Section D: Financial Information

This section provides the Financial Strategy, details on the financial implications of the Plan, including estimated expenditure, revenue and public debt over the ten year term, and the Funding Impact Statements.

Creating a better future with vibrant communities and thriving business.

Financial Strategy

CONTENTS OF THIS STRATEGY

1.0 INTRODUCTION

1.1 BACKGROUND

1.1.1 Council must develop a range of policies on financial matters. The 2010 amendment of the LGA 2002 requires Council to develop a Financial Strategy to give direction to these policies.

1.1.2 The LTP sets out the services provided and the activities undertaken in fulfilling statutory obligations. Asset Management Plans contain a more detailed description of the assets owned by Council as well as the expenditure required to maintain and/or improve the assets. Activity Management Plans describe how the services are delivered.

1.1.3 The discussion around groups of activities in the LTP describes the levels of service to be delivered as well as the operational and capital expenditure required to deliver the services at agreed levels.

1.2 POLICY INTENT

1.2.1 The financial strategy sets out the Council's strategic approach to the management of its finances and presents indicative budgets and projected rate levels for the medium to long term covering a 10-year period which can be broadly defined as:

- Short-term: July 2012 to June 2015
- Medium-term: July 2015 to June 2018
- Long term: July 2018 to June 2022

As required by the Local Government Act (LGA) 2002 it includes:

1. Quantified limits on rates, rate increases and borrowing;
2. Details of expected capital expenditure on network infrastructure required to maintain existing levels of service
3. Expected changes in population and the use of land in the district and the capital and operating costs of providing for those changes
4. Council's objectives and targets for holding and managing financial investments and equity securities
5. Council's policies on giving securities on its borrowing; and
6. Assumptions on other significant risks facing the Council in the forthcoming years and what Council is doing to reduce those risks.

1.2.2 The Financial Strategy cannot exist in isolation. Costs are driven by the broad range of services provided and the statutory activities undertaken, so linkage to other Council plans is fundamental to its development.

1.2.3 The Financial Strategy needs to consider financial health and robustness as well as affordability. Both these considerations are important from a sustainability perspective and this strategy will at all times try to strike a balance between the two in the interest of promoting the four well-beings of its District community.

1.2.4 The Financial Strategy therefore represents a robust summary of the financial requirements for planned levels of service delivery during the term of the plan based on the current financial position and the future direction of Council and our community. As a result, the Council can look to the future in the knowledge that its activity and asset management plans are sustainable and able to be adequately resourced.

1.2.5 The previous Long Term Plan (LTP) covered the period 2009-2019. The principles outlined within that LTP were used to develop budgets and financial projections for the following nine years. However, no environment remains static - the ongoing effects of the global financial crisis have had a local impact in recent times. In particular, the Council's investment in its subsidiary company has not performed in line with expectations over the last four years and this has resulted in a significant loss of forecast annual investment income. A number of other income streams have also been affected, particularly resource planning fees and building consent fees.

1.2.6 In the current economic climate, selling strategic assets does not offer a value for money solution and so the Council's ability to generate savings from releasing capital resources has been limited to the detriment of the Council's debt repayment programme and the capital programme. The LTP has therefore been reviewed and updated to reflect these pressures, as well as to reflect new developments and changes to financial policies and practices.

1.2.7 In order to be able to deliver the aspirations as set out in the LTP, meet statutory responsibilities, and at the same time be attentive to the needs of the District community, Council must take a proactive approach to managing its resources effectively so that it can adequately fund its operations yet keep Council rate increases as low as possible.

1.2.8 The Financial Strategy is therefore a key component of the LTP and seen as a key tool for proactive financial management. It is used as the basis of the annual budget setting process to ensure that:

- the Council's resource needs for the forthcoming year(s) are sufficient; and
- future projected funding requirements are identified far enough ahead so as to be able to take appropriate action to deal with any anticipated funding shortfalls.

2.0 STRATEGIC OBJECTIVES

Our objectives are to:

1. maintain financial sustainability by ensuring that our revenue is sufficient to cover an efficient operating expense base, including the funding of depreciation at levels that are:
   - sustainable for each of the District's communities; and
   - meet the 'rates affordability' objective of the Council
2. undertake good asset custodianship to ensure all community assets are well maintained and are fit for purpose
3. reflect issues and concerns specific to our District
4. address key inter-generational issues which allows any financial burden to be spread over a number of years and not impact adversely on current or future ratepayers
5. provide amenities, facilities and services to the District community at affordable and sustainable rating levels
6. provide good financial and asset risk management which gives assurance that major risks (including the costs of providing for expected changes in population and land-use, if any) have been considered and are reflected in future financial and asset management planning
7. provide a transparent and prudent plan which meets the requirements of the Local Government Act 2002 and clearly explains to the reader:
   a. the overall effects of Council's funding and expenditure proposals on Council's services, rates, debt and investments;
   b. the expected capital expenditure on network infrastructure required to maintain existing levels of service currently provided by Council;
   c. the quantified limits on rates, rates increases, borrowing and quantified targets for returns on financial investments and equity securities; and
   d. how Council intends to maintain existing levels of service and meet additional demands from the community for services within those limits.

3.0 KEY PRINCIPLES

3.1 We will do this because:

1. it demonstrates sound financial governance to the community and represents Council as a responsible and accountable custodian of community assets
2. our community assets will be adequately maintained and fit for purpose, which means that current and future generations will benefit from effective and efficient financial and asset management
3. it protects future generations from bearing the full burden of future infrastructure needs whilst addressing the immediate needs for strategic responses to major issues facing local government including those of rates affordability
4. it ensures that our planning is integrated and effective and that there is a clear linkage between community expectations and service delivery within affordable limits.

4.0 IMPLEMENTATION OF THE FINANCIAL STRATEGY

4.1 We will implement the financial strategy:

1. throughout the life of the LTP to ensure that the financial strategy objectives can be achieved in a financially sustainable manner and can be delivered in an effective and efficient manner
2. through the delivery of affordable operational and capital programmes which are aligned with community outcomes
3. by maintaining quantified limits on rates, rates increases and borrowing
4. by optimising available returns from cash and investments to minimise financial impacts on ratepayers.

5.0 ACCOUNTABILITY AND TRANSPARENCY

5.1 We will demonstrate accountability and transparency by:

1. meeting the clearly identified limits on rates increases and borrowing as quantified in Section 6 of this financial strategy – i.e. key measurement factors
2. continuing community engagement on proposals for funding and expenditure issues building on work already completed and in place for community consultation
3. clearly identifying the overall effect of those proposals on Council's services, rates, debt and investments
4. regular reporting to the community on progress against our financial targets and other financial indicators.

6.0 KEY MEASUREMENT FACTORS

6.1 CHANGES IN POPULATION (S.101A(3)(A)(I) LGA 2002)

6.1.1 National

6.1.2 The average age of New Zealanders is increasing because of a steady increase in longevity and the ageing of the 'baby-boom' generation.

6.1.3 New Zealand is currently at the cusp of a major turning point in its demographics. The old age dependency ratio is expected to increase from around 20% currently to over 40% by the late 2030s. Increasing survival rates mean that by the 2050s the proportion of the population aged over 80 is expected to quadruple as a share of the prime age population.

6.1.4 Official demographic projections are likely to understate rather than overstate the extent of population ageing in coming decades because improvements in life expectancy over the past three decades have been significantly faster than assumed.

6.1.5 The impending upturn in New Zealand's dependency ratio will have major consequences for fiscal policy, the funding of social services, and social structures in coming decades. The consequences include:

a. increasing competition for government resources between different age groups
b. a shift in demands for goods and services towards those that are favoured by older people
c. intensified global competition for highly mobile skilled workers

6.1.6 Regions that are popular retirement areas, typically coastal areas with attractive climates, will likely experience increasing inflows of retirees from other regions. In those areas the shift toward services demanded by the elderly will be marked, particularly services and infrastructure that increase mobility and accessibility such as comprehensive public transport and accessible parks and public walkways.

6.1.7 Smaller centres and regions that are not natural retirement havens and do not have robust primary, primary manufacturing, or tourism industries will likely experience significant declines in their populations as the elderly migrate and skilled workers seek opportunities in other regions.

6.1.8 An increasing proportion of older people choosing to remain in the workforce will favour larger centres with more vocational opportunities for this group.

6.2 WAITOMO DISTRICT DEMOGRAPHICS

6.2.1 Due to the devastation caused by the Christchurch earthquakes the census that was scheduled for March 2011 was postponed until March 2013. All statistical data is therefore based on the assumption that pre 2006 trends will continue for the foreseeable future. Based on this assumption Statistics NZ data indicates that between 2006 and 2011 the population of the Waitomo District reduced by 50. The only age group population to increase during that 5 year period was the 65 and over group (up 130 or 11.8%) - refer following table.

Estimated resident population by broad age group At 30 June 2006 2010 and 2011					
At 30 June	**0-14**	**15-39**	**40-64**	**65+**	**Total**
	Number				
2006	2,480	3,010	3,080	1,100	9,680
2010	2,390	3,000	3,050	1,190	9,640
2011	2,380	3,000	3,040	1,230	9,630
	0-14	**15-39**	**40-64**	**65+**	**Median Age (years)**
	Percent				
2006	25.7	31.1	31.8	11.4	34.9
2010	24.8	31.1	31.7	12.4	35.4
2011	24.7	31.1	31.5	12.7	35.2

6.2.2 This trend is reinforced by population data in the following table. It is interesting to note the projected decline in the workforce (i.e. the 15-64 age groups) and the 54.5% increase in the elderly which supports national trends over the same period.

Year	Total Population	Change in Population	Percentage Change
2011	9,630		
2031	8,900	730	-7.6%
Year	0-14 Years	Change in Population	Percentage Change
2011	2,380		
2031	2,000	380	-15.9%
Year	15-39 Years	Change in Population	Percentage Change
2011	2,990		
2031	2,700	290	-9.7%
Year	40-64 Years	Change in Population	Percentage Change
2011	3,030		
2031	2,300	730	-24.1%
Year	65 Years & Over	Change in Population	Percentage Change
2011	1,230		
2031	1,900	670	54.5%

6.2.3 Statistics NZ projections indicate that Waitomo District will experience a small but increasing decline in the total number of residents between 2011 and 2031. Decline in the future is expected to be driven by the trends in births and deaths, although migration plays a role.

6.2.4 This trend has reinforced Council's view that the retention of elderly persons within the District with the continued provision of Elderly Person's Housing in the District is important, irrespective of the provider. It has also influenced Council's stance on assisting organisations to maintain the provision of safe, affordable and accessible accommodation facilities and other services for the elderly within the small rural communities of the District by providing rate relief where appropriate.

6.2.5 Council has recognised the need to consider the changing demographics of the Waitomo District. Statistics indicate that by 2031 there will be at least three distinct areas of the population that need to be considered when planning for the future:

- Young people and students
- Working age people (15-64)
- Those at or facing retirement

6.2.6 Not only must the economic and social impact of demographic change be addressed, Council must also consider the infrastructural changes that may be needed as altering needs and demands become apparent. To do this Council will need to ensure that all future planning identifies and recognises demographic change as a key factor.

6.2.7 It is projected that:

- The population of children in Waitomo District aged 0 to 14 years will decrease from 2,380 in 2011 to approximately 2,000 by 2031 – a reduction of 380 (or -15.9%)
- The population of working age people in Waitomo District aged 15 to 64 years will decrease from 6,020 in 2011 to approximately 5,000 by 2031 – a reduction of 1020 (or -16.9%)
- The population of people aged 65 and over in Waitomo District will increase from 1,230 in 2011 to approximately 1,900 by 2031 – an increase of 670 (or +54.5%)

6.3 POTENTIAL COUNCIL AND COMMUNITY CONSIDERATIONS - WHAT COULD THE LIKELY IMPACTS BE?

6.3.1 Children 0 to 14 - population decreasing by 380 to approximately 2,000 between 2011 and 2031.

Likely impacts could be seen as follows:

- Libraries will have less of a focus on providing resources to this age group.
- Parks and reserves could have spare capacity resulting in playground equipment and sporting facilities not being replaced due to lack of demand.
- The reduction or amalgamation of day care facilities, kindergartens and schools in the Waitomo District, and as a consequence, reduction in the number of teachers employed.
- Fewer school choices may have a negative effect on attracting professionals and other working people and their families to the Waitomo District.
- Parents/guardians may have to travel further for such services as health and dental care for their children.
- Clubs and societies catering to this younger sector will most likely decline.
- Retail spending will most likely decline for this sector, therefore retailers will have to adapt.
- Technology growth and development could see this sector become 'isolated' from their community by participating in less socially orientated activities.

6.3.2 Working age (15 to 64) population decreasing 1020 to approximately 5,000 between 2011 and 2031

Likely impacts could be seen as follows:

- Council may experience rates pressures, by attempting to meet everyday demand costs with less income, even though demand for water and waste services may decrease.
- Overall, the economy will most likely not produce sufficient income to maintain more than fundamental infrastructure.
- It is possible that the younger sector of this age group may not be a strong youth voice for Council.
- Libraries may have less of a focus on providing as many resources to this age group.
- Declining participation in community & sporting activities. Demand for active sports fields may decline, resulting in spare capacity.
- Less business development may occur, resulting in fewer job opportunities. Or, the opposite could occur - low unemployment could result as demand for staff is increased to keep existing businesses operating.
- Retention of the professional sector (doctors, vets, accountants etc.) could be threatened as demand for services decreases. People may have to travel further for such services as health and dental care.
- Trade professionals (builders, plumbers, electricians etc.) could also move away to other centres if demand for services decreases.
- Clubs and societies may decline due to lack of membership and participation.
- Retail spending will most likely decline for this sector as the number of families decrease.
- Disposable income will most likely decline which will impact on 'social spending'. Or, disposal income could increase as fewer people compete for jobs, resulting in attractive salaries.
- Technology growth and development could see many people 'working from home' and not 'participating' in the community.
- A further decline in the volunteer sector may put added pressure on those willing or able to support others, (especially the elderly) and community activities.

6.3.3 <u>The population of people aged 65 and over will increase by approximately 670 from 1,230 in 2011 to 1,900 by 2031.</u>
Likely impacts could be seen as follows:

- Council experiencing rates pressures, by attempting to meet everyday demand costs with less income.
- Increases in renewal and maintenance costs per ratepayer for such assets as street lighting, footpaths and safety measures are likely.
- Potential for Council to be required to provide affordable housing.
- Growth of demand in the elderly health care and elderly services sector.
- Growth in the elderly population potentially spurring economic growth in the form of investment in life stage developments (retirement villages) that accommodate the elderly.
- An increased need for better transport links, and public transport.
- Retail spending patterns will most likely change, and retailers will have to adapt to greater demands by elderly consumers, many of whom will be on fixed incomes.
- There is likely to be less disposable income in the community therefore less community participation.
- With many more elderly in the community, demand for green spaces and passive recreation areas may increase.
- Demand for active sports fields may decline, resulting in spare capacity.
- Passive clubs and societies may increase to cater for growth.
- Overall, the economy will most likely not produce sufficient income to maintain more than fundamental infrastructure.

6.3.4 <u>Risks</u>

a. Making use of projections based on historical trends increases the risk that the assumptions may prove to be erroneous. This can be demonstrated by the fact that the rapid population decline of approximately 4% or 294 people between 1996 and 2001 was reversed to a decline of only 18 people between 2001 and 2006. The risks are exacerbated by the fact that some major employers, such as the meat works, are dependent upon on-farm production. During years of high production of lamb and beef the works are productive for longer hours and employ more labour and vice versa. The usually resident population count can thence be expected to fluctuate depending whether the census is undertaken during a high or low production cycle. It was however still deemed to be prudent to utilise the figures despite the fact that they may be a pessimistic forecast as they represent the best available projections at the time of developing this strategy.

b. The population forecasts assume a continuous decline in population for the District over time. Over the same period the population of the Auckland Metropolis is forecast to increase considerably. Experience elsewhere has shown that the footprint of the area required to maintain a growing city increases exponentially as the city grows. This is already illustrated by the widening circle of the residential dormitory effect. The effect on nearby cities such as Hamilton is demonstrated by the expansion of the Hamilton dormitory circle flowing from the Auckland influence on that city. The footprint for consumables is much larger than the dormitory footprint. Future increases in the population of the north-eastern part of the District in the medium to long term can therefore not be discounted.

6.4 CHANGES IN LAND USE (S.101A(3)(A)(I) LGA 2002)

6.4.1 From a recent, informal, desktop planning exercise, drawing from development proposals which are known to officers and/or are in the early stages of consent processing, it has been identified that further growth is likely to occur during the planning period at Piopio and Mokau – Awakino and Te Waitere, albeit at a slower rate than expected earlier. The nature of this growth is expected to exceed the capacity of the existing network infrastructure at these locations.

6.4.2 The financial projections make allowance for anticipated growth by specific capital expenditure programmes (i.e. Water Supply and Wastewater Systems) associated with managed development at Piopio and the above beach areas.

PROGRAMME	WHEN	PROJECTED EXPENDITURE
MOKAU WATER SUPPLY UPGRADE	2012-2013	$1,200,000
TE WAITERE WASTEWATER SYSTEM	2016-2018	$50,000
PIOPIO WASTEWATER SYSTEM	2013-2016	$644,000

Waitomo Village is the main community where growth expenditure has not been provided for during the life of the 2012-2022 LTP. In other cases, capital expenditure is associated with improvements to levels of service rather than growth, e.g. improved drinking water standards due to new legislative requirements.

6.4.3 Indications are that planned subdivisions to create additional residential lots in Mokau have been indefinitely postponed at this stage. There has been a constant decline in the number of subdivisions approved over the last three years. The main effect of a materially higher growth rate than has been assumed would be an increased demand on the capacity of these services. A more modest growth rate would have little effect on these LTP issues.

6.5 LIMIT ON RATES (S.101A(3)(B)(I) LGA 2002)

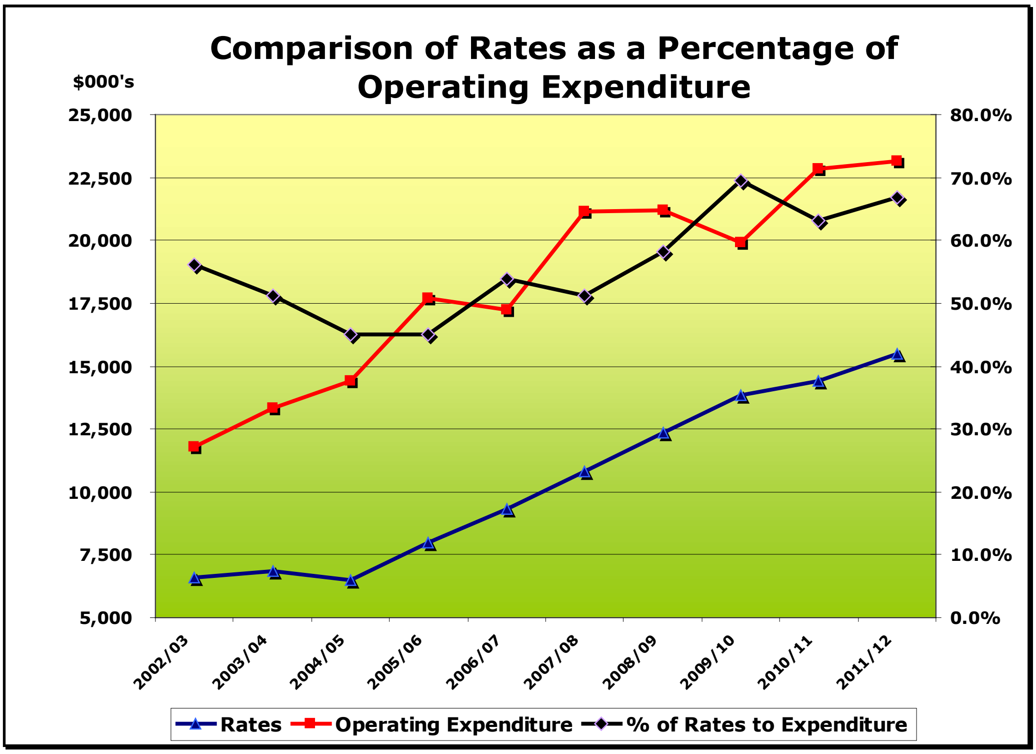
6.5.1 The Local Government Act 2002 requires Council to include a statement in its financial strategy that quantifies limits on rates, rate increases, and borrowing.

6.5.2 Having recognised concerns regarding the ratepayers' ability to pay for services and the likelihood that affordability issues may be exacerbated in future, the Council will endeavour to keep the income required from rates steady as well as creating predictability in the level of rates required.

6.5.3 Council also recognises the need to balance affordable rates with affordable user charges and where possible will maximise user charges after having first given consideration to the need to achieve its community outcomes.

6.5.4 Council's strategies for achieving affordability of rates include:

- Limiting the level of rates income to a percentage of operating expenditure. Over the last ten financial years (2002/03 to 2011/12) the average percentage of rates income to operating expenditure was **56%**. One of the drivers behind that low percentage was Council's material use of loans to fund operational expenditure, particularly for subsidised roading.



