,573**	**19,394**	**19,551**	**19,689**	**19,834**	**19,985**	**20,135**	**20,295**	**20,467**	**20,640**	**20,814**
Closing Balance made up of Cash and Cash Equivalents	**32,573**	**19,394**	**19,551**	**19,690**	**19,833**	**19,985**	**20,135**	**20,295**	**20,465**	**20,640**	**20,813**

Funding Impact Statement 2021-31

This Funding Impact Statement has been prepared in compliance with Part 1: Clause 20 of Schedule 10 of the Local Government Act 2002. In general terms, the Council will use a mix of revenue sources to meet operating expenses, with major sources being general rates, dividends and fees and charges. Revenue from targeted rates is applied to specific activities.

The following table outlines Council expenditure and sources of funds. Rates are assessed on properties in accordance with the statutory provisions of the Local Government (Rating) Act 2002.

	AP 2020/2021	Budget 2021/2022	Forecast 2022/2023	Forecast 2023/2024	Forecast 2024/2025	Forecast 2025/2026	Forecast 2026/2027	Forecast 2027/2028	Forecast 2028/2029	Forecast 2029/2030	Forecast 2030/2031
Sources of Operating Funding											
General rates, uniform annual general charge, rates penalties	27,609	35,258	38,133	41,067	44,420	47,238	49,530	52,926	57,188	60,499	64,414
Targeted rates	25,946	23,725	24,028	24,452	24,641	25,560	27,207	27,962	28,075	29,374	30,314
Subsidies and grants for operating purposes	7,156	4,054	4,700	4,873	4,995	5,124	5,252	5,389	5,535	5,684	5,832
Fees and charges	17,060	19,146	19,917	20,911	21,758	22,653	23,562	24,514	25,538	26,586	27,652
Interest and dividends from investments	3,619	1,763	1,804	1,839	1,876	1,915	1,954	1,995	2,039	2,084	2,129
Local authorities fuel tax, fines, infringement fees, and other receipts	2,842	4,293	4,187	4,390	4,561	4,814	4,612	4,750	4,875	5,014	5,211
Total Operating Funding (A)	**84,232**	**88,239**	**92,769**	**97,532**	**102,251**	**107,304**	**112,117**	**117,536**	**123,250**	**129,241**	**135,552**
Applications of Operating Funding											
Payments to staff and suppliers	62,839	68,372	70,808	74,864	76,332	77,197	79,589	82,134	84,959	87,770	92,541
Finance costs	3,133	3,440	4,570	5,471	6,099	6,856	7,560	8,267	8,299	8,190	8,034
Other operating funding applications	-	-	-	-	-	-	-	-	-	-	-
Total applications of operating funding (B)	**65,972**	**71,812**	**75,378**	**80,335**	**82,431**	**84,053**	**87,149**	**90,401**	**93,258**	**95,960**	**100,575**
Surplus (deficit) of operating funding (A-B)	**18,260**	**16,427**	**17,391**	**17,197**	**19,820**	**23,251**	**24,968**	**27,135**	**29,992**	**33,281**	**34,977**
Sources of capital funding											
Subsidies and grants for capital expenditure	6,852	14,204	11,552	8,845	9,114	9,389	10,689	10,313	9,986	10,271	10,615
Development and financial contributions	182	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in debt	47,569	39,635	31,629	22,023	26,580	24,700	24,812	1,119	(3,835)	(5,466)	(870)
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Total sources of capital funding (C)	**54,603**	**53,839**	**43,181**	**30,868**	**35,694**	**34,089**	**35,501**	**11,432**	**6,151**	**4,805**	**9,745**
Applications of capital funding											
Capital expenditure											
- to meet additional demand	1,773	6,988	5,499	521	356	366	375	385	395	406	623
- to improve the level of service	29,353	21,271	23,774	21,640	33,665	37,448	37,323	15,663	13,997	15,549	18,932
- to replace existing assets	48,497	42,007	31,299	25,904	21,493	19,525	22,771	22,519	21,749	22,130	25,167
Increase (decrease) in reserves	(6,760)	-	-	-	-	-	-	-	-	-	-
Increase (decrease) of investments	-	-	-	-	-	-	-	-	-	-	-
Total applications of capital funding (D)	**72,863**	**70,266**	**60,572**	**48,065**	**55,514**	**57,339**	**60,469**	**38,567**	**36,141**	**38,085**	**44,722**
Surplus (deficit) of capital funding (C-D)	**(18,260)**	**(16,427)**	**(17,391)**	**(17,197)**	**(19,820)**	**(23,250)**	**(24,968)**	**(27,135)**	**(29,990)**	**(33,280)**	**(34,977)**
Funding Balance ((A-B)+(C-D))	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**2**	**1**	**-**

