

TASMAN'S 10 YEAR PLAN 2021

DRAFT ACCOUNTING INFORMATION

REPORTING ENTITIES

Tasman District Council is a unitary local authority governed by the Local Government Act 2002 (LGA) and the Local Government (Rating) Act 2002. The purpose of the Council is to promote the social, economic, environmental and cultural well-being of communities and enable democratic local decision-making. Council does not operate to make a financial return.

Financial information within this Long Term Plan 2021 – 2031 (LTP) covers the Council operations, plus its controlled and jointly controlled entities.

Council is designated as a Public Benefit Entity (PBE) for financial reporting and applies New Zealand Tier 1 PBE accounting standards.

STATEMENT OF COMPLIANCE

The forecast information has been prepared and complies with Section 111 of the Local Government Act 2002, the Financial Reporting Act 1993, Generally Accepted Accounting Practice in New Zealand (GAAP) and the pronouncements of Chartered Accountants Australia New Zealand (CAANZ). The financial statements have been prepared in accordance with Tier 1 PBE accounting standards. In particular, these prospective financial statements have been prepared in accordance with Public Benefit Entities (PBE) Financial Reporting Standard No. 42.

A CAUTIONARY NOTE

The prospective financial information has been prepared for the purposes of meeting Council's requirements under the LGA 2002. This information may not be suitable for use in any other context.

The forecast information prepared is to enable the public to participate in the decision-making processes as to the services to be provided by Council to the Tasman communities over the period of the LTP. The main purpose of prospective financial statements in the LTP is to provide users with information about the core services that Council intends to provide to ratepayers, the expected cost of those services and, as a consequence, how much Council requires by way of rates to fund the intended levels of service. The level of rates funding required is not affected by subsidiaries except to the extent that Council obtains distributions from, or further invests in, those subsidiaries. Such effects are included in the prospective financial statements of Council.

The actual results achieved for any given financial year are likely to vary from the information presented and may vary materially, depending upon the circumstances that arise during the period. Council does not intend to update the prospective financial statements after publication.

BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis, with the exception of certain items identified in specific accounting policies below. They are presented in New Zealand dollars (NZD), which is the functional currency of each of the Council's entities, and are rounded to the nearest thousand dollars (\$000), unless otherwise stated. All items in the financial statements are stated exclusive of Goods and Services Tax (GST), except for receivables and payables, which include GST invoiced. The financial statements have been prepared on an ongoing concern basis and the accounting policies have been applied consistently throughout the planned period.

Council has a balance date of 30 June and these prospective financial statements are for the period from 1 July 2021 to 30 June 2031.

Financial information from the Annual Plan 2020/2021 has been provided to better compare against the LTP financial information.

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

SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of financial statements, in conformity with PBE standards, is issued by the External Reporting Board. The External Reporting Board requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to

be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Significant judgements, estimates and assumptions have been applied in measuring certain provisions and property, plant and equipment revaluations.

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

JOINT ARRANGEMENTS

Joint arrangements are arrangements where two or more parties have joint control. Joint control is the agreed sharing of control of an arrangement by way of a binding arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The accounting treatment can vary according to the structure of the arrangement. There are two types of joint arrangements – either a joint operation or a joint venture:

- A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Council's share of the assets, liabilities, revenue and expenditure of joint ventures is included on an equity accounting basis as a single line.
- A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operations also include operations where their activities primarily aim to provide the joint arrangement parties with an output (i.e. the parties have rights to substantially all of the service potential or economic benefits of the assets. For a joint operation, the Council has a liability in respect of its share of joint ventures' operational deficits and liabilities, and shares in any operational surpluses and assets. The Council's proportionate interest in the assets, liabilities, revenue and expenditure of joint operations is included in the financial statements of the Council on a line-by-line basis.

The Councils' jointly controlled operations are:

- Nelson Regional Sewerage Business Unit. Council has a 50% interest in this entity
- Nelson Tasman Combined Civil Defence Organisation. Council has a 50% interest in this entity
- Nelson Tasman Regional Landfill Business Unit. Council has a 50% interest in this entity
- Waimea Water Ltd. Council has a minimum 51% shareholding in this entity; its interest changes according to the equity paid and external loans.

The Councils' joint ventures are:

- Port Nelson Ltd. Council has a 50% shareholding.
- Nelson Airport Ltd. Council has a 50% shareholding.
- Tasman Bays Heritage Trust. Council has a 50% interest in this Trust.

COUNCIL-CONTROLLED ORGANISATIONS

As defined by section 6 of the Local Government Act 2002, a Council-Controlled Organisation (CCO) is a company under the control of local authorities through their:

- shareholding of 50% or more
- voting rights of 50% or more; or
- right to appoint 50% or more of the directors.

Waimea Water Ltd, Port Nelson Ltd, Nelson Airport Ltd and Tasman Bays Heritage Trust are CCOs.

REVENUE RECOGNITION

RATES RECOGNITION

Rates income is measured at fair value. The following particular policies apply:

1. General rates, targeted rates (excluding water-by-meter) and uniform annual general charges are recognised at the start of the financial year, to which the rates resolution relates. They are recognised at the amounts due. Council considers that the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.
2. Rates arising from late payment penalties are recognised as revenue when rates become overdue.
3. Rates remissions are recognised as a reduction of rates revenue when Council has received an application that satisfies its Rates Remission Policy.
4. Water billing revenue is recognised on an accrual basis with unread meters at year end accrued on an average usage basis.

OTHER REVENUE RECOGNITION

Revenue is measured at fair value. The following particular policies apply:

1. Development contributions and reserve financial contributions are recognised as revenue when Council provides, or is able to provide, the service that gave rise to the charging of the contribution. Otherwise, development contributions and financial contributions are recognised as liabilities until such time as Council provides, or is able to provide, the service.
2. Interest is recognised using the effective interest method.
3. Dividends are recognised when the right to receive payment has been established.
4. Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as revenue. Assets vested in Council are recognised as revenue when control over the asset is obtained. The fair value of vested or donated

assets is usually determined by reference to the cost of constructing the asset. For assets received from property developments, the fair value is based on construction price information provided from the most recent revaluation.

5. Infringements are recognised when the fine is issued.
6. Council receives government grants from the Waka Kotahi/New Zealand Transport Agency (Waka Kotahi), which subsidises part of Council's costs in maintaining the local roading infrastructure. Waka Kotahi revenue is recognised on entitlement when conditions pertaining to eligible expenditure is fulfilled.
7. Other grants are recognised as revenue when they become receivable, unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.
8. Fees and charges for building and resource consent services are recognised on a percentage completion basis with reference to the recoverable costs incurred at balance date.

CASH AND CASH EQUIVALENTS

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

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

TRADE AND OTHER RECEIVABLES

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

WORKS IN PROGRESS

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

EXPENDITURE

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

GRANT EXPENDITURE

Non-discretionary grants are awarded if the grant application meets the specified criteria and recognised as expenditure when an application meets the specified criteria.

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

PAYABLES

Short-term payables are recorded at their face value.

LEASES

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

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

BORROWING COSTS

Borrowing costs are recognised as an expense in the period in which they are incurred. Borrowings are initially recognised at their fair value plus transaction costs. After initial recognition, all borrowings are measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities, unless Council has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

TAXATION

Council is exempt from income tax under the Income Tax Act 2007, except for certain income received from CCOs and port-related earnings. Income tax comprises current tax and deferred tax, which is calculated using the tax rate that has been enacted, or substantively enacted, by the reporting date. Income tax is charged or credited to the surplus or deficit, except when it relates to items that are recognised in other comprehensive revenue and expenditure or directly in equity. In which case, the current and deferred tax are also recognised in other comprehensive revenue and expenditure or directly in equity. Current tax is the amount of income tax payable in the current period, plus any adjustments to income tax payable in respect of prior periods. Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses.

FINANCIAL ASSETS

FINANCIAL ASSETS AT FAIR VALUE THROUGH SURPLUS OR DEFICIT

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

LOANS AND RECEIVABLES

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

HELD-TO-MATURITY INVESTMENTS

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH COMPREHENSIVE INCOME

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

IMPAIRMENT OF FINANCIAL ASSETS

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

ACCOUNTING FOR DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

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

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently 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 surplus or deficit.

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

INTANGIBLE ASSETS

SOFTWARE ACQUISITION AND DEVELOPMENT

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

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use by Council, are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

CARBON CREDITS

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

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 surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

- Computer software five years, 20%

There are no restrictions over the title of intangible assets. No intangible assets are pledged as security for liabilities.

PROPERTY, PLANT AND EQUIPMENT

OPERATIONAL ASSETS

These include land, buildings, computers and office equipment, building improvements, library books, plant, equipment, wharves and motor vehicles.

RESTRICTED ASSETS

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

INFRASTRUCTURAL ASSETS

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

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

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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 Council and the cost of the item can be measured reliably. Work in progress is recognised at cost less impairment and is not depreciated. In most instances, an item of property, plant and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

DISPOSALS

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit.

When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

SUBSEQUENT COSTS

Costs incurred, subsequent to initial acquisition, are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Council and the cost of the item can be measured reliably.

Values included in respect of assets are as follows:

- Vested assets, certain infrastructural assets and land have been vested in Council as part of the subdivision consent process. Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as revenue. Assets vested in Council are recognised as revenue when control over the asset is obtained. The fair value of vested or donated assets is usually determined by reference to the cost of constructing the asset. For assets received from property developments, the fair value is based on construction price information provided from the most recent revaluation.
- Infringements are recognised when the fine is issued.
- Depreciation is provided on a straight line basis on all assets at rates which will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

These assets have component lives that have been estimated as follows:

- | | |
|---------------------------------|-----------------|
| • Land | Not depreciated |
| • Buildings (including fit out) | 2 - 100 years |
| • Plant and equipment | 5 – 10 years |
| • Motor vehicles | 5 – 10 years |
| • Library books | 2 – 10 years |

Infrastructure Assets

Transportation

- | | |
|-----------|-----------|
| • Bridges | 100 years |
|-----------|-----------|

• Roads-other components	15 – 80 years
• Formation	Not depreciated
• Sub-base (sealed)	Not depreciated
• Car parks – formation	Not depreciated
• Car parks – sealed pavement	75 years
• Footpaths	25 – 75 years
• Pavement base (unsealed)	Not depreciated
• Drainage	25 – 120 years
Wastewater	
• Oxidation ponds	Not depreciated
• Treatment	9 – 100 years
• Pipe	50 – 80 years
• Pump stations	20 – 80 years
Water	
• Wells and pumps	10 – 80 years
• Pipes/valves/meters	15 – 80 years
Stormwater	
• Channel/detention dams	Not depreciated
• Pipe/manhole/sumps	80 – 120 years
Other infrastructural assets	
• Ports and wharves	7 – 100 years
• Airfields	10 – 80 years
• Refuse	15 – 100 years
Rivers	
• Stop banks	Not depreciated
• Rock protection	Not depreciated
• Willow plantings	Not depreciated
• Gabion baskets	30 years
• Railway irons	50 years
• Outfalls	60 years

REVALUATION

With the exception of vested assets at the initial point of recognition, all valuations are carried out or reviewed by the Council's Engineering Services Manager, or by independent qualified valuers. The Council's intention is that valuations are carried out on a three-yearly cycle. The carrying values of revalued items are reviewed at each balance date, to ensure that these values are not materially different to fair value. Where materially different, Council will revalue at an earlier point. Revaluations are carried out on an asset class basis. Forestry valuations are carried out annually.