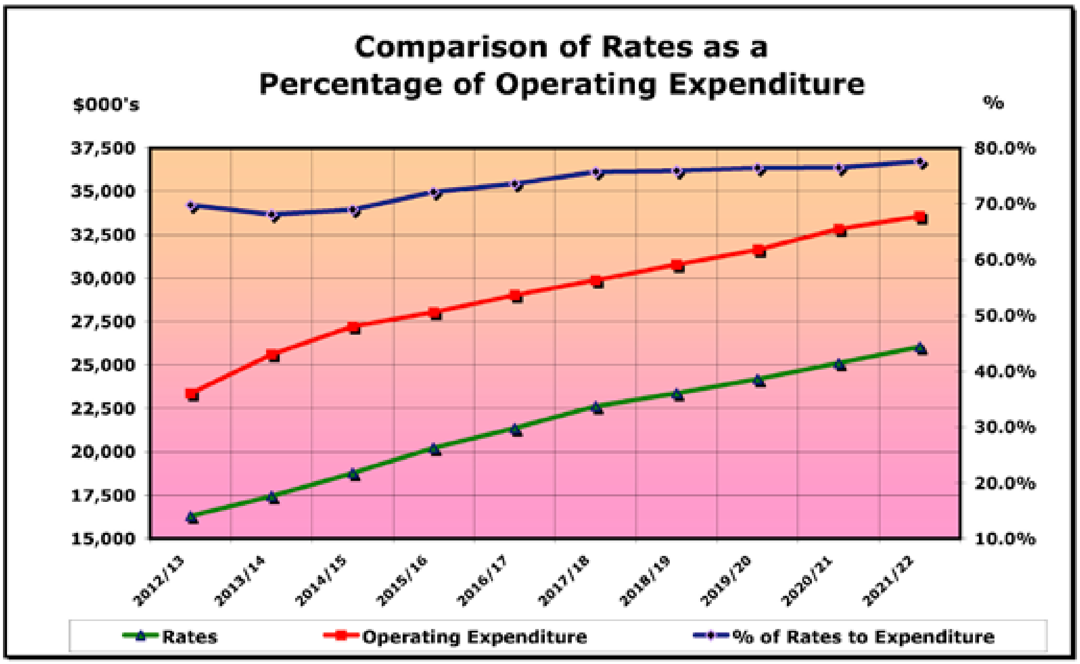
- Providing flexibility for individual local communities to pay more for additional projects and/or services.
- Taking a multi-pronged approach of managing the cost to the ratepayer (through efficiency gains and/or service reductions), and increasing other revenue sources (to reduce dependency on rates income – e.g. user fees and charges, subsidies).
- Funding new initiatives where expenditure efficiencies can be gained in existing business or increased revenue outside of rates can be sourced.

6.5.5 With the transition to totally rate fund subsidised roads along with funding associated with significant capital upgrades of water and sewerage treatment plants and reticulation networks throughout the District's communities, rates as a percentage of operating expenditure are projected to rise during the first four years of the 2012-2022 LTP. (N.B. This does not include funding of the Debt Reduction Strategy or reinstating deficit operating reserves in Year One of the LTP).

In order to balance the rates affordability challenges and continue to provide services to our communities, Council has set the following limits on rates revenue and rates increases for the duration of this Plan.

- Total rates revenue will be limited to an average of **75%** of total operating expenditure over the life of the 2012-2022 LTP. This assumes that Council's Council Controlled Organisation (CCO) will return to a profitable situation, contribute to the budgeted level of revenue and provide Council with an agreed level of return to offset rates requirement.

- Total rate increases will be limited to:
  - **5.4%** in Year One
  - A 'cap' of **7.7%** over the life of the plan
  - An average of **5.3%** over the life of the plan



6.5.6 When determining the services it provides (during the review of the 2012-2022 LTP) and the associated rate funding requirements, the Council will also:
- Focus on providing the 'must have' (essential) fundamentals first rather than the 'nice to haves'.
- Considering whether the services are delivered in the most cost efficient and appropriate way, e.g. shared services with other local authorities
- Ensuring good asset management principles are applied.

6.5.7 Over the life of the LTP Council's objective is to set total operating income at a level to meet total operating expenditure. This is to ensure that there is access to enough funding to enable the services to continue to be provided long term.

However, there are activities where this approach may not be practical or prudent on a year-by-year basis due to the activity's long term nature, e.g. waste water, roads and footpaths, water supplies. Over the next ten years Council intends to:

a. Smooth rate increases by running activity deficits/surpluses or repaying activity deficits.
b. Use operational reserves and/or activity balances to fund some specific operational expenditure where appropriate.

6.5.8 The limit on annual rate increases (both by type and overall) **will not apply** where there is an agreed increase in the existing **level(s) of service (LoS)** of any activity provided by Council during the life of the plan. This exclusion includes unforeseen events that may occur during the period of the plan. In either event community consultation will take place during the Annual Plan process.

6.5.9 Council considers this to be a 'prudent' approach to financial management in that it provides for assets to be maintained and renewed, debt levels kept reasonably conservative, and rate increases limited to an affordable level now and in future.

6.6 FUNDING OF DEPRECIATION

In the interests of both 'rates affordability' and the sustainability of the District's communities, Council has resolved (pursuant to Section 100(2) LGA 2002) that over the next ten years it intends:

a. Not to fund depreciation on some specific assets being some community halls and Housing for Elderly. This is because Council has considered that future renewals would be from community sources or through raising new debt. These facilities are community occupied, have a life in excess of 50 years and renewals would be dependent on the choices of the future generations. The amount of depreciation not funded in 2012/13 is $82,828.

b. To defer $871,323 of depreciation on some newly built assets for the Te Kuiti Waste Water Treatment Plant in Years 2, 3 and 4 of the 2012-22 LTP, but then fully recovering that unfunded depreciation in Years 6 – 10 at approximately $174,265 per annum. Council has primarily considered this from an affordability perspective for the current ratepayers. Council considers this fair and equitable since the current ratepayers are carrying the debt servicing costs anyway. Council considers the risk in this approach to be low since the assets are new and the probability of failure is low.

c. Fund depreciation on some brand new assets only to the level required to meet annual loan repayments because Council does not intend to build up surplus depreciation reserves in the initial 3 years on brand new assets with extended lives. The amount of depreciation not funded in 2012/13 is $137,677.

In making these decisions Council has considered the overall impact of its financial management policies, levels of service and ensured the cash flow is positive over the life of the plan (excluding major projects).

6.7 LIMITS ON BORROWING (S.101A (3) (B) (I) LGA 2002)

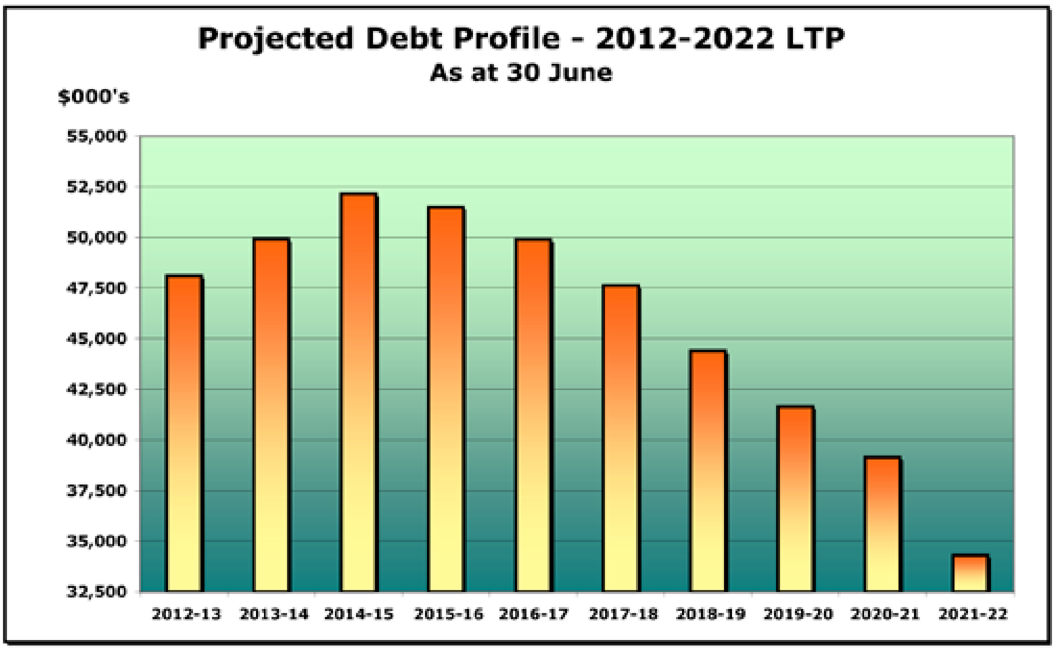
6.7.1 Council has a desire to build a better district for current and future generations. Council seeks to ensure that today's ratepayers pay only for the services and assets which it currently provides to the community at large and not for benefits that will be received by the community at large in the future.

6.7.2 Loans are therefore used to fund services and assets built or provided now before new consumers use those services. It is used to ensure fairness or 'intergenerational equity'.

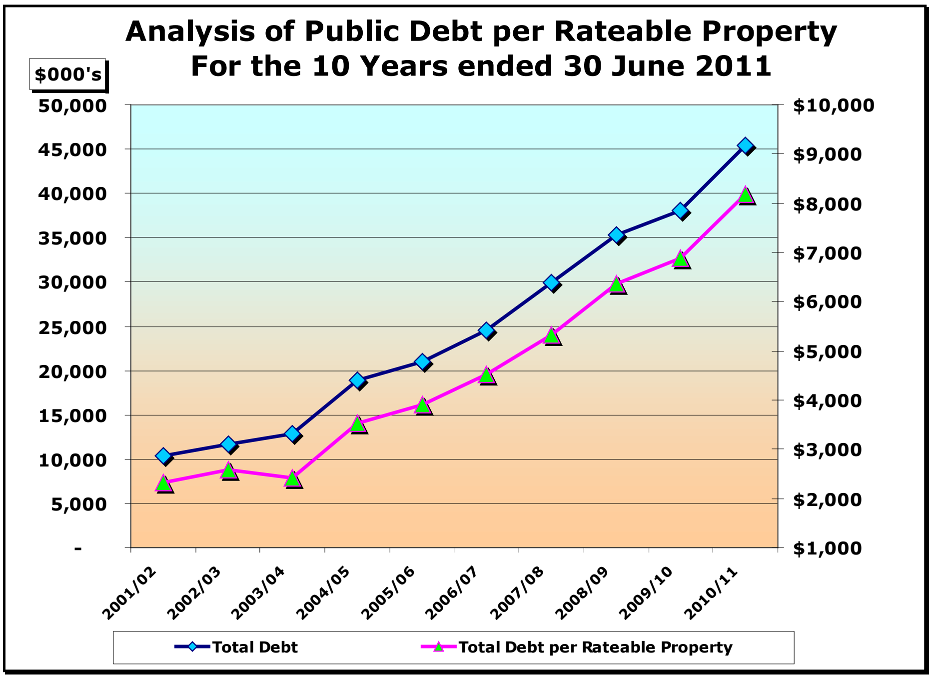
6.7.3 Council will borrow to fund the total funding need in accordance with the annual plan. Borrowing includes funding of short term working capital and long term capital investment.

6.7.4 In general terms, Council approves borrowing through the Annual Planning process with public disclosure by way of resolution. Borrowing of new debt is also subject to Council approval at the time the loans are to be raised.

6.7.5 Over the last 10 years Council's debt has grown by $35 million, from $10.4 million to $45.4 million. The main reason for that has been the use of loans to fund operating expenditure in subsidised roading. The management of liquidity, interest rate exposure and structured debt reductions are therefore important strategic considerations for Council and will form an integral part of its 2012-2022 LTP.

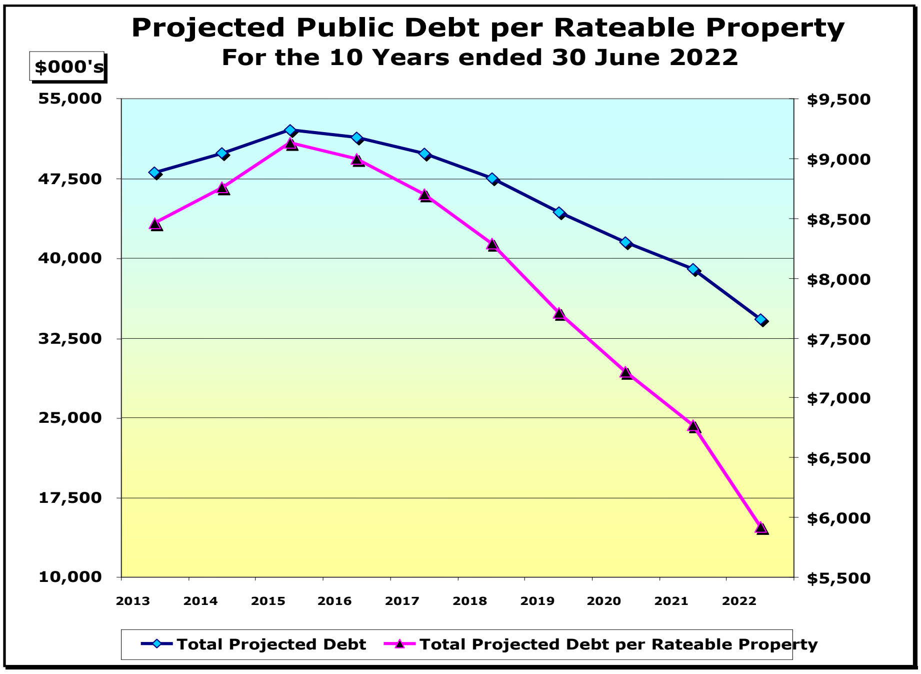


6.7.6 Council will adopt a conservative approach to managing its finances with total borrowings limited to its ability to service and repay that borrowing forming part of the annual rates calculation (as determined by its limit on rates).



6.7.7 Ratios based on revenue and debt servicing and debt to equity are also used for measuring a prudent borrowing level. Council borrowing limits are based on the following:

- Total interest expense will not exceed **15%** of total revenue. This equates to $4.5 million as per 2011/12 Annual Plan financials.
- Total borrowings will not exceed **25%** of total equity. This equates to $62.7 million as per 2011/12 Annual Plan financials.
- Total borrowings must not exceed **20%** of total assets. This equates to $60.7 million as per 2011/12 Annual Plan financials.



6.7.8 Council's Debt Reduction Strategy as set out in 6.12 (below) together with projected investment income from Inframax Construction Limited (Council's subsidiary company) from 2016/17 onwards means that Council's public debt is projected to decrease over the life of the plan by $8.2M (-19%) from $42.5M (projected for 2011/12) to $34.3M.

6.7.9 Over the same period the total debt per rateable property drops from $7,490 (projected for 2011/12) to $5,940 a decrease of $1,550 (or 21%).

6.7.10 Council will only enter into borrowing agreements with creditworthy counterparties. Creditworthy counterparties are selected on the basis of their Standards and Poor's rating which must be AA- or better.

- To protect it against escalation and unforeseen events Council shall aim to maintain committed funding lines of not less that 105% of projected core debt.
- Borrowings are limited to New Zealand dollars only (s.113 of the LGA 2002).
- The interest rate exposures of WDC shall be managed according to the parameters detailed in the following table and shall apply to the projected core debt of WDC. Core debt is defined as that contained in the Annual Plan or as otherwise determined by the Group Manager – Corporate Services.

Fixed Rate Hedging Percentage		
	Minimum Fixed Rate Amount	Maximum Fixed Rate Amount
0 – 2 years	50%	100%
2 – 5 years	30%	80%
5 – 10 years	0%	50%

- To avoid a concentration of debt maturity dates Council will, where practicable, aim to have no more than 50% of debt subject to refinancing in any 12 month period.
- Council also utilises internal borrowing and transfers from reserve accounts which are not subject to the above limits.
- Deficit reserve accounts attract an annual interest charge based on the last 12 months weighted average loan interest rate and applied to the opening balance at 1 July each year.

6.7.11 Further details on how the Council's debt is managed are set out in its Treasury Policy which is publicly available.

6.8 SECURITIES FOR BORROWING (S.101A (3) (C) LGA 2002)

6.8.1 Council borrowings are secured over annual rates on every rateable property within the Waitomo District.

6.8.2 Under the Debenture Trust Deed, the Council offers deemed rates as security for general borrowing programmes.

6.8.3 From time to time, security may be offered over specific assets with Council approval or infrastructural assets where special rating provisions apply.

6.8.4 Council will not borrow, underwrite or guarantee loans on behalf of any other person, association or organisation (with the exception of one existing guarantee to the Waitomo Caves Museum Society that is due to expire on 31 January 2013).

6.8.5 The 2008 amendment of the Securities Act 1978 (s.5A-5D) enabled Council to issue debt securities to raise funds for Capital Investment. Any issue of debt securities must be approved by Council and will be in compliance with the Securities Act 1978.

6.8.6 Securities are not provided for Councils own internal borrowing.

6.9 FINANCIAL INVESTMENTS & EQUITY SECURITIES (S. 101A (3) (D) LGA 2002)

6.9.1 Council is a risk adverse entity and therefore takes a prudent approach to managing its investments.

6.9.2 Council seeks to achieve an acceptable rate of return on all its investments but recognises as a responsible local authority any investments that it does hold will be low risk and that generally lower risk means lower returns.

6.9.3 Council seeks to maintain diversity in its investment portfolio to spread and minimise risk. Council generally has three types of investments:

a. ***Strategic Investments*** - investments made or held in alignment to Council's strategic direction and typically retained on a long term basis. These include property investments - i.e. land and buildings (including subdivisions) – quarries, forestry and property vested in the Council.

b. ***Equity Investments*** - equity (ownership) participation in a private (unlisted) company (including council controlled organisations) or a 'start-up' (a company being created or newly created). Such investments may not necessarily provide a financial return to Council, and may be held for wider social, tactical and/or economic reasons. Council will continue to actively seek opportunities for a financial return from all such investments.

c. ***Treasury Investments*** – short to medium term financial investments that maximise financial return but ensure an appropriate level of liquidity for forecast expenditure.

6.9.4 Prior to making new strategic or equity investments Council will, on a case-by-case basis and taking into account the Council's strategic outcomes and performance criteria, take into consideration:

a. The expected financial return.

b. How the investment will contribute in furthering the Waitomo District's Community Outcomes as documented in the Long Term Plan.

c. The existing investment portfolio and how the proposed investment 'fits' in terms of Council's preference to spread and minimise risk.

d. Any other consideration Council deems appropriate.

6.9.5 Council's investments will generally be monitored and reported through established reporting procedures (Quarterly and Annual Reports).

6.9.6 For equity investments transparency and reporting mechanisms will be key elements in any governance arrangements. The frequency and nature of reporting will depend on the nature and size of each investment.

6.9.7 In general terms, reporting will comply with generally accepted accounting practice (GAAP) and international financial reporting standards (IFRS).

6.10 CAPITAL EXPENDITURE ON NETWORK INFRASTRUCTURE (6.7 S.101A(3)(A)(II) LGA 2002)

6.10.1 The financial strategy must include a statement of the factors that are expected to have a significant impact on Council during the consecutive financial years covered by the strategy, including the expected capital expenditure on network infrastructure, flood protection, and flood control works that is required to maintain existing levels of service currently provided by Council.

6.10.2 Council expects to undertake Capital expenditure of approximately $98.8 million on network infrastructure over the period covered by this strategy.

(1) Land Transport

The major portion of capital expenditure is aimed at the provision of roads and footpaths. Any change in the NZTA funding levels on this expenditure will have a significant impact on Council's ability to proceed with the planned works.

(2) Stormwater

Flooding is an inevitable risk in the built environment. The public expectation is increasingly that all urban stormwater should be drained via a piped system. An increase in the level of service to this extent will be very capital intensive and is deemed unaffordable at this stage.

(3) Water Supply

The 2005 New Zealand Drinking Water Standards and the subsequent amendment to the Health Act in 2007 to give effect to the standards have considerably increased the standard of potable water Council must deliver to its residents in the water supply areas. A considerable amount of the capital expenditure is aimed at achieving these standards.

(4) Wastewater

The single most compelling risk to the upgrade of the Te Kuiti wastewater treatment plant is that Council will lose a portion of the approved government subsidy for the capital expenditure if the work is not completed in time. The work is being undertaken to improve the operating requirements to meet the resource consent for water discharge.

6.11 OTHER SIGNIFICANT FACTORS (S.101A(3)(A)(III) LGA 2002)

6.11.1 The single most compelling risk to the upgrade of the Te Kuiti Wastewater treatment plant is that Council will lose a portion of the approved government subsidy for the capital expenditure if the work is not completed in time. The work is being undertaken to improve the operating requirements to meet the resource consent for water discharge.

(1) Land Transport

In 2009 an 'Affordability Review' was carried out to determine what short term budget cuts could be maintained to help with the roading catch-up. The review was completed and budgets reduced on the understanding that the network could not sustain the long term budget cuts and that the budget would have to be increased in about 2014 to track back to what was included in the 2009/19 LTP. The network will fail if the money is not spent on it. There are already signs of deterioration after two years with a further two years of reduced expenditure through to 2015/16 planned.
The Land Transport AMP and also the RLTP submission shows expenditure increasing in the 2013/14 and 2014/15 financial years with an aim of being back to full spend by 2015/16. This is the absolute maximum time period the asset can handle.

Risk – this is a big operational risk that Council is closely managing.

(2) Stormwater - Te Kuiti

Experience and observation have shown that significant sections of the reticulated storm water is blocked or half blocked with rubble silt and assorted debris following many years of neglected maintenance. Short sections have been cleaned during the last 4 years where it coincided with other works.

The cost of cleaning the whole reticulation network is unknown but it is likely to be in the vicinity of $250,000.

It is mentioned in the Stormwater AMP that because it is regarded as unaffordable in the total scheme of district financial viability no provision is made for such work. We will continue to have short bits cleared if they cause a flooding problem or if it is associated with other work that make it a viable addition funded from maintenance allowance.

Risk is – earthquake and flooding of land and or buildings with associated damage.

(3) Water Supply Te Kuiti

Upgrade requirements of the TKWTP are well documented and scoped in the Water AMP. The main outstanding issue mentioned but not addressed is that the river extraction point is downstream of an industrial area that contains two meat works operations, a lime works, a saw mill as well as a waste water collection pump station and other smaller operations.

Ideally the extraction point should be moved upstream to a point above the industrial area. Estimated cost is in excess of $2 million which has not been allowed for in funding requests for the next 10 years because it is deemed financially unaffordable in the total scheme of district financial viability.

Risk - industrial pollution stopping the ability of the TKWTP to produce potable water. Worst case scenario is pollution getting through the treatment plant (i.e. it is not removed by treatment processes) seriously affecting users health.

(4) Waitomo Village Water Supply

The Waitomo Village water supply is not a council supply. The area is a major tourist attraction with up to 600,000 visitors per year.

Risk –that an outbreak of illness amongst tourists caused by contaminated water will be laid at Council's door. Taking over the '3 waters' services in the Waitomo Village could cost the Council in the order $2-3 million.

(5) Wastewater Te Kuiti

A resource consent application for the long awaited upgrade of the Te Kuiti Waste Water Treatment Plant is being considered with land discharge (or similar) not the preferred option.

Risk - Land discharge or similar alternative gets enforced now or in 10 years time at an estimated cost of anywhere between $2-14 million.

(6) Solid Waste

Emission Trading Scheme (ETS) charges being enforced from 2013 could cause landfill to become even less financially viable then it is at present.