Reconciliation to Statement of Comprehensive Revenue and Expense

	AP 2020/2021	Budget 2021/2022	Forecast 2022/2023	Forecast 2023/2024	Forecast 2024/2025	Forecast 2025/2026	Forecast 2026/2027	Forecast 2027/2028	Forecast 2028/2029	Forecast 2029/2030	Forecast 2030/2031
Surplus (deficit) of operating funding	**18,260**	**16,427**	**17,391**	**17,197**	**19,820**	**23,251**	**24,968**	**27,135**	**29,992**	**33,281**	**34,977**
Add / (deduct)											
Subsidies and grants for capital	6,852	14,204	11,552	8,845	9,114	9,389	10,689	10,313	9,986	10,271	10,615
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Development and financial contributions	182	-	-	-	-	-	-	-	-	-	-
Vested assets	40										
Other gains / (losses)	(1)	1	47	43	46	50	50	54	60	65	65
Landfill Post Closure											
Movement in Rates balance											
Depreciation expense	(16,757)	(24,554)	(25,103)	(25,805)	(26,671)	(27,404)	(28,937)	(30,388)	(30,577)	(31,773)	(32,911)
Surplus / (deficit) Statement of comprehensive Income	**8,576**	**6,078**	**3,887**	**280**	**2,309**	**5,286**	**6,770**	**7,114**	**9,461**	**11,844**	**12,746**

Accounting Policies

REPORTING ENTITY

Timaru District Council (the Council) is a territorial local authority governed by the Local Government Act 2002 (LGA) and is domiciled and operates in New Zealand. The relevant legislation governing the Council's operations includes the LGA and the Local Government (Rating) Act 2002.

The Group consists of the ultimate parent, Timaru District Council, and its subsidiaries, associates and joint arrangements: Timaru District Holdings Limited (100% owned), Aoraki Development and Promotions Limited (100% owned), Aorangi Stadium Trust (100% controlled) and Downlands Water Supply (82% controlled.

Timaru District Holdings Limited owns associate companies PrimePort Timaru Limited (50% owned) and Alpine Energy Limited (47.5% owned). All of these entities are incorporated and domiciled in New Zealand.

The primary objective of the Council is to provide infrastructure and public services for the community for social benefit rather than making a financial return. Accordingly, the Council has designated itself and the Group as public benefit entities for financial reporting purposes.

BASIS OF PREPARATION

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

STATEMENT OF COMPLIANCE

The financial statements of the Council and Group have been prepared in accordance with the requirements of the LGA: sections 95, 100, 101, 111 and Schedule 10 which include the requirement to comply with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) and comply with Tier 1 Public Benefit Entity Accounting (PBE) Standards.

STANDARDS ISSUED AND NOT YET ADOPTED

Standards and amendments, issued but not yet effective that have not been early adopted, and which are relevant to the Council and Group are:

Financial Instruments

In January 2017, the XRB issued PBE IFRS 9 *Financial Instruments.* PBE IFRS 9 replaces PBE IPSAS 29 *Financial Instruments: Recognition and Measurement.* PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with early application permitted. The main changes under PBE IFRS 9 are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses.
- Revised hedge accounting requirement to better reflect the management of risks.

The Council plans not to apply this standard and instead early adopt PBE IPSAS 41 in preparing its 30 June 2022 financial statements. The Council and Group has not yet assessed the effects of the new standards.

In March 2019, The NZASB issued PBE IPSAS 41 *Financial Instruments.* When applied, this standard supersedes parts of PBE IPSAS 29 *Financial Instruments: Recognition and Measurement.* The main changes under PBE IPSAS 41 are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses.
- Revised hedge accounting requirement to better reflect the management of risks.

The Council plans to early adopt this standard in preparing its 30 June 2022 financial statements instead of adopting PBE IFRS 9. The Council and Group has not yet assessed the effects of the new standards.

PRESENTATIONAL CURRENCY AND ROUNDING

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

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the Council, its controlled activities, its interest in associates and joint arrangements.

Subsidiaries

The Council consolidates in the Group financial statements all entities where the Council has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the subsidiary. This power exists where the Council controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by the Council or where the determination of such policies is unable to materially affect the level of potential ownership benefits that arise from the activities of the subsidiary.

The Council's investments in subsidiaries are carried at cost in the Council's parent entity financial statements.

Associates

The Group's associate investments are accounted for in the Group financial statements using the equity method. An associate is an entity over which the Council or Group 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 in the Group financial statements is increased or decreased to recognise the Group'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 in the Group financial statements.

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

Where the Group transacts with an associate, surpluses or deficits are eliminated to the extent of the Group's interest in the associate.

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

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

Joint arrangements

For jointly controlled operations, the Council and Group recognises in its financial statements the assets it controls, the liabilities and expenses it incurs, and the share of revenue that it earns from the joint arrangement. There have been no changes in the accounting practices utilised in accounting for joint arrangements from those previously used for joint ventures.

REVENUE RECOGNITION

Revenue is measured at fair value.

The specific accounting policies for significant revenue items are explained below:

Rates Revenue

The following policies for rates have been applied:

- General rates, targeted rates (excluding water-by-meter), and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. The Council considers the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.
- Rates arising from late payment penalties are recognised as revenue when rates become overdue.
- Revenue from water-by-meter rates is recognised on an accrual basis based on usage. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.
- Rate remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its rates remission policy.
- Rates collected on behalf of Environment Canterbury are not recognised in the financial statements, as the Council is acting as an agent for Environment Canterbury.

Vested Assets

Certain infrastructural assets have been vested to the Council as part of the subdivisional consent process. Such vested assets are recognised as revenue when the significant risks and rewards of ownership have been transferred to the Council and when the obligation to accept the transfer of the assets to the Council has been determined. Vested infrastructural assets have been valued based on the actual quantities of infrastructural components vested and the current “in the ground” cost of providing the identical services.