The net revaluation results are credited or debited to other comprehensive revenue and expenses and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expenses, but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit, up to the amount previously expensed, and then recognised in other comprehensive revenue and expenses.

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

- Transportation
- Stormwater
- Waste Management and Minimisation
- Water Supply
- Wastewater
- Rivers
- Coastal Assets
- Land and Buildings

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense, but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

The anticipated results of the revaluations have been included in the LTP.

IMPAIRMENT

Intangible assets that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment.

Property, plant and equipment that have a finite useful life are reviewed for impairment at each balance date and 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 its value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as 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 surplus or deficit.

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expense. This increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

VALUE IN USE FOR NON-CASH-GENERATING ASSETS

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash-generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, a restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

VALUE IN USE FOR CASH-GENERATING ASSETS

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

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

FORESTRY ASSETS

Forestry assets are predominantly standing trees that are managed on a sustainable yield basis. These are shown in the Statement of Financial Position at fair value less estimated point of sale costs at harvest. The costs to establish and maintain the forestry assets are independently

revalued annually at fair value, less estimated costs to sell for one growth cycle. Fair value is determined based on the present value of expected net cash flows, discounted at the current market determined rate. This calculation is based on existing sustainable felling plans and assessments regarding growth, timber prices, felling and silviculture costs, and takes into consideration environmental, operational and market restrictions.

Gains or losses arising on initial recognition of forestry assets at fair value, less estimated point-of-sale costs and from a change in fair value, less estimated point-of-sale costs are recognised in the surplus or deficit.

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

CONTRACT RETENTION

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

OVERHEADS

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

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

INVESTMENT PROPERTIES

Properties 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 rent or for capital appreciation. Investment property is measured initially at its cost, including transaction costs. After initial recognition, Council 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 surplus or deficit.

PROPERTIES INTENDED FOR RESALE

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. 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 surplus or deficit. 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.

PROVISIONS

Council recognises a provision for future expenditure of an 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 and is included in 'Finance Costs'.

EMPLOYEE ENTITLEMENTS

SHORT-TERM BENEFITS

Employee benefits that Council expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

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.

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 Council anticipates it will be used by staff to cover those future absences.

Council recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

LONG-TERM BENEFITS

Entitlements that are payable beyond 12 months, such as long service leave and retirement leave have been calculated on an actuarial basis. The calculations are based on:

- 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;
- the present value of the estimated future cash flows [Note: Retirement leave has not been discounted to present value]; and
- presentation of employee entitlements.

Sick leave, annual leave, vested long service leave, and non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date, are classified as a current liability. All other employee entitlements are classified as a non-current liability.

SUPERANNUATION SCHEMES

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the surplus or deficit as incurred.

KEY ASSUMPTIONS IN MEASURING RETIREMENT AND LONG SERVICE LEAVE OBLIGATIONS

The present value of long service leave obligations depend on a number of factors that are determined on an actuarial basis. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will affect the carrying amount of the liability.

The expected future payments are discounted using forward discount rates derived from the yield curve of New Zealand government bonds. The discount rates used have maturities that match, as closely as possible, the estimated future cash outflows. The salary inflation factor is based on the treasury inflation rate.

The retirement obligations have not been discounted to present value.

LANDFILL AFTER-CARE COSTS

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

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

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

ACCUMULATED EQUITY

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

- accumulated funds
- restricted reserves and Council-created reserves, and
- asset revaluation reserve.

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

RESTRICTED AND COUNCIL CREATED RESERVES

Restricted reserves are those reserves subject to specific conditions accepted as binding by Council and which may not be revised without reference to the Courts or third party. Council created reserves are reserves established by a Council decision. Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

FUNDING IMPACT STATEMENTS

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

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

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

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

FUNDING IN ACCORDANCE WITH THE LOCAL GOVERNMENT ACT 2002

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

CHANGES IN ACCOUNTING POLICIES

Council applied new accounting standards PBE IPSAS 34-38 in these financial statements to its joint arrangements. This resulted in recognition of the assets, liabilities, revenue and expenses that arise from its interest in Councils' joint operations. Under the previous standards, Council recognised its share of all transactions and balances.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements, Council has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

INFRASTRUCTURAL ASSETS

Infrastructural asset valuations are carried out on a three-yearly cycle, on a depreciated replacement cost basis. The carrying values of revalued items are reviewed at each balance date to ensure that these values are not materially different to fair value. The most recent revaluation was performed as at 30 June 2020, for Transportation, and Three Waters assets. Where materially different, Council will revalue at an earlier point. There are a number of assumptions and estimates used when performing depreciated replacement cost basis valuations over infrastructural assets. These include:

- the physical deterioration and condition of an asset. For example, Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets which are not visible, for example, stormwater, wastewater and water supply pipes that are underground. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments of underground assets;
- estimating any obsolescence or surplus capacity of an asset; 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 Council could be over or under estimating the annual depreciation charge recognised as an expense in the surplus or deficit. To minimise this risk, our 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. We then adjust for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of the Council's asset management planning activities, which gives us further assurance over its useful life estimates.

Valuations are carried out by independent qualified valuers.

OPERATIONAL ASSETS

Specialised buildings are valued at fair value, using depreciated replacement cost because no reliable market data is available for such buildings. Significant assumptions include:

- the replacement asset is based on the reproduction cost of the specific assets with adjustments where appropriate for obsolescence due to over-design or surplus capacity
- the replacement cost is derived from recent construction contracts of similar assets and Property Institute of New Zealand cost information
- the remaining useful life of assets is estimated
- straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

Non-specialised buildings (for example, residential buildings) are valued at fair value using market-based evidence. Market rents and capitalisation rates were applied to reflect market value. GR Butterworth SPINZ, ANZIV of QV Valuations Limited performed the most recent valuation. This valuation is effective as at 30 June 2018.

Land is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values. Adjustments have been made to the ‘unencumbered’ land value where there is a designation against the land or the use of the land is restricted because of reserve or endowment status. These adjustments are intended to reflect the negative effect on the value of the land where an owner is unable to use the land more intensely.

CLASSIFICATION OF PROPERTY

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

INFLATION ADJUSTED ACCOUNTS

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

This means that all financial figures shown in this document for Year 1 onwards, incorporate inflation adjustments compounding annually. For example, this means that what costs \$1.00 for maintenance in Year 1 is expected to cost almost \$1.29 by Year 10.

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

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

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

	JUN-22	JUN-23	JUN-24	JUN-25	JUN-26	JUN-27	JUN-28	JUN-29	JUN-30	JUN-31	TEN YEAR AVERAGE
Income	2.6%	3.2%	2.5%	2.6%	2.8%	2.9%	3.0%	3.1%	3.2%	3.2%	2.9%
Salaries	2.8%	3.4%	2.5%	2.7%	3.0%	3.2%	3.3%	3.4%	3.6%	3.7%	3.2%
Maintenance	2.3%	2.9%	2.5%	2.5%	2.5%	2.5%	2.6%	2.7%	2.7%	2.6%	2.6%
Capital	2.3%	3.0%	2.6%	2.6%	2.7%	2.6%	2.8%	2.8%	2.9%	2.7%	2.7%

The BERL figures were prepared in October 2020.

PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

	<u>2020/21</u> <u>AP</u> <u>\$000</u>	<u>2021/22</u> <u>Budget</u> <u>\$000</u>	<u>2022/23</u> <u>Budget</u> <u>\$000</u>	<u>2023/24</u> <u>Budget</u> <u>\$000</u>	<u>2024/25</u> <u>Budget</u> <u>\$000</u>	<u>2025/26</u> <u>Budget</u> <u>\$000</u>	<u>2026/27</u> <u>Budget</u> <u>\$000</u>	<u>2027/28</u> <u>Budget</u> <u>\$000</u>	<u>2028/29</u> <u>Budget</u> <u>\$000</u>	<u>2029/30</u> <u>Budget</u> <u>\$000</u>	<u>2030/31</u> <u>Budget</u> <u>\$000</u>
-											
REVENUE											-
General rates	40,287	43,619	47,257	50,415	54,105	59,140	63,017	65,560	68,556	72,344	76,038
Targeted rates	37,140	38,727	40,355	42,724	47,173	50,953	53,468	55,181	57,535	61,407	63,948
Development and financial contributions	10,310	12,146	12,271	12,372	10,439	10,520	10,605	10,696	9,907	10,010	11,652
Operating subsidies and grants	3,848	6,183	6,430	6,504	6,769	5,674	5,900	6,457	9,154	6,683	6,952
Capital subsidies and grants	14,629	22,527	11,573	6,045	9,251	5,973	7,617	10,947	8,958	11,313	9,679
Fees and charges	15,652	16,230	17,424	18,424	18,695	18,816	19,085	19,366	19,669	19,991	20,402
Other revenue	21,413	25,196	28,060	29,315	27,173	26,560	27,335	25,656	27,856	26,088	25,783
Fair value movement on revaluation	0	0	0	0	0	0	0	0	0	0	0
Other gains	62	62	62	62	62	62	62	62	62	62	62
Finance income	446	605	609	616	622	629	635	641	646	651	655
Revenue of joint ventures	7,658	6,428	7,092	7,822	8,212	8,698	8,982	9,212	9,697	10,116	10,660
Share of associates surplus/deficit	0	0	0	0	0	0	0	0	0	0	0
Total revenue	151,445	171,723	171,133	174,299	182,501	187,025	196,706	203,778	212,040	218,665	225,831
EXPENSE											
Finance expense	8,558	8,292	9,395	9,553	9,471	9,307	8,512	7,847	7,471	7,836	7,648
Employee related expense	27,276	29,756	32,663	34,346	35,918	37,621	40,393	42,535	45,655	49,033	52,646
Other expenses	37,642	46,446	55,953	56,063	48,180	48,085	50,319	49,777	53,517	53,190	54,102
Maintenance	21,704	22,907	25,217	25,889	26,525	27,657	28,432	28,775	29,569	30,457	31,330
Depreciation and amortisation	29,984	32,783	32,762	36,041	37,552	38,274	40,856	41,364	42,394	45,888	47,156
Fair value loss on revaluation	0	0	0	0	0	0	0	0	0	0	0
Expenditure of joint ventures	3,921	2,501	2,660	2,987	3,268	3,759	3,989	4,103	4,550	4,870	5,422
Total expense	129,085	142,685	158,650	164,879	160,914	164,703	172,501	174,401	183,156	191,274	198,304
Surplus/(deficit) before taxation	22,360	29,038	12,483	9,420	21,587	22,322	24,205	29,377	28,884	27,391	27,527
Income tax expense	0	0	0	0	0	0	0	0	0	0	0