Risk - Servicing cost sunk into development of the landfill while funding waste minimisation and disposal will increase the financial burden significantly. Mentioned in SWaMMP where it is stated it will be readdressed in 2014 when the picture is clearer.

(7) Change(s) in Central Government Policy and Legislation

Changes in government policies or legislation are likely to impact on local government income or expenditure. Indications are that further reforms of local government are also on the government's agenda.

Risk – reductions in central government subsidies, and/or increases in local government expenditure as a result of changes in central government policies or legislation may detrimentally affect Council's ability to maintain or increase existing levels of service and provide for future growth.

The impact of possible reforms in local government is not able to be quantified at this time and consequently is not recognised in the 2012-2022 LTP. Those reforms may result in the disestablishment of regional councils and establishment of unitary authorities or more 'super' councils similar to Auckland City. The amalgamation of some local authorities is also possible.

(8) Financial Exposure to Natural Disaster

The financial consequences of the 2010 and 2011 Canterbury earthquakes on the insurance market in particular have been extremely severe.

Risk - that the Council may not be able to purchase affordable disaster recovery insurance cover, or set aside sufficient funds to self-insure, in order to protect the District's infrastructure (e.g. reticulated water, stormwater and sewerage systems).

(9) Performance of Subsidiary Company

Council's subsidiary company (Inframax Construction Ltd) received additional equity from Council during the 2011/12 financial year and has undergone major restructuring, including a new Board of Directors, a new Chief Executive and rationalisation of its staffing levels and operating bases.

Risk - the company operates in a highly competitive environment and it is possible that the company may not be able to trade profitably enough to sustain an ongoing operation. In that event, projected income to Council from dividends and/or subvention payments will be lost and will affect Council's Debt Reduction Strategy (refer 6.11.2(g) below).

Because Inframax is a limited liability company, should it be necessary for the company be liquidated, Council considers any exposure to company losses would be minimal. It is possible however that Council could be subjected to claims from the company's bank, lease companies and creditors. This is not able to be quantified and has not been recognised in the Council's financial projections for the 2012-2022 LTP.

6.12 DEBT REDUCTION STRATEGY

6.12.1 Although not a specific requirement of the LGA, Council has indicated that it wishes to clearly identify its Debt Reduction Strategy in the LTP. Council's current Treasury Policy contains a section on debt repayment, however, as it is now discretionary whether or not to include investment and liability management policies in the LTP the financial strategy appears to be the logical place to include Council's Debt Reduction Strategy so ensuring the disclosure is made.

a. The objective of managing debt repayment is to ensure that Council is able to repay debt on maturity with minimum impact on Council operations.

b. Borrowings will be repaid as it falls due in accordance with the applicable loan agreement. Subject to borrowing limits, a loan may be rolled over or re-negotiated as and when appropriate.

c. All borrowings (with the exception of loans raised to establish Council's subsidiary company) are deemed to be corporate borrowings. Debt repayments will be made from funds raised specifically for the repayment of debt, general funds and the proceeds from asset sales. Funds derived from any asset sales are applied first to offset borrowing in the relevant activity from which the asset is sold.

d. The cost of capital is spread over significant activities using internal loans. Internal loans are raised to cover the economic life of capital projects to a maximum of 30 years for infrastructural assets and 15 years for other assets.

6.12.2 It is therefore intended to structure Council's **Debt Reduction Strategy** in the following manner:

a. Council's total rate requirement for each year of the plan will first be determined;

b. A loan repayment amount equivalent to 1% of that total rate funding requirement will be calculated and included in the rate strike for that financial year. (For clarification, that means that if the initial rate strike indicated an increase of say 4.00% that will increase to 5.00%);

c. The value of the 1% will be funded on a 50/50 split between the General Rate and UAGC for the purpose of paying down capital debt;

d. The funding treatment (above) will be applied to each year's forecast in the 2012-22 LTP. In other words, the effect of the policy will serve to compound the value of the fund through the annual application of an additional 1% in the value of the dedicated rate.

(N.B. The targeted Debt Reduction Strategy will be kept under review through the statutory review process. That review process may result in the funding mechanism either being accelerated, decelerated or even discontinued at any time so determined by Council).

e. The income derived through this targeted rate will be accounted for separately and the accumulated fund used solely for the purpose of debt repayment.

f. Council has decided to commence the Debt Reduction Strategy in 2015/16 (Year 4) of the Plan.

g. Council has decided that all dividend and/or subvention income from its subsidiary company (Inframax Construction Ltd) will be used to repay debt and not used to offset rates required in any year of the 2012-2022 LTP.

If for some reason dividend and/or subvention income projected from Year 5 (2016/17) onwards from ICL is not received, the following table 1.7 highlights the likely effect on Council's Debt Reduction Strategy:

Table 1.7

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Debt Reduction (incl ICL dividend)	665	1,588	2,266	3,210	2,750	2,494	4,805
Debt Reduction (excl ICL dividend)	665	1,249	1,916	2,850	2,380	2,113	4,414

h. The priority for debt to be repaid will be the debt raised for roading purposes.

(Council has prepared its financial strategy using supporting statistical data from reputable sources – e.g. Statistics NZ, NZTA, BERL Economics, Infometrics Ltd, banking institutions – together with in-house staff expertise and knowledge of the District.)

Summary of Estimated Revenue and Expenses Statement

$000's	AP 2011-2012	YEAR 1 2012-2013	YEAR 2 2013-2014	YEAR 3 2014-2015	YEAR 4 2015-2016	YEAR 5 2016-2017	YEAR 6 2017-2018	YEAR 7 2018-2019	YEAR 8 2019-2020	YEAR 9 2020-2021	YEAR 10 2021-2022
Operating Income											
Community and Cultural Sustainability	(1,351)	(1,473)	(1,517)	(1,623)	(1,417)	(1,809)	(1,902)	(1,923)	(1,987)	(2,096)	(2,126)
Environmental Sustainability	(6,241)	(1,677)	(1,956)	(2,058)	(2,073)	(2,127)	(2,193)	(2,273)	(2,336)	(2,402)	(2,463)
Economic Sustainability	(6,832)	(7,330)	(7,101)	(7,250)	(7,747)	(8,478)	(8,770)	(9,082)	(9,363)	(9,665)	(9,931)
Total Income	**(14,424)**	**(10,480)**	**(10,574)**	**(10,931)**	**(11,237)**	**(12,414)**	**(12,865)**	**(13,278)**	**(13,686)**	**(14,163)**	**(14,520)**
Direct Operating Expenditure											
Community and Cultural Sustainability	7,489	7,646	8,395	8,687	8,624	8,791	8,941	8,965	9,159	9,610	9,649
Environmental Sustainability	5,054	5,156	6,121	6,612	6,953	7,082	7,261	7,496	7,633	7,864	7,989
Economic Sustainability	10,613	10,559	11,094	11,923	12,462	13,152	13,689	14,322	14,852	15,370	15,933
Total Direct Expenditure	**23,156**	**23,361**	**25,610**	**27,222**	**28,039**	**29,025**	**29,891**	**30,783**	**31,644**	**32,844**	**33,571**
Net Operating Cost/ (Surplus)	**8,732**	**12,881**	**15,036**	**16,291**	**16,802**	**16,611**	**17,026**	**17,505**	**17,958**	**18,681**	**19,051**
Capital Expenditure											
Community and Cultural Sustainability	594	810	762	725	728	360	448	437	209	197	221
Environmental Sustainability	7,589	5,583	1,121	1,942	800	697	759	700	1,669	774	855
Economic Sustainability	5,979	7,060	7,421	7,051	6,745	7,488	8,088	8,155	8,402	9,759	8,791
Total Capital Expenditure	**14,162**	**13,453**	**9,304**	**9,718**	**8,273**	**8,545**	**9,295**	**9,292**	**10,280**	**10,730**	**9,867**
Net Expenditure	**22,894**	**26,334**	**24,340**	**26,009**	**25,075**	**25,156**	**26,321**	**26,797**	**28,238**	**29,411**	**28,918**
Funded By											
External Loan Repayments	0	0	0	0	190	534	549	564	576	592	604
Internal Loans Drawn	(4,274)	(7,175)	(3,873)	(4,081)	(2,205)	(1,886)	(1,981)	(1,810)	(2,614)	(2,857)	(1,771)
Reserves	(3,132)	(2,839)	(3,008)	(3,142)	(2,835)	(2,450)	(2,268)	(2,196)	(2,028)	(2,042)	(1,714)
General Rates	(2,993)	(2,130)	(2,276)	(2,328)	(2,560)	(2,712)	(2,830)	(2,842)	(2,995)	(3,039)	(3,167)
UAGC	(2,999)	(3,878)	(4,095)	(4,350)	(4,615)	(4,842)	(5,250)	(5,243)	(5,417)	(5,733)	(6,014)
Target Rates	(9,496)	(10,312)	(11,088)	(12,108)	(13,050)	(13,800)	(14,541)	(15,270)	(15,760)	(16,332)	(16,856)
Total Funding	**(22,894)**	**(26,334)**	**(24,340)**	**(26,009)**	**(25,075)**	**(25,156)**	**(26,321)**	**(26,797)**	**(28,238)**	**(29,411)**	**(28,918)**
Depreciation and Amortisation	4,239	4,420	4,825	4,840	5,138	5,355	5,739	6,151	6,528	6,863	7,293
Gross proceeds from Asset Sales	0	(100)	(103)	(106)	(110)	(113)	(117)	(120)	(123)	(127)	(130)

Summary of Estimated Revenue and Expenses Statement for Community and Cultural Sustainability

$000's	AP 2011-2012	YEAR 1 2012-2013	YEAR 2 2013-2014	YEAR 3 2014-2015	YEAR 4 2015-2016	YEAR 5 2016-2017	YEAR 6 2017-2018	YEAR 7 2018-2019	YEAR 8 2019-2020	YEAR 9 2020-2021	YEAR 10 2021-2022
Operating Income											
Leadership	(369)	(454)	(472)	(524)	(515)	(877)	(944)	(942)	(979)	(1,058)	(1,061)
Community Services	(340)	(390)	(409)	(425)	(436)	(450)	(461)	(471)	(484)	(498)	(510)
Community Development	(250)	(227)	(214)	(237)	(16)	(17)	(18)	(18)	(18)	(19)	(20)
Regulation	(392)	(402)	(422)	(437)	(450)	(465)	(479)	(492)	(506)	(521)	(535)
Total Income	**(1,351)**	**(1,473)**	**(1,517)**	**(1,623)**	**(1,417)**	**(1,809)**	**(1,902)**	**(1,923)**	**(1,987)**	**(2,096)**	**(2,126)**
Direct Operating Expenditure											
Leadership	2,505	2,653	3,040	3,313	3,217	3,298	3,294	3,179	3,209	3,456	3,309
Community Services	3,221	3,047	3,323	3,429	3,377	3,421	3,493	3,595	3,682	3,849	3,940
Community Development	964	1,224	1,288	1,191	1,229	1,268	1,305	1,342	1,375	1,414	1,455
Regulation	799	722	744	754	801	804	849	849	893	891	945
Total Direct Expenditure	**7,489**	**7,646**	**8,395**	**8,687**	**8,624**	**8,791**	**8,941**	**8,965**	**9,159**	**9,610**	**9,649**
Net Operating Cost/ (Surplus)	**6,138**	**6,173**	**6,878**	**7,064**	**7,207**	**6,982**	**7,039**	**7,042**	**7,172**	**7,514**	**7,523**
Capital Expenditure											
Community Services	594	809	762	725	728	360	448	437	209	197	221
Community Development	0	1	0	0	0	0	0	0	0	0	0
Total Capital Expenditure	**594**	**810**	**762**	**725**	**728**	**360**	**448**	**437**	**209**	**197**	**221**
Net Expenditure	**6,732**	**6,983**	**7,640**	**7,789**	**7,935**	**7,342**	**7,487**	**7,479**	**7,381**	**7,711**	**7,744**
Funded By											
External Loans	0	0	0	0	190	534	549	564	576	592	604
Internal Loans	(222)	(449)	(733)	(621)	(699)	(504)	(209)	(301)	(127)	(111)	(133)
Reserves	(668)	(468)	(469)	(434)	(138)	323	401	488	703	703	1,086
General Rates	(2,899)	(2,064)	(2,215)	(2,264)	(2,494)	(2,646)	(2,763)	(2,773)	(2,924)	(2,967)	(3,093)
UAGC	(2,661)	(3,579)	(3,787)	(4,020)	(4,274)	(4,487)	(4,880)	(4,854)	(5,013)	(5,319)	(5,584)
Target Rate	(282)	(423)	(436)	(450)	(520)	(562)	(585)	(603)	(596)	(609)	(624)
Total Funding	**(6,732)**	**(6,983)**	**(7,640)**	**(7,789)**	**(7,935)**	**(7,342)**	**(7,487)**	**(7,479)**	**(7,381)**	**(7,711)**	**(7,744)**
Depreciation and Amortisation	563	585	658	534	517	504	519	533	550	561	565
Gross proceeds from Asset Sales	0	(100)	(103)	(106)	(110)	(113)	(117)	(120)	(123)	(127)	(130)

Summary of Estimated Revenue and Expenses Statement for Environmental Sustainability

$000's	AP 2011-2012	YEAR 1 2012-2013	YEAR 2 2013-2014	YEAR 3 2014-2015	YEAR 4 2015-2016	YEAR 5 2016-2017	YEAR 6 2017-2018	YEAR 7 2018-2019	YEAR 8 2019-2020	YEAR 9 2020-2021	YEAR 10 2021-2022
Operating Income											
Solid Waste Management	(933)	(1,069)	(1,147)	(1,180)	(1,156)	(1,192)	(1,229)	(1,263)	(1,298)	(1,336)	(1,372)
Stormwater	(2)	0	0	0	0	0	0	0	0	0	0
Resource Management	(85)	(73)	(83)	(86)	(89)	(92)	(95)	(97)	(100)	(103)	(106)
Sewerage	(5,221)	(535)	(726)	(792)	(828)	(843)	(869)	(913)	(938)	(963)	(985)
Total Income	**(6,241)**	**(1,677)**	**(1,956)**	**(2,058)**	**(2,073)**	**(2,127)**	**(2,193)**	**(2,273)**	**(2,336)**	**(2,402)**	**(2,463)**
Direct Operating Expenditure											
Solid Waste Management	2,039	1,954	2,128	2,328	2,450	2,496	2,566	2,606	2,652	2,776	2,804
Stormwater	392	380	395	419	475	494	514	541	552	573	594
Resource Management	210	191	191	196	203	204	209	215	220	225	232
Sewerage	2,413	2,631	3,407	3,669	3,825	3,888	3,972	4,134	4,209	4,290	4,359
Total Direct Expenditure	**5,054**	**5,156**	**6,121**	**6,612**	**6,953**	**7,082**	**7,261**	**7,496**	**7,633**	**7,864**	**7,989**
Net Operating Cost/ (Surplus)	**(1,187)**	**3,479**	**4,165**	**4,554**	**4,880**	**4,955**	**5,068**	**5,223**	**5,297**	**5,462**	**5,526**
Capital Expenditure											
Solid Waste Management	147	6	96	852	55	62	59	61	987	69	131
Stormwater	24	127	111	136	130	157	178	169	183	179	194
Sewerage	7,418	5,450	914	954	615	478	522	470	499	526	530
Total Capital Expenditure	**7,589**	**5,583**	**1,121**	**1,942**	**800**	**697**	**759**	**700**	**1,669**	**774**	**855**
Net Expenditure	**6,402**	**9,062**	**5,286**	**6,496**	**5,680**	**5,652**	**5,827**	**5,923**	**6,966**	**6,236**	**6,381**
Funded By											
Loans	(2,968)	(5,443)	(957)	(1,794)	(669)	(535)	(582)	(531)	(1,485)	(590)	(661)
Reserves	(252)	(278)	(665)	(615)	(394)	(199)	(33)	(10)	(13)	(48)	(37)
General Rates	(94)	(66)	(61)	(64)	(66)	(66)	(67)	(69)	(71)	(72)	(74)
UAGC	(94)	(66)	(61)	(64)	(66)	(66)	(67)	(69)	(71)	(72)	(74)
Targeted Rates	(2,994)	(3,209)	(3,542)	(3,959)	(4,485)	(4,786)	(5,078)	(5,244)	(5,326)	(5,454)	(5,535)
Total Funding	**(6,402)**	**(9,062)**	**(5,286)**	**(6,496)**	**(5,680)**	**(5,652)**	**(5,827)**	**(5,923)**	**(6,966)**	**(6,236)**	**(6,381)**
Depreciation and Amortisation	886	1,033	1,258	1,307	1,408	1,454	1,502	1,548	1,597	1,705	1,753

Summary of Estimated Revenue and Expenses Statement for Economic Sustainability

$000's	AP 2011-2012	YEAR 1 2012-2013	YEAR 2 2013-2014	YEAR 3 2014-2015	YEAR 4 2015-2016	YEAR 5 2016-2017	YEAR 6 2017-2018	YEAR 7 2018-2019	YEAR 8 2019-2020	YEAR 9 2020-2021	YEAR 10 2021-2022
Operating Income											
Water Supply	(1,266)	(1,686)	(1,388)	(726)	(786)	(815)	(837)	(875)	(903)	(958)	(990)
Roads and Footpaths	(5,566)	(5,644)	(5,713)	(6,524)	(6,961)	(7,663)	(7,933)	(8,207)	(8,460)	(8,707)	(8,941)
Total Income	**(6,832)**	**(7,330)**	**(7,101)**	**(7,250)**	**(7,747)**	**(8,478)**	**(8,770)**	**(9,082)**	**(9,363)**	**(9,665)**	**(9,931)**
Direct Operating Expenditure											
Water Supply	1,910	1,938	2,125	2,411	2,568	2,640	2,694	2,790	2,855	3,000	3,078
Roads and Footpaths	8,703	8,621	8,969	9,512	9,894	10,512	10,995	11,532	11,997	12,370	12,855
Total Direct Expenditure	**10,613**	**10,559**	**11,094**	**11,923**	**12,462**	**13,152**	**13,689**	**14,322**	**14,852**	**15,370**	**15,933**
Net Operating Cost/ (Surplus)	**3,781**	**3,229**	**3,993**	**4,673**	**4,715**	**4,674**	**4,919**	**5,240**	**5,489**	**5,705**	**6,002**
Capital Expenditure											
Water Supply	1,193	2,205	2,529	1,150	182	162	487	253	256	1,388	187
Roads and Footpaths	4,786	4,855	4,892	5,901	6,563	7,326	7,601	7,902	8,146	8,371	8,604
Total Capital Expenditure	**5,979**	**7,060**	**7,421**	**7,051**	**6,745**	**7,488**	**8,088**	**8,155**	**8,402**	**9,759**	**8,791**
Net Expenditure	**9,760**	**10,289**	**11,414**	**11,724**	**11,460**	**12,162**	**13,007**	**13,395**	**13,891**	**15,464**	**14,793**
Funded By											
Internal Loans	(1,084)	(1,283)	(2,183)	(1,666)	(837)	(847)	(1,190)	(978)	(1,002)	(2,156)	(977)
Reserves	(2,212)	(2,093)	(1,874)	(2,093)	(2,303)	(2,574)	(2,636)	(2,674)	(2,718)	(2,697)	(2,763)
UAGC	(244)	(233)	(247)	(266)	(275)	(289)	(303)	(320)	(333)	(342)	(356)
Target Rate	(6,220)	(6,680)	(7,110)	(7,699)	(8,045)	(8,452)	(8,878)	(9,423)	(9,838)	(10,269)	(10,697)
Total Funding	**(9,760)**	**(10,289)**	**(11,414)**	**(11,724)**	**(11,460)**	**(12,162)**	**(13,007)**	**(13,395)**	**(13,891)**	**(15,464)**	**(14,793)**
Depreciation and Amortisation	2,790	2,802	2,909	2,999	3,213	3,397	3,718	4,070	4,381	4,597	4,975

Prospective Balance Sheet as at 30 June

$000's	AP 2011-2012	YEAR 1* 2012-2013	YEAR 2 2013-2014	YEAR 3 2014-2015	YEAR 4 2015-2016	YEAR 5 2016-2017	YEAR 6 2017-2018	YEAR 7 2018-2019	YEAR 8 2019-2020	YEAR 9 2020-2021	YEAR 10 2021-2022
Public Equity											
Retained Earnings	197,482	199,518	201,880	204,958	208,527	213,310	218,401	223,305	228,324	233,777	238,729
Council Created Reserves	2,516	2,765	2,826	2,243	2,097	2,057	2,561	3,507	4,702	5,672	7,706
Available for Sale Reserves	0	4	4	4	4	4	4	4	4	4	4
Hedging Reserve	0	(101)	(101)	(101)	(101)	(101)	(101)	(101)	(101)	(101)	(101)
Revaluation Reserves	50,911	50,265	50,265	71,401	71,401	71,401	104,486	104,486	104,486	142,332	142,332
	250,909	**252,451**	**254,874**	**278,505**	**281,928**	**286,671**	**325,351**	**331,201**	**337,415**	**381,684**	**388,670**
Current Assets											
Cash and Cash Equivalents	794	100	100	100	100	100	100	100	100	100	100
Other Financial Assets	2	2	2	2	2	2	2	2	2	2	2
Inventories	31	36	37	38	39	40	42	43	44	45	47
Land Subdivsion Inventories	0	1,146	1,067	985	900	813	723	631	536	438	338
Trade and Other Receivables	3,416	4,630	4,791	4,953	5,124	5,300	5,472	5,638	5,804	5,986	6,162
Total Current Assets	**4,243**	**5,914**	**5,997**	**6,078**	**6,165**	**6,255**	**6,339**	**6,414**	**6,486**	**6,571**	**6,649**
Current Liabilities											
Trade and Other Payables	3,361	3,629	3,748	3,863	3,986	4,114	4,238	4,358	4,477	4,606	4,732
Current Portion of Borrowings	1,133	5,200	5,200	671	1,600	2,281	3,225	2,766	2,512	4,825	5,000
Provisions	54	51	51	51	51	51	51	51	51	51	51
Employee Entitlements	395	456	471	485	501	517	532	547	562	579	595
Derivative Financial Instruments	0	118	118	118	118	118	118	118	118	118	118
Total Current Liabilities	**4,943**	**9,454**	**9,588**	**5,188**	**6,256**	**7,081**	**8,164**	**7,840**	**7,720**	**10,179**	**10,496**
Net Working Capital	**(700)**	**(3,540)**	**(3,591)**	**890**	**(91)**	**(826)**	**(1,825)**	**(1,426)**	**(1,234)**	**(3,608)**	**(3,847)**
Non Current Assets											
Property, Plant & Equipment	295,346	298,242	302,515	328,423	331,237	334,449	370,914	373,618	377,149	418,981	421,228
Intangible Assets	0	80	80	85	85	85	93	93	93	101	101
Forestry Assets	75	39	39	39	39	39	39	39	39	39	39
Investment Property	596	648	657	657	657	657	657	657	657	657	657
Shares - NZ Local Government Insurance Corporation Ltd	0	20	20	20	20	20	20	20	20	20	20
Shares - Inframax Construction Ltd	0	800	800	800	800	800	800	800	800	800	800
Other Financial Assets	34	21	19	17	15	13	11	9	7	6	5
Derivative Financial Instruments	0	54	54	54	54	54	54	54	54	54	54
Total Non Current Assets	**296,051**	**299,904**	**304,184**	**330,095**	**332,907**	**336,117**	**372,588**	**375,290**	**378,819**	**420,658**	**422,904**
Non Current Liabilities											
Borrowings	43,509	42,886	44,690	51,449	49,855	47,585	44,375	41,624	39,129	34,323	29,342
Employee Entitlements	69	61	63	65	67	69	71	73	75	77	79
Provisions	864	928	928	928	928	928	928	928	928	928	928
Derivative Financial Instruments	0	38	38	38	38	38	38	38	38	38	38
Total Non Current Liabilities	**44,442**	**43,913**	**45,719**	**52,480**	**50,888**	**48,620**	**45,412**	**42,663**	**40,170**	**35,366**	**30,387**
Net Assets	**250,909**	**252,451**	**254,874**	**278,505**	**281,928**	**286,671**	**325,351**	**331,201**	**337,415**	**381,684**	**388,670**