Other grants, bequests and assets vested in Council, irrespective of the conditions attached to vesting, are recognised as revenue when control over the assets is obtained.

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

Interest
Interest revenue is recognised using the effective interest method.

Dividends
Dividends are recognised when the shareholders’ rights to receive payment have been established.

Agency Revenue
Where revenue is derived by acting as an agent for another party, the revenue that is recognised is the commission or fee on the transaction

BORROWING COSTS

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

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are converted at the New Zealand rate of exchange ruling at the date of the transaction. Transactions covered by foreign currency forward exchange contracts are measured and reported at the forward rates specified in those contracts.

At balance sheet date foreign monetary assets and liabilities are translated at the closing rate, and exchange variations arising from these transactions are included in the surplus or deficit.

INCOME TAX

The tax expense represents the sum of the tax currently payable and deferred tax.

Current taxation is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted at balance sheet date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences. Deferred tax liabilities are generally recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Current tax and deferred tax is recognised against the surplus or deficit, except when it relates to items charged or credited directly to equity or other comprehensive revenue, in which case the deferred tax is also dealt with in equity or other comprehensive revenue or expense respectively.

LEASES

Leases in which substantially all of the risks and rewards of ownership transfer to the lessee are classified as finance leases. At inception, finance leases are recognised as assets and liabilities on the Statement of Financial Position at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Any additional direct costs of the lessee are added to the amount recognised as an asset. Subsequently assets leased under a finance lease are depreciated as if the assets are owned.

Payments made under operating leases are recognised in the surplus or deficit on a straight-line basis over the term of the lease.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the Council invests as part of its day-to-day cash management.
Bank overdrafts are shown with borrowings in current liabilities in the statement of financial position.

TRADE AND OTHER RECEIVABLES

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

Loans, including loans to community organisations made by Council at below-market interest rates are initially recognised at the present value of their expected cash flows, discounted at the current market rate of return for a similar asset/investment. They are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of expected future cash flows of the loan is recognised in the surplus or deficit.

A provision for impairment of receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying value and the present value of estimated future cash flows, discounted using the effective interest method.

FINANCIAL INSTRUMENTS

The Council is risk averse, and seeks to minimise exposure arising from its treasury activity.

The Council uses derivative financial instruments to manage its exposure to interest rate risks. In accordance with the Investment Policy and Liability Management Policy, the Council does not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value with the gain or loss on re-measurement to fair value recognised immediately in the surplus or deficit. The fair value of interest rate swaps is the estimated amount that the Council would receive or pay to terminate the swap at balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

INVESTMENTS

Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date. The classification depends on the purpose for which the investments were acquired.

Term Deposits

Term Deposits are classified as Loans and Receivables and measured at amortised cost.

Investments in debt and quoted equity securities

Investments in debt and quoted equity securities are financial instruments classified as held for trading and are measured at fair value at balance sheet date. Any resultant gains or losses are recognised in the surplus or deficit for the period.

Investment in Subsidiaries

Investment in Subsidiaries are included in the parent entity at cost less any impairment losses.

Community loans

Community loans at subsidised interest rates are fair valued on initial recognition based on the present value of all future cash receipts discounted using the prevailing market rate for similar instruments. The resulting loss on initial recognition is taken to the surplus or deficit. In subsequent periods this loss is amortised back through the surplus or deficit.

Other – Investments (Unquoted equity investments)

Other investments held by the Council are classified as being available-for-sale and are stated at lower of cost and net realisable value, with any resultant gain or loss being recognised directly in other comprehensive revenue or expense except for impairment losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised through the surplus or deficit.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is only met when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of the asset's previous carrying amount and fair value less costs to sell.

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

PROPERTY, PLANT & EQUIPMENT - VALUATION

Timaru District Council has the following classes of Property, Plant and Equipment

- Operational assets include:
  - Land
  - Buildings and building improvements
  - Airport improvements
  - Plant and equipment (including motor vehicles)
  - Furniture and office equipment
  - Library books
  - Art works

  Operational assets are all assets not included elsewhere, utilised by the Council to deliver services, directly and indirectly.

- Infrastructure assets include:
  - Sewer, stormwater, water
  - Roads, bridges, footpaths, street furniture & lighting
  - Road reserves

  Infrastructure assets are the fixed utility systems, with each including all components required for the network to function.

- Restricted assets include:
  - Parks and reserves

  Restricted assets cannot be disposed of because of legal or other restrictions.

Unless specifically stated below, acquisitions are initially valued at cost. Prior to 1 July 2005 a number of valuations were undertaken for several asset classes, separately outlined below which has become the opening cost value for that class.

Revaluations

For asset classes where revaluations are now performed regularly, assets are revalued with sufficient regularity to ensure that their carrying value does not differ materially from fair value, and at least every three years with revaluation movements accounted for on a class-of-asset basis.

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, however 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.

Additions

Additions are recognised as an asset when it is expected that future economic benefit or service potential will occur beyond one year, otherwise they will be expensed in the financial period in which the cost is incurred or committed or the value derived from the expenditure is initially delivered subject to reliable valuation.

Additions will usually be initially valued at cost, through an exchange transaction, but which may include its estimated fair value at the time of acquisition when acquired through a non-exchange transaction or on the anticipated net present value of future benefits where appropriate.