Surplus/(deficit) after tax	<u>22,360</u>	<u>29,038</u>	<u>12,483</u>	<u>9,420</u>	<u>21,587</u>	<u>22,322</u>	<u>24,205</u>	<u>29,377</u>	<u>28,884</u>	<u>27,391</u>	<u>27,527</u>
OTHER COMPREHENSIVE REVENUE	-										
Gain on asset revaluations	0	0	102,041	19,810	0	118,717	21,961	0	137,031	26,688	0
Deferred tax on asset revaluations	0	0	0	0	0	0	0	0	0	0	0
Movement in NZLG shares value	0	0	0	0	0	0	0	0	0	0	0
Asset impairment Loss	0	0	0	0	0	0	0	0	0	0	0
Share of associate other comprehensive income	0	0	0	0	0	0	0	0	0	0	0
Total other comprehensive revenue and expense	0	0	102,041	19,810	0	118,717	21,961	0	137,031	26,688	0
Total comprehensive revenue and expense	<u>22,360</u>	<u>29,038</u>	<u>114,524</u>	<u>29,230</u>	<u>21,587</u>	<u>141,039</u>	<u>46,166</u>	<u>29,377</u>	<u>165,915</u>	<u>54,079</u>	<u>27,527</u>

PROSPECTIVE STATEMENT OF FINANCIAL POSITION

	<u>2020/21</u> AP \$000	<u>2021/22</u> Budget \$000	<u>2022/23</u> Budget \$000	<u>2023/24</u> Budget \$000	<u>2024/25</u> Budget \$000	<u>2025/26</u> Budget \$000	<u>2026/27</u> Budget \$000	<u>2027/28</u> Budget \$000	<u>2028/29</u> Budget \$000	<u>2029/30</u> Budget \$000	<u>2030/31</u> Budget \$000
CURRENT ASSETS											
Cash and cash equivalents	10,128	15,754	14,114	14,077	14,704	13,010	14,470	15,336	17,771	17,700	16,797
Trade and other receivables	16,434	14,994	16,227	16,779	15,355	15,231	15,614	15,180	15,815	15,275	15,868
Other financial assets	1,371	33,684	33,684	33,684	33,684	33,684	33,684	33,684	33,684	33,684	33,684
Non current assets held for resale	0	0	0	0	0	0	0	0	0	0	0
Total current assets	27,933	64,432	64,025	64,540	63,743	61,925	63,768	64,200	67,270	66,659	66,349
CURRENT LIABILITIES											
Trade and other payables	20,429	34,471	35,025	36,793	36,242	34,620	36,513	36,947	39,883	39,171	39,428
Employee benefit liabilities	2,219	3,247	3,472	3,591	3,697	3,807	3,977	4,100	4,270	4,441	4,612
Current portion of borrowings	16,636	15,003	34,003	8,503	22,003	10,003	29,003	10,003	15,003	15,003	15,003
Current portion of derivative financial instruments	3,625	4,387	4,387	4,387	4,387	4,387	4,387	4,387	4,387	4,387	4,387
Total current liabilities	42,909	57,108	76,887	53,274	66,329	52,817	73,880	55,437	63,543	63,002	63,430
Working capital	14,976	7,324	(12,862)	11,266	(2,586)	9,108	(10,112)	8,763	3,727	3,657	2,919
NON CURRENT ASSETS											
Investments in associates	137,599	169,652	169,652	169,652	169,652	169,652	169,652	169,652	169,652	169,652	169,652
Other financial assets	22,296	49,272	70,321	70,212	70,183	70,155	70,127	70,098	70,070	70,042	70,014
Intangible assets	2,376	2,415	2,583	2,526	2,155	1,982	1,989	1,997	2,004	2,012	2,019
Trade & other receivables	0	0	0	0	0	0	0	0	0	0	0
Forestry assets	44,722	47,058	47,058	47,058	47,058	47,058	47,058	47,058	47,058	47,058	47,058

<u>Investment property</u>	<u>5,279</u>	<u>5,053</u>	<u>5,054</u>	<u>5,056</u>	<u>5,057</u>	<u>5,059</u>	<u>5,060</u>	<u>5,062</u>	<u>5,064</u>	<u>5,065</u>	<u>5,067</u>
<u>Property, plant and equipment</u>	<u>1,625,736</u>	<u>1,646,253</u>	<u>1,772,344</u>	<u>1,818,639</u>	<u>1,842,451</u>	<u>1,973,758</u>	<u>2,013,506</u>	<u>2,034,850</u>	<u>2,207,929</u>	<u>2,261,437</u>	<u>2,286,953</u>
<u>Total non current assets</u>	<u>1,838,008</u>	<u>1,919,703</u>	<u>2,067,012</u>	<u>2,113,143</u>	<u>2,136,556</u>	<u>2,267,664</u>	<u>2,307,392</u>	<u>2,328,717</u>	<u>2,501,777</u>	<u>2,555,266</u>	<u>2,580,763</u>
<u>NON CURRENT LIABILITIES</u>	-	-	-	-	-	-	-	-	-	-	-
<u>Term borrowings</u>	<u>191,409</u>	<u>244,034</u>	<u>256,622</u>	<u>297,656</u>	<u>285,643</u>	<u>287,410</u>	<u>261,741</u>	<u>272,564</u>	<u>274,664</u>	<u>273,994</u>	<u>271,216</u>
<u>Derivative financial instruments</u>	<u>15,511</u>	<u>19,011</u>	<u>19,011</u>	<u>19,011</u>	<u>19,011</u>	<u>19,011</u>	<u>19,011</u>	<u>19,011</u>	<u>19,011</u>	<u>19,011</u>	<u>19,011</u>
<u>Employee benefit liabilities</u>	<u>406</u>	<u>400</u>	<u>452</u>	<u>480</u>	<u>505</u>	<u>530</u>	<u>570</u>	<u>598</u>	<u>638</u>	<u>678</u>	<u>718</u>
<u>Provisions</u>	<u>2,296</u>	<u>3,575</u>	<u>3,534</u>	<u>3,499</u>	<u>3,460</u>	<u>3,431</u>	<u>3,401</u>	<u>3,372</u>	<u>3,342</u>	<u>3,313</u>	<u>3,283</u>
<u>Total non current liabilities</u>	<u>209,622</u>	<u>267,020</u>	<u>279,619</u>	<u>320,646</u>	<u>308,619</u>	<u>310,382</u>	<u>284,723</u>	<u>295,545</u>	<u>297,655</u>	<u>296,996</u>	<u>294,228</u>
<u>Total net assets</u>	<u>1,613,410</u>	<u>1,660,007</u>	<u>1,774,531</u>	<u>1,803,763</u>	<u>1,825,351</u>	<u>1,966,390</u>	<u>2,012,557</u>	<u>2,041,935</u>	<u>2,207,849</u>	<u>2,261,927</u>	<u>2,289,454</u>
<u>EQUITY</u>	-	-	-	-	-	-	-	-	-	-	-
<u>Accumulated equity</u>	<u>670,121</u>	<u>793,998</u>	<u>813,431</u>	<u>832,480</u>	<u>858,604</u>	<u>881,090</u>	<u>903,550</u>	<u>929,537</u>	<u>962,342</u>	<u>990,020</u>	<u>1,020,463</u>
<u>Restricted reserves</u>	<u>24,272</u>	<u>23,609</u>	<u>16,659</u>	<u>7,032</u>	<u>2,496</u>	<u>2,332</u>	<u>4,078</u>	<u>7,469</u>	<u>3,547</u>	<u>3,259</u>	<u>343</u>
<u>Revaluation reserves</u>	<u>919,017</u>	<u>842,400</u>	<u>944,441</u>	<u>964,251</u>	<u>964,251</u>	<u>1,082,968</u>	<u>1,104,929</u>	<u>1,104,929</u>	<u>1,241,960</u>	<u>1,268,648</u>	<u>1,268,648</u>
<u>Total equity</u>	<u>1,613,410</u>	<u>1,660,007</u>	<u>1,774,531</u>	<u>1,803,763</u>	<u>1,825,351</u>	<u>1,966,390</u>	<u>2,012,557</u>	<u>2,041,935</u>	<u>2,207,849</u>	<u>2,261,927</u>	<u>2,289,454</u>