Prospective Comprehensive Income Statement for years ending 30 June

$000's	AP 2011-2012	YEAR 1 2012-2013	YEAR 2 2013-2014	YEAR 3 2014-2015	YEAR 4 2015-2016	YEAR 5 2016-2017	YEAR 6 2017-2018	YEAR 7 2018-2019	YEAR 8 2019-2020	YEAR 9 2020-2021	YEAR 10 2021-2022
Revenue											
Subsidies	10,462	6,569	6,290	6,315	6,747	7,445	7,709	7,978	8,227	8,468	8,697
Investment Income	16	5	5	5	5	346	356	366	376	387	398
Rates Revenue (Including Penalties)	15,764	16,630	17,780	19,117	20,567	21,707	22,983	23,728	24,554	25,495	26,441
Water By Meter Rates	521	562	608	726	786	815	838	875	903	959	990
Fees and Charges	3,153	3,030	3,348	3,560	3,365	3,464	3,603	3,694	3,804	3,961	4,039
Gains/Loss on Revaluation of Investment Properties	13	10	9	0	0	0	0	0	0	0	0
Total Revenue	**29,929**	**26,806**	**28,040**	**29,723**	**31,470**	**33,777**	**35,489**	**36,641**	**37,864**	**39,270**	**40,565**
Expenditure											
Employee Benefit Expenses	2,968	3,037	3,223	3,343	3,433	3,523	3,606	3,685	3,775	3,868	3,961
Depreciation and Amortisation	4,387	4,704	5,147	5,115	5,438	5,679	6,083	6,546	6,897	7,244	7,736
Finance Costs	2,964	2,775	3,191	3,627	3,797	3,803	3,757	3,827	3,737	3,706	3,582
Other Expenditure	12,854	12,851	14,056	15,143	15,379	16,029	16,448	16,733	17,241	18,029	18,300
Total Expenditure	**23,173**	**23,367**	**25,617**	**27,228**	**28,047**	**29,034**	**29,894**	**30,791**	**31,650**	**32,847**	**33,579**
Surplus/(Deficit) Before Tax	**6,756**	**3,439**	**2,423**	**2,495**	**3,423**	**4,743**	**5,595**	**5,850**	**6,214**	**6,423**	**6,986**
Less Taxation Expense	0	0	0	0	0	0	0	0	0	0	0
Net Surplus/ (Deficit)	**6,756**	**3,439**	**2,423**	**2,495**	**3,423**	**4,743**	**5,595**	**5,850**	**6,214**	**6,423**	**6,986**
Other Comprehensive Income											
Gains/(Loss) on Revaluation of Plant, Property and Equipment	0	0	0	21,136	0	0	33,085	0	0	37,846	0
Total Comprehensive Income for the Year	**6,756**	**3,439**	**2,423**	**23,631**	**3,423**	**4,743**	**38,680**	**5,850**	**6,214**	**44,269**	**6,986**

Prospective Statement of Recognised Income and Expenses for the years ending 30 June

$000's	AP 2011-2012	YEAR 1* 2012-2013	YEAR 2 2013-2014	YEAR 3 2014-2015	YEAR 4 2015-2016	YEAR 5 2016-2017	YEAR 6 2017-2018	YEAR 7 2018-2019	YEAR 8 2019-2020	YEAR 9 2020-2021	YEAR 10 2021-2022
Balance at 1 July	**244,153**	**249,012**	**252,451**	**254,874**	**278,505**	**281,928**	**286,671**	**325,351**	**331,201**	**337,415**	**381,684**
Financial Assets at Fair Value through equity valuation (losses) taken to equity											
Property, Plant and Equipment Gains	0	0	0	21,136	0	0	33,085	0	0	37,846	0
Net Income Recognised Directly in Equity	**0**	**0**	**0**	**21,136**	**0**	**0**	**33,085**	**0**	**0**	**37,846**	**0**
Net Surplus/(Deficit) for the Year	6,756	3,439	2,423	2,495	3,423	4,743	5,595	5,850	6,214	6,423	6,986
Total Recognised Income for the year Ended 30 June	**6,756**	**3,439**	**2,423**	**2,495**	**3,423**	**4,743**	**5,595**	**5,850**	**6,214**	**6,423**	**6,986**
Balance at 30 June	**250,909**	**252,451**	**254,874**	**278,505**	**281,928**	**286,671**	**325,351**	**331,201**	**337,415**	**381,684**	**388,670**

Prospective Cashflow Statement for the years ending 30 June

$000's	AP 2011-2012	YEAR 1* 2012-2013	YEAR 2 2013-2014	YEAR 3 2014-2015	YEAR 4 2015-2016	YEAR 5 2016-2017	YEAR 6 2017-2018	YEAR 7 2018-2019	YEAR 8 2019-2020	YEAR 9 2020-2021	YEAR 10 2021-2022
Cash flow from Operating Activities											
Provided from											
Rates Revenue Including Penalties	15,528	16,630	17,618	18,956	20,396	21,531	22,811	23,562	24,387	25,313	26,265
Subsidies and Grants	10,462	6,569	6,290	6,315	6,747	7,445	7,709	7,978	8,227	8,468	8,697
Property Rentals	319	402	427	460	479	499	518	537	563	591	620
Petrol Tax	129	129	133	138	142	145	150	154	159	163	168
Interest from Investments	16	5	5	5	5	6	6	6	6	6	7
Other Revenue	3,239	3,060	3,395	3,689	3,530	3,634	3,774	3,878	3,986	4,165	4,241
Dividend and Subvention Receipts	0	0	0	0	0	340	350	360	370	381	391
	29,693	**26,795**	**27,868**	**29,563**	**31,299**	**33,600**	**35,318**	**36,475**	**37,698**	**39,087**	**40,389**
Applied to											
Payments to Suppliers and Employees	15,340	15,438	16,679	17,785	18,083	18,850	19,282	19,624	20,209	21,004	21,424
Elected Members	235	259	267	323	284	293	355	311	319	386	338
Interest Paid on Borrowings	2,964	2,775	3,191	3,627	3,797	3,803	3,757	3,827	3,737	3,706	3,582
	18,539	**18,472**	**20,137**	**21,735**	**22,164**	**22,946**	**23,394**	**23,762**	**24,265**	**25,096**	**25,344**
Net cash flows from operating activities	**11,154**	**8,323**	**7,731**	**7,828**	**9,135**	**10,654**	**11,924**	**12,713**	**13,433**	**13,991**	**15,045**
Cash flow from investing activities											
Applied to											
Purchase and Development of Property, Plant and Equipment	14,595	13,906	9,537	10,060	8,472	9,067	9,660	9,505	10,686	11,499	10,240
Provided from											
Repayment from Advance to Community Groups	0	2	2	2	2	2	2	2	2	1	1
Net cash flow from investing activities	**14,595**	**13,904**	**9,535**	**10,058**	**8,470**	**9,065**	**9,658**	**9,503**	**10,684**	**11,498**	**10,239**
Cash flow from financing activities											
Provided from											
Proceeds from Borrowings	4,274	10,781	7,004	7,430	0	0	0	0	0	0	0
Applied to											
Repayment of Borrowings	1,133	5,200	5,200	5,200	665	1,589	2,266	3,210	2,749	2,493	4,806
Net cash flow financing activities	**3,141**	**5,581**	**1,804**	**2,230**	**(665)**	**(1,589)**	**(2,266)**	**(3,210)**	**(2,749)**	**(2,493)**	**(4,806)**
Net increase/ (decrease) in cash	(300)	0	0	0	0	0	0	0	0	0	0
Cash at start of period	1,094	100	100	100	100	100	100	100	100	100	100
Balance of cash at end of year	**794**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
Cash and cash equivalents	**794**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Prospective Statement of Reserve Fund Movements for the years ending 30 June

$000's	AP 2011-2012	YEAR 1* 2012-2013	YEAR 2 2013-2014	YEAR 3 2014-2015	YEAR 4 2015-2016	YEAR 5 2016-2017	YEAR 6 2017-2018	YEAR 7 2018-2019	YEAR 8 2019-2020	YEAR 9 2020-2021	YEAR 10 2021-2022
Balance 1 July	2,683	2,687	2,765	2,826	2,243	2,097	2,057	2,561	3,507	4,702	5,672
Transfer to/from Reserves	(171)	78	61	(583)	(146)	(40)	504	946	1,195	970	2,034
Council Created Reserves	**2,512**	**2,765**	**2,826**	**2,243**	**2,097**	**2,057**	**2,561**	**3,507**	**4,702**	**5,672**	**7,706**

Prospective Statement of Public Debt for the years ending 30 June

$000's	AP 2011-2012	YEAR 1* 2012-2013	YEAR 2 2013-2014	YEAR 3 2014-2015	YEAR 4 2015-2016	YEAR 5 2016-2017	YEAR 6 2017-2018	YEAR 7 2018-2019	YEAR 8 2019-2020	YEAR 9 2020-2021	YEAR 10 2021-2022
Balance 1 July	41,501	42,505	48,086	49,890	52,120	51,455	49,866	47,600	44,390	41,641	39,148
Loans Raised	4,274	10,781	7,004	7,430	0	0	0	0	0	0	0
Loans Repaid	(1,133)	(5,200)	(5,200)	(5,200)	(665)	(1,589)	(2,266)	(3,210)	(2,749)	(2,493)	(4,806)
Balance 30 June	**44,642**	**48,086**	**49,890**	**52,120**	**51,455**	**49,866**	**47,600**	**44,390**	**41,641**	**39,148**	**34,342**

Loans raised or repaid in the Public Debt, Cashflow and Balance Sheet Prospective Statements are based on budgeted cashflow requirements, which includes working capital considerations, and do not equate to either the internal loans drawn or the external loan repayments shown in the Funding Impact Statement or the Summary of Estimated Revenue and Expenses Statement.

Reconciliation of Summary Cost of Service Statement to Prospective Comprehensive Income Statement

$000's	AP 2011-2012	YEAR 1 2012-2013	YEAR 2 2013-2014	YEAR 3 2014-2015	YEAR 4 2015-2016	YEAR 5 2016-2017	YEAR 6 2017-2018	YEAR 7 2018-2019	YEAR 8 2019-2020	YEAR 9 2020-2021	YEAR 10 2021-2022
From Estimated Revenue and Expenses Statement											
Net Operating Cost/ Surplus	8,732	12,881	15,036	16,291	16,802	16,611	17,026	17,505	17,958	18,681	19,051
Plus Rates Revenue:											
General Rates	(2,993)	(2,130)	(2,276)	(2,328)	(2,560)	(2,712)	(2,830)	(2,842)	(2,995)	(3,039)	(3,167)
UAGC	(2,999)	(3,878)	(4,095)	(4,350)	(4,615)	(4,842)	(5,250)	(5,243)	(5,417)	(5,733)	(6,014)
Targeted Rates	(9,496)	(10,312)	(11,088)	(12,108)	(13,050)	(13,800)	(14,541)	(15,270)	(15,760)	(16,332)	(16,856)
Net (Surplus)/ Deficit	**(6,756)**	**(3,439)**	**(2,423)**	**(2,495)**	**(3,423)**	**(4,743)**	**(5,595)**	**(5,850)**	**(6,214)**	**(6,423)**	**(6,986)**
From Prospective Comprehensive Income Statement											
Net Surplus/ (Deficit)	**6,756**	**3,439**	**2,423**	**2,495**	**3,423**	**4,743**	**5,595**	**5,850**	**6,214**	**6,423**	**6,986**
Variance	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

*Note: the columns identified with * indicate that the 1 July 2012 opening balances reflect the projected closing balances at 30 June 2012. Those balances are based on current financial data and are not the closing balances from the 2011/12 Annual Plan (which represent Council's estimates at the time of developing the Annual Plan).*

Funding Impact Statement

Introduction

Council is required under Schedule 10(15) of the Local Government Act 2002 (LGA) to adopt a Funding Impact Statement. The Funding Impact Statement provides a summary of Council's funding sources over the 10 year period as well as the detailed rate requirement for the 2012/13 financial year. The Funding Impact Statement represents the fiscal outcome from the Revenue and Financing Policy. The Revenue and Financing Policy is located in Section E of this 2012-2022 LTP.

Rates Remissions and Postponements

Remissions

Council is required to have a policy on rates remissions and postponements. Council has developed a remissions policy as per LGA (section 102 (3)(a)) and LGRA (Section 85). It includes the objectives of the remissions targeting each of social, cultural, environmental and economic well-beings. Remissions categories include non-contiguous properties, clubs and societies, new subdivisions, Council properties and Maori land.

The value of these remissions is $260,000 for 2012/13 year, rising to $339,040 in 2021/22. (Please note $260,000 un-inflated over 10 years).

Postponements

Under the Policy on Remission of Rates, Council will not offer any permanent postponements of rates.

Reconciliation of Rates adjustment between General Rate and UAGC

	Year 1 2012-13	
	General Rate	**UAGC**
	$000's	$000's
AS PER SUMMARY OF ESTIMATED REVENUE AND EXPENSES STATEMENT (PAGE 104)	**2,130**	**3,878**
* Section 101(3)(b) Adjustment	**799**	**-799**
Subtotal	**2,929**	**3,079**
Add - GST @ 15%	**438**	**463**
Total Requirement (incl GST) *(as per Sections 3 and 4 - Funding Impact Statement)*	**3,367**	**3,542**

* See *1. Statement of Funding Sources*

Separately Used or Inhabited Part of a Rating Unit

In accordance with Schedule 3 (7) of the Local Government (Rating) Act 2002 the Council has resolved that the basis of calculating liability for certain targeted uniform annual charges (TUACs), will be the number of 'separately used or inhabited parts' (SUIPs) of rating units.

Council levies TUACs in all rating areas of the District on a SUIP basis for provision of:

- Water Supplies
- Sewerage Systems
- Solid Waste Management
- Solid Waste Collection
- Unsubsidised Roading
- Te Kuiti Swimming Pool
- Marokopa Community Centre
- Uniform Annual General Charge (UAGC).

Definition

Rating units, parts or portions of rating units are terms used to define separately used or inhabited rating units and include any part of a rating unit used or inhabited by the owner or any other person who has the right to use or inhabit that part by virtue of tenancy, lease or other agreement. At a minimum, the land or premises intended to form the separately used or inhabited part of the rating unit must be capable of actual habitation, or actual separate use. For the avoidance of doubt, a rating unit that has only one use (i.e. does not have separate parts or is vacant land) is treated as being one separately used or inhabited part.

1. STATEMENT OF FUNDING SOURCES

The table on the following page provides a summary of the funding sources for 2012/13. Council's Revenue and Financing Policy and work programmes form the basis for the funding forecast. The table is produced on a GST exclusive basis.

The Statement of Funding Sources and the associated Funding Impact Statement provide for an overall funding adjustment. That adjustment is made in the interests of Community Well-being (as provided for by section 101 (3)(b) of the Local Government Act 2002) and applies only to the 2012/13 financial year. This adjustment results in the transfer of $799,231* from the Uniform Annual General Charge to the General Rate in an effort to maintain a funding equity between urban and rural ratepayers within the Waitomo District and their respective contribution to those services with a high element of public good.

2. FUNDING CAP FOR UNIFORM ANNUAL CHARGE

Section 21 of the Local Government (Rating) Act 2002 requires that certain rates must not exceed 30% of total rates revenue. Those rates include Uniform Annual General Charges and Target Rates that are set on a uniform basis. The threshold for levying rates under the 30% limit is referred to as the Funding Cap.

For the purposes of calculating the Funding Cap, uniform charges that are levied on the district as a whole are included in the calculation. Council is not in breach of the Funding Cap over the life of the LTP. The Funding Cap for the 2012/13 year is 22.8%. For the nine remaining years of the Long Term Plan the Funding Cap does not exceed 28.2% and is not less than 27.1%.

STATEMENT OF FUNDING SOURCES $000's	**AP 2011-2012**	**YEAR 1 2012-2013**	**YEAR 2 2013-2014**	**YEAR 3 2014-2015**	**YEAR 4 2015-2016**	**YEAR 5 2016-2017**	**YEAR 6 2017-2018**	**YEAR 7 2018-2019**	**YEAR 8 2019-2020**	**YEAR 9 2020-2021**	**YEAR 10 2021-2022**
Targeted Rates											
Sewerage	1,502	1,958	2,179	2,410	2,681	2,919	3,146	3,262	3,309	3,364	3,406
Water	1,400	1,416	1,519	1,675	1,776	1,826	1,870	1,967	2,021	2,181	2,216
Targeted Services	458	452	476	516	570	672	760	858	921	1,002	1,088
District Development Rate	0	172	177	185	236	243	250	257	263	270	278
Piopio Retirement Village	0	13	14	14	15	15	16	16	17	17	18
Roads and Footpaths	2,334	5,046	5,357	5,755	5,965	6,256	6,563	6,923	7,209	7,401	7,718
Roads and Footpaths Special Levy	2,306	0	0	0	0	0	0	0	0	0	0
Solid Waste Management	810	634	723	871	1,069	1,090	1,126	1,142	1,156	1,201	1,208
Solid Waste Collection	290	237	244	260	261	284	292	301	308	317	325
Stormwater	392	380	396	419	475	493	514	541	552	572	595
Marokopa Hall	4	4	4	4	4	4	4	4	4	4	4
Total Targeted Rates	**9,496**	**10,312**	**11,089**	**12,109**	**13,052**	**13,802**	**14,541**	**15,271**	**15,760**	**16,329**	**16,856**
UAGC	2,999	3,080	4,095	4,350	4,615	4,842	5,250	5,243	5,417	5,733	6,014
General Rates	2,993	2,928	2,276	2,328	2,560	2,712	2,830	2,842	2,995	3,039	3,167
Total Rates	**15,488**	**16,320**	**17,460**	**18,787**	**20,227**	**21,356**	**22,621**	**23,356**	**24,172**	**25,101**	**26,037**
Percentage Rate Increase		*5.4%*	*7.0%*	*7.6%*	*7.7%*	*5.6%*	*5.9%*	*3.2%*	*3.5%*	*3.8%*	*3.7%*
Other Revenue											
Subsidies	10,462	6,569	6,290	6,315	6,747	7,445	7,709	7,978	8,227	8,468	8,697
Investment Income	0	0	0	0	0	340	350	360	370	381	391
Interest Revenue	16	5	5	5	5	6	6	6	6	6	7
Rates Penalties Revenue	275	310	320	330	340	351	362	372	382	393	404
Fees & Charges	3,687	3,602	3,964	4,287	4,151	4,278	4,441	4,569	4,707	4,920	5,028
Total Other Revenue	**14,440**	**10,486**	**10,579**	**10,937**	**11,243**	**12,420**	**12,868**	**13,285**	**13,692**	**14,168**	**14,527**
Other Funding Sources											
Loans	4,274	7,174	3,874	4,080	2,205	1,886	1,980	1,810	2,614	2,858	1,772
Total Other Funding	**4,274**	**7,174**	**3,874**	**4,080**	**2,205**	**1,886**	**1,980**	**1,810**	**2,614**	**2,858**	**1,772**
Total Funds Raised	**34,202**	**33,980**	**31,913**	**33,804**	**33,675**	**35,662**	**37,469**	**38,451**	**40,478**	**42,127**	**42,336**
Operating Expenditure	18,785	18,661	20,467	22,114	22,609	23,351	23,809	24,244	24,753	25,603	25,844
Capital Expenditure (Including Corporate Support)	14,596	13,906	9,537	10,060	8,472	9,067	9,660	9,505	10,686	11,499	10,240
Loan Repayments	1,133	1,335	1,848	2,213	2,550	2,750	2,947	3,191	3,268	3,464	3,614
External Loans Repaid	0	0	0	0	190	534	549	564	576	592	604
Reserve Transfers	(312)	78	61	(583)	(146)	(40)	504	947	1,195	969	2,034
Total Funds Used	**34,202**	**33,980**	**31,913**	**33,804**	**33,675**	**35,662**	**37,469**	**38,451**	**40,478**	**42,127**	**42,336**

3. GENERAL RATE

Description and Use

The General Rate is assessed as a rate per $100 of capital value across the District. The General Rate is not set differentially. The rationale for assessing the General Rate using Capital Value is contained in the Revenue and Financing Policy.