Subsequent costs relating to an existing asset will be capitalised based on the same assessment of future benefits as the initial acquisition. Costs that do not meet the requisite capitalisation assessment, such as the costs of servicing assets, will be recognised in the surplus and deficit as they are incurred.

Disposals

Gains and losses on disposal are determined by comparing the disposal proceeds with the carrying value of the asset and are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in assets revaluation reserves relating to the assets disposed of are transferred to accumulated funds.

Land

Land, parks and reserves, other than airport land, have been stated at cost, which is the fair value as assessed by I Fairbrother ANZIV of QV Valuations at 1 July 2005.

Airport land has been stated at cost, which is the fair value as assessed by B Dench ANZIV of QV Valuations at 1 July 2005.

Buildings and building improvements

Buildings and building improvements excluding Parking Buildings & Royal Arcade have been stated at cost, which is the fair value as assessed by I Fairbrother ANZIV of QV Valuations at 1 July 2005.

Parking Buildings & Royal Arcade are stated at their fair value using standard unit rates as per the valuation methodology by external provider, IAMC Ltd, however acquisitions subsequent to 1 July 2020 are valued at cost, until future revaluations are performed.

Prior to 1 July 2020, Parking Buildings & Royal Arcade assets were stated at their cost less depreciation and impairment losses which is optimised depreciated replacement cost, valued as at 1 July 2005 by Maunsell Limited, Valuers, less accumulated depreciation and impairment losses.

Airport improvements

Airport improvements, including runway, have been stated at cost less depreciation, which is the optimised depreciated replacement cost as assessed by B Dench ANZIV of QV Valuations at 1 July 2005.

Plant and equipment

Plant and equipment for parks and pools is stated at cost less depreciation, which is the optimised depreciated replacement cost as assessed by Maunsell Limited, Valuers, at 1 July 2005.

Other plant and equipment (including motor vehicles) are at cost less depreciation.

Furniture and office equipment

Furniture and office equipment have been stated at cost less depreciation, which is the assessed fair value at 1 July 2005 based on the 1 July 1993 indemnity value as assessed by Morton & Co Limited, Valuers with acquisitions from 1 July 1993 to 1 July 2005 at cost.

Library books

The Timaru District Library, Temuka Library and Geraldine Library collections have been revalued as at 30 June 2019 at depreciated replacement cost calculated by the District Librarian in accordance with the library collection valuation guidelines prepared by the New Zealand Library Association in May 1992.

The Library collections are revalued on an annual basis.

Art works

Art works are stated at cost which is the assessed fair value at 1 July 2005 based on the 1 April 1992 insurance value by the Art Gallery Director, with acquisitions from 1 April 1992 to 1 July 2005 at cost.

Sewer, stormwater, water

Sewer, stormwater and water assets are stated at their fair value using standard unit rates as per the valuation methodology, however acquisitions subsequent to 1 July 2019 are valued at cost, until future revaluations are performed.

Prior to 1 July 2019, Water Infrastructure assets were stated at their cost less depreciation and impairment losses which is optimised depreciated replacement cost, valued as at 1 July 2005 by Maunsell Limited, Valuers, less accumulated depreciation and impairment losses.

The assets were revalued on 1 July 2019 by Timaru District Council officers and peer reviewed by B. Smith, CA, of Brian Smith Advisory Services Limited.

Sewerage, stormwater and water infrastructural assets are valued using the depreciated replacement cost method. There are a number of estimates and assumptions exercised when valuing infrastructural assets using this method, including:

• The replacement costs where appropriate reflect optimisation due to over-design or surplus capacity. No opportunities for optimisation was identified within the 2019 revaluation.

• Estimating the replacement cost of the asset: the replacement cost of an asset is based on recent construction contracts in the region for modern equivalent assets, from which unit rates are determined. Unit rates have been applied to components of the network based on size, material, depth, and location. If recent contract cost information is considered out of date, it is indexed using Statistics New Zealand's Capital Goods Price Index (based on the March 2019 quarter index with an estimate for June 2019) for civil constructions to convert them to current dollar value at the valuation date.

• Estimates of the remaining useful life over which the asset will be depreciated: these estimates can be affected by the local condition, for example, pipe material or wall thickness. If useful lives do not reflect the actual consumption of the benefits of the asset, then the Council could be over- or under-estimating the annual depreciation charge recognised as an expense in the statement of comprehensive revenue and expense. To minimise this risk, infrastructural asset useful lives have been determined with reference to the New Zealand 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.

Acquisition subsequent to 1 July 2019 are measured at their fair value using standard unit rates.

Roads, bridges, footpaths, street furniture & lighting

Roads, bridges, footpaths, street furniture and lighting assets are stated at their fair value using standard unit rates as per the valuation methodology, however acquisitions subsequent to 1 July 2020 are valued at cost, until future revaluations are performed.

Prior to 1 July 2020, roads, bridges, footpaths, street furniture and lighting assets were stated at their cost less depreciation and impairment losses which is optimised depreciated replacement cost, valued as at 1 July 2005 by Maunsell Limited, Valuers, less accumulated depreciation and impairment losses.

Road reserves
Road reserves have been stated at cost less deprecation at an average of adjacent "undeveloped land value" valued at 1 July 2005 by Maunsell Limited, Valuers.

Heritage Assets
Heritage buildings are included in the buildings asset class.