PROSPECTIVE STATEMENT OF CASHFLOWS

	<u>2020/21</u> <u>AP</u> <u>\$000</u>	<u>2021/22</u> <u>Budget</u> <u>\$000</u>	<u>2022/23</u> <u>Budget</u> <u>\$000</u>	<u>2023/24</u> <u>Budget</u> <u>\$000</u>	<u>2024/25</u> <u>Budget</u> <u>\$000</u>	<u>2025/26</u> <u>Budget</u> <u>\$000</u>	<u>2026/27</u> <u>Budget</u> <u>\$000</u>	<u>2027/28</u> <u>Budget</u> <u>\$000</u>	<u>2028/29</u> <u>Budget</u> <u>\$000</u>	<u>2029/30</u> <u>Budget</u> <u>\$000</u>	<u>2030/31</u> <u>Budget</u> <u>\$000</u>
CASHFLOW FROM OPERATING ACTIVITIES											
Cash was provided from:											
Fees and charges and other revenue	65,580	77,628	71,123	68,986	71,438	65,639	68,219	71,626	73,240	73,133	72,697
Rates revenue	77,486	82,352	87,616	93,143	101,283	110,098	116,488	120,743	126,094	133,754	139,989
Dividends received	2,955	2,555	2,830	3,080	3,080	3,080	3,080	3,080	3,080	3,080	3,080
Interest received	446	605	609	616	622	629	635	641	646	651	655
Net GST received	0	0	0	0	0	0	0	0	0	0	0
	146,467	163,140	162,178	165,825	176,423	179,446	188,422	196,090	203,060	210,618	216,421
Cash was disbursed to:											
Payments to staff and suppliers	(90,542)	(99,448)	(114,287)	(118,386)	(114,281)	(117,297)	(121,989)	(125,476)	(132,165)	(137,472)	(143,145)
Interest paid	(8,558)	(8,292)	(9,395)	(9,553)	(9,471)	(9,307)	(8,512)	(7,847)	(7,471)	(7,836)	(7,648)
	(99,100)	(107,740)	(123,682)	(127,939)	(123,752)	(126,604)	(130,501)	(133,323)	(139,636)	(145,308)	(150,793)
Net cash from operating activities	47,367	55,400	38,496	37,886	52,671	52,842	57,921	62,767	63,424	65,310	65,628
CASHFLOW FROM INVESTING ACTIVITIES											
Cash was provided from:											
Proceeds from sale of assets	62	62	62	62	62	62	62	62	62	62	62
Proceeds from sale of investments	25	1,843	118	109	29	28	28	28	28	28	28
	87	1,905	180	171	91	90	90	90	90	90	90
Cash was disbursed to:											
Purchase of investments	(24)	(39,140)	(21,167)	-	-	-	-	-	-	-	-
Purchase of property, plant and equipment	(64,142)	(64,018)	(50,738)	(53,627)	(53,623)	(44,392)	(49,883)	(53,814)	(68,180)	(64,801)	(63,843)
	(64,166)	(103,158)	(71,905)	(53,627)	(53,623)	(44,392)	(49,883)	(53,814)	(68,180)	(64,801)	(63,843)
Net cash from investing activities	(64,079)	(101,253)	(71,725)	(53,456)	(53,532)	(44,302)	(49,793)	(53,724)	(68,090)	(64,711)	(63,753)
CASHFLOW FROM FINANCING ACTIVITIES											
Cash was provided from:											
Proceeds from loans	33,435	61,653	50,582	39,245	23,925	17,133	19,276	20,180	32,987	24,023	26,902
Cash was disbursed to:											
Repayment of borrowings	(16,636)	(17,187)	(18,993)	(23,712)	(22,437)	(27,367)	(25,944)	(28,357)	(25,886)	(24,693)	(29,680)

<u>Net cash from financing activities</u>	<u>16,799</u>	<u>44,466</u>	<u>31,589</u>	<u>15,533</u>	<u>1,488</u>	<u>(10,234)</u>	<u>(6,668)</u>	<u>(8,177)</u>	<u>7,101</u>	<u>(670)</u>	<u>(2,778)</u>
<u>Total net cashflows</u>	<u>87</u>	<u>(1,387)</u>	<u>(1,640)</u>	<u>(37)</u>	<u>627</u>	<u>(1,694)</u>	<u>1,460</u>	<u>866</u>	<u>2,435</u>	<u>(71)</u>	<u>(903)</u>
Opening cash held	10,041	17,141	15,754	14,114	14,077	14,704	13,010	14,470	15,336	17,771	17,700
<u>Closing cash and cash equivalents balance</u>	<u>10,128</u>	<u>15,754</u>	<u>14,114</u>	<u>14,077</u>	<u>14,704</u>	<u>13,010</u>	<u>14,470</u>	<u>15,336</u>	<u>17,771</u>	<u>17,700</u>	<u>16,797</u>
- Represented by:	-	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	10,128	15,754	14,114	14,077	14,704	13,010	14,470	15,336	17,771	17,700	16,797
<u>Cash and cash equivalents</u>	<u>10,128</u>	<u>15,754</u>	<u>14,114</u>	<u>14,077</u>	<u>14,704</u>	<u>13,010</u>	<u>14,470</u>	<u>15,336</u>	<u>17,771</u>	<u>17,700</u>	<u>16,797</u>

PROSPECTIVE STATEMENT OF CHANGES IN NET ASSETS/EQUITY

	<u>2020/21</u> <u>Budget</u> <u>\$000</u>	<u>2021/22</u> <u>Budget</u> <u>\$000</u>	<u>2022/23</u> <u>Budget</u> <u>\$000</u>	<u>2023/24</u> <u>Budget</u> <u>\$000</u>	<u>2024/25</u> <u>Budget</u> <u>\$000</u>	<u>2025/26</u> <u>Budget</u> <u>\$000</u>	<u>2026/27</u> <u>Budget</u> <u>\$000</u>	<u>2027/28</u> <u>Budget</u> <u>\$000</u>	<u>2028/29</u> <u>Budget</u> <u>\$000</u>	<u>2029/30</u> <u>Budget</u> <u>\$000</u>	<u>2030/31</u> <u>Budget</u> <u>\$000</u>
-											
Equity at the start of the year	1,591,050	1,630,971	1,660,009	1,774,533	1,803,763	1,825,350	1,966,389	2,012,555	2,041,932	2,207,847	2,261,926
Total Comprehensive revenue and expenses	22,360	29,038	114,524	29,230	21,587	141,039	46,166	29,377	165,915	54,079	27,527
Equity at the end of the year	1,613,410	1,660,009	1,774,533	1,803,763	1,825,350	1,966,389	2,012,555	2,041,932	2,207,847	2,261,926	2,289,453

PROSPECTIVE CASHFLOW RECONCILIATION

	<u>2020/21</u> <u>AP</u> <u>\$000</u>	<u>2021/22</u> <u>Budget</u> <u>\$000</u>	<u>2022/23</u> <u>Budget</u> <u>\$000</u>	<u>2023/24</u> <u>Budget</u> <u>\$000</u>	<u>2024/25</u> <u>Budget</u> <u>\$000</u>	<u>2025/26</u> <u>Budget</u> <u>\$000</u>	<u>2026/27</u> <u>Budget</u> <u>\$000</u>	<u>2027/28</u> <u>Budget</u> <u>\$000</u>	<u>2028/29</u> <u>Budget</u> <u>\$000</u>	<u>2029/30</u> <u>Budget</u> <u>\$000</u>	<u>2030/31</u> <u>Budget</u> <u>\$000</u>
-	-	-	-	-	-	-	-	-	-	-	-
<u>SURPLUS(DEFICIT) FROM PROSPECTIVE INCOME STATEMENT</u>	<u>22,360</u>	<u>29,038</u>	<u>12,483</u>	<u>9,420</u>	<u>21,587</u>	<u>22,322</u>	<u>24,205</u>	<u>29,377</u>	<u>28,884</u>	<u>27,391</u>	<u>27,527</u>
<u>Add non cash items:</u>	-	-	-	-	-	-	-	-	-	-	-
Depreciation	29,984	32,783	32,762	36,041	37,552	38,274	40,856	41,364	42,394	45,888	47,156
Fair value movement on revaluation	-	-	-	-	-	-	-	-	-	-	-
Share of associates surplus/deficit	-	-	-	-	-	-	-	-	-	-	-
Vested assets	(4,452)	(7,437)	(7,661)	(7,860)	(7,440)	(7,641)	(7,839)	(8,059)	(8,284)	(8,525)	(8,755)
-	<u>25,532</u>	<u>25,346</u>	<u>25,101</u>	<u>28,181</u>	<u>30,112</u>	<u>30,633</u>	<u>33,017</u>	<u>33,305</u>	<u>34,110</u>	<u>37,363</u>	<u>38,401</u>
<u>Movements in workings capital:</u>	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) in accounts receivable	(464)	(1,084)	(1,233)	(552)	1,424	124	(383)	434	(635)	540	(593)
Increase (decrease) in accounts payable	(56)	21	554	1,768	(551)	(1,622)	1,893	434	2,936	(712)	257
Increase (decrease) in employee entitlements	40	260	225	119	106	110	170	123	170	171	171
-	<u>(480)</u>	<u>(803)</u>	<u>(454)</u>	<u>1,335</u>	<u>979</u>	<u>(1,388)</u>	<u>1,680</u>	<u>991</u>	<u>2,471</u>	<u>(1)</u>	<u>(165)</u>
<u>Other:</u>	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) in term receivables	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in term provisions	(54)	(35)	(41)	(35)	(39)	(29)	(30)	(29)	(30)	(29)	(30)
Increase (decrease) in term employee entitlements	17	61	52	28	25	25	40	28	40	40	40
-	<u>(37)</u>	<u>26</u>	<u>11</u>	<u>(7)</u>	<u>(14)</u>	<u>(4)</u>	<u>10</u>	<u>(1)</u>	<u>10</u>	<u>11</u>	<u>10</u>
<u>Add(deduct) items classified as investing or financing activities:</u>	-	-	-	-	-	-	-	-	-	-	-
Gain on sale of assets	(62)	(62)	(62)	(62)	(62)	(62)	(62)	(62)	(62)	(62)	(62)
Capital creditors	54	1,855	1,416	(982)	70	1,340	(929)	(843)	(1,990)	608	(82)
-	<u>(8)</u>	<u>1,793</u>	<u>1,354</u>	<u>(1,044)</u>	<u>8</u>	<u>1,278</u>	<u>(991)</u>	<u>(905)</u>	<u>(2,052)</u>	<u>546</u>	<u>(144)</u>
Net cash flow from operating activities	<u>47,367</u>	<u>55,400</u>	<u>38,495</u>	<u>37,885</u>	<u>52,672</u>	<u>52,841</u>	<u>57,921</u>	<u>62,767</u>	<u>63,423</u>	<u>65,310</u>	<u>65,629</u>

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PROSPECTIVE FUNDING IMPACT STATEMENT