The General Rate will contribute to the funding of:

- Leadership
- Investments
- Leased Reserves
- District Libraries
- District Swimming Pool
- Arts Culture and Heritage
- Aerodrome
- Public Facilities
- Community Service
- District Development
- Regulation & Safety
- Waste Minimisation
- Resource Management

Requirement in 2012/13 (incl. GST)

	Rate per $100 capital value	Total Revenue Requirement ($000)
General Rate District (CV)	0.10939	3,367

4. UNIFORM ANNUAL GENERAL CHARGE

Description and Use

Council will set a Uniform Annual General Charge (UAGC) on each separately used or inhabited part of a rating unit under Section 15(1)(b) of the LGRA, across the District. The rationale for use of the UAGC is contained in the Revenue and Financing Policy.

The UAGC will contribute to the funding of:

- Governance: Leadership and Investments
- Parks and Reserves
- District Libraries
- District Swimming Pool
- Arts, Culture and Heritage
- Public Facilities
- Community Development
- Regulation and Safety
- Solid Waste
- Resource Management
- Waste Minimisation
- Subsidised Roading
- Housing and Other Property

Requirement in 2012/13 (incl. GST)

Uniform Annual General Charge	Charge	Total Revenue Requirement ($000)
UAGC	650	3,542

5. TARGETED RATES

Description and Use

Targeted Rates are set on rateable assessments differentiated by some factor, such as geographic location or provision of service. The titles of 'Targeted Rate' and 'TUAC' (Targeted Uniform Annual Charge) are used by this Council, where TUAC is a Targeted Rate based strictly on a uniform amount set per separately used or inhabited portion of a rating unit.

5.1 Targeted Rates Differentiated on Location

Council will use location (Schedule 2(6); LGRA) to assess every rating unit or part of a rating unit for the Targeted Services TUAC and Stormwater TUAC.

The following location definitions for the respective rating areas will apply:

1.	Te Kuiti Urban Rating Area	All rating units situated within the Te Kuiti Urban Ward as defined by the Basis of Election for the 2010 Triennial Elections.
2.	Te Kuiti Urban and Periphery Rating Area	All rating units situated within a 5km radius, all around, from the Information Centre (deemed to be the centre of town), in Te Kuiti. *(Refer **Appendix One**)*
3.	Rural Rating Area	All rating units situated within the Rural Ward as defined by the Basis of Election for the 2010 Triennial Elections.
4.	Piopio Wider Benefit Rating Area	All rating units situated in the rural areas around Piopio Township that are deemed to indirectly benefit from the Piopio Sewerage reticulation network. *(Refer **Appendix Two**)*

(a) Targeted Services TUAC - Te Kuiti Urban Rating Area

Description and Use

Council will set a Targeted Services TUAC on every separately used or inhabited portion of a rating unit in the District, differentiated by rating areas, to fund the Unsubsidised Roading Activity and part fund the Swimming Pool Activity. The Rating Areas for the purpose of levying the Targeted Services TUAC will be the Te Kuiti Urban and Periphery Rating Area and the Rural Rating Area (rest of the District).

Requirement in 2012/13 (incl. GST)

Targeted Services TUAC	Charge	Total Revenue Requirement ($000)
Te Kuiti Urban and Periphery	$178	412
Rural	$34	108

(b) Targeted Services TUAC - Piopio Wider Benefit Rating Areas

Council will set a Targeted Services TUAC on every separate rating unit situated within the Piopio Wider Benefit Rating Area to assist the funding of the sewerage reticulation networks in Piopio. The rationale for use of this rate is contained in the Revenue and Financing Policy.

Requirement in 2012/13 (incl. GST)

Targeted Services TUAC	Charge	Total Revenue Requirement ($000)
TUAC	$29	16

(c) Targeted Services TUAC – Piopio Township and Piopio Wider Benefit Rating Areas (Piopio Retirement Trust Inc.)

Council will set a Targeted Services TUAC on every rating unit situated within the Piopio Township and the Piopio Wider Benefit Rating Area to fund the support of the continued delivery of elderly housing accommodation services provided by the Piopio Retirement Trust Inc. through the remission of service charges. The rationale for use of this rate is contained in the Revenue and Financing Policy.

Requirement in 2012/13 (incl. GST)

Targeted Services TUAC	Charge	Total Revenue Requirement ($000)
TUAC	$21	16

(d) Stormwater TUAC

Description and Use

Council will set a TUAC on every separately used or inhabited portion of a rating unit in the District, differentiated by rating area, to fund the Stormwater Activity. The Rating Areas for the purpose of levying the Stormwater TUAC will be the Te Kuiti Urban Rating Area and the Rural Rating Area (rest of the District).

Requirement in 2012/13 (incl. GST)

Stormwater TUAC	Charge	Total Revenue Requirement ($000)
Te Kuiti	$199	398
Rural	$11	39

(e) Marokopa Community Centre TUAC

Council will set a TUAC levied on every separately used or inhabited portion of a rating unit within the defined Marokopa Community Centre rating area.

Marokopa Community Centre TUAC	Charge	Total Revenue Requirement ($000)
TUAC	$24	5

5.2 Targeted Rates Differentiated on Service Provision

Description and Use

Council will use provision or availability to the land of a service (Schedule 2(5); LGRA) to assess service charges for Water Supply and Sewerage:

Water	Ability to connect (serviceable): The rating unit is within 100m of water main and practicably serviceable in the opinion of Council.
Sewerage	Ability to connect (serviceable): The rating unit is within 30m of sewer reticulation and practicably serviceable in the opinion of Council.

5.3 Water Rates

Description and Use

Council will set a TUAC for Water Supply on every community that has a Council water supply network, differentiated on the basis of supply area.

The annual charges are levied either on the basis of a separately used or inhabited portion of a rating unit within a community that is connected, or on the basis of a rating unit that has the ability to connect (serviceable) to a Council water supply network.

Requirement in 2012/13 (incl. GST)

Water Supply (TUAC)	Charge		Total Revenue Requirement ($000)
	Per connected rating unit	Per serviceable rating unit	
Te Kuiti	$474	$237	965
Piopio	$926	$463	223
Benneydale	$1,327	$663	149
Mokau	$1,400	$700	292

Any rating unit situated in Te Kuiti, Piopio, Benneydale or Mokau that has been fitted with a water meter and is defined as being an extraordinary water user will be charged based on the volume of water consumed over and above the amount paid for through the targeted water rate.

Requirement in 2012/13 (incl. GST)

Community	2012/13 Proposed charge per cubic metre (including GST)
Te Kuiti	1.57
Piopio	2.05
Benneydale	4.71
Mokau	8.97

5.4 Sewerage Rates

Description and Use

Council will set TUACs to provide for the collection and disposal of sewage levied either on the basis of a separately used or inhabited portion of a rating unit within a community that is connected or, on the basis of a rating unit that has the ability to connect (serviceable) to a Council sewerage reticulation network differentiated by supply area.

Requirement in 2012/13 (incl. GST)

Sewerage TUAC	Charge		Total Revenue Requirement ($000)
	Per connected rating unit	Per serviceable rating unit	
Benneydale	$1,100	$550	113
Te Waitere	$1,100	$550	16
Te Kuiti	$868	$434	1,458
Piopio	$1,100	$550	232

A Trade Waste Contribution TUAC will also be levied on every rating unit in the District in recognition of the contribution made to the social and economic well-being of the District by the large industrial users of the Te Kuiti Wastewater Network. The rationale for use of this rate is contained in the Revenue and Financing Policy.

Trade Waste Contribution	Charge	Total Revenue Requirement ($000)
	Per connected rating unit	
Te Kuiti	$32	147

Te Kuiti

In Te Kuiti, Council will set a TUAC levied on every separately used or inhabited part of a rating unit that is connected or has the ability to connect to the Council sewerage reticulation network.

All non-residential properties will be charged one base charge for up to three pans and per pan for every pan over and above this threshold. The base charge will be categorised by the businesses hours of operation as calculated below.

Category	Calculation factor per pan	Base Charge	Total Revenue Requirement ($000)
Business hours more than 40 hours	0.76	$660	44
Business hours equal to 40 hours	0.36	$313	43
Business hours less than 40 hours	0.20	$174	6

Non-residential properties are categorised by their hours of operation and the charge per pan is calculated as follows:

Category	Calculation factor per pan	Charge per pan	Total Revenue Requirement ($000)
Business hours more than 40 hours	0.76	$660	98
Business hours equal to 40 hours	0.36	$313	16
Business hours less than 40 hours	0.20	$174	26

5.5 Subsidy Rate for Te Waitere Sewerage

Description and Use

Council will set a TUAC levied on every rating unit within the District. The rationale for use of this rate is contained in the Revenue and Financing Policy.

Subsidy for Te Waitere Sewerage	Charge	Total Revenue Requirement ($000)
No of Properties = 4565	$4	18

5.6 Subsidy Rate for Benneydale Sewerage

Description and Use

Council will set a TUAC levied on every rating unit within the District. The rationale for use of this rate is contained in the Revenue and Financing Policy.

Subsidy for Benneydale Sewerage	Charge	Total Revenue Requirement ($000)
No. of Properties = 4565	$4	18

5.7 Roads and Footpaths Rate

Description and Use

Council will set a Roads and Footpaths Rate assessed as a rate per $100 of capital value across the District to part fund Subsidised Roading (part of Roads and Footpaths Activity). Rationale for use of the rate is contained in the Revenue and Financing Policy.

Requirement in 2012/13 (incl. GST)

District Roading Rate	Rate per $100 Capital Value	Total Revenue Requirement ($000)
Roads and Footpaths Rate	0.18851	5,803

6 Solid Waste Collection

Description and Use

Council will set a TUAC levied on every separately used or inhabited part of a rating unit to which Council provides a kerbside collection and recycling service to fund the cost of the services. Council operates kerbside collection and kerbside recycling in Te Kuiti, Piopio, Mokau and Waitomo (part of) townships.

Requirement in 2012/13 (incl. GST)

Solid Waste Collection (TUAC)	Charge	Total Revenue Requirement ($000)
Te Kuiti	$69	136
Waitomo	$95	52
Piopio	$152	34
Mokau	$184	50

6.1 Solid Waste Management

Description and Use

Council will set a TUAC to part fund the activity of Solid Waste Management. This TUAC will be levied on every separately used or inhabited portion of a rating unit District wide.

Requirement in 2012/13 (incl. GST)

Solid Waste Management (TUAC)	Charge	Total Revenue Requirement ($000)
Solid Waste	$131	729

6.2 District Development Rate

Description and Use

Council will set a District Development Rate as a rate per $100 capital values across Commercial and Rural Businesses to part fund Economic Development, Visitor Information Centre, District and Regional Promotion and Event Co-ordination. Rationale for use of the rate is contained in the Revenue and Financing Policy.

Requirement in 2012/13 (incl. GST)

District Development Rate	Rate per $100 Capital Value	Total Revenue Requirement ($000)
Commercial and Industrial Businesses	0.03243	99
Rural Businesses	0.00471	99

6.3 RATES PAYMENTS

It is proposed that rates will be paid by four instalments due on:

Rates	**Due Date**
• 1st Instalment	31 August 2012 (Friday)
• 2nd Instalment	30 November 2012 (Friday)
• 3rd Instalment	28 February 2013 (Thursday)
• 4th Instalment	31 May 2013 (Friday)

The due date for rates payments is the last Friday of the month. Any portion of the current instalment remaining unpaid after this due date will incur a penalty.

Penalties

A first additional charge of 10% will be added to the amount of any instalment unpaid at the close of business, being 5.00pm on the last day for payment.

A further additional charge of 10% will be added to all rates remaining unpaid (including all rates levied in any previous financial year) on 1 July 2012 and a continuing charge of 10% will be added thereafter to all rates remaining unpaid at twelve monthly intervals.

Rates Example 2011/12

(Including GST) Capital Value $ as at September 2009	Te Kuiti Residential $160,000 2012/2013	Te Kuiti Commercial $260,000 2012/2013	Te Kuiti Wider Rating Area $650,000 2012/2013	Waitomo Commercial $1,000,000 2012/2013	Benneydale Residential $45,000 2012/2013	Piopio Residential $134,000 2012/2013	Piopio Life style $385,000 2012/2013	Mokau Residential $240,000 2012/2013	Drystock Rural $3,815,000 2012/2013	Dairy Farm Rural $3,140,000 2012/2013
Uniform Annual General Charge (UAGC)	633	633	633	1,266	633	633	633	633	633	1,899
General Rate	179	292	729	1,121	50	150	432	269	4,278	3,532
District Wide Roading Rate	140	227	568	874	39	117	337	210	3,335	2,754
District Wide Roading Rate (Catch Up)	138	225	562	864	39	116	333	207	3,296	2,722
Targeted Services Rate (Urban)	177	177	177	-	-	-	-	-	-	-
Targeted Services Rate (Rural)	-	-	-	74	37	37	37	37	37	111
Subsidy Rate for Te Waitere Sewerage	7	7	7	7	7	7	7	7	7	7
Subsidy Rate for Benneydale Water	5	5	5	5	5	5	5	5	5	5
Subsidy Rate for Benneydale Sewerage	10	10	10	10	10	10	10	10	10	10
Stormwater (Urban)	183	183	-	-	-	-	-	-	-	-
Stormwater (Rural)	-	-	24	48	24	24	24	24	24	72
Water Supply	453	453	-	-	1,400	912	-	1,400	-	-
Sewerage	662	503	-	-	1,000	1,000	-	-	-	-
Te Kuiti Trade Waste	15	15	15	15	15	15	15	15	15	15
Solid Waste Management - District	168	168	168	336	168	168	168	168	168	504
Solid Waste Collection & Recycling	86	86	113	-	-	87	-	320	-	-
Total Rates	**2,856**	**2,984**	**3,011**	**4,620**	**3,427**	**3,281**	**2,001**	**3,305**	**11,808**	**11,631**

Rates Example 2012/13

(Including GST) Capital Value $ as at September 2009	Te Kuiti Residential $160,000 2012/2013	Te Kuiti Commercial $260,000 2012/2013	Te Kuiti Wider Rating Area $650,000 2012/2013	Waitomo Commercial $1,000,000 2012/2013	Benneydale Residential $45,000 2012/2013	Piopio Residential $134,000 2012/2013	Piopio Life style $385,000 2012/2013	Mokau Residential $240,000 2012/2013	Drystock Rural $3,815,000 2012/2013	Dairy Farm Rural $3,140,000 2012/2013
Uniform Annual General Charge (UAGC)	650	650	650	1,300	650	650	650	650	650	1,950
General Rate	175	284	711	1,094	49	147	421	263	4,173	3,435
District Wide Roading Rate	302	490	1,225	1,885	85	253	726	452	7,192	5,919
Targeted Services Rate (Urban)	178	178	178	-	-	-	-	-	-	-
Targeted Services Rate (Rural)	-	-	-	69	34	34	34	34	34	103
District Development Rate - Commercial	-	84	-	324	-	-	-	-	-	-
District Development Rate - Rural Business	-	-	-	-	-	-	-	-	180	148
Subsidy Rate for Te Waitere Sewerage	4	4	4	4	4	4	4	4	4	4
Subsidy Rate for Benneydale Sewerage	4	4	4	4	4	4	4	4	4	4
Stormwater (Urban)	199	199	-	-	-	-	-	-	-	-
Stormwater (Rural)			11	22	11	11	11	11	11	34
Water Supply	474	474	-	-	1,327	926	-	1,400	-	-
Sewerage	868	660	-	-	1,100	1,100	-	-	-	-
Piopio Wider Rating Area - Sewerage	-	-	-	-	-	-	29	-	-	-
Piopio Retirement Village Contribution	-	-	-	-	-	21	21	-	-	-
Te Kuiti Trade Waste Contribution	32	32	32	32	32	32	32	32	32	32
Solid Waste Management - District	131	131	131	263	131	131	131	131	131	394
Solid Waste Collection & Recycling	69	69	95	-	-	152	-	184	-	-
Total Rates	**3,086**	**3,259**	**3,041**	**4,997**	**3,427**	**3,465**	**2,063**	**3,165**	**12,411**	**12,023**
Change ($)	230	275	30	377	0	184	62	-140	603	392
Change (%)	8.0%	9.2%	1.0%	8.2%	0.0%	5.6%	3.1%	-4.2%	5.1%	3.4%

Funding Impact Statements (Local Government (Financial Reporting) Regulations 2011)

The following information is presented for compliance with the Local Government (Financial Reporting) Regulations 2011 and should not be relied upon for any other purpose than compliance with the Regulations. It is incomplete (in particular, the information presented does not include depreciation and internal transactions such as overheads) and it is not prepared in compliance with generally accepted accounting practice.

Leadership & Investments	EAP 2011/12	LTP 2012/13	LTP 2013/14	LTP 2014/15	LTP 2015/16	LTP 2016/17	LTP 2017/18	LTP 2018/19	LTP 2019/20	LTP 2020/21	LTP 2021/22
Sources of operating funding											
General rates, uniform annual general charges, rates penalties	2,351	2,483	2,580	2,780	3,042	3,290	3,524	3,479	3,756	3,972	4,035
targeted rates (other than a target rate for water supply)	0	0	0	0	0	0	0	0	0	0	0
Subsidises and grants for operating purposes	0	0	0	0	0	0	0	0	0	0	0
Fees, charges, and targeted rates for water supply	92	42	49	88	65	73	115	89	104	157	136
Internal Charges and overheads recovered	10,454	11,112	12,008	12,376	12,809	13,081	13,275	13,598	13,714	13,937	14,119
Local authorities fuel tax, fines, infringement fees and other receipts	16	5	5	5	5	346	356	366	376	387	398
Total operating funding (A)	**12,914**	**13,641**	**14,643**	**15,249**	**15,921**	**16,790**	**17,270**	**17,532**	**17,951**	**18,452**	**18,688**
Applications of operating funding											
Payments to staff and suppliers	5,370	5,624	6,068	6,293	6,292	6,469	6,546	6,508	6,662	7,029	6,986
Finance costs	2,918	2,722	3,138	3,576	3,746	3,752	3,705	3,776	3,686	3,655	3,531
Internal charges and overheads applied	4,392	5,065	5,446	5,470	5,611	5,753	5,888	6,010	6,117	6,239	6,374
Other operating funding applications	0	0	0	0	0	0	0	0	0	0	0
Total applications of operating funding (B)	**12,680**	**13,411**	**14,652**	**15,339**	**15,649**	**15,975**	**16,139**	**16,294**	**16,464**	**16,922**	**16,891**
Surplus (deficit) of operating funding (A-B)	**234**	**230**	**(10)**	**(89)**	**273**	**815**	**1,131**	**1,239**	**1,487**	**1,530**	**1,797**
Sources of capital funding											
Subsidies and grants for capital expenditure	0	0	0	0	0	0	0	0	0	0	0
Development and financial contributions	0	0	0	0	0	0	0	0	0	0	0
Increase (decrease) in debt	0	0	232	239	57	(279)	(549)	(564)	(576)	(592)	(604)
Gross proceeds from sale of assets	0	100	103	106	110	113	117	120	123	127	130
Lump sum contributions	0	0	0	0	0	0	0	0	0	0	0
Total sources of capital funding (C)	**0**	**100**	**335**	**346**	**167**	**(166)**	**(432)**	**(444)**	**(453)**	**(465)**	**(474)**
Applications of capital funding											
Capital expenditure - to meet additional demand	0	0	0	0	0	0	0	0	0	0	0
Capital expenditure - to improve the level of service	424	452	184	344	199	522	365	214	222	768	373
Capital expenditure - to replace existing assets	10	0	46	0	0	0	0	0	185	0	0
Increase (decrease) in reserves	(200)	(122)	96	(87)	241	127	334	581	628	297	950
Increase (decrease) of investments	0	0	0	0	0	0	0	0	0	0	0
Total applications of capital funding (D)	**234**	**330**	**325**	**257**	**440**	**649**	**699**	**795**	**1,034**	**1,065**	**1,323**
Surplus (deficit) of capital funding (C-D)	**(234)**	**(230)**	**10**	**89**	**(273)**	**(815)**	**(1,131)**	**(1,239)**	**(1,487)**	**(1,530)**	**(1,797)**
Funding Balance ((A-B)+(C-D))	0	0	0	0	0	0	0	0	0	0	0

Community Service	EAP 2011/12	LTP 2012/13	LTP 2013/14	LTP 2014/15	LTP 2015/16	LTP 2016/17	LTP 2017/18	LTP 2018/19	LTP 2019/20	LTP 2020/21	LTP 2021/22
Sources of operating funding											
General rates, uniform annual general charges, rates penalties	2,487	2,336	2,592	2,744	2,719	2,800	3,023	3,015	2,985	3,115	3,180
targeted rates (other than a target rate for water supply)	282	238	244	252	269	305	319	330	316	320	328
Subsidies and grants for operating purposes	0	0	0	0	0	0	0	0	0	0	0
Fees, charges, and targeted rates for water supply	329	380	399	424	436	448	459	470	482	496	509
Internal Charges and overheads recovered	0	0	0	0	0	0	0	0	0	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	11	10	10	1	1	1	1	2	2	2	2
Total operating funding (A)	**3,109**	**2,964**	**3,245**	**3,421**	**3,425**	**3,555**	**3,803**	**3,817**	**3,785**	**3,932**	**4,018**
Applications of operating funding											
Payments to staff and suppliers	1,552	1,355	1,489	1,658	1,562	1,565	1,582	1,621	1,663	1,789	1,836
Finance costs	0	0	0	0	0	0	0	0	0	0	0
Internal charges and overheads applied	1,115	1,115	1,181	1,245	1,303	1,361	1,398	1,449	1,477	1,503	1,543
Other operating funding applications	0	0	0	0	0	0	0	0	0	0	0
Total applications of operating funding (B)	**2,668**	**2,469**	**2,671**	**2,903**	**2,865**	**2,926**	**2,980**	**3,070**	**3,140**	**3,291**	**3,379**
Surplus (deficit) of operating funding (A-B)	**442**	**495**	**574**	**518**	**560**	**629**	**822**	**747**	**646**	**641**	**639**
Sources of capital funding											
Subsidies and grants for capital expenditure	0	0	0	0	0	0	0	0	0	0	0
Development and financial contributions	0	0	0	0	0	0	0	0	0	0	0
Increase (decrease) in debt	222	449	501	382	452	249	209	301	127	111	133
Gross proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0	0
Lump sum contributions	0	0	0	0	0	0	0	0	0	0	0
Total sources of capital funding (C)	**222**	**449**	**501**	**382**	**452**	**249**	**209**	**301**	**127**	**111**	**133**
Applications of capital funding											
Capital expenditure - to meet additional demand	0	0	0	0	0	0	0	0	0	0	0
Capital expenditure - to improve the level of service	232	246	206	159	213	157	127	294	101	104	107
Capital expenditure - to replace existing assets	362	563	556	565	515	202	320	143	108	93	114
Increase (decrease) in reserves	70	135	313	175	284	518	584	612	563	556	551
Increase (decrease) of investments	0	0	0	0	0	0	0	0	0	0	0
Total applications of capital funding (D)	**664**	**943**	**1,076**	**900**	**1,012**	**878**	**1,031**	**1,049**	**772**	**752**	**772**
Surplus (deficit) of capital funding (C-D)	**(442)**	**(495)**	**(574)**	**(518)**	**(560)**	**(629)**	**(822)**	**(747)**	**(646)**	**(641)**	**(639)**
Funding Balance ((A-B)+(C-D))	0	0	0	0	(0)	0	0	0	0	0	0