Significant statues are stated at cost less deprecation which is the optimised depreciated replacement cost valued as at 1 July 2005 by Maunsell Limited, Valuers.

Other heritage type assets, such as museum exhibits, have not been valued.

PROPERTY, PLANT & EQUIPMENT - DEPRECIATION

Depreciation is provided on a basis that will write off the cost or valuation of the assets, other than land, less their estimated residual values over their estimated useful lives.

Depreciation has been provided at the following rates:

Land	Nil
Buildings and building improvements	1%-30% Straight Line
Airport improvements	2%-50% Straight Line
Plant and equipment: pools and parks	2%-33% Diminishing Value
Plant and equipment: motor vehicles	5%-25% Diminishing Value
Plant and equipment: other	10%-50% Diminishing Value
Furniture and office equipment	20%-50% Diminishing Value
Library collection: permanent retention	Nil
Library collection: current	12.5% Straight Line
Art works	Nil
Water – plant and facilities	5 - 80 years
Water – reticulation	15 - 230 years
Sewerage – plant and facilities	5 – 80 years
Sewerage – reticulation	30 – 120 years
Stormwater – plant and facilities	5 – 80 years
Stormwater – reticulation	20 – 120 years
Roading	1%-50% Straight Line
Bridges	1%-3% Straight Line
Lighting	6%-8% Straight Line
Road reserves	Nil
Heritage assets	1%-7% Straight Line

CAPITAL WORK IN PROGRESS

Capital work in progress are not depreciated. The total cost of a project is transferred to the relevant asset classes on completion and then depreciated.

INTANGIBLE ASSETS

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. The useful lives and associated amortisation rates of software has been estimated at 3 - 5 years (20% - 33%).

Costs associated with developing or maintaining software programmes are recognised as an expense when incurred.

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

IMPAIRMENT

The carrying amount of the Non-current assets, other than investment property and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the surplus or deficit.

FORESTRY ASSETS

Forestry Assets are valued annually as at 30 June at fair value less estimated point of sale costs. Fair value is determined by the estimated worth of the maturing tree stocks in the Council's forests. The valuation method adopted is based on cash flows on a single rotation basis discounted at a market based pre-tax rate. The changes in fair value of the Forestry Assets are included in the surplus or deficit.

The costs to maintain the forestry assets are included in the surplus or deficit when incurred.

LANDFILL ASSETS

Landfill assets being earthworks, plant and machinery and the estimate of site restoration, are stated at cost less any accumulated depreciation and any accumulated impairment losses. The useful life of the land-fill is considered to be the period of time to the expiring of the resource consent in 2030 or the estimated full date.

INVESTMENT PROPERTY

Investment properties are properties which are held either to earn rental income or for capital appreciation or both. Investment properties are stated at fair value as determined annually by independent valuers with any gain or loss arising from a change in fair value being recognised in the surplus or deficit.

LOANS

Loans are classified as other liabilities and are recognised initially at fair value plus attributable transaction costs. Subsequent to initial recognition, loans are stated at amortised cost with any difference between fair value at acquisition and maturity value being recognised in the surplus or deficit over the period of the borrowings on an effective interest basis.

EMPLOYEE ENTITLEMENTS

Entitlements to salary and wages and annual leave are recognised when they accrue to employees. Provision is made in respect of the Council's liability for annual leave, long service leave, retirement gratuities and sick leave. Council accrued retiring gratuities and accrued long service leave are calculated based on an actuarial valuation using current rates of pay taking into account years of service, years to entitlement and the likelihood staff will reach the point of entitlement. Annual leave entitlements have been calculated on an actual entitlement basis at current rates of pay. Sick leave entitlements are measured as the amount of unused entitlement accumulated at balance sheet date that the Council anticipates employees will use in future periods, in excess of the days that they will be entitled to in each of those periods. Obligations for contributions to Kiwisaver and superannuation schemes are recognised as an expense in the surplus or deficit when incurred. All employer superannuation contributions are made to defined contribution schemes.

PROVISION FOR LANDFILL POST CLOSURE COSTS

A provision for post-closure costs is recognised as a liability when the obligation for post-closure costs arise.

The provision is measured based on the present value of the future cashflows expected to be incurred, taking into account future events including new legal requirements and known improvements in technology. The provision includes all costs associated with landfill post-closure.

Amounts provided for landfill post-closure are capitalised to the landfill asset where they give rise to future economic benefits to be obtained. Components of the capitalised landfill asset are depreciated over their useful lives.

The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the Council.

EQUITY & RESERVES

Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities. Public equity is disaggregated and classed into a number of reserves to enable clearer identification of the specified uses that the Council makes of its accumulated surpluses. The components of equity are:

- Retained Earnings
- Restricted reserves – Special funds
- Separate reserves

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

Restricted reserves (special funds) 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 to a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

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

Separate reserves (separate funds) are maintained for targeted rates charged for a specific purpose or for self-funded activities. A separate account is maintained for each targeted rate of self-funded activity to ensure that the funds are held and used for the specific purpose intended.

GOODS & SERVICES TAX

These financial statements have been prepared on a GST exclusive basis with the exception of Accounts Receivable and Accounts Payable, which are stated on a GST inclusive basis. When GST is not recoverable as an input tax then it is recognised as part of the related asset or expense.