	2020/21 AP \$000	2021/22 Budget \$000	2022/23 Budget \$000	2023/24 Budget \$000	2024/25 Budget \$000	2025/26 Budget \$000	2026/27 Budget \$000	2027/28 Budget \$000	2028/29 Budget \$000	2029/30 Budget \$000	2030/31 Budget \$000
SOURCES OF OPERATING FUNDING											
General rates, uniform annual general charges, rates penalties	40,825	43,971	47,620	50,787	54,487	59,533	63,421	65,977	68,986	72,787	76,496
Targeted rates	37,324	38,727	40,355	42,724	47,173	50,953	53,468	55,181	57,535	61,407	63,948
Subsidies and grants for operating purposes	5,383	6,183	6,430	6,504	6,769	5,674	5,900	6,457	9,154	6,683	6,952
Fees and charges	15,652	16,230	17,424	18,424	18,695	18,816	19,085	19,366	19,669	19,991	20,402
Interest and dividends from investments	3,452	3,050	3,323	3,571	3,570	3,568	3,568	3,568	3,568	3,568	3,568
Local authorities fuel tax, fines, infringement fees, and other receipts	21,239	21,389	24,414	25,949	24,615	24,285	25,141	23,467	25,918	24,319	24,318
Total operating funding	123,875	129,550	139,566	147,959	155,309	162,829	170,583	174,016	184,830	188,755	195,684
APPLICATIONS OF OPERATING FUNDING											
Payments to staff and suppliers	90,912	101,609	116,492	119,283	113,889	117,119	123,132	125,189	133,292	137,550	143,499
Finance costs	8,558	8,292	9,396	9,553	9,471	9,308	8,513	7,848	7,471	7,837	7,649
Other operating funding applications	0	0	0	0	0	0	0	0	0	0	0
Total applications of operating funding	99,470	109,901	125,888	128,836	123,360	126,427	131,645	133,037	140,763	145,387	151,148
Surplus/(deficit) of operating funding	24,405	19,649	13,678	19,123	31,949	36,402	38,938	40,979	44,067	43,368	44,536
SOURCES OF CAPITAL FUNDING											
Subsidies and grants for capital expenditure	13,115	22,527	11,573	6,045	9,251	5,973	7,617	10,947	8,958	11,313	9,679
Development and financial contributions	10,310	12,146	12,271	12,372	10,439	10,520	10,605	10,696	9,907	10,010	11,652
Increase (decrease) in debt	16,799	44,465	31,589	15,533	1,488	(10,234)	(6,668)	(8,178)	7,100	(670)	(2,778)
Gross proceeds from sale of assets	62	62	62	62	62	62	62	62	62	62	62
Lump sum contributions	0	0	0	0	0	0	0	0	0	0	0
Other dedicated capital funding	0	0	0	0	0	0	0	0	0	0	0
Total sources of capital funding	40,286	79,200	55,495	34,012	21,240	6,321	11,616	13,527	26,027	20,715	18,615

APPLICATIONS OF CAPITAL FUNDING

Capital expenditure	-	-	-	-	-	-	-	-	-	-	-
- to meet additional demand	4,648	4,174	332	4,330	61	63	64	547	3,279	3,501	72
- to improve the level of service	16,682	19,939	6,293	12,179	13,871	4,464	8,879	8,430	17,178	16,318	16,768
- to replace existing assets	42,366	37,881	42,753	38,471	39,797	38,518	41,862	45,674	49,703	44,366	47,078
Increase (decrease) in reserves	(842)	(442)	(1,254)	(1,736)	(511)	(294)	(223)	(117)	(38)	(74)	(739)
Increase (decrease) in investments	1,837	37,297	21,049	(109)	(29)	(28)	(28)	(28)	(28)	(28)	(28)
Total applications of capital funding	64,691	98,849	69,173	53,135	53,189	42,723	50,554	54,506	70,094	64,083	63,151
Surplus/(deficit) of capital funding	(24,405)	(19,649)	(13,678)	(19,123)	(31,949)	(36,402)	(38,938)	(40,979)	(44,067)	(43,368)	(44,536)
Funding balance	0	0	0	0	0	0	0	0	0	0	0

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

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

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

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

Where appropriate the budgets for the LTP 2021-2031 have been developed from the forecast closing position of the 2020/21 financial year rather than the published annual plan.

DEPRECIATION AND AMORTISATION OF EXPENSES BY GROUP OF ACTIVITIES

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

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

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

	2020/21 AP \$000	2021/22 Budget \$000	2022/23 Budget \$000	2023/24 Budget \$000	2024/25 Budget \$000	2025/26 Budget \$000	2026/27 Budget \$000	2027/28 Budget \$000	2028/29 Budget \$000	2029/30 Budget \$000	2030/31 Budget \$000
Environmental Management	233	249	326	404	470	509	537	545	526	516	523
Public Health and Safety	93	112	114	115	114	104	87	82	81	79	81
Transportation	11,605	11,636	11,541	13,321	13,986	14,406	15,979	16,475	17,206	19,111	19,622
Coastal Structures	48	35	35	49	50	57	79	79	88	114	107
Water Supply	3,794	4,535	4,230	4,549	4,627	4,646	5,094	5,254	5,337	5,691	5,879
Wastewater	4,285	5,898	5,793	6,282	6,558	6,746	7,127	7,202	7,334	7,873	8,012
Stormwater	1,756	1,959	1,998	2,317	2,365	2,413	2,800	2,850	2,900	3,342	3,373
Waste Management and Minimisation	654	797	999	1,141	1,249	1,292	1,354	1,398	1,551	1,699	1,891
Flood Protection and River Control Works	39	36	32	30	28	28	28	28	28	28	28
Community Development	4,465	4,456	4,467	4,527	4,583	4,591	4,238	3,684	3,675	3,792	3,738

Governance	11	0	0	0	6	11	11	11	11	12	13
Council Enterprises	1,224	999	1,006	1,030	1,061	1,062	1,094	1,119	1,023	1,001	1,024

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RESERVE FUNDS

The Local Government Act 2002 (LGA) requires councils to provide a summary of the Reserve funds that it holds.

BACKGROUND

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

<u>Reserve Reporting</u>	<u>Activity to which the fund relates</u>	<u>Opening Balance 1 July 2021</u> (000's)	<u>Transfer into fund</u> (000's)	<u>Transfers out of fund</u> (000's)	<u>Closing Balance 30 June 2021</u> (000's)
<u>Reserve Financial Contributions Reserve</u>	<u>Reserves & Facilities</u>	13,834	34,193	(36,965)	11,062
<u>Parks and Reserves Disaster Fund</u>	<u>Reserves & Facilities</u>	413	773	-	1,186
<u>Rivers Reserve</u>	<u>Rivers</u>	(288)	54,466	(54,216)	(38)
<u>Rivers Disaster Fund</u>	<u>Rivers</u>	101	654	-	755
<u>Water Reserve</u>	<u>Water Supply</u>	(338)	180,603	(179,994)	272
<u>Water Disaster Fund</u>	<u>Water Supply</u>	166	380	-	546
<u>Wastewater Reserve</u>	<u>Wastewater</u>	1,373	164,036	(165,506)	(97)
<u>Wastewater Disaster Fund</u>	<u>Wastewater</u>	385	643	-	1,028
<u>Stormwater Reserve</u>	<u>Stormwater</u>	709	56,947	(57,597)	59
<u>Stormwater Disaster Fund</u>	<u>Stormwater</u>	674	877	-	1,551
<u>Roading Disaster Fund</u>	<u>Transportation</u>	1,375	6,200	-	7,575
<u>Self Insurance Fund</u>	<u>Overall Council</u>	1,155	183	-	1,337
<u>Waste Management and Minimisation Reserve</u>	<u>Waste Management and Minimisation</u>	107	161,345	(161,552)	(99)
<u>Dog Control Reserve</u>	<u>Public Health & Safety</u>	50	5,117	(5,429)	(262)
<u>Community Facilities Rate Reserve</u>	<u>Reserves & Facilities</u>	118	44,241	(44,241)	118
<u>Camping Ground Reserve</u>	<u>Council Enterprises & Property</u>	(285)	10,795	(9,280)	1,230
<u>Community Housing Reserve</u>	<u>Reserves & Facilities</u>	738	11,394	(9,370)	2,762
<u>Development Contribution Reserve</u>	<u>Transportation, Water Supply, Wastewater, Stormwater</u>	6,008	76,609	(119,513)	(36,895)
<u>General Disaster Fund</u>	<u>Governance</u>	4,254	4,000	-	8,253
<u>TOTAL</u>	-	30,549	813,456	(843,662)	343

RESERVES

RESERVE FINANCIAL CONTRIBUTIONS RESERVE

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

PARKS AND RESERVES DISASTER FUND

The Parks and Reserves Fund covers the excess for insured parks and reserves assets. No allowance has been made in the LTP for any withdrawals on this disaster fund, as the timing of any disasters cannot be predicted.

RIVERS RESERVE

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

RIVERS DISASTER FUND

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

WATER RESERVE

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

WATER DISASTER FUND

The Water Disaster Fund covers the excess for water assets insured under the Local Authority Protection Programme (LAPP). No allowance has been made in the LTP for any withdrawals on this disaster fund as the timing of any disasters cannot be predicted.

WASTEWATER RESERVE

The Wastewater Reserve is used to separate all funding and expenditure for the Wastewater Activity, excluding development contributions income and projects. Each year Council sets the proposed income, expenditure and funding budgets for this activity. Variations from these budgets,

as a result of timing of projects and/or unplanned expenditure are recorded in the Wastewater Reserve to keep any surpluses/deficits separate from other activities.

WASTEWATER DISASTER FUND

The Wastewater Disaster Fund covers the excess for wastewater assets insured under the Local Authority Protection Programme (LAPP). No allowance has been made in the LTP for any withdrawals on this disaster fund as the timing of any disasters cannot be predicted.

STORMWATER RESERVE

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

STORMWATER DISASTER FUND

The Stormwater Disaster Fund covers the excess for stormwater assets insured under the Local Authority Protection Programme (LAPP). No allowance has been made in the LTP for any withdrawals on this disaster fund as the timing of any disasters cannot be predicted.

ROADING DISASTER FUND

The Roading Disaster Fund covers the cost of the remediation of roading assets due to a disaster that are not covered through the Waka Kotahi/New Zealand Transport Agency (Waka Kotahi). No allowance has been made in the LTP for any withdrawals on this disaster fund as the timing of any disasters cannot be predicted.

SELF INSURANCE FUND

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

WASTE MANAGEMENT AND MINIMISATION RESERVE

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

DOG CONTROL RESERVE

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

COMMUNITY FACILITIES RATE RESERVE

The Community Facilities Rate Reserve is used to separate all funding and expenditure for the Community Facilities activity. Each year Council sets the proposed income, expenditure and funding budgets for this activity. Any variations from these budgets, for example timing of projects or unplanned expenditure, are recorded in the Community Facilities Rate Reserve so that any surpluses/deficits are kept separate from other activities. The surplus in this reserve increases over

the life of the LTP due to interest costs decreasing as the loans are repaid. The surplus increase is mainly from year five onwards in this LTP.

CAMPING GROUND RESERVE

The Camping Ground Reserve is used to separate all funding and expenditure for the Camping Ground activity. Each year Council sets the proposed income, expenditure and funding budgets for this activity. Any variations from these budgets, for example timing of projects, unplanned expenditure or changes in income, are recorded in the Camping Ground Reserve so that any surpluses/deficits are kept separate from other activities.