Community Development	EAP 2011/12	LTP 2012/13	LTP 2013/14	LTP 2014/15	LTP 2015/16	LTP 2016/17	LTP 2017/18	LTP 2018/19	LTP 2019/20	LTP 2020/21	LTP 2021/22
Sources of operating funding											
General rates, uniform annual general charges, rates penalties	568	812	823	770	987	1,039	1,068	1,128	1,178	1,209	1,441
targeted rates (other than a target rate for water supply)	0	185	191	200	250	258	266	273	280	288	296
Subsidies and grants for operating purposes	0	0	0	0	0	0	0	0	0	0	0
Fees, charges, and targeted rates for water supply	250	227	214	237	16	17	18	18	18	19	20
Internal Charges and overheads recovered	0	0	0	0	0	0	0	0	0	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	0	0	0	0	0	0	0	0	0	0	0
Total operating funding (A)	**818**	**1,224**	**1,228**	**1,206**	**1,254**	**1,315**	**1,351**	**1,419**	**1,477**	**1,515**	**1,757**
Applications of operating funding											
Payments to staff and suppliers	571	748	792	804	832	858	884	909	934	961	988
Finance costs	0	0	0	0	0	0	0	0	0	0	0
Internal charges and overheads applied	388	471	490	383	395	406	417	431	438	449	464
Other operating funding applications	0	0	0	0	0	0	0	0	0	0	0
Total applications of operating funding (B)	**959**	**1,219**	**1,282**	**1,187**	**1,226**	**1,264**	**1,301**	**1,339**	**1,372**	**1,410**	**1,451**
Surplus (deficit) of operating funding (A-B)	**(141)**	**6**	**(54)**	**20**	**28**	**50**	**50**	**80**	**105**	**105**	**305**
Sources of capital funding											
Subsidies and grants for capital expenditure	0	0	0	0	0	0	0	0	0	0	0
Development and financial contributions	0	0	0	0	0	0	0	0	0	0	0
Increase (decrease) in debt	0	0	0	0	0	0	0	0	0	0	0
Gross proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0	0
Lump sum contributions	0	0	0	0	0	0	0	0	0	0	0
Total sources of capital funding (C)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Applications of capital funding											
Capital expenditure - to meet additional demand	0	0	0	0	0	0	0	0	0	0	0
Capital expenditure - to improve the level of service	0	1	0	0	0	0	0	0	0	0	0
Capital expenditure - to replace existing assets	0	0	0	0	0	0	0	0	0	0	0
Increase (decrease) in reserves	(141)	5	(54)	20	28	50	50	80	105	105	305
Increase (decrease) of investments	0	0	0	0	0	0	0	0	0	0	0
Total applications of capital funding (D)	**(141)**	**6**	**(54)**	**20**	**28**	**50**	**50**	**80**	**105**	**105**	**305**
Surplus (deficit) of capital funding (C-D)	**141**	**(6)**	**54**	**(20)**	**(28)**	**(50)**	**(50)**	**(80)**	**(105)**	**(105)**	**(305)**
Funding Balance ((A-B)+(C-D))	0	(0)	(0)	0	(0)	0	0	0	(0)	(0)	0

Regulation and Safety	EAP 2011/12	LTP 2012/13	LTP 2013/14	LTP 2014/15	LTP 2015/16	LTP 2016/17	LTP 2017/18	LTP 2018/19	LTP 2019/20	LTP 2020/21	LTP 2021/22
Sources of operating funding											
General rates, uniform annual general charges, rates penalties	428	323	326	321	360	356	389	377	401	382	423
targeted rates (other than a target rate for water supply)	0	0	0	0	0	0	0	0	0	0	0
Subsidises and grants for operating purposes	0	0	0	0	0	0	0	0	0	0	0
Fees, charges, and targeted rates for water supply	390	400	420	434	448	462	476	490	503	518	532
Internal Charges and overheads recovered	0	0	0	0	0	0	0	0	0	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	2	2	2	2	2	2	2	3	3	3	3
Total operating funding (A)	**820**	**725**	**748**	**758**	**811**	**821**	**867**	**869**	**906**	**903**	**958**
Applications of operating funding											
Payments to staff and suppliers	260	242	274	269	301	287	320	304	338	321	357
Finance costs	0	0	0	0	0	0	0	0	0	0	0
Internal charges and overheads applied	537	478	469	482	498	514	527	544	553	566	585
Other operating funding applications	0	0	0	0	0	0	0	0	0	0	0
Total applications of operating funding (B)	**797**	**720**	**742**	**752**	**799**	**801**	**847**	**848**	**891**	**888**	**943**
Surplus/(Deficit) of operating funding (A-B)	**23**	**5**	**6**	**6**	**12**	**20**	**21**	**21**	**15**	**15**	**15**
Sources of capital funding											
Subsidies and grants for capital expenditure	0	0	0	0	0	0	0	0	0	0	0
Development and financial contributions	0	0	0	0	0	0	0	0	0	0	0
Increase (decrease) in debt	0	0	0	0	0	0	0	0	0	0	0
Gross proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0	0
Lump sum contributions	0	0	0	0	0	0	0	0	0	0	0
Total sources of capital funding (C)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Applications of capital funding											
Capital expenditure - to meet additional demand	0	0	0	0	0	0	0	0	0	0	0
Capital expenditure - to improve the level of service	0	0	0	0	0	0	0	0	0	0	0
Capital expenditure - to replace existing assets	0	0	0	0	0	0	0	0	0	0	0
Increase (decrease) in reserves	23	5	6	6	12	20	21	21	15	15	15
Increase (decrease) of investments	0	0	0	0	0	0	0	0	0	0	0
Total applications of capital funding (D)	**23**	**5**	**6**	**6**	**12**	**20**	**21**	**21**	**15**	**15**	**15**
Surplus (deficit) of capital funding (C-D)	**(23)**	**(5)**	**(6)**	**(6)**	**(12)**	**(20)**	**(21)**	**(21)**	**(15)**	**(15)**	**(15)**
Funding Balance ((A-B)+(C-D))	0	(0)	(0)	(0)	0	0	(0)	0	(0)	(0)	0

Solid Waste Management	EAP 2011/12	LTP 2012/13	LTP 2013/14	LTP 2014/15	LTP 2015/16	LTP 2016/17	LTP 2017/18	LTP 2018/19	LTP 2019/20	LTP 2020/21	LTP 2021/22
Sources of operating funding											
General rates, uniform annual general charges, rates penalties	52	14	15	18	19	20	20	21	21	22	23
targeted rates (other than a target rate for water supply)	1,100	871	967	1,129	1,329	1,373	1,418	1,442	1,464	1,519	1,535
Subsidies and grants for operating purposes	0	0	0	0	0	0	0	0	0	0	0
Fees, charges, and targeted rates for water supply	933	1,069	1,147	1,180	1,156	1,193	1,228	1,263	1,298	1,336	1,373
Internal Charges and overheads recovered	0	0	0	0	0	0	0	0	0	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	0	0	0	0	0	0	0	0	0	0	0
Total operating funding (A)	**2,086**	**1,954**	**2,129**	**2,328**	**2,504**	**2,586**	**2,667**	**2,726**	**2,783**	**2,877**	**2,930**
Applications of operating funding											
Payments to staff and suppliers	1,160	1,215	1,378	1,509	1,520	1,563	1,627	1,655	1,701	1,769	1,799
Finance costs	24	25	25	25	25	25	25	25	25	25	25
Internal charges and overheads applied	720	567	578	636	694	694	690	697	687	678	675
Other operating funding applications	0	0	0	0	0	0	0	0	0	0	0
Total applications of operating funding (B)	**1,905**	**1,807**	**1,981**	**2,169**	**2,239**	**2,282**	**2,342**	**2,377**	**2,412**	**2,473**	**2,499**
Surplus (deficit) of operating funding (A-B)	**181**	**147**	**148**	**158**	**265**	**304**	**325**	**349**	**371**	**404**	**432**
Sources of capital funding											
Subsidies and grants for capital expenditure	0	0	0	0	0	0	0	0	0	0	0
Development and financial contributions	0	0	0	0	0	0	0	0	0	0	0
Increase (decrease) in debt	147	1	52	852	55	57	59	61	987	64	131
Gross proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0	0
Lump sum contributions	0	0	0	0	0	0	0	0	0	0	0
Total sources of capital funding (C)	**147**	**1**	**52**	**852**	**55**	**57**	**59**	**61**	**987**	**64**	**131**
Applications of capital funding											
Capital expenditure - to meet additional demand	0	0	0	0	0	0	0	0	0	0	0
Capital expenditure - to improve the level of service	147	6	96	852	55	62	59	61	987	69	131
Capital expenditure - to replace existing assets	0	0	0	0	0	0	0	0	0	0	0
Increase (decrease) in reserves	181	142	104	158	265	299	325	349	371	399	432
Increase (decrease) of investments	0	0	0	0	0	0	0	0	0	0	0
Total applications of capital funding (D)	**328**	**148**	**200**	**1,010**	**321**	**361**	**384**	**409**	**1,358**	**468**	**563**
Surplus (deficit) of capital funding (C-D)	**(181)**	**(147)**	**(148)**	**(158)**	**(265)**	**(304)**	**(325)**	**(349)**	**(371)**	**(404)**	**(432)**
Funding Balance ((A-B)+(C-D))	(0)	0	0	0	0	0	0	(0)	0	0	0

Stormwater Drainage	EAP 2011/12	LTP 2012/13	LTP 2013/14	LTP 2014/15	LTP 2015/16	LTP 2016/17	LTP 2017/18	LTP 2018/19	LTP 2019/20	LTP 2020/21	LTP 2021/22
Sources of operating funding											
General rates, uniform annual general charges, rates penalties	0	0	0	0	0	0	0	0	0	0	0
targeted rates (other than a target rate for water supply)	392	380	396	419	475	493	514	541	552	572	595
Subsidies and grants for operating purposes	0	0	0	0	0	0	0	0	0	0	0
Fees, charges, and targeted rates for water supply	2	0	0	0	0	0	0	0	0	0	0
Internal Charges and overheads recovered	0	0	0	0	0	0	0	0	0	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	0	0	0	0	0	0	0	0	0	0	0
Total operating funding (A)	**394**	**380**	**396**	**419**	**475**	**493**	**514**	**541**	**552**	**572**	**595**
Applications of operating funding											
Payments to staff and suppliers	136	136	142	146	192	200	211	227	228	237	247
Finance costs	0	0	0	0	0	0	0	0	0	0	0
Internal charges and overheads applied	103	88	92	104	107	111	113	116	118	121	125
Other operating funding applications	0	0	0	0	0	0	0	0	0	0	0
Total applications of operating funding (B)	**239**	**224**	**233**	**251**	**300**	**311**	**324**	**344**	**347**	**358**	**372**
Surplus (deficit) of operating funding (A-B)	**155**	**155**	**162**	**169**	**175**	**182**	**190**	**197**	**206**	**214**	**223**
Sources of capital funding											
Subsidies and grants for capital expenditure	0	0	0	0	0	0	0	0	0	0	0
Development and financial contributions	0	0	0	0	0	0	0	0	0	0	0
Increase (decrease) in debt	0	0	0	0	0	0	0	0	0	0	0
Gross proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0	0
Lump sum contributions	0	0	0	0	0	0	0	0	0	0	0
Total sources of capital funding (C)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Applications of capital funding											
Capital expenditure - to meet additional demand	0	0	0	0	0	0	0	0	0	0	0
Capital expenditure - to improve the level of service	0	0	0	0	0	0	0	0	0	0	0
Capital expenditure - to replace existing assets	24	127	111	136	130	157	178	169	183	180	194
Increase (decrease) in reserves	131	28	51	32	45	25	12	28	23	34	29
Increase (decrease) of investments	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total applications of capital funding (D)	**155**	**155**	**162**	**169**	**175**	**182**	**190**	**197**	**206**	**214**	**223**
Surplus/(Deficit) of capital funding (C-D)	**(155)**	**(155)**	**(162)**	**(169)**	**(175)**	**(182)**	**(190)**	**(197)**	**(206)**	**(214)**	**(223)**
Funding Balance ((A-B)+(C-D))	0	0	0	0	0	0	0	0	0	0	0

Resource Management	EAP 2011/12	LTP 2012/13	LTP 2013/14	LTP 2014/15	LTP 2015/16	LTP 2016/17	LTP 2017/18	LTP 2018/19	LTP 2019/20	LTP 2020/21	LTP 2021/22
Sources of operating funding											
General rates, uniform annual general charges, rates penalties	136	118	108	110	113	111	114	118	120	123	127
targeted rates (other than a target rate for water supply)	0	0	0	0	0	0	0	0	0	0	0
Subsidies and grants for operating purposes	0	0	0	0	0	0	0	0	0	0	0
Fees, charges, and targeted rates for water supply	85	73	83	86	89	92	95	97	100	103	106
Internal Charges and overheads recovered	0	0	0	0	0	0	0	0	0	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	0	0	0	0	0	0	0	0	0	0	0
Total operating funding (A)	**221**	**191**	**190**	**196**	**202**	**203**	**209**	**215**	**220**	**226**	**232**
Applications of operating funding											
Payments to staff and suppliers	79	80	91	94	97	95	98	100	103	106	109
Finance costs	0	0	0	0	0	0	0	0	0	0	0
Internal charges and overheads applied	130	110	99	102	105	108	111	115	117	120	123
Other operating funding applications	0	0	0	0	0	0	0	0	0	0	0
Total applications of operating funding (B)	**210**	**191**	**190**	**196**	**202**	**203**	**209**	**215**	**220**	**226**	**232**
Surplus (deficit) of operating funding (A-B)	**11**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Sources of capital funding											
Subsidies and grants for capital expenditure	0	0	0	0	0	0	0	0	0	0	0
Development and financial contributions	0	0	0	0	0	0	0	0	0	0	0
Increase (decrease) in debt	0	0	0	0	0	0	0	0	0	0	0
Gross proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0	0
Lump sum contributions	0	0	0	0	0	0	0	0	0	0	0
Total sources of capital funding (C)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Applications of capital funding											
Capital expenditure - to meet additional demand	0	0	0	0	0	0	0	0	0	0	0
Capital expenditure - to improve the level of service	0	0	0	0	0	0	0	0	0	0	0
Capital expenditure - to replace existing assets	0	0	0	0	0	0	0	0	0	0	0
Increase (decrease) in reserves	11	0	0	0	0	0	0	0	0	0	0
Increase (decrease) of investments	0	0	0	0	0	0	0	0	0	0	0
Total applications of capital funding (D)	**11**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Surplus (deficit) of capital funding (C-D)	**(11)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Funding Balance ((A-B)+(C-D))	(0)	0	0	0	0	0	0	0	0	0	0

Sewerage	EAP 2011/12	LTP 2012/13	LTP 2013/14	LTP 2014/15	LTP 2015/16	LTP 2016/17	LTP 2017/18	LTP 2018/19	LTP 2019/20	LTP 2020/21	LTP 2021/22
Sources of operating funding											
General rates, uniform annual general charges, rates penalties	0	0	0	0	0	0	0	0	0	0	0
targeted rates (other than a target rate for water supply)	1,502	1,958	2,179	2,410	2,681	2,919	3,146	3,262	3,309	3,364	3,406
Subsidies and grants for operating purposes	0	0	0	0	0	0	0	0	0	0	0
Fees, charges, and targeted rates for water supply	849	535	726	792	828	843	869	914	937	963	984
Internal Charges and overheads recovered	0	0	0	0	0	0	0	0	0	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	0	0	0	0	0	0	0	0	0	0	0
Total operating funding (A)	**2,351**	**2,493**	**2,905**	**3,202**	**3,509**	**3,762**	**4,015**	**4,176**	**4,246**	**4,327**	**4,390**
Applications of operating funding											
Payments to staff and suppliers	1,099	1,232	1,451	1,552	1,621	1,631	1,681	1,781	1,830	1,882	1,922
Finance costs	0	0	0	0	0	0	0	0	0	0	0
Internal charges and overheads applied	822	668	1,005	1,138	1,184	1,201	1,202	1,234	1,225	1,220	1,214
Other operating funding applications	0	0	0	0	0	0	0	0	0	0	0
Total applications of operating funding (B)	**1,921**	**1,901**	**2,457**	**2,690**	**2,805**	**2,832**	**2,883**	**3,015**	**3,055**	**3,103**	**3,136**
Surplus (deficit) of operating funding (A-B)	**431**	**593**	**449**	**512**	**704**	**931**	**1,132**	**1,161**	**1,191**	**1,224**	**1,254**
Sources of capital funding											
Subsidies and grants for capital expenditure	4,372	0	0	0	0	0	0	0	0	0	0
Development and financial contributions	0	0	0	0	0	0	0	0	0	0	0
Increase (decrease) in debt	2,821	5,442	905	942	614	478	523	470	498	526	530
Gross proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0	0
Lump sum contributions	0	0	0	0	0	0	0	0	0	0	0
Total sources of capital funding (C)	**7,193**	**5,442**	**905**	**942**	**614**	**478**	**523**	**470**	**498**	**526**	**530**
Applications of capital funding											
Capital expenditure - to meet additional demand	0	0	0	0	0	0	0	0	0	0	0
Capital expenditure - to improve the level of service	7,393	5,260	705	753	402	265	285	257	265	274	283
Capital expenditure - to replace existing assets	25	190	210	200	212	213	237	213	233	252	248
Increase (decrease) in reserves	206	585	439	501	704	931	1,132	1,161	1,191	1,224	1,254
Increase (decrease) of investments	0	0	0	0	0	0	0	0	0	0	0
Total applications of capital funding (D)	**7,624**	**6,035**	**1,354**	**1,454**	**1,318**	**1,409**	**1,654**	**1,630**	**1,689**	**1,750**	**1,785**
Surplus (deficit) of capital funding (C-D)	**(431)**	**(593)**	**(449)**	**(512)**	**(704)**	**(931)**	**(1,132)**	**(1,161)**	**(1,191)**	**(1,224)**	**(1,254)**
Funding Balance ((A-B)+(C-D))	(0)	(0)	0	0	0	0	0	0	0	0	0

Water Supply	EAP 2011/12	LTP 2012/13	LTP 2013/14	LTP 2014/15	LTP 2015/16	LTP 2016/17	LTP 2017/18	LTP 2018/19	LTP 2019/20	LTP 2020/21	LTP 2021/22
Sources of operating funding											
General rates, uniform annual general charges, rates penalties	0	0	0	0	0	0	0	0	0	0	0
targeted rates (other than a target rate for water supply)	1,400	1,416	1,519	1,675	1,776	1,826	1,870	1,967	2,021	2,181	2,216
Subsidies and grants for operating purposes	0	0	0	0	0	0	0	0	0	0	0
Fees, charges, and targeted rates for water supply	540	562	608	726	786	815	838	875	903	959	990
Internal Charges and overheads recovered	0	0	0	0	0	0	0	0	0	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	0	0	0	0	0	0	0	0	0	0	0
Total operating funding (A)	**1,940**	**1,978**	**2,127**	**2,401**	**2,562**	**2,641**	**2,708**	**2,842**	**2,924**	**3,140**	**3,206**
Applications of operating funding											
Payments to staff and suppliers	1,236	1,244	1,299	1,348	1,385	1,438	1,484	1,530	1,586	1,639	1,694
Finance costs	0	0	0	0	0	0	0	0	0	0	0
Internal charges and overheads applied	461	448	524	689	763	768	768	806	806	884	879
Other operating funding applications	0	0	0	0	0	0	0	0	0	0	0
Total applications of operating funding (B)	**1,697**	**1,692**	**1,823**	**2,037**	**2,148**	**2,206**	**2,252**	**2,336**	**2,392**	**2,523**	**2,573**
Surplus (deficit) of operating funding (A-B)	**244**	**286**	**304**	**364**	**413**	**434**	**456**	**506**	**531**	**616**	**632**
Sources of capital funding											
Subsidies and grants for capital expenditure	726	1,124	780	0	0	0	0	0	0	0	0
Development and financial contributions	0	0	0	0	0	0	0	0	0	0	0
Increase (decrease) in debt	437	1,082	1,746	1,147	180	159	483	249	251	1,384	184
Gross proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0	0
Lump sum contributions	0	0	0	0	0	0	0	0	0	0	0
Total sources of capital funding (C)	**1,163**	**2,206**	**2,526**	**1,147**	**180**	**159**	**483**	**249**	**251**	**1,384**	**184**
Applications of capital funding											
Capital expenditure - to meet additional demand	0	0	0	0	0	0	0	0	0	0	0
Capital expenditure - to improve the level of service	1,142	1,512	2,353	756	28	0	320	79	35	1,199	0
Capital expenditure - to replace existing assets	50	694	177	394	155	163	166	174	220	188	188
Increase (decrease) in reserves	214	286	301	361	410	431	452	502	528	612	628
Increase (decrease) of investments	0	0	0	0	0	0	0	0	0	0	0
Total applications of capital funding (D)	**1,406**	**2,492**	**2,831**	**1,511**	**593**	**594**	**938**	**755**	**783**	**2,000**	**816**
Surplus (deficit) of capital funding (C-D)	**(244)**	**(286)**	**(304)**	**(364)**	**(413)**	**(434)**	**(456)**	**(506)**	**(532)**	**(616)**	**(632)**
Funding Balance ((A-B)+(C-D))	(0)	0	0	0	0	0	0	0	0	0	0