The net amount of GST paid to, or received from the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

BUDGET FIGURES

The budget figures are those approved by Council at the beginning of the year after a period of consultation with the public as part of the Annual Plan and Long Term Plan process. The budget figures have been prepared in accordance with generally accepted account practice and are consistent with the accounting policies adopted by the Council for the preparation of the financial statements.

OVERHEAD ALLOCATION

The Council has derived the net cost of services for each significant activity of the Council using the cost allocation system outlined below. This involves the cost of internal service type activities being allocated to the external service type activities. External activities are those which provide a service to the public and internal activities are those which provide support to the external activities.

<u>Cost allocation policy</u>
Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities based on cost drivers and related activity/usage information.

<u>Criteria for direct and indirect costs</u>
'Direct' costs are those costs directly attributable to a significant activity. 'Indirect' costs are those costs which cannot be identified in an economically feasible manner with a specific significant activity.

<u>Cost drivers for allocation of indirect costs</u>

The costs of internal services not directly charged to activities are allocated based on the services provided. This is allocated based on a historical costing analysis which utilised a number of cost drivers, including staff numbers, area and transaction volumes.

Internal Charges
Are eliminated at the Council level.

STATEMENT OF CASHFLOWS

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

Operating activities include cash received from all revenue sources of the Council, and expenditure payments made for the supply of goods and services. Agency transactions such as collection of regional council rates are not recognised as receipts and payments in the Statement of Cash Flows.

Investing activities are those activities relating to the acquisition and disposal of current and Non-current securities, and any Non-current assets.

Financing activities are those activities relating to the changes in equity, and debt structure of the Council.

CHANGES IN ACCOUNTING POLICIES

Council reviewed its policy for presenting its interest in the Downlands Water Supply Joint Standing Committee (Downlands). Downlands is an arrangement between the Timaru, Mackenzie and Waimate District Councils' administered by a Joint Standing Committee of the three Councils for the supply of water to various communities and businesses within the three districts. Council has previously presented its interest in the Downlands arrangement as an interest in a joint venture. Council is changing its policy and presenting its interest in the Downlands arrangement as an interest in a joint arrangement. The reason for the change is that all decisions of the three Councils, who share control of the Downlands Water Supply, are made unanimously. Council will continue to record that it holds an 82% interest in the Downlands Water Supply scheme.

GOING CONCERN AND THE IMPACT OF COVID-19

On 11 March 2020 the World Health Organisation declared a pandemic as a result of the outbreak and spread of Covid-19. Two weeks later the New Zealand Government declared a State of National Emergency. From this, the country was in lockdown at Alert Level 4 for the period 26 March 2020 to 27 April 2020 and remained in lockdown at Alert Level 3 until 13 May 2020.

The financial statements presented in this report include the direct and indirect impact from the changes in alert levels due to Covid-19.

Having taken the above into consideration, management has concluded that it is appropriate that these financial statements are prepared on a going concern basis and no significant changes to the presentation of the financial statements are required.

Long-Term Plan Disclosure Statement for period commencing 1 July 2021

What is the purpose of this statement?

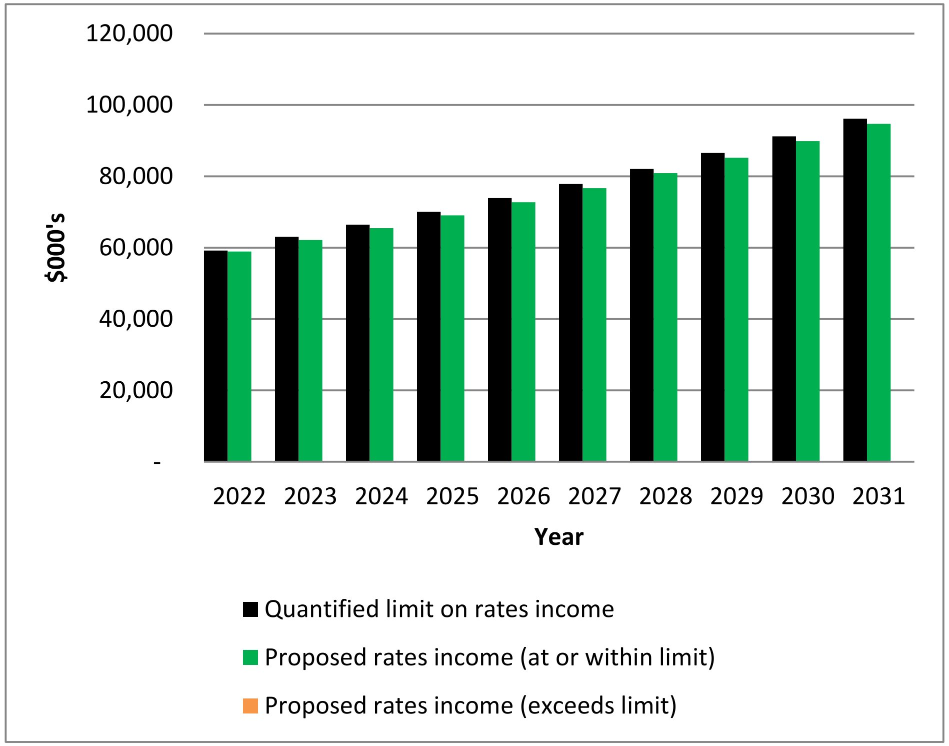
The purpose of this statement is to disclose the council's planned financial performance in relation to various benchmarks to enable the assessment of whether the council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.