COMMUNITY HOUSING RESERVE

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

DEVELOPMENT CONTRIBUTION RESERVE

It is the Council's intention that developers should bear the cost of the increased demand that development places on the District's infrastructure. Population growth in the District places a strain on network and community infrastructure. That infrastructure will need to expand and be further developed in order to cope with the demands of population growth. This includes additional demand on services such as transportation, water supply, wastewater and stormwater management. All Development Contributions must be separately accountable and the Council keeps Development Contributions received in four separate accounts; transportation, wastewater, stormwater and water. Strict criteria apply to the use of these funds. Any budgeted surpluses/deficits for these funds in any given year are funded through borrowing or repaying Development Contribution loans. The significant movement in the Development Contribution Reserve from a surplus of \$6 million to a deficit of \$376 million is driven by larger up front growth costs that will be recovered over a 30 year period.

GENERAL DISASTER FUND

The General Disaster Fund is to cover uninsurable assets like roads and bridges. Council usually receives a subsidy from Waka Kotahi to cover part of the costs of any roads and bridges damaged in a disaster, but Council needs to fund any remaining costs. No allowance has been made in the LTP for any withdrawals on this disaster fund as disasters are impossible to predict.

FINANCIAL REGULATIONS BENCHMARKS

Long Term Plan disclosure statement for period commencing 1 July 2021

WHAT IS THE PURPOSE OF THIS STATEMENT?

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

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

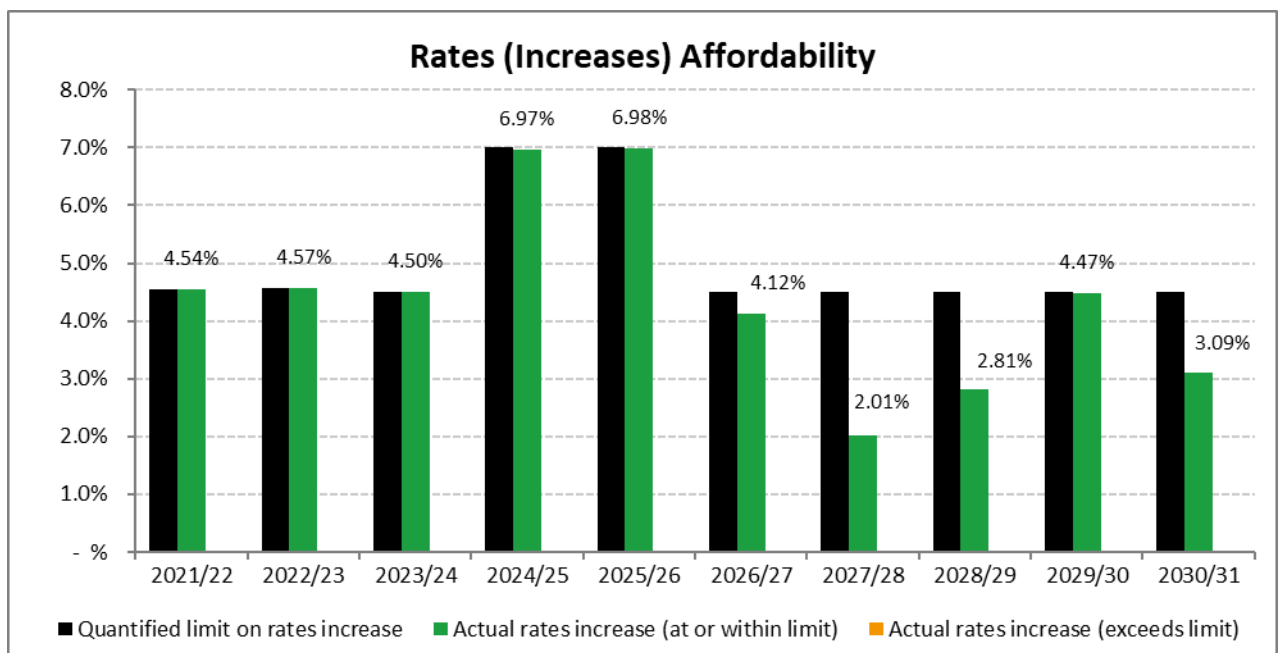
RATES AFFORDABILITY BENCHMARK

Council meets the rates affordability benchmark if its actual rates increases equals, or are less than, each quantified limit on rates increases.

RATES (INCREASES) AFFORDABILITY

Figure 1 compares Council's planned rate increases with a quantified limit on rates increases contained in the Financial Strategy (refer to Supporting Information). The quantified limit is 4.54% for year 1, 4.57% for year 2, 4.5% for year 3 a maximum of 4.5% increase in rates revenue excluding growth for the first three years, 7% for years four to five and 4.5% for years six to 10 of the LTP. Growth ranges from 1.56% to 1.88% per annum over the 10 years of the LTP.

Figure 1: Rates (Increases) Affordability



DEBT AFFORDABILITY BENCHMARK

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

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

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

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

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

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

EXTERNAL DEBT LIMIT

These graphs compare Council's planned borrowing with a quantified limit on borrowing contained in the Financial Strategy. The quantified limit is net external debt not to exceed \$282.60 million per annum.

Figure 2 represents the planned results based on the prescribed definitions in the regulations. represents the planned results based on the intended definitions contained in the Financial Strategy.

Figure 2: Debt Affordability – External Debt Limit

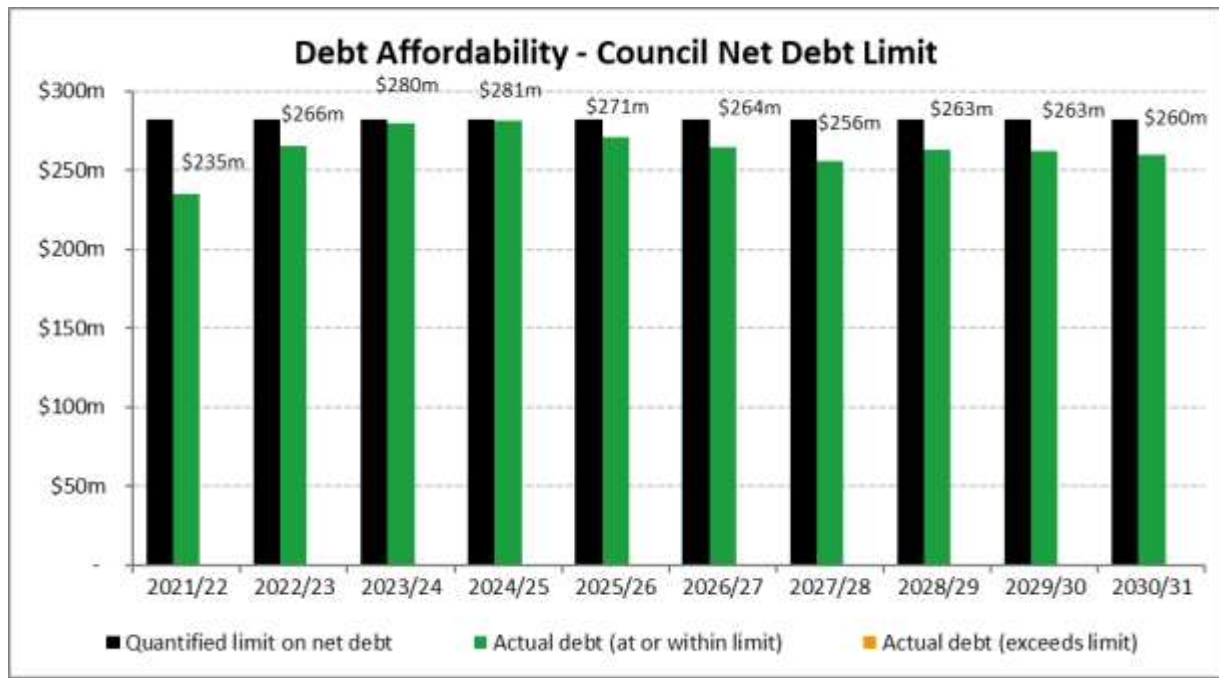
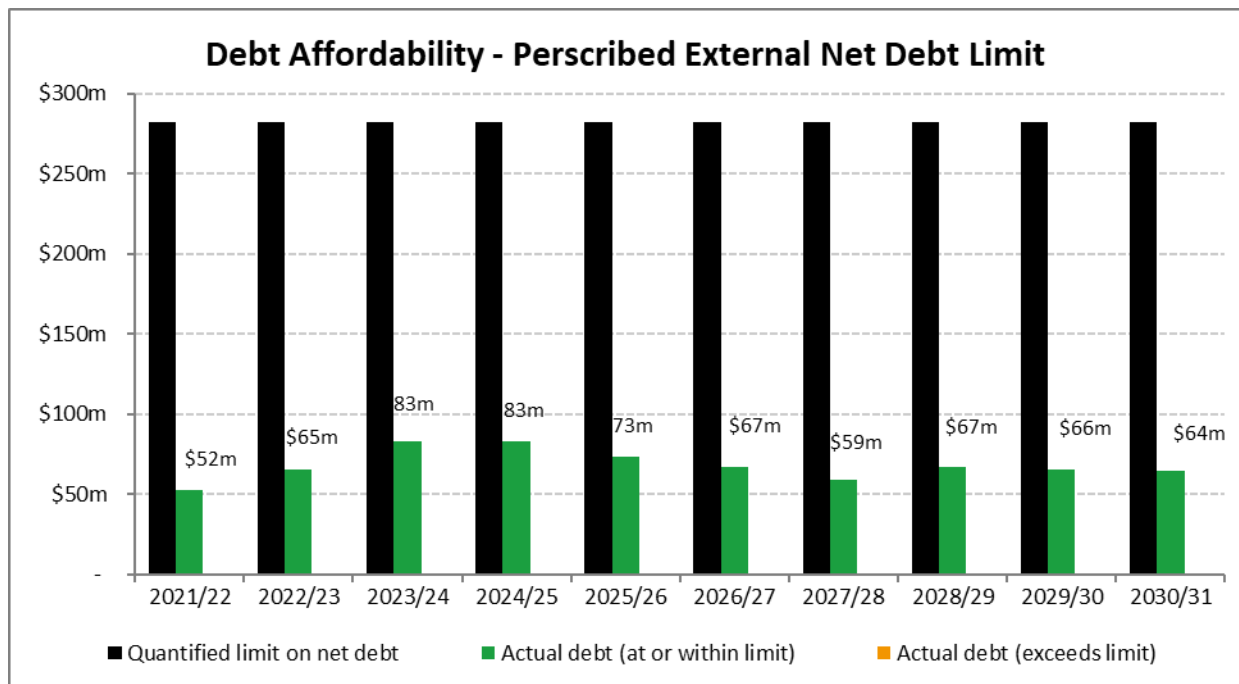


Figure 3 represents the planned results based on the prescribed definitions in the regulations. represents the planned results based on the intended definitions contained in the Financial Strategy.