Roads and Footpaths	EAP 2011/12	LTP 2012/13	LTP 2013/14	LTP 2014/15	LTP 2015/16	LTP 2016/17	LTP 2017/18	LTP 2018/19	LTP 2019/20	LTP 2020/21	LTP 2021/22
Sources of operating funding											
General rates, uniform annual general charges, rates penalties	244	233	247	266	275	289	303	320	333	342	356
targeted rates (other than a target rate for water supply)	4,820	5,264	5,592	6,023	6,270	6,627	7,009	7,456	7,817	8,087	8,481
Subsidies and grants for operating purposes	2,578	2,597	2,765	3,010	3,132	3,393	3,502	3,603	3,715	3,832	3,932
Fees, charges, and targeted rates for water supply	72	72	73	74	74	75	76	77	77	78	79
Internal Charges and overheads recovered	0	0	0	0	0	0	0	0	0	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	129	129	133	138	142	145	150	154	159	163	168
Total operating funding (A)	**7,844**	**8,296**	**8,810**	**9,510**	**9,894**	**10,529**	**11,040**	**11,609**	**12,102**	**12,502**	**13,017**
Applications of operating funding											
Payments to staff and suppliers	4,381	4,388	4,666	5,035	5,227	5,657	5,835	5,993	6,179	6,368	6,525
Finance costs	0	0	0	0	0	0	0	0	0	0	0
Internal charges and overheads applied	1,786	1,675	1,697	1,850	1,873	1,889	1,884	1,921	1,900	1,881	1,860
Other operating funding applications	0	0	0	0	0	0	0	0	0	0	0
Total applications of operating funding (B)	**6,167**	**6,063**	**6,364**	**6,886**	**7,100**	**7,545**	**7,719**	**7,913**	**8,079**	**8,249**	**8,385**
Surplus (deficit) of operating funding (A-B)	**1,677**	**2,232**	**2,447**	**2,625**	**2,794**	**2,984**	**3,321**	**3,695**	**4,023**	**4,253**	**4,631**
Sources of capital funding											
Subsidies and grants for capital expenditure	2,786	2,846	2,743	3,302	3,612	4,050	4,205	4,373	4,509	4,633	4,762
Development and financial contributions	0	0	0	0	0	0	0	0	0	0	0
Increase (decrease) in debt	647	201	437	519	657	688	707	729	751	772	793
Gross proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0	0
Lump sum contributions	0	0	0	0	0	0	0	0	0	0	0
Total sources of capital funding (C)	**3,433**	**3,047**	**3,180**	**3,821**	**4,269**	**4,738**	**4,912**	**5,102**	**5,260**	**5,405**	**5,555**
Applications of capital funding											
Capital expenditure - to meet additional demand	0	0	0	0	0	0	0	0	0	0	0
Capital expenditure - to improve the level of service	310	100	206	280	411	423	435	448	462	474	488
Capital expenditure - to replace existing assets	4,476	4,756	4,686	5,620	6,152	6,904	7,167	7,454	7,685	7,897	8,116
Increase (decrease) in reserves	325	424	734	545	500	395	631	895	1,136	1,287	1,583
Increase (decrease) of investments	0	0	0	0	0	0	0	0	0	0	0
Total applications of capital funding (D)	**5,111**	**5,279**	**5,627**	**6,445**	**7,063**	**7,721**	**8,233**	**8,797**	**9,283**	**9,658**	**10,186**
Surplus (deficit) of capital funding (C-D)	**(1,677)**	**(2,232)**	**(2,447)**	**(2,625)**	**(2,794)**	**(2,984)**	**(3,321)**	**(3,695)**	**(4,023)**	**(4,253)**	**(4,631)**
Funding Balance ((A-B)+(C-D))	0	0	0	0	0	0	0	0	0	0	0

Council	EAP 2011/12	LTP 2012/13	LTP 2013/14	LTP 2014/15	LTP 2015/16	LTP 2016/17	LTP 2017/18	LTP 2018/19	LTP 2019/20	LTP 2020/21	LTP 2021/22
Sources of operating funding											
General rates, uniform annual general charges, rates penalties	6,267	6,318	6,691	7,009	7,516	7,905	8,442	8,457	8,794	9,165	9,585
targeted rates (other than a target rate for water supply)	9,497	10,312	11,089	12,108	13,051	13,802	14,541	15,271	15,760	16,330	16,856
Subsidises and grants for operating purposes	2,578	2,597	2,765	3,010	3,132	3,393	3,502	3,603	3,715	3,832	3,932
Fees, charges, and targeted rates for water supply	3,542	3,361	3,718	4,041	3,898	4,018	4,173	4,293	4,424	4,627	4,728
Interest and Dividends from Investments	16	5	5	5	5	346	356	366	376	387	398
Local authorities fuel tax, fines, infringement fees and other receipts	142	141	145	141	145	149	153	158	163	167	172
Total operating funding (A)	**22,044**	**22,734**	**24,413**	**26,315**	**27,748**	**29,613**	**31,168**	**32,148**	**33,232**	**34,508**	**35,672**
Applications of operating funding											
Payments to staff and suppliers	15,844	16,264	17,650	18,707	19,029	19,763	20,266	20,628	21,223	22,101	22,462
Finance costs	2,943	2,747	3,163	3,601	3,771	3,777	3,730	3,801	3,711	3,680	3,556
Other operating funding applications	0	0	0	0	0	0	0	0	0	0	0
Total applications of operating funding (B)	**18,786**	**19,010**	**20,814**	**22,308**	**22,800**	**23,540**	**23,997**	**24,428**	**24,934**	**25,781**	**26,018**
Surplus (deficit) of operating funding (A-B)	**3,257**	**3,724**	**3,599**	**4,007**	**4,948**	**6,073**	**7,172**	**7,719**	**8,298**	**8,727**	**9,653**
Sources of capital funding											
Subsidies and grants for capital expenditure	7,884	3,970	3,523	3,302	3,612	4,050	4,205	4,373	4,509	4,633	4,762
Development and financial contributions	0	0	0	0	0	0	0	0	0	0	0
Increase (decrease) in debt	4,274	7,174	3,874	4,080	2,015	1,352	1,431	1,246	2,038	2,266	1,168
Gross proceeds from sale of assets	0	100	103	106	110	113	117	120	123	127	130
Lump sum contributions	0	0	0	0	0	0	0	0	0	0	0
Total sources of capital funding (C)	**12,158**	**11,244**	**7,500**	**7,489**	**5,737**	**5,516**	**5,753**	**5,739**	**6,671**	**7,026**	**6,060**
Applications of capital funding											
Capital expenditure - to meet additional demand	0	0	0	0	0	0	0	0	0	0	0
Capital expenditure - to improve the level of service	9,648	7,576	3,750	3,144	1,308	1,429	1,591	1,353	2,072	2,888	1,381
Capital expenditure - to replace existing assets	4,948	5,903	5,361	6,640	6,888	7,362	7,792	7,876	8,338	8,335	8,583
Increase (decrease) in reserves	820	1,488	1,989	1,712	2,489	2,797	3,541	4,230	4,559	4,530	5,749
Increase (decrease) of investments	0	0	0	0	0	0	0	0	0	0	0
Total applications of capital funding (D)	**15,415**	**14,968**	**11,100**	**11,495**	**10,685**	**11,589**	**12,924**	**13,458**	**14,969**	**15,753**	**15,712**
Surplus (deficit) of capital funding (C-D)	**(3,257)**	**(3,724)**	**(3,600)**	**(4,006)**	**(4,948)**	**(6,073)**	**(7,172)**	**(7,719)**	**(8,299)**	**(8,727)**	**(9,653)**
Funding Balance ((A-B)+(C-D))	0	0	0	0	0	(0)	0	0	0	0	0

Statement of Reserve Funds

The Council maintains reserves as a sub-part of its equity. Schedule 10(16) Local Government Act 2002 requires certain information on Reserve Funds to be included in the Council's Long Term Plan. The following represents a summary of Reserve Funds over the period of the plan and provides information on:

- the purpose of the Reserve Fund
- the activity to which the fund relates
- the amount expected to be in the fund at:
    - ◇ the commencement of the first year to which the Long Term Plan relates; and
    - ◇ the end of the last year to which the Long Term Plan relates; and
- the amount expected to be deposited in the fund in the period to which the Long Term Plan relates; and
- the amount expected to be withdrawn from the fund in the period to which the Long Term Plan relates.

1. OPERATIONAL RESERVES

Operational Reserves are created to hold short-term funding surpluses (or deficits) arising from the various activities of Council.

This occurs when:

- Operating expenditure exceeds budget;
- Operating income is less than budget; or
- A combination of both.

A balance held in an operational reserve forms part of the Council's funding considerations for a particular activity in each subsequent year's budget.

For example, the balance in an operational reserve will determine whether more or less income is required in the subsequent year's budget to clear that balance.

Council ensures that rates collected for a particular activity from an identified group of ratepayers are used only for that activity and for the benefit of that identified ratepayer group.

2. DEPRECIATION RESERVES

The Council sets aside accumulated funds from rates in specific Depreciation Reserves to fund repayments on loans raised for capital expenditure and to maintain the service capacity and integrity of assets throughout their useful lives.

Each major activity e.g. water, roading, wastewater, stormwater, solid waste, etc. has its own Depreciation Reserve so that the funds from each can be applied to the appropriate activity.

Council ensures that funds accumulated for a particular activity from an identified group of ratepayers can only be used for that activity and for the benefit of that identified ratepayer group.

The purpose of accumulating specific Depreciation Reserves is to ensure that Council's ability to provide services to the District's communities is maintained.

3. INVESTMENT REVALUATION RESERVES

Council's investment activities include its subsidiary companies (Inframax Construction Ltd), Parkside Subdivision, 22 quarries throughout the District, Housing and Other Property and a small forestry holding at the Rangitoto Landfill site.

Council is obliged to periodically review the value of its investment in each of these activities. Investment revaluation reserves are therefore created when the value of Council's investment either increases or decreases as a result of that revaluation.

Revaluations of investments do not form part of the Revaluation Reserve shown in the Public Equity section of the Balance Sheet.

The balances held in an investment revaluation reserve are not utilised in any way other than to recognise movements in the value of Council's investments. They would only be realised as a component of the profit or loss should Council ever resolve to dispose of a particular investment.

	Projected Reserve Balance 30 June 2012	Forecast Reserve Deposits	Forecast Reserve Withdrawals	Reserve Balance 30 June 2022
Operational Reserves (1)				
Leadership				
Leadership	(225)	(115)	290	(50)
Investments	3,033	(2,446)	828	1,416
	2,809	**(2,561)**	**1,118**	**1,366**
Community Service				
Parks and Reserves	(167)	(184)	25	(326)
Housing and Other Property	182	0	0	182
Recreation & Culture (Library)	100	0	0	100
Recreation & Culture (Swimming Pool)	103	(196)	0	(93)
Recreation & Culture (Culture and Arts Centre)	(140)	0	0	(140)
Recreation & Culture (Aerodrome)	(60)	0	0	(60)
Public Amenities	(168)	0	0	(168)
Safety	(9)	(1)	0	(10)
	(159)	**(381)**	**25**	**(515)**
Community Development				
Community Development	(251)	(757)	100	(908)
	(251)	**(757)**	**100**	**(908)**
Regulation				
Regulation	143	(84)	0	60
	143	**(84)**	**0**	**60**
Solid Waste Management				
Collection	56	(90)	0	(34)
Management (Landfill & Transfer Stations)	(219)	0	0	(219)
Management (Waste Minimisation)	(84)			(84)
	(247)	**(90)**	**0**	**(337)**
Stormwater				
Te Kuiti Stormwater	(140)	0	0	(140)
Rural Stormwater	(99)	0	0	(99)
	(239)	**0**	**0**	**(239)**
Resource Management				
District Plan Administration	56	0	0	56
	56	**0**	**0**	**56**
Sewerage				
Te Kuiti Sewerage	630	(914)	0	(284)
Te Waitere Sewerage	(60)	0	13	(48)
Benneydale Sewerage	54	0	0	54
Piopio Sewerage	(103)	0	0	(103)
	521	**(914)**	**13**	**(380)**
Water Supply				
Te Kuiti Water	380	(222)	0	159
Mokau Water	263	(159)	0	104
Piopio Water	93	0	0	93
Benneydale Water	90	(122)	0	(32)
	826	**(503)**	**0**	**323**
Roads and Footpaths				
Subsidised Roads	2,016	0	0	2,016
Non Subsidised Roads	(429)	0	0	(429)
	1,588	**0**	**0**	**1,588**
Corporate Support				
Gratuities	(83)	0	0	(83)
Long service leave	(35)	0	0	(35)
Natural disaster	(426)	0	0	(426)
	(544)	**0**	**0**	**(544)**
Total Operational Reserves	**4,502**	**(5,289)**	**1,256**	**469**

	Projected Reserve Balance 30 June 2012	Forecast Reserve Deposits	Forecast Reserve Withdrawals	Reserve Balance 30 June 2022
Depreciation Reserves (2)				
Community Service				
Parks & Reserves	(41)	(985)	744	(282)
Housing & Other Property (Housing)	(98)	(240)	247	(90)
Housing & Other Property (Community halls)	(510)	(725)	229	(1,006)
Housing & Other Property (Other Land & Buildings)	(279)	(687)	609	(357)
Recreation & Culture (Library)	(312)	(1,062)	1,009	(365)
Recreation & Culture (Swimming Pool)	75	(270)	270	75
Recreation & Culture (Culture and Arts Centre)	(45)	(1,078)	889	(234)
Recreation $ Culture (Aerodrome)	(2)	(129)	57	(74)
Public Amenities	(87)	(875)	695	(268)
	(1,300)	**(6,050)**	**4,749**	**(2,601)**
Community Development				
I-site	(26)	(39)	36	(29)
	(26)	**(39)**	**36**	**(29)**
Regulation				
Animal Control	11	(55)	46	2
	11	**(55)**	**46**	**2**
Solid Waste Management				
Landfill & Transfer Stations	(25)	(2,813)	2,628	(210)
	(25)	**(2,813)**	**2,628**	**(210)**
Stormwater				
Te Kuiti Stormwater	(797)	(1,830)	1,639	(988)
Rural Stormwater	(6)	(44)	67	17
	(803)	**(1,874)**	**1,707**	**(971)**
Sewerage				
Te Kuiti Sewerage	(370)	(7,083)	7,083	(370)
Te Waitere Sewerage	5	(74)	75	6
Benneydale Sewerage	(72)	(489)	430	(131)
Piopio Sewerage	65	(1,946)	1,946	65
	(373)	**(9,591)**	**9,533**	**(431)**
Water Supply				
Te Kuiti Water	(41)	(3,047)	3,047	(41)
Mokau Water	(36)	(637)	637	(36)
Piopio Water	(128)	(399)	382	(145)
Benneydale Water	(97)	(184)	184	(97)
	(301)	**(4,267)**	**4,250**	**(319)**
Roads and Footpaths				
Subsidised roads	(3,561)	(32,074)	32,391	(3,244)
Unsubsidised roads	178	(1,414)	1,409	173
	(3,383)	**(33,489)**	**33,800**	**(3,071)**
Corporate support				
Corporate support	(161)	(3,430)	3,873	282
Plant	(591)	0	0	(591)
	(752)	**(3,430)**	**3,873**	**(309)**
Total Depreciation Reserves	**(6,953)**	**(61,608)**	**60,622**	**(7,939)**

	Projected Reserve Balance 30 June 2012	Forecast Reserve Deposits	Forecast Reserve Withdrawals	Reserve Balance 30 June 2022
Investment Revaluation Reserves (3)				
Leadership and Investments				
Investment Properties (Forestry)	35	0	0	35
	35	0	0	35
Community Service				
Housing & Other Property (Other Land & Buildings)	(272)	0	0	(272)
	(272)	**0**	**0**	**(272)**
Total Investment Revaluation Reserves	**(236)**	**0**	**0**	**(236)**
Total Reserves	**(2,687)**	**(66,897)**	**61,878**	**(7,706)**

Reconciliation of Reserve Funding to Estimated Revenue and Expenses Statements.

Set out below is a high level reconciliation between the Statement of Reserve Funds (pages 132-135) and the net reserve movements shown in the Estimated Revenue and Expenses Statements.

The $5.055 million forecast net movement in reserves shown in the Statement of Reserves Funds (page 135) recognises the total movement in reserves showing in the Estimated Revenue and Expenses Statement (page 104) together with forecast Asset Disposals, Internal Loan Repayments and Funded Depreciation.

It needs to be noted that Internal Loan Repayments amounts are not shown separately in either the Statement of Reserves Funds or the Estimated Revenue and Expenses Statement.

	Statement of Reserve Funds	**Estimated Revenue and Expenses Statements**					
Activity	**Total Net Movement 2012-2022**	**Total Movement (To)/From Reserves**	**Asset Disposals**	**Internal Loan Repayments**	**Sub-Total**	**Add Back Funded Depreciation**	**Total Net Movement 2012-2022**
Leadership	**(1,442)**	**(2,598)**	**1,149**	**0**	**(1,449)**	**7**	**(1,442)**
Community Service	**(1,657)**	**1,175**	**0**	**2,631**	**3,806**	**(5,463)**	**(1,657)**
Community Development	**(660)**	**(656)**	**0**	**36**	**(620)**	**(40)**	**(660)**
Regulation	**(92)**	**(116)**	**0**	**44**	**(72)**	**(20)**	**(92)**
Solid Waste Management	**(275)**	**(658)**	**0**	**2,567**	**1,909**	**(2,184)**	**(275)**
Stormwater	**(167)**	**1,565**	**0**	**141**	**1,706**	**(1,873)**	**(167)**
Sewerage	**(959)**	**1,385**	**0**	**8,164**	**9,549**	**(10,508)**	**(959)**
Water Supply	**(520)**	**(395)**	**0**	**3,990**	**3,595**	**(4,115)**	**(520)**
Roads and Footpaths	**312**	**24,819**	**0**	**8,439**	**33,258**	**(32,946)**	**312**
	(5,461)	**24,521**	**1,149**	**26,012**	**51,682**	**(57,143)**	**(5,461)**
Add Back							
Corporate Support *	**443**						
Net Movement in Reserves	**(5,019)**	**(as per Statement of Reserve Funds)**					

* Corporate Support forms part of the Council's internal cost allocation and as such does not have a separate Estimated Revenue and Expenses Statement. The reserve shown above is therefore not directly attributable to any Estimated Revenue and Expenses Statement disclosed in this Plan and requires separate disclosure in the Statement of Reserve Funds for reconciliation purposes only.

Accounting Policies

Statement of Responsibility

The Long Term Plan 2012-22 was adopted by Council on Friday 29 June 2012.

The purpose of the Plan is to provide a roadmap to the Council and community on the planned activities and expenditure of Council over the next year. The use of this information for purposes other than for which it is prepared may not be appropriate.

The Council is responsible for the prospective financial statements presented, including the appropriateness of the underlying assumptions and related disclosures. The prospective financial statements have been prepared in compliance with FRS 42 Prospective Financial Statements.

The Council, who are authorised to do so, believe the assumptions underlying the Prospective Financial Statements are appropriate and as such, adopted the Ten Year Plan on Friday 29 June 2012.

No actual financial results have been incorporated within the prospective financial statements.

Statement of Compliance

The forecast prospective financial statements have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with generally accepted accounting practice.

The primary objective of the Council is to provide goods or services for the community for social benefit rather than for making a financial return. Accordingly, the Council has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

Statement of Accounting Policies

Reporting Entity

Waitomo District Council is a territorial local authority governed by the Local Government Act 2002.

The primary objective of the Council is to provide goods or services for the community for social benefit rather than for making a financial return. Accordingly, the Council has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial information contained within the Long Term Plan may not be appropriate for purposes other than those described.

Basis of Preparation

The prospective financial statements have been prepared in accordance with the requirements of the Local Government Act 2002: Part 6, Section 98 and Part 3 of Schedule 10, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP). These prospective financial statements have been prepared in accordance with NZ GAAP and comply with other Financial Reporting Standards, as applicable for public benefit entities. The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($'000). The functional currency of the Group is New Zealand dollars.

The prospective financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, certain infrastructural assets and financial instruments, investment property and forestry assets.

In September 2011, the External Reporting Board issued a position paper and consultation papers proposing a new external reporting framework for public benefit entries (PBEs). The papers proposed that accounting standards for PBEs would be based on International Public Sector Accounting Standards, modified as necessary. The proposals in these papers do not provide certainty about any specific requirements of future accounting standards. Therefore, the accounting policies on which the forecast information for 2012-2022 has been prepared are based on the current New Zealand equivalents to International Financial Reporting Standards.

<u>Revenue</u>

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Council and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Revenue is measured at fair value of the consideration received or receivable.

Rates

Rates are recognised as revenue when rates are levied.

Levies & Charges

Other levies and charges are recognised as revenue when the obligation to pay arises or, in the case of licence fees, upon renewal of the licence.

Other

Other grants, bequests and assets vested in the Group are recognised as revenue when control over the asset is obtained.

Government Grants

Government grants and subsidies are recognised at their fair value when there is reasonable assurance that the conditions associated with the grant approval have been fulfilled. The Council receives government grants from NZ Transport Agency, (which subsidises part of the Group's costs of maintaining local roading), and subsidies for water and wastewater projects from Ministry of Health.

Interest

Revenue is recognised using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument.

Dividends

Dividends from the subsidiary are recognised in the prospective financial statements on the date that dividends are declared.

Rental Income

Rental income arising on property owned by the Group is accounted for on a straight-line basis over the lease term.

Development Contributions

The revenue recognition point for development and financial contributions is at the later of the point when the Council is ready to provide the service for which the contribution was levied, or the event that will give rise to a requirement for a development or financial contribution under the legislation. Development contributions are classified as part of Other Revenue.

Construction Contracts

Revenue from construction contracting services includes revenue from building and civil contracting services. Revenue and expenditure are recognised by reference to the stage of completion of the contract at balance date. The stage of completion is measured by reference to costs incurred up to balance date as a percentage of the total estimated costs for each contract.

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and an allocation of overhead expenses incurred in connection with the Group's construction activities in general.

Expected losses are recognised immediately as an expense in the profit or loss.

Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

Construction work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contract costs where progress billings exceed the aggregate costs incurred plus profits less losses, the net amounts are presented under trade and other payables.

Expenditure

Expenditure is recognised when the Council has been supplied with the service or has control of the goods supplied.

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 the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the Group's decision.