The 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.

Long-Term Plan Disclosure Statement for period commencing 1 July 2021

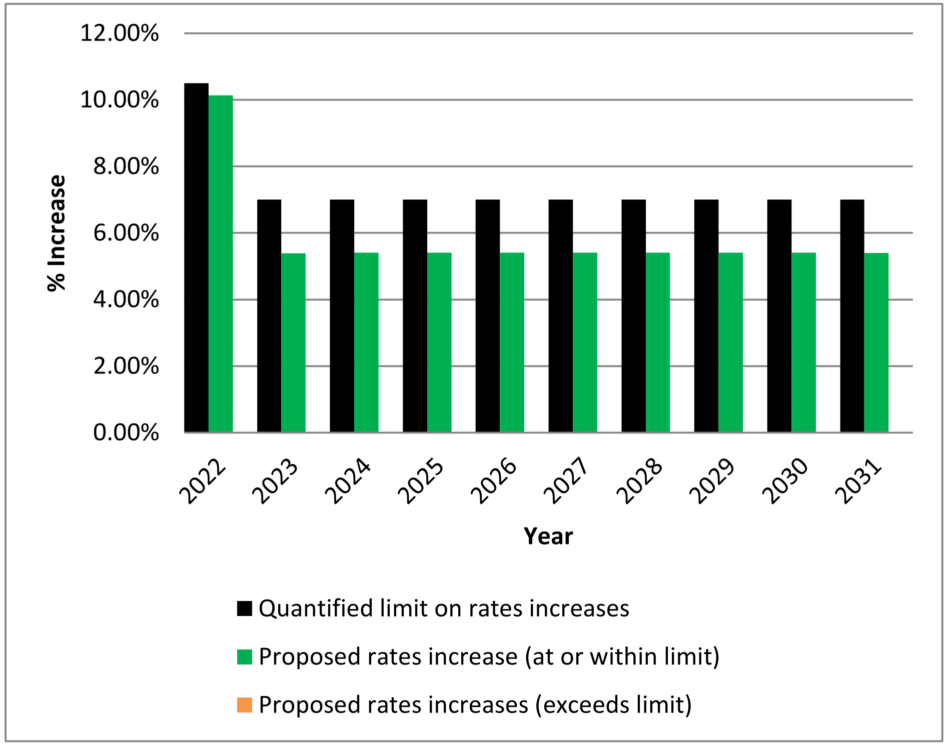
Rates affordability benchmark

The council meets the rates affordability benchmark if — its planned rates income equals or is less than each quantified limit on rates; and its planned rates increases equal or are less than each quantified limit on rates increases.



Rates (increases) affordability

The following graph compares the council's planned rates increases with a quantified limit on rates increases contained in the financial strategy included in this long-term plan. The quantified limit is 10.5% in 2021/22 and 7% in the following years.

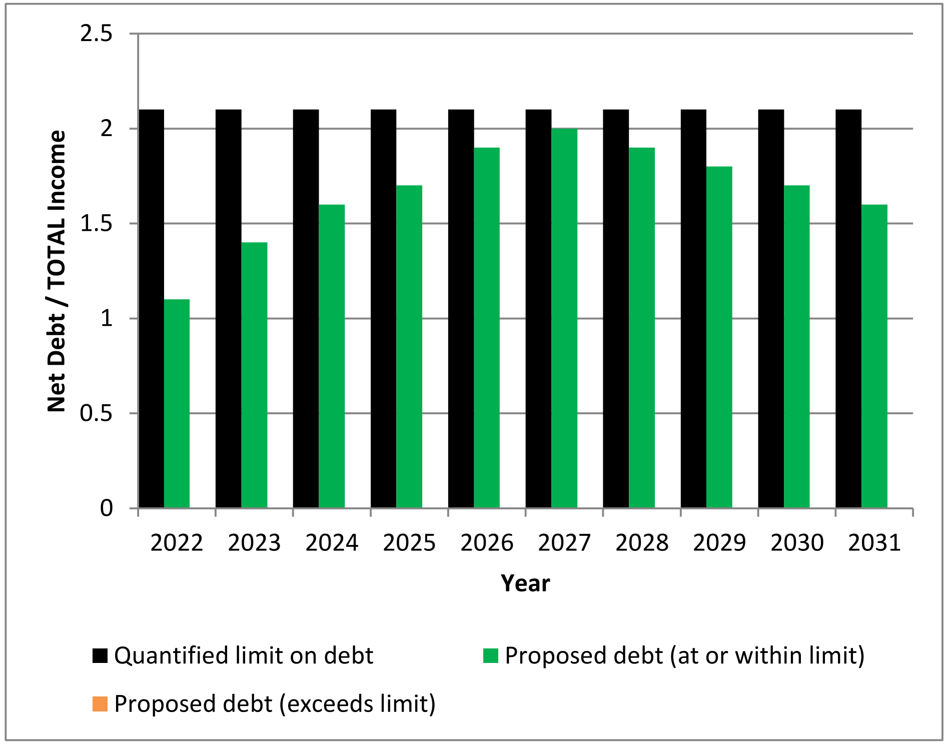


Long-Term Plan Disclosure Statement for period commencing 1 July 2021

Debt affordability benchmark

The council meets the debt affordability benchmark if its planned borrowing is within each quantified limit on borrowing. The following graph compares the council's planned debt with a quantified limit on borrowing contained in the financial strategy included in this long-term plan.