Figure 3: Debt Affordability – External Debt Limit



NET DEBT TO EQUITY

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

Figure 4 represents the planned results based on the prescribed definitions in the regulations. represents the planned results based on the intended definitions contained in the Financial Strategy.

Figure 4: Debt Affordability – Net Debt to Equity

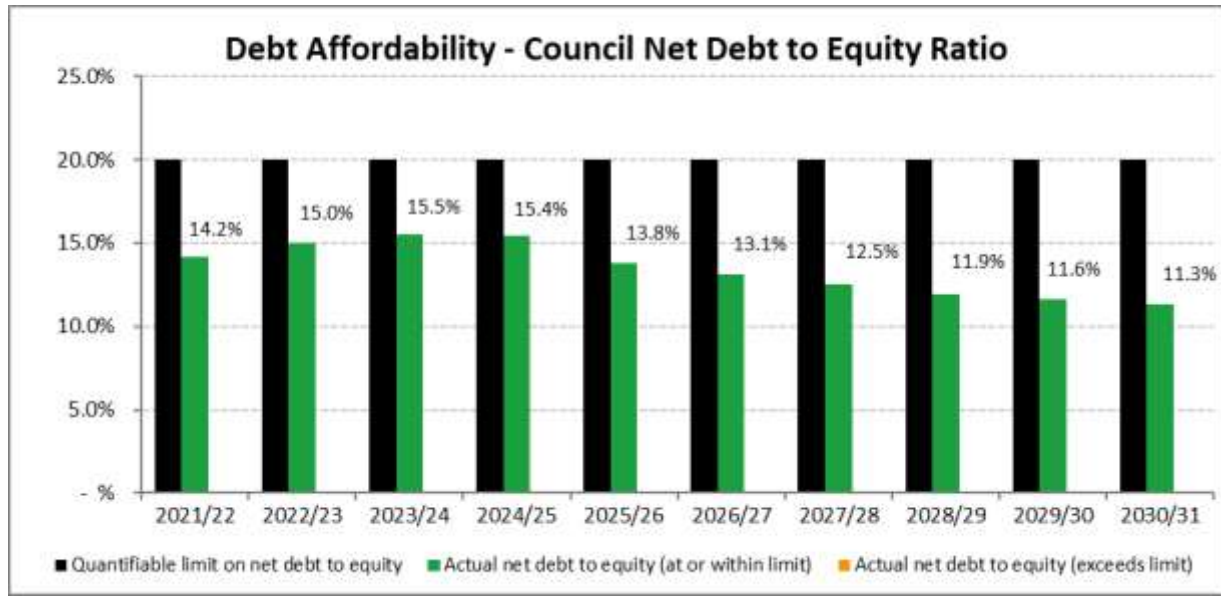
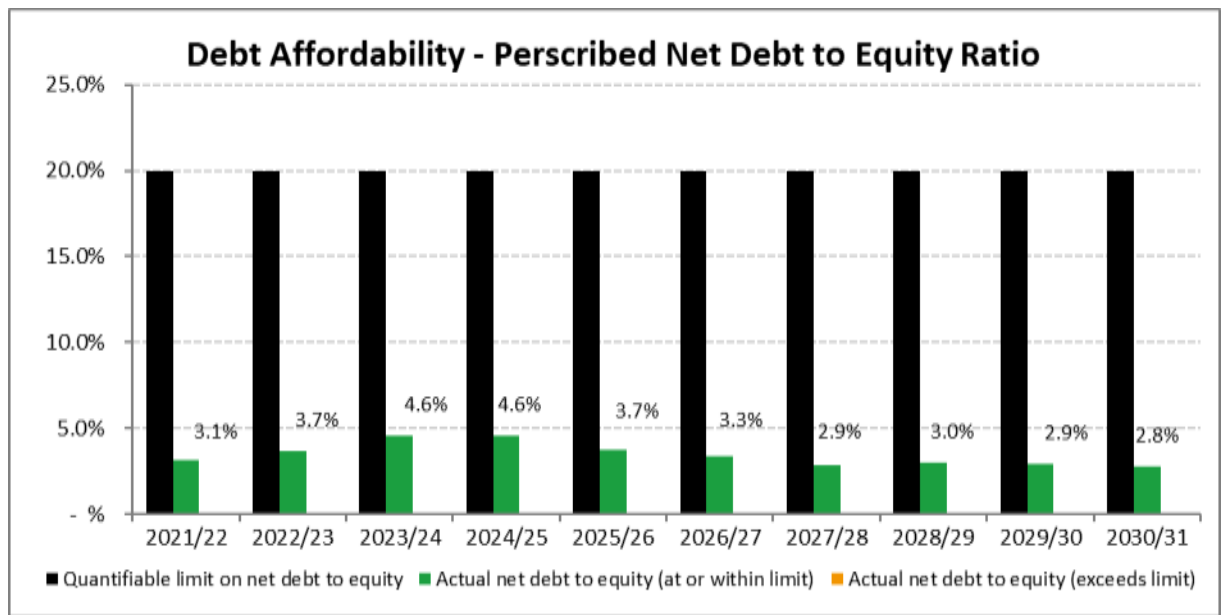


Figure 5 represents the planned results based on the prescribed definitions in the regulations. represents the planned results based on the intended definitions contained in the Financial Strategy.

Figure 5: Debt Affordability – Net Debt to Equity



NET DEBT TO TOTAL OPERATING REVENUE

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

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

Figure 6 represents the planned results based on the intended definitions contained in the Financial Strategy. ~~represents the planned results based on the prescribed definitions in the regulations.~~

Figure 6: Debt Affordability – Net Debt to Operating Revenue

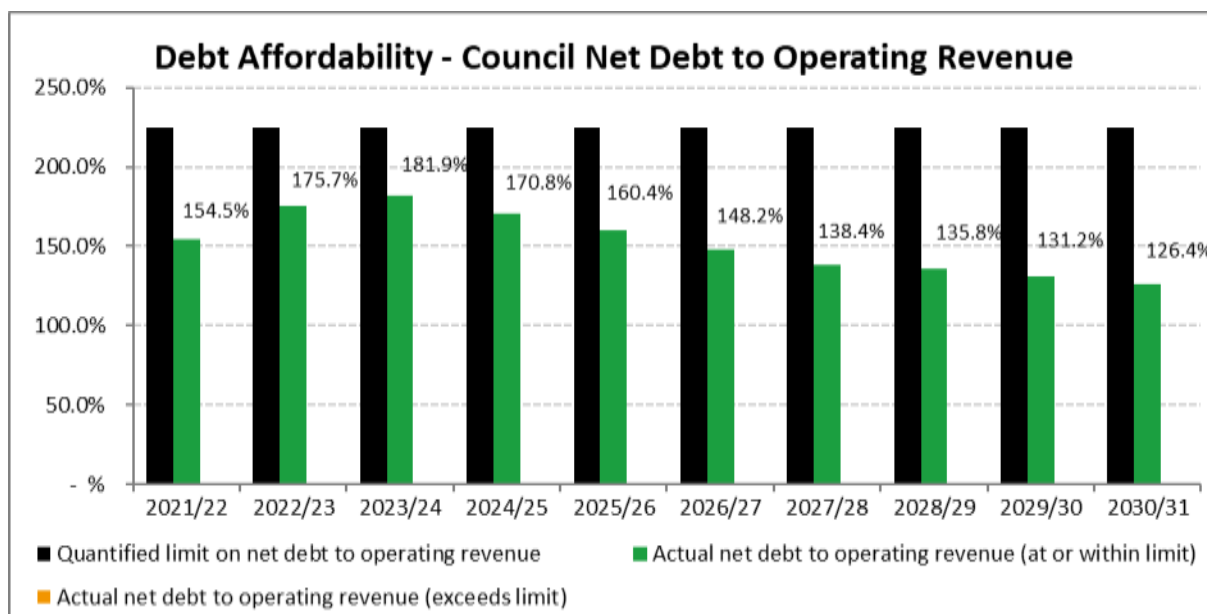
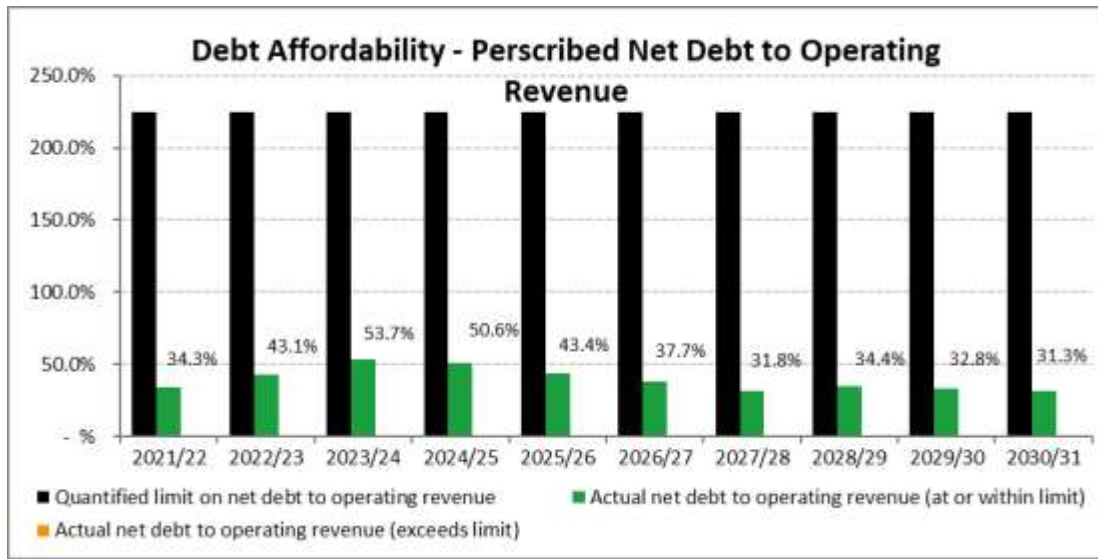


Figure 7 represents the planned results based on the intended definitions contained in the Financial Strategy. represents the planned results based on the prescribed definitions in the regulations.