Borrowing Costs

Council has elected to defer the adoption of NZ IAS 23 Borrowing Costs (Revised 2007) in accordance with its transitional provisions that are applicable to public benefit entities. Consequently, all borrowing costs are recognised as an expense in the period in which they are incurred.

Income Tax

Income tax expense on the surplus or deficit for the period comprises current tax expense and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly to equity, in which case it is recognised in other comprehensive income or directly to equity. Current tax 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 or substantially enacted at balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

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

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

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, except where the Council can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the tax rates which are expected to apply in the period the liability is settled or asset realised using tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Council intends to settle its current tax assets and liabilities on a net basis.

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 within Borrowings in Current Liabilities on the face of the prospective Balance Sheet.

Inventories

Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the FIFO method.

The amount of any write down from the loss of service potential or from cost to net realisable value is recognised in profit or loss.

Subdivision property is stated at the lower of cost and net realisable value. Cost comprises development expenditure including engineering costs, direct professional fees, and construction costs relating to establishing utilities as well as related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price of the property less the applicable variable selling expense.

Financial Assets

The Council classifies its financial assets into the following four categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through profit or loss in which case the transaction costs are recognised in the profit or loss.

Purchases and sales of investments are recognised on trade-date, the date on which Council commits to purchase or sell the asset. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all the risks or rewards of ownership.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The four categories of financial assets are:

Financial Assets at Fair Value Through Profit or Loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss 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. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

After initial recognition they are measured at their fair values. Gains or losses on re-measurement are recognised in the profit or loss.

Derivative financial instrument assets are included in this class.

Loans & Receivables

These 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. Gains and losses when the asset is impaired or de-recognised are recognised in the profit or loss. Loans and receivables are classified as "trade and other receivables" in the Balance Sheet.

Loans made by the Council at nil or below-market interest rates are initially recognised at the present value of their expected future 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 profit or loss.

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 amount and the present value of estimated future cash flows, discounted using the effective interest method.

Held to Maturity Investments

Held to maturity investments are assets with fixed or determinable payments and fixed maturities that the Council has the positive intention and ability to hold to maturity.

After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or de-recognised are recognised in the profit or loss.

The Council does not hold any financial assets in this category.

Available for Sale

Available for sale financial assets are those that are not classified in any of the other categories above.

This category encompasses:

Investments that the Council intends to hold long-term but which may be realised before maturity; and Shareholdings that the Council holds for strategic purposes. The Council's investment in Inframax Construction Limited is included in this category.
After initial recognition these investments are measured at their fair value.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated as a separate component of equity in the available-for-sale revaluation reserve with the exception of impairment losses, interest calculated using the effective interest rate and foreign exchange gains and losses on monetary assets, which are recognised directly in profit and loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is reclassified from equity to profit and loss (as a reclassification adjustment).

Impairment of Financial Assets

At each balance sheet date the 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 profit or loss.

Derivative Financial Instruments

Derivative financial instruments are used to manage exposure to interest rate risks arising from financing activities. In accordance with its treasury policy, the 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 re-measured 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 profit or loss.

The Council designates certain derivatives as either:

- hedges of highly probable forecast transactions (cash flow hedge).
- derivatives that do not qualify for hedge accounting.

The Council documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Council also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedge transactions are highly effective in offsetting changes in fair values or cash flows of hedges items.

The full fair value of a hedge accounted derivative is classified as non-current if the remaining maturity of the hedged item is more than 12 months, and as current of the remaining maturity of the hedges items is less than 12 months.

Cash flow hedge

The portion of the gain or loss on a hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income, and the ineffective portion of the gain or loss on the hedging instrument is recognised in the profit or loss as part of finance costs.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in other comprehensive income are classified into the profit or loss in the same period or periods during which the asset acquired or liability assumed affects the profit or loss. However, if it is expected that all or a portion of a loss recognised in other comprehensive income will not be recovered in one or more future periods, the amount that is not expected to be recovered is reclassified to the profit or loss.

If a hedging instrument expires or is sold, terminated, exercised, or revoked, or it no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective will remain separately recognised in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective is reclassified from equity to the profit or loss.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are immediately in profit or loss.

Payables

Trade payables and other payables are recognised when the Group becomes obligated to make future payments resulting from the purchase of goods or services.

Borrowings

All loans and borrowings are initially recognised at their fair value net of transaction costs.

After initial recognition, all borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Good and Service Tax (GST)

All items in the Statement of Comprehensive Income and Balance Sheet are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense. The Cash Flow Statement is stated inclusive of GST in accordance with NZ IAS 7.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Balance Sheet. The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Provisions

The Council recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses. Provisions are measured at the present value of the expenditures 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.

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 make payment when due. Financial guarantee contracts are disclosed as contingent liabilities. The amount of these contingent liabilities is equal to the loan balances guaranteed.

Landfill Post Closure Costs

The Council has a legal obligation under the resource consents for open and closed landfills to provide ongoing maintenance and monitoring services at the sites after closure. A provision for post closure costs is recognised as a liability when the obligation for post closure arises. The provision is a measure based on the present value of future cash flows expected to be incurred, taking into account future events including 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 of 5.04% is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to Group.

Employee Benefits

Short-Term Benefits

Employee benefits that the Council expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at the rate expected to apply at the time of settlement.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

The Council recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that the Group anticipates it will be used by staff to cover those future absences.

Long-Term Benefits

Retirement Gratuities

Entitlements that are payable beyond twelve months, such as retirement gratuities have been calculated on an actuarial basis. The calculations are based on the likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information, and the present value of estimated future cash flows. A discount rate of 5.04% and an inflation rate of 2% were used. The discount rate is based on the weighted average of Government interest rates for stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

Leases

Finance Leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, the Council recognises finance leases as assets and liabilities in the Balance Sheet at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Council will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Property, Plant & Equipment

Property, Plant and Equipment have been divided into 3 broad categories.

Operational Assets

Operational assets are tangible assets, able to be dealt with as part of the operating strategy and include land, buildings, furniture and fittings, computer hardware, plant and equipment, library books and motor vehicles.

Infrastructural Assets

Infrastructural assets are the fixed utility systems providing an ongoing service to the community, but are not generally regarded as tradable. They include roads, water reticulation systems, refuse transfer stations, sewerage reticulation systems, stormwater systems, and land under roads.

Restricted Assets

Restricted assets cannot be disposed of because of legal and other restrictions but provide a benefit or service to the community. These are mainly assets associated with reserves vested under the Reserves Act, endowments and other property held in Trust for specific purposes.

Property, plant and equipment are shown at cost or valuation, less accumulated depreciation and impairment losses.

Additions

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

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at 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 included in the profit or loss. When revalued assets are sold, the amounts included in the asset revaluation reserves in respect of those assets are transferred to retained earnings.

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 the Group and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land and land under roads at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

Operational Assets

Operational assets are depreciated on a straight line basis. The estimated useful lives are as follows:

Buildings	40-100 years
Plant and Equipment	2-15 years
Motor Vehicles	5-15 years
Furniture and Fittings	2-5 years
Computers	2-5 years
Library books	3-7 years
Archive books	Not depreciated

Infrastructural Assets

Infrastructural assets are depreciated on a straight line basis. The estimated useful lives are as follows:

Roads

Top surface	2-20 years
Base course	25-120 years
Sub base	25-115 years
	Or not depreciated
Formation and running course	Not depreciated
Culverts – timber and other	40-100 years
Signs	15-30 years
Street Lights and poles	15-60 years
Bridges	70-120 years
Footpath surface and base	18-80 years

Water Reticulation

Pipes, hydrant, valves	60-100 years
Pump station, reservoirs	25-100 years

Sewerage Reticulation

Pipes and manholes	60-80 years
Pump station	15-100 years
Treatment plant	10-80 years

Stormwater Systems

Pipes, cesspits	60-100 years
Flood Control Systems	10-80 years

Refuse Systems

Retaining walls	70-90 years
Drainage	70-75 years
Signs	9 years
Kerb and channelling	60-75 years
Truck wash and weighbridge	28 years

The depreciation rates are applied at a component level and are dependent on the remaining useful life of each component.

Restricted Assets

Restricted assets are depreciated on a straight line basis as follows:

Buildings	40-100 years

Capital Work in Progress

Capital work in progress is not depreciated.
The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Revaluation

Those assets that are revalued are valued on a three yearly valuation cycle on the basis described below. All other asset classes are carried at depreciated historical cost. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value. If there is a material difference, then off cycle asset classes are revalued.

Revaluation of Operational Assets

Land and Buildings

An independent valuation of the Council's land and buildings was performed by Darroch Valuations, independent registered valuers, to determine the fair market value of the land and buildings at 1 July 2009. Darroch Valuations are members of the Property Institute of New Zealand and have the appropriate qualifications and recent experience in the valuation of properties within the Waitomo District.

The values of the assets have been considered on a Fair Value basis in accordance with NZ IAS 16 under a highest and best use scenario.

The valuation was prepared with reference to the Property Institute of New Zealand Professional Practice Standard 2006, and in particular International Valuation Application 1 and New Zealand Valuation Guidance Note 1 (effective from 1 March 2007), and Valuation Guidance for Property, Plant and Equipment.

Land is valued on a fair value basis determined from market based evidence and conditions that prevailed as at 1 July 2009.

All buildings have been valued on either a fair value or depreciated replacement cost basis.

The Total Value for the Waitomo District Council Operational and Restricted Property Portfolio as at 1 July 2009 is reported at:

Improvements Value (1 July 2009) $7,512,200
Land Value (1 July 2009) $11,164,300
Site Improvements (1 July 2009) $594,600
Total Fair Value (1 July 2009) $19,271,100

Subsequent additions are at cost less accumulated depreciation.

An independent valuation of the land and buildings held by Inframax Construction Limited (the wholly owned subsidiary of the Waitomo District Council) was carried out on 30 June 2009 by Doyle Valuations Ltd and Mr K. Wrenn, independent registered valuers, who have the appropriate qualifications and recent experience in the valuation of properties within the Waitomo District.

The fair value at 30 June 2009 was estimated to be $2,773,550.

Library Books

A valuation of the Council's library books was carried out as at 1 July 2004 by North Langley & Associates, independent registered valuers, to determine the 'Existing Use' value of the library books.

North Langley & Associates are specialist valuers of plant, machinery and equipment (including chattels and infrastructural assets) and have the appropriate qualifications and relevant experience in the valuation of these types of assets.

The valuation was computed in strict accordance with the guidance notes and background papers issued by the International Assets Valuation Standards Committee of which the NZ Institute of Valuers is a member.
The value of the library books at 1 July 2004, subject to them having a good and marketable title, free from encumbrances, was determined as $492,800 (excl GST).

Subsequent additions are at cost less accumulated depreciation.

Revaluation of Infrastructural Assets

Roads

An independent valuation of the Council's roading infrastructure was performed as at 1 July 2009 by Messrs G.S. Boyle & Associates, independent registered engineers, to determine the depreciated replacement cost of those assets. Messrs G.S. Boyle & Associates are members of the Institute of Professional Engineers of New Zealand (MIPENZ) and have the appropriate qualifications and experience in the valuation of land transport infrastructural assets. The valuation, which conforms to New Zealand Equivalent to International Accounting Standard (NZ IAS) 16 'Property, Plant & Equipment' was determined using the optimised depreciated replacement costs (ODRC) method as described in the NZ Infrastructure Asset Valuation and Depreciation Guidelines – Version 2, 2006.

The total value of Council's roading infrastructure at 1 July 2009 (as determined using the ODRC valuation method) is reported at $208,639,753.

Sewerage, Water, Stormwater and Solid Waste

A valuation of the Council's water utilities (water, wastewater, stormwater) and solid waste infrastructure was carried out by Council's engineering staff as at 1 July 2009 to determine the depreciated replacement cost of those assets. The valuation prepared by Council's engineering staff was based on the 2006 valuation previously undertaken by Maunsell Limited, international consulting engineers, and was peer reviewed by Messrs G.S. Boyle & Associates, independent registered engineers, who have the appropriate qualifications and experience in valuing community infrastructure. The valuation, which conforms to New Zealand Equivalent to International Accounting Standard (NZ IAS) 16 'Property, Plant & Equipment' was determined using the optimised depreciated replacement costs (ODRC) method as described in the NZ Infrastructure Asset Valuation and Depreciation Guidelines – Version 2, 2006.

The total value of Council's water utilities and solid waste infrastructure as at 1 July 2009 is reported at:

Asset Class	Optimised Depreciated Replacement Cost @ 1 July 2009
Waste Water Network	$10,588,874
Water Supply Network	$10,973,749
Storm Water Network	$8,360,064
Solid Waste Assets	$2,219,913

Land

An independent valuation of the Council's infrastructural land was performed by Darroch Valuations, independent registered valuers, to determine the fair market value of the land at 1 July 2009.

Darroch Valuations are members of the Property Institute of New Zealand and have the appropriate qualifications and recent experience in the valuation of properties within the Waitomo District.

The value of the land has been considered on a Fair Market Value basis in accordance with NZ IAS 16 and NZ IAS 40 under a highest and best use scenario.

The valuation was prepared with reference to the Property Institute of New Zealand Professional Practice Standard 2006, and in particular International Valuation Application 1 and New Zealand Valuation Guidance Note 1 (effective from 1 March 2007), and Valuation Guidance for Property, Plant and Equipment.

The Total Value for the Waitomo District Council Operational Property Portfolio (Infrastructural Land) as at 1 July 2009 is reported at:

Land Value (1 July 2009)	Total Fair Value (1 July 2009)
$1,254,000	$1,254,000

Revaluation of Restricted Assets

Restricted assets cannot be disposed of because of legal or other restrictions and provide a benefit or service to the community. They are principally reserves vested under the Reserves Act. Darroch Valuations (independent Registered Valuers) valued restricted assets on 1 July 2009 at fair value based on market based evidence.

Accounting for Revaluations

The Council accounts for revaluations of property, plant and equipment on a class of asset basis. Any revaluation surpluses and deficits are recognised in the other Comprehensive Income and accumulated as a separate equity in the Revaluation Reserve for that class of asset. Where a revaluation of a class of assets results in a revaluation deficit, and the amount of the deficit is greater than an existing revaluation reserve, the revaluation deficit is recognised in the profit or loss. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the profit or loss will be recognised first in the profit or loss up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

Intangible Assets

Software

Computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. The costs associated with maintaining computer software are recognised as an expense as incurred. The costs associated with the development and maintenance of the Group's website are recognised as an expense as incurred.

Amortisation

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

The useful lives and associated amortisation rates for software have been estimated as follows:

Computer software	2 to 5 years	20% to 50%

Forestry Assets

An independent valuation of Council's forestry assets was performed by North Langley and Associates, independent registered valuers, to determine the fair value less estimated point of sale costs at 30 June 2011.

North Langley and Associates are members of the Property Institute of New Zealand and have the appropriate qualifications and recent experience in the valuation for assets of this nature. The valuation, which conforms to the New Zealand Professional Practice Standard 2006, and in particular International Valuation Application Standard 1 'Valuation for Financial Reporting' and International Valuation Application Standard 3 'Valuation Reporting'.

Non-current Assets Held For Sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. This condition is regarded as met only when the sale is highly probable and the assets (or disposal group) is available for immediate sale in its present condition and the sale of the asset (or disposal group) is expected to be completed within one year from the date of classification.

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the profit or loss. Any increases in fair value less costs to sell are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Investment in Unlisted Shares

Council has an interest (1.6%) in a Council Controlled Organisation (CCO), Local Authority Shared Services Limited. Council has no significant influences on operational or financial policies.

As this investment is not traded on an active market, and quoted market prices of similar financial assets are not available, the fair value cannot be measured reliably. The investment is therefore measured at cost.

Council has an interest (0.04%) in New Zealand National Mutual Riskpool. Council has no significant influences on operational or financial policies.

As this investment is not traded on an active market, and quoted market prices of similar financial assets are not available, the fair value cannot be measured reliably. The investment is therefore measured at cost.

Investment Property

Investment properties consist of miscellaneous housing properties. Investment properties are held primarily for capital growth, rental or similar income. Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

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

After initial recognition, the Group measures all investment property at fair value as determined annually by an independent valuer.

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

An independent valuation of the Council's investment properties was performed by QV Valuations, independent registered valuers, to determine the fair market value of the properties at 30 June 2011.

QV Valuations are members of the Property Institute of New Zealand and have the appropriate qualifications and recent experience in the valuation of properties within the Waitomo District.

The value of the investment properties has been considered on a Fair Value basis in accordance with NZ IAS 40.

The valuation was prepared with reference to the Property Institute of New Zealand Professional Practice Standard 2009, and in particular International Valuation Application 1 and 3 and New Zealand Valuation Guidance Note 1 (effective from 1 October 2009).

The Total Value for the Waitomo District Council Investment Properties as at 30 June 2011 is reported at:

Improvements Value (30 June 2011) $385,000
Land Value (30 June 2011) $242,000
Total Fair Value (30 June 2011) $627,000

Overhead Allocation

All overhead costs have been allocated to significant activities.

Overhead costs are allocated to Council activities using appropriate cost drivers such as actual use, staff numbers and floor area.

Impairment of Non-Financial Assets

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or where there is an indication that the asset is impaired. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the assets ability to generate net cash inflows and where the entity would, if deprived of the asset, replace it's remaining future economic benefits or service potential.

The value in use for cash-generating assets is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the profit or loss.

For assets not carried at a revalued amount, the total impairment loss is recognised in the profit or loss.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in Profit or loss, a reversal of the impairment loss is also recognised in the profit or loss.

For assets not carried at a revalued amount (other than goodwill) the reversal of an impairment loss is recognised in the profit or loss.

Equity

Equity is the community's interest in the Council, and is measured as the difference between total assets and total liabilities. Equity is dis-aggregated and classified into a number of reserves.
The components of equity are:

- Retained earnings
- Other reserves
- Asset revaluation reserves

Retained earnings do not represent cash available to offset future rate increases, but rather represent the community's investment in publicly owned assets resulting from past surpluses.

Reserves

Restricted reserves

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the Council. Restricted reserves are those subject to specific conditions accepted as binding by the Council and which may not be revised by the Council without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Also included in restricted reserves are reserves restricted by Council decision. Transfers to and from these reserves are at the discretion of the Council.

Council created reserves

Council created reserves are a combination of depreciation reserves and transfers of Surplus or Deficit from operations. The purpose of the reserves is to maintain balances of funded depreciation for future renewal of assets and to hold revenue streams in separate balances as required by Council.

Available for sale reserves

Available for sale reserves consists of valuation gains associated with Council's investments, classified as Available for Sale.

Hedging reserves

Hedging reserves comprise the effective portion of the cumulative net change in the fair value of derivatives designated as cash flow hedges. Property revaluation reserves relates to the revaluation of property, plant and equipment to fair value.

Statement of Cash Flows

The Cash Flow Statement is prepared inclusive of GST. For the purpose of the Cash Flow Statement cash 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 net of bank overdrafts.

Operating activities include cash received from all income sources of the Council 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 investments.

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

Budget Figures

The budget figures are those approved by the Council at the beginning of the year in the annual plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Council for the preparation of the financial statements.

Critical Accounting Estimates and Judgements

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

Note 16 of Council's 2010/11 Annual Report discloses an analysis of the exposure of the Group in relation to the estimates and uncertainties surrounding the landfill aftercare provision.

Infrastructural Assets

There are a number of assumptions and estimates used when performing discounted replacement cost 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 the Council performing a combination of physical inspections and condition modelling assessments of underground assets;

- Estimating any obsolescence or surplus capacity of an asset; and;

- 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 the Council could be over or under estimating the annual deprecation charge recognised as an expense in the Profit or loss. To minimise this risk the 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 Group's asset management planning activities, which gives the Group further assurance over its useful life estimates.

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

Property, plant and equipment useful lives and residual values

At each balance date the Council reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the Council to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Council, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the profit or loss, and carrying amount of the asset in the Balance Sheet. The Council minimises the risk of this estimation uncertainty by:

- physical inspection of assets;
- asset replacement programs;
- review of second hand market prices for similar assets; and
- analysis of prior asset sales.

The Council has not made significant changes to past assumptions concerning useful lives and residual values.

Valuation of Investment in Inframax Construction Ltd

As a result of the continuing poor performance of Inframax Construction Limited in relation to the breach of its bank covenants, its reliance on the lenders continued financial support and given that it is unlikely that the subsidiary will be in a position to provide a return on Council's investment in the immediate future, the Council decided to write-down the value of its investment in Inframax Construction Limited to nil in the 2009/10 year.

Deferred Tax Asset

Recognition

Determining whether or not to recognise a deferred tax asset requires estimation of future cash flows. Any significant deviation from the assumptions used in forecasting future cash flows may effect the carrying value of the asset.

Recoverablility

It is unlikely the Council will be able to benefit from its deferred tax assets resulting from its accumulated tax losses. As such most of the Council's deferred tax balances, have been written off to profit and loss. In addition to that, Council is unlikely to receive taxable income from which to offset its accumulated tax losses and continues to not recognise a deferred tax asset.

Net Realisable Value of property Held as Inventory

In November 2011 Council purchased the Parkside subdivision from its subsidiary Inframax Construction Ltd at book value at 30 June 2011 less any section sales since that date. There is some risk that the book value of the inventory may not equate to net realisable value of the prospective financial statements.

Management have obtained a market valuation of the likely sale prices of the sites held for sale in the Te Kuiti subdivision. The Directors have then estimated the required discount factor to adjust the market selling prices down to net realisable value for financial reporting purposes. This discount factor used is an estimate only based on the best information available at the time and does involve a degree of uncertainty.

Changes in accounting policies

There have been no changes in accounting policies.

Cautionary Note

The information in the prospective financial statements is uncertain and the preparation requires the exercise of judgement. Actual financial results achieved for the period covered are likely to vary from the events and information presented, and the variations may be material. Events and circumstances may not occur as expected or may not have been predicted or the Council may subsequently take actions that differ from the proposed courses of action on which the prospective financial statements are based.

The information contained within these prospective financial statements may not be suitable for use in another capacity.

Assumptions underlying Prospective Financial Information

The financial information contained within these policies and documents is prospective financial information in terms of FRS 42: Prospective Financial Information. 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 Waitomo District Council over the years 2012/13 to 2021/22, and to provide a broad accountability mechanism of the Council to the Community.

For further details on forecasting assumptions, see Section B.