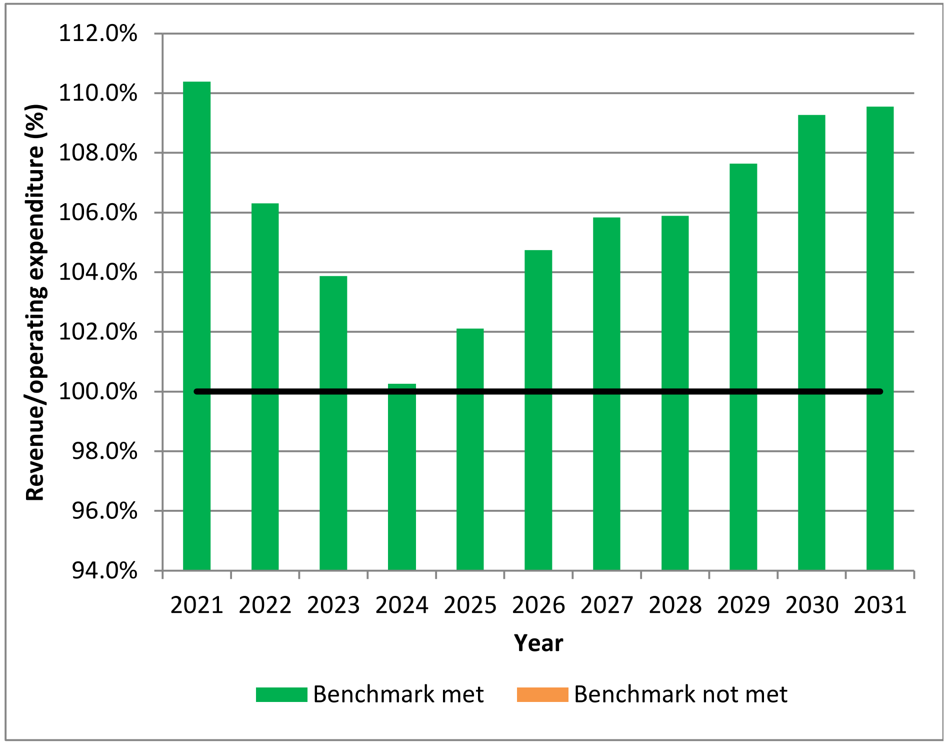
While we have a maximum debt ratio of 2.8 for net debt to operating revenue, our strategy sets a limit of normal operating debt at, or below, 2.1. These debt limits are supported by Council's strong credit rating.



Balanced budget benchmark

The following graph displays the 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 planned operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment).

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

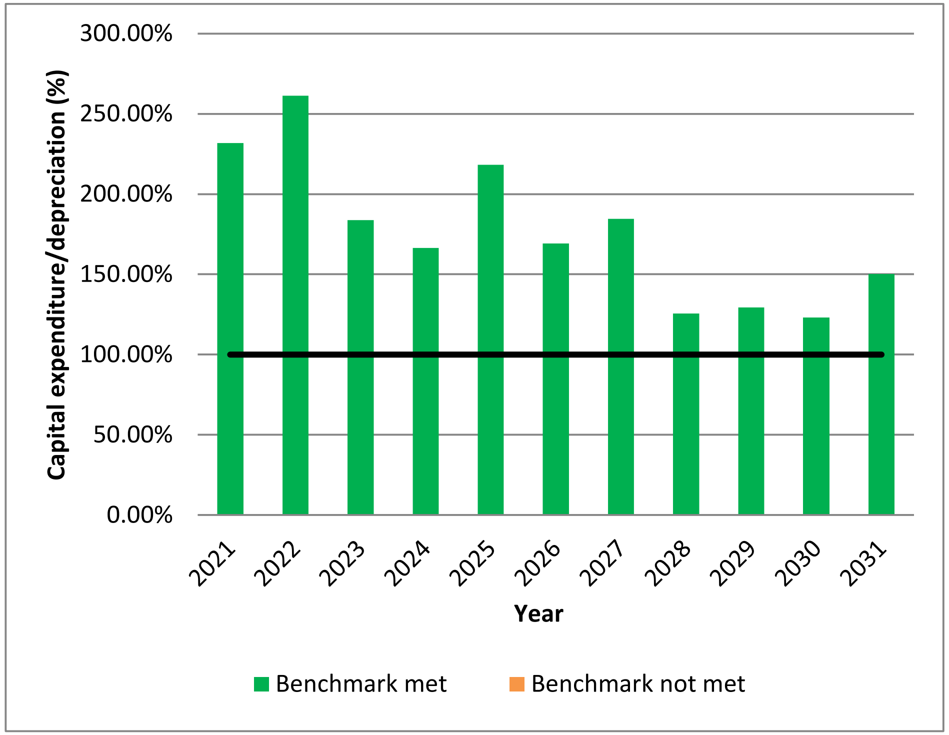


Long-Term Plan Disclosure Statement for period commencing 1 July 2021

Essential services benchmark

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

The council meets the essential services benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services.



Debt servicing benchmark

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

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