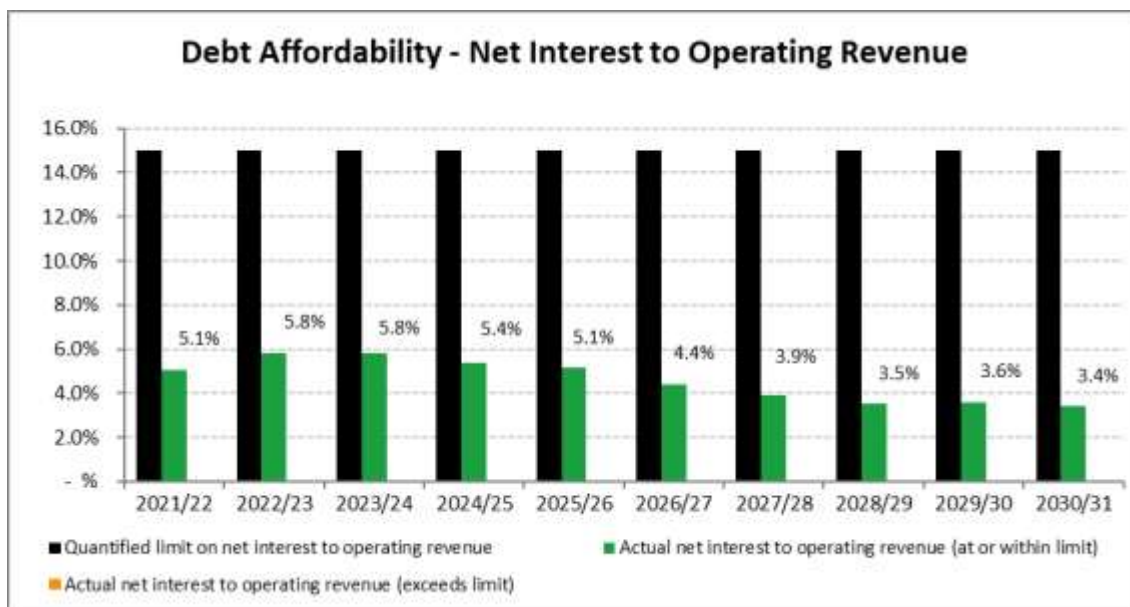
Figure 7: Debt Affordability – Net Debt to Operating Revenue



NET INTEREST TO TOTAL OPERATING REVENUE

Figure 8 compares the net interest costs of Council's planned debt with a quantified limit on borrowing contained in the Financial Strategy. The quantified limit is net interest on external debt to not exceed 15% of total annual operating revenue.

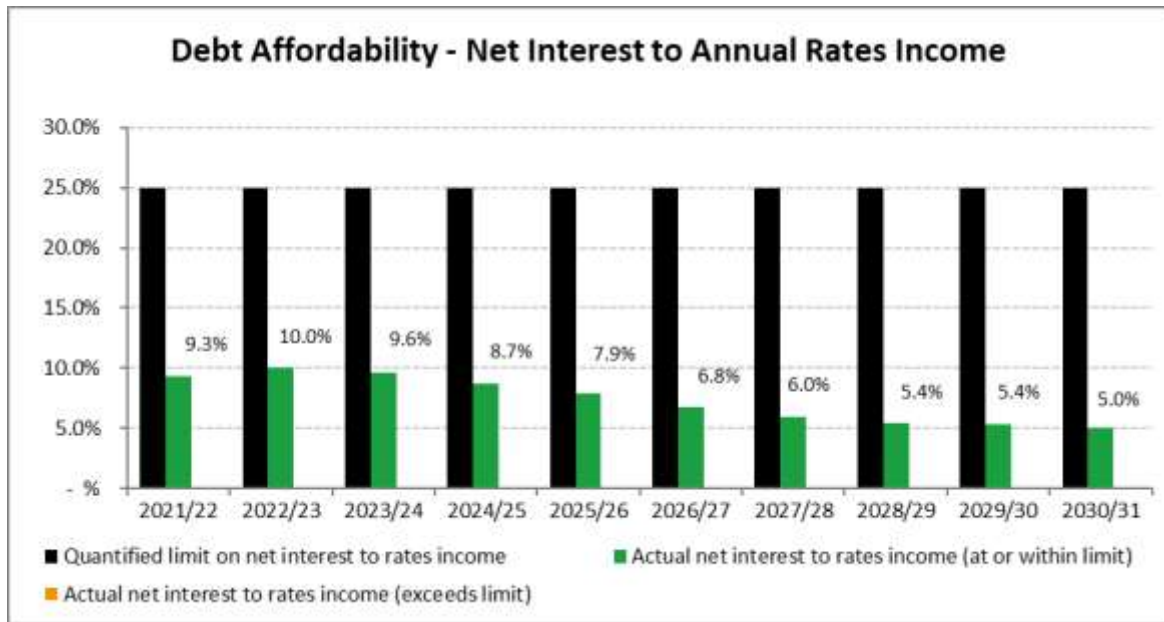
Figure 8: Debt Affordability – Net Interest to Operating Revenue



NET INTEREST TO TOTAL RATES INCOME

Figure 9 compares the net interest costs of Council's planned debt with a quantified limit on borrowing contained in the Financial Strategy. The quantified limit is net interest on external debt to not exceed 25% of total annual rates income.

Figure 9: Debt Affordability – Net Interest to Annual Rates Income

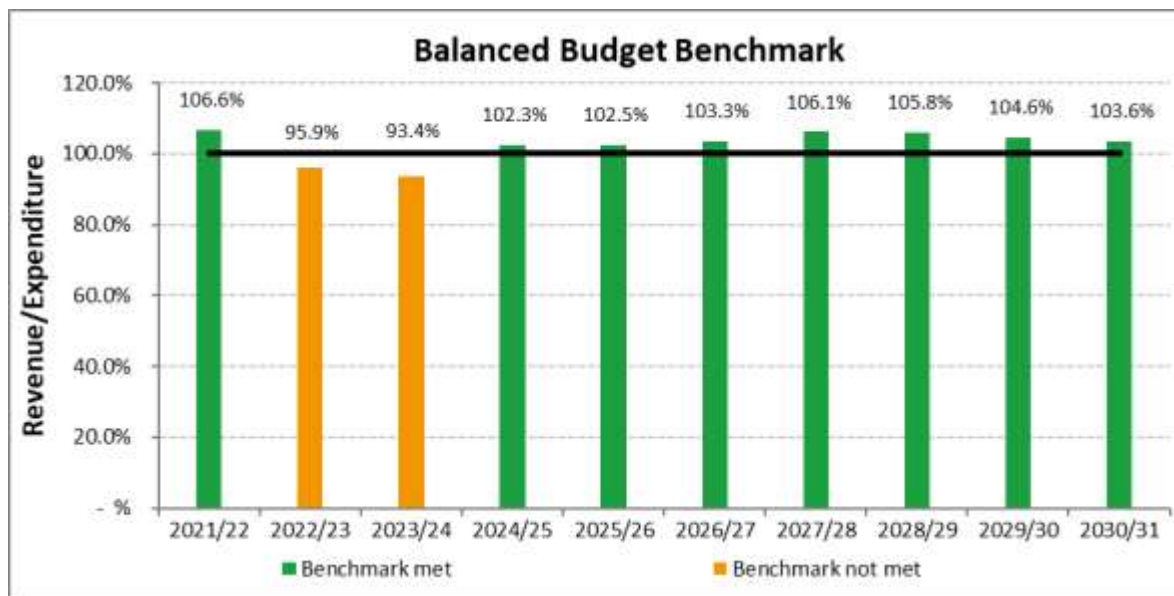


BALANCED BUDGET BENCHMARK

Figure 10 displays Council's planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant or equipment).

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

Figure 10: Balanced Budget Benchmark



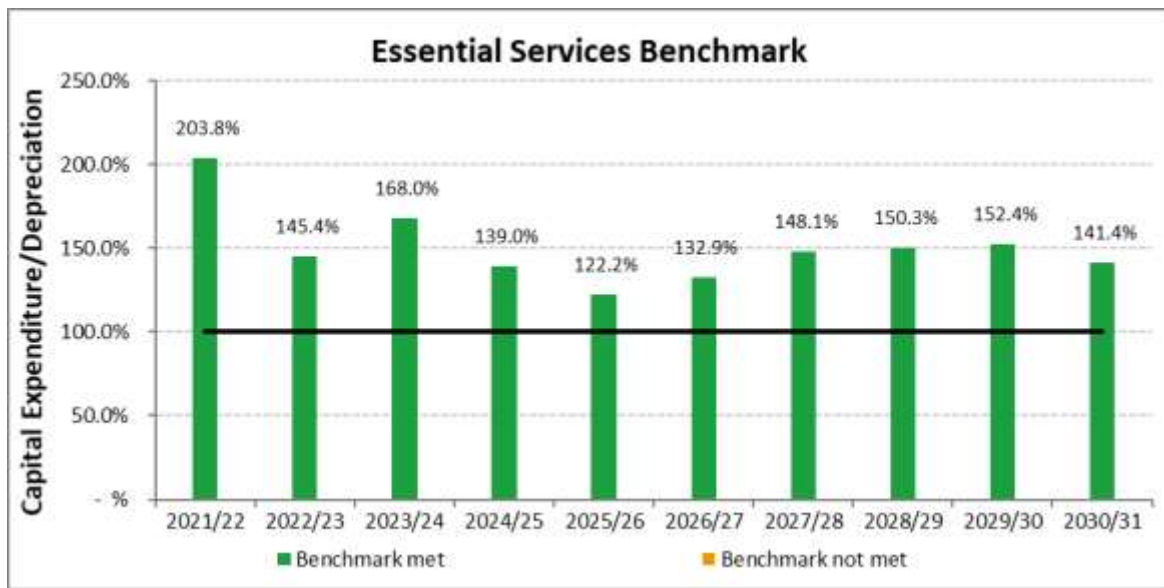
The operating deficits in 2022/2023 and 2023/2024 are driven by Council's decision to loan fund operating expenditure for the Digital Innovation Programme and the review of the Tasman Resource Management Plan across the LTP. These programmes are being loan funded, as the benefit to the community extends beyond a single year. For more detail please refer to the Revenue and Financing Policy (see Supporting Information). Loan funding is not included under the regulations for the calculation of operating revenue leading to an operating deficit. The balanced budget does not reflect the cash operating position of Council.

ESSENTIAL NETWORK SERVICES BENCHMARK

Figure 11 displays the Council's planned capital expenditure on essential network services as a proportion of expected depreciation on network services. Essential network services are defined as infrastructure relating to water, wastewater, stormwater, flood protection, roads and footpaths.

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

Figure 11: Essential Services Benchmark



DEBT SERVICING BENCHMARK

Figure 12 displays Council's planned borrowing costs as a proportion of planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant or equipment).

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

Figure 12: Debt Servicing Benchmark

